

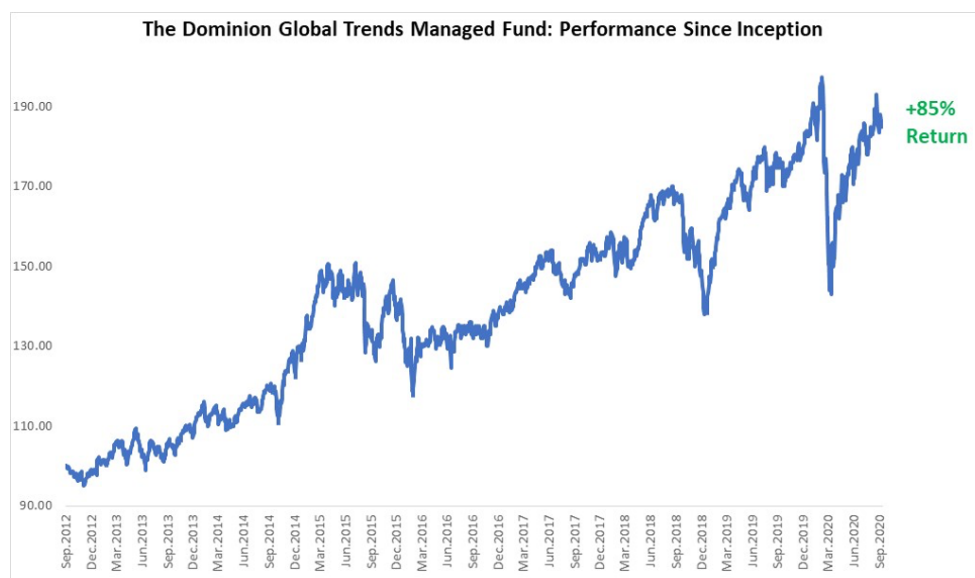
Insights

# The Dominion Global Trends: Managed Fund

Longevity, Liquidity and Long-Term Investment Success

## Longevity, Liquidity and Long-Term Investment Success

Dominion's Managed Fund has been investing in structural growth trends successfully for 8 years, delivering +85% returns to investors since inception: a long-term success story for investors



Source: Bloomberg

## The Recipe for Long-Term Investment Success

At Dominion we see longevity as being critical to investment success. Investment trends and fashions come and go, funds open and close, but at Dominion we firmly believe that maintaining a strict focus on investing in high quality, long-term growth businesses is the recipe for success for our investors. The Dominion Global Trends: Managed Fund is our flagship multi-sector fund, investing in the major sources of change in the world. Since inception, we have maintained a strict investment framework, focusing on a diversified portfolio of high-growth, high quality companies which will drive change in the global economy. This September marks the Fund's 8th anniversary, and investors have enjoyed +85% returns since launch.

