

Pendal Concentrated Global Share Fund

Global Equities

ARSN: 613 608 085

31 August 2022

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 is the Portfolio Manager for the Concentrated Global Share Fund and has been analysing and investing in global businesses for over 27 years. He was appointed as Pendal's Head of Global Equities in 2016. The three person Global Equities team is organised on an industry basis and has an average finance industry tenure of over fifteen years. The Global Equities team will also leverage Pendal Group's global investment management resources, including those of TSW, Regnan and J O Hambro Capital Management, which are 100% owned by Pendal Group, with offices in London, Singapore, New York, Boston and Washington.

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee ¹	0.90% pa
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¹ This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Other Information

Fund size (as at 31 Aug 2022)	\$558 million
Date of inception	29 July 2016
Minimum investment	\$25,000
Buy-sell spread ²	
For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	BTA0503AU

² 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 or withdraw funds, and may vary from time to time without notice.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-3.59	-3.51	-2.54
3 months	-5.19	-4.97	-1.11
6 months	-9.72	-9.31	-5.88
1 year (pa)	-8.87	-8.04	-9.62
2 years (pa)	11.33	12.33	8.97
3 years (pa)	4.42	5.37	8.21
5 years (pa)	8.24	9.27	11.12
Since Inception (pa)	9.03	10.12	11.03

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 August 2022)

Belgium	5.8%
France	7.5%
Germany	2.0%
Netherlands	5.3%
Spain	4.2%
Switzerland	5.1%
United Kingdom	5.7%
Hong Kong	1.7%
Japan	5.5%
USA	55.1%
Cash & other	2.1%

Sector Allocation (as at 31 August 2022)

Energy	7.6%
Materials	5.9%
Industrials	15.1%
Consumer Discretionary	0.0%
Consumer Staples	14.5%
Health Care	6.2%
Information Technology	10.8%
Telecommunication Services	10.2%
Financials ex Property Trusts	24.2%
Property Trust	3.3%
Cash & other	2.1%

Top 10 Holdings (as at 31 August 2022)

WELLS FARGO & CO COM	5.4%
TOTALENERGIES SE COM	4.4%
LLOYDS BANKING GROUP	4.1%
ALPHABET INC COMMON	3.9%
ANHEUSER-BUSCH INBEV	3.9%
ANALOG DEVICES INC C	3.5%
TEXAS INSTRUMENTS IN	3.4%
BOEING CO/THE COMMON	3.3%
MITSUBISHI ESTATE CO	3.3%
EXXON MOBIL CORP COM	3.3%

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

The MSCI World Developed Market index dropped -3.4% in August, with the US and Europe both underperforming. Japan was the top performing developed market, up 1.1%. Emerging markets outperformed developed markets after some months of underperformance, returning 1.2%. The top performing sectors were Energy (3.0%), Utilities (-0.8%) and Financials (-1.5%). The rate sensitive sectors, IT (-5.7%), Real Estate (-5.4%) and Health Care (-5.4%), were the bottom performing sectors globally.

Japanese investors experienced gains over August with the Nikkei 225 (1.1%) & Topix (1.2%) in the top performing developed markets. The Hong Kong Hang Seng detracted -1.0% in the month. In the US, the S&P500 gave back gains after a strong start to August to finish the month down -4.2%, while the Dow Jones finished down -4.1%, and the Nasdaq down -4.6%. European markets suffered the greatest underperformance in August with the German DAX (-4.8%), French CAC 40 (-5.0%) and Euro Stoxx (-5.1%) all detracting from portfolios. The UK FTSE 100 (-1.9%) held up slightly better.

The US Dollar Index gained 2.6% as it continues to test the recent highs. The DXY reached as high as 109.04 before ending the month at 108.7. WTI Crude Oil ended a volatile month at \$90.05 per barrel, an -11.2% decline on the month.

Looking to September, markets will be keeping a close watch on the debated 50 v 75bps FOMC rate rise and the expected rate hike path to follow as global inflation concerns continue.

Fund performance

The Fund underperformed the benchmark in August, with a reversal of the rally which commenced in July. The US and European market underperformed relative to Japan and Emerging markets with the prospect of further interest rate hikes in the US, heightened hard-line rhetoric between the US and China and an escalation of the energy crisis in Europe, Technology and healthcare were a sector underperformers, with energy outperforming. Our holdings in semiconductor companies was a drag on performance this month as the market reacted to further US export restrictions and industry commentary suggesting a slowdown in the PC and handset markets.

Our holding in Exxon Mobil outperformed for the fund this month after delivering a significant beat to consensus expectations when announcing their second quarter results at the end of July. The rise in energy prices clearly having a positive impact, however

company management also delivered on production targets and cost management. Management also stressed that to date there has been no sign of demand destruction as a result of the deteriorating macro conditions, with the company reaping the rewards of investing in low-cost projects over the last few years. The break-even price of oil has been further lowered to \$41/bbl and is targeted to reduce further to 35/bbl by 2027. Significant cash flow from operations more than covers dividends, buyback, capital investments that include renewable technologies and debt reduction. The company also continues to build a significant cash balance and is on pace to exceed 9bn in structural savings through 2023 (from 2019), which along with divestitures of higher cost assets suggest an increase in the return to shareholders

Warner Bros Discovery (WBD) reported its first quarterly earnings at the beginning of August since the merger of the Warner media business. The combined company was the number one TV portfolio by time spent by viewers in the US and scores very well in the male and female demographics that are attractive to advertisers. The share price underperformed this month with the company also providing a strategic update, repositioning the combined business for sustainable profitable growth despite calling out increased streaming competition and deteriorating macro conditions. The combined company is a leading global media company including films and TV studio (Warner Bros) and other premium media assets (including HBO/HBO Max, CNN, Turner Sports) as well as key networks such as Discovery Channel, Food Network and Eurosport. Whilst the integration process is complex and will take a number of years for the full benefits to be realised we are supporters of current management who have historically displayed a strong track record of acquisition acumen. The strategy is to maximise the value of content offerings through their broad distribution model which involves theatrical, streaming, linear cable and free to air. This will involve realigning the business into one cohesive unit, leveraging the power of all the distribution platforms, combining advertising under one team and synchronising marketing efforts. Management also announced plans to combine streaming services HBO Max and discovery+, which will involve some technology heavy lifting, however is slated for release mid 2023 in the US, followed by LATAM and then Europe, we believe that that combined premium content offering will be compelling and expect to see significant growth in subscribers once launched. We believe that despite the complexity of the merger integration and the deteriorating macro that WBD offers investors compelling long-term value.

Outlook

Whilst operating conditions for corporates remain challenging, equity markets are likely to remain volatile. Our investment decisions are not based on predictions of geopolitical or economic events. Our job is to protect and grow our investor's capital over the long term. The companies held in the portfolio have a proven ability to withstand economic downturns and strengthen their market positions. We invest in companies where we are able to garner a deep understanding of the business model, the inherent risks and opportunities. For long term investors, falling equity markets represent an opportunity. Heightened volatility and uncertainty in markets leads to indiscriminate selling, we intend to remain alert to the investment opportunities that may be presented as a result.

For more information please call 1300 346 821,
contact your key account manager or visit pendalgroup.com

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PFSL is the responsible entity and issuer of units in the Pental Concentrated Global Share Fund (Fund) ARSN 613 608 085. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pentalgroup.com. The Target Market Determination (TMD) for the Fund is available at www.pentalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this fact sheet and PFSL reserves the right to vary these from time to time.