



# Evans and Partners International Focus Managed Discretionary Portfolio

*"This portfolio approach allows you to complement your domestic equity portfolio holdings with world-leading businesses in sectors poorly represented on the ASX. Consider whether you would prefer your 11th, 12th and 13th largest Australian holding over leading global companies like Nestle, SAP, and 3M?"*

*All of the stocks held in the portfolio will be supported by our own rigorous research and day to day portfolio management. Reports will be made available to you quarterly, as will updates around earnings reports and other significant news. We believe this to be a high quality differentiated portfolio that will add considerable value to your overall capital base over the longer term."*

**Stephen Arnold, CFA**  
Head of International Equities

## PORTFOLIO OBJECTIVES

The Portfolio aims to provide investors with an exposure to international equity markets that complements the Australian equity market's heavy bias towards banking and mining companies. As such, the Portfolio will have few if any holdings drawn from these two sectors.

The Portfolio has a medium to long term focus (3-5 years). Its priority, first and foremost, is to protect capital in real terms and minimise risk of permanent impairment of capital. It aims to generate absolute returns in local currency of 8-12% pa over this investment horizon and to achieve returns that are superior to that of its benchmark – the MSCI World (All Countries) Index in A\$ - over the same time period.

## PORTFOLIO STRUCTURE

- A holding of 10-15 stocks drawn from world equity markets ex-Australia.
- A mid to large-cap focus, with minimal exposure to stocks having a market capitalization of <US\$1bn.
- Given the composition of the Australian equity market, it will have minimal exposure to the banking and mining sectors, but will seek appropriate diversification across other sectors and across geographies.
- Annual portfolio turnover is expected to be relatively low (~25%-35%) and average holding period is expected to be around four years.
- The Portfolio is currency un-hedged. A hedged option is expected late 2011
- The Portfolio will be run as effectively fully invested. As such, the Cash weighting will generally be 2 – 5%, with a maximum weighting at any time of 10%.



## FEES

No entry or exit fees.

Investment fees: 1.5% p.a. (plus GST).

Trading and execution costs are borne by Evans and Partners.

## INVESTMENT APPROACH

The portfolio will own businesses that satisfy the following criteria:

**Business quality** – companies that earn returns on invested capital well above their cost of capital on a sustainable basis and where risk of erosion of these returns is regarded as low.

**Balance sheet quality** – net debt to EBITDA typically below 2.5x and moderate levels of pension and other off balance sheet liabilities. Interest cover will typically be above 5x.

**Management quality** – we look for management to allocate capital for the benefit of equity owners. This means an emphasis on small, accretive acquisitions over large deals where value destruction is common. We also favour management that repurchases their shares when it is attractively priced and pay a consistent dividend.

**Attractive valuation** – the Portfolio will only own businesses that satisfy the above three criteria when they trade with a meaningful valuation margin of safety. This margin of safety is integral to the portfolio's capital preservation approach and also key to achieving its absolute return objective.

## INTERNATIONAL FOCUS PORTFOLIO

(as at 31 July 2011)

Company	Region	Sector
Omnicom	US	Consumer Discretionary
Emerson Electric	US	Industrials
United Technologies	US	Industrials
Legrand	Europe	Industrials
3M	US	Industrials
Diageo	UK	Consumer Staples
SAP	Europe	Information Technology
Bureau Veritas	Europe	Commercial Services
Colgate Palmolive	US	Consumer Staples
Nestle	Europe	Consumer Staples
Experian	UK	Non-bank Financial Services
Kellogg	US	Consumer Staples
Becton Dickinson	US	Health Care
Sysco	US	Commercial Services
Sherwin Williams	US	Materials

Minimum investment: \$250,000



## EVANS & PARTNERS

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