

Monthly Factsheet

31 December 2022

Fund Managers - Global Opportunities team
Andrew Hall Fund Manager (Lead)
Stephen Anness Fund Manager
Fund facts at a glance
Asset class Global equities
Objective¹ To provide long-term capital growth through a portfolio of global equities
Management style Fundamental, bottom-up approach driven by valuation
Benchmark Hedged - Class A MSCI All Country World Net TR Index - hedged in A\$
Unhedged MSCI All Country World Net TR Index - unhedged in A\$
Risk profile Very high
Time horizon 7 years
Distribution frequency Half-yearly
Inception date Hedged - Class A: 31/8/94 Unhedged: 31/8/99
MER/ICR 0.95% (both funds)
Buy/Sell Spread 0.20%/0.20%
APIR code Hedged - Class A: GTU0008AU Unhedged: GTU0102AU

Performance analysis - hedged - Class A (periods to 31 December 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-4.07	-4.83	0.76
3 months	9.60	7.08	2.52
6 months	2.77	1.17	1.60
1 year	-18.25	-17.71	-0.54
2 years p.a.	1.97	-0.53	2.50
3 years p.a.	2.16	3.18	-1.02
5 years p.a.	2.50	4.88	-2.38
7 years p.a.	6.25	7.72	-1.47
10 years p.a.	9.23		
Calendar year to date	-18.25	-17.71	-0.54
Financial year to date	2.77	1.17	1.60
Since inception p.a.	6.43		

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Benchmark history - hedged:

- From inception to 30/09/02 = MSCI World Index (net dividends reinvested) - unhedged in \$A
- From 01/10/02 = MSCI World ex Australia Index (net dividends reinvested) - hedged in A\$
- From 1/4/03 = MSCI World Index (net dividends reinvested) - hedged in A\$
- Current from 5/5/16 = MSCI All Country World Net TR Index - hedged in A\$

Performance analysis - unhedged Fund (periods to 31 December 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-4.66	-5.13	0.47
3 months	6.34	4.07	2.27
6 months	5.59	3.71	1.88
1 year	-12.22	-12.48	0.26
2 years p.a.	8.46	4.93	3.53
3 years p.a.	4.97	5.26	-0.29
5 years p.a.	5.93	8.27	-2.34
7 years p.a.	7.49	9.14	-1.65
10 years p.a.	12.35		
Calendar year to date	-12.22	-12.48	0.26
Financial year to date	5.59	3.71	1.88
Since inception p.a.	4.64		

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Benchmark history - unhedged:

- From inception to 30/09/02 = MSCI World Index (gross dividends reinvested) - unhedged in \$A
- From 01/10/02 = MSCI World Index (net dividends reinvested) - unhedged in A\$
- Current from 5/5/16 = MSCI All Country World Net TR Index - unhedged in A\$

Note: The Funds strategy changed from a quantitative global equity strategy to a fundamental, high conviction global equity strategy, effective from 5th May 2016. Shaded areas in the tables above show the returns prior to the change in strategy.

Fund analysis (as at 31 December 2022)

