

# Ziller Global Fund Fund Flyer

**Ziller Global Fund** invests in high growth companies run by exceptional founders. We believe founder-led investing offers a compelling proposition for clients seeking an allocation to global equities.

## Philosophy

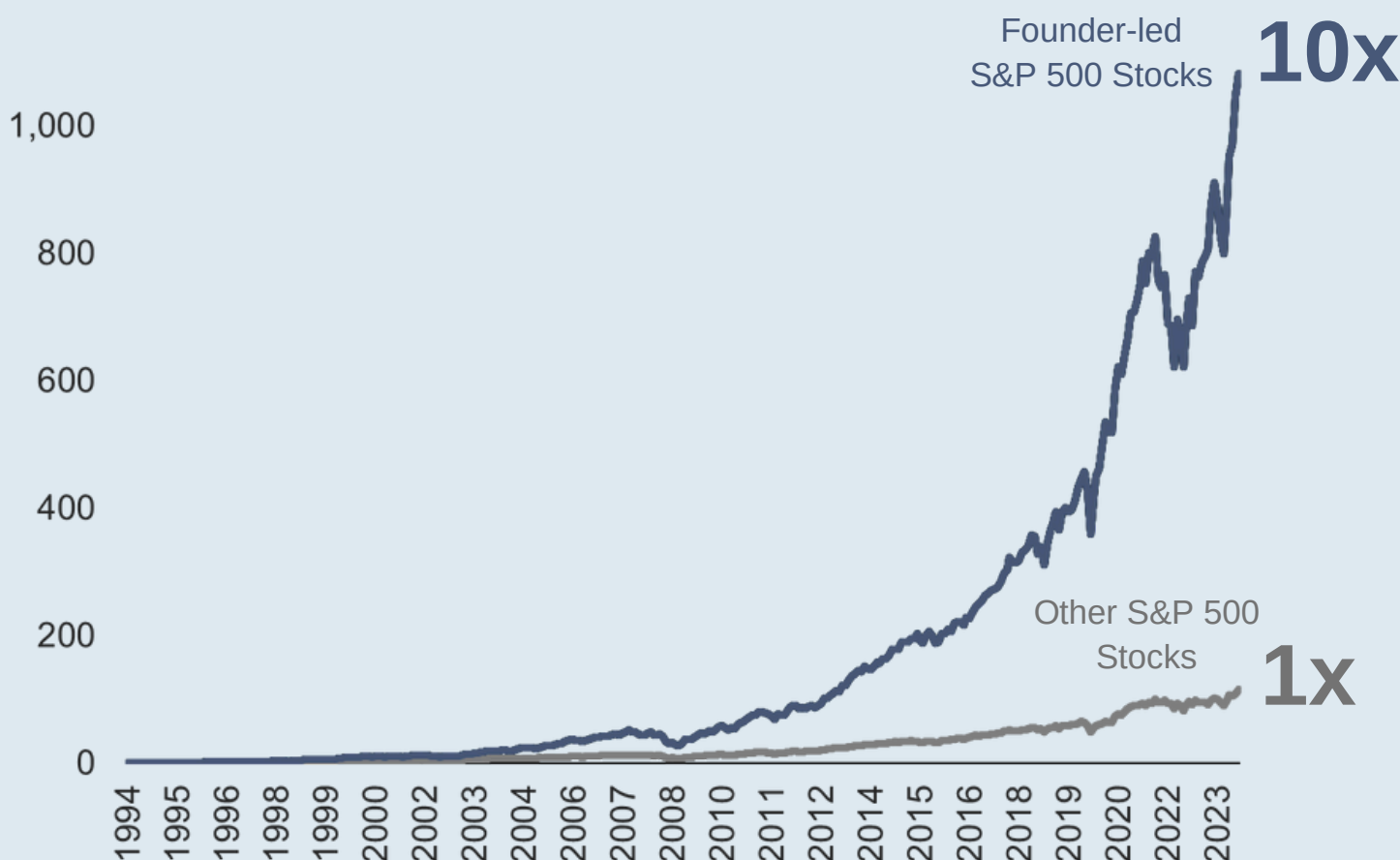
### Why invest in founder-led stocks?

Founders bring a unique combination of frontline obsession, business insurgency and owner's mindset (Zook, 2016). These three qualities drive a high performance operating culture unmatched by peers.

Over the years, the results from this high performance culture compound and can produce impressive stock price performance. For instance, in a study of S&P 500 stocks where the founder was still deeply involved in the business, we found that founder-led stocks outperformed other stocks by **10x** over **30 years**.

