Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

Peters MacGregor Global Fund

Report data as at 31 Oct 2017
Rating issued on 30 Nov 2017

APIR Code
WPC0002AU

mFund Code
PMW01

Bid / Ask Price: 28-Nov-17
$1.7264 / $1.7298

Min Investment Amount
$10,000

Asset / Sub-Asset Class
International Shares
Global (Unhedged)

Investment Style
Value

Investment Objective
To outperform the MSCI ACWI Net Return (AUD) over rolling five year periods, net of fees, whilst reducing the risk of permanent capital loss.

Zenith Assigned Benchmark
MSCI World ex Aust $A

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	14.35	11.36	15.20
Benchmark	18.78	13.37	22.00
Median	17.81	13.17	22.28

Income (% p.a.)

	Income	Total
FY to 30 Jun 2017	3.04	14.85
FY to 30 Jun 2016	13.24	-3.11
FY to 30 Jun 2015	9.29	25.69

Fees (% p.a., Incl. GST)
Management Cost: 1.35%
Performance Fee: N/A

VIEWPOINT & RATING

The Fund is managed by Peters MacGregor Capital Management Limited (PMCM), a Sydney-based boutique fund manager. PMCM employs a concentrated, benchmark unaware approach to investing in international equities, with the preservation of capital being a key focus. Zenith has a high regard for PMCM's investment personnel and capabilities. In addition, we draw confidence from the recent growth in the investment team and believe the Fund is a differentiated investment option for investors.

PMCM was founded in 1999 by Wayne Peters. PMCM is a single strategy firm with a sole focus on high conviction global equities management. The business and investment team of six is led by Peters who has over 30 years of industry experience. Prior to establishing the business and commencing his investment career, Peters owned and managed a highly successful retail chain. Zenith believes Peters' entrepreneurship has provided a solid foundation for his investment philosophy and process. In addition, we view PMCM's sole focus on a single strategy positively as it affords the investment team undiluted attention to the Fund.

Supporting Peters in the management of the Fund is Michael Haddad, who has spent the vast majority of his investment career with PMCM, having joined the business in 2002 as an analyst. Whilst Zenith notes that the investment team is small and geographically dispersed in comparison to its peers, we are comfortable from a resourcing standpoint given the team's focused investment approach. Furthermore, we view the progressive investment in the team with additional headcount positively.

Given the size of the team and the large potential investment universe, a heavy reliance is placed upon screening techniques before detailed fundamental research is conducted. Companies which meet PMCM's quality and value investment criteria are valued primarily through a discounted cashflow approach. Only high quality companies trading at a discount of at least 20% to their intrinsic value can be considered for inclusion in the Fund.

While Zenith believes PMCM's stock selection approach is sufficiently robust and detailed, we note that the team has a relatively narrow coverage focus, creating the potential for some investment opportunities to be omitted. Although relatively small by industry standards, Zenith notes that PMCM's investment team size is calibrated to the Fund's investment strategy, with a heavy reliance on quantitative screens focusing the team's limited resources effectively and efficiently.

The portfolio is constructed through a collaborative approach between Peters and Haddad. However, Peters has ultimate responsibility of the Fund. If no suitable investment can be found, the Fund will hold cash in its place, which may be up to 20%. Given the Fund's unique investment approach, Zenith believes PMCM's portfolio construction process and limited constraints are intuitive. However, investors should be aware there is significant reliance on portfolio manager judgement and skill.

FUND FACTS:

- Benchmark unaware
- Quality and Value biased investment style
- Concentrated portfolio typically holding between 20 and 30 positions
- Focus on companies which rank highly on environmental, social and governance factors

ABSOLUTE RISK (SECTOR)	RELATIVE RISK (FUND WITHIN SECTOR)
VERY HIGH	Geared
▶ HIGH	▶ Active - Benchmark Unaware
MODERATE	Active - Benchmark Aware
LOW	Index - Enhanced/Fundamental
VERY LOW	Index

INCOME DISTRIBUTIONS PER			
MONTH	QUARTER	6 MONTH	**ANNUM**

INVESTMENT TIMEFRAME			
1-2 YRS	3-4 YRS	5-6 YRS	**7+ YRS**

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also afford portfolio diversification benefits.

The Zenith "International Shares - Global (Unhedged)" sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark aware and benchmark unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors.

