Global Equities: Navigating Uncertainty

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This document is a marketing communication

FIERA CAPITAL

Ironbark

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1 Navigating Uncertainty: Two Approaches

Why we choose a fundamental framework

IMAP Challenge

*Independent Thought is your opportunity to hear how the teams close to investor portfolios are meeting the **challenges** of global **threats** of ….*

- War
- Inflation
- Growth
- Interest rate rises
- Volatile market returns
- The risk of stagflation
- Geopolitical uncertainty

*…. and the resulting **impact on portfolio returns***

How We Respond

1) Identify **exceptional companies** with superior long-term compounding prospects

2) Do not compromise the **superior total shareholder return objectives** by overpaying

3) Ensure **diversified** sources of portfolio cash-flows

4) Invest for the **long term**

Investment Objective

To deliver superior long-term capital growth, with lower risk of capital loss than the global equity market, over a full market cycle.

Fundamentals As A Framework

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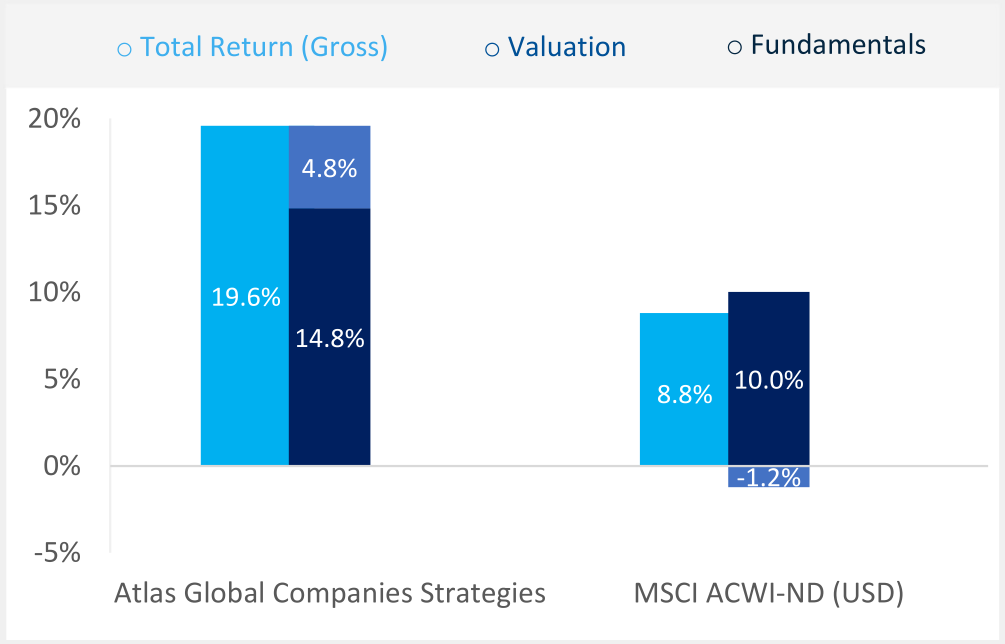
Fundamentals drive long term returns, and are your first line of defence in a downturn

