PENDAL

Factsheet

Global Equities

31 March 2024

Barrow Hanley Concentrated Global Share Fund No. 2

Formerly known as "Pendal Concentrated Global Share Fund No.2"

ARSN: 089 938 492

About the Fund

The Barrow Hanley Concentrated Global Share Fund No.2 (**Fund**) is an actively managed concentrated portfolio of global shares.

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 portfolio of quality global shares, diversified across a broad range of global sharemarkets (including Australia) and are prepared to accept higher variability of returns.

The Fund will primarily invest in companies incorporated in developed markets and may hold up to 20% of the portfolio in companies incorporated in emerging markets. The Fund may also hold cash.

Barrow Hanley strives to achieve the Fund's objectives by adopting a value-oriented, bottom-up investment process focused on in-depth fundamental research to identify companies that trade below their intrinsic value for reasons that they can identify, believe are temporary and have a clearly identified path to achieving fair value.

Barrow Hanley aims to select the most attractive securities to construct a well-diversified, active portfolio that seeks to provide asymmetrical returns by participating in up markets while aiming to protect in down markets. The Fund will exhibit a clear value bias and seek characteristics such as:

- price/earnings ratios below the market;
- price/book ratios below the market;
- enterprise value/free cash flow ratios below the market; and
- dividend yields above the market.

The Fund will typically hold between 25-40 stocks.

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, by using derivatives. Pendal 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 may also be used to gain exposure to assets and markets.

The Fund applies exclusionary screens. For more information on how these exclusions are applied and exclusions from 31 March 2024, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/BarrowHanleyConcentratedGlobalShareFundNo2-PDS.

Performance

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	3.52	3.59	3.02
3 months	7.79	8.03	14.05
6 months	8.19	8.68	20.11
1 year	13.04	14.07	28.71
2 years (p.a)	11.73	12.73	15.86
3 years (p.a)	10.63	11.63	14.43
5 years (p.a)	10.79	11.79	14.09
Since Inception (p.a)	6.56	7.70	8.47

Source: Pendal as at 31 March 2024

"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: October 1992.

Past performance is not a reliable indicator of future performance.

The investment manager for this Fund changed on 31 March 2024. Performance before this date may not be directly comparable.

Country Allocation (as at 31 March 2024)

Country	%
United States	61.3%
France	10.0%
United Kingdom	9.8%
China	5.8%
Japan	5.1%
Canada	3.3%
Brazil	1.8%
Norway	1.1%
Cash & other	1.8%

Sector Allocation (as at 31 March 2024)

Sector	%
Energy	9.1%
Materials	10.7%
Industrials	9.2%
Consumer Discretionary	5.6%
Consumer Staples	9.0%
Health Care	17.9%
Information Technology	7.2%
Telecommunication Services	6.0%
Utilities	6.4%
Financials ex Property Trusts	13.3%
Property Trusts	3.8%
Cash & other	1.8%

Top 10 Holdings (as at 31 March 2024)

Holding	%
QUALCOMM Inc	4.2%
Comcast Corp	4.2%
BAE Systems PLC	4.1%
Danone SA	3.7%
Seven & i Holdings Co Ltd	3.5%
Sanofi SA	3.5%
Entergy Corp	3.4%
Merck & Co Inc	3.4%
American International Group Inc	3.4%
Enbridge Inc	3.3%

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 March 2024)	$75 million
Date of inception	October 1992
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	RFA0821AU

[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.

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.

Market Overview

The last month of the quarter saw equity markets across the globe rise with signs that market leadership is shifting. Global markets pushed higher, with the MSCI World and MSCI All Country World indexes up 3.2% and 3.1%, respectively. This built on the positive return environment seen throughout this quarter and the last quarter of 2023. Unlike last month, the factors driving the market over the past quarters, such as the Magnificent 7 and high momentum, stopped outperforming. This month, traditional value stocks with lower price-to-earnings multiples and higher dividend yields outperformed. Unlike last month, value stocks generally led growth stocks across markets. All sectors in the MSCI World Index were positive, but there was a wide dispersion in performance. The top performing sectors in the MSCI World Index were the Energy, Materials, Utilities, and Financials sectors, all up more than 5%. The worst performing sectors – Consumer Discretionary, Information Technology, Consumer Staples, and Health Care – were up less than 3% for the month.

