PENDAL

Factsheet

Global Equities

October 2020

Pendal Concentrated Global Share Fund

ARSN: 613 608 085

About the Fund

The Pendal Concentrated Global Share Fund (**Fund**) is an actively managed concentrated portfolio of global shares diversified across a broad range of global sharemarkets. The Fund is managed by Pendal's Global Equities team and typically holds between 35-55 stocks that we believe are undervalued in the near term and offer long term capital growth.

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 over the medium to long term. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long term capital growth from a concentrated portfolio of global shares, diversified across a broad range of global sharemarkets and are prepared to accept higher variability of returns. The Fund invests in global companies that offer attractive investment opportunities predominately in markets such as the USA, UK, Continental Europe, Asia and Japan. The Fund may also hold cash and use derivatives.

Pendal's investment process for global shares aims to add value through active stock selection and fundamental company research. Pendal focuses on identifying a company's long term value and potential risk reward opportunity and is benchmark agnostic. Our high conviction approach to the Fund's investments seeks to invest in companies that are out of favour, considered to be undervalued in the near term and offer long term capital growth. The Fund will typically hold between 35-55 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. Generally, these currency exposures will not be hedged to the Australian dollar but Pendal may do so from time to time.

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 may also be used to gain exposure to assets and markets.

Investment Team

Pendal's Global Equities team is led by Ashley Pittard. Ashley has been analysing and investing in global businesses for over 20 years and was appointed as Pendal's Head of Global Equities in 2016. The five person Global Equities team is organised on an industry basis and has an average finance industry tenure of over ten years. The Global Equities team will also be able to leverage Pendal Group's global resources, including those of J O Hambro Capital Management, 100% owned by Pendal Group, an investment management business with offices in London, Singapore, New York and Boston.

Management Cost[1]

Issuer fee[2]	0.90% 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.

Other Information

Fund size (as at 31 Oct 2020)	$498 million
Date of inception	29 July 2016
Minimum investment	$25,000
Buy-sell spread[3]	
For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	BTA0503AU

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

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-0.84	-0.76	-1.13
3 months	2.00	2.23	1.99
6 months	2.36	2.83	4.90
1 year (pa)	-10.07	-9.25	2.71
2 years (pa)	-0.74	0.18	9.07
3 years (pa)	3.05	4.03	9.25
Since Inception (pa)	7.01	8.13	11.17

We have made some historic revisions to our pre-fee returns. From December 2018 to January 2020, returns for the Fund included a 'gross up' for fees that overstated the issuer fee deducted from the Fund. The historic pre-fee returns have been reduced to reflect the correct fee 'gross up'. The magnitude of the reduction is around 0.2% p.a.

Country Allocation (as at 31 October 2020)

Belgium	5.3%
France	6.7%
Germany	4.3%
Netherlands	4.8%
Spain	3.1%
Switzerland	6.0%
United Kingdom	4.6%
Hong Kong	2.7%
Japan	2.1%
USA	59.1%
Cash & other	1.3%

Sector Allocation (as at 31 October 2020)

Energy	4.3%
Materials	7.8%
Industrials	14.9%
Consumer Discretionary	4.8%
Consumer Staples	11.8%
Health Care	5.5%
Information Technology	15.7%
Telecommunication Services	13.2%
Financials ex Property Trusts	20.6%
Cash & other	1.3%

Top 10 Holdings (as at 31 October 2020)

Alphabet Inc Common	4.5%
Infineon Technologie	4.3%
Analog Devices Inc C	4.1%
Facebook Inc Common	4.1%
Anheuser-Busch Inbev	3.7%
Freeport-Mcmoran Inc	3.6%
Texas Instruments In	3.5%
Colgate-Palmolive Co	3.3%
Total Se Common Stoc	3.2%
Wells Fargo & Co Com	3.2%

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.
- **Concentrated portfolio risk –** The Fund's investment strategy of seeking to generate high returns by investing in a concentrated portfolio of global shares may make the Fund more volatile than a diversified global share fund with a larger number of shares. This means there is a greater risk of negative returns, particularly over the short to medium term.