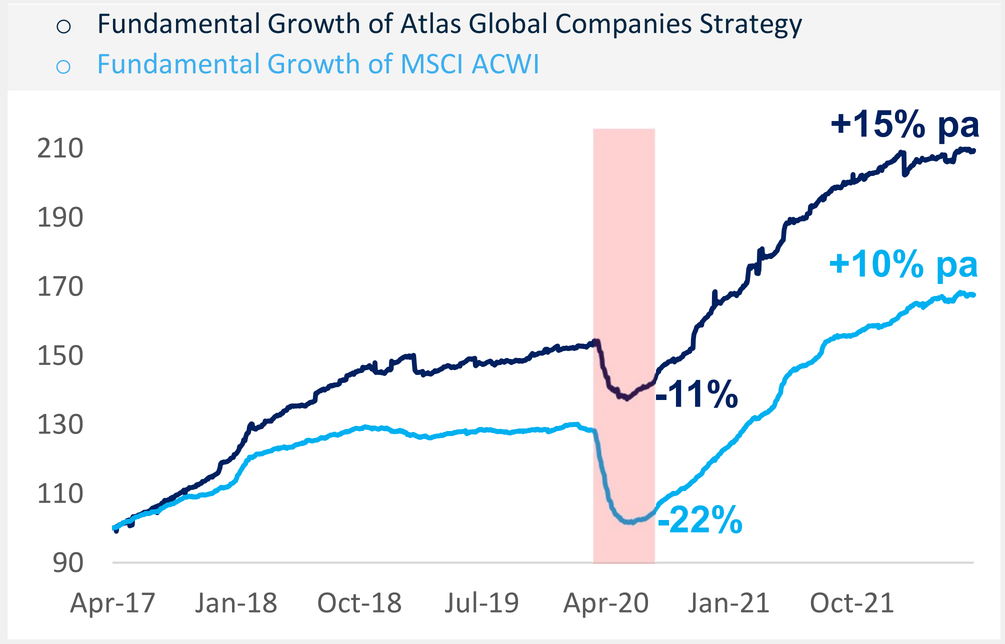
Long term returns driven by fundamentals

- True to our philosophy, the majority of long-term portfolio returns should be largely attributable to superior compounding of earnings and dividends (fundamentals), not valuations.



Fundamentals offer protection in a downturn

- Portfolio fundamentals have been more stable through cycle than the comparable universe of stocks. This has been a valuable source of risk reduction through the cycle.

