

Sector Report International Shares

NOVEMBER 2019

International Shares

Over the 12 months to 31 October 2019, Zenith's rated International Shares - Global (Unhedged) funds generated an average return of 16.0% (after fees), outperforming the broader equity market (as represented by the MSCI World ex Aust Index \$A), which returned 15.8% over the same period.



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EXECUTIVE SUMMARY

Over the 12 months to 31 October 2019, Zenith's rated International Shares - Global (Unhedged) funds generated an average return of 16.0% (after fees), outperforming the broader equity market (as represented by the MSCI World ex Aust \$A), which returned 15.8% over the same period.

In this year's sector report, Zenith discusses the second Markets in Financial Instruments Directive (MiFID II), enforced by the European Commission in January 2018, and its impact on the funds management industry and broader market.

Zenith identified the following changes within the industry as a result of MiFID II:

- Fund managers are absorbing brokerage costs, which has led to lower-fee outcomes for clients
- Sell-side coverage is declining, resulting in greater market inefficiencies
- Sell-side analysts are migrating to the buy-side, leading to larger investment teams

With the size of investment teams growing, we have conducted a study on the relationship between team size and outperformance in a global equities context over the five years to September 2019. In addition, we used the same analysis to assess specialist team structures versus generalist team structures while also seeking to determine whether investment teams situated across multiple locations is a competitive advantage. Finally, we address whether a compact decision-making structure is more efficient than a large investment committee approach.

Our study suggests that large teams operating under a specialist structure, driven by a compact decision-making approach, tend to exhibit greater levels of outperformance when compared to the alternative characteristics. However, Zenith found that there is no single template that managers should follow to succeed. We have observed successful managers that do not align with the "optimal" characteristics in our analysis and unsuccessful ones that mirror the ideal template. Overall, we believe a team's ideal structure needs to align with its investment philosophy and process.

1. INTRODUCTION

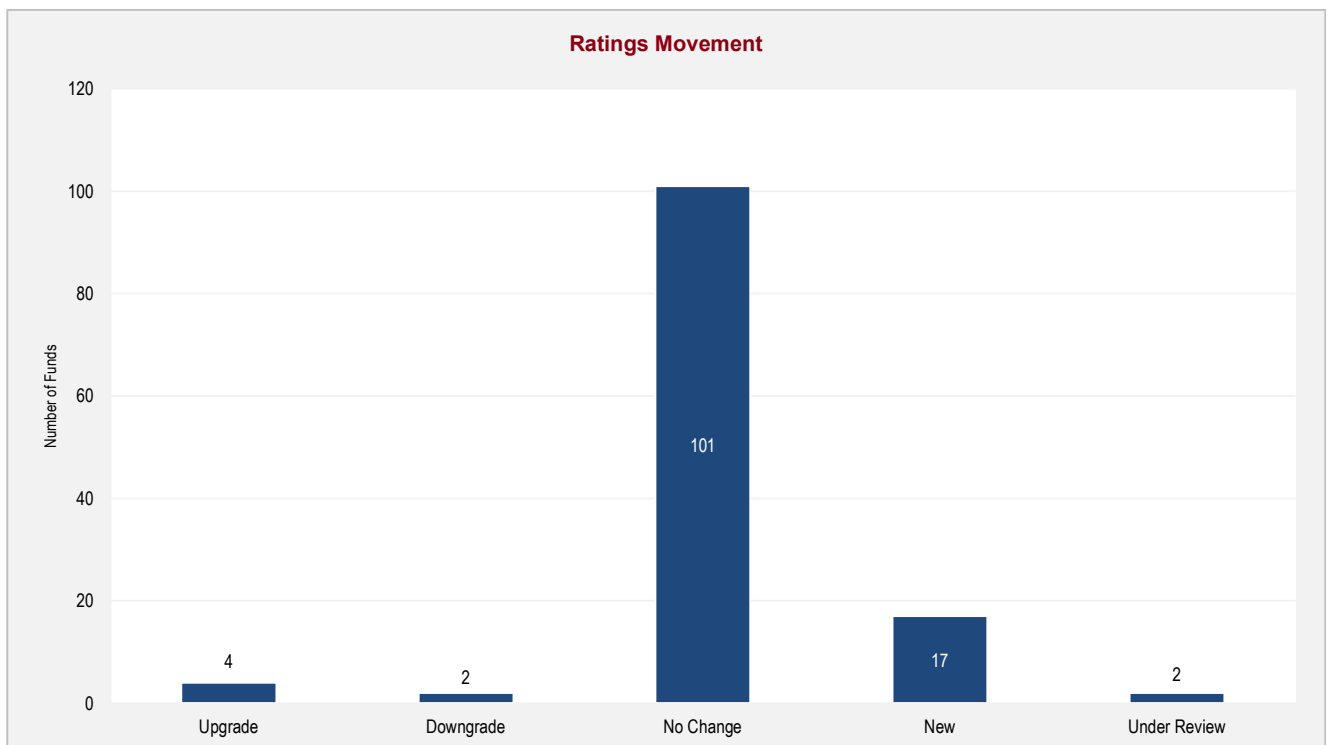
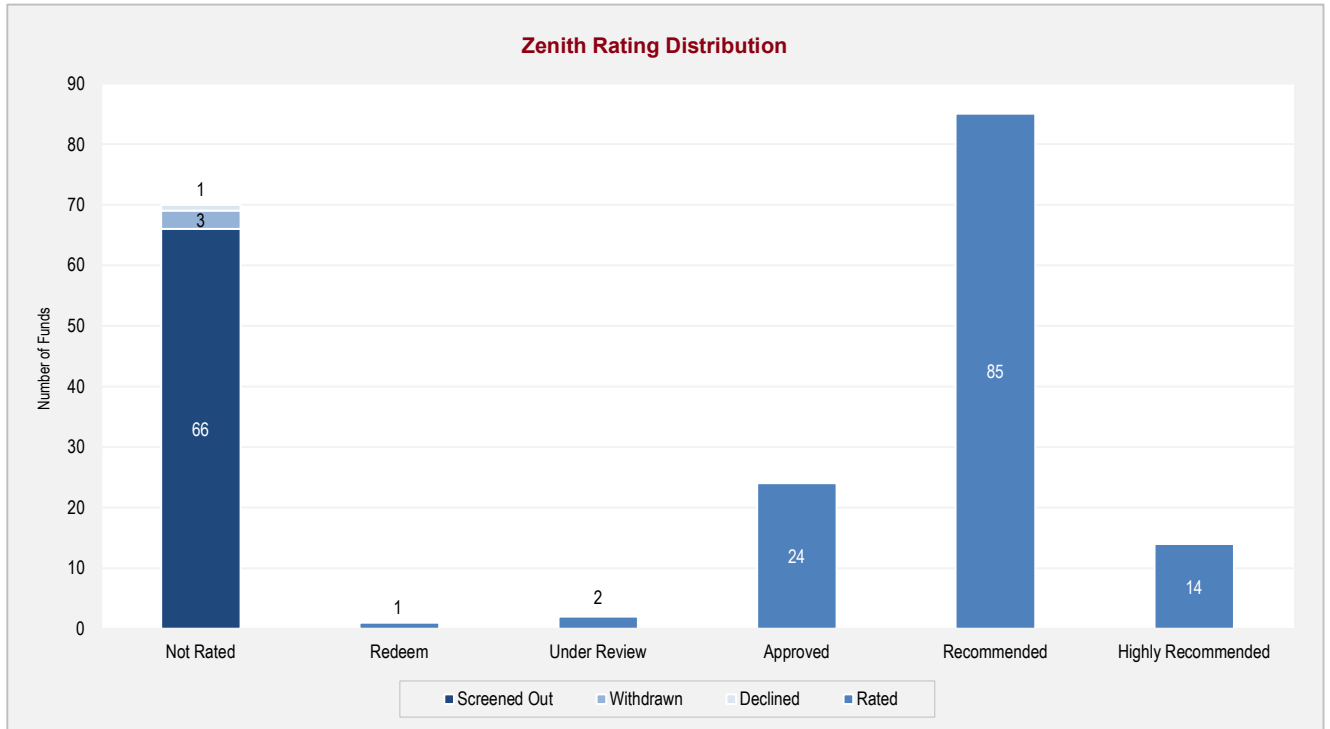
1.1 Background

This report provides the output of Zenith’s 2019 International Shares Sector Review.

The report highlights key issues facing the sector and outlines the universe screening and qualitative due diligence process that Zenith used in constructing its International Shares Approved Product List.

