see money differently

NEDGROUP INVESTMENTS GLOBAL EQUITY FUND

Quarter One, 2019

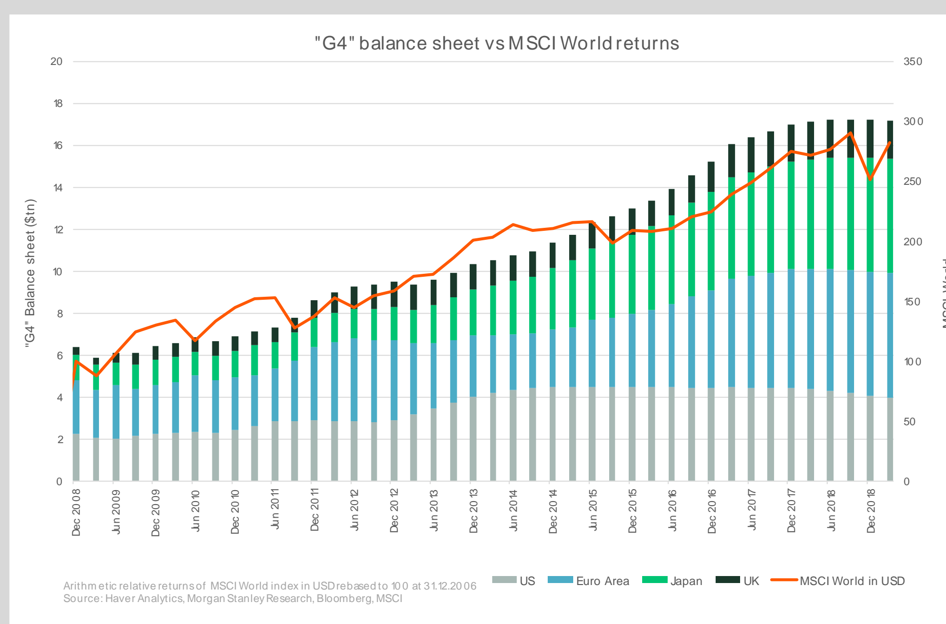
For the period ended 31 March 2019

NEDGROUP INVESTMENTS GLOBAL EQUITY FUND

Commentary produced in conjunction with Sub-Investment Manager, Veritas Asset Management LLP

“The only difference between the saint and the sinner is that every saint has a past, and every sinner has a future” - Oscar Wilde

Since the global financial crisis in 2007 and 2008 we have enjoyed 11 years of uninterrupted economic expansion. While the pace of the expansion has been relatively modest, the length of expansion has been exceptional. Using data for the US post World War II, the current expansion of over 118 months is second only to the March 1991 to March 2001 expansion which ended with the Nasdaq bubble collapsing. The 1990’s expansion was 120 months long so assuming we do not have a contraction start in the US in the next month or so, the current expansion will shortly become record breaking (in the post war era). Politicians and central bankers are happy to take the credit for the length of the current expansion and in many ways they should.