## Investing In Founder-led Stocks

A track record of outperforming the rest<sup>1</sup>



<sup>1</sup>Based on an analysis of all S&P 500 firms in 2024 by Ziller Asset Management

## A Preference for Strong Founders

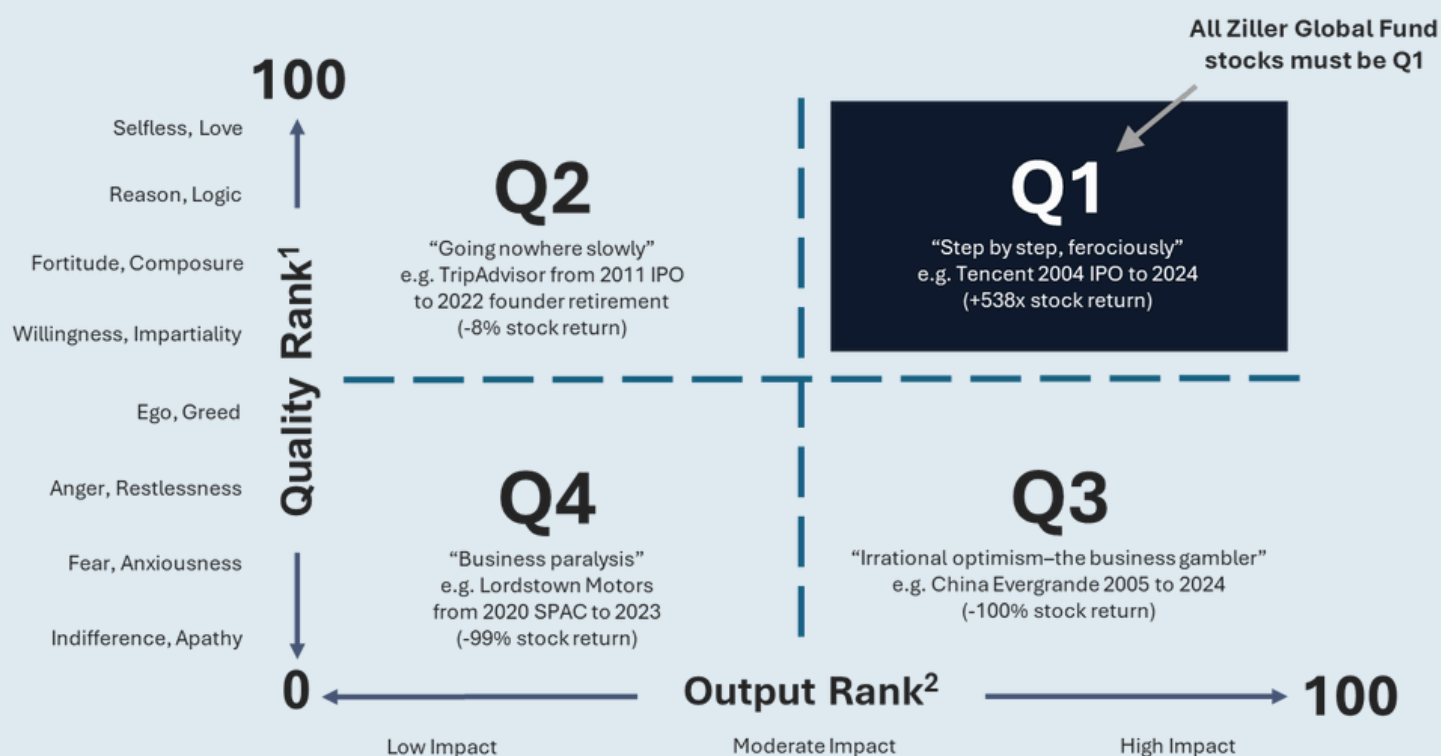
Ziller Global Fund only invests in the strongest founders because we believe the stock market misprices:

- 1) founder-led stocks; and
- 2) stocks led by the strongest founders versus the weakest founders

the Fund capitalises on both mispricings.

To assess founders we use a proprietary ranking system, **Ziller Quartiles**, supplemented by a Founder's Checklist. Ziller Quartiles allocates an Output Rank and Quality Rank to each founder. Only the founders ranking high in both (Q1) are eligible for inclusion in Ziller Global Fund.

## Ziller Quartiles



<sup>1</sup>Hom and Arbuckle (1998), Estrada, Isen, Young (1997), Lyubomirsky (2005), Loevinger (1976), Graves (1974), Beck, Cowan (1996), Silvan Tomkins (1962), Carrol Izzard (1997), David Hawkins (1995), Abraham Maslow (1943), Shawn Achor (2011), Cipolla (1976), Probert Plutchik (1980), Beck & Cowan (1996), Kohlberg (1981).