1.2 Summary of Findings

From an initial universe of 196 products, 14 were rated “Highly Recommended”, 85 were rated “Recommended”, 24 were rated “Approved”, 2 were “Under Review”, 70 were “Not Rated” and one was placed on “Redeem”.



All funds rated “Approved” or above at the completion of this review are listed below:

Fund Name	APIR	Rating	Action (No Change, Upgrade, Downgrade)
AB Global Equities Fund	ACM0009AU	Highly Recommended	No Change
Antipodes Global Fund - Long	WHT0057AU	Highly Recommended	No Change
Arrowstreet Global Equity Fund	MAQ0464AU	Highly Recommended	No Change
Arrowstreet Global Equity Fund (Hedged)	MAQ0079AU	Highly Recommended	No Change
IFP Global Franchise Fund	MAQ0404AU	Highly Recommended	No Change
IFP Global Franchise Fund (Hedged)	MAQ0631AU	Highly Recommended	No Change
Magellan Global Fund	MGE0001AU	Highly Recommended	No Change
Magellan Global Fund (Hedged)	MGE0007AU	Highly Recommended	No Change
MFS Concentrated Global Equity Trust (Wholesale)	ETL0172AU	Highly Recommended	No Change
MFS Fully Hedged Global Equity Trust	ETL0041AU	Highly Recommended	No Change
MFS Global Equity Trust	MIA0001AU	Highly Recommended	No Change
Pan-Tribal Global Equity Fund	ETL0419AU	Highly Recommended	No Change
T. Rowe Price Global Equity (Hedged) Fund	ETL0312AU	Highly Recommended	No Change
T. Rowe Price Global Equity Fund	ETL0071AU	Highly Recommended	No Change
Acadian Global Managed Volatility Equity Fund - Class A	FSF1240AU	Recommended	No Change
Alphinity Global Equity Fund	HOW0164AU	Recommended	No Change
AXA IM Sustainable Equity Fund	ETL0171AU	Recommended	No Change
Baillie Gifford Wholesale Long Term Global Growth - Class A	FSF5774AU	Recommended	No Change
Barrow Hanley Global Equity Trust	ETL0434AU	Recommended	Upgrade
Bell Global Emerging Companies Fund	BPF0029AU	Recommended	No Change
Bell Global Equities Fund (Platform)	BPF0016AU	Recommended	No Change
Blackrock Advantage Hedged International Equity Fund	BGL0109AU	Recommended	No Change
Blackrock Advantage International Equity Fund	BAR0817AU	Recommended	No Change
BNP Paribas Environmental Equity Trust	ETL8171AU	Recommended	No Change
C WorldWide Global Equity Trust	ARO0006AU	Recommended	No Change
Cambridge Global Smaller Companies Fund	GSF4799AU	Recommended	No Change
Capital Group New Perspective Fund (AU)	CIM0006AU	Recommended	No Change
Capital Group New Perspective Fund Hedged (AU)	CIM0008AU	Recommended	No Change
Capital Group New World Fund (AU)	CIM8680AU	Recommended	No Change
Cooper Investors Global Equities Fund (Hedged)	CIP0001AU	Recommended	No Change
Cooper Investors Global Equities Fund (Unhedged)	CIP0003AU	Recommended	No Change
Dimensional Global Core Equity Trust - AUD Hedged Class Units	DFA0009AU	Recommended	No Change
Dimensional Global Core Equity Trust - Unhedged Class Units	DFA0004AU	Recommended	No Change
Dimensional Global Large Company Trust	DFA0105AU	Recommended	No Change
Dimensional Global Small Company Trust	DFA0106AU	Recommended	No Change
Dimensional Global Value Trust	DFA0102AU	Recommended	No Change
Epoch Global Equity Shareholder Yield (Hedged) Fund	GSF0001AU	Recommended	No Change
Epoch Global Equity Shareholder Yield (Unhedged) Fund	GSF0002AU	Recommended	No Change
Fairlight Global Small & Mid Cap (SMID) Fund	PIM7802AU	Recommended	New
Fidelity Global Equities Fund	FID0007AU	Recommended	No Change
Fidelity Hedged Global Equities Fund	FID0014AU	Recommended	No Change
Franklin Concentrated Global Equity ex-Australia Portfolio	ZIP0886XX	Recommended	No Change



Fund Name	APIR	Rating	Action (No Change, Upgrade, Downgrade)
Franklin Global Growth Fund-Class W	FRT0009AU	Recommended	No Change
GQG Partners Global Equity Fund	ETL7377AU	Recommended	New
Hyperion Global Growth Companies Fund - Class B	WHT8435AU	Recommended	No Change
Intermede Global Equities Fund	PPL0036AU	Recommended	No Change
Invesco Wholesale Global Opportunities Fund - Hedged	GTU0008AU	Recommended	No Change
Invesco Wholesale Global Opportunities Fund - Unhedged	GTU0102AU	Recommended	No Change
iShares Hedged International Equity Index Fund	BGL0044AU	Recommended	No Change
iShares International Equity Index Fund	BGL0106AU	Recommended	No Change
Janus Henderson Global Equity Income Fund	HGI0005AU	Recommended	No Change
Janus Henderson Global Natural Resources Fund	ETL0331AU	Recommended	No Change
JPMorgan Global Research Enhanced Index Equity Fund	PER0719AU	Recommended	No Change
JPMorgan Global Research Enhanced Index Equity Fund (Hedged)	PER0715AU	Recommended	No Change
Lazard Global Equity Franchise Fund	LAZ0025AU	Recommended	No Change
Lazard Global Small Cap Fund (W Class)	LAZ0012AU	Recommended	No Change
Legg Mason Martin Currie Global Long-Term Unconstrained Fund	SSB0066AU	Recommended	New
Legg Mason QS Investors Global Equity Trust - Class A	SSB0126AU	Recommended	No Change
Loomis Sayles Global Equity Fund	IML0341AU	Recommended	No Change
Magellan High Conviction Fund - Class A	MGE0005AU	Recommended	No Change
Magellan High Conviction Fund - Class B	MGE9885AU	Recommended	No Change
MFS Blended Research Global Equity Trust	ETL0402AU	Recommended	No Change
Montgomery Global Fund	FHT0036AU	Recommended	No Change
Nikko AM Global Share Fund	SUN0031AU	Recommended	No Change
Orbis Global Equity Fund (Australia Registered) - Retail Class	ETL0463AU	Recommended	No Change
Pendal Concentrated Global Share Fund	BTA0503AU	Recommended	No Change
Pengana Global Small Companies Fund	PCL0022AU	Recommended	No Change
Pengana International Fund	PCL0026AU	Recommended	No Change
Pengana International Fund - Class E	PCL1284AU	Recommended	New
Pengana International Fund - Ethical	HOW0002AU	Recommended	No Change
Perpetual Wholesale Global Share Fund - Class A	PER0733AU	Recommended	No Change
Perpetual Wholesale Global Share Fund Hedged Class A	PER0752AU	Recommended	No Change
Platinum Global Fund	PLA0017AU	Recommended	No Change
Platinum Unhedged Fund - Class C	PLA0006AU	Recommended	No Change
Platinum Unhedged Fund - Class P	PLA0779AU	Recommended	No Change
Realindex Global Share - Class A	FSF0974AU	Recommended	No Change
Realindex Global Share Hedged - Class A	FSF0975AU	Recommended	No Change
Robeco Global DM Conservative Equities Fund (AUD Hedged)	ETL1206AU	Recommended	No Change
Robeco Global DM Conservative Equities Fund (AUD)	ETL3856AU	Recommended	No Change
Robeco Global DM Multi-Factor Equities Alpha Fund (AUD Hedged)	ETL6318AU	Recommended	No Change
Robeco Global DM Multi-Factor Equities Alpha Fund (AUD)	ETL7610AU	Recommended	No Change
Schroder Global Core Fund	SCH0003AU	Recommended	No Change
Spire Copper Rock Capital Global Smaller Companies Fund	ETL0410AU	Recommended	No Change
State Street Global Equity Fund	SST0050AU	Recommended	No Change