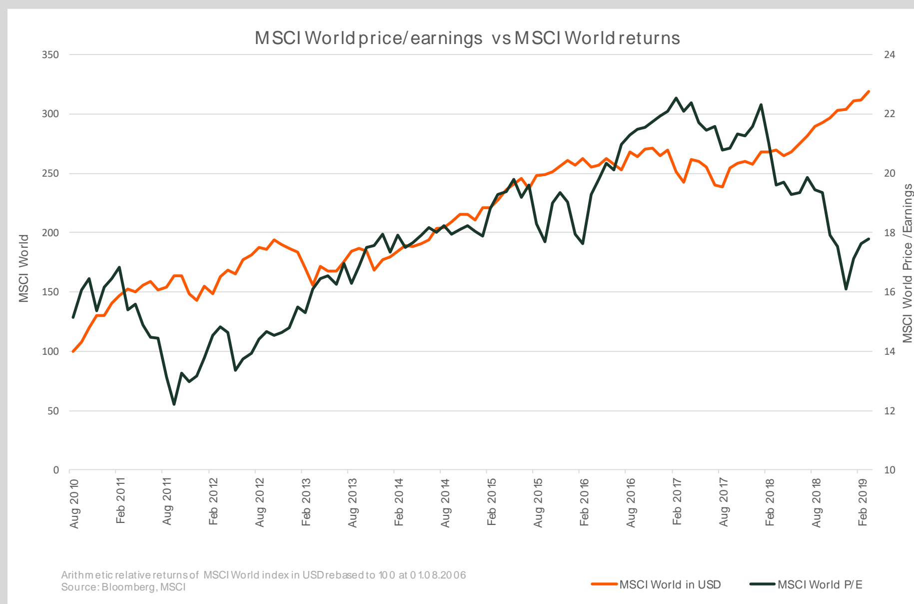


The chart above indicates just how much Central Bank balance sheets have grown. In 2007 the total balance sheets of the US, EA, Japan and UK summed to around $3.5trn. By the end of 2018 those balance sheets had grown to over $17trn, an increase of almost $14 trillion. To put this in context, the total GDP of these countries in 2008 when Quantitative Easing first started was around $34.5 trillion. Little wonder that the major economies have not had a contraction for 11 years and counting. Such vast money printing when combined with zero or minuscule interest rates inevitably has the effect of delaying any contraction. However, whether this is a long term positive or not is debatable.

Politicians and policy makers all seem to agree that any contraction is bad and so will use whatever tools they have (or can imagine) available to prevent a contraction. However, a recent study from the BIS shows that companies whose interest costs are greater than their pre-interest earnings for 3 consecutive years have risen dramatically and now number over 12% of listed non-financial firms in developed markets. These companies have not been able to afford their interest payments for 3 consecutive years despite record low interest rates. They are being kept alive by low interest rates and the vast liquidity that has been injected into the financial system by Central Bankers. The evidence seems to show that keeping such zombie companies alive may weaken economic performance as the “zombies” are less productive and crowd out growth of more productive firms by ‘locking’ resources.

In particular, it depresses the prices of those firms’ products, and raises their wages and their funding costs, by competing for resources. A more normalised level of interest rates would lead to many of these zombie firms finally dying with a positive medium-term impact on economic performance and productivity.

A further pernicious effect of low interest rates and money printing via QE is the impact that it has on asset prices (see chart 1 again). We have written about this before but put succinctly if the Central Bank deliberately suppresses the yield on Government bonds (used as the rate against which all other assets are compared) then the yield on all other assets will, over time, contract. It is clear this has occurred with valuations of assets rising as central banks held down interest rates at the front end of the curve with a Zero Interest Rate Policy and at the far end of the curve with enormous amounts of Quantitative Easing (by which the central bank buys Government debt throughout the term structure).



The chart above shows valuation metrics for the MSCI World since 2010 together with the growth in the big 4 Central Banks' balance sheets – even a non-statistician would conclude that there is a high degree of correlation. The pernicious effect of this policy is to exacerbate wealth inequality. Asset owners get rich for sitting on their assets while those who do not own financial assets receive only meagre wage increases.

In all likelihood the rise of populism in the past few years is closely correlated with the growing wealth inequality caused by the policies being pursued by politicians and central bankers in their determination to avoid a contraction at all costs.

From an investment perspective, heightened absolute valuations create a more difficult environment for an investor focused on delivering attractive medium term real returns for clients. Buying (or continuing to own) assets with high valuations is normally a recipe for disappointing investment returns over the medium to longer term. However, in the very easy monetary conditions we have enjoyed investors have been handsomely rewarded for buying quality and growth at any price and continuing to hold onto them. In a low interest rate environment not only do overall valuations rise but the time value of money is minimised and consequently investors are encouraged to look further out into the future when appraising a company's value. A company which appears expensive on near term valuation metrics can be made to look appealing given suitably high 'forecast' growth and sufficient time. At Veritas, we continue to be disciplined on valuation. In the recent past, this has largely meant that to find an attractively priced investment there needs to be a reason for the apparent cheapness. One such reason why a company trades well below its intrinsic value is where the company is suffering from a short term issue and / or negative news flow. In such a situation we first analyse the company to determine if the underlying business is of sufficient quality.

