Factsheet

Global Equities

31 March 2024

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 31 March 2024)	$265 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	3.76	3.86	2.28
3 months	8.62	8.94	7.07
6 months	9.18	9.82	9.23
1 year	10.01	11.32	11.03
2 years (p.a)	8.15	9.43	5.43
3 years (p.a)	2.11	3.32	-0.02
5 years (p.a)	4.38	5.66	3.97
Since Inception (p.a)	7.86	9.28	7.03

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: November 2012.

Past performance is not a reliable indicator of future performance.

Country Allocation (as at 31 March 2024)

China	23.4%
India	15.2%
Taiwan	11.1%
Brazil	10.9%
Mexico	10.3%
Indonesia	8.3%
Korea, Republic of	6.3%
United Arab Emirates	4.3%
South Africa	2.9%
Other countries	4.9%
Cash & other	2.4%

Sector Allocation (as at 31 March 2024)

Energy	4.4%
Materials	8.0%
Industrials	8.3%
Consumer Discretionary	11.1%
Consumer Staples	9.1%
Health Care	1.1%
Information Technology	14.1%
Telecommunication Services	6.3%
Utilities	2.5%
Financials ex Property Trusts	27.0%
Property Trusts	5.6%
Cash & other	2.4%

Top 10 Holdings (as at 31 March 2024)

Taiwan Semiconductor Manufacturing Co	7.0%
Tencent Holdings Ltd	6.1%
Larsen & Toubro Ltd	4.8%
Itau Unibanco Holding SA	3.6%
Cemex SAB de CV	3.4%
Bank Mandiri Persero Tbk PT	3.4%
Grupo Financiero Banorte SAB de CV	3.4%
Bank Rakyat Indonesia Persero Tbk PT	3.0%
Trip.com Group Ltd	3.0%
Mahindra & Mahindra Ltd	2.9%

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

One of the reasons we have maintained our overweight positions in Mexico and Brazil has been our view that the strict monetary orthodoxy that their respective central banks displayed in 2021 and 2022 would create the potential for large interest rate cuts when disinflation was achieved. Their committed policy stances did achieve disinflation, but rate cuts have been slow to come (this hasn't prevented both MSCI Mexico and MSCI Brazil from comfortably outperforming the MSCI EM Index over the last three years). With Banxico finally cutting Mexican policy rates this month, this piece aims to review the current prospects for policies, economies and equities in the two big Latin American markets.

Although many developed and emerging market central banks have been cautious about lowering policy interest rates, Latin America has seen a broad rate-cutting cycle that expanded this month to include Mexico. Whilst some Latin American central banks that were quick to cut are now turning more cautious – notably in Chile and Peru – we believe that both Mexico and Brazil should be able to deliver hundreds of basis points of cuts in policy interest rates over the next 24 months.

Responding to rising inflation, Banxico hiked Mexico's official overnight rate to 11.25% in March 2023, when CPI inflation was 7.6%, and then held rates at that level while inflation declined to 4.4% in the year to February 2024. March 2024's Banxico meeting confirmed the beginning of the easing cycle with a broadly expected 25bps cut to 11%. Current consensus expectations are for Mexican policy rates to decline to 9.5% by the end of 2024 and 7.5% by the end of 2025.

Mexican economic data has softened in recent months, but overall the Mexican economy continues to do well, supported by a strong US economy. PMIs are well above 50, Q4 2023 GDP growth of 2.5% was above expectations, and unemployment has declined to near record-low levels. That economic success is despite the very high level of real interest rates, and a rate-cutting cycle should prove supportive of both domestic demand growth and corporate earnings growth.

Meanwhile, in Brazil, the Brazilian Central Bank (BCB) policy committee unanimously voted for a sixth cut of 50bps, bringing rates to 10.75% (CPI inflation is at 4.5%). The statement shortened the horizon of guidance to only a 50bps cut in May; after this, policy decisions will be data-dependent. Consensus foresees policy rates at 9.0% at the end of this year and 8.5% at the end of next year.

The central bank's more cautious guidance reflects strong economic growth in the first part of this year. PMIs look very strong, retail sales and services output have surprised to the upside, and January's economic activity index rose by 0.60% MoM, following on from 0.82% in December. As in Mexico, drought may reduce agricultural output but not enough to drag down the broader economy.

So, in both countries, large rate cuts are meeting economies already growing well. Where we expect significant positive surprise is in the quantum of cuts. Our model for the interaction between emerging economics and financial markets emphasises reflexivity, where each feeds the other. We believe that the histories of booms and busts in individual emerging markets are driven by this process, where, generally, everything goes right at the same time, or everything goes wrong at the same time. In Latin America, that tends to mean interest rates overshoot expectations, up or down, through the cycle. We do not expect this cycle to be any different; we think interest rates in both Mexico and Brazil will be much lower than consensus expects in coming quarters, giving an even more positive boost to economies, corporate earnings and equity market returns.

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

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