PENDAL

Pendal Global Select Fund
Class R

ARSN: 651 789 678

Factsheet
Global Equities
31 July 2024

About the Fund

The Pendal Global Select Fund (**Fund**) is an actively managed portfolio of global shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI ACWI NR Index (net dividends reinvested) in AUD over rolling 5 year periods. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long-term capital growth from a concentrated portfolio of developed and emerging market listed global equities, with an investment timeframe of 5 years or greater and are prepared to accept higher variability of returns.

The Fund's strategy is based on a belief that stock markets are inefficient and aim to exploit market anomalies via an investment process that combines both top-down and bottom-up research. As investment manager, JOHCM's distinct '4-Dimensional' investment process (stocks, sectors, countries, time/change) focuses on the behaviour of each share price to determine whether the most important driver of each prospective investment is stock specific, sector or country-based.

The Fund will typically hold 30-60 stocks and is benchmark agnostic.

The investment manager recognises that ESG factors can create risks and opportunities for companies and as such incorporates ESG risks into their analytical framework and portfolio construction. Further, the Fund employs exclusionary screens to avoid investments in companies that cause significant social and/or environmental harm.

The Fund will not invest in companies directly involved in either of the following activities:

- tobacco production (including e-cigarettes and inhalers); or
- controversial weapons manufacture (including cluster munitions, landmines, biological or chemical weapons, nuclear weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments).

The Fund will also not invest in companies which derive 10% or more of their gross revenue directly from any of the following activities:

- extraction, exploration, distribution, or refinement of fossil fuels, or fossil fuel-based power generation*;
- production of alcoholic beverages;
- manufacture, ownership or operation of gambling facilities, gaming services or other forms of wagering;
- manufacture of non-controversial weapons or armaments;
- manufacture or distribution of pornography; and
- uranium mining for the purpose of nuclear power generation.

CERTIFIED BY RIAA

The Pendal Global Select Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.68	2.76	3.92
3 months	5.41	5.65	7.49
6 months	11.27	11.77	13.82
1 year	21.51	22.61	20.75
2 years (p.a)	11.67	12.68	18.81
3 years (p.a)	1.65	2.57	10.01
Since Inception (p.a)	1.66	2.58	10.03

Source: Pendal as at 31 July 2024

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: July 2021.

Past performance is not a reliable indicator of future performance.

Country Allocation (as at 31 July 2024)

United States	57.9%
Japan	9.8%
Denmark	5.6%
United Kingdom	4.7%
Brazil	4.3%
Sweden	2.5%
Korea, Republic of	2.5%
Italy	2.2%
Canada	2.1%
Indonesia	2.1%
Other countries	3.5%
Cash & other	2.8%

Sector Allocation (as at 31 July 2024)

Energy	0.0%
Materials	10.7%
Industrials	9.2%
Consumer Discretionary	10.1%
Consumer Staples	0.0%
Health Care	15.0%
Information Technology	30.1%
Telecommunication Services	5.6%
Utilities	0.0%
Financials ex Property Trusts	16.7%
Property Trusts	0.0%
Cash & other	2.8%

Top 10 Holdings (as at 31 July 2024)

NVIDIA Corp	3.9%
Microsoft Corp	3.2%
Zealand Pharma A/S	3.1%
Alphabet Inc	3.1%
NEC Corp	2.8%
Amazon.com Inc	2.7%
Compass Group PLC	2.7%
Broadcom Inc	2.7%
Recruit Holdings Co Ltd	2.7%
Vertex Pharmaceuticals Inc	2.7%

*Companies with a climate transition plan may be exempted from this exclusion, provided that they have in place a Paris Agreement aligned transition plan and produce climate-related financial disclosures annually, which in both cases we consider credible. We define fossil fuels as coal, oil and natural gas.

All reasonable care has been taken to implement the Fund's exclusionary screens to meet the criteria described above. We draw on internal and supplementary external research, believed to be accurate, to determine whether a company is subject to the exclusionary screens.

