

# Global Equities

## November 2020 results

# E&P

With a rise of 12.8%, in US dollar terms, November was the strongest month for stock markets since January 1975, when the market was bouncing back from a 45% decline caused by the first oil shock and the breakdown of fixed exchange rates under Bretton Woods. This time the market was only bouncing back from a 7.5% decline due to concerns over the US election. There was fear that a strong Biden victory may allow the Democrats to pass significant reforms to tax, healthcare, and environmental legislation, which would unsettle stock markets. Although Biden won the presidential election, the Democrats only gained one Senate seat, and fell short of a majority required to pass substantial legislation. This was a positive for stock markets, causing a rise early in the month.

In early November, we saw vaccine data from Pfizer and Moderna which were better than expected, raising the prospect of an earlier exit from the COVID-19 recession. Clinical data suggested an effectiveness of around 95% for both vaccines, which is much higher than anticipated. These vaccines will soon be approved around the world, hopefully stopping the spread of COVID-19. This news is unambiguously positive, and led to markets rising further through November, with a recovery in stocks that had been hit by a fall in travel and consumption. Airlines and oil companies were two of the biggest beneficiaries, along with the banks.

The other big shift was in currency markets. Importantly for Australian investors, the Australian dollar (AUD) rose 4.5% over the month, due to our better economic outlook from lower COVID-19 cases. This has taken the AUD to around 74 US cents. This makes sense, but is a negative for Australian investors in US dollar assets. In the longer-run, if the Australian economy is stronger, we'd expect the Australian dollar to continue to rise, which is quite likely given the relative COVID-19 situation. The vaccine news however, should reduce this economic advantage, and any market correction may hit the Australian dollar, meaning the outlook is a bit more balanced.

Although stock markets are now back at all-time highs in US dollars, this masks the pain in the real economy and individual households. New records for COVID-19 deaths are being set in

the US and Europe, and vaccines are unlikely to be available in sufficient quantities to have a substantial impact for some months. To combat current COVID-19 trends continued or stronger lockdown regulations will be required, which will hit economies hard through the northern hemisphere winter. Employment, income, and consumption were all weaker than we'd modelled in the latest data releases for October. As the economic pain lands on salaried workers – and stock market investors and tech billionaires hit new levels of wealth – there's good reason to be cautious about social cohesion in the US and Europe. This can play out through increased tax rates, or even more draconian measures to address inequality.

In AUD terms, the MSCI World Index rose 7.6% over the month. As noted, a lot of the market strength was in banks, oil companies, and travel stocks. These aren't core investments in any of our funds. For November, the Evans & Partners Global Flagship Fund (EGF) returned 6.2%, our Evans & Partners Global Disruption Fund (EGD) rose 2.8%, and the Evans & Partners Asia Fund (EAF) was up 0.7%. Each underperformed their respective benchmark, which is disappointing. Underlying this is a more cautious position in our funds, as we are more concerned about reducing the risk of loss to our investors than we are about realising all the upside in rising markets. This proved to be too conservative through November, impacting our relative performance.

Unitholders in our funds voted on 2 December in favour of a proposal to change the fund structures from Listed Investment Trusts to Unlisted Unit Trusts, and to appoint an independent Responsible Entity. The changes will improve liquidity for investors seeking to buy or sell units in each fund, and independent oversight is best practice in terms of governance. The funds will delist from the ASX over the coming six weeks and investors will then hold units in the new unlisted structure by February 2021. Please get in touch if you have any questions or concerns over the changes.



A handwritten signature in dark ink, appearing to read 'T Alexander', written in a cursive style.

**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 7.6% in Australian dollar (AUD) terms during November, despite a 4.5% rise in the AUD. Sentiment around equities turned bullish after the US presidential election delivered a close outcome with prospects of a split Congress. Investors bet that president-elect Biden would not be able to pass draconian corporate tax measures as Republicans remain opposed. Pfizer and Moderna released preliminary vaccine trial results showing a 95% reduced risk of COVID-19 infection, which was viewed positively by the market. Value sectors leveraged to economic reopening – like Energy, Financials and Real Estate – led market performance.

The Evans & Partners Global Flagship Fund (Fund) underperformed the Index by 1.4%, due to overweight position in defensive sectors. Mowi (+22.5%), Airbus (+37.3%) and AB Inbev (+22.9%) were the best performers as they are leveraged to economies reopening, which would increase demand for their products. Detractors from performance included AstraZeneca (-1.1%), as its COVID-19 vaccine results were mixed and may not be as competitive as Pfizer's or Moderna's; and Amazon (-0.5%), as investors booked profits and questioned the sustainability of recent growth. US dollar cash holdings also detracted from performance.

