

# Global Equities

September 2024

Northcape's Global Equities strategy was established in 2019. It offers a concentrated portfolio of high quality businesses in global equity markets.

Our fundamental investment research is focused on identifying companies that exhibit quality characteristics such as sustainable growth, strong profitability, a defensible market position, strong balance sheets and superior Environmental, Social and Governance ("ESG").

We are patient investors with a long-term investment horizon. The outcome is a low-turnover portfolio of carefully selected businesses that delivers resilient and sustained performance for clients.

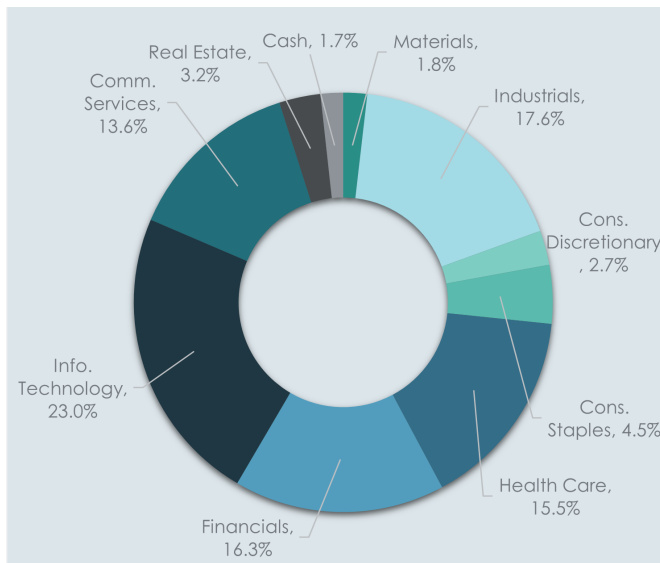
## Strategy Details:

Objective:	Outperform the benchmark over a rolling 3-5 year basis.
Benchmark:	MSCI World Accumulation Index
Investment Options:	Separate Mandate
Strategy Inception:	Aug 2019
AUM \$US	\$75m

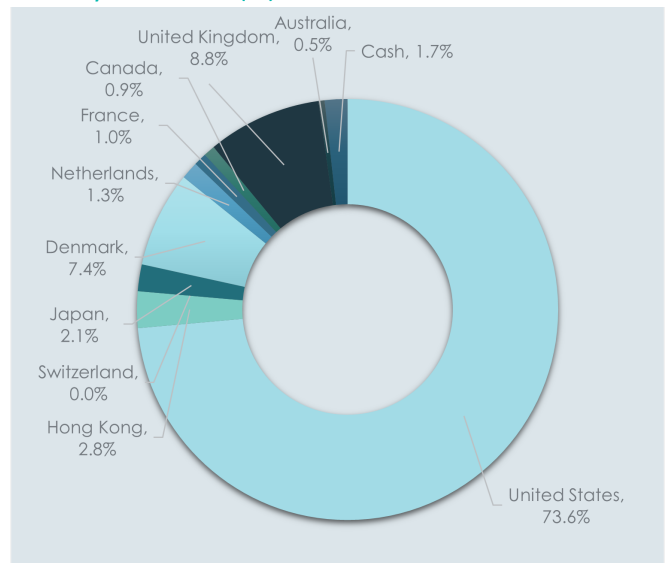
## Characteristics:

Number of Stocks:	38
Individual Stock Weight:	0-10%
Stock Range:	20-40
Sector Range:	+/-15% rel. to index (GICS 1)
Country Range:	+/-15% rel. to index
Cash Range:	0-10%

## Sector Allocation (%):



## Country Allocation (%):



## Investment Philosophy

Northcape adopts a long-term approach to investing. We believe that superior investment returns rely on fundamental investment research, good judgement, and the experience of our investment team.

We believe that the most effective way to generate superior returns, given risk in global equity markets, is through a concentrated portfolio of no more than 40 high quality businesses invested over the long term. We are very patient investors with low turnover portfolios.

