PENDAL

# Factsheet

Global Equities

31 July 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 on how these exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/PendalConcentratedGlobalShareFund-PDS.

### Performance

| (%) | Total Returns | | Benchmark |
|---|---|---|---|
| | (post-fee) | (pre-fee) | Return |
| 1 month | 2.95 | 3.03 | 2.09 |
| 3 months | 5.50 | 5.74 | 6.52 |
| 6 months | 13.04 | 13.54 | 16.53 |
| 1 year | 23.74 | 24.85 | 17.62 |
| 2 years (p.a) | 8.68 | 9.66 | 6.05 |
| 3 years (p.a) | 18.41 | 19.48 | 14.03 |
| 5 years (p.a) | 9.62 | 10.62 | 11.37 |
| Since Inception (p.a) | 11.71 | 12.81 | 12.49 |

Source: Pendal as at 31 July 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: July 2016.

Past performance is not a reliable indicator of future performance.

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 July 2023)

| | |
|---|---|
| United States | 57.4% |
| France | 8.7% |
| Belgium | 6.0% |
| United Kingdom | 5.7% |
| Japan | 4.7% |
| Switzerland | 4.1% |
| Spain | 3.9% |
| Germany | 3.2% |
| Netherlands | 1.9% |
| Hong Kong | 1.8% |
| Cash & other | 2.6% |

### Sector Allocation (as at 31 July 2023)

| | |
|---|---|
| Energy | 5.4% |
| Materials | 6.0% |
| Industrials | 15.2% |
| Consumer Discretionary | 3.4% |
| Consumer Staples | 9.2% |
| Health Care | 5.8% |
| Information Technology | 12.6% |
| Telecommunication Services | 14.6% |
| Utilities | 0.0% |
| Financials ex Property Trusts | 22.4% |
| Property Trusts | 2.7% |
| Cash & other | 2.6% |

### Top 10 Holdings (as at 31 July 2023)

| | |
|---|---|
| Alphabet Inc | 5.3% |
| Wells Fargo & Co | 4.8% |
| Freeport-McMoRan Inc | 4.2% |
| Analog Devices Inc | 4.2% |
| Boeing Co/The | 4.0% |
| Lloyds Banking Group PLC | 3.9% |
| Anheuser-Busch InBev SA/NV | 3.5% |
| Amazon.com Inc | 3.4% |
| Infineon Technologies AG | 3.2% |
| Texas Instruments Inc | 3.2% |

## 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 25 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. Pendal Group Limited is a subsidiary of Perpetual Limited (ASX ticker: PPT).

## 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 July 2023) | $613 million |
| Date of inception | 29 July 2016 |
| Minimum investment | $25,000 |
| Buy-sell spread[2]<br>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

July was a typical risk on month with risk assets performing best. Sentiment turned positive in the 2nd week of July with Core US CPI coming in at 0.2% month-on-month for June and 4.8% annualised, both below expectations. At the same time, economic data and indicators remains strong, bolstering the chance of the US pulling off a soft-landing.

Consequently, global equity markets delivered another solid month as the World Developed Market rose 2.9% in July (in local currency terms). Emerging Markets outperformed, rising 5.4% over the month driven by performance in Asia. Developed Markets returns were led by the US with the S&P500 & NASDAQ returning 3.2% and 3.8% to investors, respectively. Lagging behind was Europe and Japan as the Euro Stoxx (1.6%) and Japanese Nikkei (-0.1%) both underperformed the US, in local currency terms. With sector leadership veering away from technology, in favour of banks and cyclicals, value outperformed growth. Continuing the trend from last month was the outperformance of small caps ahead of large caps.

In local currency terms, the top-performing sectors globally were Energy (6.1%), Communication Services (6.1%) and Financials (4.8%). Health Care (0.8%), Consumer Staples (1.2%) and Utilities (1.4%) were the bottom-performing sectors globally. The MSCI World ex Australia Standard (Net Dividends) in AUD returned 2.1% to Australian investors.

## Fund performance

The Fund outperformed the benchmark in July. Global markets performed strongly led by Asia Pacific and Emerging markets, with the US, Europe and Japan relative underperformers. Sector leadership veered away from technology, in favour of banks and cyclicals.

Our holding in Boeing outperformed in July after the release of June orders and second quarter results. June orders were the highest in an individual month in 2023. Revenues came in ahead of expectations, growing 18% year on year. Free cash flow generation also positively surprised the market. The backlog remains strong and grew for the fifth consecutive quarter. Importantly production rates are improving resulting in an increase in deliveries. Management showed increased confidence in reiterating their full year guidance. Whilst the defence business continues to be challenged in the by certain fixed price contracts and supply chain disruptions, we believe the steps that management are taking to increase productivity and supportive underlying demand fundamentals will lead to improved margins over time.

The fund's holding in US retail bank, Wells Fargo outperformed this month after the release of second quarter results. Earnings per share was ahead of expectations driven by stronger net interest income. The full year guidance for net interest income was also upgraded. Capital continues to above regulatory requirements and at the end of the month management announced an increased dividend, with the Board also authorising a new $30 billion buyback. Management noted that whilst the "US economy continues to perform better than many expected" that uncertainty remained and they remain alert and prudent in assessing the potential for credit issues. At the end of the second quarter however "overall credit quality remains strong, and consumer and business balance sheets remain healthy." Regulatory consent orders are being dealt with in a methodical way, and whilst taking time, in the long run we believe will leave the bank in a stronger position and drive a meaningful rerate of the share price.

Our holding in Colgate-Palmolive Company underperformed this month after delivering better than expected second quarter results. The reaction to the share price reportedly stemmed from investor disappointment with lower volume growth, particularly in their pet business, and the US more broadly. Volume growth however was more than offset by price and the company delivered 8% organic sales growth. Management also raised full year organic sales and EPS guidance, to high end of previous guide. Given the complexity of the current economic environment we are not overly concerned with modest volume declines in the face of more than offsetting price increases. The company delivered organic sales growth in all six divisions, and we believe improvements in volume growth will result from current innovation and promotional plans.

## Outlook

By the end of July, just over 50% of corporates have delivered second quarter earnings results, with the majority beating expectations. Corporate commentary suggests operating environments that are currently better that what was expected at the beginning of the year, albeit with significant uncertainty regarding the outlook for the second half of the year an into 2024. Our long-term investment focus means will we are less inclined to focus on quarterly numbers. We are interested in longer term secular trends and how those trends present opportunities and risks for the companies we invest in. Economic and geopolitical conditions are difficult to predict. We prefer to focus on owning companies that can withstand externalities, whilst at the same time outperform their peers. Our job is to protect and grow our investors capital over the long term. The companies held within 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 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**