BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

October 2023

FUND FACTS

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

FUND BENEFITS

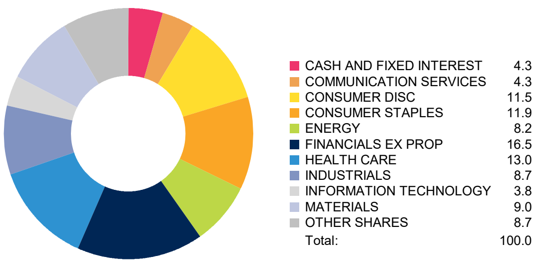
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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

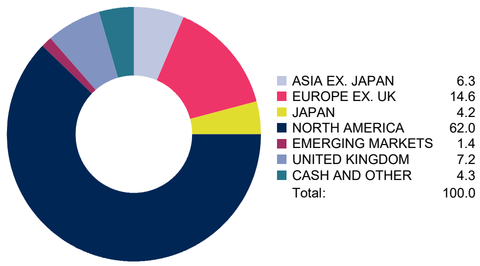
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Comcast Corporation Class A	3.1%
Allstate Corporation	3.0%
Cigna Group	2.9%
Air Products and Chemicals, Inc.	2.9%
Merck & Co., Inc.	2.7%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 October 2023

	Fund	Benchmark	Excess
1 month	-0.37	-1.02	+0.65
3 months	-3.01	-3.48	+0.47
FYTD	-0.35	-1.45	+1.11
1 year	12.22	11.58	+0.64
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	10.66	10.98	-0.32

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	11.8	15.7
Dividend Yield*	3.5%	2.8%
Price / Book	1.6	2.6
Debt / Equity	65.3%	51.3%
Return on Equity*	14.5%	17.2%

^ 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

Markets entered the fourth quarter following the downtrend of the prior month with the MSCI World and MSCI All Country World indexes both down approximately 3%. Although markets were down in October, there appeared to be more breadth in the month compared to the prior quarter during which only a few sectors were able to outpace the broader markets. However, that breadth was better within non-U.S. markets, in which seven of the eleven sectors in the MSCI EAFE Index and six of the eleven sectors in the MSCI Emerging Markets Index outpaced their broader markets. The U.S. did not follow this trend; only four of the eleven sectors outpaced the broader Russell 1000 Index.

PORTFOLIO COMMENTARY

Despite markets favouring growth stocks in the month, the Barrow Hanley Global Value strategy outperformed the MSCI World Index in October. Despite the pressure on the Industrials sectors, with tensions in the middle east increasing, the portfolios' defense holdings posted strong performance in the month, contributing to relative returns. Effective selection in the Consumer Staples, Financials, Energy, and Health Care sectors added further to relative returns. An underweight to and challenging selection within the Information Technology sector detracted from relative returns, as did challenging selection in the Communication Services sector and, to a lesser degree, in the Consumer Discretionary and Real Estate sectors. Regionally, effective selection in Europe added to relative returns while the strategy's emerging markets holdings detracted from performance.

Allstate Corporation performed strongly in October as the stock benefitted from Trian, an activist investor, taking a stake in the company. There is an expectation that Trian can push for leadership changes, bolster capital, and/or sell off non-core businesses. We have noted that changes were already underway at Allstate and were a reason for our initial investment. Post month-end Allstate announced above consensus EPS as profitability within its auto division inflected higher as a result of better underwriting.

BAE Systems plc added to relative returns in October. Along with other defense stocks, BAE benefitted from the outbreak in tensions in the Middle East after the Hamas attacks in Israel, highlighting the expectation of higher defense spending for longer across multiple countries, helping to support not only Israel but also continuing the support of Ukraine.

Baidu, Inc. Class A underperformed in October as markets expected slower growth in ad and cloud revenue given China's slower pace of macro recovery post COVID. In addition, further chip export restriction from the U.S. has created additional uncertainty on the timing and cost of Artificial Intelligence (AI) advancement for Chinese high-tech companies, including Baidu. However, we believe these are temporary issues and we are seeing improvements in Baidu's position in AI on the rollout of Ernie 4.0. Although the recovery for Baidu has been pushed further out, our thesis remains intact and we see Baidu as a compelling investment opportunity.

Lithia Motors underperformed in October given what appears to be poor market sentiment as auto and auto-related stocks were down meaningfully in the month. With an ongoing United Auto Workers (UAW) strike, markets fretted about the impact on auto production and, ultimately, on auto sales. Given the recent breakthrough in negotiations between the UAW and the automakers, we expect this overhang to abate.

OUTLOOK

October continued to remind us that risks remain prevalent across the globe and, as we noted last month, the strong returns over the past year may have gotten ahead of the fundamentals. With inflation remaining above expectations and failing to return to the 2% target generally accepted by central banks, "higher for longer" may become solidified even in the face of slowing economic growth, as central banks are pausing interest rate hikes but may have little room to lower rates until sticky inflation begins to abate. Further, we still do not understand the longer-term ramifications of the Quantitative Easing experiment, as business and economic cycles have been prolonged above historical norms. One gauge for this is unprofitable companies within the Russell 2000 Index. This tends to peak just after recessionary periods and tends to fall fairly quickly over the ensuing 2-3 years. In the dotcom recession, the percentage was just above 30%, falling to approximately 15% by 2006. In the Global Financial Crisis recession, the percentage of unprofitable companies increased to approximately 40% before falling to a higher 20%+ in 2012 then steadily increasing to approximately 45% post the COVID recession. However, nearly two years later, unprofitable companies remain around 40% of the total index. What might be the ramifications of this returning to a more normal level of less than 20%?

MORE INFORMATION

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