PENDAL

Factsheet

Pendal Global Emerging Markets Opportunities Fund

ARSN: 159 605 811

Global Equities

31 December 2022

About the Fund

The Pendal Global Emerging Markets Opportunities Fund (**Fund**) is an actively managed portfolio of global emerging market shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI Emerging Markets (Standard) Index (Net Dividends) in AUD over the long term. The suggested investment time frame is seven years or more.

Description of Fund

This Fund is designed for investors who want the potential for long-term capital growth, diversification across a broad range of global emerging market shares and are prepared to accept high variability of returns. The Fund can invest in shares in a range of emerging markets and may also hold cash.

As manager of the Fund, J O Hambro Capital Management (**JOHCM**) investment process for global emerging market shares aims to add value through a combination of country allocation as well as individual stock selection. JOHCM's country allocation process is based on analysis of a country's economic growth, monetary policy, market liquidity, currency, governance/politics and equity market valuation. The stock selection process focuses on buying quality growth stocks at attractive valuations.

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. The Fund's foreign currency exposure will generally not be hedged to the Australian dollar but JOHCM may do so from time to time. JOHCM does not intend to use currency trading as an additional source of Fund returns.

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

Investment Manager

The portfolio is managed by J O Hambro Capital Management Limited, a wholly-owned subsidiary within the Pendal Group.

Other Information

Fund size (as at 31 Dec 2022)	$245 million
Date of inception	November 2012
Minimum Investment	$25,000
Buy-sell spread[1] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	BTA0419AU

[1] 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.

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[2]	1.18% pa

[2] 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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-2.73	-2.63	-2.63
3 months	3.45	3.75	4.01
6 months	3.26	3.87	-1.63
1 year (pa)	-10.09	-9.02	-14.33
2 years (pa)	-1.44	-0.27	-5.86
3 years (pa)	0.77	1.97	-1.52
5 years (pa)	2.16	3.46	1.46
Since Inception (pa)	7.29	8.73	6.29

Country Allocation (as at 31 December 2022)

China	28.4%
India	17.3%
Brazil	9.4%
Mexico	8.4%
South Korea	6.3%
Taiwan	6.2%
Indonesia	5.6%
South Africa	4.2%
United Arab Emirates	3.6%
Other	8.4%
Cash	2.2%

Sector Allocation (as at 31 December 2022)

Financials	27.0%
Consumer Staples	11.0%
Real Estate	5.7%
Materials	11.8%
Utilities	2.7%
Energy	4.2%
Industrials	5.1%
Communication Services	8.2%
Consumer Discretionary	11.8%
Health Care	0.0%
Information Technology	10.3%
Cash	2.2%

Top 10 Holdings (as at 31 December 2022)

Tencent Holdings Ltd	7.7%
Hong Kong Exchanges & Clearing Ltd	4.5%
HDFC Bank Ltd	3.9%
State Bank of India	3.7%
Samsung Electronics Co Ltd	3.6%
Mahindra & Mahindra Ltd	3.2%
Larsen & Toubro Ltd	3.2%
Anhui Conch Cement Co Ltd	3.1%
Emaar Properties PJSC	3.0%
Tsingtao Brewery Co Ltd	3.0%

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.
- **Emerging markets risk** – The risk of asset price volatility and higher currency, default and liquidity risk from investments in emerging markets.
- **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.
- **Regulatory risk -** The risk that a change in laws and regulations governing an investment or financial markets could have an adverse impact on an investment.

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

Fund manager commentary

Emerging market economies and the emerging market equity asset class depend on external capital flows. Economies more driven by domestic demand require capital inflows to finance current account deficits, while the economies with stronger export bases tend to have significant exposure to demand from emerging markets (eg Korean car companies sales in India) as well as having a dependency on foreign financing of corporate investment.

When we talk about capital flows, we mean US dollar capital flows. Mark Carney, then Governor of the Bank of England, summarised this well in 2019, noting that the dollar represents the currency of choice for at least half of international trade invoices (around five times greater than the US's share in world goods imports and three times its share in world exports). He went on, "given the widespread dominance of the dollar in cross border claims, it is not surprising that developments in the US economy, by affecting the dollar exchange rate, can have large spillover effects to the rest of the world via asset markets…the global financial cycle is a dollar cycle."

Looking beyond that fact, it is interesting to consider which types of emerging market do best. We believe that investors can think of emerging markets as existing on a spectrum from high-savings rate/current account surplus/net saver export economies (Korea, Taiwan, the Gulf States) through to low-savings rate, current account deficit and net borrower economies with more of a dependence on domestic demand (South Africa, India, Turkey, Brazil, Egypt). As this is a spectrum, there is a group of countries with some characteristics of both ends, such as Indonesia, Malaysia and Chile. There are also country-specific conditions that change a country's characteristics (Mexico's large remittances from overseas citizens offset the tendency to run a current account deficit.

In the above analysis, Latin American markets have tended to perform especially well in weak US Dollar environments, but it is important to focus more on characteristics than individual markets. In this period, the key characteristics of Latin America have been weak domestic savings and current account deficits, which create the outsize sensitivity to capital flows. Historically, markets with these features have tended to be weak-dollar winners and strong-dollar losers, but these are not fixed identities. For example, Thailand and South Korea ran current-account deficits in the 1990s when they collapsed into crisis with a strong dollar, but now both run large surpluses and are net savers.

Where are we now? The US dollar has been significantly weak in the last two months, suggesting a peak was reached in October 2022. To be clear, there have been previous short-term peaks and troughs in the dollar during broad upswings and downswings (for example, in March 2020 during the initial onset of COVID-19, after which the dollar weakened but remained in its uptrend). But, if the dollar has topped out (at a level similar to the top in 2002), and 2023 and beyond are to be weak-dollar years, then investors need to bear in mind the highly positive implications for EM equity and for the more capital-sensitive markets within that asset class.

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

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