## PORTFOLIO MANAGERS



Ted Alexander  
Portfolio Manager



Jumana Nahhas  
Assistant Portfolio  
Manager



Kunal Valia  
Assistant Portfolio  
Manager

NTA per unit  
**\$1.64**

Unit price (EGF)  
**\$1.50**

Gross assets  
**\$147.8 MILLION**

12-month distribution  
yield (target: 4%)  
**9.6%**

Annualised performance since  
inception (6 July 2018)<sup>1</sup>  
**10.8%**

Units on issue: 90,284,630

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

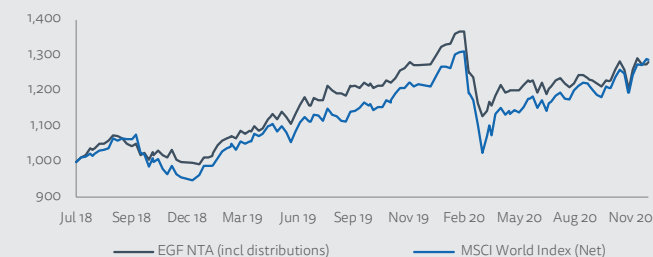
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
NTA	6.2%	3.9%	4.5%	0.0%	11.3%	–	10.8%
MSCI World Index (Net, AUD)	7.6%	6.0%	9.3%	5.3%	14.0%	–	11.1%
Excess Return	-1.4%	-2.1%	-4.9%	-5.3%	-2.8%	–	-0.2%

Note: Numbers may not sum due to rounding.

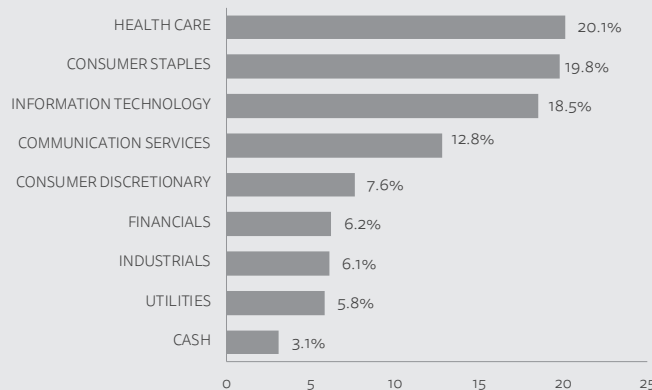
## TOP 10 PORTFOLIO HOLDINGS

Alphabet Inc	Merck & Co Inc
Aon PLC	Microsoft Corp
Apple Inc	Novartis AG
Coca-Cola	Orsted A/S
Danone SA	Unilever NV

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

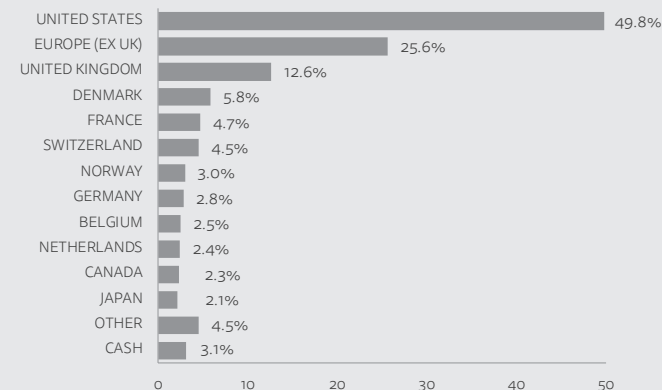


## SECTOR EXPOSURE



Source: Investment Manager, Bloomberg

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 30 November 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 30 November 2020. Initial index value 1,000. Index Source: Bloomberg.

# 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 2.8% for the month compared to the broader MSCI AC World Index which was up 7.2%. Global shares rallied strongly following the US election which delivered a Democratic President and likely Republican controlled Senate, and news of positive vaccine trial results. The vaccine news drove a significant rotation from growth stocks towards cyclical and value stocks leveraged to improving economic growth.

The Fund's best performing holdings were Uber (+42.2%), TSMC (+10.7%) and PayPal (+10.1%). Weaker contributors included Zoom (-0.7%), Tencent (-8.8%), and Alibaba (-17.3%). Uber rose strongly driven by the market rotation, a solid September quarter result and the passing of legislation enabling gig economy companies to continue to classify workers as contractors. PayPal reported a strong quarterly result (revenue growth of 25%, EPS up 41%) as the shift to digital payments and ecommerce continues to accelerate.

