Factsheet

Pendal Global Select Fund
Class R

ARSN: 651 789 678

Global Equities

31 October 2022

About the Fund

The Pendal Global Select Fund (**Fund**) is an actively managed portfolio of global shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI ACWI NR Index (net dividends reinvested) in AUD over rolling 5 year periods. 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 listed global equities, with an investment timeframe of 5 years or greater and are prepared to accept higher variability of returns.

The Fund's strategy is based on a belief that stock markets are inefficient and aim to exploit market anomalies via an investment process that combines both top-down and bottom-up research. As investment manager, JOHCM's distinct '4-Dimensional' investment process (stocks, sectors, countries, time/change) focuses on the behaviour of each share price to determine whether the most important driver of each prospective investment is stock specific, sector or country-based.

The Fund will typically hold 30-60 stocks and is benchmark agnostic.

The investment manager recognises that ESG factors can create risks and opportunities for companies and as such incorporates ESG risks into their analytical framework and portfolio construction. Further, the Fund employs exclusionary screens to avoid investments in companies that cause significant social and/or environmental harm.

The Fund will not invest in companies directly involved in either of the following activities:

- tobacco production (including e-cigarettes and inhalers); or
- controversial weapons manufacture (such as cluster munitions, landmines, biological or chemical weapons, nuclear weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments).

The Fund will also not invest in companies which derive 10% or more of their total revenue directly from any of the following activities:

- extraction, exploration, distribution, or refinement of fossil fuels, or fossil fuel-based power generation*;
- production of alcoholic beverages;
- manufacture, ownership or operation of gambling facilities, gaming services or other forms of wagering;
- manufacture of non-controversial weapons or armaments;
- manufacture or distribution of pornography; and
- uranium mining for the purpose of nuclear power generation.

Investment Team

The strategy is managed by Christopher Lees Senior Fund Manager and Nudgem Richyal, both Senior Fund Managers at JOHCM since joining in 2008. Chris has 31 years of industry experience and Nudgem has 21 years of industry experience. Prior to joining JOHCM, Chris and Nudgem worked together at Baring Asset Management. They have employed their current approach to investing in global equities since 2004. The team leverages the full breadth of JOHCM's 40+ portfolio managers and analysts as part of the investment process.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	5.84	5.92	6.62
3 months	-1.34	-1.12	0.78
6 months	-3.68	-3.24	0.67
1 year (pa)	-19.50	-18.77	-5.98
Since Inception (pa)	-13.79	-13.01	-4.00

Country Allocation (as at 31 October 2022)

Australia	1.8%
Denmark	4.5%
Italy	4.8%
Sweden	2.0%
Hong Kong	0.0%
Japan	4.4%
Other Asia	1.9%
Canada	0.0%
USA	65.1%
Latin America	4.1%
Cash	11.5%

Sector Allocation (as at 31 October 2022)

Energy	2.3%
Materials	6.2%
Industrials	9.3%
Consumer Discretionary	4.2%
Consumer Staples	1.8%
Health Care	25.9%
Information Technology	17.6%
Telecommunication Services	2.0%
Utilities	2.1%
Financials ex Property Trusts	17.1%
Property Trusts	0.0%
Cash	11.5%

Top 10 Holdings (as at 31 October 2022)

Elevance Health Inc	2.7%
CNH Industrial NV	2.5%
Vertex Pharmaceuticals Inc	2.5%
Linde PLC	2.4%
United Rentals Inc	2.4%
Keyence Corp	2.4%
Novo Nordisk A/S	2.4%
Keysight Technologies Inc	2.4%
TPG Inc	2.3%
Nasdaq Inc	2.3%

*Companies with a climate transition plan may be exempted from this exclusion, provided that they have in place a Paris Agreement aligned transition plan and produce climate-related financial disclosures annually, which in both cases we consider credible. We define fossil fuels as coal, oil and natural gas.

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

Date of inception	30 July 2021
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	PDL6767AU

[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.