Fund Name	APIR	Rating	Action (No Change, Upgrade, Downgrade)
Stewart Investors Worldwide Sustainability Fund - Class A	FSF1675AU	Recommended	No Change
Talaria Global Equity Fund - Hedged	WFS0547AU	Recommended	No Change
Talaria Global Equity Fund - Wholesale Units	AUS0035AU	Recommended	No Change
Vanguard Global Minimum Volatility Fund	VAN0068AU	Recommended	New
Vanguard International Shares Index Fund	VAN0003AU	Recommended	No Change
Vanguard International Shares Index Fund (Hedged)	VAN0105AU	Recommended	No Change
Walter Scott Global Equity Fund	MAQ0410AU	Recommended	No Change
Walter Scott Global Equity Fund (Hedged)	MAQ0557AU	Recommended	No Change
WCM Quality Global Growth Fund	SWI1413AU	Recommended	New
Zurich Investments Concentrated Global Growth Fund	ZUR0617AU	Recommended	No Change
Zurich Investments Global Growth Share Fund	ZUR0580AU	Recommended	No Change
Zurich Investments Global Thematic Share Fund	ZUR0061AU	Recommended	Upgrade
Zurich Investments Hedged Global Thematic Share Fund	ZUR0517AU	Recommended	Upgrade
Zurich Investments Unhedged Global Growth Share Fund	ZUR0581AU	Recommended	No Change
Zurich Investments Unhedged Global Thematic Share Fund	ZUR0518AU	Recommended	Upgrade
Aberdeen Standard Actively Hedged International Equities Fund	CRS0005AU	Approved	No Change
Aberdeen Standard Fully Hedged International Equities Fund	CSA0135AU	Approved	No Change
Aberdeen Standard International Equity Fund	EQI0015AU	Approved	No Change
Advance International Shares Multi-Blend Fund - Wholesale Units	ADV0053AU	Approved	New
Altrinsic Global Equities Trust	ANT0005AU	Approved	No Change
Aoris International Fund - Class A Units	PIM3513AU	Approved	New
Aoris International Fund - Class B Units	PIM0058AU	Approved	New
Aoris International Fund - Class C Units	PIM8433AU	Approved	New
Aoris International Fund - Class D Units	PIM1812AU	Approved	New
Ausbil Global SmallCap Fund	AAP8285AU	Approved	New
Avenir Global Fund	HOW9187AU	Approved	New
BT Wholesale Multi-manager International Share Fund	BTA0261AU	Approved	New
Dimensional Global Sustainability Trust AUD Unhedged Class	DFA0041AU	Approved	No Change
Fidelity Global Low Volatility Equity Fund	FID9876AU	Approved	New
Ironbark Royal London Concentrated Global Share Fund	MGL0004AU	Approved	No Change
Legg Mason QS Investors Global Responsible Investment Fund	SSB5738AU	Approved	New
Nanuk New World Fund	SLT2171AU	Approved	No Change
Paradice Global Small Cap Fund	ETL0365AU	Approved	Downgrade
Pengana WHEB Sustainable Impact Fund	HHA0007AU	Approved	No Change
Plato Global Shares Income Fund - Class A Units	WHT0061AU	Approved	No Change
Polaris Global Equity Fund	MAQ0838AU	Approved	No Change
Schroder Global Recovery Fund	SCH0095AU	Approved	New
Schroder Global Value Fund (Hedged)	SCH0032AU	Approved	No Change
Schroder Global Value Fund (Unhedged)	SCH0030AU	Approved	No Change
Pendal Core Global Share Fund	RFA0821AU	Under Review	Under Review
Pendal Core Hedged Global Share Fund	RFA0031AU	Under Review	Under Review

2. KEY THEMES AND ISSUES

2.1 MiFID II: How has it impacted fund managers?

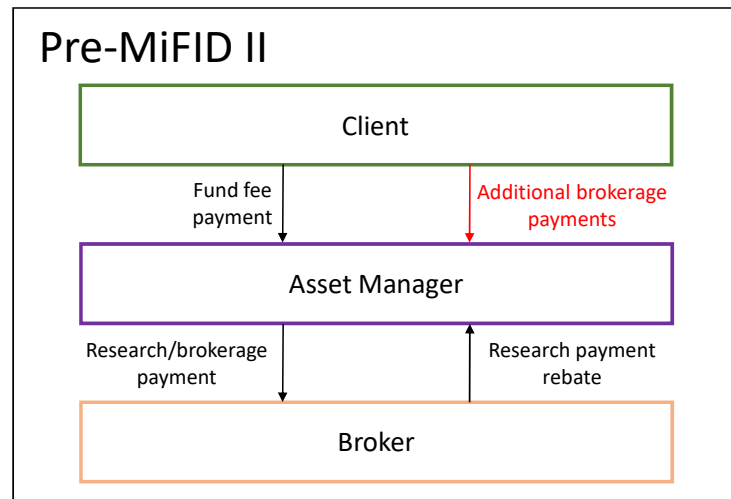
“Show me the incentive and I will show you the outcome” – Charlie Munger, Vice Chairman of Berkshire Hathaway

Following the Global Financial Crisis, which was caused by misaligned incentives, the European Commission implemented the second Markets in Financial Instruments Directive (MiFID II). The goal of MiFID II was to increase competition and pricing transparency amongst market participants both inside and outside the European Union.

Provisions regarding fee transparency have been a key focus, which has led to changes to the funds management industry and broader market dynamics. In effect, MiFID II aims to remedy the general issue highlighted by Munger, in the above quote.

Adopted in April 2014 and enforced in January 2018, MiFID II requires the separation of research payments and execution service payments, rather than research costs being rebated on the condition of execution business. Prior to MiFID II, fund managers were incentivised to ensure they received a rebate, which had the potential to increase brokerage costs to the end client.

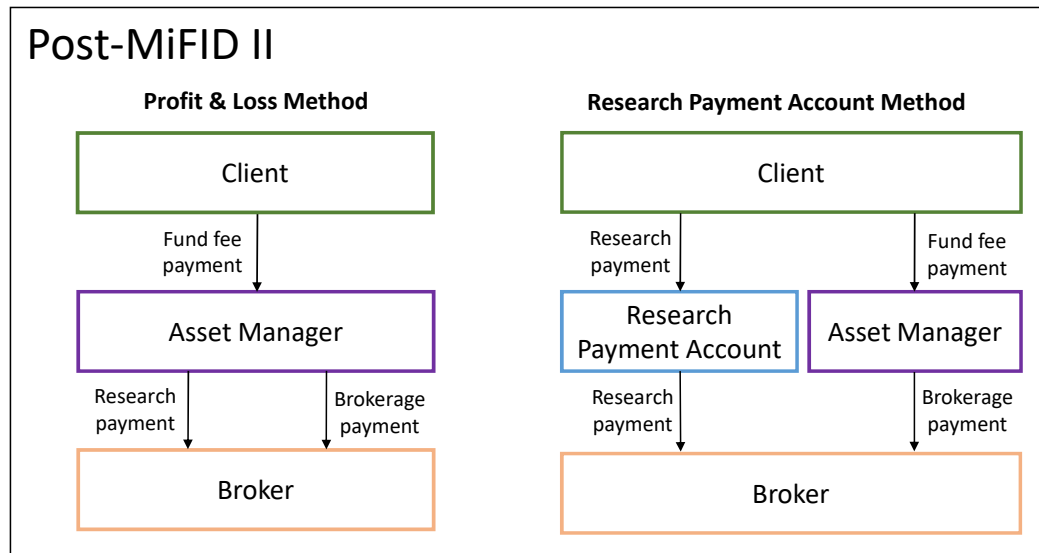
The diagram below illustrates the model prior to MiFID II.



Source: Zenith Investment Partners

Under MiFID II, fund managers now have two options through which they can pay for research. First is the Profit & Loss method, whereby fund managers absorb research costs directly. The second method is the Research Payment Account method, whereby research costs are funded by clients in a separate account.