While Tencent and Alibaba both reported good September quarter results, they were impacted by news of potential greater regulation of Chinese internet companies. Alibaba was also sold off following the suspension of the IPO of its affiliate Ant Group.

## PORTFOLIO MANAGER



Raymond Tong  
Portfolio Manager

NTA per unit

**\$3.09**

Unit price (EGD)

**\$2.91**

Gross assets

**\$300.4 MILLION**

12-month  
distribution yield

**4.9%**

Annualised performance since  
inception (25 July 2017)<sup>1</sup>

**25.6%**

Units on issue: 97,154,870

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

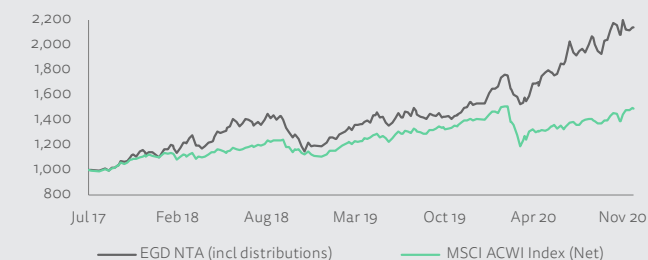
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
NTA	2.8%	4.1%	20.2%	38.8%	32.5%	23.4%	25.6%
MSCI AC World Index (Net, AUD)	7.2%	6.5%	10.4%	5.7%	13.9%	10.0%	12.6%
Excess Return	-4.3%	-2.5%	9.8%	33.1%	18.6%	13.4%	12.9%

Note: Numbers may not sum due to rounding.

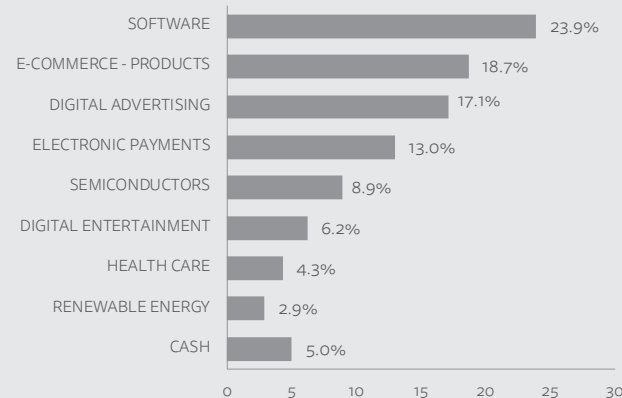
## TOP 10 PORTFOLIO HOLDINGS

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

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

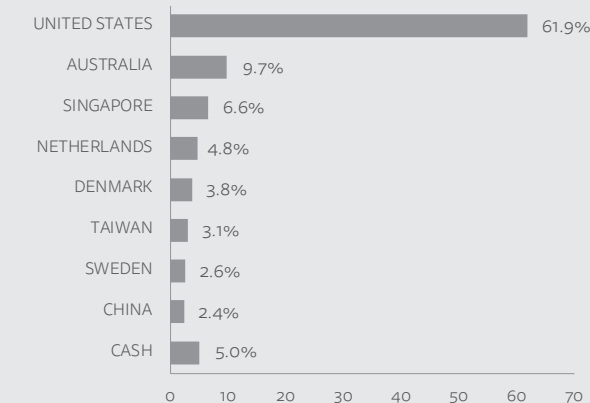


## SECTOR EXPOSURE



Source: Investment Manager, internal classification

## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 30 November 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 30 November 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) continued its positive momentum and was up 3.1% in November. Asian and global markets were boosted by positive vaccine news. Southeast Asian markets outperformed, particularly those countries which rely heavily on tourism such as Thailand (+19.0%) and Singapore (+13.6%). China (-2.0%) was the worst market, primarily due to the decline of large cap technology companies. Asian markets also saw sector rotation into Materials (+10.2%) and Financials (+9.1%) while outperformers in previous months such as Communication Services (-5.0%) and Consumer Discretionary (-3.3%) underperformed.

The Evans & Partners Asia Fund (Fund) returned 0.7% in NTA terms, underperforming the Index by 2.3% largely due to the Fund's lower risk position as well as negative sector allocation. The Fund's overweight position in United Overseas Bank (+15.4%) contributed positively to performance as the Singaporean bank reported results in line with expectations and guided a strong recovery next year. Conversely, Techtronic Industries (-8.3%) and HCL Technologies (-6.5%) were the bottom contributors to performance as positive vaccine news dampened the performance of stocks influenced by do-it-yourself and work-from-home themes arising from COVID-19.

