

# GLOBAL EQUITIES – JANUARY 2020 RESULTS

Australian investors have had a strong start to the year in January, with global stocks up 5% in AUD terms due in-part to the Australian dollar falling 4.7%. In USD terms, the stock market itself was flat through the month, held back by fears over the impact of the novel coronavirus epidemic. These fears seem to have already subsided, with the market rebounding in early February.

Currency markets have been quite volatile over the past three months, due mostly to the US economy, rather than the Australian economy. In December, progress on the US-China trade deal made markets more optimistic on global growth, leading currencies like the Australian dollar to appreciate against the US dollar. This enthusiasm was curtailed by the coronavirus outbreak and by suggestions the RBA may lower rates in 2020, causing the Australian dollar to fall in January. We continue to hold the view that the RBA has changed their monetary policy to structurally lower interest rates in Australia, aiming to stimulate the economy, which will result in a weaker Australian dollar for the foreseeable future.

We are halfway through companies reporting their profits for the September to December quarter of 2019, and for the full year. While revenues have been largely as expected, companies are reporting higher profits than the market had anticipated, with common themes of cost cutting, tax benefits, and higher profits from investments. Companies are generally cashed up, which may result in some more mergers and acquisitions in 2020. We have seen strong earnings results, ahead of market expectations, from major companies like Apple and Amazon. In general, anything exposed to the US consumer has done well, with low unemployment boosting consumption. On the other hand, a weak oil price has meant energy and mining revenues have been weak, and industrial activity has been modest.

The outlook for the coronavirus outbreak seems to change daily. Assistant Portfolio Manager Dr Kunal Valia is a registered doctor, who practiced for over 10 years before switching to investing. He is following the outbreak closely and debunking some of the more sensational rumours circulating. We don't expect this to be an enormous health crisis in terms of fatalities, which is good. Nonetheless, there will be substantial disruption to the Chinese economy due to the implementation of public health measures, which will cause a one-off negative impact to many companies.

We also watch the US Democratic Primaries with close interest. It appears that Buttigieg has done better than expected in Iowa, and Biden has done worse. Stock markets would welcome either as the candidate, whilst they would fall if Sanders or Warren were selected. We sold down healthcare stocks over the month to reduce our exposure to political risk through the process.

Over the month the Evans & Partners Global Flagship Fund rose 4.6%, outperforming the MSCI World Index by 0.3%. The Evans & Partners Asia Fund (+2.2%) outperformed the MSCI Asia ex Japan Index by 2%, largely due to its lower risk position and stock selection, led by our largest stock overweight, Techtronic Industries. Meanwhile, the Evans & Partners Global Disruption Fund rose 9.1%, strongly outperforming the MSCI AC World Index (+3.7%), driven by the strength of technology stocks.



A stylized, handwritten signature in dark ink, appearing to read 'T Alexander'.

Ted Alexander  
Head of Investments



## INVESTMENT OBJECTIVE

To provide investors with capital growth and attractive risk-adjusted returns over the long-term through exposure to a portfolio of global listed equities.

## PORTFOLIO UPDATE

The MSCI World Index (Index) rose by 4.2% in Australian dollar (AUD) terms during January, aided by a declining AUD (-4.7%). Global markets continued their bullish momentum from 2019 into 2020, aided by several positive 4Q announcements. However, market enthusiasm was tempered mid-month by the coronavirus outbreak in China, leading to travel restrictions in China and other countries including the US and Australia. Its impact on the Chinese economy, global tourism and supply chains has raised uncertainties in the market.

The Evans & Partners Global Flagship Fund (Fund) outperformed the market by 0.3%, aided by the Fund's defensive positioning and stock selection. Alphabet (+12.2%) and Microsoft (+13.2%) were the largest positive contributors, following market-beating results from Microsoft and a broad improvement in sentiment for technology related companies. Orsted (+8.9%) was also lifted by positive results and increasing investor enthusiasm for renewable energy, despite providing below-consensus guidance for 2020.

Detractors from performance included U.S. Bancorp (-5.9%), after releasing results below market expectations, and Royal Dutch Shell (-6.8%) following a decline in crude oil prices. Mowi (-4.3%) also declined after the company released a disappointing interim trading update.