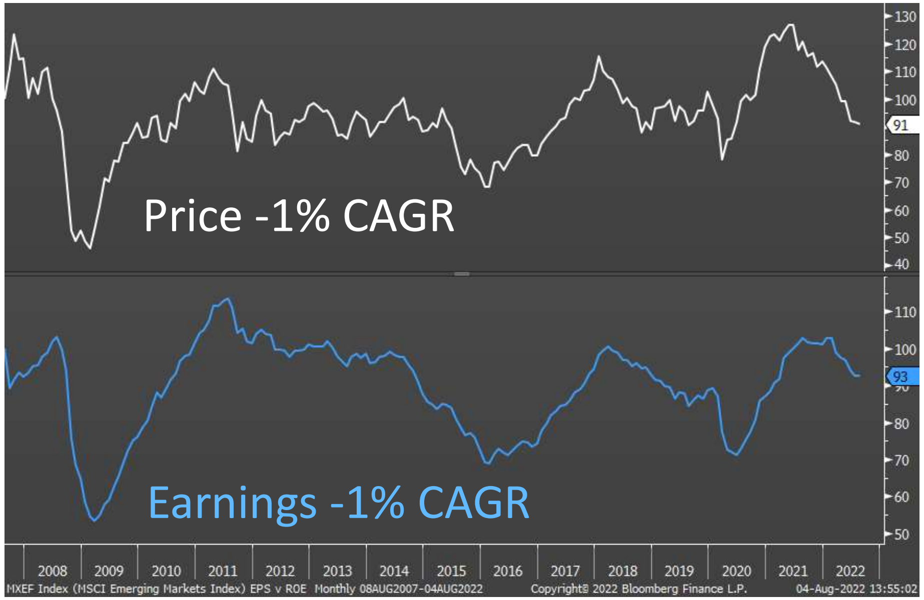


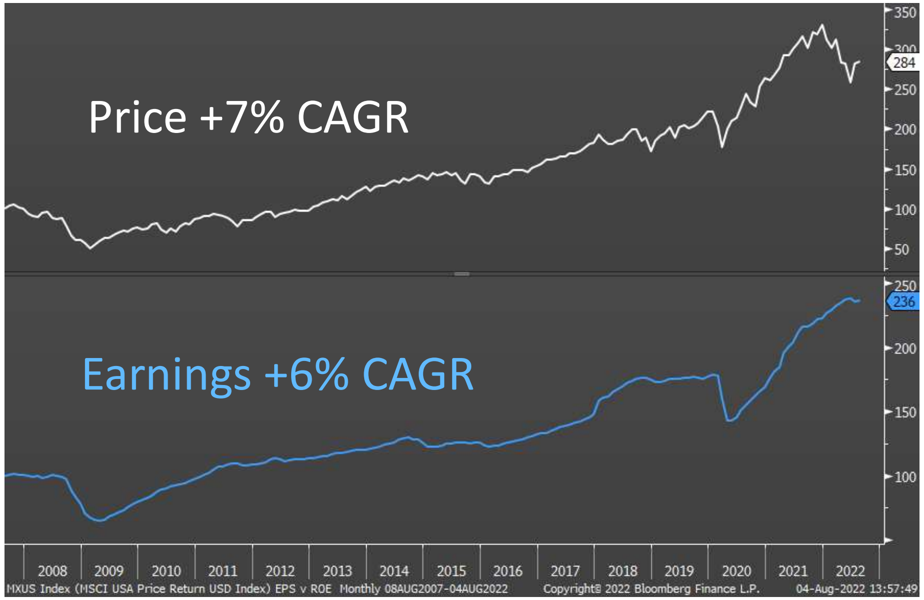
Source: Fiera Capital Bloomberg to 31 July 2022. Gross returns shown for the Atlas Global Companies Strategy are before the deduction of fees, are before tax and assume all distributions are reinvested. Past performance does not guarantee future performance. Inherent in any investment is the risk of loss. The fundamental growth of the Atlas Global Companies Strategy is based on a representative account, where we are seeking to show how the underlying fundamentals (being earnings and dividends) of the Strategy's share portfolio have performed over the same period. Similarly, Fundamental Return for the MSCI ACWI-ND seeks to show how the underlying fundamentals of each company included in the MSCI ACWI-ND has performed over the same time period.

2 Fundamentals As A Framework

They provide a guide to getting the big bets right

MSCI Emerging Markets (15 Years)	MSCI United States (15 Years)





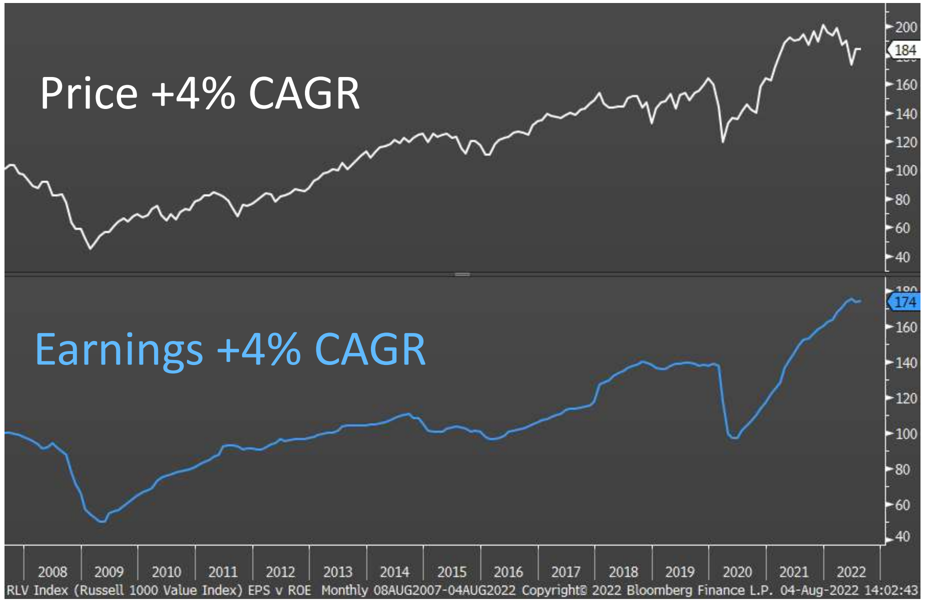
- Superior growth in fundamentals and returns from US has been supported by a sustained 200-300bps higher ROIC, while emerging markets barely met cost capital

