30 September 2021 – Factsheet

Centuria

Centuria LifeGoals

Walter Scott Global Equity Fund (Unhedged)*

Aims to achieve a long-term total return (before fees and expenses) that the MSCI World exAustralia Index in $A dollars unhedged with net dividends reinvested.

Investment Manager

Walter Scott & Partners Limited

Investment Strategy

The fund provides exposure to a concentrated portfolio of global equities by investing in securities which, in Walter Scott's opinion, offer strong and sustained earnings growth. The fund will not invest in 'tobacco' securities as defined by the Global Industry Classification Standards (GICS) or 'controversial weapons' securities as defined by MSCI, Inc.

Target Allocation

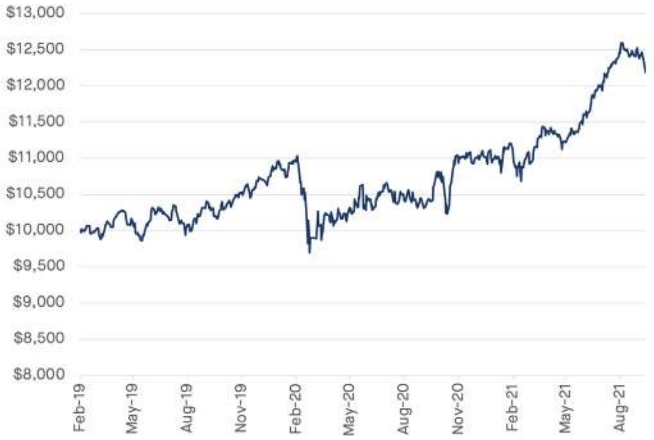
International Equities	75-90%
Cash	0-10%

Performance Returns

Returns to 30/9/2021	1 mth	3 mth	6 mth	1 yr	2 yr*
Net Returns (%)	-2.28	3.77	9.33	16.83	8.74

Past performance is not a reliable indicator of future performance.
* Periods greater than 1 year are expressed in annualised terms.

Performance Graph



A $10,000 investment in Centuria Walter Scott Global Equity Fund (Unhedged) made at inception is worth $12,188 as of 30 September 2021 after all fees and taxes paid within the Investment Option.

Key Features

APIR Code	OVS8802AU
Minimum Initial Investment	$500
Minimum Additional Investment Plan	$100
Minimum Switching Amount	$500
Minimum Balance	$500
Contribution Fee	Nil
Annual Management Fee*	1.20%
Suggested Timeframe	7 years

* Refer to PDS for fee breakdown.

For more information contact Centuria on 1300 50 50 50 or visit lifegoals.centuria.com.au to download the PDS. Simple Flexible Versatile.

Fund Commentary

From a sector viewpoint, healthcare stocks were weak in absolute terms and detracted the most from relative return, with Waters Corporation and Illumina amongst the portfolio's weakest performers. Communication services holdings, Alphabet and The Walt Disney Company, were also notably weak in absolute terms. A lower exposure to financials and an absence from the energy sector hurt relative performance. Outperformance from technology and materials holdings helped to pare some of the relative losses; Texas Instruments and Shin-Etsu Chemical were the portfolio's top performers from their respective sectors. From a regional perspective, US companies, most notably Adobe, NIKE and the aforementioned Waters Corporation, declined the most and were the largest relative detractors. Europe ex-UK was also a notable detractor in absolute terms, with KONE Corporation the portfolio's weakest performer.

The 'September Effect' certainly brought an early autumn chill to equity markets this month, although rather than attributing the fall in stocks to this statistical anomaly, there were a number of factors at work in suppressing sentiment. Notwithstanding the persistence of the pandemic in some areas of the world, global economies have been on the mend,and earnings have shown a strong rebound. However, supply chain disruption and material, labour, and component shortages have fostered concerns about growth, inflation and corporate margins. Most major central banks are still pointing to pandemic supply/demand mismatches as the culprit, expecting some of the pressures to ease as economies more fully open. Both the Federal Reserve and the European Central Bank (ECB) have nonetheless embarked on a course of 'tapering', with the former slowly edging its way towards higher interest rates. Chinese property company Evergrande, a sorry saga of overleverage, poor diversification, and Ponzi economics, had a part to play in contributing to the bearish hue. While fears of financial contagion from its potential demise added to worries about the slowing Chinese economy, the nation has had a track record of internalising these events without major global trauma. All these various concerns consequently undermined investor sentiment this month and prompted a late run from 'growth' to 'value'.

Despite some hawkish voices within the ECB, Madame Lagarde has pointed out that asset purchase reductions are not carved in policy stone and can be unwound should slippage occur in economies that are still in the nascent stages of recovery. The news has mainly been good in Europe. The 2% second-quarter rise in GDP on a quarter-on-quarter basis has reflected the success of vaccine rollouts and the subsequent rekindling of economic activity. The European Commission's Economic Sentiment Indicator recorded an alltime high in July after eight consecutive months of improvement. Less good is the uptick in inflation, as the continent endures the supply chain and materials shortages that are afflicting the rest of the world. So far, cost/supply hurdles have not eroded the outlook amongst manufacturers too much, with the latest Euro Area Purchasing Managers Index remaining healthily above the key '50' level. While domestic growth is picking up in the euro zone, it is also true that improving overseas demand has led to the current uptick. Europe remains a repository for leading companies that have thrived on the global stage irrespective of the economic inertia that has blighted the region in recent economic history. Many are financially strong, market leading businesses that have been honed in crises and cycles at home and abroad, and able to take advantage of long-term trends or create new ones across the globe. A rich culture and history, high educational standards, and first-starter advantage are a few of the attributes that European companies are able to exploit; some of which are hard to replicate.

