

For Financial Advisors Only



Goodbody Asset Management

# Goodbody Smaller Companies Fund

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Attractive growth | Diversification benefits

Growth

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.

We identify companies with sustainable growth characteristics

# Why consider the Goodbody Smaller Companies Fund?

The Goodbody Smaller Companies Fund is an actively managed, concentrated global equity fund that offers investment in a diversified portfolio of 35 - 45 small/mid sized growth companies.

These companies offer attractive, sustainable growth characteristics. The Fund offers both return enhancement potential and diversification advantages within an overall equity allocation.

## Fund objective

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

### Return enhancement potential

Global small/mid cap equities have historically offered a compelling risk/reward opportunity when compared to their large cap counterparts.

### Diversification benefits

The Fund invests in a segment of the equity market that is frequently overlooked and neglected by other investors.

### Proven smaller company expertise

Our investment team has successfully delivered strong performance in the small/mid cap segment of the equity market over the last 10 years.

A defined investment universe

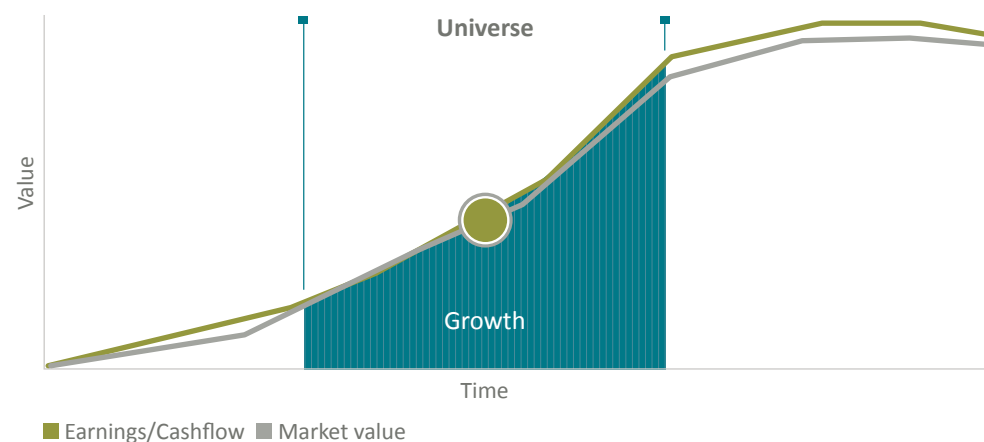
# What smaller companies are considered for this Fund?

The focus of the Fund is to invest in small/mid cap companies globally with high quality and sustainable growth characteristics. The Investment Team primarily select companies that are members of the MSCI World Small/Mid cap (SMID) Index. The average market capitalisation of the companies in this index is ~€2bn\*, substantially smaller than the average market capitalisation of the large cap biased MSCI World Index, which is ~€19bn\*.

We seek to invest in companies that have a sound long-term business strategy, are led by experienced management teams and are positioned to take advantage of exciting future growth prospects. The Fund is likely to have sizeable exposure to global industry sectors that offer secular growth opportunities including healthcare, technology and consumer. Over time, we expect that company profitability growth will be the major driver of share price upside for the Fund's holdings.

\*Source: Bloomberg, January 2016.

## Targeting companies at growth segment of lifecycle



## An example of the sustainable growth we target

**Paddy Power** typifies the attractive, sustainable growth characteristics the Fund seeks to invest in.



The company is firmly established as the global leader in online bookmaking. The transition from traditional retail bookmaking to online and mobile over the last 10 years has been a significant secular tailwind for growth. 77% of Paddy Power's profits were generated online in 2014. The business is run by a dynamic and entrepreneurial management team with an excellent track record. The significant profit growth the business has delivered over the last decade has been reflected in its strong share price performance.

Paddy Power has generated a compound annual total return of 30% for investors since 2006\*\*.

\*\*Source: Bloomberg, 31 January 2006 - 29 January 2016.

Smaller companies, bigger opportunities

# Why invest in smaller companies?

The small/mid cap segment of the equity market represents a large universe of stocks that is typically under-researched and frequently neglected by investors. The global small/mid cap universe is over three times bigger than the large cap segment. In addition there is substantially less research attention paid to the companies in the segment. To us, as stock pickers, this implies significantly more opportunity to identify attractive companies with the ability to generate share price outperformance over the medium to long-term.

## More growth

Smaller companies, due to their size and stage of development, tend to offer higher earnings/cash flow growth potential than their larger peers.

## More dynamic

Very often the management of small/mid cap companies includes the entrepreneur who founded the company. In our experience, this results in the management of smaller companies being more dynamic, flexible and entrepreneurial than their larger peers.

## More Mergers and Acquisitions (M&A) activity

The small/mid cap segment of the equity market is frequently subject to a high level of takeover activity. Very often, large cap companies that are struggling to generate growth or improved profitability look to acquire their smaller, faster growing peers.

## Return enhancement opportunities

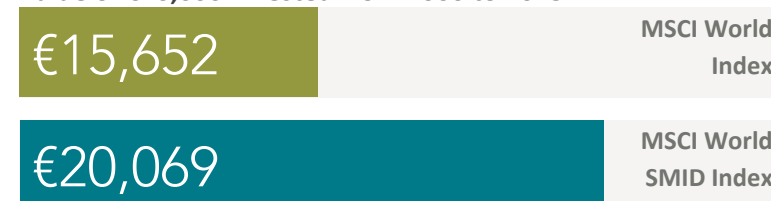
Global small/mid cap equities have historically offered a compelling risk/reward opportunity when compared to large cap equities. Global small/mid cap equities have consistently outperformed their larger cap peers, as these companies tend to be more dynamic and offer higher growth potential when compared to their larger counterparts.

Over the period 2000 to 2015, global small/mid cap stocks, as represented by the MSCI World SMID Index, outperformed their larger peers (MSCI World Index) by 1.7% annually. This equates to 44% cumulative outperformance. Importantly, this outperformance was delivered with only a moderately higher level of risk, as measured by the annual volatility of returns over the same period\*.

\*Source: Bloomberg, December 2015.

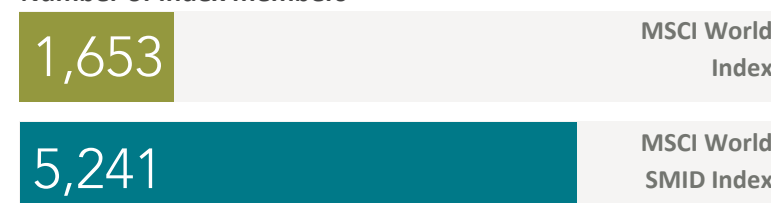
## More investment opportunities

**Value of €10,000 invested from 2000 to 2015**



Source: Bloomberg, December 2000 to 2015

**Number of index members**



Source: Bloomberg, January 2016.

**Warning: Past performance is not a reliable guide to future performance.**

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?

- 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

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**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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