Assets under management			
	A\$m		
Hedged fund AUM:	30.53		
Unhedged fund AUM:	52.62		
Strategy AUM:	2,292.31		
Region allocation			
Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.42	-0.42
Asia Ex Japan	6.36	9.54	-3.18
Australia	0.00	2.01	-2.01
Europe - EMU	7.75	8.26	-0.52
Europe - Non-EMU	13.04	8.35	4.69
Japan	0.00	5.56	-5.56
Latin America	0.00	0.26	-0.26
North America	70.74	63.89	6.85
South America	0.00	0.70	-0.70
[Other]	0.00	1.01	-1.01
Cash [net of payables]	2.11	0.00	2.11
Sector allocation			
Sector	Fund %	Benchmark %	Active weight %
Communication Services	6.25	6.77	-0.52
Consumer Discretionary	8.43	10.45	-2.01
Consumer Staples	10.35	7.75	2.60
Energy	3.31	5.58	-2.26
Financials	22.77	15.19	7.58
Health Care	5.27	13.37	-8.10
Industrials	15.66	10.16	5.50
Information Technology	24.22	20.00	4.22
Materials	1.63	4.98	-3.35
Real Estate	0.00	2.59	-2.59
Utilities	0.00	3.18	-3.18
Cash [net of payables]	2.11	0.00	2.11
Five largest overweight positions			
Security	Fund %	Benchmark %	Active weight %
Danaher Corporation	3.46	0.33	3.13
JPMorgan Chase and Co.	3.81	0.70	3.11
RELX PLC	3.09	0.00	3.09
Nestle S.A.	3.64	0.57	3.08
3i Group plc	3.01	0.03	2.98
Five largest underweight positions			
Security	Fund %	Benchmark %	Active weight %
Apple Inc.	1.89	3.71	-1.82
Alphabet Inc. Class A	0.00	0.94	-0.94
UnitedHealth Group Incorporated	0.00	0.88	-0.88
Johnson and Johnson	0.00	0.83	-0.83
Exxon Mobil Corporation	0.00	0.82	-0.82

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	4.99	3.02	1.97
JPMorgan Chase and Co.	3.81	0.70	3.11
Nestle S.A.	3.64	0.57	3.08
Berkshire Hathaway Inc. Class B	3.57	0.71	2.86
Danaher Corporation	3.46	0.33	3.13
Samsung Electronics Co., Ltd.	3.34	0.37	2.97
Coca-Cola Company	3.23	0.46	2.77
RELX PLC	3.09	0.00	3.09
3i Group plc	3.01	0.03	2.98
Intercontinental Exchange, Inc.	2.88	0.10	2.77
Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$100M - \$250M	0.00	0.00	0.00
\$500M - \$1B	0.00	0.00	0.00
\$1B - \$2B	0.71	0.24	0.47
\$2B - \$5B	0.81	2.16	-1.35
\$5B - \$10B	1.48	4.55	-3.07
\$10B - \$25B	4.20	11.91	-7.71
\$25B - 50B	12.56	13.66	-1.10
\$50B - 100B	11.71	16.97	-5.25
> \$100B	66.41	50.51	15.90
Cash [net of payables]	2.11	0.00	2.11

The data in the fund analysis tables above (not including the AUM table) is based on the underlying portfolio, i.e. the unhedged fund (Fund), into which the hedged fund directly invests.

Note: Security selection will change. You should not rely on this statement in making an investment decision about any security, but should make your own independent enquiries.

Market review

Global equities fell in value in December, undoing some of the previous months' gains. Broad headwinds included China reopening and the Fed's reiteration of their hawkish stance against inflation, with markets pricing in higher and longer interest rate hikes than expected. As a result, all major US indices lost ground, with the technology sector the most impacted. European and UK shares also ended lower as rising interest rates and weak economic data weighed on investor sentiment. Both the ECB and the Bank of England hiked rates by 0.5 percentage points to reach their highest level in 14 years respectively. Asian equities marginally lost ground, with positive news coming from China offset by selected outflows in other Asian markets amid interest rate and China reopening concerns. China's earlier-than-expected reopening and promising growth agenda stated at the annual Central Economic Work Conference boosted investor optimism.

Contributors to performance

The Global Opportunities Fund in Australia fell in value but outperformed the MSCI AC World index over the month.

From a geographic perspective, most relative gains came from the portfolio's heavyweight, the US. The largest contributor was not owning Tesla, whose share price fell further on a report of plans to temporarily halt production at its China factory, rekindling fears around demand risks. Our smaller holding in Apple relative to the benchmark was also a bright spot, as supply chain and demand issues worried investors. The fund's overweight in the UK also buoyed performance, with 3i Group, the London-based private equity company, the key contributor. After a strong month, having no exposure to Japanese equities was the fund's main detraction to performance.