In the minority of cases where we consider the quality to be sufficiently high, we then spend time analysing the issue which has led to the depressed share price. If we can determine that in all likelihood the issue is temporary and will fade or disappear over our investment horizon of 5 years, the company becomes a candidate for investment. One such company that we have recently invested in is **BAE Systems**. The end of the Cold War kicked off a decade of consolidation in the global defence industrial base, culminating in the merger of British Aerospace with Marconi Electronic Systems in 1999 and the creation of BAE Systems. Today, BAE enjoys a privileged position as the sole supplier capable of supporting many of the UK's most demanding equipment needs, and is synonymous with major maritime and air programmes like the Queen

Elizabeth class aircraft carrier, the Astute nuclear submarine and the Eurofighter Typhoon. However, the UK only represents 21% of revenues, and BAE is also one of a small handful of ‘primes’ who are capable of overseeing and completing major equipment programmes for the US government (42% of revenues and growing). Products developed for the US and the UK can often be sold to allies, thus opening up the export opportunities from which BAE generates the remaining 37% of its revenues.

With entrenched market positions, benign contracting arrangements (often cost plus), and cash generative business models, the US defence primes exhibit many of the characteristics we appreciate, and in recent years have generated stellar returns for shareholders. Meanwhile, BAE has been dogged by a litany of problems.

Cash conversion has been volatile and poor as the company has completed work for the Middle East for which it had been paid before 2010, and also made significant cash injections into a large pension plan. With the bulk of this work now completed and the pension in a significantly stronger position, we, and the company, expect cash conversion to improve from 50% towards 80% over the next 5 years (and from there towards 100%). Consistently high levels of cash conversion are a hallmark of quality.

Revenue growth, which has been disappointing for a decade, is now turning positive. The company has been particularly exposed to the drawdown from warfighting in Iraq and Afghanistan, experiencing a 63% peak to trough revenue decline in its US Platforms and Services division, responsible for the manufacture of armed combat vehicles. Today we are at the start of a decade long upswing as the US starts to modernise and rebuild this capacity. Similarly, BAE is a key supplier to the F-35 programme, the fifth generation combat aircraft that represents the largest and most expensive defence programme in history.

More broadly, the company’s Electronic Systems division is a significant beneficiary from the increasing levels of intelligence embedded in all types of defence equipment. As a result, US revenues as a share of total are expected to increase, another indicator of improving quality.

With no revenue growth and poor cash conversion, BAE stock price had already been in the doldrums for a number of years when the Jamal Khashoggi murder, and its potential ramifications for doing business in Saudi Arabia, resulted in a 33% decline to 450p in December 2018. With only 14% of revenue from Saudi Arabia, this reaction appeared overdone, but also has to be understood in the context of the rising possibility of a Corbyn government in the UK.

These are very real threats, but we have to ask ourselves, “are the odds mispriced”? Our analysis of companies takes into account environmental, social and governance issues which for BAE is complex and nuanced particularly given the type of products it sells and its customer base. Our analysis deliberately differentiates between companies that are managed responsibly and ‘ethical’ investing as practiced by portfolio solely concentrating on the issue of ‘ethics’. With regards to BAE, our conclusion is that the company performs well on these metrics albeit within in a difficult context.

At 505p (the stock price as of writing) BAE is valued at 10x FY18 EBITA, with a strong balance sheet and a 4.4% dividend yield. We expect cash conversion to improve giving us a forward Free Cash Flow (FCF) yield of around 10% by 2023 assuming only 3% compound growth in operating profit through the period. While we think it is unlikely that BAE is forced to stop doing business with Saudi Arabia, we observe that a complete loss of this business would reduce our 2023 forecast FCF by between 15-20% resulting in a c.8% FCF yield.
The election of a Corbyn government will create further volatility in the share price, but we would be surprised if there was a substantial impact on BAE operations, greater than that envisaged from the loss of Saudi. BAE only generates 21% of revenues in the UK but it directly employs 34,000 heavily unionised, highly skilled UK staff (40% of the workforce), and has a pension supporting a further 95,000 people. The industrial base supplying BAE is multiple times larger and is an important (and vocal) stakeholder group.