<sup>2</sup>Shapiro & Donaldson (2022), Owens et al. (2016), Zhang, Tong, & Huo (2018), Collins (2001), Suzanne Kobasa (1979), Duckworth et al (2007), Salvatore Maddi (2007), Paul Bartone (2002), Shaw Achor (2011).

The **Quality Rank** and **Output Rank** are analogous to a water plumbing system—Quality Rank is the integrity of the pipes in the system (it doesn't seem to matter until it suddenly does) and the Output Rank is the water throughput rate. We are looking for both high output and high system integrity. Our internal back testing suggests that the strongest founders (Q1) materially outperform the weakest founders (Q4).

## Mark Leonard—A Strong Founder

Mark Leonard founded Constellation Software (CSU) in 1995 after realising Vertical Market Software businesses possess special characteristics which make them very attractive to own.

Vertical Market Software (VMS) is developed for and customised to industry-specific customer needs. It is usually focused on niche markets, with specific requirements e.g. automotive dealer management software. They are attractive businesses to operate because revenue is recurring, profit margins are high, assets required are low and customers are sticky. VMS is often mission critical software and typically represents <1% of the customers' total costs so switching usually isn't worth it.

Over the past 30 years Leonard has created a unique decentralised operating culture within CSU which has allowed it to scale materially larger than most thought possible. As at 31 December 2024 CSU's stock price has compounded at **34.6% pa** since its IPO 19 years ago, making it one of the best performing Canadian stocks of all time.

“Our favourite and most frequent acquisitions are the businesses that we buy from founders.

When a founder invests the better part of a lifetime building a business, a long-term orientation tends to permeate all aspects of the enterprise, employee selection and development, establishing and building symbiotic customer relationships, and evolving sophisticated product suites.”

- Mark Leonard, Constellation Software founder

## Non-Founders with a Founder's Mindset

On rare occasions we identify a non-founder who scores highly in our Ziller Quartiles. An example is the case of Sacks and Schlosberg who purchased a near bankrupt business named Hansen Natural Company in 1992. The business was founded by Hubert Hansen in 1935 and manufactured juices and later soda. In 2002, Sacks and Schlosberg released a landmark new product which would account for almost the entire company's value in the future—an energy drink called Monster. It was such a success that in 2012 the company's name was changed to Monster Beverage.