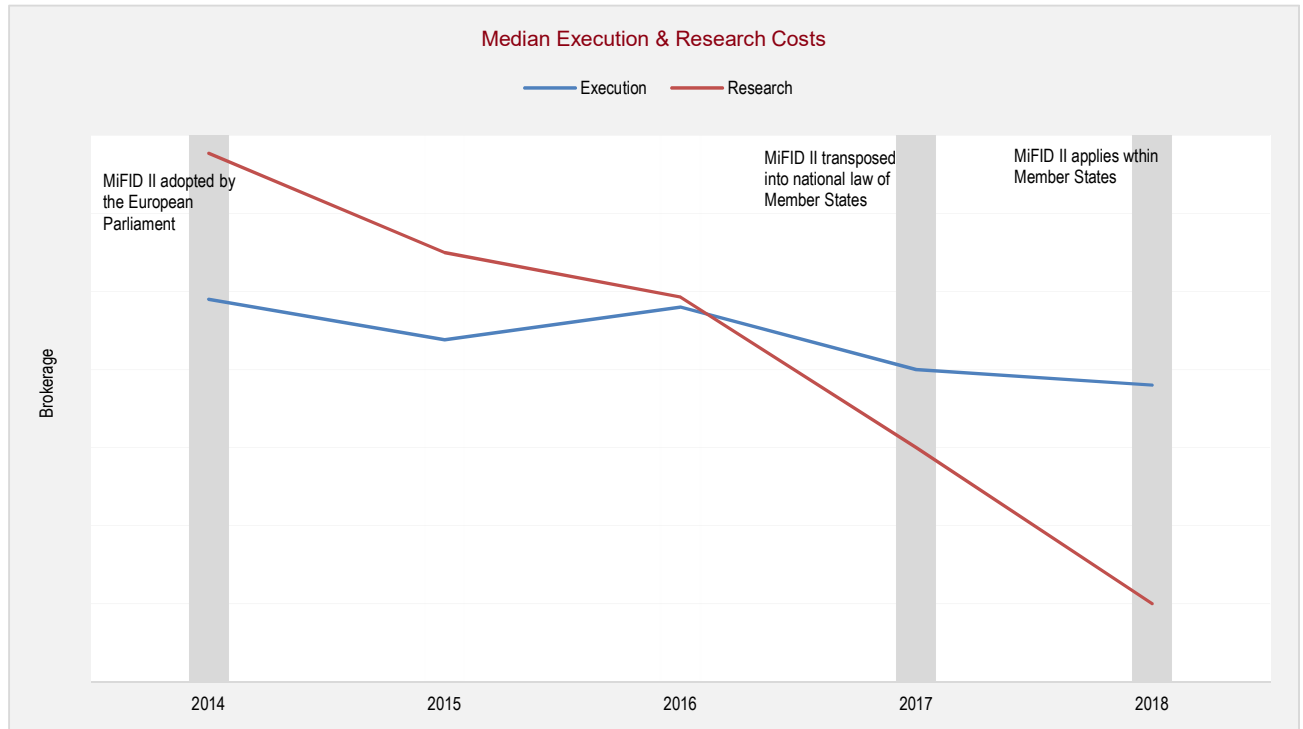
These two models are illustrated in the diagram below:



Source: Zenith Investment Partners

Encouragingly, the overwhelming majority of Zenith’s rated global equity managers are now absorbing research costs, rather than directly passing them onto clients. As a result, fund managers have reduced the overall amount paid to brokers, choosing to pay only for value-additive research.

The chart below shows the brokerage payments of Zenith’s rated global equity managers over time.

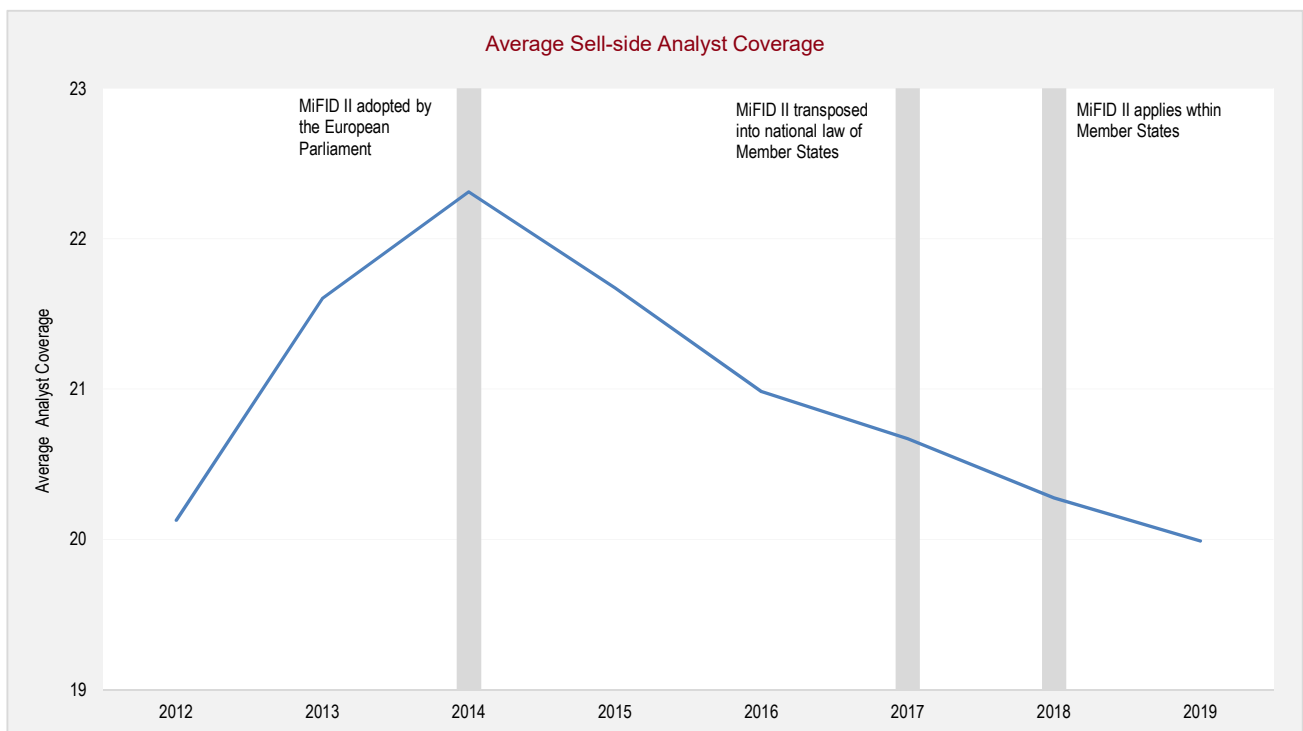


Source: Fund Managers, Zenith Investment Partners

As shown in the chart, managers have paid significantly less brokerage across both research and execution since the adoption of MiFID II, with payments for third party research declining more than twice as much as payments for execution services. Zenith believes both trends should improve client outcomes by lowering their overall end costing.

How has MiFID II impacted analyst coverage and research quality?

With heavy cost pressures facing the broker community, rationalisation of staff numbers has been apparent. The chart below shows the gradual reduction in third-party research (sell-side) coverage across the constituents of the MSCI World Index.

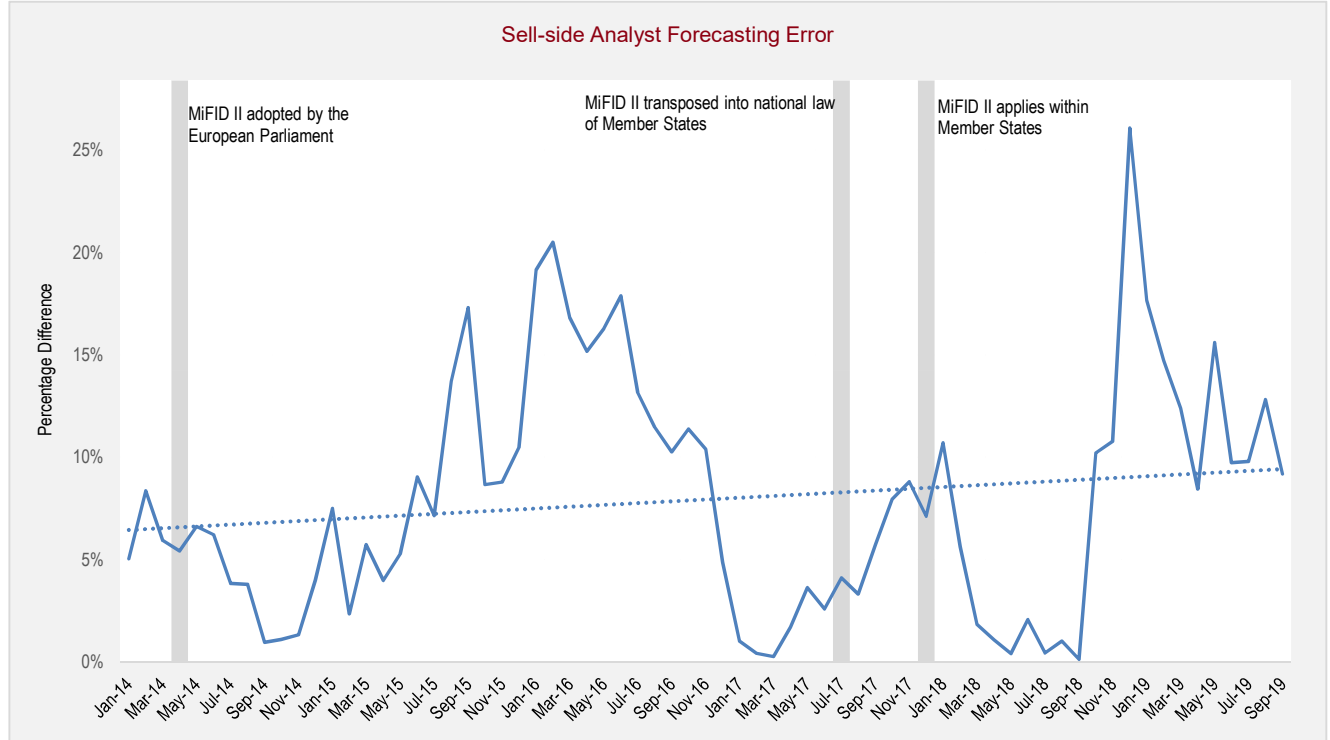


Source: Fund Managers, Zenith Investment Partners



Since the adoption of MiFID II in April 2014, we have observed a decline in sell-side coverage, falling approximately 10% from its peak.

