PENDAL

# Factsheet

Global Equities

30 April 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, wholly owned subsidiary of Perpetual Limited (ASX ticker: PPT).

### Other Information

| | |
|---|---|
| Fund size (as at 30 April 2023) | $256 million |
| Date of inception | November 2012 |
| Minimum Investment | $25,000 |
| Buy-sell spread[1]<br>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 | 1.25 | 1.34 | 0.20 |
| 3 months | 4.67 | 4.97 | 1.57 |
| 6 months | 9.62 | 10.26 | 12.59 |
| 1 year | 7.17 | 8.44 | 0.53 |
| 2 years (p.a) | -0.69 | 0.48 | -5.53 |
| 3 years (p.a) | 6.32 | 7.58 | 4.00 |
| 5 years (p.a) | 3.11 | 4.41 | 1.62 |
| Since Inception (p.a) | 7.72 | 9.15 | 6.62 |

Source: Pendal as at 30 April 2023

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: November 2012.

Past performance is not a reliable indicator of future performance.

### Country Allocation (as at 30 April 2023)

| | |
|---|---|
| China | 27.6% |
| India | 16.9% |
| Mexico | 9.8% |
| Brazil | 8.2% |
| Indonesia | 8.1% |
| Taiwan | 7.2% |
| Korea, Republic of | 5.9% |
| Hong Kong | 4.1% |
| South Africa | 3.8% |
| United Arab Emirates | 3.4% |
| Other Countries | 4.0% |
| Cash & other | 1.1% |

### Sector Allocation (as at 30 April 2023)

| | |
|---|---|
| Energy | 2.5% |
| Materials | 11.6% |
| Industrials | 5.2% |
| Consumer Discretionary | 11.9% |
| Consumer Staples | 12.5% |
| Health Care | 0.0% |
| Information Technology | 10.4% |
| Telecommunication Services | 8.0% |
| Utilities | 2.6% |
| Financials ex Property Trusts | 28.5% |
| Property Trusts | 5.6% |
| Cash & other | 1.1% |

### Top 10 Holdings (as at 30 April 2023)

| | |
|---|---|
| Tencent Holdings Ltd | 7.6% |
| Hong Kong Exchanges & Clearing Ltd | 4.1% |
| Taiwan Semiconductor Manufacturing Co Lt | 4.0% |
| HDFC Bank Ltd | 3.9% |
| Larsen & Toubro Ltd | 3.5% |
| State Bank of India | 3.5% |
| Samsung Electronics Co Ltd | 3.4% |
| Ambev SA | 3.3% |
| Mahindra & Mahindra Ltd | 3.1% |
| Barrick Gold Corp | 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 portfolio will know that, at present, we find a lot of opportunity in some of the more traditional emerging markets. These markets include Mexico, Indonesia, India and Brazil, two other markets that also have histories of booms and busts, but where we remain zero-weighted are Turkey and Thailand. Both have elections in May, so what has kept us cautious there, and what are the prospects for political change?

Under Recep Tayyip Erdogan, Turkey has become increasingly less democratic, especially since the switch to a direct presidency in 2017. Markets has been a drastic deterioration in economic and financial competence in government. The central bank has lost its monetary independence and seen four governors in as many years, while at one point making his son-in-law the finance minister.

The most damaging part of economic policy, though, has been President Erodogan imposing on the country his personal view that high interest rates drive inflation. Consequently, interest rates have been well below inflation in recent years – current policy rates are 8.5% and trailing CPI inflation is 43.7%. Because borrowing is so incredibly cheap in real terms, it must be rationed by the government, allowing the President to reward allies and family with cheap loans.

This unorthodox monetary policy has allowed economic growth to be relatively strong but has driven the economy to the brink of disaster. As well as inflation, the current account deficit has expanded to 5.5% of GDP and the nation's foreign exchange reserves have been exhausted in an impossible attempt to defend the Turkish Lira. If the opposition coalition can win the election on 14 May and manage to peacefully come to power, they are committed to central bank independence. That, though, is likely to lead to drastic interest rate hikes, a massive currency devaluation and a economic recession.

Thailand is in some senses, like its compromised democracy, similar to Turkey, but in other senses has the opposite problem, with the economy stagnant and inefficient. The current political crisis followed the 2001-2006 government of reform-minded businessman Thaksin Shinawatra, which was deposed in a military coup in September 2006. Subsequently, the military and their conservative allies have seized control of the political system through their power to appoint politicians and judges.

As well as their outsized role in Thai politics, the army and its allies have a huge and growing role in the economy. The armed forces control businesses ranging from banks, airports and media to hotels and convenience stores. Additionally, competition is severely repressed, for example, telecoms, beer, petrochemicals and cement are all cosy oligopolies keeping prices high and growth low. Many leading companies have links to the crown, the armed forces, or their allies.

This political and economic set-up has kept growth weak in recent years, with reduced tourist arrivals and declining foreign direct investment. Yet, even this weak growth rests on an increasingly weak foundation, with the current account balance steadily moving from surplus to deficit and increasingly large fiscal deficits.

The difficult political conditions in Thailand and Turkey have affected their financial markets and economies, which in turn have fed back into politics. This process, and the country-specific way in which it plays out, are good examples of the country-level risks and opportunities that are the backbone of our investing approach to emerging markets. We remain alert for opportunities in Thailand and Turkey, but do not yet see a case to invest in either.