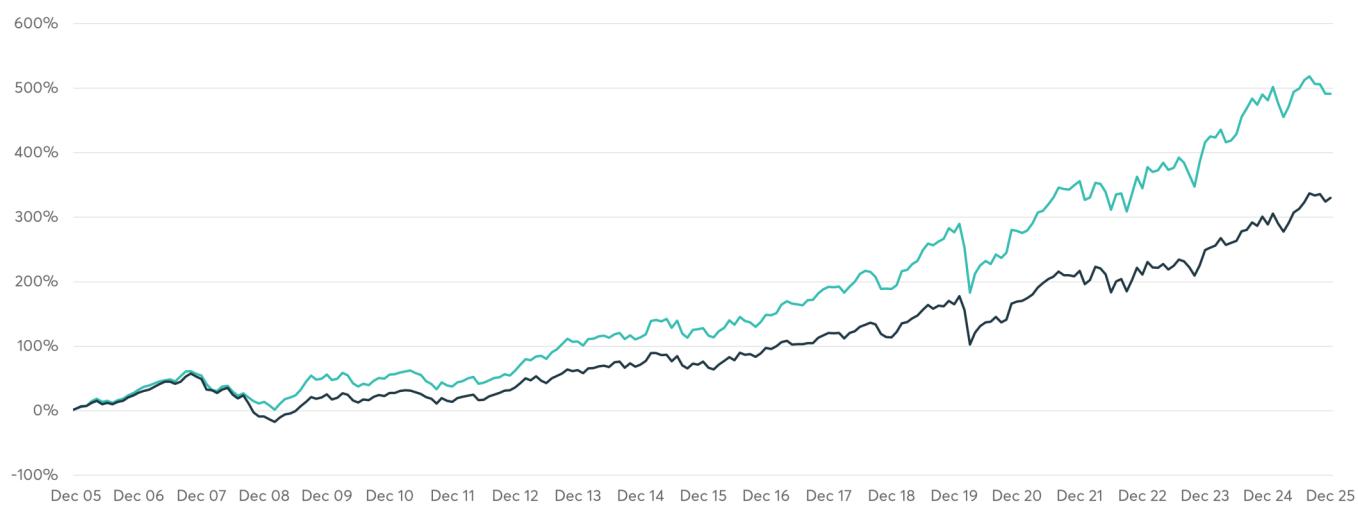


# Concentrated Australian Equities

Northcape Capital is a boutique investment manager wholly owned by staff. We specialise in managing concentrated equity portfolios with a quality bias. Northcape manages over A\$18 billion of investment capital on behalf of a range of global investors. We have a proud track record of achieving strong outperformance since our inception in 2004.

The **Concentrated Australian Equity Fund** is a high-conviction portfolio of quality Australian companies with a 20-year track record of outperformance. Fundamental research is conducted to identify businesses with high returns on equity, above average growth prospects, and a durable competitive advantage. We invest for the long-term, constructing style-neutral portfolios with an emphasis on idiosyncratic risk.

## Cumulative Performance — Northcape Concentrated Australian Equity Fund (%):



## Fund Details:

Objective:	Outperform the benchmark over a rolling 3 - 5 year basis
Benchmark:	S&P / ASX 300 Accum. Index
Investment Options:	Separate Mandate
Fund Inception:	November 2005
Type of Investor:	Wholesale/Institutional

## Australian Equity Investment team:

Our highly experienced and diverse investment team has an average of 26 years experience in the industry, and 13 years of tenure with Northcape, reflecting both the depth of expertise, and long-standing commitment of our people.



## Characteristics:

Tracking error:	Expected range 3 - 6%
Portfolio Dividend	Approx. 3%
Stock Range:	20 - 25 stocks held
Cash Range:	0-5%
Portfolio Turnover:	20-30%

Important information: This fund profile is general information prepared by Northcape Capital Pty Ltd (ABN 53 106 390 247, AFSL 281767) (**Northcape Capital**) and the strategy is available to wholesale investors only. While the information has been prepared with all reasonable care, Northcape Capital accepts no responsibility or liability for any errors, omissions or misstatements howsoever caused. Prospective wholesale investors who wish to invest via our unregistered managed investment scheme can access the Information Memorandum on our website ([www.northcape.com.au](http://www.northcape.com.au)). This document is not an offer to, or intended for distribution or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to law or subject Northcape Capital to additional registration requirements. Persons outside Australia should consult their professional advisers as to whether any governmental or other consents are required or other formalities need to be observed to enable them to make an investment decision. Performance data is for the Northcape Concentrated Australian Equity Composite based on gross, pre-tax returns. Past performance is not indicative of future performance.

## Investment Philosophy and Process:

Northcape adopts a long term approach to investing and believe that superior investment returns rely on fundamental investment research, good judgement and experience.

**Rigorous in-house research is the basis of our investment process.** Industry sectors have been divided amongst the investment team, although there is freedom for any member to cover a particular stock in the investment universe. Each analyst decides which stocks to undertake work on within their coverage. There are no rules or constraints placed on the analyst and his/her research methodology. The primary focus is to identify quality businesses that offer above average growth prospects.