In addition to the decline in analyst coverage, Zenith found that research quality also declined post MiFID II. The chart below highlights this dynamic as it relates to the aggregated analyst forecast error (AFE) of the MSCI World Index constituents. The AFE measures the difference between the 12-month share price targets of sell-side analysts and the actual share price of a given security 12 months later.



Source: Fund Managers, Zenith Investment Partners

While the aggregate AFE does not rise immediately after required compliance (January 2018), it remains above early 2017 levels. Heading into December 2018, the aggregate AFE rose substantially. Of course, the adoption and enforcement of MiFID did not occur in a vacuum. Towards the end of 2018, global equity markets experienced a correction due to building US-China trade tensions and US monetary policy, while throughout 2018, the MSCI World Index fell more than 13%. Zenith notes that predicting market shocks accurately is notoriously difficult, which explains the aggregate AFE spike around December 2018.

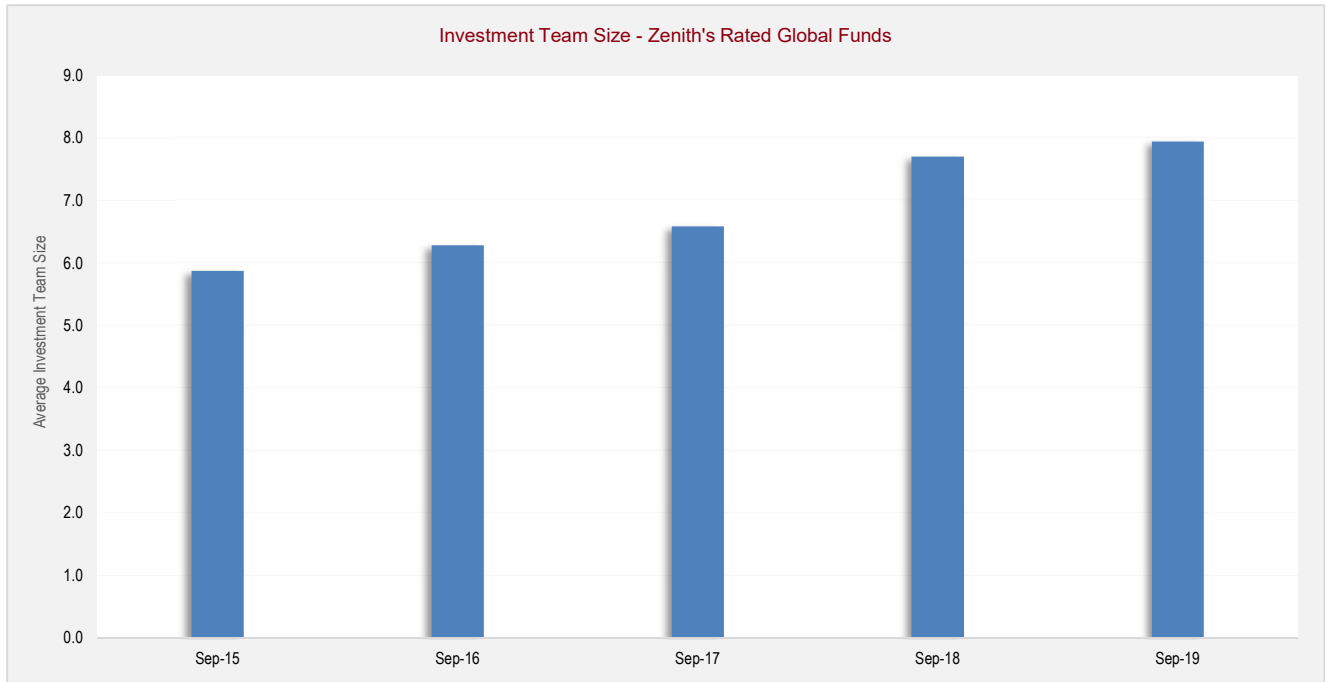
Whilst underlying macroeconomic issues drove the heightened aggregate AFE, we also believe that the deterioration of sell-side research quality also contributed higher levels of inaccuracy. Conversely, the low volatility market environment throughout 2017 and 2018, with the exception of the 2018 December quarter, reduced aggregate AFE.

Overall, Zenith believes the reduction in analyst coverage has led to greater market inefficiencies.

Is the sell-side's loss the buy-side's gain?

Fund managers (buy-side) have benefitted through being able to bolster their investment teams with highly sought-after talent from the sell-side. This effect can be measured through the headcount amongst fund managers and the corresponding levels of investment team experience.

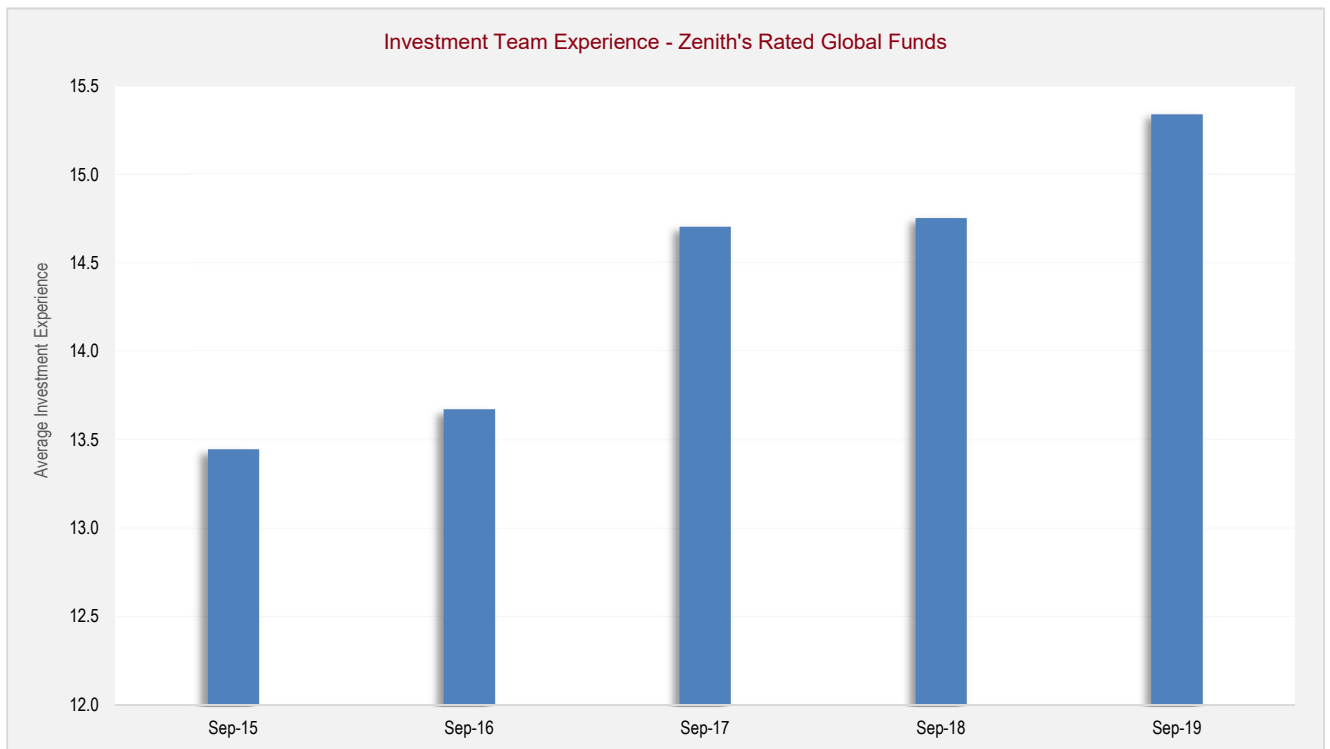
The following chart shows the average team size of fundamental global equity managers on Zenith's approved product list over the past five years.



Source: Fund Managers, Zenith Investment Partners

We found that the average team size has increased every year since 2015, with the most significant increase occurring over 2018 when MiFID II was enforced.