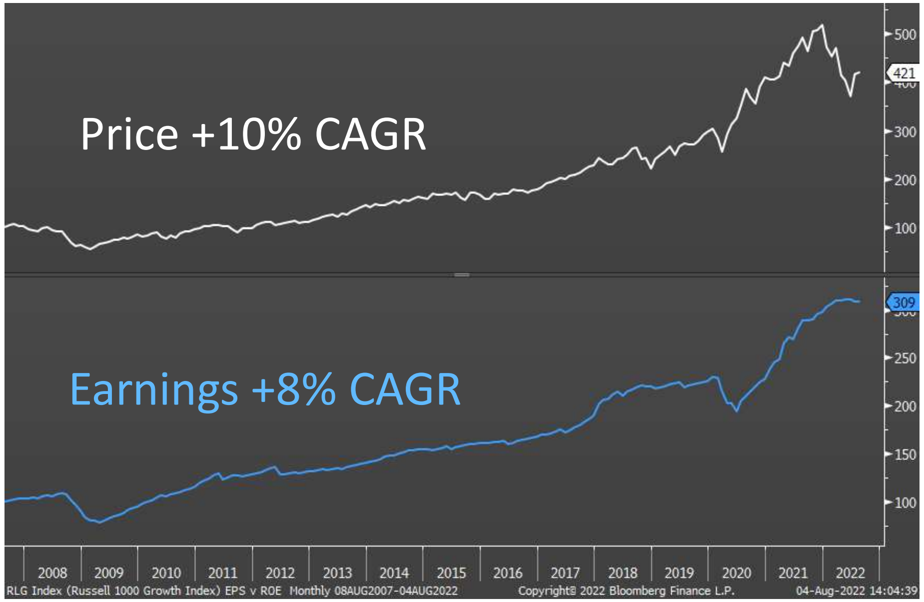
Past performance is not a guarantee of future results. Inherent in any investment is the risk of loss. Source: Bloomberg.
The above companies are included for illustrative purposes to show the investment process. This is not a recommendation to purchase or sell any holding. The companies discussed do not represent all of the investments bought, sold or recommended for clients. It should not be assumed that any of the holdings discussed were or will be profitable.

2 Fundamentals As A Framework

They provide a guide to getting the big bets right

US Value (15 Years)	US Growth (15 Years)





- Superior growth in fundamentals and returns from Growth has been supported by a sustained 800-1000bps higher ROIC, while Value barely met cost capital

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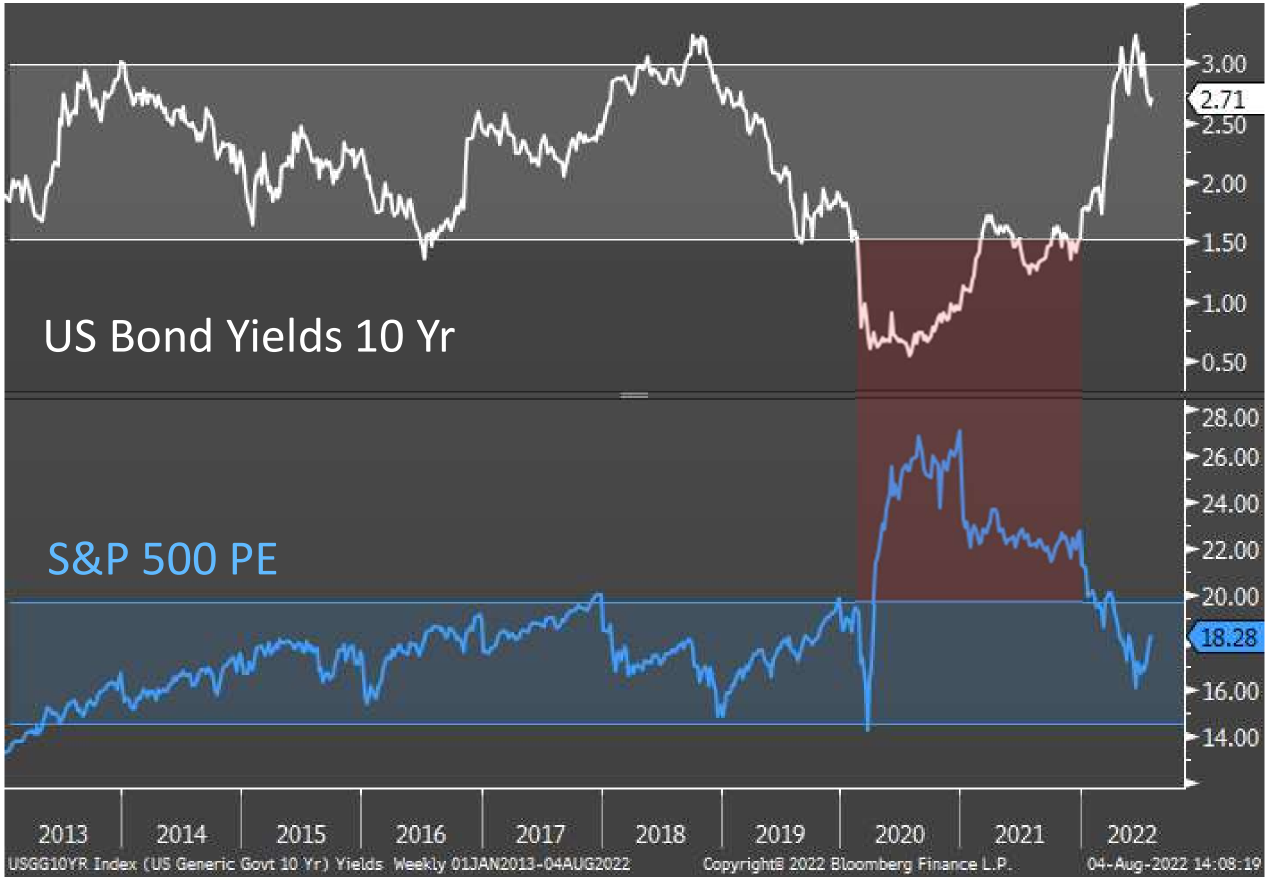
3 Investing Through Yield Volatility