## PORTFOLIO MANAGERS



Ted Alexander  
Portfolio Manager



Ying Luo  
Assistant Portfolio Manager

NTA per unit  
**\$1.43**

Unit price (EAF)  
**\$1.35**

Gross assets  
**\$119.9 MILLION**

12-month distribution yield (target: 4%)  
**3.7%**

Annualised performance since inception (14 May 2018)<sup>1</sup>  
**8.3%**

Units on issue: 84,012,019

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

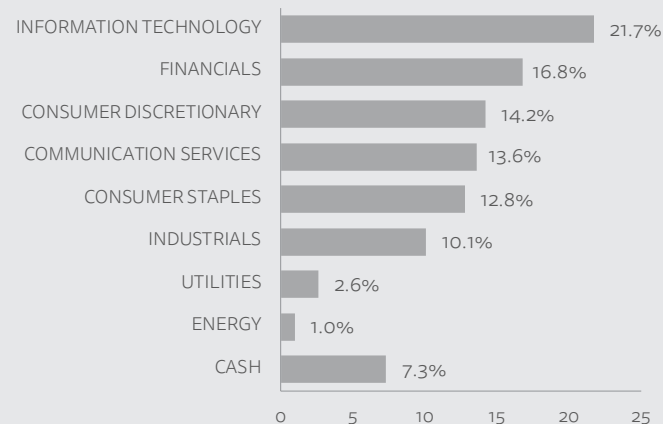
	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	3 Years (p.a.)	Since Inception (p.a.)
NTA	0.7%	6.8%	15.5%	9.5%	17.7%	–	8.3%
MSCI Asia ex Japan Index (Net, AUD)	3.1%	9.9%	20.2%	14.8%	15.5%	–	6.9%
Excess Return	-2.3%	-3.1%	-4.7%	-5.3%	2.2%	–	1.4%

Note: Numbers may not sum due to rounding.

## TOP 10 PORTFOLIO HOLDINGS

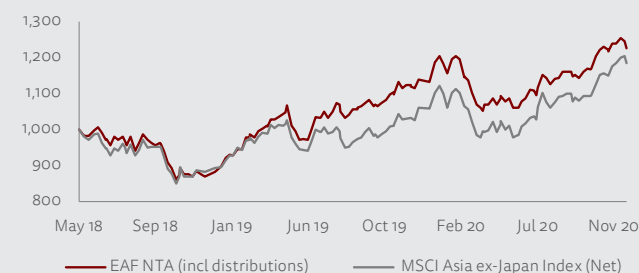
Alibaba Group	Samsung Electronics
CP ALL PLC	Techtronic Industries
HCL Technologies	Tencent Holdings
Kweichow Moutai Co Ltd	TSMC
Ping An Insurance Group	United Overseas Bank Ltd

## SECTOR EXPOSURE

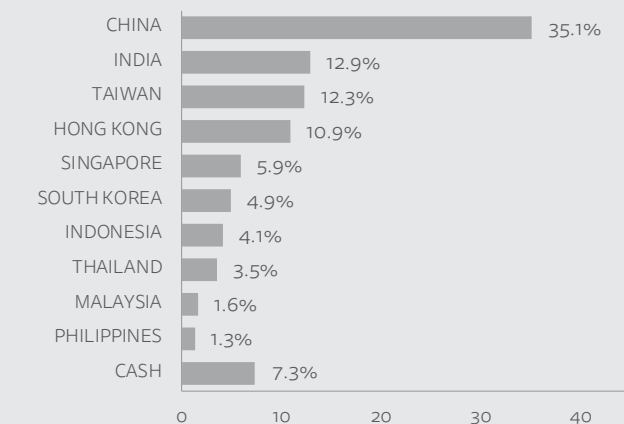


Source: Investment Manager, Bloomberg

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



## COUNTRY EXPOSURE



Source: Bloomberg, Country of Domicile

Notes: Data at 30 November 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 30 November 2020. Initial index value 1,000. Index Source: Bloomberg.

## ABOUT E&P FUNDS

E&P Funds, part of the E&P Financial 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 prepared by Evans and Partners Investment Management Pty Limited (**Investment Manager**) (ACN 619 080 045, CAR No. 1255264), as investment manager for the Evans & Partners Asia Fund (**EAF**) (ARSN 624 216 404), Evans & Partners Global Flagship Fund (**EGF**) (ARSN 158 717 072) and Evans & Partners Global Disruption Fund (**EGD**) (ARSN 619 350 042). EAF, EGF and EGD are together referred to as 'Funds'. **E&P Funds Management Pty Limited (ACN 159 902 708, AFSL 450 257) (E&P Funds) is part of the E&P Financial Group.**

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