Zenith benchmarks all funds in this sector against the MSCI World Index ex-Australia (Unhedged), which corresponds with the benchmark employed by the majority of funds in this space. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings. The index consists of approximately 1,500 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States) with the United States currently representing approximately 60% of the index; Japan and the United Kingdom being the next largest constituents, with approximately 9% and 7% respectively. The index excludes emerging and frontier markets but many managers retain the mandate flexibility to invest in emerging markets.

The global share market, as represented by the MSCI World Index ex-Australia (Unhedged), is far more diverse, in terms of sector exposures, than the Australian market. Although the Financials sector represents the largest sector index weight, many sectors not well represented in the Australian market, such as Information Technology and Healthcare, are well represented in the global index, each with approximately a 15% and 12% weighting respectively. Despite the market capitalisation weighting methodology, the top 10 index stocks represent only approximately 11% of the weighting of the index, reflecting the larger universe and less top heavy nature of the universe.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer-term with some income. However, this higher growth is also often associated with higher volatility. International equities provide investors with a broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to Australian equities and more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency is factored in. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities be blended with domestic equities and other non-correlated asset classes such as fixed income to diversify the impact of a downturn in the global economy.

Given PMCM's value investment style, Zenith would expect the Fund to have stronger performance relative to competitors in flat or falling market environments. As the Fund is concentrated and benchmark unaware, investors should be cognisant that its returns and volatility may vary considerably relative to both the benchmark and its peers. To achieve a more diversified exposure to international equities, Zenith believes the Fund may be blended with other style-neutral or growth orientated international equity products.

The Fund may also appeal to socially aware investors. PMCM employs a multi-faceted ethical framework, aiming to avoid investing in businesses that are involved in activities that may be harmful to people, animals or the environment.

The Fund has historically experienced a low level of portfolio turnover in both absolute and relative terms, averaging approximately 30% p.a. across the full market cycle. Zenith believes lower levels of portfolio turnover will generally contribute to a more tax effective exposure to international equities. This approach is particularly beneficial for high marginal tax rate payers, where the after tax return is maximised.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in global equities include:

MARKET DOWNTURN: The biggest risk for all global equities based products is a significant downturn across global equities markets, which could lead to periods of negative performance. This risk can be significantly reduced by investors adopting a medium to long-term (7+ years) investment time frame.

REGULATORY / SOVEREIGN RISK: Given the diversity of the global equity investment universe from both a country and sector/industry point of view, the Fund is exposed to regulatory, political and sovereign risk.

AUSTRALIAN DOLLAR (AUD) CURRENCY RISK: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund's total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that over the long-term, the currency impact on performance will be minimal and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

FUND RISKS

Zenith has identified the following key risks associated with the Fund; this is not intended to highlight all possible risks:

KEY PERSON RISK: Based on the small size of the investment team, any departure would have a material impact on PMCM's investment capability. Zenith has identified Wayne Peters as a critical member of the team and overall business given the central role he has played in the development and refinement of PMCM's investment process. As such, Peters' departure would trigger an immediate review of the Fund's rating.

Importantly, Zenith notes that Peters owns a controlling stake in the business, which we believe to be a strong retention mechanism.

CAPACITY/LIQUIDITY RISK: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, limiting outperformance potential. PMCM has a stated capacity target for the strategy of approximately $A 5 billion. As at 31 October 2017, PMCM managed approximately $A 236 million within the strategy. At current levels of FUM, Zenith does not believe capacity is an issue.

INVESTMENT STYLE RISK: Although the benchmark unaware, high conviction approach is an appealing feature of the Fund, it could lead to materially different performance from the benchmark. While over the longer-term this has resulted in superior performance for the strategy, it could also result in relative under performance during certain market conditions.

The Fund's bias towards large, high quality companies with lower market sensitivity can help generate excess returns during difficult or downward trending markets, however this bias will also likely act as a drag on relative performance in strong bull markets.

CONCENTRATION RISK: As the portfolio is limited to holding a maximum of 30 positions, stock specific risk is higher than for more diversified portfolios. However, Zenith believes PMCM's focus on quality and valuation should protect the portfolio from significant losses. Also, as a consequence of the Fund's concentration and investment philosophy, the portfolio tends to lack diversification in terms of regions and sectors. This may lead to very different returns from that of the benchmark.

