



Select Fund: Equity Class

Quarter 3 2020

Objective

To offer a convenient vehicle for investing in an international portfolio of equity mutual funds, which are anticipated to provide the best opportunities for capital growth.

Investment policy

To invest in a diverse range of top-performing offshore equity mutual funds, as well as a number of indexed products, in order to control overall costs.

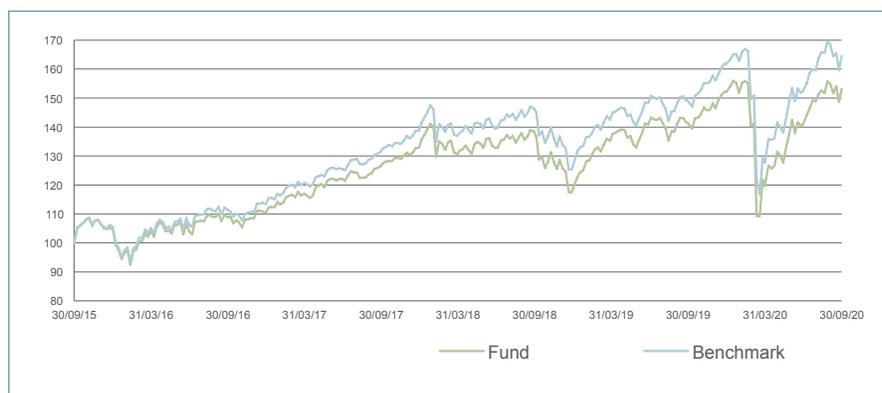
Investment process

A quantitative analysis of fund performance is undertaken relative to peer groups to ensure the consistency of performance. This is followed with a qualitative analysis to understand the manager's philosophy, process and style.

Key facts as at 30 September 2020

Currency	USD
Valuation	Weekly
Dealings	Thursday
Front end fee	None
Units available	Accumulation
Identifier	BUTSLEQ BH
Fiscal year end	30 June
Minimum investment	USD 10,000
Total expense ratio	1.12%
Size of fund (millions)	USD 111.78
NAV per share	USD 18.22

Performance chart



Average annual compound returns

	Quarter	1 year	3 years	5 years	10 years
Total returns	8.78%	8.39%	6.60%	8.91%	6.92%
Benchmark	7.93%	10.41%	7.74%	10.48%	9.37%

Fund review

The fund produced a return of 8.78% in the third quarter of 2020, which was ahead of the MSCI World benchmark return of 7.93%. Despite a pull back from all-time highs in September, global equity markets finished markedly higher for a second consecutive quarter. Markets have grappled with the contrasting forces of better economic data, more resilient than expected company earnings together with rising virus cases in Europe and fading fiscal policy support.

As has been the case for much of the year, the Technology and Consumer Discretionary sectors performed well, while the interest rate sensitive sectors, such as Financials, underperformed. A cyclical recovery and rotation of sorts occurred in the quarter; however the pace of recovery has been – and will continue to be – very bumpy across, and even within, sectors. The energy transition away from fossil fuels towards cleaner forms of energy is an increasingly important topic in equity markets. 10 years ago the Energy sector comprised 10% of global equity market capitalisation, but fast forward to 2020 and the Energy sector comprises only 3% of global equity market capitalisation. While the sector is only relatively small, the energy transition is a theme that touches on a number of other sectors such as Industrials, Materials, Utilities and Consumer Discretionary, so this presents good opportunities for active managers.

The Growth investment style outperformed the Value style for the fourth consecutive quarter and large caps outperformed small caps. The American Century Global Growth fund and Wellington Global Opportunities fund benefited from this, together with strong stock selection. American





Contact us

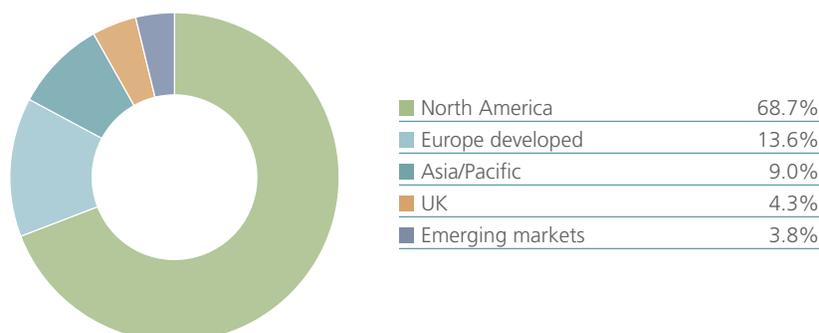
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Century did well in the Health Care sector, and Wellington had good stock selection in both Technology and Health Care. More broadly, US active managers had a difficult time outperforming their benchmarks as market leadership was concentrated in a small number of large cap technology orientated companies. This outperformance has led to a number of associated acronyms such as the “FANG stocks”, “famous five” or “awesome 8”. The stocks (Apple, Amazon, Facebook, Google, Microsoft, Netflix and Nvidia) have also become popular with retail investors, which has boosted valuations and caused some additional volatility.

Narrow leadership can only last so long, as it tends to correct itself, either by the leaders giving up gains or the rest of the market catching up. In September, we saw a combination of this, as some of the high flyers corrected and more cyclical areas such as Industrials and Materials performed well. One of the challenges with assessing the state of the economy at the moment is the wide dispersion between industries, however, while the virus situation may be difficult over the winter, from a markets perspective we have the monetary and fiscal policy tools to help offset the risks.

Asset allocation



Top 10 holdings

1	American Century Emerging Markets Eq Fund	16.5%
2	BNY Mellon Long-Term Global Eq Fund	15.5%
3	Wellington Global Opps Equity Fund	14.9%
4	Lazard US Equity Concentrated Fund	13.7%
5	MFS Meridian - Global Equity Fund	10.4%
6	Artisan Value Fund Institutional	7.4%
7	Findlay Park American Fund	6.5%
8	MFS Meridian - US Value Fund	5.9%
9	iShares Core MSCI World ETF	3.8%
10	WisdomTree Japan Hedged Eq Fund	3.2%

Benchmark composition

100% MSCI World (Free) Index.