

Global Evolution Capital

Fund Overview – December 2020

About the Fund

The world is evolving more rapidly than it has in any time in human history and these shifts are creating opportunities for select companies to position for multi-year growth while impairing the economics of others as the world shifts from under them.

Our focus is on identifying these dislocations and constructing a portfolio that protects as well as grows the wealth of our investors irrespective of the market environment.

Our global focus allows our investors access to the best companies in the world. Our absolute return philosophy means that our investors have the right to expect positive returns regardless of what the world throws our way.

Fund Features

- Global absolute return fund
- Gross exposure range = 100% to 220%
- Net exposure range = -30% to +60%
- Long position range = 10 to 30
- Managed fx exposure
- Fees = 1.25% base fee and 20% performance fee above 5% hurdle rate subject to high water mark

Current Metrics

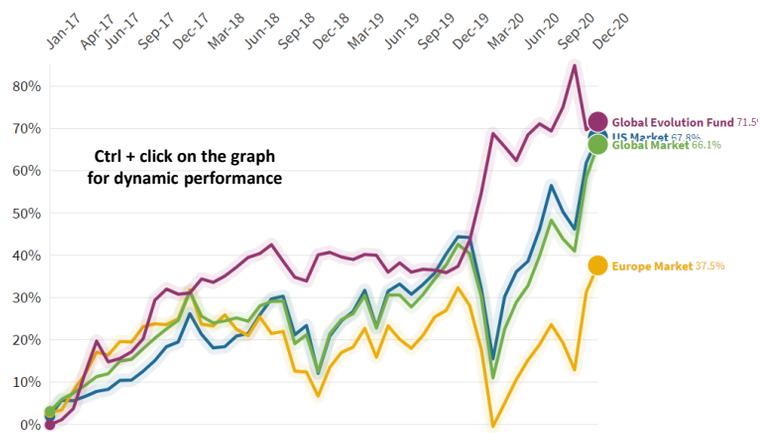
Gross Exposure	215%
Long Exposure	94%
Short Exposure	121%
Net Exposure	-27%
Total Positions	39
Long Positions	17
Short Positions	22

Key Positions

Long Positions	Short Positions
Alphabet (GOOGL-US)	Fedex Corp (FDX-US)
Xinyi Solar (968-HK)	Uber (UBER-US)
Tencent (700-HK)	Nissan (7201-JP)
Amazon (AMZN-US)	CVS Health (CVS-US)
Thermo Fisher Scientific (TMO-US)	Marks and Spencer (MKS-GB)

Performance (gross, cumulative)

	US Market	European Market	Global Market	FUND
1Yr	16.3%	4.1%	16.6%	24.9%
3Yr	40.5%	13.2%	33.4%	31.2%
Inception	67.8%	37.5%	66.1%	71.5%



Performance Comparison

- US Market = SPX (S&P 500 Stock Index)
- European Market = IEV (iShares S&P Europe 350 Index ETF)
- Global Market = VT (Vanguard Total World Stock Index ETF)

Inception date is 1st January 2017. Past performance is provided for illustrative purposes only and is not a guide to future performance

Risk Metrics (since inception)

	US Market	Euro Market	Global Market	FUND
Ending VAMI	1,677.7	1,375.1	1,661.2	1,714.9
Max Drawdown	20.0%	24.8%	22.2%	8.2%
Sharpe Ratio	0.88	0.55	0.87	1.25
Sortino Ratio	1.34	0.81	1.30	2.56
Standard Dev.	4.7%	4.9%	4.6%	3.3%
Downside Dev.	3.1%	3.4%	3.1%	1.6%

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Investment Process

The Global Evolution Fund is a Global Absolute Return Fund shaped around key industry dislocations, with the net exposure to the market controlled with the aim of generating positive returns irrespective of market movements. In terms of the high level investment process, there are 4 key steps. These are:

1. Identify Evolutionary Trends

We spend time identifying the key global dislocations currently washing through industries as we feel it is these long dated secular trends that can set the guard rails for long term company performance. We see the current key themes as:

- **Technology** (big data, AI, sharing economy, cloud)
- **Transport** (electric and autonomous vehicles)
- **Energy** (renewables, efficiency, storage, fuel cells)
- **Health** (pharma, biotech, devices, med tech)
- **Resource Shortages** (food security, water, waste)
- **Social Change** (emerging middle class, education)
- **Industrials** (connected, robotics, automation)

2. Identify Companies

Then we segment the global stock universe with reference to exposure to these trends, and push these stocks through an initial screen focused on what we view as critical to company success. These key screening metrics are:

- **Returns** (ROIC, ROE)
- **Balance sheet** (Net Debt / EBITDA, Gearing, Z-Score)
- **Financials vs valuation** (growth vs valuation)

This identification process does not provide the answer, but allows us to derive a subset of companies that require further, detailed, bottom-up work.

