Factsheet

Global Equities

31 January 2023

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 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.

The Fund will not invest in companies directly involved in the following activities, where such activities account for 10% or more of a company's gross revenue:

- tobacco production (including e-cigarettes and inhalers);
- uranium mining for the purpose of nuclear power generation;
- manufacture, ownership or operation of gambling facilities, gaming services or other forms of wagering;
- mining of thermal coal; and
- factory animal farming

The Fund will also not invest in companies directly involved in the following activities, where such activities account for 50% or more of a company's gross revenue:

- weapons systems, components and support systems and services

The Fund may also exclude businesses whose activities give rise to human rights violations, excessive animal testing of their products, corruption and corporate fraud and unremediated destruction of the environment.

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.

For more information about the Fund please refer to the Product Disclosure Statement at www.pendalgroup.com/PendalConcentratedGlobalShareFund-PDS.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	4.61	4.69	2.97
3 months	7.77	8.01	-0.72
6 months	9.47	9.96	0.94
1 year (pa)	-2.07	-1.19	-7.90
2 years (pa)	13.04	14.06	8.28
3 years (pa)	7.12	8.08	5.75
5 years (pa)	8.37	9.37	9.52
Since Inception (pa)	10.56	11.66	10.88

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 January 2023)

Belgium	6.6%
France	11.3%
Germany	2.6%
Netherlands	2.0%
Spain	4.0%
Switzerland	4.6%
United Kingdom	6.2%
Hong Kong	1.8%
Japan	4.7%
USA	54.6%
Cash & other	1.6%

Sector Allocation (as at 31 January 2023)

Energy	6.5%
Materials	6.2%
Industrials	14.9%
Consumer Discretionary	2.4%
Consumer Staples	13.4%
Health Care	6.9%
Information Technology	11.1%
Telecommunication Services	11.0%
Financials ex Property Trusts	23.4%
Property Trust	2.7%
Cash & other	1.6%

Top 10 Holdings (as at 31 January 2023)

Wells Fargo & Co	5.1%
Freeport-McMoRan Inc	4.2%
Lloyds Banking Group PLC	4.2%
Anheuser-Busch InBev SA/NV	4.2%
Boeing Co/The	3.9%
TotalEnergies SE	3.6%
Alphabet Inc	3.5%
Analog Devices Inc	3.5%
Sanofi	3.4%
Merck & Co Inc	3.4%

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 Jan 2023)	$617 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.

Market review

Global equities kicked off the year on a positive note with the MSCI World Index (USD) & MSCI Emerging Markets Index (USD) gaining 7.1% & 7.9%, respectively. A key trigger for the upswing is emerging signs of a moderation in inflation. Returns to Australian investors softened on the back of the continued retracement in the US Dollar Index (DXY) with the MSCI World ex Australia (AUD) returning 3.0% for January.

In the U.S., the S&P500 rallied during the month and closed 6.3% higher. A better-than-expected GDP report, as well as decreasing inflationary pressures, contributed to investor optimism and expectations of less restrictive policy actions by the Fed. The NASDAQ (10.7%) and Russell 3000 (6.9%) both delivered strong returns in local currency terms. In Europe, all the major indices felt the ease in inflation as the French CAC 40 (9.6%), German DAX (8.7%) & UK FTSE 100 (4.3%) all surged.

The China reopening story continues to gather momentum as the nation approaches herd immunity. This notion was reflected in the S&P China 500 with it surging 8.3%. The China reopening story bolstered returns for most Asian equity markets as the Japanese Nikkei (4.7%) and Hong Kong Hang Seng (10.4%) both posted strong starts to 2023 (in local currency terms).

Looking to the US, we have several upcoming CPI & employment prints before the next scheduled Fed meeting. These prints will be key determinants in the outcome of that meeting as the Fed affirm their 'data dependent' approach.

Fund performance

The Fund outperformed the benchmark in January. Whilst 2022 was marked by notable underperformance of technology stocks, January 2023 is notable for the rally in US technology companies (particularly software), with market performance further aided by the outperformance of consumer and financial sectors. The lifting of COVID related restriction in China further helped global markets.

Netflix outperformed in January and was a positive contribution to fund performance after reporting better than expected fourth quarter earnings. Whilst revenue growth was muted, subscriber growth was better than expected reflecting the November launch of the ad supported service in twelve markets. Importantly management delivered on their free cash flow targets, whilst also guiding for significant growth in 2023. In a succession plan that has been in the making for several years, founder and co-CEO, Reed Hasting has stepped down from his position, (whilst remaining as Chairman) in favour of current COO, Greg Peters. We do not expect any significant change in strategy as a result. We expect the transition to an ad supported offering, and the introduction of "paid sharing" to lead to volatility in revenue and subscriber numbers in the near term. However, with moderating content cost growth and a growing library of original content, we believe the company is at a free cash flow inflection point. Unlike some of their competitors, Netflix do not have to contend with legacy cable TV businesses that have been subject to cord cutting, they have a first mover and entrenched position in streaming, yet despite their dominance, are still operating in an underpenetrated global market for streaming content.

Our holding in Freeport Copper outperformed this month, delivering fourth quarter results towards the end the month. The share price rally reflected a surge in copper prices post COVID related restrictions being lifted in China. Earnings came in ahead of expectations, albeit with 2023 costs guided higher vs 2022 driven by both raw material and labour. Despite higher cost guidance, Freeport maintains a cost position advantage over peers, has a strong balance sheet and is returning capital to shareholders. There is brownfield optionality in the portfolio, and they continue to advance feasibility and permitting processes, cognisant the that current macro uncertainty warrants careful consideration of future projects. We agree with the CEO, that *trying to predict short term copper prices is very difficult…we don't even try to do it ourselves;* however note the longer term structural support for a commodity that is required in abundance to meet global decarbonisation trends, and has suffered from many years of underinvestment.

Our holding in Colgate Palmolive (CL) underperformed in January after delivering quarterly results that missed gross margin expectations. The results once again showcased CL's pricing power, with prices up double digits year over year, albeit with volumes softening in some markets as a result. The net result was organic sales organic sales growth that exceeded management guidance. We believe some of the cost pressure on near term gross margins are transitory and will moderate through 2023. Given the current macro uncertainty, management guidance for 2023 erred on the cautious side; we are planning for a difficult macroeconomic environment and continued uncertainty, however we believe with pricing and cost saving initiatives already underway, that this guidance suggests future upside, particularly given the ~50% portfolio positioning in emerging markets.

Outlook

Whilst the pace of Fed rate hikes may moderate in 2023, we expect operating conditions to remain challenging for corporates and global geopolitical tension remains elevated into 2023. However, our view has always been that predicting geopolitical, or macro events is not our skill set. We prefer to remain focused on owning companies that can withstand externalities, whilst at the same time outperform their peers. 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 can garner a deep understanding of the business model, the inherent risks and opportunities. Heightened volatility and uncertainty in markets leads to indiscriminate selling, we intend to remain alert to the long term investment opportunities that may be present themselves as a result.

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.

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

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