What the past two years has taught us

- Bond yields went from 3.3% to 0.5% (and back again)
- In equity language (yields are the inverse of multiples) long duration bonds reached ~200x 'PE' !
- Both yields and multiples have now 'normalised'



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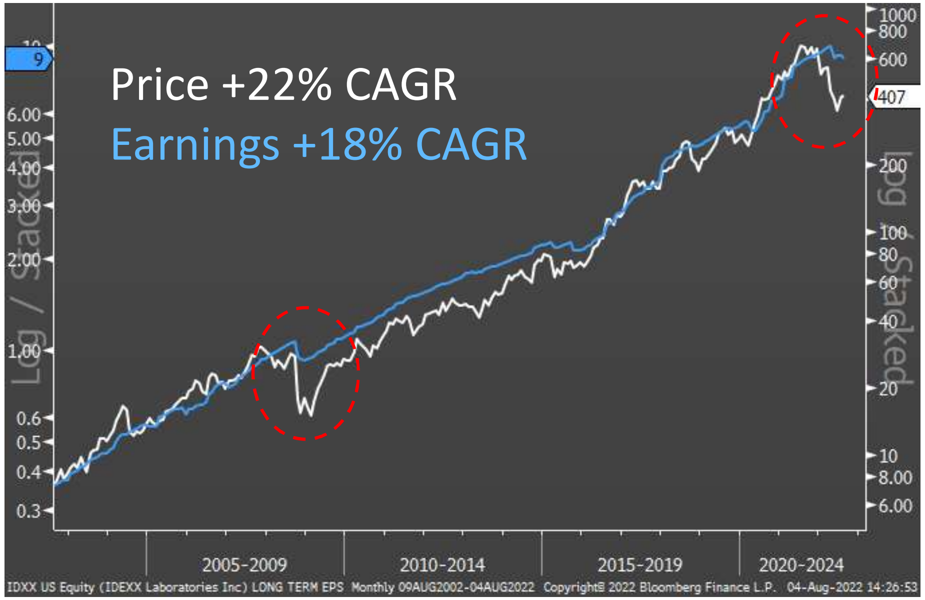
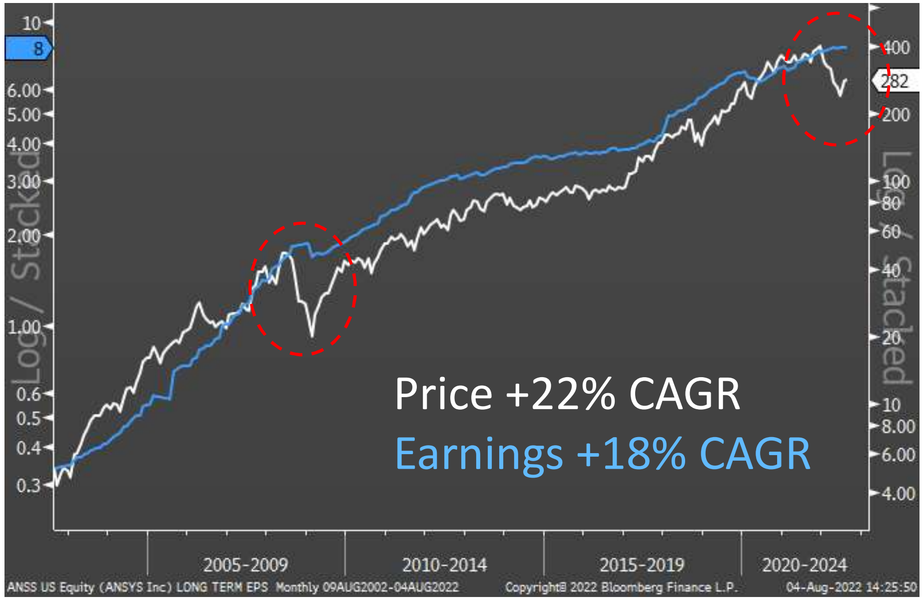
4 Dislocations Create Opportunities