When we look through the disappointments of recent years, and the negative headlines of today, we see a business with multi-decade permanence, that we expect to generate a lot of cash under most scenarios. If not a fallen angel, then perhaps a sinner with a future.

Market Commentary

Markets bounced significantly in Q1, reversing the falls seen in the previous quarter. The portfolio returns were in-line with the index over the quarter, which in the context of defending well in 2018 is a positive outcome and illustrates the aim to outperform over the longer term by protecting on the downside. A substantial amount of cash was deployed in Q4 2018 and many of the positions bought or added to performed well in Q1 2019. Whilst these quarterly attribution reports are important, they need to be reviewed with a longer term lens that is fitting for a strategy of this nature. Short term setbacks whether produced by investor panic (as we witnessed in Q4) or more specifically (and indeed, more regularly over the last 10 years) company or sector concerns, is what gives a 'Quality' manager like Veritas the potential entry points to achieve the longer term returns sought on behalf of clients. Embedded within the process is thorough examination of the risks -be these risks that have been caused by the short term concerns such as a product recall or contextual risk such as whether Consumer Staples companies such as Nestlé are easier to compete against because of the apparent ease with which a brand can be established online and distributed by a platform like Amazon (a topic that was discussed in some detail in a previous quarter). It's not surprising then that many of the positive contributors this quarter were bought during periods of soft share prices caused by what many investors consider to be enduring concerns.

These concerns were examined and an assessment made as to whether over our investment horizon of five years there was a suitable opportunity. Taking some of these in turn; Facebook - the company has endured 18 months of distraction defending itself over privacy and its role in electoral manipulation. Whilst privacy and data protection are key (not only for Facebook but all social media) and an area that was focussed on before the shares were bought post the Cambridge Analytics affair, the longer term opportunity has been masked by constant negative press (which of course relies on the very advertising that **Facebook** et al have competed away!). The company has been spending heavily to boost user privacy on its platform following pressure from regulators and users and those investors with a more myopic time period have focussed on this rather than the inevitable ramp up in delivering 'new experiences' as we look ahead. Examples include the increasing monetisation of Instagram. Stories (the 24 hours photos/video feature shown at the top of the Instagram page) for example is now used by 2 million advertisers out of Facebook's total 7 million active advertisers and the company is to add features to enable easier transactions with vendors (e.g. click through link to the vendors store). The company has intentionally kept ad unit pricing for Stories up to 50% lower than News Feed as it works to improve performance.

With more than a quarter of the world's population using a Facebook app each month, advertisers have no choice but to follow their customers. An increase in ad cost will still reward vendors with a much higher return on investment than available by advertising on any traditional media platform. Next up, **Charter Communications**, the US cable company. As discussed in the past, Charter shares have had periods of weakness as investors increasingly fret over the phenomenon known as 'cord-cutting' - the move away from traditional TV to cordless internet based offerings from Netflix, Amazon Prime, YouTube etc. The thesis for buying Charter was the growth of its broadband business to accommodate the speeds needed for all those popular internet- based streaming services. Given the margin is higher on broadband (not paying for content), Charter could afford to see a drop off in TV revenue if this was replaced by higher margin broadband revenue. Given Charter had bought Time Warner Cable and Bright House and spent the last 2 years integrating these businesses, the short term numbers have shown some volatility, as the company completed a major network upgrade initiative that will help bring enhanced digital features such as interactive programming to those customers it acquired as part of the mergers. With the integration largely complete, Charter is beginning to scale back its capital expenditure bringing a significant boost to its free cash flow some of which will make its way to shareholders via share buybacks. During the quarter, the company significantly exceeded revenue expectations as broadband take up far exceeds the fall in TV revenue (which to all an intense and purposes is now a free add on to the broadband offering).