The U.S. market performed in line with other developed markets, but outperformed for the quarter, which constituted a brief break in a theme which endured from 2023. Emerging markets trailed developed market peers slightly, but overall geographic differences in performance were muted this month. The U.S. continued to report lower inflation numbers than a year ago of just above 3%. However, this rate of headline inflation is proving sticky, as the last nine months have seen a year-over-year reading between 3.1% and 3.7%, well above the U.S. Federal Reserve's (the Fed) target of 2%. The Fed indicated that rate cuts may occur later than investors anticipated in February, which has led to the market expecting three rate cuts, down from the six rate cuts the market expected in December 2023. This is due, in part, to a surprisingly strong labor market wherein the unemployment rate remains at 3.8%, with productivity gains that exceeded expectations. This shift in expectations coincided with a shift in market leadership from high momentum stocks to more traditional value stocks. While economic growth was expected to slow meaningfully in the final quarter of the year, the economy remains resilient with GDP growth of 3.3%, exceeding estimates of 1.8%. Also, the U.S. dollar strengthened against major currencies for the first quarter of the year. The stronger than expected data gives credence to the notion of a soft landing, which now seems like the consensus market view. However, the full impact of higher rates and the impact of more than a decade of quantitative easing still leaves many questions unanswered regarding the long-term impact these actions will have on markets going forward.

Non-U.S. markets' performance synced up during the month, with continental Europe (+3.5%) faring slightly worse than the UK (+4.5%), and with Japan (+3%) lagging both geographies after strong performance during the first two months of the quarter. Emerging markets slightly lagged developed markets, up 2.5%, during the month. A strong performer in 2023 relative to non-U.S. peers, Japanese equities continued to push higher, making it the best performing market to start the year with a one-year return above 27%, only bested by the U.S. Similar to the U.S., inflation continues to be a concern in the European Union (especially services inflation), although the overall rate and core inflation remains slightly lower than in the U.S., begging the question whether the European Central Bank will be able to cut rates before the Fed (which would be atypical). Economic data has been mixed but is showing signs that the worst may be behind Europe, with PMIs strengthening in 2024, while the European Sentiment Indicator softened. The European corporate profits growth rate is slowing as oil prices rise, leading to further questions regarding the timing and pace of rate cuts. Further, geopolitical tensions near European borders continue to cast a pall over the region. Europe has been able to avoid challenges of lower gas supplies since the outbreak of the war in Ukraine and has addressed this issue to

some degree; however, a broader conflict within the Middle East could escalate concerns once again as tensions continue to rise. Unemployment rates remain a concern for major European economies as economic sentiment across the continent remains weak.

Meanwhile, in China, equity prices are showing signs of stabilization, with the MSCI China Index posting positive returns during the month of March, the second month in a row. Mixed economic signs remain in China, with continued growth at a slower rate than before the pandemic. The services sector is growing faster than GDP, but property sales and activity remains in negative territory. After months of disinflation, core CPI increased from 0.4% to 1.2% in February. Further, the demographic drag continues as China's population ages, necessitating that economic growth come from labor productivity gains or an increase in labor participation. Economic stimulus is the policy area investors are watching most intently, as the government unveiled a GDP target growth rate of 5% going forward. Premier Li Qiang's comments were seized upon by equity bears who were hoping for more details about policy support or stimulus. Stocks are likely to trade more on sentiment than fundamentals until policy becomes clearer. However, valuations are now near 20-year lows, prompting the question: how much worse can it get for companies that continue to grow? The property market remains a concern and is worth monitoring to see how China addresses the weakness that has been one of the largest areas of historically meaningful economic strength. However, the lack of robust policy support does fit with the objective of creating more sustainable economic growth.

Strategy Performance

During a month in which value stocks led the market higher, the Concentrated Global Value Equity strategy outperformed the MSCI World Index. From a sector perspective, the outperformance was attributable to positive allocation impacts, with mixed stock selection impacts. Positive stock selection within the Industrials, Consumer Discretionary, and Health Care sectors positively contributed to relative performance. Challenging stock selection in the Utilities, Consumer Staples, and Energy sectors modestly detracted from relative performance. The relative positive impacts from allocation were mostly due to the growth/value dispersion mentioned earlier in this commentary, as the portfolio was helped by the underweight to the Information Technology sector and overweight positioning in the Energy and Materials sectors. Regionally, the outperformance was driven by stock selection in the U.S. Stock selection in Emerging Markets detracted from relative performance, while all other regions were modestly negative or positive. Given the low dispersion in returns across regions, regional allocation impacts were muted for the month.