TRACK RECORD RISK: Although the Fund has a long-term track record, Zenith notes that the cash maximum holding limit was reduced in 2014 from 100% to 30% and further reduced in 2017 to 20%. Given the Fund now limits its cash allocations, we believe the Fund's track record may not be fully reflective of the strategy going forward.

BUSINESS RISK: PMCM only recently surpassed breakeven FUM. Zenith believes it is important for the business to continue to grow its FUM over the coming years to further reduce business risk.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Peters MacGregor Capital Management Limited (PMCM) was founded in 1999 by Wayne Peters. PMCM is Sydney-based and operates a single investment strategy based around high conviction global equities. Equity in the business is split between Peters who retains a controlling stake and four senior executives owning the balance.

After initially only managing the strategy for high net worth individuals, PMCM launched the Fund in 2004. As at 31 October 2017, PMCM had approximately $A 236 million in funds under management, $A 199 million of which was in the Fund. Zenith notes that the Fund has recently gained significant retail investor traction which gives us confidence in the business' ongoing viability.

INVESTMENT PERSONNEL

Name	Title	Tenure
Wayne Peters	Chief Investment Officer	18 Yr(s)
Michael Haddad	Senior Portfolio Manager	15 Yr(s)

The Sydney-based investment team is led by Chief Investment Officer Wayne Peters who has over 30 years of industry experience. Prior to establishing the business and commencing his investment career, Peters owned and managed a highly successful retail chain. Zenith believes Peters' entrepreneurship has provided a solid foundation for his investment philosophy and process.

Supporting Peters in the management of the Fund is Senior Portfolio Manager Michael Haddad who, after joining the business in 2002 as an analyst, has spent the vast majority of his investment career with PMCM. Haddad works from an office in Auckland and meets with the broader investment team every four to six weeks. Overall, Zenith believes there is a high level of trust between Peters and Haddad, which has been cultivated from their long-term working relationship.

Although the professional cohesion between Peters and Haddad is strong, Zenith believes this also potentially makes it harder for newcomers in the team to establish themselves. However, once established in the team, as is the case with several investment personnel, there is high cohesion and collaboration among team members.

Peters and Haddad are supported by Nathan Bell, Head of Research, who joined PMCM in June 2015. The investment team is further supported by analyst Trevor Scott who has been with PMCM for ten years and is based in Toronto, Canada. Two recent hires, Alex Chin and Wilson Wang, who have 10 and 5 years' industry experience respectively, make up the remainder of the team. Chin is based in the Sydney office while Wang is based in Honolulu. Zenith notes that PMCM has recently invested significantly in the team and thus we believe the investment team is positioned well going forward given the additional headcount.

Due to the small size of the team relative to peers Zenith would prefer the investment team to be based out of a centralised office location. Zenith believes this is important as it aids in the sharing of information and promotes direct communication between the team. However, Zenith acknowledges that to date this has not materially impacted on the performance of the Fund.

Bonuses are based on the annual absolute performance of the portfolio and are team-based, averaged over three years to ensure longer-term orientation. Significant individual contribution is rewarded with increased salary or bonus, progression within the team and/or potential for equity ownership. Additionally, discretionary cash bonuses may be awarded by the CIO on a case-by-case basis. Zenith believes PMCM's remuneration structure is fair. However, we would like to see a component of bonuses vested within the strategy which would further align the interest of the team with investors.

Overall, Zenith's conviction in PMCM's investment team is underpinned by the extensive experience of senior personnel, Peters and Haddad's strong working relationship, and the firm's efforts in increasing overall resourcing within the investment team.

INVESTMENT OBJECTIVE AND PHILOSOPHY

The investment objective of the Fund is to outperform the MSCI ACWI Net Return (AUD) over rolling five year periods, net of fees, whilst reducing the risk of permanent capital loss. However, internally there is an absolute performance objective of 10% p.a. gross of fees return over the longer-term.

PMCM believes that a long-term investment approach that aims to invest in companies with strong management at discounted prices is key to successful wealth generation.

PMCM adopts a benchmark unaware, fundamental investment style that has a strong emphasis on valuation and margins of safety.

Zenith notes that PMCM has successfully employed the same investment approach since inception, producing a solid long-term track record dating back to 1999.