The chart below shows the average experience within the investment teams over the past five years.



Source: Fund Managers, Zenith Investment Partners

Importantly, Zenith notes that new hires did not detract from the overall team experience, which indicates that managers were able to add experienced individuals.

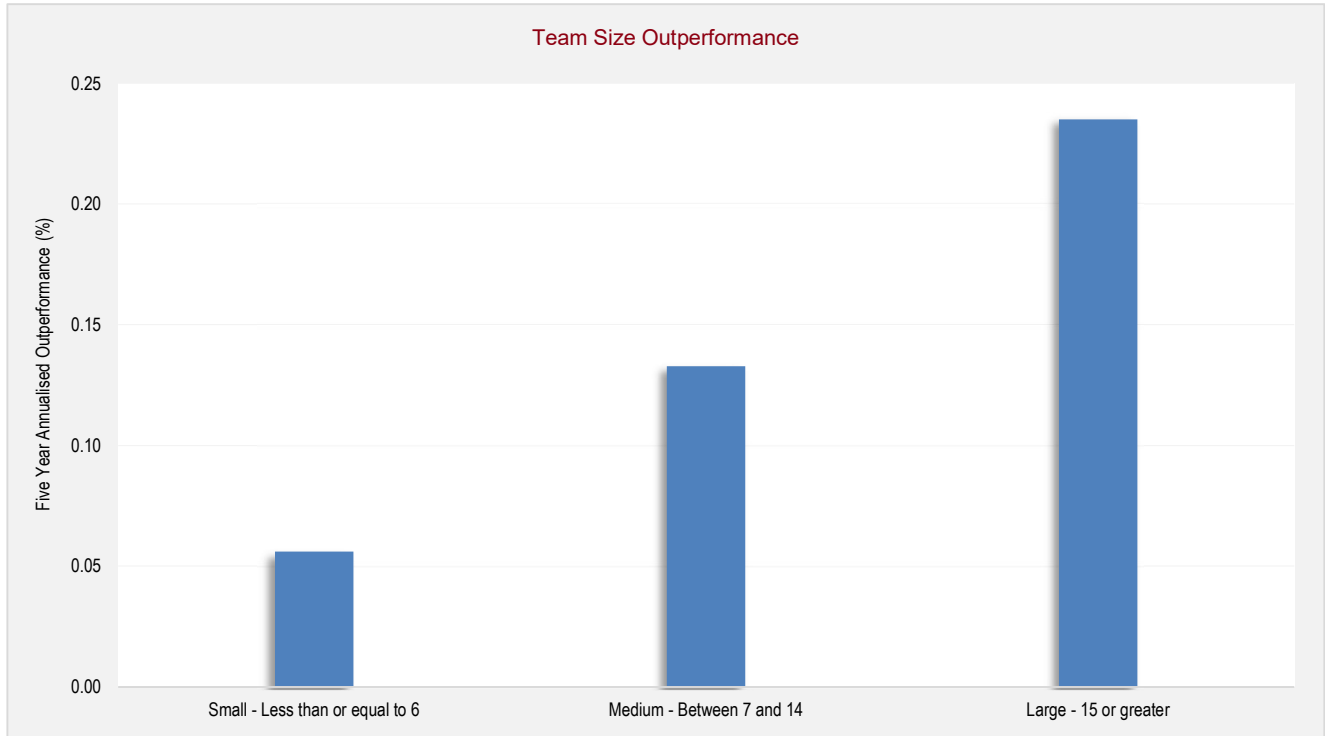
Zenith believes the increase in analytical resources experienced by managers, coupled with the declining market efficiencies, should enhance outperformance potential.

Is bigger necessarily better?

With investment teams expanding over the recent years, the natural expectation is that this will translate to better performance outcomes. However, do larger teams actually produce better results?

To answer this question, we performed an analysis of the fundamentally-driven global equities managers on Zenith’s approved product list over the five years to 30 September 2019. As part of the study, we grouped the size of the investment teams into three equal categories – small (less than or equal to 6), medium (between 7 and 14) and large (15 or greater).

The results of the study are shown in the chart below.



Source: Fund Managers, Zenith Investment Partners

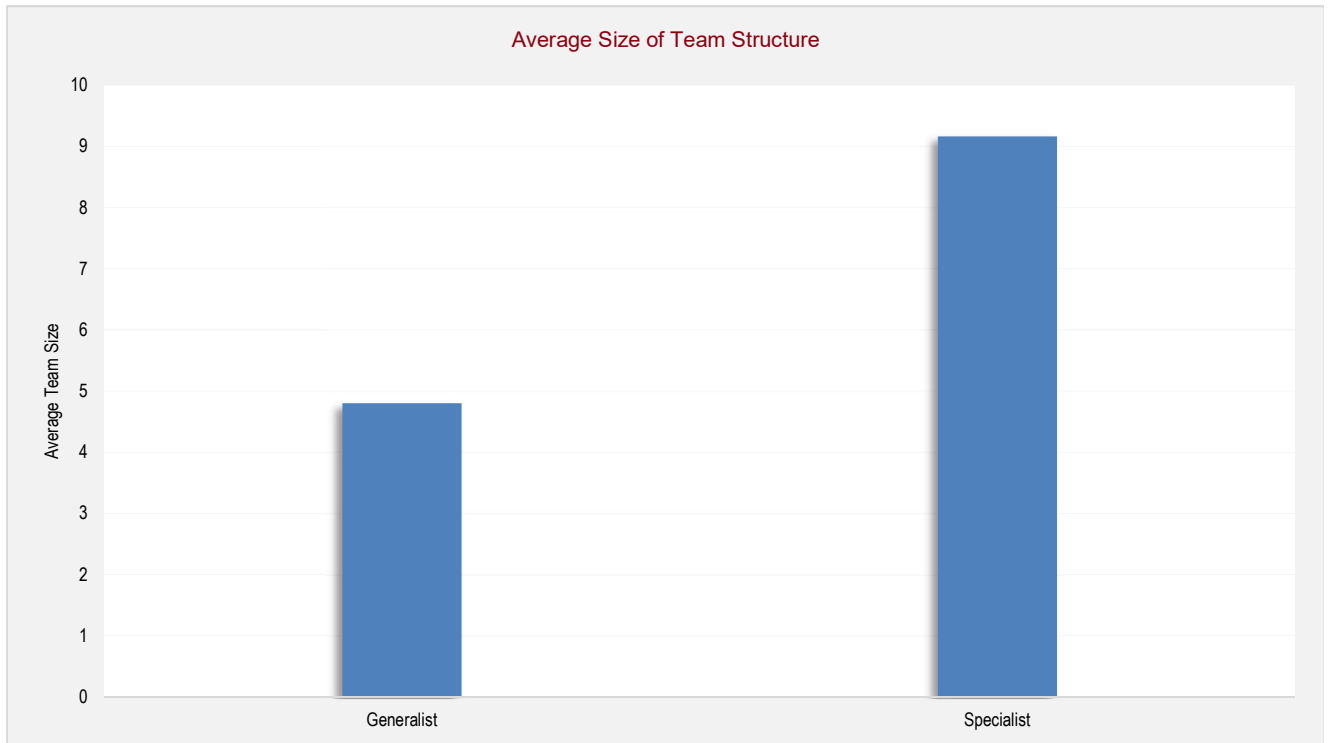
The chart suggests a positive relationship exists between the size of the team and outperformance, meaning larger teams tend to experience greater levels of outperformance on average as compared to smaller teams.

Although a positive connection between team size and outperformance is apparent, Zenith notes that it does not appear to be a linear relationship. Rather, the law of diminishing returns applies, meaning an additional analyst to a team of 35 adds less incremental value added than to a team of 15. This is intuitive, as an additional analyst dramatically increases research coverage for a smaller team as compared to a larger team.

Is it the sheer size of the team that adds value?

A clear relationship that Zenith has observed is that larger teams tend to be structured as specialists in either a regional or sector context. Conversely, smaller teams typically adopt a generalist stock coverage approach.

The chart below shows the average size of investment teams that adopt a generalist or a specialist stock coverage approach.