Philip Morris was one of the companies purchased in Q4 last year. Consumer Staples have had a tough year or two but none more so than the tobacco companies as investors worried about falling cigarette sales and potential government legislation. Whilst tobacco is undoubtedly seen by some as a controversial investment, Philip Morris is pioneering the radical shift from harmful tobacco products to low risk alternatives and is an example of why simply screening out companies on so called ESG factors is not necessarily in the best interests of investors. Some of these companies including Philip Morris will develop the solutions to the problems and investors should be forward looking not back. Its key product in alternative low risk area is IQOS, where nicotine is released by heating the tobacco rather than burning. Whilst the smoker receives the nicotine hit (it is, like alcohol, a legal drug) the harmful by-products that cause health issues are not released. The company has managed to increase prices and thus maintain margins in the declining cigarette sales

whilst the alternative products start to gain share. The company is undertaking plant conversions as with the Papastratos factory in Greece which is to produce HEETS , a unit used with IQOS. Since it sold the US business to Altria, it would be the latter that sells the product in the US and Philip Morris would receive a royalty. Given governments wish to reduce healthcare spend, taxes remain low on alternatives and are thus more profitable. The UAE has just lifted the ban on alternative products and we would expect more jurisdictions to do so. Ultimately Philip Morris will benefit from doctors recommending healthier alternatives to smokers and insurance companies offering lower insurance premiums.

Airbus, which had a poor Q4 after a very strong couple of years, posted stronger than expected fourth quarter results with operating profit up over 50% on the year earlier. This was largely due to accelerating jetliner deliveries in the last three months which made up for delays earlier. The company is to reach a targeted monthly production rate of 60 narrow body A320 jets a month by mid-year and will increase to 63 a month by 2021. This aircraft dominates Airbus profits with the A350, its most popular wide body aircraft expected to reach breakeven in the next 2/3 years. This, together with the decision to cut the loss making A380, has investors now focussing on increased profitability and free cashflow. The A380 has no substantial backlog of orders and even its biggest customer, Emirates has slashed its order and switched to increase its order of the A330 and A350 models. The A350 has been popular with airlines with its lighter fuselage made from carbon fibre reinforced plastic and new engines from Rolls-Royce to enhance fuel efficiency. The planes have cabin pressure equal to around 1800 meters above sea, much lower than on an average aircraft (approx. 2400) providing passengers with more oxygen and moisture and thus increased comfort. Also during the quarter, the company secured a $35bn jet deal from China during a state visit by President Xi Jinping to Paris. The order is for 290 A320s and 10 A350 planes.

Within the Health Care positions, there were mixed fortunes over the quarter. As investors know, the positions within Health Care largely reflect the belief that we are moving increasingly toward a more value based system and away from ‘pay for service’ especially in the US with opportunities for those companies helping to take costs out of the system or companies with very specialist offerings (and thus pricing power that comes with scarcity). During the quarter, some of those companies that help take cost out of the system, the vertically integrated managed care companies, **United Health, Cigna** and **CVS Health** fell back on news that the Democrats were formally introducing sweeping 'Medicare for All’ legislation that would do away with private insurance, deductibles and out of pocket payments (co-pays) essentially creating a European style single payer system or national health service. As well as providing insurance these managed care companies have businesses (Pharmacy Benefit Managers) that rely on rebates negotiated from drug companies when creating approved drug lists (formularies) for insurance companies (with which all are now vertically integrated). The hit to managed care stocks based on Democratic plans for 2021 and beyond seems premature. While Democrats are currently favoured to win the White House, they’d have to take control of the Senate to have any hope of passing universal health care. Then there is the cost. Whether the much debated $35 trillion is the right figure or not, there would need to be a sharp rise in taxes to pay for it. In a Kaiser Family Foundation poll, over 50% adults expressed support for Medicare for All. When told it would eliminate private coverage and require higher taxes, support fell away. Whilst the ‘success’ of single payer systems elsewhere is being cited, the reality is they are less generous than that proposed by Democrats and will not eliminate rationing (not approving drugs that are too expensive) but extend it - so called ‘death panels’.

