PENDAL

Factsheet

Global Equities

31 January 2023

Pendal Global Select Fund

Class W

ARSN: 651 789 678

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 developed and emerging market 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 (including 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 gross 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.

All reasonable care has been taken to implement the Fund's exclusionary screens to meet the criteria described above. We draw on internal and supplementary external research, believed to be accurate, to determine whether a company is subject to the exclusionary screens.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	2.27	2.33	3.14
3 months	-1.57	-1.41	0.67
6 months	-2.81	-2.49	1.46
1 year (pa)	-17.26	-16.72	-8.01
Since Inception (pa)	-12.23	-11.66	-2.91

Country Allocation (as at 31 January 2023)

Australia	2.7%
Denmark	4.5%
Italy	4.9%
Sweden	2.7%
UK	1.9%
Japan	4.8%
Other Asia	2.1%
USA	64.2%
Latin America	6.2%
Cash	6.1%

Sector Allocation (as at 31 January 2023)

Energy	2.3%
Materials	7.7%
Industrials	8.9%
Consumer Discretionary	5.0%
Consumer Staples	6.4%
Health Care	24.1%
Information Technology	17.5%
Telecommunication Services	2.3%
Utilities	2.1%
Financials ex Property Trusts	17.5%
Property Trusts	0.0%
Cash	6.1%

Top 10 Holdings (as at 31 January 2023)

United Rentals Inc	2.9%
Boliden AB	2.7%
Fortescue Metals Group Ltd	2.7%
CNH Industrial NV	2.6%
Sony Group Corp	2.5%
Aptiv PLC	2.5%
Henry Schein Inc	2.4%
Novo Nordisk A/S	2.4%
ANSYS Inc	2.4%
Estee Lauder Cos Inc/The	2.4%

*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.

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

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.

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]	0.65% 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	$500,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	PDL4472AU

[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

Global equity markets rallied in January as markets were buoyed by China's re-opening and signs that disinflation is prompting a slower pace of interest rate rises. So far this year, these two positives have offset negative earnings revisions as equity markets try to look through the much anticipated recession. The portfolio performed broadly in line with its benchmark, and there were no changes to the portfolio. The best performing stock in January was United Rentals after they reported good earnings, while one of the worst performing stocks in January was United Healthcare, which reported good earnings but succumbed to profit taking after a relatively strong 2022.

We think most equity markets are in a drawn-out bottoming process, with risk on/off rotations as inflation and interest rates peak, and equity markets try to look through the probable recession. We see improving relative fundamentals, attractive valuations, and improving relative share-price trends in the following neighbourhoods:

1) Quality growth stocks, many of which are already down 30-50%.
2) UK & European global champions plus Japanese exporters
3) Emerging markets domestic consumption stocks
4) China reopening/recovering, both direct and indirect opportunities

But given the recent rally and 2023 recession risks we will wait to buy the dips throughout the year.

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 this year.

Scenario 1 = 40% probability of rally led by quality growth stocks. It is probably nearer the end of the bear market for economically resilient quality growth stocks that are already down 30-50% after their 2022 interest rate shock.

Scenario 2 = 10% probability of rally led by cyclical value stocks. It is probably nearer the beginning of the bear market for these stocks given their recessionary earnings risk, but will the equity market look through this?

Scenario 3 = 50% probability equity market keeps falling. Healthcare is our biggest position relative to benchmark given the sectors positive fundamentals, valuation and trend.

One of our greatest frustrations and disappointments of 2022 was that many of the profitable quality growth stocks we own fell about as much as the unprofitable negative cashflow growth stocks that we do not own. We call the latter 'Concept Capital' and think they still have a long way to fall. We are positive about the relative prospects of our profitable quality growth stocks, with low debt-toequity balance sheets going into the probable 2023 earnings recession - an environment when quality stocks with great balance sheets usually shine (on a relative basis).

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