Source: Fund Managers, Zenith Investment Partners

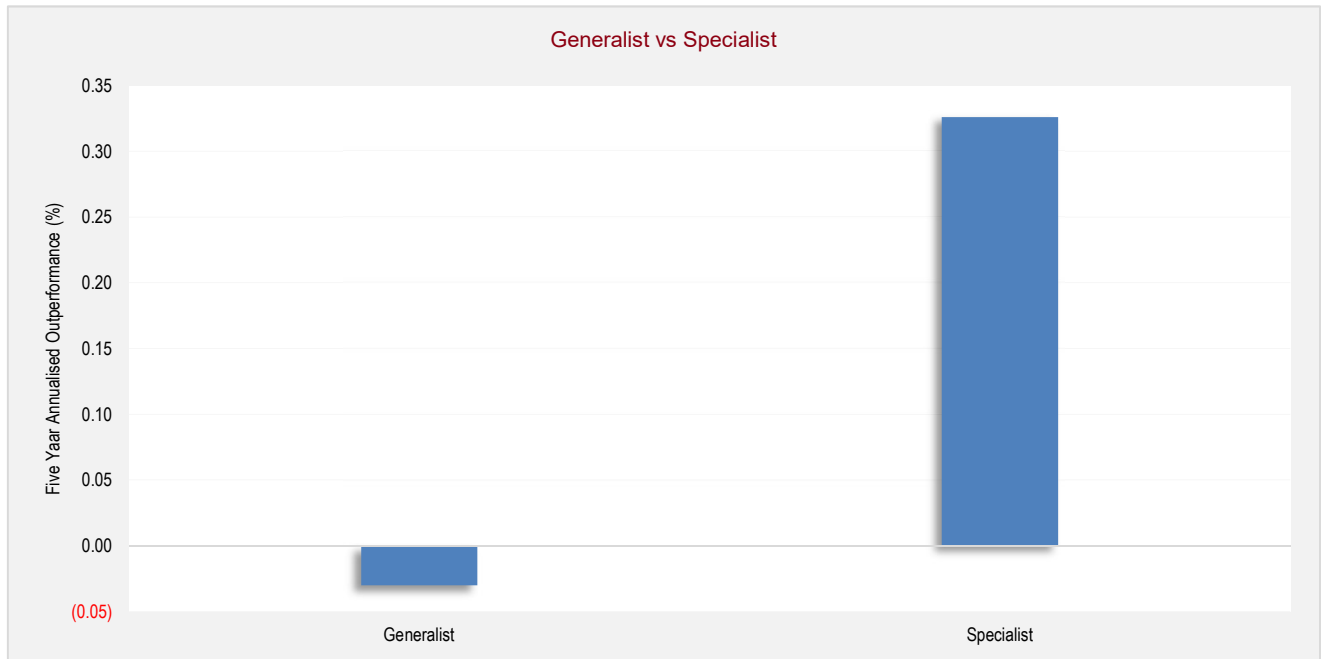
Zenith believes it is logical for a larger team to adopt a specialist coverage approach for efficiency purposes. That is, it would be highly inefficient to compel several members of the team to cover a similar group of companies. Naturally, smaller investment teams are more likely to adopt a generalist approach, given the breadth of coverage required from each analyst.

A jack of all trades, a master of...

As it relates to specialist and generalist coverage, the phrase above either ends in “none” or “all”.

A specialist approach allows for an “expert” level of understanding in technical sectors such as healthcare, resources or technology, where nuances can be missed by analysts more general in nature. However, the generalist approach arguably allows analysts greater perspective, allowing them to gain a more holistic understanding of markets and potentially acting as a superior learning environment to become future portfolio managers.

The following chart shows the outperformance of Zenith’s rated fundamentally-driven global equity funds according to the stock coverage approach of the underlying managers.



Source: Fund Managers, Zenith Investment Partners

Similar to team size, Zenith found that there is also a positive relationship between a specialist team structure and outperformance.

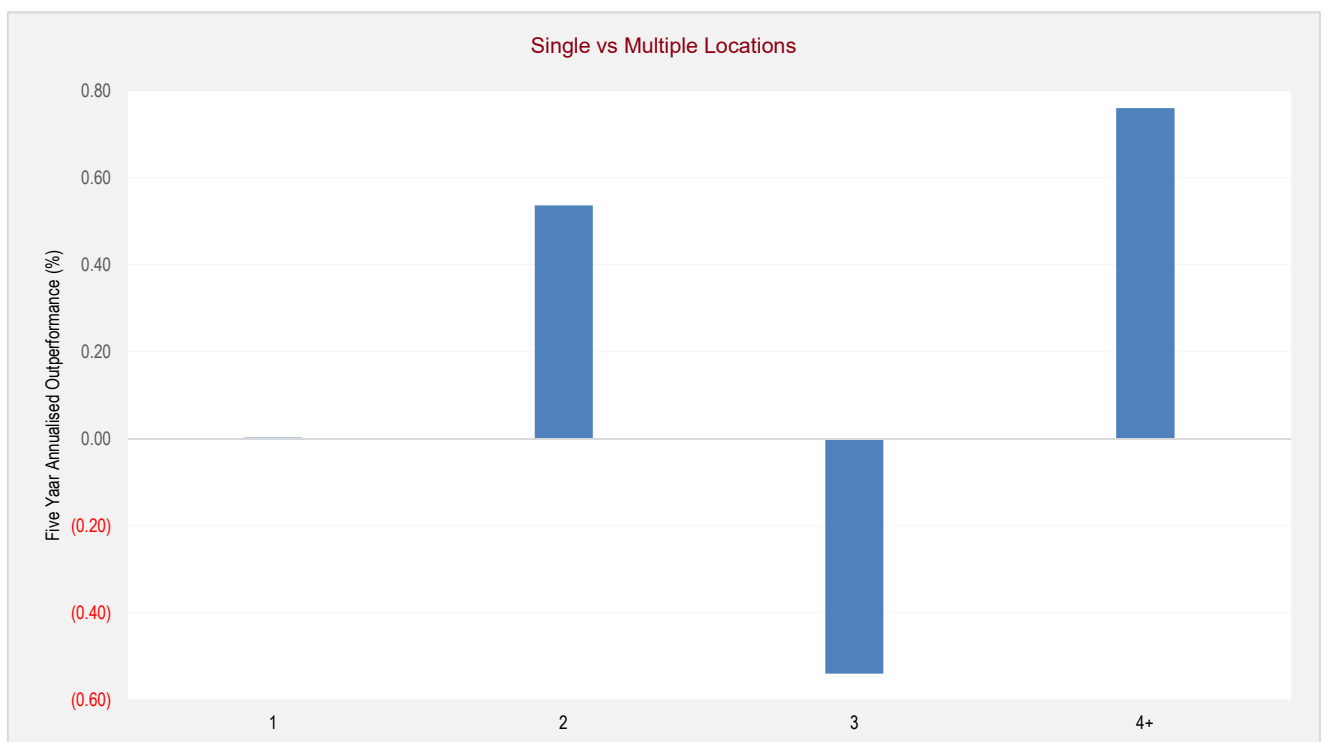
Zenith believes these findings are the result of “expert” levels of understanding and knowledge of specific sectors, regions and industries, which leads to excess performance. We repeat the words of Columbia Business School professor Bruce Greenwald:

“Suppose I spend my life writing onshore South Texas Gulf Coast oil leases. You fly down from New York and buy one from me. Who do you think made money on that transaction?”

Location, location, location...

Something that large investment teams tend to highlight as a strong competitive advantage is the fact that they have multiple investment offices around the world, which allows for a stronger understanding of the relevant regional markets. Conversely, smaller teams emphasise that being based in one location enhances communication and team cohesion. So, is there a relationship between the number of investment offices and outperformance?

The chart below shows the performance of managers based on the number of investment offices.