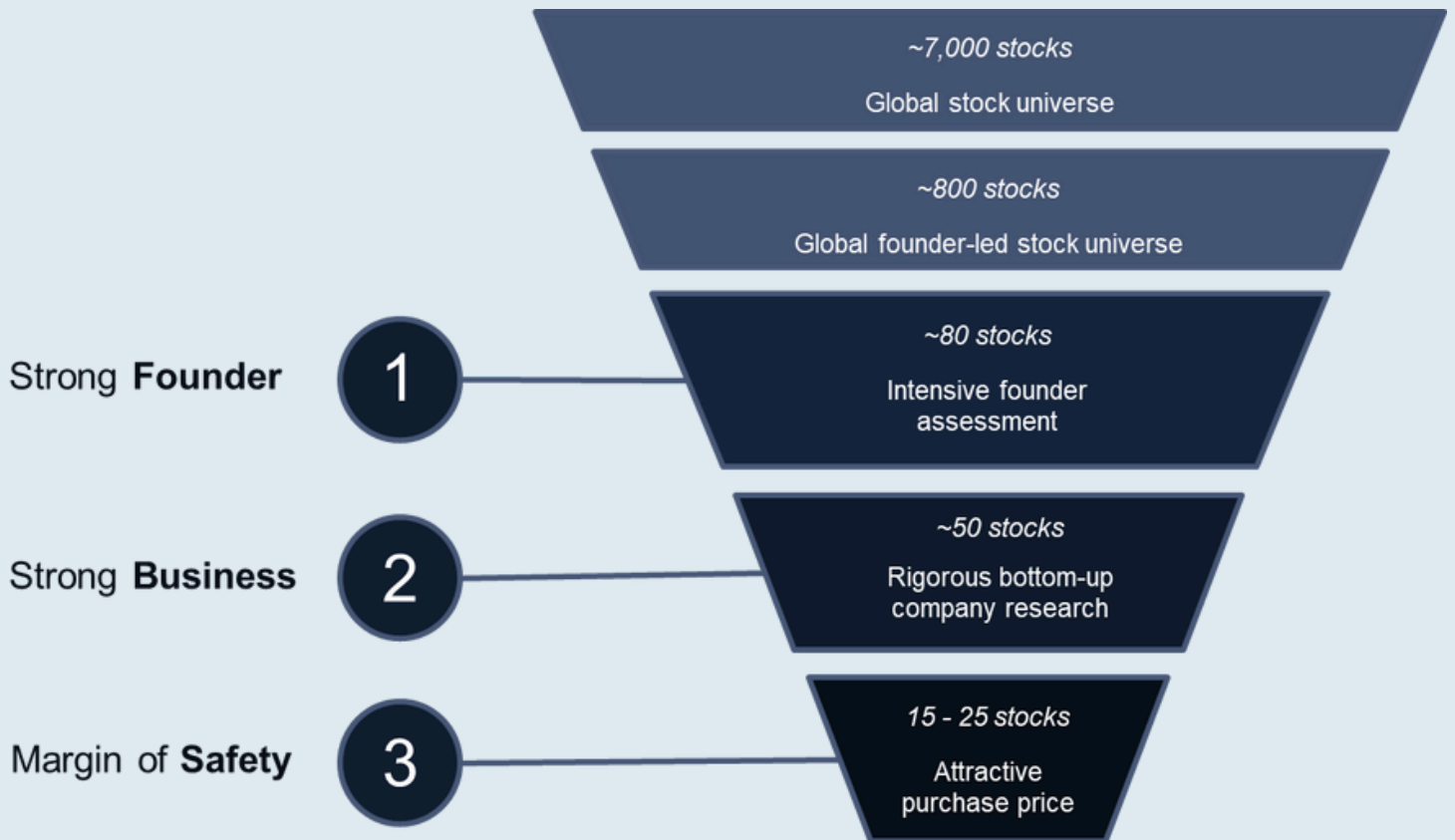
Since being acquired by Sacks and Schlosberg 33 years ago, the company has become one of the best performing stocks in the US. A \$1,000 investment in Monster Beverage at the beginning of this period would be worth ~\$2,000,000 as at 31 December 2024.

Ziller Global Fund may occasionally invest in a non-founder-led stock, such as with Sacks and Schlosberg, where the non-founder scores highly in our Ziller Quartiles (Q1).

# Portfolio Construction

## A 3 Step Process

Once a Strong Founder is identified, we require a Strong Business and Margin of Safety in our purchase price for Ziller Global Fund to invest.



A **Strong Business** ensures incremental capital deployed within the business will generate attractive returns.

A **Margin of Safety** ensures the price paid to own a share of this capital offers enough headroom for an attractive shareholder return.