3. Detailed Individual Company Analysis

The subset of investment opportunities then undergoes detailed, bottom up analysis including:

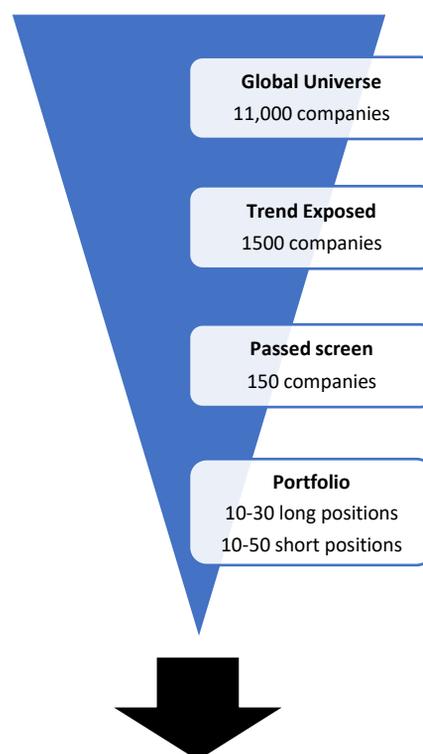
- **Financial Review:** Earnings and cash flow history, balance sheet review, cash flow projections
- **Management Commentary:** Consistency of outcomes
- **Valuation:** DCF, P/E, P/CF
- **Qualitative:** Management, ESG

4. Portfolio Construction

Net exposure is managed with reference to long term valuation metrics, with a focus on PE 1Yr, PE 2Yr and CAPE (Cycle Adjusted PE) ratios. Net exposure boundaries are set at -30% to +60%.

Individual position sizes flex with level of conviction, upside potential, volatility and liquidity. Approaches to both sides of the book are:

- **Long:** Positions range between 10-30 with an average size of 5% of NAV and max of 20%
- **Short:** Positions range between 10-50 with an average size of 2.5% of NAV and max of 5%



Portfolio		
	Long	Short
Positions	10-30	10-50
Average Size	5%	2.5%
Max size	20%	5%

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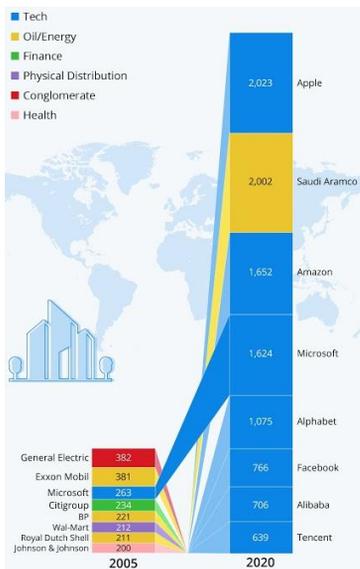
Why this approach?

Why Thematic?

To build a portfolio for long term value, we need to understand and position for how the industrial world is evolving. Hence the initial focus on identifying the key industrial dislocations currently underway.

To illustrate industrial evolution we look at the shift in the world's largest companies over the past 15yrs. Of the 2005 Top 8 companies only 1 remains in that list in 2020. Likewise intra-industry leadership has shifted markedly. Identifying these shifts between and within industries requires a focus on how the future will develop.

World's Largest Companies



Industry Leadership



Why Absolute Return?

Too often weak returns are explained away as being due to factors outside the managers control while periods of good performance are attributed to manager skill. This is not good enough.

We want no place for excuses – the outcome for the end investor is all that matters and that outcome should be a positive return irrespective of what the market throws our way. It is up to us as stewards of our investors capital to control the variables.

Why Us?

Global Evolution Capital provides a proven investment process that combines a thematic approach to identify pools of opportunity backed by detailed stock specific work to ensure that the companies selected have the attributes required for long term success. A good “story” is not enough - detailed company specific work must validate a financial profile that can generate sustainable returns for our investors. Being in the right industry is not a guarantee of success

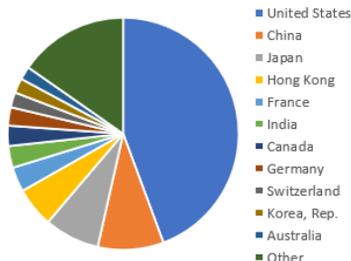
This process has delivered strong returns since inception and of greatest importance to us, has protected capital at times of market weakness.

Just as importantly as the process and outcomes is the vision we have for reshaping the engagement with clients. We aim for deep and frequent engagement to outline what we are thinking along with transparency in terms of what the client owns. We want our clients with us every step of the way.

Why Global?

These thematic trends are global in nature, so a global perspective is critical. The Australian market represents < 2% of global market cap, and the index is heavily skewed (approx. 2/3rds) towards “old world” financials and miners. As such, the best opportunities for returns sit outside the usual domestic focus.

Global Market Cap



Australian Market



The fund will open to new investors in 2021. To indicate your interest or discuss the fund in more detail, please contact us at:

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