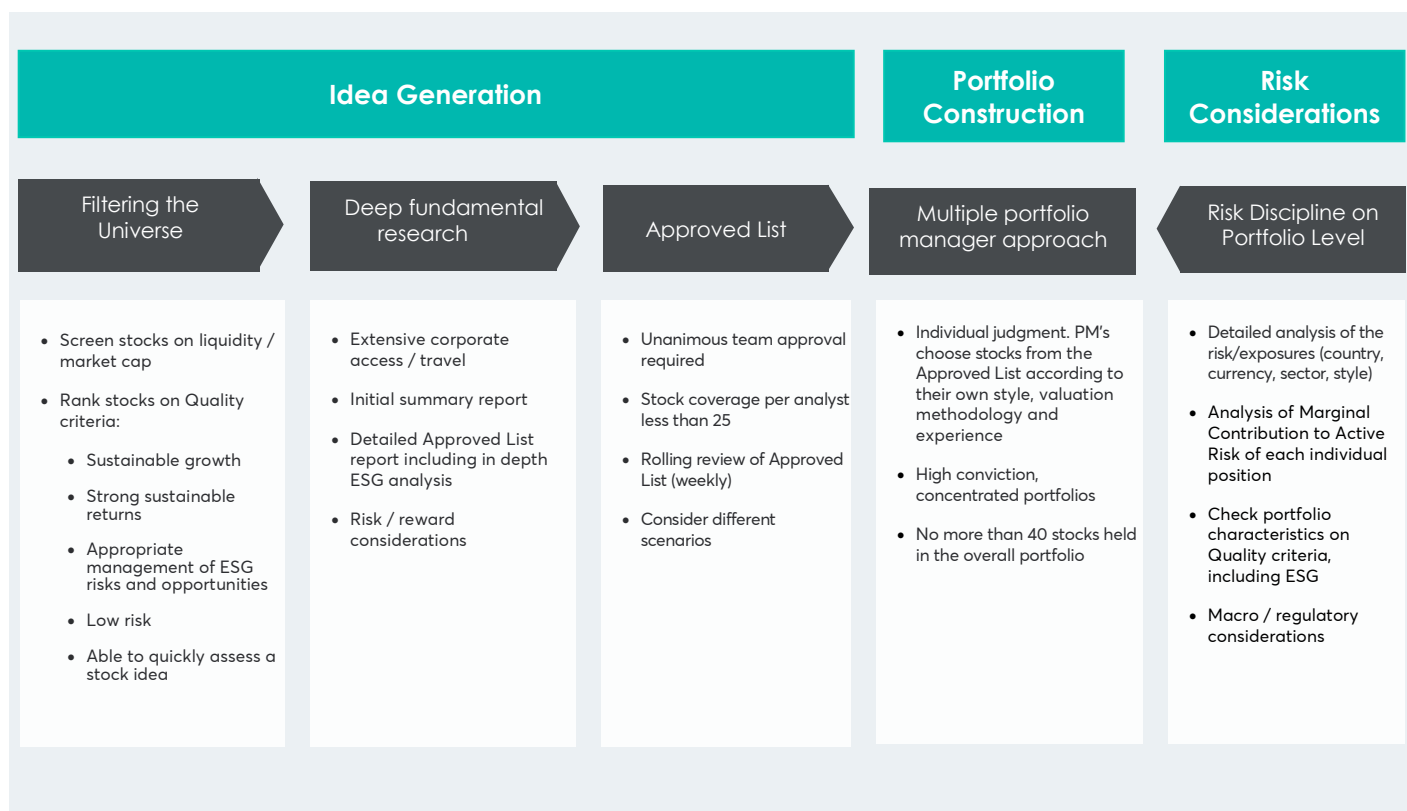
Investors in global equity markets are increasingly becoming short term in focus. In this environment, outstanding companies are often indistinguishable from average, low-quality companies. However, when viewed within a long-term framework, we believe that companies with quality characteristics such as sustainable growth, strong profitability, defensible market position, strong balance sheets, and appropriate management of ESG opportunities and risks, will generate more enduring returns over time.

Equity markets are consistently undervaluing high quality businesses. This provides an opportunity to apply our experience and judgement to look through the noise of short-term market movements and hand-select a concentrated portfolio of resilient businesses at attractive prices.

Northcape believes that markets generally underestimate the value of key factors that support downside protection. These include appropriate management of ESG factors, and capital adequacy. As such, we prefer companies that have alignment in stakeholder interests and management of ESG factors. In seeking to limit downside risks, while capturing steady growth, we endeavour to improve long-term portfolio returns.

## Investment Process

The investment process for the Northcape Global Equities strategy focuses on deep fundamental research to identify high quality companies that have a structural and sustainable competitive advantage. Combined with a rigorous portfolio construction approach and risk discipline the strategy is focused on building real wealth over the long-term, capturing steady growth, by limiting downside risks. A **diagram of our investment process** is provided below, with further detail over the page.



