

MEDIA RELEASE

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NEW

A WORLD OF CONTRASTS: DAVIS ADVISORS

Speaking to financial advisers at a recent Pan-Tribal lunch, Peter Sackmann of Davis Advisors took attendees on a world tour, looking at markets, sectors and stocks in each region.

Peter Sackmann, CFA, analyst and portfolio review committee member at Davis Advisors (Davis) told attendees that the US market had been hampered by twin uncertainties – a divisive and contentious election campaign, and the timing of the tightening cycle expected by the US Federal Reserve (the Fed).

“Once we get past the election cycle, the business climate is good; we are encouraged by signs of life across industries,” commented Sackmann.

“Rarely does an election dictate how good or bad a company is.”

While US growth is uneven, Sackmann pointed to a range of factors that support a positive outlook.

“When you have unemployment under 5% (it was 10% during the GFC) and a broader-based earnings profile – companies reporting decent earnings, if not record earnings – you have a solid growth foundation for the future.

“It’s a tale of two markets right now in the US – the S&P has done pretty well this year, but its spoils are not treating everyone evenly. Sectors known for paying high dividends have outperformed, but are now expensive. Out of favour sectors look more attractive.”

On the other hand, the outlook for European companies isn’t so rosy.

“Europe is challenged in a number of ways,” said Sackmann, outlining the issues as follows:

- Anaemic growth – this reflects relatively soft employment numbers, country by country. Unemployment – and ‘underemployment’ – among young workers is much higher than the headline averages.
- The negative interest rate experiment has resulted in approximately US\$14 trillion of bonds globally trading at negative interest rates; the result is they cease to have the features and benefits of real bonds
- Rising inflation could cause a whipsaw effect in bond markets and result in capital flight from the asset class.

“Davis has few investments in Europe at the moment. This is not a result of Brexit, rather a reflection of the low growth environment and the impact this has on earnings growth, coupled with full valuations,” said Sackmann.

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In Asia, Davis retains a strong focus on the Chinese consumer.

“China is more supportive of entrepreneurship than other parts of Asia. Owner operators in China are now among the best in the world, a significant move from 10 years ago,” said Sackmann.

“However, you have to go into China to assess companies, as it is not a level playing field. For example, Amazon spends around US\$500 million to \$1 billion a year trying to get into China and have just 1.5% market share after years of effort.”

There are approximately 50 markets in the global economy and Davis aims to find the best in terms of liquidity, transparency of financial information, and professionalism of management. At the margin, they also look to invest in countries that support, encourage and celebrate entrepreneurs and capitalist success.”

The Pan-Tribal Global Equity Fund, managed by Davis Advisors, currently invests in 48 companies across 13 countries. While regional factors are an important input into stock selection, the strategy that underpins the Pan-Tribal Global Equity Fund is a fundamentals-based, unconstrained approach, with bottom-up research conducted in-house. The portfolio holdings represent high conviction ideas from a universe of global investment opportunities.

Colin Woods, Pan-Tribal CEO commented, “I have been very pleased with the traction the Fund has in the market; it’s available through most of the major platforms and is getting supported by a number of key financial planning groups.”

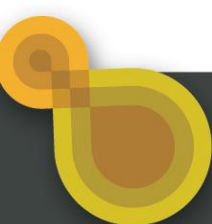
FOR MORE INFORMATION

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ABOUT PAN-TRIBAL ASSET MANAGEMENT

The philosophy underpinning Pan-Tribal Asset Management (Pan-Tribal) is to create wealth for investors by sourcing the best financial products from the best investment managers worldwide, and backing that with first- rate service and support.

A client-centric focus is at the heart of the business – this flows from Pan-Tribal through to the investment managers we partner with.

We intend to build Pan-Tribal's product offering around clients' greatest needs, to provide breadth of asset management capabilities across a range of asset classes and investment strategies.

To do this, an extensive global search and selection process has been underway to identify talented asset managers that offer quality products differentiated from those already available to Australian investors.

This focus on delivering a range of quality financial products by partnering with the world's best is encapsulated in our name....the bringing together of a diverse range of quality investment managers and financial products.

ABOUT DAVIS ADVISORS

Davis Advisors (Davis) is an independent investment management company founded in 1969 by Shelby M.C. Davis. He represents the second generation of successful portfolio managers in the Davis family; his son Christopher Davis, current Chairman, Portfolio Manager and Analyst, the third generation.

The genesis of the firm's signature Davis Investment Discipline goes back to his father, Shelby Cullom Davis, who in 1947 invested \$100,000 of his family's capital, primarily in financial stocks, and famously turned it into more than \$800 million by the time of his death in 1994. His discipline was straightforward – he purchased durable, well managed businesses at value prices and held them for the long term, allowing the power of compounding to work. This philosophy provides the foundation of the Davis Investment Discipline.

Davis recognises that its success is determined by its ability to build and preserve wealth. The business is independent from institutional ownership; it is wholly employee owned. Independence allows the team at Davis to make what they believe are the best long-term decisions for their clients; their mission, to serve clients with integrity. The firm has successfully managed investments across a wide variety of market and economic conditions, and today manages more than US\$27 billion* using its proprietary Davis Investment Discipline.

** As at 30 September 2016*