## Avoiding Precision Bias

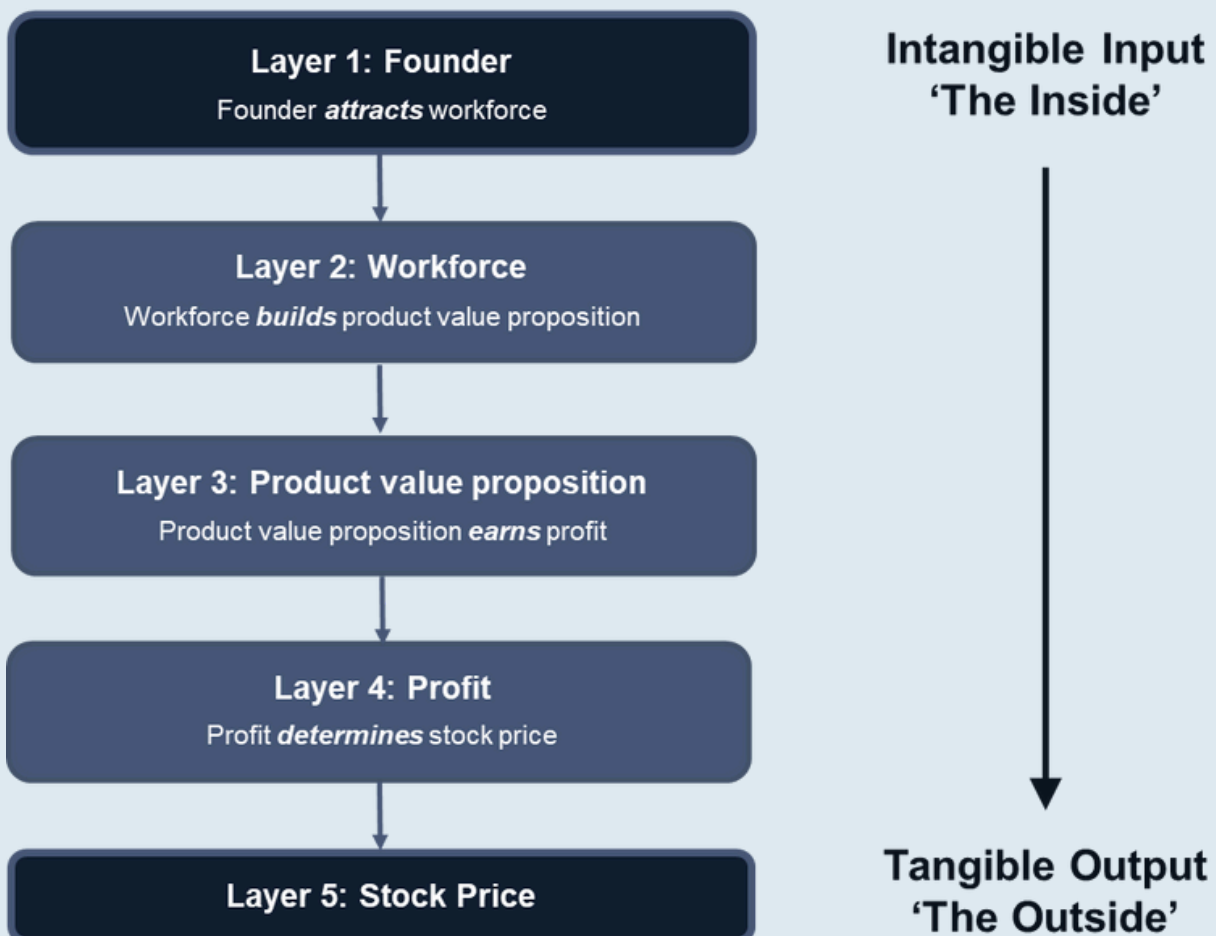
Precision Bias is a form of cognitive bias in which an evaluator confuses precision and accuracy (Carlson, Hoelscher & Shipley, 2011). Kahneman, Sibony & Sunstein expand further in *Noise: A Flaw in Human Judgement* and note that less precise or less quantifiable data can lead to better outcomes when compared to highly precise data that may be less accurate.

Our portfolio construction process starts with the founder and ends with an assessment of stock price. It walks from the less quantifiable to the highly quantifiable—from input to output.

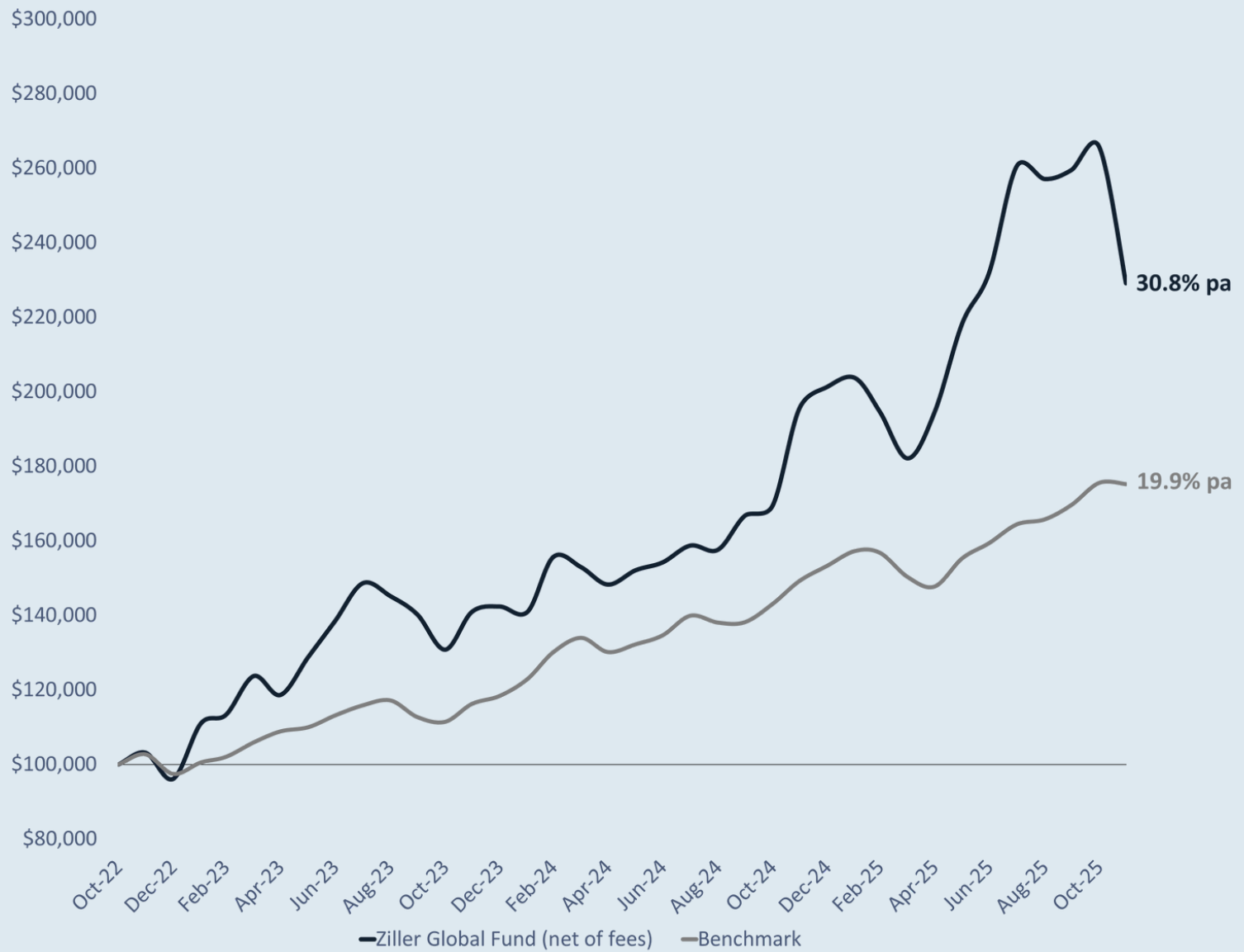
We ensure equal or greater weight in our analysis is given to the inner layers of a stock, such as the Founder or Workforce. Despite these layers being less measurable or precise they have greater predictive power. They create the outer layers.