The world is changing and it's changing faster than ever. Demographic change, an

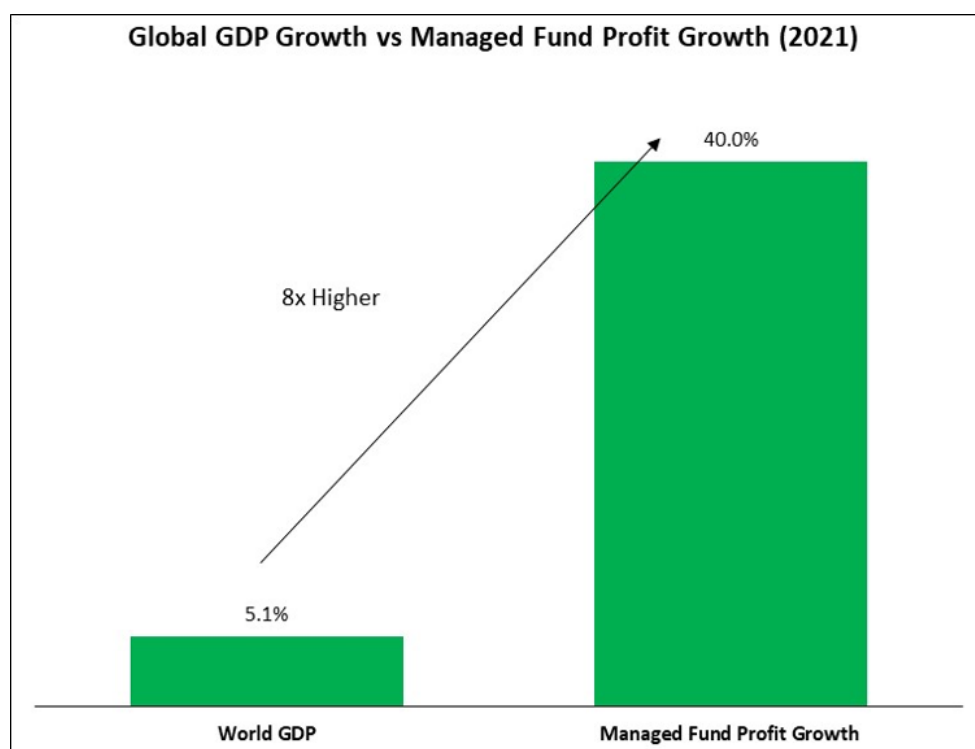


ageing population, emerging markets, new technologies, climate change; these fundamental changes in the global order create hazards for investors unwilling to adapt. Our focus with the Managed Fund is on taking advantage of a changing world. **We invest in change**. In our view, the optimal long-term strategy for investors in an uncertain world is to focus on growth and invest in the companies driving these fundamental changes in our world. Did you know there are 2 million electric cars on the road today; by **2030 there will be 200 million**. The global increase in demand for water driven by an **increase of 50% in water demand** is massively increasing demand for safe water infrastructure. By 2025 there will be 4 billion people and 75 billion devices connected to the Internet, **driving trillions of dollars of new online business**. New healthcare technology is allowing all humans to live longer and more fulfilling lives. Our philosophy at Dominion is to offer investors long-term exposure to these trends and many more.

### What Does the Future Hold? It Pays to be an Optimist

Short-term impacts on the global economy do and will happen. The COVID-19 pandemic is the latest of a steady drum beat of unpredictable events over the long-term that have impacted the global economy. Despite the severe impact of the pandemic on the health of many people and the heavily negative macro-economic impact in 2020, we remain as bullish as ever on the long-term outlook for our investments. The important lesson from history is that after every major shock (pandemic, natural disaster, war, financial crisis) the global economy bounces back and the patient investor is rewarded.

**Average investment holding profit growth is forecast +40% in 2021, well ahead of global GDP growth**



Source: Bloomberg, IMF, World Bank, Dominion estimates

At Dominion, we look through short-term risks and focus on the positive long-term outlook ahead of us. Beyond COVID, the same underlying structural growth trends



driving investment returns in our Fund will continue. In some cases, the pandemic is even accelerating these trends and increasing investment returns today!

This translates into a portfolio of companies that are continuing to grow revenues and profits, despite the heavy impact of the pandemic on the global economy. The average company in our Fund portfolio is forecast to grow profits by +40% in 2021 over levels in 2020, this compares with expected global GDP growth of +5.1% in 2021. These forecasts are updated to include the effect of the COVID pandemic. **This reflects the focus of the Fund's strategy on high growth, high quality** companies, whose businesses are driven by underlying structural trends in the global economy which continue to drive profit growth and investment returns.

## Don't Forget Liquidity Risk!

Liquidity risk of investment funds has been making headlines in the financial press over the past year, and for good reasons. Several very high-profile investment funds have collapsed because of liquidity risk not having been managed correctly. **This 'hidden risk', which is very difficult for investors to assess, can have** catastrophic effects on returns if not managed by fund managers. These high-profile funds that chose to invest in illiquid assets and suffered as a result did not maintain the necessary risk management systems and so put investor capital at risk. But the biggest losers in these cases have been the investors who have had to sit back and watch their asset returns suffer because of the mismanagement of risk by their portfolio managers.

The Dominion Global Trends Managed Fund utilises proprietary risk-management systems to monitor all sources of risk. These systems were developed internally by the Dominion investment management team and have been improved and back-tested for more than 15 years. Liquidity risk is a high priority for the Dominion investment team and all Dominion investment funds have real-time liquidity risk management tools in-place.

**Dominion's portfolio management system constantly monitors the invested levels** of every position in each of the investment portfolios, keeping track of a range of different risk metrics in real-time. These monitoring systems allow the investment team to adjust position sizes to ensure liquidity risk is maintained at a very low level. Dominion uses these systems to determine the initial and on-going size of each investment position to ensure that no single position constitutes a liquidity risk. The investment team does not rely on intuition or guesswork to size investment **positions. Instead, Dominion's proprietary systems use quantitative tools to** determine the level of exposure each portfolio should take on every stock. The system balances stock specific factors like volatility, trading volume and past performance against one another, ensuring a position size is maintained that can **be liquidated in just 24 hours. This is a critical aspect of Dominion's liquidity risk** management. The team ensures that at all times, the entire portfolio can be converted into cash with no negative price impact from unwinding those positions. This makes the events that led to the recent collapse of some high profile **investment funds virtually impossible at Dominion. Dominion's risk management** system is structured to maintain a healthy risk profile across all funds, reallocating asset allocations to ensure investors benefit from exposure to risk that generates positive returns. The investment team also double-checks its systems are working properly by using an external risk-manager, who produces reports linked to the liquidity of the portfolios. This third-party risk-manager **stress tests Dominion's** investment funds to check how long it would take to liquidate the portfolio, even in non-normal (stressed) market environments. Because this system oversees every position in the portfolios, it guarantees the ability to liquidate funds in a single day and therefore remove the risk that investors are unable to redeem their investments



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in an extreme event.

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