It is fair to note that CVS Health shares have been hardest hit as the company issued a disappointing outlook for 2019 as it integrates Aetna, the health insurer it bought for $69bn and it took on an impairment charge for the nursing home business, Omnicore, it bought in 2015. This overshadowed a better than expected increase in earnings for Q4. CVS hopes to use the Aetna deal to turn its network of 9000+ stores into ‘healthcare hubs’ where trained specialists will offer medical advice and services rather than just dispensing prescription drugs. Such ‘lower-cost sites of care’ could help bring down the soaring cost of healthcare in the US as well as being a defensive move in case Amazon moves into low-cost healthcare by selling prescription drugs online. A further sentiment blow to CVS Health came in the form of the announcement that health insurer Centene plans to buy smaller rival Well Care in a deal valued at about $17bn. Both are clients of CVS Health and combined would be added competition in the government sponsored Medicare/Medicaid market which accounts for much of their businesses. Given the overlap of the two businesses especially in Medicaid, the deal is not guaranteed. We are assessing whether to add to the position in CVS Health.

Turning to the other types of Health Care companies held, those that provide scarce services/products or are outside the scope of drug price control, these fared much better in Q1. **Thermo Fisher Scientific** through its various divisions, help accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics, deliver medicines to market and increase laboratory productivity. The company exceeded Q4 earnings expectations reported during the quarter, making it four in a row. The strongest growth came from the

analytical instruments division but all other divisions progressed. Within the analytical division, the company is buying Gatan, a subsidiary of Roper Technologies. Gatan manufactures instrumentation and software used in the performance of electron microscopes. Additionally, Thermo announced the purchase of cell and gene therapy private company, Brammer Bio, for $1.7bn. Gene therapy is an area of increasing focus for pharmaceutical companies looking to treat genetic disorders. It is one of the fastest growing areas and Thermo has been adding to its expertise. Brammer claims it is likely to grow at 25% per annum looking ahead (it has been growing at a much faster rate) but as part of Thermo Fisher, will have greater economies of scale and better access to capital which should make production cheaper for gene therapy companies that rely on contract manufacturing or will come to in the future. Currently 65% of all clinical stage work for gene therapy is outsourced.

Dentsply Sirona, the American dental equipment maker and dental consumables producer, soared on the Q4 revenue and a much better than expected forward guidance. The company is undertaking a major restructuring plan under new senior management which includes consolidating some operations, selling underperforming businesses and reducing headcount. They have re-focussed R&D and introducing new products. One of these is PrimeScan, an intraoral scanner, that enables high-precision digital impressions to be taken of the entire jaw more accurately and faster than has been possible to date. This is additive to the impressive digital dentistry offering that Dentsply Sirona already own which enable larger Dental practices to increase their throughput and in turn revenues.

Baxter International, provides a portfolio of critical care, nutrition, renal, hospital and surgical products. The company helps to extend life in many areas which have become more prevalent due to modern lifestyles. Within its renal division, its Sharesource remote patient management platform has now performed more than 5 million home peritoneal dialysis treatments globally. The ability to have kidney dialysis at home and be monitored remotely is a huge value add to both the patient and treatment centres. During the quarter, which saw earnings and revenues surpass expectations, the company announced FDA approval and launch of its ready to use cardiovascular medication Eptifibatide. Simplistically this medicine prevents the blood clotting during heart surgery or during heart attacks when blood supply to the heart suddenly stops. The cardiovascular disease market is expected to reach $146bn by 2022 (GBI Research) and the new application adds to extensive offerings in this area.

In addition to the three managed care holdings, the only other key detractor over the quarter was cash. Despite falling during Q4, any cash in a sharp rising market will be a short term detractor but as illustrated here offers the ‘dry powder’ to deploy when entry points become compelling.