SECURITY SELECTION

The Fund's investment universe comprises all companies listed on developed market exchanges with market capitalisations greater than $A 1 billion; approximately 8,300 companies.

Given the size of the team and the disproportionately large potential investment universe, there is a heavy reliance on screening techniques. The team employs proprietary screens which are tailored according to industry and market capitalisation.

In June 2017, PMCM updated its ESG policy and introduced a negative investment screen. Previously, PMCM applied a qualitative ESG assessment of each company and those which PMCM believed were involved in unsustainable practices required a much higher discount to intrinsic value for investment. As a result, positions in these companies were rarely held.

The recently introduced negative investment screen is implemented through software which eliminates any stocks exposed to:

- Brewers
- Casinos and Gaming
- Coal and Coal Products
- Conventional Weapons
- Defence Electronics
- Distillers and Vintners
- Guided Missiles and Components
- Light Weapons and Ammunition
- Logging
- Military Aircraft
- Military Armoured Vehicles
- Military Watercraft
- Pornography
- Tobacco

The software is unable to detect stocks linked to child labour, human rights abuse, animal cruelty, excessive consumerism and third world exploration. However, PMCM seeks to identify industries where these issues may arise and further scrutinises companies within these industries. Additionally, PMCM will hold no exposure to companies deriving greater than 20% of revenues from pornography, coal, gambling and/or tobacco. Overall, Zenith is supportive of the changes to PMCM's ESG policy.

In addition, investment ideas can come from more qualitative sources such as:

- Suppliers
- Customers
- Competitors
- Industry networks
- News

The screens employed by PMCM assist to narrow the team's focus to approximately 280 stocks that form the investment watchlist.

Companies which progress through the initial screening process are subject to fundamental research by the team. PMCM may also employ the services of external consultants where they deem it to be necessary.

In this step of the research process, each company is assessed against a proprietary checklist which covers over 70 items. A detailed investment report is also produced for each company, with the key areas of focus being:

- *Business*: Looks for companies that are understandable, have a consistent operating history and favourable long-term prospects.
- *Financials*: Analyse and compare financial ratios such as cash flow, debt and earnings.
- *Competitor analysis*: To understand the company's relative strengths and weakness, margins, customer mix and financials. Looks for companies with sustainable competitive advantages.
- *Suppliers*: To gain further insight into operational aspects of the company.
- *Customer analysis*: To gain further insight into industry and consumer trends.
- *Management*: Looks for management teams with strong track records of being shareholder friendly, efficient capital allocation and have material ownership stakes in the company.
- *Short seller's investment thesis*: To gain an understanding to a view which may be contrary to the team's. PMCM believes this has the potential to identify risks which may have been overlooked due to personal biases.

In addition to the investment report, the team will also meet with company management. As a result of PMCM's relatively low level of firmwide FUM, Zenith believes the team's access to larger capitalisation companies may be more difficult to achieve. Zenith believes this has the potential to place PMCM at a disadvantage relative to its larger peers, especially given PMCM's focus on quality of management.

Companies which meet PMCM's quality and value investment criteria are placed on a watchlist that typically comprises 280 stocks. Companies on the watchlist are then valued primarily through a discounted cashflow (DCF) approach, with normalised free cashflows as the input. A single discount rate is used across all valuation models to provide comparability. Stocks on the watchlist are monitored daily and formally reviewed on a weekly basis.

PMCM also incorporates Environmental, Social and Governance (ESG) considerations into its research effort. The identification of ESG issues can be reflected in a company's valuation, and where ESG issues are deemed to be significant, can preclude the company from potential investment. Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in the company's share price.

High quality companies trading at the largest discounts are considered the most attractive investments. However, only stocks that are trading at a discount of at least 20% to their intrinsic value can be considered for inclusion in the Fund.

Overall, Zenith believes PMCM's stock selection approach is sufficiently robust and detailed. However, we note that the team has a very narrow coverage focus, creating the potential for some investment opportunities to be omitted.

PORTFOLIO CONSTRUCTION

The portfolio is constructed through a collaborative approach between Peters and Haddad. However, Peters has ultimate responsibility of the Fund.

The portfolio is constructed in a concentrated and benchmark unaware manner, holding a maximum of 30 positions. PMCM advised that they will typically initiate positions at 3% to 4% with a 2% minimum. Zenith believes this to be consistent with PMCM's high conviction approach.

