BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

January 2023

FUND FACTS

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

FUND BENEFITS

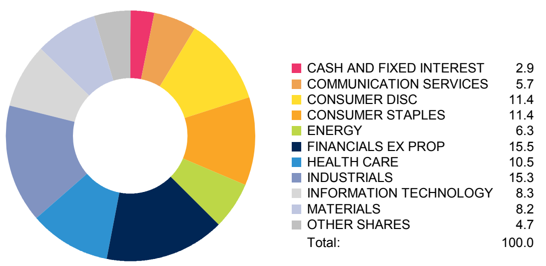
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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

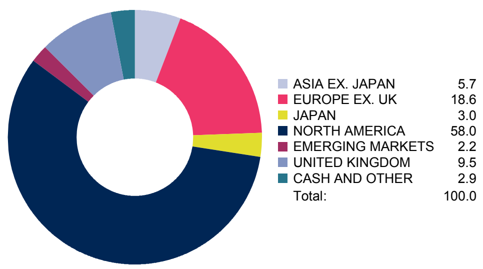
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	3.8%
Air Products and Chemicals, Inc.	3.3%
Oracle Corporation	3.3%
Seven & I Holdings Co., Ltd.	3.0%
BAE Systems plc	2.9%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 January 2023

	Fund	Benchmark	Excess
1 month	3.81	3.05	+0.76
3 months	4.90	-0.49	+5.39
FYTD	9.71	7.60	+2.11
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	7.73	3.21	4.53

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	13.7	16.3
Dividend Yield*	2.8%	2.6%
Price / Book	2.1	2.6
Debt / Equity	69.8%	51.0%
Return on Equity*	15.6%	16.4%

^ 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 started the calendar year on a strong note, with the MSCI World and MSCI All Country World Indexes ending January materially higher. There were several economic factors providing optimism for investors that perhaps a recession (hard landing) might be avoided in 2023. Inflation in the US and Europe seems to have peaked, and modest declines in inflation are being seen that indicate central bank tightening has had its intended effect, with smaller rate rises expected. Further, employment and job openings remain strong. In the US, this translated to strong performance within smaller capitalization stocks, which tend to benefit from a positive outlook on an economic recovery, while their larger cap peers lagged not only in the US but also trailed their global peers.

In the month, the Eurozone saw a surprise rebound in its composite PMI to 50.2, with improving sentiment on the back of declining gas prices given a milder winter than expected and a decreasing risk of future shortages as gas storage levels have improved meaningfully from a year ago. Combined with a weakening US dollar, continental European equities saw the most robust returns in the month. However, high inflation persisted in both the UK and continental Europe, and the European Central Bank raised rates 50bps more in its last meeting compared to the US Federal Reserve, which has now slowed its interest rate hikes to 25bps.

Given an expectation of fewer rate increases and potentially some expectation that central banks may ease later in the year, growth stocks saw a strong rally after a very dismal 2022, with the MSCI World Growth Index outpacing the MSCI World Value Index by 5%. Growth stocks were favoured broadly across sectors, with the Information Technology, Consumer Discretionary, Health Care, Communication Services, and Consumer Staples sectors leading the growth index higher. In stark contrast, value stocks in the Health Care and Consumer Staples sectors produced negative returns in the month, with Energy and Utilities stocks also lagging the broader index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Oracle Corporation, 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.

Lithia Motors Inc. and Aptiv PLC, both in the auto space, were the top contributors in January after being the leading detractors in December. The Automobile and Parts industry was the strongest performing in January, up nearly 31% in the month, with both stocks benefitting from this strong performance. With lower interest rates beginning to be expected for later in the year, lessening fear of a recession and lessening supply chain constraints were likely drivers to the more robust performance within this space. Both stocks continue to present a compelling risk/reward profile.

After being among the top contributors in December, Merck & Co., Inc. underperformed in January along with another Health Care holding, Elevance Health Inc. Both stocks were challenged by the market rotation out of the Health Care sector after its stellar 2022 performance. Both companies continue to deliver excellent financial results, and we believe each still presents a strong risk/reward opportunity.
Allstate Corporation detracted from performance in the month as markets expected a challenging period for Allstate given December's winter storm Elliot and continued challenges in its auto book. Allstate has continued to face challenges that we are monitoring, but we currently feel our investment thesis, though delayed, remains intact.

OUTLOOK

We are encouraged by positive economic data highlighting that we may have seen the worst in inflation readings. Further, strong employment continues to keep the consumer afloat as have prior savings during the COVID period. Further, stabilizing or improving PMIs could be a strong signal that global economies may be able to avoid a hard landing. However, with solid economic data comes continued pressure on inflation, which is likely to cause central banks to be reluctant to lower interest rates any time in the near future. Accordingly, as we have seen in previous value-led markets, growth rallies within a value cycle can be strong when investors expect a "pivot," but growth will tend to lose out to value until there is a meaningful and permanent shift in central bank policies and an actual turn in economic growth. Even under these scenarios, we expect markets to continue favour value stocks as cyclical sectors tend to outperform in an economic recovery.

As such, we believe that it is too early to say whether global markets will experience a hard or soft landing, but we recognize the material risks associated with central banks wanting to raise rates until there is some pressure in the labour market. Accordingly, we believe our portfolio, which is modestly tilted towards defensive stocks, remains appropriate in this uncertain market environment. We are pleased with the positive start to 2023 and the strong setup we see for value stocks going forward.

MORE INFORMATION

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