PENDAL

Factsheet

Global Equities

January 2019

Pendal Sustainable International Share Fund

Previously known as 'BT Sustainable International Share Fund'

ARSN: 612 665 219

About the Fund

The Pendal Sustainable International Share Fund (**Fund**) is an actively managed portfolio of international shares. Investments are selected on a range of sustainable, ethical and financial criteria.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI World ex Australia (Standard) Index (Net Dividends) in AUD by 2% p.a. over rolling 3 year periods.

Description of the Fund

The Fund offers investors access to a diversified portfolio of international shares and seeks exposure to companies that demonstrate leading environmental, social and corporate governance (ESG) and ethical practices while avoiding exposure to companies with activities that we consider to negatively impact the environment or society.

The Fund will not invest in companies with material business involvement in the following activities:

- production of tobacco or alcohol,
- manufacture or provision of gaming facilities,
- manufacture of weapons or armaments,
- manufacture or distribution of pornography,
- directly mine uranium for the purpose of weapons manufacturing,
- extraction of thermal coal and oil sands production.

We consider that a company has a material business involvement in an activity if 10% or more of its total revenue is derived from that activity.

As the investment manager for the Fund, AQR's investment process is based on their quantitative investment strategies and aims to add value through active stock and industry selection and investment research. AQR employs a systematic investment process to maintain a highly diversified and risk controlled portfolio.

By incorporating ESG-related factors as an input into the multi-factor stock selection approach, the portfolio is able to favour companies that score better across all factors on average.

Consistent with the Fund's focus on sustainable and ethical investments, the Fund's proxy voting policy generally supports shareholder proposals advocating ESG related activities including proposals advocating enhanced disclosure and transparency.

Investment Team

Founded in 1998, AQR Capital Management is an investment management firm employing a disciplined multi-asset, global research process. AQR's team spans a variety of backgrounds including fund management and academic finance.

Management Costs[1]

Issuer fee[2]	0.70% pa

[1] You should refer to the latest Information Memorandum 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.

CERTIFIED RESPONSIBLE INVESTMENT ®

CERTIFIED BY RIAA

The Pendal Sustainable International Share Fund has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Performance

(%)	Total Returns (post-fee)	(pre-fee)	Benchmark Return
1 month	4.45	4.51	4.08
3 months	-3.36	-3.19	-2.19
6 months	-6.09	-5.76	-3.10
1 year (pa)	-1.30	-0.61	3.84
2 years (pa)	8.09	8.84	10.77
Since Inception (pa)	8.22	9.00	10.52

Country allocation (as at 31 January 2019)

Belgium	0.3%
Denmark	1.5%
Finland	0.8%
France	3.2%
Germany	3.1%
Italy	1.8%
Netherlands	1.5%
Spain	0.8%
Sweden	1.5%
Switzerland	3.9%
United Kingdom	4.9%
Hong Kong	1.4%
Japan	7.5%
Canada	2.4%
USA	61.7%
Cash & other	3.7%

Top Ten Holdings (as at 31 January 2019)

Microsoft Ord Shs	3.4%
Apple Ord Shs	3.1%
Amazon Com Ord Shs	1.9%
Facebook Class A Ord Shs	1.7%
Roche Holding Par Shs	1.5%
Merck & Co Ord Shs	1.5%
Adobe Ord Shs	1.4%
Intel Corporation Ord Shs	1.4%
Humana Ord Shs	1.4%
Johnson & Johnson Ord Shs	1.2%

Other Information

Fund size (as at 31 Jan 2019)	$201 million
Date of inception	July 2016
Minimum investment	$500,000
Buy-sell spread[3]	0.10% (0.05%/0.05%)
Distribution frequency	Quarterly
APIR Code	BTA0568AU

[3] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest in the Fund, and may vary from time to time without notice.

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 risks associated with an individual security.
- **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 Information Memorandum (**IM**) for a detailed explanation of each of these risks.

Market review

Global equity markets experienced a significant recovery in January following the broad-based sell-off in the prior month. Investor sentiment was supported by comments from the US Fed indicating it may put further interest rate increases on hold, along with a sense of optimism that US-China trade talks will avoid an all-out trade war. The US corporate earnings season commenced with a number of positive results that supported valuations, while in Europe after much consternation the British House of Commons reached agreement to support the UK's Brexit agreement, thereby improving the prospects for a viable deal with the European Union. For January, the benchmark MSCI World ex Australia Index closed 4.1% higher.