Formal guidelines are in place to ensure the portfolio reflects PMCM's best ideas. For changes to positions that are 5% or below, approval from only Peters is required. However, for changes to positions that are greater than 5%, approval from both Peters and Haddad must be given. Zenith believes these guidelines ensure accountability, which is important for a highly concentrated portfolio.

If no suitable investment can be found, the Fund will hold cash in its place, which may be up to 20%. Zenith notes that the cash maximum holding limit was reduced in 2014 from 100% to 30% and further reduced in 2017 to 20%. Zenith views this change positively as we believe that active managers should be as close to fully invested as is practical.

PMCM will typically sell positions under any or all of the following circumstances:

- The position has appreciated to the target valuation
- The position is displaced by a more attractive option
- The investment thesis has deteriorated
- The position has not met expectations

PMCM will also trim its largest positions as they appreciate towards fair value. The Fund has historically experienced a low level of portfolio turnover in both absolute and relative terms, averaging approximately 30% p.a. across the full market cycle.

The Fund will only hedge currency exposures in exceptional circumstances. As such, investors should be aware that the Fund may experience additional volatility as a result of currency fluctuations.

Given the Fund's unique investment approach, Zenith believes PMCM's portfolio construction process and limited constraints are intuitive.

RISK MANAGEMENT

Portfolio Constraints	Description
Stock weight - at purchase (%)	2% to 10%
Security numbers	max: 30
Cash (%)	max: 20%

In addition to the broad risk constraints in the table above, risk management is embedded into the research process. Zenith believes the flexible portfolio constraints ensure that PMCM is not restricted in its ability to achieve the Fund's investment objectives. However, investors should be aware there is significant reliance on management judgement and skill.

As a result of the security selection process, investment ideas are identified through detailed research. PMCM's investment process has a strong quality and valuation focus. Zenith believes high quality companies are less susceptible to market cyclicality, thereby reducing performance volatility. In addition, we note that PMCM's requirement of only buying or holding companies with at least a 20% discount to internal valuations somewhat limits the risk of permanent loss of capital. Zenith believes the firm's research is of high quality, allowing PMCM to understand all aspects of the company, particularly downside risk.

Zenith is satisfied that the Fund's risk management processes are embedded in PMCM's in-depth security selection process.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Shares – Global (Unhedged) funds surveyed by Zenith.

The Fund charges a management cost of 1.35% p.a. with no performance fee. Overall, Zenith believes the Fund's fee structure to be uncompetitive, relative to peers, given its stated objectives. In addition, we believe that investors have not been sufficiently compensated by way of performance given the fees paid over the past three years (ending 30 June 2017).

The Fund also applies a buy/sell spread of 0.1% on applications and redemptions.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	1.35% p.a.	1.01% p.a.
	Description	
Performance Fee	N/A	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.10%	0.10%

PERFORMANCE ANALYSIS

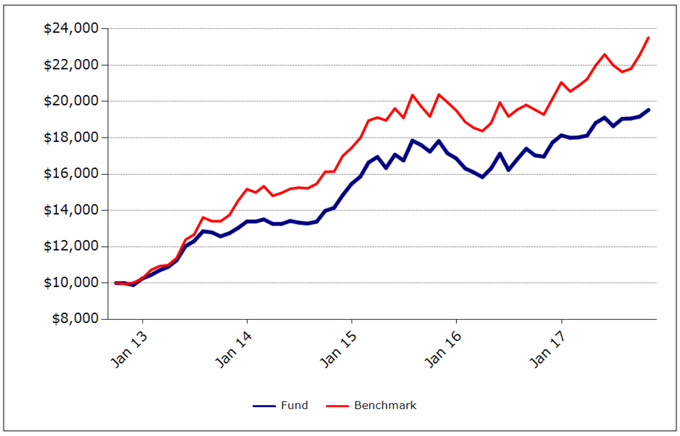
Report data: 31 Oct 2017, product inception: Sep 2004

Monthly Performance History (%, net of fees)