Source: Fund Managers, Zenith Investment Partners



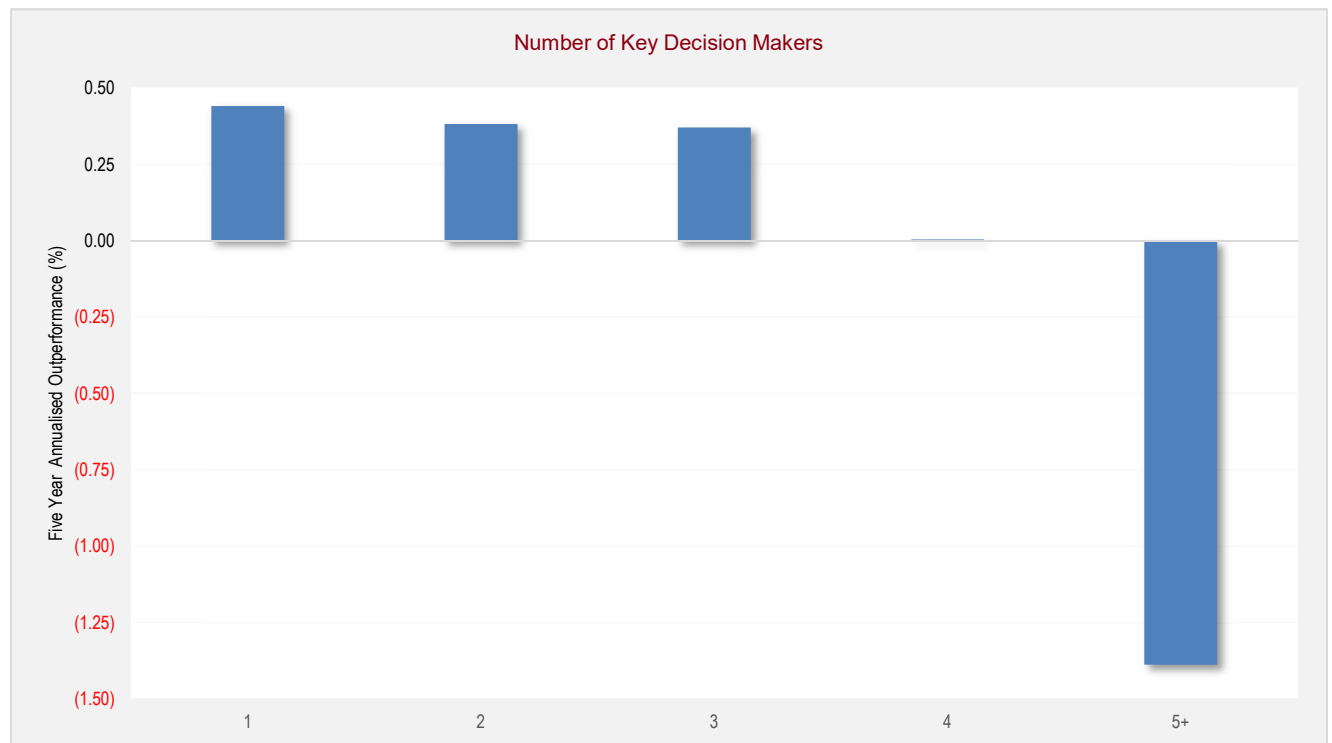
Ultimately, Zenith found no meaningful relationship between the number of locations and performance. As such, we believe technological improvements, such as video conferencing, the rapid dissemination of information, and the ease of travel has significantly improved communication amongst multiple offices, ensuring that teams in one location have access to material information in a timely manner.

Do too many cooks spoil the broth?

So far, the data has shown that bigger has been better for investment teams. However, does this dynamic hold true from a decision-making standpoint?

Managers that adopt a more compact decision-making approach would argue that they benefit from greater levels of accountability and nimbleness. However, managers that adopt an investment committee approach believe that they are better able to share investment insights and experience.

The chart below shows the performance of managers based on the number of portfolio managers or key decision makers.



Source: Fund Managers, Zenith Investment Partners

The numbers suggest that the fewer key decision makers in an investment team, the greater the level of outperformance. However, Zenith notes that the performance of the five and above category may not be a true reflection of the overall population, given our small sample size for the group.

What is the optimal investment team size and structure?

Zenith’s study suggests that large teams operating under a specialist structure, driven by a single decision-making approach tend to exhibit greater levels of outperformance compared to alternative structures.

Yet, ultimately, Zenith believes there is no single template that managers can follow to succeed. We have reviewed successful managers that do not align with the above and unsuccessful ones that mirror the ideal template. Overall, Zenith believes a team’s ideal structure needs to align with its investment philosophy and process. Put differently, fund managers should follow a rule that has guided Lee Kuan Yew, one of the founding fathers of Singapore, throughout his life.

“Figure out what works and do it.”

2.2 Summary of Quantitative Analysis

The following section provides an overview of the key characteristics of the mainstream global equity funds assessed in this sector. The commentary below should be read in conjunction with the charts located in the appendix. The following styles have been excluded to ensure greater efficacy in the overall analysis.

- Index
- Resources
- Equity Income - Derivative Overlay
- Small Companies

All data, unless specified otherwise, is as at 30 September 2019.

Portfolio Characteristics

The average number of portfolio holdings for active single manager funds reviewed was approximately 124, which represented a decrease from 129 at the same date last year.

The active single manager fund with the highest number of holdings was the Blackrock Advantage International Equity Fund (with 754 holdings), which is quantitatively driven. Given that quantitative funds typically require diversification and a broad set of investment opportunities, it is not surprising that quantitative funds generally hold the highest number of stocks.

At the other end of the spectrum, the active fund with the least number of holdings was the Magellan High Conviction Fund with 10 stocks. The Fund, as its name suggests, is a high conviction strategy, and will only hold between 8 and 12 stocks.

Cash allocations for active funds averaged approximately 4.2%, which represented a decrease from 4.6% at the same date last year. At 21.0%, the Perpetual Wholesale Global Share Fund held the highest cash allocation in our rated universe.

Sector Allocations

The table below shows the average sector allocations for 2019 and 2018.

Sector	2019	2018
Financials (ex Real Estate)	14.1%	14.6%
Basic Materials	4.6%	5.0%
Consumer Cyclicals	12.4%	11.6%
Industrials	12.7%	12.4%
Healthcare	12.2%	12.1%
Consumer Non-Cyclicals	8.5%	8.7%
Cash	4.2%	4.6%
Energy	3.5%	5.1%
Real Estate	2.0%	1.8%
Utilities	2.4%	2.4%
Telecommunications Services	2.2%	2.5%
Technology	20.9%	19.2%

The sectors with the highest average allocation across all funds reviewed were: Technology (20.9%), Financials (ex-Real Estate) (14.1%), Industrials (12.7%), Consumer Cyclicals (12.4%), Healthcare (12.2%) and Consumer Non-Cyclicals (8.5%).

For the Technology sector, the Magellan High Conviction Fund had the highest allocation with 72.8%. At 1.3%, the Acadian Global Managed Volatility Equity Fund had the lowest weighting to the sector.

The Schroder Global Recovery Fund was most exposed to the Financials (ex-Real Estate) sector at 30.6%. Multiple funds held no exposure to the sector.

The Avenir Global Fund held the highest allocation to the Consumer Cyclical sector at 35.0% whilst the GQG Partners Global Equity Fund was the only fund without an exposure to the sector.

The Pengana WHEB Sustainable Impact Fund had the highest weighting to the Healthcare sector holding 30.8%. The Aoris International Fund and the Pan-Tribal Global Equity Fund had no exposure to the sector.

The Sustainable/Ethical peer group was materially overweight the Industrials sector with the BNP Paribas Environmental Equity Trust (52.3%), Nanuk New World Fund (41.3%) and the Pengana WHEB Sustainable Impact Fund (35.1%) holding heavy allocations to the sector.

Consistent with its process of holding companies with stable cash flows, the IFP Global Franchise Fund held the highest weighting to the Consumer Non-Cyclicals sector at 25.0%. Multiple funds held no exposure to the sector.

In the remaining sectors, the BNP Paribas Environmental Equity Trust held the highest exposure to the Basic Materials sector at 12.2%. The Dimensional Global Value Trust held the highest allocation to the Energy sector at 13.5%.

The Acadian Global Managed Volatility Equity Fund held the highest weighting (10.9%) in the Telecommunications Services sector, whilst also holding the highest weighting to the Utilities sector (14.0%).

Regional Allocations

The table below shows the average regional allocations for 2019 and 2018.

Region	2019	2018
Asia Pacific	15.8%	15.6%
Europe	29.0%	26.6%
North America	53.7%	51.5%
South & Central America	0.9%	1.3%
Africa	0.3%	0.4%
Other	0.2%	0.0%

Allocations across the three major regions (North America, Europe and Asia Pacific) totalled an average of 98.5%. On average, North America was the region that held the highest weighting at 53.7%. Europe and Asia Pacific had allocations of 29.0% and 15.8%, respectively.

The South and Central America region had an average weighting of 0.9% and Africa averaged 0.3%.

The Fund that held the highest allocation to North America was the Magellan High Conviction Fund with 72.2%. By contrast, the Stewart Investors Worldwide Sustainability Fund held only 15.5% in North America to have the lowest allocation.

The Janus Henderson Global Equity Income Fund held the highest weighting to Europe of 57.0%. The Magellan High Conviction Fund had the least exposure with 9.6%.

With regards to the Asia Pacific region, the Orbis Global Equity Fund had the highest allocation of 36.8%. The Aoris International Fund and the MFS Concentrated Global Equity Trust had no exposure to the region.

The Capital Group New World Fund had the highest allocation to South and Central America of 9.7%. The Orbis Global Equity Fund had the highest exposure to Africa with 5.2%.

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