This may sound counterintuitive but contrary to most market participants we spend the majority of our investment analysis on the inner layers of a stock, versus the more precise or measurable outer layers. We look for the critical factor in the equation and focus on it—the Founder.

## Anatomy of a Stock



# Fund Performance Since Inception



|                              | 1 month | 3 month | 6 month | 1 year | 2 year (p.a.) | 3 year (p.a.) | Since Inception (p.a.) <sup>2</sup> | Since Inception <sup>2</sup> |
|------------------------------|---------|---------|---------|--------|---------------|---------------|-------------------------------------|------------------------------|
| <b>Ziller Global Fund</b>    | -13.8%  | -10.9%  | 4.9%    | 17.2%  | 27.5%         | 30.4%         | <b>30.8%</b>                        | <b>129.1%</b>                |
| <b>Benchmark<sup>1</sup></b> | -0.2%   | 5.7%    | 12.8%   | 17.4%  | 22.7%         | 19.5%         | <b>19.9%</b>                        | <b>75.2%</b>                 |
| <b>Excess Return</b>         | -13.6%  | -16.6%  | -7.9%   | -0.2%  | 4.7%          | 11.0%         | <b>10.9%</b>                        | <b>53.9%</b>                 |

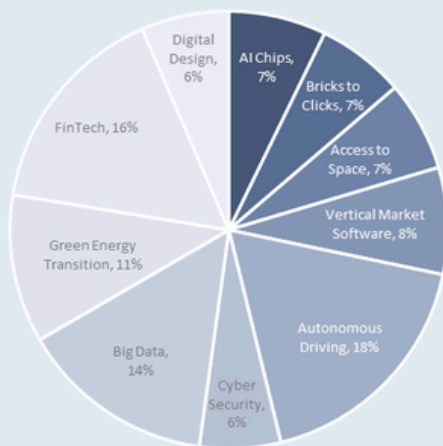
All returns are monthly net of fees and in AUD terms. <sup>1</sup> MSCI All Country World Net Index in AUD. <sup>2</sup> Inception date is the date the current investment strategy was adopted: 1 November 2022. The investment vehicle was established 1 November 2012. Past performance is not a reliable indicator of future performance.