## PORTFOLIO MANAGERS



**Ted Alexander** Portfolio Manager  
**Jumana Nahhas** Assistant Portfolio Manager  
**Kunal Valia** Assistant Portfolio Manager

NTA per unit	Unit price (EGF)	Gross assets	12-month distribution yield (target: 4%)	Annualised performance since inception (6 July 2018) <sup>1</sup>
<b>\$1.84</b>	<b>\$1.81</b>	<b>\$193.9 MILLION</b>	<b>6.3%</b>	<b>20.0%</b>

## FUND PERFORMANCE<sup>1</sup>

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (P.A.)
NTA	4.6%	8.9%	10.5%	31.0%	-	-	20.0%
MSCI World Index (Net, AUD)	4.2%	8.2%	10.9%	27.8%	-	-	16.1%
Excess Return	0.3%	0.7%	-0.4%	3.2%	-	-	3.9%

Note: Numbers may not sum due to rounding.

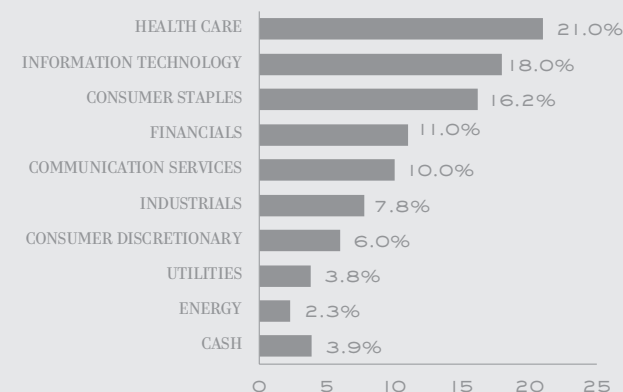
## TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Microsoft Corp
Aon PLC	Novartis AG
Coca-Cola	Orsted A/S
HCA Healthcare Inc	RELX PLC
Johnson & Johnson	Unilever NV

## PERFORMANCE CHART<sup>1</sup>

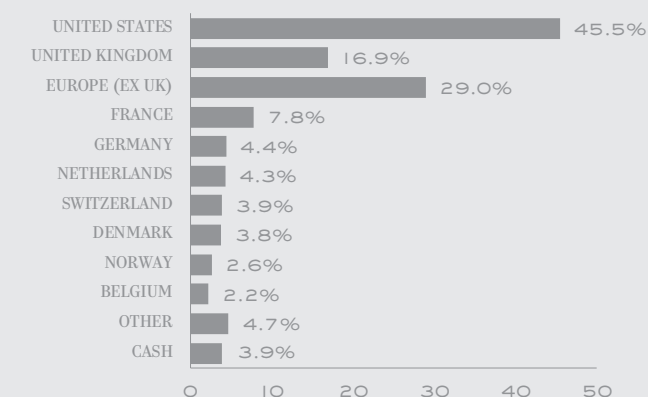


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2020 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 6 July 2018. Chart data range: 6 July 2018 to 31 January 2020. Initial index value 1,000. Index Source: Bloomberg.



EVANS & PARTNERS  
**GLOBAL  
DISRUPTION  
FUND**

## INVESTMENT OBJECTIVE

To provide investors with capital growth over the long-term through exposure to companies that will benefit from disruptive innovation.

## PORTFOLIO UPDATE

The Evans & Partners Global Disruption Fund (Fund) returned +9.1% compared to the broader global equities market which advanced +3.7%. Market volatility increased towards the end of the month driven by uncertainty around the coronavirus outbreak. The Australian dollar (-4.7%) retraced its path from December, aiding Fund returns.

This was a strong month for the Fund with a good start to the December quarter reporting season. The best performing holdings were Amazon (+14%), Microsoft (+13%), and Alphabet (+12%). Merck (-1%), TSMC (-3%), and Illumina (-8%) underperformed.

Amazon reported a strong 4Q19 result with revenue growth of 20% and operating income up 2%. Amazon's investment into 1-day shipping drove record Prime member quarterly additions and strong online retail sales growth. Amazon Web Services sales grew 34% with both sales and profit ahead of expectations.

Microsoft reported a strong 2Q with revenue growth of 14% and EPS up 41%, both ahead of market expectations. This was the 10th consecutive quarter of double-digit growth with broad-based strength across the businesses as Cloud revenues reaccelerated to +62% (+59% in Q1).

Illumina fell following weaker than expected guidance for 2020. Sales are expected to grow 9-11% (market expecting 12%) with overall sequencing revenues to grow 14%, offset by continued decline in arrays (-15%).