Top Contributors

JD.com, Inc. positively contributed to relative performance in March after the Chinese e-commerce giant posted quarterly results that continue to show some growth. The company rallied on the report given that market expectations were low, but the company was still able to invest for the future and maintain margins within a competitive e-commerce industry. The company continues to trade at a steep discount to the market, as do Chinese equities generally, of 8x forward earnings with a dividend yield of 2.9%.

BAE Systems PLC positively contributed to relative performance during the month as European defense manufacturers built on their run of outperformance. The company provides products and services for air, land, and naval forces, advanced electronics, security, information technology solutions, and support services. Last month, the company announced positive quarterly results with higher order intake within a strong demand environment.

Top Detractors

Cognizant Technology Solutions negatively contributed to relative returns in March on a relatively light news month. The IT services company reported in-line quarterly results but issued guidance that was lighter than expected in the month of February. After a strong start to the year, this month was primarily a giveback of the positive performance during first two months of the year. The company still trades at a discount to the market and the sector at 15.3x forward earnings, with an above industry dividend yield of 1.7%.

Seven & I Holdings Co., Ltd. negatively contributed to relative returns in March on a relatively light news month. The company operates convenience, drug, and super stores in Japan and abroad. After a strong start to the year, this month was a slight giveback in positive performance during the first two months of the year. The company still trades at a slight discount to the broad market at 18x forward earnings, with a dividend yield of 1.7%.

Portfolio Changes

During the month, there were no significant changes to portfolio positioning.

Market Outlook

The continuation of the market rally in March pushed some markets toward highs. The strong returns over the past year may have outpaced the fundamentals of companies, as inflation remains above the 2% targets favored by central banks. Markets remain hopefully positioned that 2024 will be the year in which inflation is under control and monetary policy is more accommodative.

However, the current market optimism is still pricing in more accommodative monetary policy for 2024 in the form of rate cuts in the U.S. and Europe that began to fade as the number of expected rate cuts for the year fell throughout the quarter. Earnings multiples remain elevated and earnings growth estimates are still above 10%. A negative return environment could recur if there is any disappointment from the current forecast of multiple rate cuts in 2024, which could lead to multiple compression among more expensive stocks. Another potential stumbling block would emerge if earnings growth does not materialize. Also, 2024 is a major election year in roughly half the countries around the world, accounting for a significant share of global market cap. While the results will be determined over the year, it is likely that changes will have ramifications for markets. In the U.S., it is a presidential election year. Equity markets have been positive during presidential election years since the 1940s, with stronger returns when an incumbent is running for reelection. Given the optimism already implied from valuations and expected rate cuts, is this the year that the winning streak ends as inflation remains sticky? Further, we still do not understand the longer-term ramifications of the Quantitative Easing experiment, as business and economic cycles have been prolonged beyond historical norms. If interest rates remain elevated, it remains an open question what this means for growthier, more speculative areas of the market.

As macro issues tend to swing markets up and down, it is important to remember that the best time to find value is when markets are fearful or exuberant about a small opportunity set and are ultimately overlooking good companies with solid operating fundamentals. The strength of our investment proposition is our ability to identify dislocations within the market and find those specific securities that have been dislocated for reasons that do not impair their long-term fundamental strength. As we have continued to apply our investment process, we believe our current portfolio is well positioned to provide strong investment results going forward. Thank you for your continued support of Barrow Hanley and our Concentrated Global Value Equity strategy.

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

PENDAL

This factsheet has been prepared by Pendal Fund Services Limited (**PFSL**) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of this factsheet. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity and issuer of units in the Barrow Hanley Concentrated Global Share Fund No. 2 (**Fund**) ARSN: 089 938 492. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pendalgroup.com. The Target Market Determination (**TMD**) for the Fund is available at www.pendalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

This factsheet is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this factsheet may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pendal group accepts any responsibility or liability for the accuracy or completeness of this information.

Performance figures are calculated in accordance with the Financial Services Council (**FSC**) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.