## Top 10 Stocks

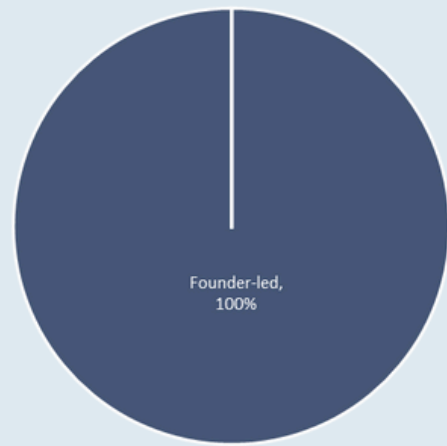
| Company       | Position (%) | Theme                    | Company    | Position (%) | Theme                   |
|---------------|--------------|--------------------------|------------|--------------|-------------------------|
| Xpeng         | 8.4%         | Autonomous Driving       | Coinbase   | 7.0%         | FinTech                 |
| Tesla         | 8.3%         | Autonomous Driving       | Nvidia     | 6.7%         | AI Chips                |
| Money Forward | 7.9%         | FinTech                  | Rocket Lab | 6.2%         | Access to Space         |
| Palantir      | 7.9%         | Big Data                 | Figma      | 6.0%         | Digital Design          |
| Lumine        | 7.4%         | Vertical Market Software | CATL       | 5.7%         | Green Energy Transition |

## Portfolio Characteristics<sup>1</sup>

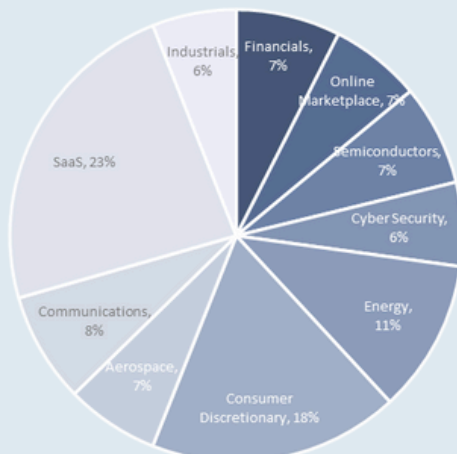
Thematic Exposure (%)



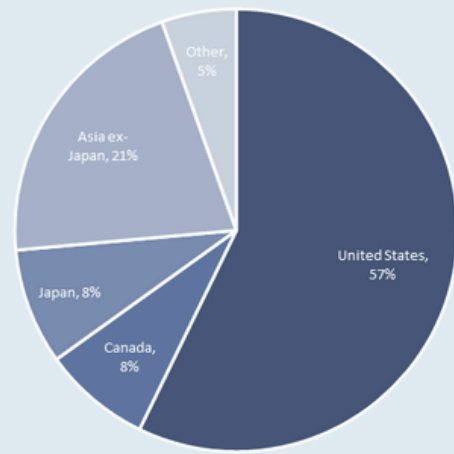
Management Exposure (%)



Sector Exposure (%)



Geographic Exposure (%)



<sup>1</sup>All stock positions, does not include market hedges.



## Fund Facts

|                                   |  |
|-----------------------------------|--|
| Style                             | Global Equity - Growth (Long-only)   |
| Availability                      | Wholesale clients only   |
| Inception                         | November 2022  |
| Investment Objective <sup>1</sup> | The fund aims to achieve absolute returns (after fees) in excess of its Benchmark over the long-term |
| Benchmark                         | MSCI All Country World Net Index in AUD  |
| Volatility / Beta                 | Very High / 1.55   |
| Stock Count                       | 15 - 25  |
| Global Listed Equities            | 90% - 100% <sup>2</sup>  |
| Target Single Stock Exposure      | < 15%  |
| Target Thematic Exposure          | < 20%  |
| Target Geographic Exposure        | +/- 20% vs MSCI ACWI <sup>3</sup>  |
| Liquidity                         | Daily  |
| Distribution                      | Annual   |
| Minimum Investment                | \$25,000   |
| Investment Time Frame             | 5 year minimum suggested investment time frame   |
| Management Fee                    | 1.3% pa  |
| Performance Fee                   | 15% of net return in excess of benchmark   |

<sup>1</sup>The investment objective is not a promise or a forecast of Ziller Global Fund returns.

<sup>2</sup>The Fund will typically have net equity exposure of 50-100%.

<sup>3</sup>The Fund may have lower net exposure versus the MSCI ACWI if market hedges are utilised.

## Chief Investment officer



### Joseph Ziller B.Bus, CFA, CA, PRM, CAIA

Joseph has over 20 years of experience as a portfolio manager, equity analyst, and accountant. Prior to establishing Ziller Global Fund, Joseph spent 11 years at Maple-Brown Abbott, holding various investment team roles, including serving as deputy portfolio manager of \$1 billion in client funds. Previously, he held roles with Deloitte Corporate Finance and KPMG Audit.