Fund manager commentary

The portfolio underperformed its benchmark index in September. The MSCI All Countries World index fell 0.34% in Australian dollars in September, bringing its year-to-date decline to 15.90% in Australian and 25.11% in US dollars. This crisis is very different to anything we have seen previously as 'safe haven' government bonds have fallen along with equities. So much so, that this is the worst year for combined equity and bond losses in living memory. Inflation reached 40-year highs in many parts of the world, prompting central banks to hike interest rates much more than expected, leading to fears of a global recession and financial crisis.

During the month the fund struggled for three main reasons:

1. We got interest rates wrong, expecting moderate rather than near-record rises;
2. Which meant we got the Net Present Value (NPV) wrong for our 'offence' growth stocks (eg too much duration in most sectors/regions);
3. Which also meant we picked the wrong type of 'defensive' stocks (such as traditionally low beta healthcare) as the classic 60/40 asset allocation model that our portfolio construction is based upon stopped working when bonds and equities crashed together. As a result, we did not deliver our usual 'relative downside protection'.

What are we doing about it, and where are the new opportunities in this very different crisis?

During the 3rd quarter we sold economically cyclical stocks with earnings risk due to increasing recession risk, stocks such as Nvidia, Micron, Ono, Lam and ASML in the semiconductor industry, Avantor and DSM in the healthcare and materials sectors respectively.

We purchased more economically resilient stocks such as Danaher, Envista, Perkin Elmer in healthcare, ANSYS, Epam, Globant and Repligen, which are already down 50% YTD.

Global Select Fund '4.0' has started tiptoeing slowly into the following new 'neighbourhoods' where we see positive relative fundamentals and valuations, plus stabilising relative share price trends:

A. Quality growth stocks already down 50% year to date;

B. Emerging markets that are surprisingly outperforming the S&P500 year to date despite the strong US dollar (eg Brazil and Indonesia);

C. We will keep looking for the next opportunities when the US dollar turns.

We think most equity markets are in a bottoming process, likely to be followed by a Q4 rally, then range bound 2023-2025 with risk on/off rotations as the dollar peaks. Our base case scenario is that this interest rate shock/crisis 'valuation' bear market is morphing into a recessionary 'profits' bear market (with the S&P500 already down 25% year-to-date) but not into widespread financial crisis/contagion, which would see markets fall by more than 50%, as in 2008.

Our current scenario analysis is 50% bullish and 50% bearish. Short term reasons to be bearish include a recession potentially becoming a financial crisis/contagion. Medium term reasons to be bullish include the Fed regaining credibility with inflation/interest rates stabilising next year.

Scenario 1 (35% probability) Equity markets rally led by 'quality growth' stocks. It's probably nearer the end than the beginning of the Bear market for our Scenario 1 type of stocks, e.g. economically resilient quality growth stocks already down around 50% year to date.

Scenario 2 (15% probability) Equity markets rally led by 'cyclical value' stocks. It's probably nearer the beginning than the end of the Bear market for Scenario 2 type of stocks because the recessionary earnings cuts are next, e.g. economically cyclical areas like commodities, and the 'last person standing' areas of the equity market that have not sold off yet.

Scenario 3 (50% probability) Equity markets keep falling if recession becomes financial crisis/contagion and policy makers do not react. Relative to benchmark, Healthcare is now the biggest position in the fund, as some of our Healthcare stocks are low beta (defensive) Scenario 3 type stocks, and some are high beta Scenario 1 type stocks.

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.
- **Emerging markets risk** – The risk of asset price volatility and higher currency, default and liquidity risk from investments in emerging markets.
- **Derivatives risk** – The risks arising from use of derivatives to manage exposures to investment markets.
- **Class risk** - The Fund has been established as a separate class of units in the Scheme. As the assets are held on trust for all investors, there is a risk that investors of one class, may be exposed to liabilities of another class of units and they could lose some or all of their investment in the Fund. There is also a risk that in the event of an insolvency, the assets of the Fund could be made available to creditors of another class of units of the Scheme.

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

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

PENDAL