# Pendal Concentrated Global Share Fund

ARSN: 613 608 085

Factsheet

Global Equities

31 October 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 two 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 |

[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 Oct 2022) | $579 million |
| Date of inception | 29 July 2016 |
| Minimum investment | $25,000 |
| Buy-sell spread[2]<br>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 |
|---|---|---|---|
| | (post-fee) | (pre-fee) | Return |
| 1 month | 8.18 | 8.26 | 7.81 |
| 3 months | 1.58 | 1.81 | 1.68 |
| 6 months | 1.16 | 1.62 | 2.31 |
| 1 year (pa) | -3.53 | -2.66 | -4.33 |
| 2 years (pa) | 15.59 | 16.63 | 12.10 |
| 3 years (pa) | 6.31 | 7.27 | 8.88 |
| 5 years (pa) | 7.89 | 8.90 | 10.38 |
| Since Inception (pa) | 9.69 | 10.78 | 11.47 |

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 2022)

| | |
|---|---|
| Belgium | 6.3% |
| France | 11.3% |
| Germany | 2.1% |
| Netherlands | 2.1% |
| Spain | 4.5% |
| Switzerland | 4.9% |
| United Kingdom | 5.6% |
| Hong Kong | 1.1% |
| Japan | 5.2% |
| Canada | 1.1% |
| USA | 54.7% |
| Cash & other | 1.1% |

### Sector Allocation (as at 31 October 2022)

| | |
|---|---|
| Energy | 7.9% |
| Materials | 6.3% |
| Industrials | 14.9% |
| Consumer Discretionary | 0.0% |
| Consumer Staples | 14.7% |
| Health Care | 7.1% |
| Information Technology | 11.0% |
| Telecommunication Services | 9.6% |
| Financials ex Property Trusts | 24.2% |
| Property Trust | 3.2% |
| Cash & other | 1.1% |

### Top 10 Holdings (as at 31 October 2022)

| | |
|---|---|
| Wells Fargo & Co | 5.9% |
| TotalEnergies SE | 4.4% |
| Anheuser-Busch InBev SA/NV | 4.1% |
| Lloyds Banking Group PLC | 4.0% |
| Merck & Co Inc | 3.8% |
| Airbus SE | 3.6% |
| Alphabet Inc | 3.6% |
| Freeport-McMoRan Inc | 3.5% |
| Exxon Mobil Corp | 3.5% |
| Analog Devices Inc | 3.4% |

**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 equity markets rallied in October on the back of speculation around a dovish pivot from the Fed and US earnings season calming investor nerves. The MSCI World ex Australia (net) returned 7.81% to investors in AUD. In local currency terms, developed market equities came out on top in October; staging a decent bounce back (7.14%) while Emerging Market equities at the other end lagged behind (-2.63%). The Australian dollar was flat against the USD over October.

Most global equity markets participated in October's rally. The S&P500 had a strong month gaining 8.1% during October. The Dow did even better marking its strongest month in decades with a 14.0% gain, while the Nasdaq finished up just 4.0%. In Europe, Germany was amongst the strongest performers as the DAX gained 9.4%. The French CAC 40 (8.8%), UK FTSE 100 (2.9%) and Euro Stoxx (9.0%) all moved upward.

Returns in Asia were mixed as the Japanese Nikkei rose 6.4% while the Hong Kong Hang Seng fell -14.7% on Covid condition, geopolitical tension, and fresh concerns post the 20th Party Congress.

Investors will continue to keep a watchful eye on inflation leading indicators & prints as the Fed announce their next policy move in November.

### Fund performance

The Fund outperformed the benchmark in October. In what proved to be another volatile month, the start of the third quarter results have been notable because of the below consensus numbers reported by "big tech" ex Apple, leading to consensus downgrades and an underperformance of the tech sector vs the rest of the market.

Oil companies, Exxon Mobil and Total Energies outperformed for the fund in October. Whilst the oil price traded higher in October, the respective share prices of each company also reflect better than expected third quarter results. Exxon is benefitting from previous low-cost counter cyclical investments which, along with higher oil prices have driven a significant appreciation in free cash flow. The company have taken advantage of the higher oil prices to accelerate the divestiture of high cost and non-core assets, as well as remain disciplined on costs. Debt has been rapidly reduced, shareholder returns have been increased, and the strengthened balance sheet has allowed the company to further their strategic focus on the Low Carbon Solution division. Management announced in October the largest of its kind commercial agreement with CF Industries to capture and store up to 2m metric tons of Co2 emissions annually. The company is focusing its carbon capture and storage efforts at the harder to decarbonise industries in the US and internationally and believes that the agreement with CF Industries, will be the first of many. In a similar vein, Total also reported third quarter results ahead of expectations. Company management have focused over the last decade in bringing the breakeven oil price of their portfolio lower. With elevated oil prices, the benefits of this strategy are evident in the significant reported cash flows, however, will also offer protection in the event of lower oil prices. Like Exxon, shareholders are being rewarded with increased returns, and the balance sheet is in good shape, allowing for further investment in the renewables business. The company announced the creation of a joint venture with Brazilian renewable energy developer, Casa dos Ventus this month to jointly develop and operate a portfolio of solar and wind projects. Similar to joint venture announcements made in India and the US, the company is looking to leverage its balance sheet, scale and large project expertise in partnership with local renewable companies.

The funds position in US bank, Wells Fargo outperformed this month. The third quarter results reflect the prospect of higher litigation and customer remediation costs related to legacy regulatory issues. Significant management effort has gone into improving the risk and compliance framework of the bank in order to comply with the regulator's consent orders and have the imposed asset cap removed. We believe whilst there may be further costs associated with the resolution of these legacy issues that the resultant bank will be in a stronger position and the finalisation of the process will serve as a further catalyst for the share price. The third quarter core operating results were better than expected with strong net interest income and fees whilst also reflecting a management that is intent on driving efficiency gains, with core costs also lower. The credit environment remains benign; however, management remain prudent in relation to both capital positions and loan loss reserves.

Given its index weight and outperformance this month, not owning Apple in the fund capped performance in October. Apple was a notable exception amongst the big cap tech names in that it reported results for the calendar third quarter, that were marginally ahead of consensus with no notable guide lower for the fourth quarter. Whilst it was a mistake for us not to own Apple at fund inception in 2016 when valuation was more compelling than it is today, our rationale was that the risks associated with owning a company whose fortunes were tied to essentially one product (iPhone) and its associated services were not being adequately discounted by the market. We give credit to Apple's management who have navigated the subsequent geopolitical turmoil and global supply chain challenges to deliver on product releases and take advantage of COVID related demand for their products. The current valuation premium to the market however does not reflect our concerns regarding the risks for the services business with little growth expected from the core iPhone business.

### Outlook

The ongoing war in Ukraine, increasing tensions between China and the rest of the world along and the upcoming midterm election in the US mean 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 present themselves as a result.

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

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