Relative attribution by region: 3 months to 31 March 2019

Region	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Relative Attribution Analysis Allocation Effect	Selection Effect	Total Effect
Asia/Pacific Ex Japan	3.0	13.4	0.4	4.3	12.2	0.5	0.0	0.0	0.0
Africa/Mideast	–	–	–	0.2	10.1	0.0	0.0	–	0.0
Europe ex UK	17.2	16.6	2.7	15.7	10.5	1.7	-0.0	1.0	0.9
Japan	–	–	–	8.4	6.7	0.6	0.5	–	0.5
North America	62.2	13.4	8.6	65.5	13.8	9.0	-0.0	-0.2	-0.2
United Kingdom	10.6	10.0	1.1	5.9	11.9	0.7	-0.0	-0.2	-0.2
Cash and equivalents	7.1	n/a	0.0	–	–	–	-0.7	–	-0.7
Total	100.0	12.8	12.8	100.0	12.5	12.5	-0.3	0.6	0.3

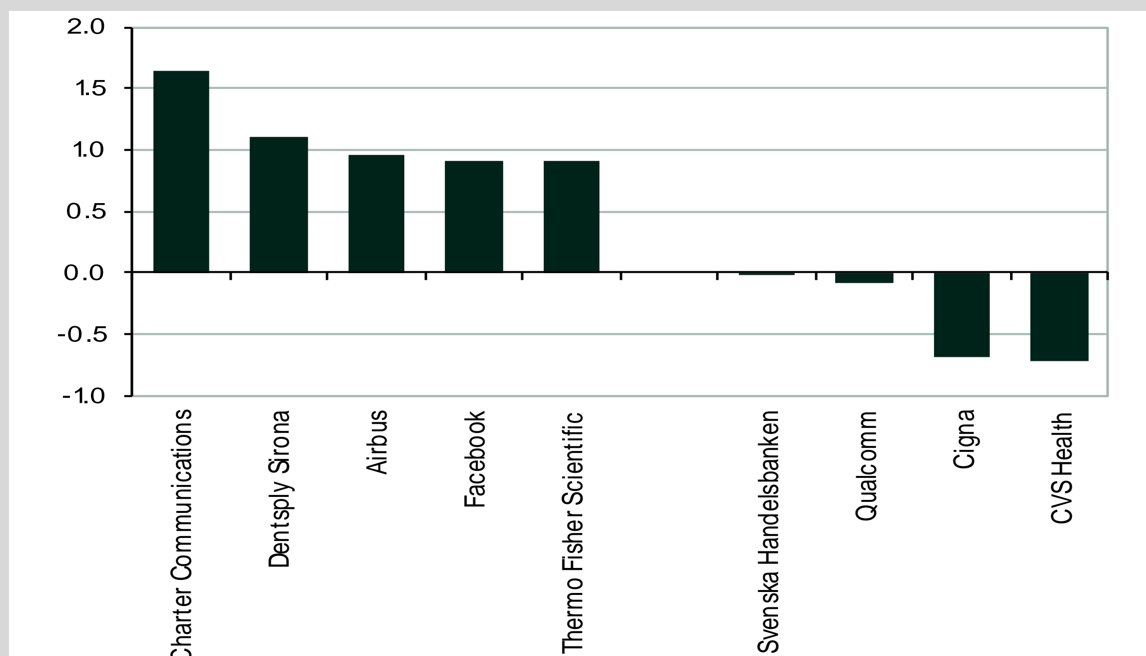
Relative attribution by sector: 3 months to 31 March 2019

Sector	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Relative Attribution Analysis Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	–	–	–	10.4	12.1	1.3	0.0	–	0.0
Consumer Staples	13.1	15.0	1.9	8.5	12.0	1.0	0.0	0.4	0.4
Energy	–	–	–	6.1	14.4	0.9	-0.1	–	-0.1
Financials	7.0	17.1	1.1	16.2	8.4	1.5	0.3	0.6	0.9
Health Care	31.1	6.7	2.4	13.0	8.1	1.1	-0.8	-0.3	-1.1
Industrials	16.9	16.6	2.8	11.1	14.4	1.6	0.1	0.4	0.5
Information Technology	6.1	16.6	1.0	15.2	19.6	2.8	-0.7	-0.2	-0.9
Materials	–	–	–	4.6	12.0	0.6	0.0	–	0.0
Communication Services	18.7	20.3	3.7	8.3	11.5	1.0	-0.1	1.5	1.4
Utilities	–	–	–	3.4	10.0	0.3	0.1	–	0.1
Real Estate	–	–	–	3.2	16.0	0.5	-0.1	–	-0.1
Cash and equivalents	7.1	n/a	0.0	–	–	–	-0.7	–	-0.7
Total	100.0	12.8	12.8	100.0	12.5	12.5	-2.0	2.3	0.3

