

BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

June 2022

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares.

FUND BENEFITS

Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: MSCI World Net Total Return Index (\$A)

Inception date of strategy: August 2014

ASX commencement date: 06 June 2022

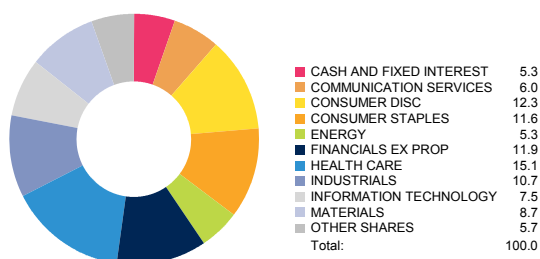
Distribution Frequency: Half-Yearly

Management Fee: 0.99%*

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Seven years or longer

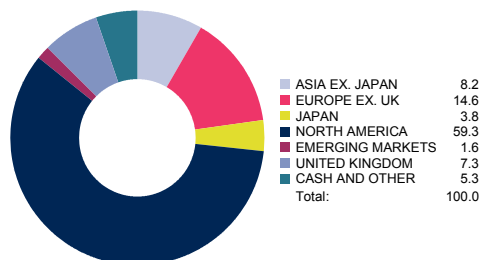
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Merck & Co., Inc.	4.3%
Air Products and Chemicals, Inc.	3.7%
BAE Systems plc	3.1%
Allstate Corporation	3.0%
National Grid plc	2.9%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 June 2022

	Fund	Benchmark	Excess
1 month	-	-	-
3 months	-	-	-
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-1.80	-4.08	+2.28

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	13.3	14.5
Dividend Yield*	2.8%	2.8%
Price / Book	1.9	2.4
Debt / Equity	64.3%	50.3%
Return on Equity*	15.0%	17.1%

[^] Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.

* Forward looking 12-month estimate.

*Information on management costs is set out in the relevant PDS

MARKET COMMENTARY

Equity markets resumed their downward trend in the June quarter, capping the largest first half-year decline in more than 50 years. Losses extended beyond global equities to credit and sovereign bonds with few, if any, places to hide across the world. Value outperformed growth again this quarter as valuation multiples compressed with higher rates, and inflation weighed heavily on growth stocks, with those in the Information Technology, Consumer Discretionary, and Communication Services sectors leading the way downward.

World growth forecasts for this year have fallen from 4.6% in January to just 3.4%. The ripple effect of higher prices for almost everything—food, gas, rents, and more—has caused consumer confidence to plunge. Coupled with the negative wealth effect from the market declines, consumer spending patterns are beginning to shift downward despite high levels of savings and an incredibly tight labor market. Within the US, job openings continue to outpace job seekers, though investors remain watchful of the growing number of firms announcing layoffs. Business confidence and optimism have also tumbled in recent economic surveys as companies face higher input costs and wages.

Navigating the trends of falling GDP growth amidst higher rates and inflation readings, the US Federal Reserve (Fed) and other central banks remained trapped between difficult choices. Raising rates to fight inflation caused by the money-printing bonanza of the last decade could push a slowing US economy even closer to a recession. Europe is in a similar situation but only began announcing rate rises in July. Higher energy and food costs, as a result of the Russia/Ukraine war, are likely to tip Europe into a recession earlier than the US. However, the Fed and other central banks may have to push onward with higher interest rates, given fears of long-term inflation expectations becoming unanchored, being greater than the fears of tipping global economies into a recession. This is not unwarranted as consumer price indexes have come in well above expectations and are at multi-decade highs.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include BAE Systems Plc, Merck & Co., Inc., and Air Products and Chemicals, Inc. Conversely, the Fund's largest underweight positions include Apple Inc., Microsoft Corporation, and Alphabet, Inc. Class A, all of which are not held in the Fund.

Merck & Co., Inc., a multinational pharmaceutical company, was a top contributor to relative performance driven by strong performance across its segments. Its animal health and vaccine franchises continued to deliver strong growth and look to continue to compound those results in the future. Given the sharp decline seen in smaller pharmaceutical firms' valuations, management commented on remaining disciplined in terms of capital deployment. Within Merck's pharmaceutical franchise, its key immuno-oncology drug Keytruda posted another solid quarter of growth. Dollar General Corporation, a leading discount retailer, was a top relative contributor in the quarter, benefitting from better-than-expected earnings results against its most challenging year-over-year comparison of the year. Margin headwinds from elevated transportation costs are easing as ocean shipping rates have fallen by more than a third since the beginning of the year. As well, Dollar General remains well positioned given its mix of sales is shifting back towards consumables versus non-consumables.

SeaWorld Entertainment, Inc. detracted from relative performance. We noted previously that despite reporting very strong operating results, the stock traded lower along with the broader Consumer Discretionary sector. SeaWorld has historically seen only relatively modest impacts to its business from slower economic climates and, given pent-up demand for travel and attendance levels that entered the year still below 2019 levels, we believe current outcomes are likely to rhyme with the past. The company is also aggressively repurchasing its shares this year at what is near an all-time low valuation, given its excess cash position and the strength of its balance sheet. Koninklijke Philips N.V. reported mixed results early in the quarter. Personal Health outperformed revenue and EBITA expectations, while margins in Diagnostics & Treatment and Connected Care trailed. Overall, adjusted EBITA was better than consensus. Importantly, company management maintained guidance for the year. However, the update on the Respiroics CPAP recall was incrementally disappointing. The company increased its provision to account for +300k more units to be replaced/remediated.

OUTLOOK

The first half of this year has reminded investors that equity markets are volatile and that maybe the prior extended growth cycle is not to be projected into the future. We recognise that the market is having to deal with many economic headwinds which are likely to cause challenges to economic growth and could potentially tip global economies into a recession. However, these headwinds will eventually abate, and equilibrium should return to the market and provide for strong long-term returns for the patient investor. With that said, we believe that as market headwinds abate, we are likely to see a different economic scenario than what was experienced during the previous bull market, as economies are likely going to have to deal with tighter money supply – which could keep interest rates and inflation above trends of the last decade. This should bode well for continued strong performance for value stocks, though we recognise that we may see short-term pauses in value outperformance as we did during the multi-year value rally after the bursting of the tech bubble in the early 2000s.

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