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

Market review

Global markets retreated through October, driven by fading stimulus expectations, weak US tech results and rising COVID cases with European and US second waves intensifying and geopolitical risks mounting (US election, Brexit, trade). The MSCI World ex Australia (USD) sold off -3.07% while emerging markets (+2.0%) outperformed developed markets (-3.1%) in US dollar terms. Although, the -1.4% depreciation in the Australian dollar vs the US dollar from risk-off sentiment and dovish RBA comments benefitted Australian investors in October.

Following this sentiment, major US indices S&P 500 (-2.77%), NASDAQ (-2.29%) and Dow Jones (-4.61%) all sold off in October. Rising European cases saw the FT 100 (-4.92%), German DAX (-9.44%) and French CAC 40 (-4.36%) also decline. Across Asia, the Hang Seng (2.76%) managed to hold up while the Nikkei (-0.90%) fell.

Fund performance

The Fund outperformed its benchmark over the month of October.

Our holding in copper producer Freeport McMoran (FXC) outperformed this month after delivering third quarter results ahead of market expectations. Whilst better copper and gold prices during the quarter boded well, the company surprised the market with better than expected cash costs, production and development progress. Their key development in Indonesia, Grasberg recorded production up 30% from the second quarter, which represents 60% of the post ramp target. Management believe that by year end production should be at 90% of the target. Costs came in lower than previous guidance, with management guiding lower in 2021. Debt reduction is on track to meet end of 2021 target and the development schedule is on track. The Indonesian Government appears to be reassessing their decision, which as part of the mine plan agreement would have meant Freeport commissioning the build of a new smelter. Alternatives to the smelter build would imply an increase to future free cash flow estimates, which are set to double in 2021 from 2020 levels. Whilst we believe the underlying fundamentals are supportive for long term copper prices, the discipline on costs and debt reduction in our view also insures FCX against shorter term volatility in commodity prices.

Alphabet (Google) also outperformed for the fund this month after reporting the largest revenue beat versus consensus estimates for at least 10 years. What appears to be an acceleration of advertisers moving spend to online platforms, was reflected by Search and YouTube revenues surprising positively. The resultant free cash flow gains were impressive. As an indicator of management's view on the trajectory for their Cloud business, the commitment was made to start disclosing as of next quarter the divisions' revenues separately. Cost oversight appears prudent, whilst still driving investing in growth projects. We remain of the view that current share prices do not reflect the longer term value of the business and whilst cognisant of regulatory risks, we believe they are being overstated.

Intel was a drag on fund performance in October despite being on track for record revenue in 2020. Gross margins disappointed relative to consensus expectations and were guided lower in the fourth quarter which implies a margin downgrade on previous full year guidance. The margin weakness is a result of a combination of mix shift, COVID impact and increased competition. Management also failed to give any further clarity regarding their manufacturing process or an update on the likely timing of next generation products. As investors we are less concerned regarding the gross margin weakness, given that the expansion of their addressable market in the "data centric" market should over the longer term drive revenue growth. The manufacturing delays, or rather the lack of clarity on future manufacturing plans however is concerning, and we look forward to more clarity next quarter. In the interim, we believe the current share price captures these concerns, whilst not giving the company any credit for its strategic importance to end customers, nor the levers it can pull to unlock value.

Outlook

On the eve of the US election and amid second and third waves of COVID around the world, we expect markets to remain volatile. Our job is to invest for the long term, and to that end we will continue to focus on owning companies that can weather the current economic downturn and grow their businesses over the longer term. We believe the greatest upside to performance will come from businesses that are currently being discounted on their near term earnings profile. We continue to believe that owning a concentrated portfolio of business, rather than having indiscriminate broader market exposure is the best way to optimise investment performance over the long term.