

For Financial Advisors Only



Goodbody Asset Management

# Goodbody Global Leaders Fund

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Dominant companies | Relentless innovation

innovate

Goodbody Asset Management is passionate about delivering strong investment performance for our customers. We believe outperformance comes from adhering to a structured and transparent investment process.

This is centred around our **three** core investment pillars.

## Consistency

One investment approach across all strategies.

## Conviction

Concentrated equity portfolios of between 35 to 45 companies.

## Compounding

Focus on the long-term with low stock turnover.

Leadership positions drive long-term growth

# Why consider the Goodbody Global Leaders Fund?

An actively-managed, concentrated, global equity Fund that invests in a diversified portfolio of 35 - 45 companies that dominate their industries. We believe that some of the best long-term investment opportunities come from investing in these market leaders where relentless innovation sustains their position and drives long-term growth. This Fund invests in some of the world's best companies - the Leaders of today and tomorrow.

Our Fund gives investors the opportunity to invest in companies that generate consistently higher earnings and cash-flow growth because of the unique characteristics of industry leadership and innovation.

## Fund objective

To deliver long-term capital growth. The Fund aims to outperform its benchmark, the MSCI World Index, by 2 - 3% per annum over the medium to long-term.

### ■ More profitable today

Invest in a select group of dominant companies with sustained leadership positions. Global Leaders are typically among the most profitable companies in their industry.

### ■ More profitable tomorrow

Relentless innovation sustains their leading positions and provides sustainably higher growth and profitability over time. The Fund invests in companies with some of the best track records of successful innovation. These leaders of today can also be the most profitable companies of tomorrow.

### ■ Investment opportunity

Global Leaders present a compelling risk/reward opportunity as they consistently widen the gap with competitors. This can lead to significant share price outperformance over time.

Strong barriers to entry and an innovation culture

# What are Global Leaders?

We define Global Leaders as companies that have leading positions in their industries because of strong barriers to entry and an innovation culture. These barriers mean that the company's business is more difficult to compete against and give it pricing power that, in turn, fuels higher profits. Examples of such barriers include:

## Brands, patents and licences

Intangible assets that prevent competitors from replicating a company's product, allowing it to charge more for its products or service.

## Networks

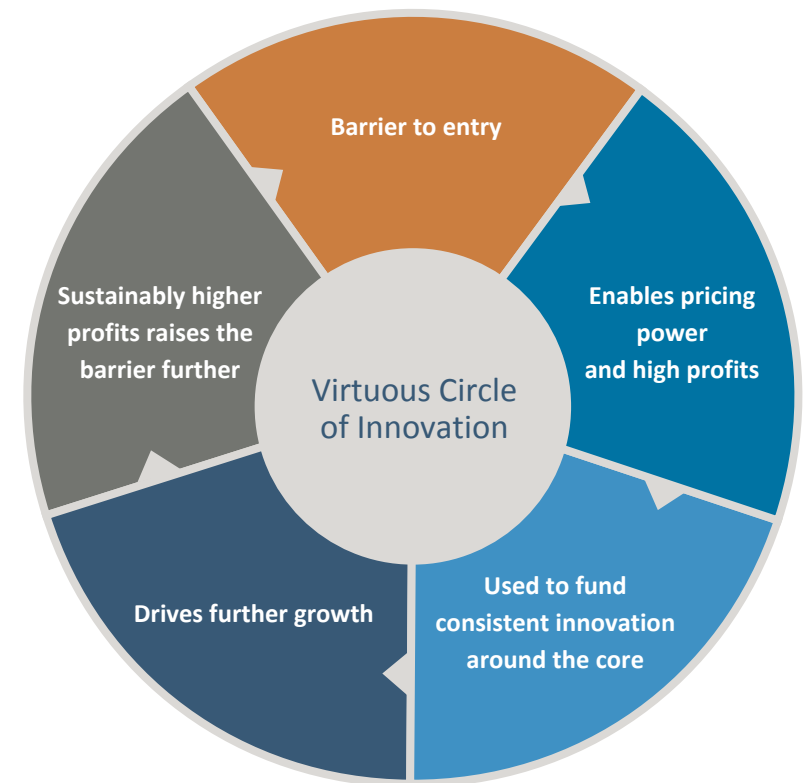
When the value of a company's service increases as more people use it.

## Cost advantages

Sustainable structural cost advantages versus its competitors.

The best of these companies, with a proven track record of leadership within their industry, set themselves apart by using the extra profits generated by this position to fund innovation. This is often driven by an innovative culture and a willingness to invest for long-term profit growth. They enjoy a **Virtuous Circle of Innovation**.

This innovation mind-set may be observed through, for example, consistently high investment in Research and Development or Advertising and Promotion. The evidence of this approach is subsequently seen via more new products and services. This tends to 'future-proof' a business, reduces future competitive risks and reinforces long-term sustained leadership positions. These companies are the leaders of today and tomorrow.



Global Leaders can be very rewarding for investors

## Why invest in Global Leaders?

Innovation drives repeated success and long-term share price growth for Global Leaders as they widen the gap with competitors.

### Innovation is rewarding

Relentless innovation leads Global Leaders to be among the few businesses that generate persistently high earnings and cash-flow growth over time. In a McKinsey study, of the top 15% most value creating\* companies in the US, more than 50% were still in this category 10 years later\*\*.