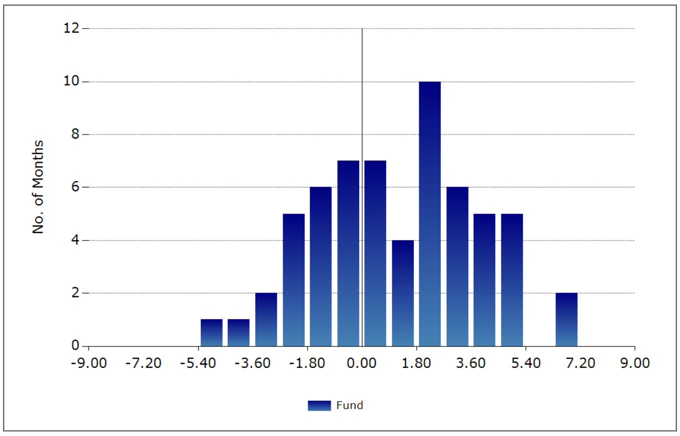
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2017	-0.74	0.10	0.57	3.87	1.52	-2.46	2.18	0.09	0.55	1.92			7.73	11.74
2016	-3.25	-1.29	-1.65	3.01	4.95	-5.20	3.69	3.37	-2.09	-0.44	4.59	2.25	7.56	7.92
2015	2.61	4.87	1.82	-3.59	4.52	-1.89	6.52	-1.39	-2.03	3.38	-3.75	-1.70	9.03	11.80
2014	0.02	0.86	-1.83	-0.05	1.27	-0.69	-0.37	0.76	4.46	1.21	4.90	4.21	15.51	15.01
2013	1.96	2.33	1.84	3.37	6.90	2.33	4.41	-0.49	-1.71	1.38	2.26	2.74	30.69	48.03

Benchmark: MSCI World ex Aust $A

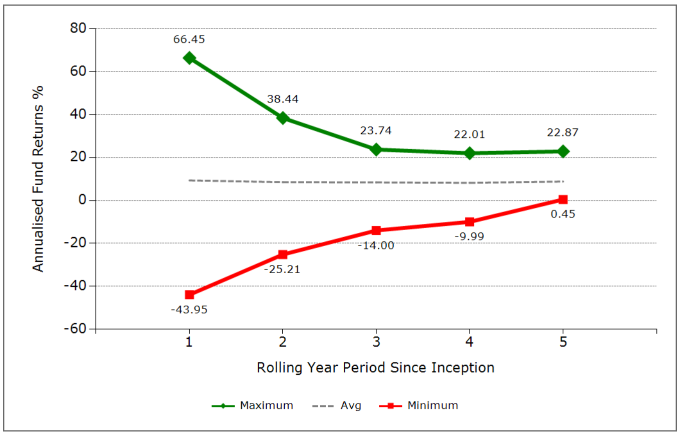
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	7.95	14.35	11.36	15.20
Benchmark (% p.a.)	6.76	18.78	13.37	22.00
Median (% p.a.)	6.60	17.81	13.17	22.28
Ranking within Sector	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund Ranking	3 / 45	71 / 81	72 / 98	110 / 120
Quartile	1st	4th	3rd	4th
Standard Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	12.85	9.27	10.35	6.46
Benchmark (% p.a.)	11.27	10.48	10.84	8.80
Median (% p.a.)	11.39	10.49	10.85	8.55
Downside Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	7.58	3.93	4.66	2.39
Benchmark (% p.a.)	6.18	3.80	4.19	3.41
Median (% p.a.)	6.01	4.01	4.60	3.10
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Sharpe Ratio - Fund	0.29	1.29	0.89	2.08
Sortino Ratio - Fund	0.48	3.04	1.99	5.61

Zenith benchmarks all global equity funds against the MSCI World ex Australia Index ($A) to provide a common point of comparison. This is not the stated benchmark for the Fund.

All commentary below is effective as at 31 October 2017.

The investment objective of the Fund is to outperform the MSCI ACWI Net Return (AUD) over rolling five year periods, net of fees, whilst reducing the risk of permanent capital loss. However, internally there is an absolute performance objective of 10% p.a. gross of fees return over the longer-term.

Although the Fund has failed to meet its investment objectives over the most recent five-year period, it has outperformed Zenith's assigned benchmark since inception.

Over the long-term, Zenith expects the Fund's absolute risk (as measured by Standard Deviation) to be lower than peers based on the bias to quality and value. However, we note that the portfolio is concentrated and lacks diversification by region and sector relative to peers. Therefore, the Fund may be prone to periods of higher volatility.