## Investment Process

### Idea Generation

Our investment process is based on rigorous in-house research. We filter the investment universe for quality characteristics such as sustainable growth, strong profitability, strong balance sheets, and appropriate management of ESG factors. We developed a proprietary tool, using Bloomberg and HOLT® research, to assist our analysis of a large investible universe for companies that meet the 'quality' criteria. The filtering tool supports fundamental research to target the most prospective companies for further research.

### Deep Fundamental Research

The team travels extensively to meet with company management, industry experts, competitors and suppliers around the world. We believe that only by visiting companies in their home market can we build the knowledge required to create a concentrated portfolio of the best names in the global equity space.

Understanding the industry in which a company operates is crucial to our research and assessing long term competitive advantage. Our industry analysis considers the threat of new entrants, threat of substitutes, bargaining power of customers and suppliers, and competitive rivalry. Several Northcape analysts have deep sector expertise. Combining this with a generalist approach to portfolio management allows us to understand an industry in detail in a relative context.

Deep company and industry analysis is used to identify outstanding businesses and assess the investment thesis against our 'quality principles'.

Analysts decide which stocks to work on. There are no rules or constraints placed on the analyst and their research methodology.

### Approved List

This research process filters the investable universe to a list of investment grade companies, which we call our Approved List. To get a stock on the Approved List, the analyst presents detailed research to the investment team. Unanimous team agreement is required for approval. The Approved List is dynamic and reflects our selection of the highest quality businesses regardless of pricing. In the development of the Approved List, information and research are pooled and debated. Regular review of the Approved List reinforces the peer review approach, broadens knowledge through collective learning, and supports monitoring for new information and views.

### Portfolio Construction

A concentrated portfolio of 20-40 stocks is constructed from the Global Equities Approved List. Stock selection is informed by the discount to assessed fundamental value. We believe that an appropriately structured portfolio of 20-40 companies provides high conviction with enough diversification to limit unintended biases to specific stock, industry or macroeconomic risks.

We believe our rigorous portfolio construction approach is differentiated from peers and creates strong client alignment. Our unique multiple portfolio manager approach allows investment decisions to be made individually rather than by consensus. Under this approach the timing of decisions and weightings is delegated to individual PMs, each responsible for managing a segment of the portfolio. PMs focus on their best investment ideas to generate performance. The portfolio managers are free, within the strict constraints of the client mandates and the Approved List, to fully exercise their investment skills and judgement. This creates accountability, an environment that optimises knowledge sharing, and allows clients to benefit from the full experience and knowledge of the investment team.

### Risk Discipline

We do not set portfolio weightings relative to the composition of the index and our country and sector exposures are an outcome of our portfolio construction process.

To avoid unnecessary exposures or risk in the client portfolio we will look at a number of risk characteristics on a regular basis.

Protecting capital is an important element of our investment approach. Our risk discipline, along with our Approved List process, ensures that the prospects of building real wealth over the long-term is materially improved, by limiting downside risks, whilst capturing steady growth.

## Global Equity Equities Investment Team:



### Fleur Wright

#### Portfolio Manager | Analyst

Before joining Northcape, Fleur was a Managing Director doing Global Equities at UBS in Sydney, running the APAC team. Prior to this, Fleur lived and worked in the UK focusing on European equities. She also has experience in valuing infrastructure securities.

**Years of industry experience: 26**



### Theo Maas

#### Portfolio Manager | Analyst

Before joining Northcape, Theo worked at Arnhem Investment Management where he was Portfolio Manager for Arnhem's Global Equity Strategy. Theo worked at ABN AMRO in Amsterdam from 1994 to 2007 as a PM in the Global Equity team with a focus on the TMT sectors.

**Years of industry experience: 30**



### Wendy Herringer

#### Portfolio Manager | Analyst

Before joining Northcape, Wendy was a Portfolio Manager in the Baring Global Equity in London, Wendy joined Barings in 2011 and worked in various roles in Global Equity with a focus on the US market and sectors like Healthcare, Industrials, Financials and Consumer. Prior to this Wendy worked at HSBC as a global equity analyst and at ABN AMRO Asset Management as an analyst in the Fixed Income team.

**Years of industry experience: 18**



### Jumana Nahhas

#### Analyst

Before joining Northcape, Jumana held portfolio development roles at Nanuk Asset Management and Orca Funds Management focusing on developed market equities. Prior to this Jumana worked on a European long/short strategy at Lansdowne Partners. She has a background in Financials and in forensic accounting-based research.

**Years of industry experience: 19**

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