Claremont Global Fund (Hedged)

March 2021 Quarter Report

Performance to 31 March 2021

	Since inception p.a.	5 Years p.a.	3 Years p.a.	1Year	6 Months	3 Months
Portfolio return (AUD)	13.3%	15.1%	18.1%	49.7%	18.7%	5.5%
MSCI AC World Accum Index ex-Aust (AUD)	10.8%	12.9%	11.5%	48.8%	18.7%	5.8%
Excess return	**2.5%**	**2.2%**	**6.7%**	**0.9%**	**0.0%**	**-0.3%**

Benchmark is MSCI All Countries World Index Ex-Australia (AS). Performance is net of investment management fees. Inception date is 18th February 2014. Numbers may not sum due to rounding. Since inception return is annualized and assumes reinvestment of distributions. Past performance should not be taken as an indication of future performance.

Market commentary

Global equity markets rose 5.8% over the March quarter (all figures are in local currency unless noted otherwise) supported by news around the rollout of the vaccine and further stimulus in the US. Locally, the Australian equity market lightly trailed international markets, appreciating 4.8% over the same period.

The US market was buoyed on news of further government stimulus, rising 5.4% and driven largely by a strong performance through March. After a rocky start to the year, which centered around the riots at the Capitol building in Washington, President Biden confirmed a fiscal stimulus package of $1.9 trillion while also promising a $2.0 trillion infrastructure spending plan. The 10-year US Treasury yield rose from 0.91% to 1.74%, and with the two-year yield remaining relatively flat, this resulted in a steeping of the yield curve, signaling rising growth expectations. This provided a tailwind to `value' sectors such as Energy, Financials, and Industrials while certain `growth' sectors, such as Information Technology and Health Care, were relatively constrained by the rise in yields. Large cap technology was largely unaffected, as the competitive advantages of the businesses and recurring revenues associated with products deeply integrated in customers processes, continue to be prized by investors.

European equity markets advanced strongly in the first quarter, rising 7.6%. While the markets performed strongly, new waves of COVID-19 infection began spreading through various regions of the Eurozone, outpacing the rollout of vaccines, and leading to renewed lockdowns. UK equities also rose strongly, up 5.2%. As was consistent across the globe, unloved sectors during the pandemic such as Energy and Financials were the best performers, with sectors less tied to the economic recovery underperforming.

Emerging market equities continued their rally, posting a 4.0% following double-digit growth last quarter and despite a stronger US dollar. However prevailing concerns around the vaccine rollout strategies saw emerging countries falling behind that of their developed counterparts. As was consistent with other parts of the globe, a pick-up in new COVID-19 infections, particularly in Brazil which is struggling to contain the spread of a new mutant strain of the virus, saw countries forced into new lockdown restrictions. China underperformed international markets, with the China A market falling 3.5%, as regulatory and policy uncertainty combined with geopolitical concerns weakened sentiment.

Those sectors that benefited the most during the midst of the pandemic saw relative underperformance, with reopening and an economic rebound anticipated, some investors rotated into more economically sensitive sectors. Energy was the best performer (+18.6%). Financials also performed strongly (+12.7%) benefiting from rising rates. Consumer Staples (+0.7%), Health Care (+1.8%) and Information Technology (+2.6%) all lagged.

Fund details

Strategy FUM	$1 Billion
Number of Stocks	10-15
Maximum Single Stock Weighting	10%
Maximum Cash Weighting	10%
Minimum Investment	$20,000
Investment Management Fee	1.25%
Performance Fee	Zero

Top five holdings as at 31 March 2021

Top five	Region	Sector
Alphabet	US	Information Technology
Automatic Data Processing	US	Business Services
Equifax	US	Business Services
Lowe's	US	Consumer
Microsoft	US	Information Technology

Please note the top five holdings of the portfolio are in alphabetical order.

Portfolio characteristics – 3 years to March 2021

Standard deviation	17.6%
Realised beta	0.99
Tracking error	5.0%
Upside capture ratio	1.22
Downside capture ratio	0.92

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Portfolio performance

The Claremont Global Fund (Hedged) portfolio rose 5.5% during the quarter, underperforming the broader market by 0.3%, which saw a 5.8% increase on a net basis (numbers may not add due to rounding).

Key contributors to performance for the quarter were Alphabet and Lowes:

- **Alphabet (GOOGL)** - The company reported their 4Q20 result in February, posting a 23% increase in revenue (constant currency), accelerating from +14% in 3Q20. As businesses began to recover from the impacts of the pandemic, so did their ad budgets, allowing Google's core advertising business to grow 22% in the quarter. Google Cloud continued to perform well, with revenues rising 47% as they increase their penetration in this fast-growing market. We believe that, as their Cloud business begins to scale, following upfront expenditure in infrastructure and the salesforce, there is likely considerable upside to the segment's operating margins (and in turn the company) over the medium-term. Better capital allocation continues to be on the agenda, with a lower allocation to loss making Other Bets and more capital returned to shareholders through their share repurchase program, which totaled $31 billion in 2020.

- **Lowe's (LOW)** - The company continued to deliver outsized sales across the US with same-store-sales (SSS) growth of 28% for the quarter driving full year SSS to 26%. Management's actions taken over the last two years has allowed the company to capitalize on the tailwinds the home improvement sector has experienced as a result of the COVID-19 pandemic. Pleasingly, the strong top-line growth was accompanied by margin expansion with operating margins rising ~170 basis points to 10.8%. While we expect the elevated sales growth to inevitably soften, our thesis is firmly intact, and we have increased confidence in management's ability to further improve the operations of their store base over the coming years.

Portfolio additions

There were no portfolio additions in the March quarter.

Portfolio removals

There were no portfolio removals in the March quarter.

Securities movements for the quarter of March

Bought in	–
Sold out	–
Increased holding	Agilent, Diageo
Decreased holding	Alphabet, Aon, Broadridge, CME, Visa

Fund details

APIR Code	ETL0391AU
ARSN	166 708 407
Responsible Entity	Equity Trustees
Administrator	Mainstream
Custodian	JP Morgan
Currency Exposure	Hedged
Fund Inception	18th February 2014
Buy/Sell Spread	0.10% / 0.10%

Contribution to portfolio return – Quarter March 2021 (%)

Top Three	%
Alphabet	1.82
Lowe's	1.53
CME Group	1.33

Bottom Three	%
Equifax	-0.47
Visa	-0.12
Ross Stores	-0.06

Numbers represent contribution in percentages of each stock to the percentage change in portfolio value.

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Strategy Inception	Companies Held	Strategy FUM	Unit trust 3-year performance (net)	Unit trust returns since inception
2011	14	+$1B	20%	188%

Past performance is not a reliable indicator of future performance. Returns assume reinvestment of distributions and is net of fees.

About Claremont Global

Claremont Global is a boutique fund manager located in Sydney, Australia. We run a high-conviction, fundamental strategy and only invest in international equities. Our evidence based and rigorous bottom-up approach allows us to identify the world's best companies. If these businesses satisfy our specific criteria and strict valuation methodology the team will consider to invest in them for the long term.

Our Philosophy

Our investment philosophy can be described as buying quality growth businesses at a reasonable price. We look to acquire these securities at a discount to our estimate of their intrinsic value. We explicitly exclude specific industries and areas of the market. We invest in companies whose earnings growth drives intrinsic value, whilst their inherent quality (high margins, strong balance sheets and cash flow) will help to protect client capital in difficult markets.

INVEST ONLINE

Investment Grade Lonsec Research

Zenith RECOMMENDED

Signatory of: PRI Principles for Responsible Investment

Superior SQM RESEARCH

Important information