## PORTFOLIO MANAGER



Raymond Tong  
Portfolio Manager

NTA per unit	Unit price (EGD)	Gross assets	12-month distribution yield	Annualised performance since inception (25 July 2017) <sup>1</sup>
<b>\$2.54</b>	<b>\$2.50</b>	<b>\$269.7 MILLION</b>	<b>N/A</b>	<b>22.6%</b>

## FUND PERFORMANCE<sup>1</sup>

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEARS	5 YEARS	SINCE INCEPTION (P.A.)
NTA	9.1%	16.3%	13.4%	33.5%	18.3%	-	22.6%
MSCI AC World Index (Net, AUD)	3.7%	7.9%	10.4%	26.0%	13.6%	-	16.1%
Excess return	5.4%	8.4%	3.0%	7.5%	4.7%	-	6.5%

Note: Numbers may not sum due to rounding.

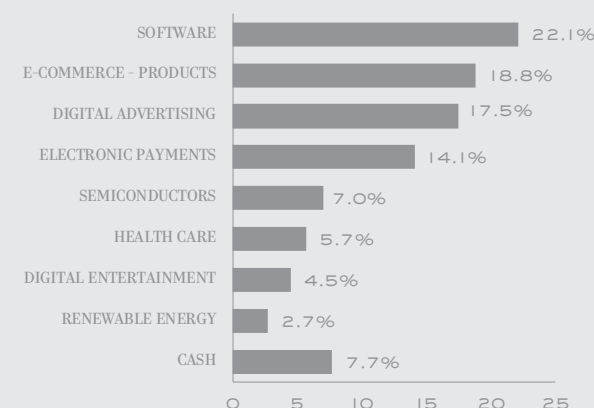
## TOP 10 PORTFOLIO HOLDINGS

Adobe	Microsoft Corp
Alibaba	PayPal Holdings Inc
Alphabet Inc	Salesforce.com Inc
Amazon.com Inc	Tencent Holdings Ltd
Facebook Inc	TSMC

## PERFORMANCE CHART<sup>1</sup>

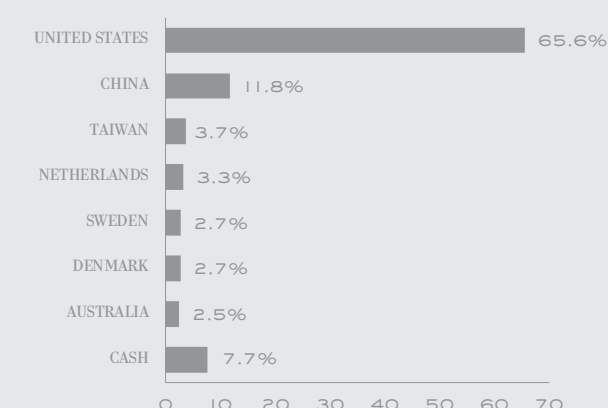


## SECTOR EXPOSURE



Source: Investment Manager, internal classification

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2020 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 25 July 2017. Due to the change in the composition of the Fund and of the MSCI ACWI Information Technology Index over the prior 12 months, it is no longer shown as a comparable index. Chart data range: 25 July 2017 to 31 January 2020. Initial index value 1,000. Index Source: Bloomberg.



## INVESTMENT OBJECTIVE

To provide investors with attractive risk-adjusted returns over the long-term by investing in high quality companies in the Asia ex Japan region.

## PORTFOLIO UPDATE

The MSCI Asia ex Japan Index (Index) was up 0.2% in AUD terms largely due to the depreciating AUD, as in USD terms the Index was down 4.5%. Asian regional markets appreciated in the first half of the month, aided by the signing of the “phase one” trade deal between the US and China. Unfortunately in the second half of the month the Index depreciated, clouded by the outbreak of coronavirus and its potential impact on the Chinese economy.

The Evans & Partners Asia Fund (Fund) returned 2.2% in NTA terms, outperforming the Index by 2.0%, benefiting from its lower risk position and good stock selection. The Fund's overweight positions in HCL Technologies (+9.0%) contributed most to performance as the company upgraded guidance and reported quarterly earnings results which beat expectations. Detractors to performance were largely the Fund's underweight or lack of position in large stocks which performed well, such as Infosys (+10.8%).

The Fund has benefited from being lower risk than the market during the month and will continue to be defensive amid market volatility.

