

# BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

## ASX code: GLOB

July 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

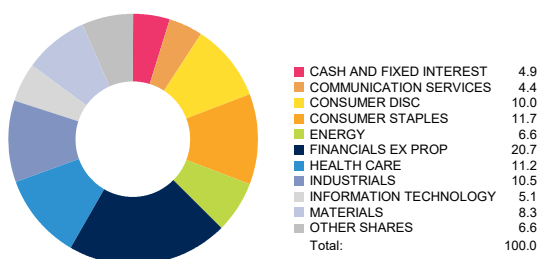
**Distribution Frequency:** Half-Yearly

**Management Fee:** 0.99%\*

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

**Suggested minimum investment period:** Seven years or longer

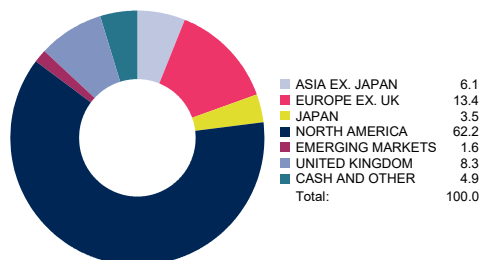
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Air Products and Chemicals, Inc.	2.9%
HSBC Holdings Plc	2.7%
Comcast Corporation Class A	2.7%
Cigna Group	2.6%
Merck & Co., Inc.	2.6%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 31 July 2023

	Fund	Benchmark	Excess
1 month	2.75	2.10	+0.65
3 months	4.74	6.42	-1.69
FYTD	2.75	2.10	+0.65
1 year	20.00	17.51	+2.48
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	16.19	17.10	-0.91

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

### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	13.0	17.6
Dividend Yield*	3.2%	2.5%
Price / Book	1.8	2.8
Debt / Equity	59.0%	49.8%
Return on Equity*	14.2%	16.7%

<sup>^</sup> 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

Market sentiment has improved meaningfully since the end of 2022 with global markets near or in bull market territory and posting another strong month of performance in July. The MSCI World and MSCI All Country World indexes were up more than 3%, respectively, in the month of July, pushing their year-to-date returns above 18%. The U.S. market remains the standout for the year, up more than 20%, along with major growth indexes, up in some cases more than 30% year-to-date though driven by a very narrow set of constituents.

The markets favored value stocks in the month of July, continuing the trend we began to see last month. The gains over broader growth stocks were modest in the month but investors tended to favor value stocks across the majority of sectors, showing breadth of conviction. Robust performance for value stocks helped push the Financials, Energy, and Materials sector performance above the broader market. The Communication Services sector was also among the strongest performing sectors, though driven by growthier names such as Google and Meta.

As we have noted in prior commentaries, we believe the strong performance we saw in growth assets earlier this year is likely a temporary pause in a longer value rally. We believe higher inflation, low unemployment, and higher consumer spending will continue to keep pressure on the Fed and other central banks to maintain higher interest rates for longer. We believe our portfolio is well positioned but are mindful that markets are ever changing, and we will continue to follow our bottom-up, fundamental process in continuing to look for those ideas with strong risk/reward opportunities.

## PORTFOLIO COMMENTARY

Portfolio changes in July were modest, with reductions to the weightings in the Consumer Staples sector and redeployment of those proceeds to the Financials sector.

U.S. Bancorp was a top contributor in the month, as the U.S. bank reported better than expected core results driven largely by lower expenses. While core deposits were down, we still see U.S. Bancorp as one of the strong capital generating banks in the US that will accelerate in 2024 as synergies from its purchase of MUFG Union Bank. Overall, the company continues to grow its loan book and has relatively little exposure to Office Commercial Real Estate.

Baidu, Inc. Class A – performed strongly in the month of July with improved sentiment around Chinese equities. Further, Baidu was aided by softening government rhetoric around technology and technology related stocks along with positive sentiment around improving ad recovery. Aker BP ASA – performed strongly in the month of July benefitting from a strong recovery in oil prices but far outpaced the overall energy sector as it reported positive earnings in the quarter and raised production guidance for the year. Over the prior year, Aker appears to have been unduly impacted by the decline in European gas prices even though it only represents only a small portion of their production. Aker continues to trade at a compelling valuation with the ability to grow the dividend.

Merck & Co. Inc. underperformed in the month of July. Performance was not driven by any particular news in the market but likely impacted by its recent acquisition of Prometheus which will have a negative impact on non-GAAP EPS. It is worth noting that post month end, Merck announced a second quarter top line beat and raised their full year top line guidance.

Southwest Airlines Co. detracted from performance this quarter as the airline posted in-line Q2 results as other airlines beat estimates. The main driver of underperformance was that Southwest lowered its guidance for the third quarter as the domestic travel market is weakening, and margins are compressing as revenue per available seat mile is not keeping up with expenses. The key for Southwest going forward will be keeping capacity growth in-line with demand, successfully completing labor negotiations, and the overall macro picture for domestic airline travel.

## OUTLOOK

For the first seven months of 2023, markets have continued to climb a wall of worry as inflation remains sticky and central banks continue to raise rates. However, investors have taken confidence that central banks may engineer a soft landing as the consumer remains resilient, unemployment remains at historically low levels, and inflation, though sticky, appears to be softening. The month of July, though another strong month for global equity markets, marked a reversal of many of the trends that drove the market higher during the first half of the year. As we have noted in prior commentaries, expensive, non-dividend paying growth stocks drove the market higher, buoyed by AI exuberance. However, this pushed indices to become more concentrated and left market breadth as narrow as the late 1990s. We saw the first signs of these trends reversing in July, and higher rates that may last longer than previously expected will continue to pressure longer duration growth stocks and high multiple stocks.

As such, we remain cautious on the market for the second half of the year after strong first half returns and valuation multiples stretched to a high level. Headwinds remain, with inflation and higher rates along with mixed economic data across the globe. However, we remain confident that value stocks will reassert themselves as value stocks remain cheap, especially when compared to growth peers, and in our view face fewer headwinds. This period of market dislocation provides active value managers with compelling opportunities to find unique businesses that can deliver outperformance over the long term. Thank you for your continued support of Barrow Hanley and our Global Value Equity strategy.

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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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