Strong stock selection – namely the omission of Tesla from the portfolio – drove the outperformance of the fund's consumer discretionary sector. The two Chinese gaming companies, Tencent and NetEase, were behind the strength in our communication services holdings, both rallying amid Beijing's latest monthly game approvals and new regulatory shift. Our underweight in health care dragged on relative gains, however.

Market outlook and portfolio strategy

November's lower US CPI print is further indication that inflation has reached its peak and we would expect inflation and interest rate expectations to decline as we go through 2023. The message we get from companies we meet is that input costs are starting to moderate and supply chain bottlenecks have eased. However, the market consensus forecasts a recession in 2023, the depth and length of which remains impossible to predict. After the share price falls of 2022, it is tempting to think a recession is already discounted in equity markets. However, on our estimates, consensus corporate earnings forecasts for 2023 are currently only 4% below those at the peak of the market at the end of 2021, which implies all the bad news may not yet be priced in.

Despite the consensus which is cautious on equities, we are somewhat more optimistic. We see a realistic scenario whereby inflationary pressures ease significantly in the first half of 2023, bond yields begin to decline, and a recession is either mild or avoided completely. Such macro developments would, in our view, make positive returns from equities more likely.

We continue to assess our ideas on an individual basis and look at companies relative to their intrinsic worth. While we lack a clear view on the macro-economic direction, we do have a strong view on the businesses we own and the management teams we have chosen to align with. We believe the companies we own are likely to be able to sustainably re-invest cash flows at attractive rates of return. In the long-term, we expect the results of that re-investment to drive superior cash flow compounding.

Contact

Tel: 1800 813 500
Email: clientservices.au@invesco.com
Website: www.invesco.com/au

Notes

¹Invesco does not guarantee that the Fund will achieve its objective.

Important Information

This document has been prepared by Invesco Australia Ltd (Invesco) ABN 48 001 693 232, Australian Financial Services Licence number 239916, who can be contacted on freecall 1800 813 500, by email to clientservices.au@invesco.com, or by writing to GPO Box 231, Melbourne, Victoria, 3001. You can also visit our website at www.invesco.com/au.

This document contains general information only and does not take into account your individual objectives, taxation position, financial situation or needs. You should assess whether the information is appropriate for you and consider obtaining independent taxation, legal, financial or other professional advice before making an investment decision. A Product Disclosure Statement (PDS) and Target Market Determination for any Invesco fund referred to in this document is available from Invesco. You should read the PDS and consider whether a fund is appropriate for you before making a decision to invest.

Invesco is authorised under its licence to provide financial product advice, deal in financial products and operate registered managed investment schemes. If you invest in an Invesco Fund, Invesco may receive fees in relation to that investment. Details are in the PDS. Invesco's employees and directors do not receive commissions but are remunerated on a salary basis. Neither Invesco nor any related corporation has any relationship with other product issuers that could influence us in providing the information contained in this document.

Investments in the Invesco funds are subject to investment risks including possible delays in repayment and loss of income and principal invested. Neither Invesco nor any other member of the Invesco Ltd Group guarantee the return of capital, distribution of income, or the performance of any of the Funds. Any investments in the Funds do not represent deposits in, or other liabilities of, any other member of the Invesco Ltd Group.

Invesco has taken all due care in the preparation of this document. To the maximum extent permitted by law, Invesco, its related bodies corporate, directors or employees are not liable and take no responsibility for the accuracy or completeness of this document and disclaim all liability for any loss or damage of any kind (whether foreseeable or not) that may arise from any person acting on any statements contained in this document. This document has been prepared only for those persons to whom Invesco has provided it. It should not be relied upon by anyone else.

© Copyright of this document is owned by Invesco. You may only reproduce, circulate and use this document (or any part of it) with the consent of Invesco.