## PORTFOLIO MANAGERS



**Ted Alexander**  
Portfolio Manager

**Ying Luo**  
Assistant  
Portfolio Manager

NTA per unit	Unit price (EAF)	Gross assets
<b>\$1.37</b>	<b>\$1.33</b>	<b>\$145.7 MILLION</b>

12-month distribution yield (target: 4%)	Annualised performance since inception (14 May 2018) <sup>1</sup>
<b>3.8%</b>	<b>8.9%</b>

## FUND PERFORMANCE<sup>1</sup>

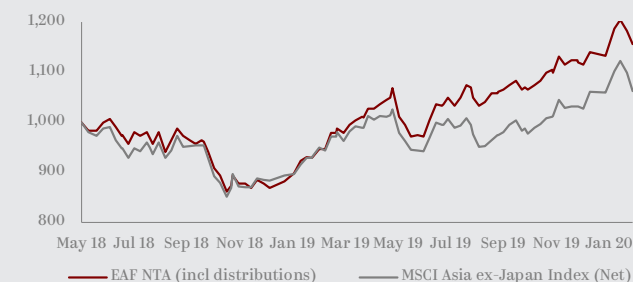
	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (P.A.)
NTA	2.2%	4.7%	8.2%	24.5%	-	-	8.9%
MSCI Asia ex Japan Index (Net, AUD)	0.2%	5.1%	6.7%	14.3%	-	-	3.6%
Excess Return	2.0%	-0.3%	1.5%	10.2%	-	-	5.3%

Note: Numbers may not sum due to rounding.

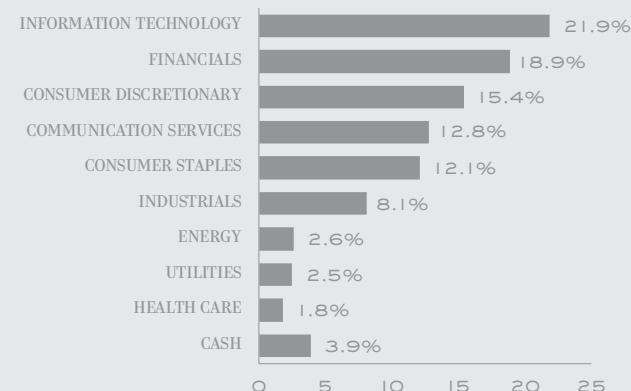
## TOP 10 PORTFOLIO HOLDINGS

Alibaba Group Holding	Singapore Telecommunications
CP ALL PCL	Techtronic Industries
HCL Technologies	Tencent
Ping An Insurance	TSMC
Shenzhen Int'l Group Holdings	United Overseas Bank

## PERFORMANCE CHART<sup>1</sup>

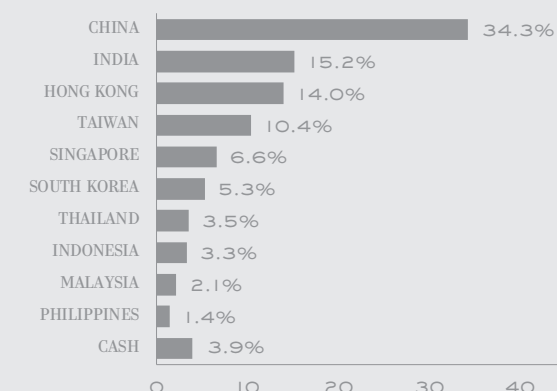


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 31 January 2020 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 14 May 2018. Chart data range: 14 May 2018 to 31 January 2020. Initial index value 1,000. Index Source: Bloomberg.





## INVESTMENT OBJECTIVE

To provide investors with capital growth, attractive risk-adjusted returns, and stable distributions over the long term through exposure to quality Australian equities that are well positioned to deliver sustainable earnings growth and returns on capital.

## PORTFOLIO UPDATE

The Evans & Partners Australian Flagship Fund (Fund) increased 5.5% during January, outperforming the S&P/ASX 200 Accumulation Index (Index) by 0.6%. From a sector perspective January was a strong month across the board, with all 11 GICS sectors posting gains. Healthcare (+12%) was the strongest sector, followed by Information Technology (+11%), as the market refocussed on companies with strong earnings growth, despite these two sectors already trading on stretched valuation metrics. Investors also chased defensive assets, with Consumer Staples (+8%) performing strongly. Underperformers were Utilities (+0.6%) and Energy (+0.7%), with the latter affected by the prospect of weaker oil demand from China due to the coronavirus outbreak.

Standout performers in the Fund were Afterpay (+32%), Woolworths (+16%) James Hardie (+14%), CSL (+13%) and Reliance (+11%), which all recorded double digit gains.