The consideration of Environmental, Social and Governance ("ESG") factors is part of this review. Northcape believes that companies with good ESG practices can contribute to clients' long-term financial objectives, while those with poor practices will likely deliver reduced long-term value, with increased systemic risk.

**The research process filters the investable universe to a list of investment grade companies, which we call our Approved List.** To put a stock on the Approved List, the analyst presents a detailed research paper 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 within the team and debated. Stocks on the Approved List are regularly reviewed.

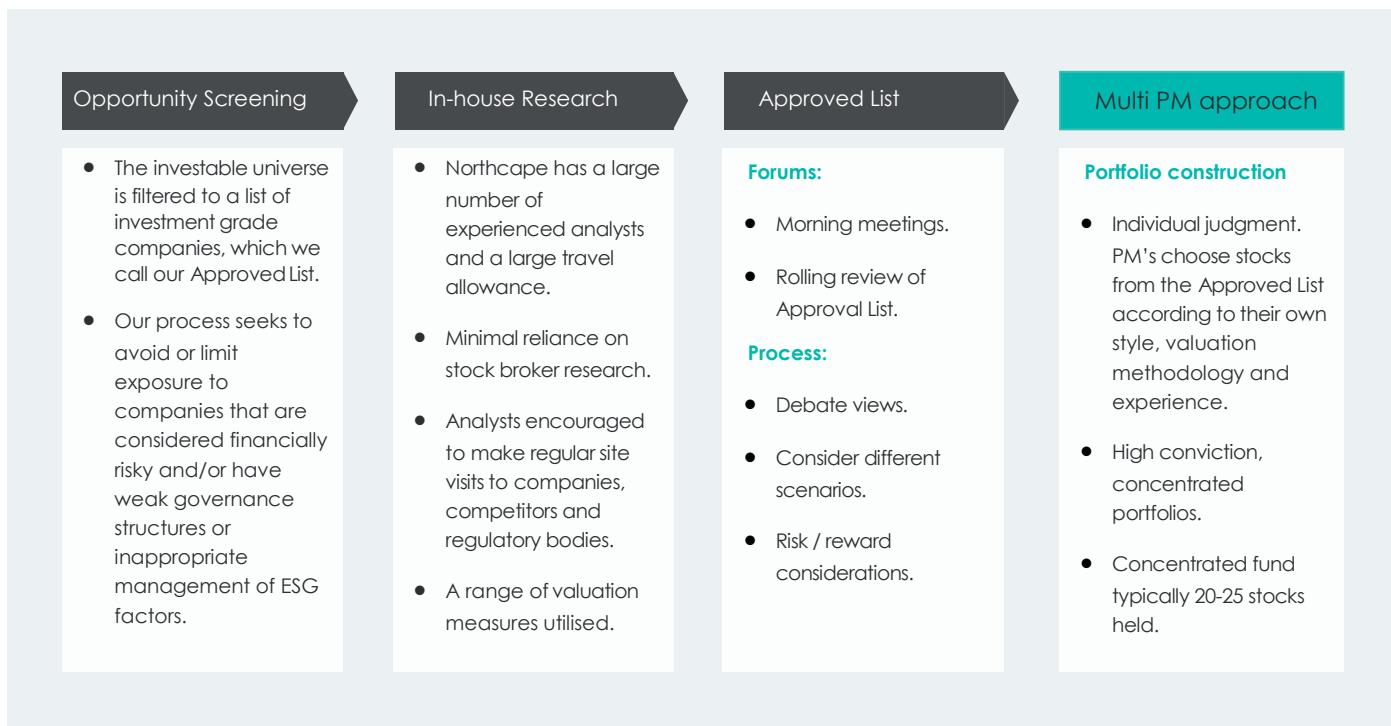
This reinforces the peer review approach, broadens knowledge through collective learning, and encourages the full team to monitor for new information and views.

A concentrated investment portfolio is constructed from the Approved List. Stocks are picked with reference to value and risk/reward skew. For some companies, the risk to profit could skew heavily to the downside under certain scenarios while upside risk may be relatively modest. It is important to assess both relative valuation and risk/reward skew when constructing the portfolio.

**At Northcape we use a multiple portfolio manager approach.** We believe this is the optimal structure for experienced portfolio managers to focus on their best investment ideas. Under this approach, the timing of decisions and portfolio weightings is delegated to individual portfolio managers who are responsible for managing a segment of the overall portfolio. Each portfolio manager has ultimate accountability for ensuring that their highest conviction ideas are included in their slice of the portfolio.

As portfolio managers, the team members are free, within the strict constraints of the client mandates and the Approved List, to exercise their investment skills to the maximum. There are no committee decisions in this phase.

We do not set portfolio weightings relative to the composition of the index, although there are some limits on individual stock exposures relative to the benchmark. Stock and sector exposures are an outcome of our portfolio construction process. [A diagram of our investment process](#) is provided below:



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