

BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

July 2022

FUND FACTS

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

FUND BENEFITS

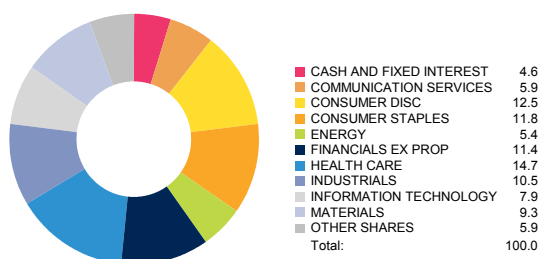
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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

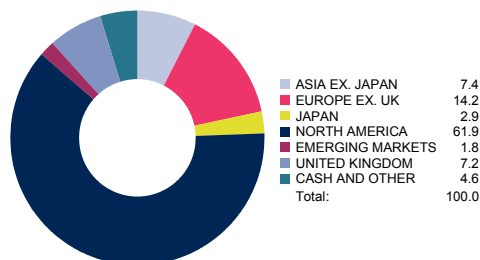
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	3.9%
Air Products and Chemicals, Inc.	3.7%
Oracle Corporation	3.2%
National Grid PLC	3.1%
Hess Corporation	3.0%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 July 2022

	Fund	Benchmark	Excess
1 month	0.85	6.37	-5.52
3 months	-	-	-
FYTD	0.85	6.37	-5.52
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-0.97	2.03	-3.00

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

PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	13.7	15.8
Dividend Yield*	2.7%	2.6%
Price / Book	2.0	2.6
Debt / Equity	67.4%	50.7%
Return on Equity*	14.9%	16.8%

[^] 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

July appeared to be a classic “bad news is good news” month. Continued readings of slowing economic activity sparked some hope that the US Federal Reserve would start cutting interest rates as soon as mid-2023 to help revive the largest consumer economy after a second consecutive quarter of negative GDP growth. However, several Fed officials were quick to note that the Fed is very focused on seeing signs of falling inflation prior to considering any rate reductions. This did not stop investors from reversing course and bidding up markets—growth stocks in particular—which have taken the brunt of this year’s market sell-off.

The Benchmark ended the month higher, with the US leading the rest of its global market peers. Developed ex-U.S. markets were up, however, emerging markets fell, weighed down by China, which fell more than -9% on the continued pursuit of a zero COVID policy. The Information Technology and Consumer Discretionary sectors were propelled to double-digit gains in July, spurred by the outlook for lower interest rates. Unfortunately, these two sectors, along with the Industrials sector, were the only sectors to outpace the broader MSCI All Country World Index, highlighting the narrowness of the market in the month.

The Energy sector was the second-best performing sector, despite the continued fall in oil prices, helped by natural gas prices which were up more than 50% in the month on continued concerns over the supply of gas to Europe from Russia. Recession fears in the Eurozone remain as PMIs continue to fall, and lower gas supplies could further hamper manufacturing output. Additionally, the Eurozone, like other areas of the globe, is fighting historic inflation levels; this has caused the European Central Bank to raise rates 50bps for the first time in more than a decade (a much larger increase than the expected 25bps). Despite these challenges, the Eurozone posted 0.7% GDP growth in the second quarter, though positive growth prints going forward are being questioned given the hurdles with gas supplies and inflation.

PORTFOLIO COMMENTARY

The Fund’s largest overweight positions include Merck & Co., Inc., National Grid plc, 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.

J.B. Hunt Transport Services, Inc. contributed positively to relative returns despite what appears to be a tougher economic environment. Driven by strong pricing in intermodal, the company reported strong results in the month, handily beating consensus earnings expectations. Company management continues to execute well on its long-term plan.

Vertiv Holdings Co. Class A was a positive contributor in the month as it reported operating income of positive \$13m, well ahead of guidance for a loss of \$20m and well ahead of consensus. Most of the beat was driven by better price/cost than previously expected, by more aggressive pricing in the distributor channel (where lead times are shorter), and lower material inflation than planned. With the stock previously challenged by mispricing due to higher inflation, we believe we are at an inflection point whereby the company is getting better control of its pricing, which should benefit margins and earnings going forward.

In a reversal from last month’s strong performance, Rheinmetall AG and BAE Systems plc detracted from performance. We view this as a pause due to the very strong performance over the last several months, as BAE reported strong results in the month with record order intake, better margin expansion, and an announced buyback. Rheinmetall published a brief guidance update, noting organic sales growth at the lower end of its previous guidance and expected operating margins >11%. There may be some weakness in its automotive division, which would not be surprising in this market environment, but the defence business remains strong. Rheinmetall rallied post guidance, potentially signalling investor relief. We continue to be constructive on both holdings.

Allstate Corporation detracted from relative returns in the month, posting negative underwriting results for the quarter. Cost inflation in automobiles is challenging for Allstate, as higher costs to repair vehicles are outpacing the company’s ability to price policies higher in the near-term. Allstate began pushing prices higher at the end of last year, and we believe positive pricing will begin to accrue for Allstate in the next 12 months. Despite the pullback in performance, we remain positive on the stock.

OUTLOOK

While the rebound in the markets in the month may be cause for optimism, we would caution that this optimism may not be fully rooted in improving economic fundamentals. Despite strong labour markets, we believe high inflation continues to create uncertainty about whether central banks can engineer a soft landing in the next 12-18 months, as some market participants expect. With China pursuing policies that are contra-growth, Europe battling with gas supplies which could impact manufacturing output, and the U.S. Fed continuing to push up interest rates at record levels (75bps each of the last two hikes), potentially impacting consumer spending materially. There is meaningful uncertainty about how this will slow economic output and how deep any potential recession may be due to these actions.

Despite the gloom we are bombarded with each day, we recognise that, over the longer-term, markets and economies do correct. Although the timing of these corrections may be uncertain, we believe that adhering to a time-tested, bottom-up, fundamental approach will provide positive performance results over the long term. During this uncertain market environment, we have continued to favour more defensive/stable companies, which has provided strong performance results year-to-date. However, given concerns about economic growth, we are beginning to see more cyclical stocks trading at very cheap valuations and could see an opportunity soon to begin modestly increasing our exposure.

This publication has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535 AFSL 234426 (Perpetual), as the issuer of units in the Barrow Hanley Global Share Fund (Managed Fund) (ASX: GLOB) (ETMF). It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider with a financial adviser whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

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Investment returns, net of management costs have been calculated on the growth of Net Asset Value (NAV) after taking into account all operating expenses (including management costs) and assuming reinvestment of distributions on the ex-date. Distribution return has been calculated based on the ETMF’s investment portfolio return less the growth of NAV. No allowance has been made for taxation. Future returns may bear no relationship to the historical information displayed. The returns shown represent past returns only and are not indicative of future returns of an ETMF. Returns on an ETMF can be particularly volatile in the short term and in some periods may be negative. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the ETMF or the return of an investor’s capital.

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