Relative attribution by security: 3 months to 31 March 2019

Holding	Portfolio Average Weight	Portfolio Total Return	Portfolio Absolute Contribution	Index Average Weight	Index Total Return	Index Absolute Contribution	Attribution Total Effect
Top 5 relative stock contributors							
Charter Communications	7.4	21.6	1.6	0.1	21.7	0.0	0.7
Dentsply Sirona	3.6	33.4	1.1	0.0	33.4	0.0	0.7
Airbus	2.9	37.7	1.0	0.2	37.9	0.1	0.6
Philip Morris	3.0	33.5	0.9	0.3	33.6	0.1	0.5
Thermo Fisher Scientific	4.3	22.2	0.9	0.3	22.4	0.1	0.4
Bottom 5 relative stock contributors							
Cigna	4.5	-15.4	-0.7	0.2	-15.3	-0.0	-1.2
CVS Health	4.1	-17.3	-0.7	0.2	-17.2	-0.0	-1.2
UnitedHealth	3.5	-0.6	0.0	0.6	-0.5	0.0	-0.4
Qualcomm	0.5	-2.7	-0.1	0.2	1.0	-0.0	-0.2
Reckitt Benckiser	3.7	8.6	0.3	0.1	8.6	0.0	-0.2

Key stocks driving portfolio results



Commentary on two significant stocks in your portfolio

Charter Communications
+21.6% in USD
(Communication Services, United States)

Results showed continued strong growth in broadband customers. In addition, management indicated that now the network has been upgraded future capital expenditure will markedly decrease leading to greater than expected cash flow. This has long been our thesis and is now coming to fruition.

Cigna
- 15.4% in USD
(Health Care, United States)

Cigna's share price fell at the end of February as 100 House Democrats announced support for a Medicare for All Bill proposed by Pramila Jayapal. At present this bill has less support than Bernie Saunders' similar proposal during the 2017 Nomination process and has not yet been costed. It is clearly considered a potential risk to health insurers in the US, however, the Kaiser Family Foundation survey informs that once people learn Medicare For All in its extreme form would eliminate private insurance and raise taxes, only 37% of Americans support it.

Portfolio breakdown: As at 31 March 2019

Region	Portfolio %
North America	57.8
United Kingdom	15.3
Europe ex UK	14.1
Asia Pacific ex Japan	3.0
Cash and equivalents	9.8
Total	**100.0**

Sector	Portfolio %
Health Care	29.1
Communication Services	18.5
Industrials	16.7
Consumer Staples	14.0
Financials	8.3
Information Technology	3.6
Cash and equivalents	9.8
Total	**100.0**

Currency	Portfolio %
USD	67.5
EUR	15.5
GBP	10.1
AUD	3.0
SEK	2.0
CHF	1.9
Total	**100.0**

Top 10 portfolio holdings: As at 31 March 2019

Holding	Sector	Country	Portfolio %
Charter Communications	Communication Services	United States	6.7
Unilever	Consumer Staples	United Kingdom	5.1
Thermo Fisher Scientific	Health Care	United States	4.6
Safran	Industrials	France	4.2
Comcast	Communication Services	United States	4.1
American Express	Financials	United States	4.1
Dentsply Sirona	Health Care	United States	4.0
Alphabet	Communication Services	United States	4.0
Cigna	Health Care	United States	3.8
Reckitt Benckiser	Consumer Staples	United Kingdom	3.7
Total			**44.3**

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Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

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