US shares undoubtedly led the world's equity markets higher as investor confidence returned. The market was buoyed by a solid start to the quarterly earnings season, albeit with less earnings surprises than the market has become accustomed to in recent years. Sector rotation was prevalent in January, with the Industrials and Energy sectors leading the gains. Energy stocks were supported by a solid bounce in crude oil prices, with the West Texas Intermediate crude price recording a solid 18.5% gain. Boeing was the standout for the Industrials sector after reaching a significant milestone of US$102b in sales—the highest in its 102-year history. Despite a degree of intra-month volatility, the S&P500 closed the month with a 7.9% gain, while the NASDAQ rose an even more impressive 9.7%.

European share markets generally recovered their losses incurred in December as investors renewed confidence in the market's prospects for the New Year. While buoyed by similar sentiments in the US, European investors seemed to form a consensus on expectations for the EU's monetary tightening bias moving towards being on hold. Economic growth data for the eurozone came in a 0.2% for the December quarter, with the annual rate being a modest 1.2% to fall below the 2017 level. Italy's economy appears to be faring worse after it slipped into a technical recession in the fourth quarter when the economy contracted by 0.2%, following a 0.1% contraction for the prior quarter. Sector performance across the region was generally positive and countries registering the strongest gains were Italy (+7.7%), Switzerland (+6.4%) and Spain (+6.1%), followed closely by France (+5.5%), Germany (+5.8%) and the UK (+3.6%).

Most Asian equity markets were spurred on by the New Year rally in the developed world. Investors established confidence in a further simmering of the Sino-US trade tensions and took comfort in signals of a pause in US monetary tightening. This saw an improvement in some of the export-oriented currencies against the US dollar. Hong Kong (+8.1%) and Korea (+9.6%) led the region's gains reflecting this dynamic, while south-east Asian markets also performed very well (the exception being Malaysia with a -0.4% return). Japan (+3.8%) was also a relative laggard in the region as some key economic indicators failed to impress.

The Australian dollar strengthened against its major trading partners while the Trade Weighted Index expanded 1.5%. The local unit rose 3.2% against the US dollar, 3.4% against the euro and 2.4% on the Japanese yen. In commodity markets the oil price's strong rebound followed the 11% decline in December to close at US$3.79 per barrel, while the Gold price surprisingly rose to a 3% gain, closing at US$1321.21.

Fund performance

The Fund outperformed its benchmark over January 2019, with the bulk of active returns generated in North America and Europe, while positioning in Asia performed in line with benchmark.

Thematically, the outperformance in North America was driven by the positive performance of our valuation and investor sentiment themes. In Europe, both valuation and momentum themes contributed most strongly to outperformance. In Asia, strong returns to valuation and quality themes were offset by weakness in investor sentiment and momentum.

From a stock & industry attribution perspective, intra-industry stock selection drove outperformance, while industry selection detracted slightly from active returns over the month. Stock selection within industries was strongest within Health Care, Materials and Consumer Discretionary sectors. At a sector level, an overweight to Health Care industries was the notable detractor, partially offset by the positive contributions of an underweight to Consumer Staples and overweight to Energy.

The ESG screen had limited changes over the month with one additional company being screened out of the investment universe, Incyte, a US biotechnology company being screened out due to a declining social score. There were two companies that had sufficient improvements in their ESG score relative to their peers that they became eligible for investment: Suntec, a Singapore based real estate management company and Acom, a Japanese consumer finance company.

At a stock level, the largest contributors to active returns came from overweight positions in: Celgene Corporation, an American biotechnology company, which specializes in the development of medicines for cancer and inflammatory disorders; Southwest Airlines Co., a major US discount airline; Facebook, Inc., an American online social media and social networking company; Valero Energy Corporation, a US headquartered international manufacturer and marketer of transportation fuels; and Steel Dynamics, Inc., a US steel producer based in Indiana. The largest detractors from active returns came from: an underweight position in The Boeing Company, an American multinational aircraft designer and manufacturer and defence contractor, an underweight position in Bank of America Corporation, an American multinational investment bank and financial services company; an underweight position in Citigroup, Inc., an American multinational investment bank & financial services corporation; an overweight position in Bristol-Myers Squibb, an American pharmaceutical company; and an overweight position in Macy's, Inc., an American holding company operating a portfolio of department store chains, including Macy's and Bloomingdale's.

Strategy and outlook

Entering February 2019, the largest sector tilts are overweights in Health Care and Information Technology and underweight positions in Financials and Consumer Staples.

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