## Senior Analyst



### Wendy Herringer, B.Bus.Sci (Honours), CFA

Wendy has 19 years of investment experience. Prior to joining Ziller Funds Management, she held global equity portfolio management roles at Northcape and Baring Asset Management. Previously, Wendy worked as an emerging markets and fixed income analyst at ABN Amro Asset Management and HSBC Asset Management.

## Junior Analyst



### Kevin Najanurdin, B.Econ

Kevin has 2 years of investment and research experience. Prior to joining Ziller Funds Management, he worked at Selector Funds Management in portfolio research and reporting, focusing on high-quality Australian equities. Kevin also founded several entrepreneurial ventures in Indonesia and holds a Bachelor of Economics (Finance) from the University of Sydney.

## Board



### Anthony Patterson, SA FIN

Anthony has over 30 years experience in the investment management industry. He started with Perennial Investment Partners in April 2000 as Head of Sales and Marketing and was promoted to Managing Director/ Chief Executive Officer in May 2003. During his period as CEO, Perennial became Australia's largest boutique investment management firm. Anthony stood down from this position in March 2012 to focus his attention on Perennial's largest boutique, Perennial Value, where he serves as an Executive Chairman.

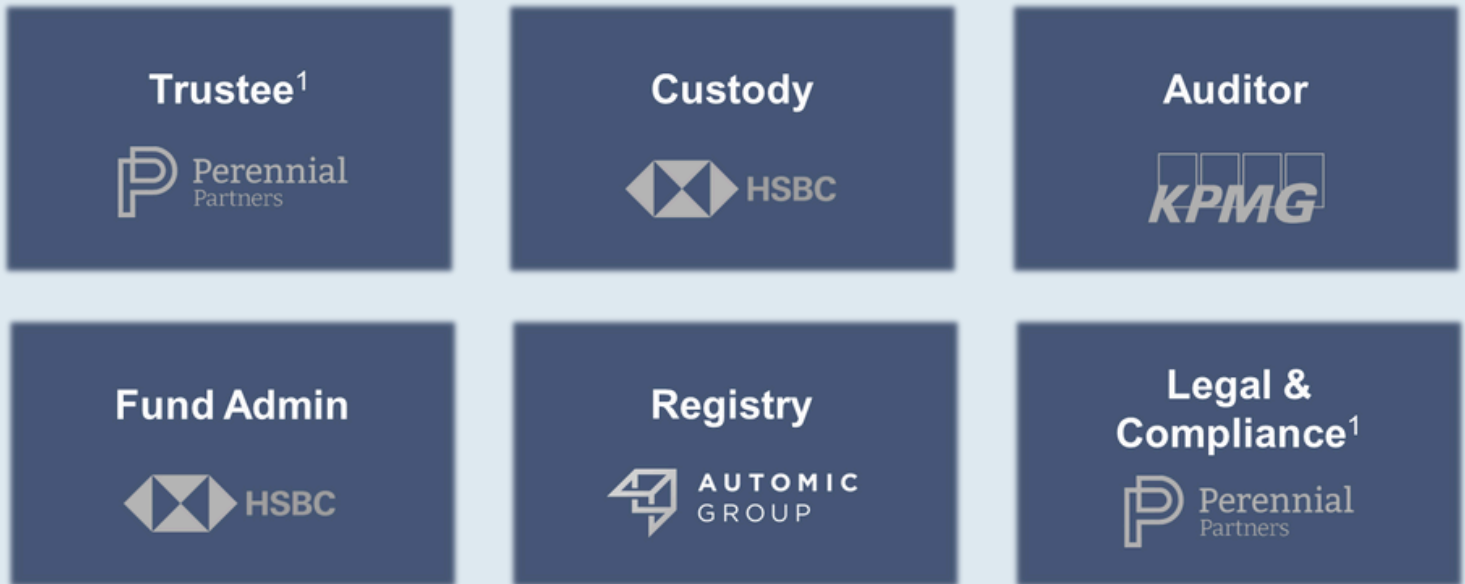


### Bill Anastasopoulos BCom, LLB

Bill is the General Counsel and Company Secretary for the Perennial Partners Group, bringing over 30 years of finance industry experience, including more than 20 years with Perennial. He previously headed Legal and Compliance at Colonial First State Investments and was Legal & Documentation Manager for the Treasury Division at the State Bank of NSW. Bill holds a Bachelor of Commerce (UNSW) and a Bachelor of Laws (UTS) and is a solicitor of the Supreme Court of NSW.

## Service Partners

Ziller Funds Management is supported by the following service providers:



<sup>1</sup>Perennial Investment Management Limited

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