Zenith notes that the Fund's volatility since inception is higher than peers and the benchmark. Zenith believes this is due to a period of high volatility during the GFC, whereby PMCM was early in the financials trade, which subsequently gave them a strong performance uplift in the rebound. Over all other periods of assessment, the Fund's volatility has been lower than the benchmark and the median manager.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	1.19	-4.43	-2.01	-6.79
% Monthly Excess (All Mkts)	50.00	43.33	47.22	41.67
% Monthly Excess (Up Mkts)	32.63	35.00	38.10	22.22
% Monthly Excess (Down Mkts)	76.19	60.00	60.00	100.00
Beta Statistics	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Beta	0.75	0.77	0.84	0.52
R-Squared	0.43	0.76	0.77	0.50
Tracking Error (% p.a.)	10.13	5.16	5.23	6.24
Correlation	0.65	0.87	0.88	0.71
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Information Ratio	0.12	-0.86	-0.38	-1.09

All commentary below is effective as at 31 October 2017.

Zenith seeks to identify funds that can achieve an outperformance ratio in greater than 50% of months across all market conditions, as we believe that this reflects a consistency of manager skill. PMCM has been able to achieve this objective since inception.

Consistent with PMCM's quality and value bias, the Fund has shown greater consistency of outperformance during downmarkets as compared with upmarkets over all periods of assessment.

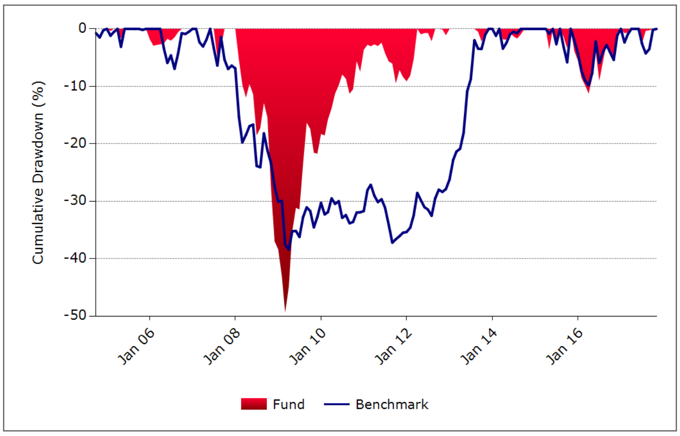
The Fund has experienced a reasonably high Tracking Error relative to many managers within this sector, which is consistent with PMCM's benchmark unaware portfolio construction process.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-49.39	-38.41
Months in Max Drawdown	14	22
Months to Recover	37	56

Worst Drawdowns	Fund	Benchmark
1	-49.39	-38.41
2	-11.26	-9.86
3	-4.98	-6.96
4	-3.59	-5.81
5	-2.92	-4.27



All commentary below is effective as at 31 October 2017.

Although Zenith expects the Fund's drawdown profile to be more attractive than the benchmark, we note that the Fund's highly concentrated nature can lead to very large drawdowns. This was particularly the case during the GFC, whereby PMCM was early in the financials trade and the resulting drawdown was larger than the benchmark. However, the Fund was able to quickly recover from the drawdown.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2017	3.04%	11.80%	14.85%
FY to 30 Jun 2016	13.24%	-16.35%	-3.11%
FY to 30 Jun 2015	9.29%	16.40%	25.69%
FY to 30 Jun 2014	0.00%	8.28%	8.28%
FY to 30 Jun 2013	1.84%	26.98%	28.82%

Investors should be aware the Fund does not target a specific level of income returns, with distributions paid annually.

The Fund has historically experienced a low level of portfolio turnover in both absolute and relative terms, averaging approximately 30% p.a. across the full market cycle. Zenith believes lower levels of portfolio turnover will generally contribute to a more tax effective exposure to international equities. This approach is particularly beneficial for high marginal tax rate payers, where the after tax return is maximised.

REPORT CERTIFICATION

Date of issue: 30 Nov 2017

Role	Analyst	Title
Author	Tom Goodrich	Associate Investment Analyst
Sector Lead	Quan Nguyen	Senior Investment Analyst
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
30 Nov 2017	Recommended
28 Nov 2016	Approved
2 Dec 2015	Approved
5 Sep 2014	Not Rated - Screened Out
14 May 2013	Not Rated - Screened Out
Last 5 years only displayed. Longer histories available on request.	

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