Stocks that lagged in January generally did so due to concerns around the impact from coronavirus, specifically Sydney Airport (-3.1%) and Crown Resorts (-2.6%), on fears of fewer numbers of Chinese tourists visiting Australia. Unibail-Rodamco-Westfield (-8.4%) was also weak on concerns of decreasing retail spending. Newcrest (-2.4%) declined after the company noted that continuation of the drought may impact future production.

## PORTFOLIO MANAGERS



Ben Chan  
Portfolio Manager

Adam Alexander  
Portfolio Manager

NTA per unit  
**\$1.81**

Unit price (EFF)  
**\$1.76**

Gross assets  
**\$30.9 MILLION**

12-month distribution  
yield (target: 5%)  
**4.3%**

Annualised performance since  
inception (21 June 2018)<sup>1</sup>  
**14.6%**

## FUND PERFORMANCE<sup>1</sup>

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (P.A.)
NTA	5.5%	7.7%	9.3%	29.0%	-	-	14.6%
S&P/ASX 200 Accumulation Index	5.0%	6.1%	5.1%	24.7%	-	-	12.1%
Excess Return	0.6%	1.7%	4.2%	4.3%	-	-	2.6%

Note: Numbers may not sum due to rounding.

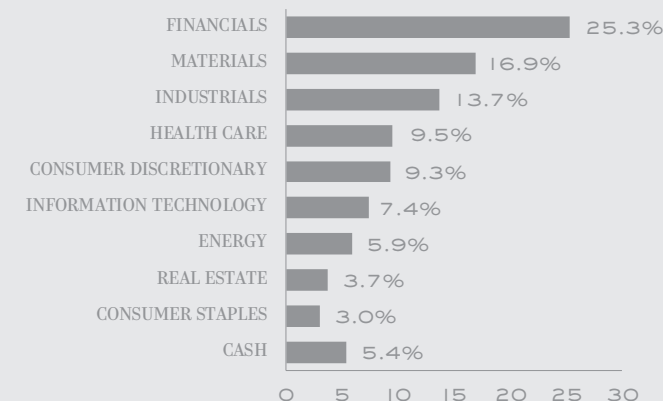
## TOP 10 HOLDINGS

ANZ Banking Group	Macquarie Group Limited
Aristocrat Leisure Ltd	National Australia Bank Ltd
BHP Group Ltd	Transurban Group
Commonwealth Bank of Australia	Wesfarmers Ltd
CSL Ltd	Woodside Petroleum Limited

## PERFORMANCE CHART<sup>1</sup>



## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

Notes: Data at 31 January 2020 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. Inception 21 June 2018. Chart data range: 21 June 2018 to 31 January 2020. Initial index value 1,000. Index Source: Bloomberg.





## AUSTRALIAN GOVERNANCE & ETHICAL Index Fund

### INVESTMENT OBJECTIVE

To achieve long-term capital appreciation, while reducing risk and preserving capital, through investments in securities within the ASX 100 Index that exhibit relatively high levels of governance, social and environmental performance.

### PORTFOLIO UPDATE

The Australian Governance & Ethical Index Fund (Fund) returned 4.8% for January, behind the broader index (+5.1%). Positive contributors included overweight positions in healthcare giant CSL (+13%) and plumbing group Reliance Worldwide (+11%), while the exclusion of wine maker Treasury Wine (-20%) also benefited relative performance. Negative contributors included overweight positions in diversified miner Rio Tinto (-2%) and copper producer OZ Minerals (-4%), while the exclusion of buy-now-pay-later group Afterpay (+32%) also impacted relative performance.

Across the globe, regulatory developments regarding environmental, social and governance (ESG) integration are gathering pace. The recently elected UK Prime Minister, Boris Johnson, announced that the UK will bring forward a ban on purchasing new petrol, diesel or hybrid cars from 2040 to 2035. Meanwhile, European regulators finalised a requirement that all professional investors and financial advisors disclose the manner in which ESG risks are being integrated into investment decision-making or advice. These trends continue to highlight the increasing importance ESG factors will play in investment markets for the foreseeable future.

### PORTFOLIO MANAGER



Will Hart  
Portfolio Manager

NTA per unit	Unit price (AGM)	Gross assets	12-month distribution yield (target: 5%)	Annualised performance since inception (10 July 2018) <sup>1</sup>
\$2.08	\$2.04	\$37.7 MILLION	4.3%	13.8%

### FUND PERFORMANCE<sup>1</sup>

	1 MONTH	3 MONTH	6 MONTH	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION (P.A.)
NTA	4.8%	6.0%	5.7%	26.7%	-	-	13.8%
S&P/ASX 100 Accumulation Index	5.1%	6.2%	5.5%	25.7%	-	-	12.5%
Excess Return	-0.3%	-0.2%	0.2%	1.0%	-	-	1.3%

Note: Numbers may not sum due to rounding.