### Leaders are more resilient

Further, sustained higher profit growth means industry leaders tend to generate significantly more cash than competitors. Consequently, they are less reliant on external sources of financing to fund their growth and tend to be more resilient in times of market stress. This is further rewarded by the market over time.

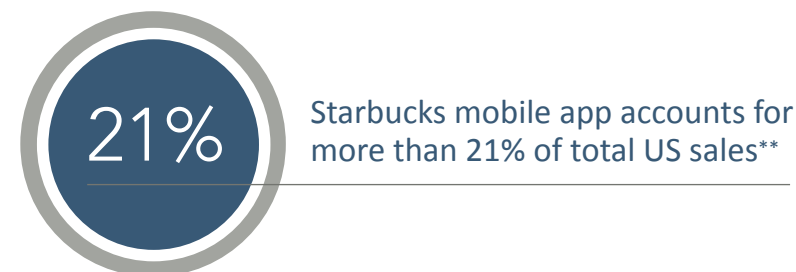
### Example: Innovation Leader widening the gap with peers

**Starbucks** dominates the coffee retailing market. Yet, it is more than the sum of its coffee shops. Rather, key to its success is its highly innovative culture. Continuously re-defining its customer experience allows it to achieve persistent double-digit growth - a remarkable feat for a company with annual sales of almost \$20bn. Examples of current innovations (exhibited right) highlight how it has widened the gap with competitors and maintained strong growth over the years. Consequently, net profits have grown, on average, by 26% annually over the 15 years from 2000 to 2015. Investors have shared in its success with the share price rising, on average, by 21% annually over that period\*\*\*.

### Starbucks innovation: Technology + Product + Occasion

#### Technology innovation

'Mobile Order and Pay' - ordering from phone, pick-up in store - is now available in all US stores. This has led to an increase in average transaction size: an order made on mobile is estimated, on average, to be 15% larger than an in-store order\*.



#### Product innovation

Expanding its core food offering with a target of increasing food offer from 15% to 25% of sales.

#### Occasion innovation

'Starbucks Evenings' expanding the use of the fixed cost store base into the quieter evening hours by offering food and alcohol that fits the millennial lifestyle.

\* As measured by return of invested capital.

\*\* 'Valuation: Measuring and Managing the Value of Companies', McKinsey 2010.

\*\*\* Source: Bloomberg.

\* Source: 'Starbucks Corporation - Increasing digital engagement'. RBC Capital Markets, 14-10-15.

\*\* Source: Starbucks Corporation. Q1 conference call, 21-1-2016.

Disciplined and consistent investment approach

# How we choose companies for the Fund?

## Goodbody A.I.M.

**Our proprietary investment process.** It provides a single investment 'lens' for considering all equity investment opportunities. This ensures complete uniformity of process across all of our strategies. It is a structured and transparent, three stage investment approach focused on fundamental, company level research.

### Aggregate

#### Global universe

- + 6500 companies in the MSCI World All Cap Index.
- Each company assigned return, growth and value scores.

### Intel

- Each company ranked based on a composite score.
- Refine output and focus on investment candidates in the upper deciles of the screen.

### Management

#### Stock selection

- Rigorous fundamental company level research.
- 35 - 45 high conviction holdings per fund.
- Portfolio construction with an emphasis on risk management.

**Aggregate** We aggregate fundamental financial data for a global universe of companies. We focus on three key factors - growth, the returns on capital employed by the company and company valuations. Each company within the universe is ascribed proprietary scores based on these three factors.

**Intel** This data is used to construct composite scores for all of the companies. We then rank and filter all of the companies within our investment screen. The ranking process breaks down the investment universe into deciles, with companies in decile number 1 the most potentially attractive to the Investment Team. This helps to create a focused subset of global companies with financial characteristics that match the core elements of our investment philosophy i.e. shareholder returns are driven by the ability of a company to generate returns on its capital base and to grow its business.

**Management** The Investment Team then perform rigorous and robust bottom up, fundamental research on the companies in this subset to identify the most attractive investment propositions.

This detailed analysis includes the evaluation of industry structure, company specific competitive strategy, key growth drivers, business risks and valuation. A key component of the research process is engagement with company management.

Finally, we construct a focused global portfolio of 35 - 45 companies from the results to get the right balance of risk and return. Importantly, risk management is embedded throughout the entire investment process encompassing both individual stock selection and portfolio construction.

Consistency, conviction and compounding

# Why Goodbody Asset Management?

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- A domestic, **boutique investment manager** that is dedicated to serving and supporting the local retail market.
- A clearly **articulated investment philosophy** that permeates our investment process.
- An experienced team with a **strong track record** of delivering investment performance.
- Goodbody, which is **over 140 years old**, is one of the leading financial services companies in Ireland. Goodbody is owned by FEXCO and Goodbody staff. FEXCO is Ireland's most successful multinational finance and business solutions provider, with operations in 28 countries worldwide.

## Contact us today

**T** +353 1 641 9470

**E** [assetmanagement@goodbody.ie](mailto:assetmanagement@goodbody.ie)

**W** [www.goodbody.ie/assetmanagement](http://www.goodbody.ie/assetmanagement)

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Goodbody Asset Management  
2 Ballsbridge Park, Ballsbridge, Dublin 4

**Warning: The value of your investment may go down as well as up.**

**Warning: This fund may be affected by changes in currency exchange rates.**

**Warning: If you invest in this fund you may lose some or all of the money you invest.**

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