Factsheet

Global Equities

September 2018

Pendal Asian Share Fund

Previously known as 'BT Wholesale Asian Share Fund'

ARSN: 087 593 468

About the Fund

The Pendal Asian Share Fund (**Fund**) is an actively managed portfolio of Asian shares, excluding Japan and Australia.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI AC Asia ex Japan (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

Description of Fund

This Fund is designed for investors who want the potential for long term capital growth and are prepared to accept high variability of returns. The Fund can invest in any sharemarket in the Asian region, excluding Japan and Australia, that offers attractive opportunities including Korea, Hong Kong, Taiwan, Singapore, China, Malaysia, Thailand, Indonesia, the Philippines, India and Vietnam. The Fund may also hold cash and may use derivatives.

As manager of the Fund, J O Hambro Capital Management (**JOHCM**) investment process for Asian shares aims to add value through fundamental stock selection. JOHCM focuses on identifying and owning quality long-term sustainable growth companies and is benchmark agnostic. These core holdings are combined with cyclical holdings that are valuation driven with consideration for current macro-economic conditions. The Fund will typically hold between 40 and 55 stocks.

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. The Fund's foreign currency exposure will generally not be hedged to the Australian dollar but JOHCM may do so from time to time. JOHCM does not intend to use currency trading as an additional source of Fund returns.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.

Investment Manager

The portfolio is managed by J O Hambro Capital Management **(JOHCM)**.

Management Costs[1]

Issuer fee[2]	1.00% pa

[1] You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

[2] This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk** - The risk associated with an individual asset.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk -** Currency exchange rate fluctuation risk arising from investing across multiple countries.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	-2.43	-2.35	-1.43
3 months	-0.66	-0.41	0.51
FYTD	-0.66	-0.41	0.51
6 months	-6.00	-5.53	-1.28
1 year (pa)	-2.72	-1.74	10.02
2 years (pa)	2.48	3.51	14.73
3 years (pa)	3.12	4.16	12.17
5 years (pa)	8.00	9.08	12.25

The investment manager for this Fund changed on 12 March 2014. Performance before this date may not be directly comparable.

Country Allocation (as at 30 September 2018)

India	24.0%
China	21.7%
Taiwan	13.0%
South Korea	10.1%
Hong Kong	9.4%
Indonesia	5.4%
Thailand	4.6%
Malaysia	3.0%
Philippines	2.8%
Other	4.6%
Cash	1.3%

Top 10 Holdings (as at 30 September 2018)

Taiwan Semiconductor	5.7%
Weibo	4.7%
Prada	4.6%
Tencent	3.8%
LG Household & Health Care	3.7%
Tata Consultancy Services	3.5%
Reliance Industries	3.4%
Gudang Garam	3.3%
Sands China	3.3%
ITC	3.3%

Other Information

Fund size (as at 30 Sep 2018)	$161 million
Date of inception[3]	August 1996
Minimum Investment	$25,000
Buy-sell spread[4]	0.50% (0.25%/0.25%)
Distribution frequency	Quarterly
APIR code	BTA0054AU

[3] JOHCM started managing the Fund in March 2014.

[4] The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fund manager's commentary

- India has finally found itself caught up in the selling bout as its dependence on oil imports and excessive reliance on foreign capital flows come to a head.
- The paradox of India has always been that there are some very well-managed businesses able to operate in challenging macroeconomic conditions.
- As the market sell-off has continued into early October, it has provided the opportunity to add to some of our holdings.

There is little insight I can provide on Asian equities this month. Broad strength in the US dollar trade-weighted index, amid signs of faster growth in the US economy and higher interest rates to boot, means risk assets outside the US are facing strains from slowing liquidity. In Asia, we have witnessed several months of outflows, first on trade concerns, now on geopolitical rumblings. On one hand, index providers are likely to increase their allocation to China 'A' shares, yet sentiment could not be softer.

India has finally found itself caught up in the selling bout. Its economy epitomises the macro weakness that are common in almost all Asian economies: a dependence on oil imports and excessive reliance on foreign capital flows.

Some months ago I had mentioned the relentless rise in unsecured lending in India. Overall credit statistics showed a benign picture. Yet, under the surface, some established and several newly created non-bank finance companies (NBFCs) took up the baton of lending from beleaguered government-owned banks. In the end, they repeated the classic mistake of an asset-liability mismatch, compounded by borrowing increasingly larger amounts from wholesale funding sources like money markets and commercial paper.

That has now come home to roost as rising oil prices, a depreciating currency and lower liquidity are exposing those who thought lending was an easy business. In my opinion, growth in India will disappoint. Higher oil prices and higher interest rates will affect demand. The additional driver that will dampen Indian growth will be the retrenchment of lending by these NBFCs. In the two years after demonitisation most of the NBFCs stepped on the accelerator to lend copious amounts of credit to the needy and the unsuspecting. Home loans, loans against property (nothing but a charade to provide working capital loans to SMEs by mortgaging their shops and offices), car loans, consumer durable loans, education loans, foreign travel loans and more. On a trip to Bombay about 18 months ago, I was surprised to learn that tailoring shops associated with big branded fabric companies were willing to finance a purchase of a suit for your wedding. That cost 3-4 months' average monthly salary, yet there were many who did borrow on that scheme.

The paradox of India has always been that there are some very well-managed businesses able to operate in challenging macroeconomic conditions. In our portfolio, I have bought into what I think are some of those very businesses, knowing that we might face trying economic times ahead. As the market sell-off has continued into early October, it has given me an opportunity to add to some of our holdings. The direction of the currency is anyone's guess, while poor sentiment amongst domestic investors could lead to lower multiples for some names. I would welcome that development. Finally, it seems like valuations are coming down to levels that we can live with over the next 3-5 years. Given the state of markets and the sentiment, it is better to be cautious in adding to our names. I hope to be in a position to expound on some of these businesses in the coming months.