Danish company Novo Nordisk is a global leader in its field. Over 80% of sales derive from diabetes and obesity products, with the remainder from haemophilia and growth hormones.Type 2 diabetes is a global epidemic and, as an acknowledged leader in the fight against the condition, Novo Nordisk should be well-placed to benefit from this trend. Unfortunately, obesity is also on the rise. Novo reported its first-half 2021 results a day earlier than planned this month and they were excellent, with the new obesity drug Wegovy, getting off to a tremendous start resulting in a significant upgrade to guidance. Given the huge demand from Wegovy and the continued strength of the GLP-1 franchise, management upgraded guidance: sales growth has moved from 6-10% to 10-13% on a constant exchange rate basis, while operating profit growth was moved from 5-9% to 9-12%.

The question of rising costs inevitably continues to feature in our discussions with company management teams across the world. There are a variety of strategies that companies are deploying to mitigate the effects of rising input costs. Leveraging technology to deliver efficiency and productivity gains, using 'mix' through adjusting packaging, and premiumisation have been preferred weapons of choice, with the passing on of costs through pricing remaining a final option. For Nestlé, premiumisation is an established tactic, providing additional headroom to handle raw material cost increases. One third of the company's portfolio is 'premium'; an increase from 11% in 2012. The CFO recently described rising costs as a significant and unprecedented issue, commenting that certain non-hedgeable costs doubled in the space of a few months in FY21. At present, in European markets, they have a one-year pricing arrangement locked in until February or March of 2022, whereas in the US there tends to be a more flexible approach with typically a three month lag between agreement and implementation. There are, however, a number of tools at Nestlé's disposal to combat cost inflation alongside premiumisation, including raising prices, changing mix and pursuing efficiency gains.

A variety of companies in Europe have had to endure the pandemic downdraught, and luxury companies were negatively impacted by the closure of retail premises and shutdown of global travel. However, the recovery of the LVMH's business following the demand shock was testament to both brand strength and exceptional execution. The fashion and leather business at LVMH continues to excel, posting 81% organic revenue growth versus the prior year which equated to 38% organic revenue growth compared to 2019. Mainland China performance was a key element of growth for luxury holdings in the first half of 2021 as Chinese consumer spending was repatriated as global travel ceased. This positive news flow from China was placed on pause as the political tide in the country appeared to turn against perceived, ostentatious materialism. In August, President Xi spoke with the Central Financial and Economic Affairs Commission of China on the topic of ''common prosperity''. While this is not a new ideology, the pursuit of the social good and economic rebalancing has gathered steam this year and coincided with a severe crackdown on technology and education companies. We do not anticipate the luxury sector being targeted in the same heavy-handed manner, although to assess this change in stance by the Chinese government without the specifics of regulation is difficult. However, we are confident that this industry continues to be an attractive investment proposition. While decadent displays from the super-rich may be curtailed, demand for luxury products in China has predominantly stemmed from younger, aspirational middleclass customers. As this cohort grows in size and wealth, demand for luxury products will follow. The brand power that LVMH commands cannot be replicated easily, as it has developed through years of history, imbued with design excellence that reinforces its strong market position.

Europe will at some point soon be without the constant that was Angela Merkel who spent 16 years at the head of the strongest economy on the continent. After the non-decisive election at the end of August, European markets will be watching the coalition talks closely. This material change comes at a pivotal time for the continent. International political tensions are high and the positioning of the German government is important to Europe's future in the global political landscape. This election took place against the backdrop of significant financial pressure with all EU member states except Denmark showing fiscal deficits greater than 3% of GDP, the cap that was set in the Maastricht Treaty of 1992. The position that the German coalition takes with regards public spending will provide a template for the rest of the continent to follow and will be crucial to the path of sustained economic recovery.

As with elsewhere in the world, European markets will reflect some of the headwinds that currently blight global markets. A mix of economic uncertainty, higher inflation (now exacerbated by higher energy prices), a potentially less-benign monetary backdrop and strained international relations between economic blocs suggest further turbulence ahead. In such circumstances we must focus on the long-term. We seek to identify differentiated companies with strong financial profiles, balance sheets that allow them to weather external shocks and crucially, management teams that are adept at handling short-term hurdles while pursuing long-term growth. Our European companies across the portfolio have certainly demonstrated those characteristics over the past 18 months and our confidence in their long-term prospects remains high.

Disclaimer: this commentary has been directly sourced from Walter Scott Global Equity Fund (Unhedged) quarterly factsheet available on their website.

Contact our Distribution team

Ashton Maggs
Relationship Manager, NSW & QLD
Phone: +61 431 433 511
Email: ashton.maggs@centuria.com.au

Sean Cole
Relationship Manager, VIC & TAS
Phone: +61 428 893 007
Email: sean.cole@centuria.com.au

Thomas Nielsen
Relationship Manager, ACT, SA & WA
Phone: +61 401 727 830
Email: thomas.nielsen@centuriaadviser.com

Jack Coleman
Relationship Manager, NSW
Phone: +61 407 256 305
Email: jack.coleman@centuriaadviser.com

Centuria Investor Services | 1300 50 50 50 | enquiries@centuria.com.au | **centuria.com.au**

CA-CLL-01/11/21-001442