For more information on how these exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at https://www.pendalgroup.com/PendalGlobalSelectFundClassR-PDS

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. Generally, these currency exposures will not be hedged to the Australian dollar but Pendal may do so from time to time.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives may also be used to gain exposure to assets and markets.

Investment Team

The strategy is managed by Christopher Lees Senior Fund Manager and Nudgem Richyal, both Senior Fund Managers at JOHCM since joining in 2008. Chris has 34 years of industry experience and Nudgem has 23 years of industry experience. Prior to joining JOHCM, Chris and Nudgem worked together at Baring Asset Management. They have employed their current approach to investing in global equities since 2004. The team leverages the full breadth of JOHCM's 40+ portfolio managers and analysts as part of the investment process. J O Hambro Capital Management's immediate parent, Pendal Group Limited, is a wholly owned subsidiary of Perpetual Limited. (ASX ticker: PPT).

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee[1]	0.90% pa

[1] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Other Information

Fund size (as at 31 July 2024)	$19 million
Date of inception	30 July 2021
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	PDL6767AU

[2] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fund manager commentary

We think the current equity market sell-off and volatility are most likely a Bull market correction. Still, we recognise that recent events have increased the probability of it morphing into a Bear market. As we write this after the market close on 6th August, the S&P 500 has retreated nearly 8% from its 16th July high, with a three-day pullback of over 6% in early August. Pullbacks of this magnitude are not unusual. Since the 1930s, USA pullbacks of more than 5% have occurred 3x per year on average, and corrections of over 10% have occurred 1x per year on average, and the bounce back has usually been above long-term average returns.

The most volatile and worst hit so far in this global sell-off has been the Japanese equity market, which has hurt our performance in late July and so far in August. Monday 5th August's 4,451-point drop in the Nikkei and the 310-point fall in the TOPIX were their biggest-ever daily points falls (second-biggest percentage daily falls after Tuesday, 20th October 1987, in response to US Black Monday crash). Their rally on Tuesday 6th August 2024, by around 10%, was their biggest ever daily points rise.

The two Japanese indexes dropped about 25% from their all-time closing highs on 11th July to their closing lows on Monday 5th August, partly in response to the unwinding of the Yen carry trade. We think that's more than sufficient a correction and represents a compelling opportunity to buy the dip in Japan once the current exceptionally high volatility subsides and the currency stabilises.

Clients have been asking us if this volatility portends a historic rotation in the market's leadership. In response, here are some key data points from an excellent piece of research from Empirical Research Partners that looks at the market's large cap/technology-related momentum leadership and uses past tech booms to provide some perspective on the potential range of outcomes from here.

In the past, stocks in the top quintile of price momentum have had a bit less than a 40% chance of outperforming over the following year when coming off stellar runs of outperformance like the last 12 months. To dig deeper, they looked specifically at four past tech booms (followed by busts) that have some resemblance to today's AI-fueled surge: the Mainframe Era in the late 1960s, the PC Era of the early 1980s, the New Economy of the late 1990s, and the early-Pandemic stay-at-home tech plays.

They conclude that the opportunity cost of abandoning the momentum leadership is much higher now. Stocks in the highest quintile of price momentum currently have a cap-weighted free cash flow margin of 23%; back at the peak of the New Economy Era the best-performing stocks had a minus 2% free cash flow margin. The cost of carry in the current leadership is (massively) positive, not negative. On the other hand, they point out that the free cash flow yield of the momentum leadership is (125) basis points below the market's yield. Investors now believe in the durability of these significant free cash flows, circumscribing the upside and reducing the margin of safety if anything goes wrong.

Historical data from Bloomberg shows that USA equity drawdowns tend to be followed by above average returns. From 1928 to 2024, the average 3-, 6- and 12-month returns have been 2%, 4% and 8% respectively. After three-day drawdowns of 6% or more, the subsequent 3-, 6- and 12- month returns have been better than average at 7%, 9% and 15%, respectively. We are currently sifting through the wreckage of this global contagion/sell-off to find what we believe are some new exciting opportunities to add to the portfolio.

For more information please call 1300 346 821,
contact your key account manager or visit pendalgroup.com