PENDAL

Factsheet

Global Equities

September 2018

Pendal Global Emerging Markets Opportunities Fund - WS

Previously known as 'BT Global Emerging Markets Opportunities Fund - Wholesale'

ARSN: 159 605 811

About the Fund

The Pendal Global Emerging Markets Opportunities Fund (**Fund**) is an actively managed portfolio of global emerging market shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI Emerging Markets (Standard) Index (Net Dividends) in AUD over the long term. The suggested investment time frame is seven years or more.

Description of Fund

This Fund is designed for investors who want the potential for long-term capital growth, diversification across a broad range of global emerging market shares and are prepared to accept high variability of returns. The Fund can invest in shares in a range of emerging markets and may also hold cash.

As manager of the Fund, J O Hambro Capital Management (**JOHCM**) investment process for global emerging market shares aims to add value through a combination of country allocation as well as individual stock selection. JOHCM's country allocation process is based on analysis of a country's economic growth, monetary policy, market liquidity, currency, governance/politics and equity market valuation. The stock selection process focuses on buying quality growth stocks at attractive valuations.

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 Team

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

Other Information

Fund size (as at 30 Sep 2018)	$300 million
Date of inception	November 2012
Minimum Investment	$25,000
Buy-sell spread[1]	0.60% (0.30%/0.30%)
Distribution frequency	Yearly
APIR code	BTA0419AU

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

Management Costs[2]

Issuer fee[3]	1.40% pa

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

[3] 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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-0.88	-0.77	-0.58
3 months	0.05	0.39	1.00
6 months	0.78	1.48	-3.49
1 year (pa)	7.09	8.59	7.56
2 years (pa)	12.44	14.00	13.34
3 years (pa)	10.75	12.30	11.25
5 years (pa)	10.78	12.33	9.07
Since Inception (pa)	10.83	12.38	9.68

Country Allocation (as at 30 September 2018)

China	25.8%
South Korea	21.2%
Taiwan	13.3%
India	13.1%
Russia	6.6%
South Africa	5.5%
Mexico	4.4%
Brazil	1.2%
Czech Republic	1.1%
Other	2.0%
Cash	5.8%

Sector Allocation (as at 30 September 2018)

Consumer Staples	10.7%
Telecommunications	7.7%
Consumer Discretionary	11.3%
Energy	10.3%
Real Estate	4.3%
Utilities	2.3%
Industrials	4.6%
Health Care	0.0%
Financials	19.2%
Information Technology	21.8%
Materials	2.0%
Cash	5.8%

Top 10 Holdings (as at 30 September 2018)

Samsung	9.3%
Naspers	5.5%
China Mobile	4.7%
CNOOC Limited	4.2%
Sinopec	4.0%
Hengan	3.3%
Sberbank	3.0%
SK Telecom	2.9%
Walmart	2.9%
Hon Hai Precision Industry	2.8%

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.
- **Regulatory risk -** The risk that a change in laws and regulations governing an investment or financial markets could have an adverse impact on an investment.

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

Fund manager's commentary

- We note with concern the recent Bloomberg scoop alleging that Chinese intelligence agencies caused specialist chips to be covertly placed in computer servers being exported to the US.
- This significantly increases the likelihood that the US seeks to disentangle some of its supply chains from China.
- This would have profound implications not only for China, but also for some key emerging market industries.

One of the defining features of the Trump administration from an emerging market perspective is the willingness, even enthusiasm, to confront the United States' geopolitical rivals. The current government has significantly expanded sanctions applied to Russian companies and individuals while applying increasingly severe tariffs to Chinese exports. The effects of this have been felt in both countries, notably through currency weakness that does not seem to reflect the healthy external balances both countries enjoy.

There is a temptation to view the actions of the current US administration as both driven by the president and targeted at the popular vote, but we feel that it is important to look at some of the publications and statements by other members of the administration to see where these policies might be headed, and what that might mean for emerging market investors.

Vice-president Pence recently summed up the administration's view as "Beijing is employing a whole-of-government approach, using political, economic and military tools, as well as propaganda, to advance its influence and benefit its interests in the United States." Whilst the military rivalry between the two powers has been visibly building over the last couple of decades, the focus on economic competition is a newer feature, and one with a strong advocate in the Trump government.

Peter Navarro is an American economist and author who has been a hard-line advocate of a confrontational US trade policy towards China, most notably in his 2011 book 'Death by China'. Having served as an adviser to the Trump campaign, he was appointed to an advisory post in the administration in December 2016, and much China policy since then can be seen to follow his views. Navarro very much sees the trade relationship between the two as akin to a war, accusing China of 'cheating' through uncontrolled pollution, poor labour standards, government subsidies, exporting counterfeit and dangerous goods, currency manipulation, and intellectual property theft. He has been a strong advocate of large tariffs on Chinese exports, with steel seen as a priority, and this is the exact policy path that has been followed. If there was any doubt, the Trump administration's unusual step of creating a military space force is exactly what is called for in chapter eleven of 'Death by China'.

It is in this light, therefore, that we note with concern the recent Bloomberg scoop alleging that the Chinese intelligence agencies caused highly specialist computer chips to be covertly placed in computer servers being exported to the US, thereby deeply compromising security at various US companies and government agencies. The potential for this to happen was highlighted in chapter ten of 'Death by China' and this significantly increases the likelihood that the US seeks to disentangle some of its supply chains from China, not to improve the trade balance, but as a fundamental matter of national security.

This would have profound implications not only for China, but also for some key emerging market industries. It may create market share opportunities for Korean and Taiwanese companies at the expense of Chinese ones, but it is also likely to raise prices to consumers, increase capital expenditure and reduce returns on capital and reduce economies of scale. It is also likely to see continued weakness in the Chinese renminbi in response to diminished export opportunities, and will not be supportive of Chinese equities. Yet the Chinese reaction in September was to turn down further trade talks and to summon the American ambassador to Beijing to protest sanctions imposed on the Chinese military. Despite the economic consequences, there has been no backing down by China. As Lord Kitchener said, "No financial pressure has ever yet stopped a war in progress."

For more information please call **1800 813 886**,
contact your key account manager or visit **pendalgroup.com**

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