PENDAL

Factsheet

Global Equities

31 January 2023

Pendal Global Emerging Markets Opportunities Fund

ARSN: 159 605 811

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 Jan 2023)	$249 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	1.97	2.07	3.84
3 months	4.73	5.04	10.85
6 months	5.24	5.86	3.90
1 year (pa)	-11.18	-10.13	-12.13
2 years (pa)	-1.22	-0.05	-5.78
3 years (pa)	0.86	2.06	-0.31
5 years (pa)	2.44	3.75	1.30
Since Inception (pa)	7.44	8.87	6.63

Country Allocation (as at 31 January 2023)

China	29.1%
India	16.1%
Mexico	9.5%
Brazil	9.1%
Taiwan	6.7%
South Korea	6.6%
Indonesia	5.3%
South Africa	4.0%
United Arab Emirates	3.2%
Other	8.5%
Cash	1.8%

Sector Allocation (as at 31 January 2023)

Consumer Staples	11.5%
Financials	25.1%
Materials	12.5%
Real Estate	5.4%
Utilities	2.8%
Energy	4.0%
Industrials	4.8%
Communication Services	8.8%
Consumer Discretionary	12.1%
Health Care	0.0%
Information Technology	11.2%
Cash	1.8%

Top 10 Holdings (as at 31 January 2023)

Tencent Holdings Ltd	8.3%
Hong Kong Exchanges & Clearing Ltd	4.5%
Samsung Electronics Co Ltd	3.8%
HDFC Bank Ltd	3.6%
Mahindra & Mahindra Ltd	3.4%
Taiwan Semiconductor Manufacturing Co Lt	3.2%
State Bank of India	3.2%
Barrick Gold Corp	3.2%
Anhui Conch Cement Co Ltd	3.1%
Larsen & Toubro Ltd	3.1%

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

Followers of our strategy will know that we focus far more on the opportunity within emerging markets than on the opportunity of emerging markets. So, when the asset class moves sharply higher, as in the last three months, we will be looking at which markets are leading the emerging market index higher, which are lagging, and why. Doing that analysis on the recent move reveals, we think, some interesting patterns that point to potential risk and opportunity later in the year.

First, the facts. The MSCI Emerging Market Index returned 22.2% in USD terms from the end of October 2022 to the end of January 2023. The undisputed leader was MSCI China, returning 52.5% in USD terms. Some smaller European markets also performed well, but the next best major markets were Taiwan (30.2%) and Korea (22.5%). India returned -3.5%, while in Southeast Asia, Thailand (19.1%) led and Indonesia (-0.8%) lagged. Major Latin America pair Mexico (15.6%) and Brazil (0.8%) lagged, but the weakest major markets were in the Arab world, with UAE returning -9.3% and Saudi Arabia -8.3%.

Some of those moves make sense. In China, two years of relentlessly negative economic and political developments ended with a swift move to re-open the economy and prioritise economic growth. An equity market that had derated on negative sentiment and a weak outlook reacted very strongly. We remain broadly neutral on China, as we feel that the impact of rising Covid cases on the economy has yet to be considered by investors.

At the other end, the decline in the oil price to around $80 per barrel, as well as monetary tightening imported from the US, has weakened the outlook for the Arabian Gulf economies, while equities in Saudi Arabia looked expensive against emerging market peers, all of which have justified the move lower. However, we feel that some other market moves in the last three months do not reflect underlying fundamentals. In particular, the strength of equity markets in Korea and Taiwan, and the relative weakness in India and Indonesia, does not match the underlying developments in those economies.

Exports from Korea and Taiwan have been notably weak (-16.6% and -21.2% in the year to January respectively). That has led to weak industrial production and PMI surveys showing economic contraction. Significantly for equities, in the three months to January, the twelve-month forward consensus estimates of corporate earnings fell 12.5% for the Korean KOSPI index and 11.8% for the Taiwanese TWSE index, reflecting ongoing weakness in company results (local indices have been used as they are stated in local currency terms).

Meanwhile, India and Indonesia continue to show signs of ongoing economic recovery. Healthy GDP and industrial production data for India aligns with strong PMI surveys and company results and a 3.1% increase in the twelve-month forward consensus estimates of corporate earnings for India's Sensex index in the three months to January. Similarly, Indonesia has seen surveys indicating a robust economy, excellent company results (particularly in the consumer sector), a strong GDP growth number and a 6.9% increase in the twelvemonth forward consensus estimates of corporate earnings for Indonesia's JCI index in the three months to January.

Korea and Taiwan have performed well, but we feel this is more of a technical bounce from very weak levels than any kind of sustainable market recovery driven by supportive economic fundamentals. They are also the markets least likely to be supported by the weaker dollar and stronger capital flows to emerging markets that the period in question has seen. We believe that more traditional emerging markets, including India and Indonesia, remain better positioned for this year, and remain overweight India and Indonesia and underweight Korea and Taiwan.

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

PENDAL