### LARGEST ACTIVE POSITIONS

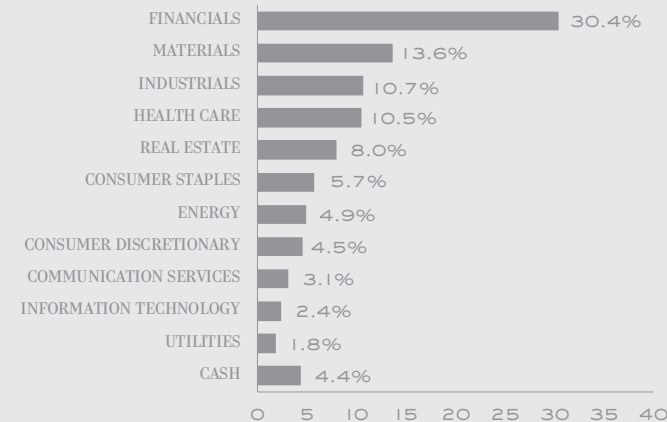
#### TOP 10 OVERWEIGHT<sup>2</sup>

Computershare Ltd	Rio Tinto Ltd
Lendlease Group	SEEK Ltd
Macquarie Group Ltd	Virgin Money UK Plc
Oz Minerals Ltd	Wesfarmers Ltd
Reliance Worldwide Corp Ltd	Worley Ltd

#### TOP 10 UNDERWEIGHT<sup>2</sup>

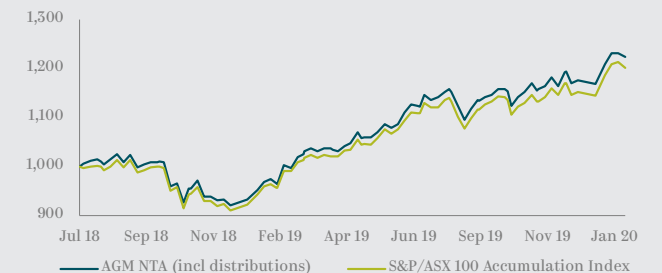
Amcort Plc	Origin Energy Ltd
Aristocrat Leisure	Santos Ltd
BHP Group Ltd	Sonic Healthcare Ltd
Fortescue Metals Group	South32 Ltd
Goodman Group	Westpac Banking Corporation

### SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

### PERFORMANCE CHART<sup>1</sup>



Notes: Data at 31 January 2020 unless stated. Numbers may not sum due to rounding. 1. All returns are total returns, inclusive of reinvested distributions. NTA returns are net of fees and costs. Past performance is not a reliable indicator of future performance. 2. Overweight and underweight positions are relative to S&P/ASX 100 Index weights. Inception 10 July 2018. Chart data range: 10 July 2018 to 31 January 2020. Initial index value 1,000. Index Source: Bloomberg.





## ABOUT WALSH & COMPANY

Walsh & Company, part of the Evans Dixon Group, is a multibillion-dollar global funds management firm founded in 2007, with assets under management across global equities, residential and commercial property, private equity, fixed income, and sustainable and social investments. It provides access to unique investment strategies not readily accessible to investors and focuses on building high-quality, diversified portfolios.

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## IMPORTANT INFORMATION

This report has been authorised by Walsh & Company Asset Management Pty Limited (Walsh AM) (ACN 159 902 708, AFSL 450 257) as investment manager for the Australian Governance & Ethical Index Fund (AGM) (ARSN 625 826 646), together with Evans and Partners Investment Management Pty Limited (EaP IM) (ACN 619 080 045, CAR No. 1255264), as investment manager for the Evans & Partners Asia Fund (EAF) (ARSN 624 216 404), Evans & Partners Australian Flagship Fund (EFF) (ARSN 625 303 068), Evans & Partners Global Flagship Fund (EGF) (ARSN 158 717 072) and Evans & Partners Global Disruption Fund (EGD) (ARSN 619 350 042). EaP IM and Walsh AM are together referred to as 'Investment Manager'. AGM, EAF, EFF, EGF and EGD are together referred to as 'Funds'.

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