We have been here before

Idexx (20 Years)



Ansys (20 Years)



- Share prices are well connected to earnings over the **long term**
- Exceptional companies compound earnings at a **higher and more stable rate**
- Sizeable **dislocations** can occur from time to time e.g. 2009, 2022
- This quickly results in an **unsustainable gap**, leading to reconnection

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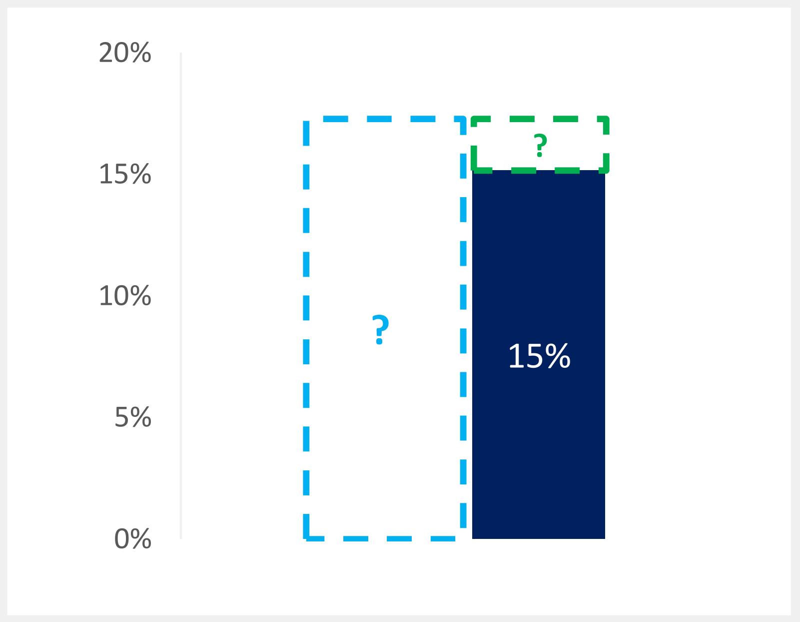
5 Scenario Testing

Total returns using the framework



Fundamentals (Annualised)	Possible Exit Multiple at Year 5	Multiple vs our Current Assumption	Multiple vs Pre-Covid Averages	Total Return Annualised
15%	19x	0%	-2%	15%
15%	17x	-12%	-14%	12%
15%	15x	-20%	-21%	10%
15%	9x	-50%	-51%	0%

Assuming fundamentals continue to compound at **15%** over 5 years:

- A greater than **20%** total derating is required to take returns below double digit
- A derating of more than **50%** is required to see returns turn negative
- Market returns would be impacted more given **c.5%** less compounding per year

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