

Monthly Factsheet

30 November 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 30 November 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	8.68	6.06	2.62
3 months	2.95	2.43	0.52
6 months	-1.09	-1.89	0.80
1 year	-10.89	-10.39	-0.50
2 years p.a.	6.52	3.84	2.68
3 years p.a.	5.60	5.79	-0.19
5 years p.a.	3.65	6.19	-2.54
7 years p.a.	6.55	8.18	-1.63
10 years p.a.	9.88	10.76	-0.88
Calendar year to date	-14.78	-13.53	-1.25
Financial year to date	7.12	6.31	0.81
Since inception p.a.	6.61	9.07	-2.46

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\$m

Performance analysis - unhedged Fund (periods to 30 November 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	5.28	2.89	2.39
3 months	6.79	5.77	1.02
6 months	6.07	4.43	1.64
1 year	-5.80	-6.43	0.63
2 years p.a.	11.55	7.69	3.86
3 years p.a.	7.69	6.98	0.71
5 years p.a.	6.65	9.12	-2.47
7 years p.a.	7.86	9.63	-1.77
10 years p.a.	13.10	14.11	-1.01
Calendar year to date	-7.93	-7.74	-0.19
Financial year to date	10.76	9.32	1.44
Since inception p.a.	4.87	5.03	-0.16

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 ratings

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Fund analysis (as at 30 November 2022)

Assets under management			
	A\$m		
Hedged Fund AUM:	31.84		
Unhedged Fund AUM:	54.38		
Strategy AUM:	2,448.25		
Region allocation			
Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.42	-0.42
Asia Ex Japan	6.12	9.16	-3.04
Australia	0.00	1.96	-1.96
Europe - EMU	7.68	7.92	-0.24
Europe - Non-EMU	12.88	8.08	4.80
Japan	0.00	5.32	-5.32
Latin America	0.00	0.26	-0.26
North America	73.02	65.18	7.84
South America	0.00	0.69	-0.69
[Other]	0.00	1.00	-1.00
Cash [net of payables]	0.30	0.00	0.30
Sector allocation			
Sector	Fund %	Benchmark %	Active weight %
Communication Services	6.05	6.87	-0.82
Consumer Discretionary	8.45	10.79	-2.34
Consumer Staples	10.14	7.54	2.60
Energy	3.15	5.56	-2.41
Financials	23.03	14.92	8.11
Health Care	5.32	13.02	-7.70
Industrials	15.88	9.96	5.92
Information Technology	26.04	20.82	5.22
Materials	1.64	4.91	-3.26
Real Estate	0.00	2.58	-2.58
Utilities	0.00	3.03	-3.03
Cash [net of payables]	0.30	0.00	0.30
Five largest overweight positions			
Security	Fund %	Benchmark %	Active weight %
Danaher Corporation	3.49	0.32	3.17
JPMorgan Chase and Co.	3.85	0.69	3.15
Samsung Electronics Co., Ltd.	3.53	0.38	3.15
Nestle S.A.	3.63	0.57	3.07
RELX PLC	3.03	0.00	3.03
Five largest underweight positions			
Security	Fund %	Benchmark %	Active weight %
Apple Inc.	2.00	4.09	-2.09
Alphabet Inc. Class A	0.00	1.04	-1.04
Tesla Inc	0.00	0.88	-0.88
UnitedHealth Group Incorporated	0.00	0.88	-0.88
Exxon Mobil Corporation	0.00	0.80	-0.80

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	5.75	3.09	2.65
JPMorgan Chase and Co.	3.85	0.69	3.15
Nestle S.A.	3.63	0.57	3.07
Berkshire Hathaway Inc. Class B	3.61	0.70	2.91
Samsung Electronics Co., Ltd.	3.53	0.38	3.15
Danaher Corporation	3.49	0.32	3.17
Coca-Cola Company	3.17	0.45	2.72
RELX PLC	3.03	0.00	3.03
Intercontinental Exchange, Inc.	2.98	0.10	2.87
3i Group plc	2.94	0.03	2.91

Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$100M - \$250M	0.00	0.00	0.00
\$500M - \$1B	0.00	0.02	-0.02
\$1B - \$2B	0.64	0.26	0.39
\$2B - \$5B	0.79	1.99	-1.21
\$5B - \$10B	1.45	4.13	-2.68
\$10B - \$25B	2.94	11.26	-8.33
\$25B - 50B	13.67	13.25	0.42
\$50B - 100B	12.89	17.16	-4.27
> \$100B	67.33	51.93	15.40
Cash [net of payables]	0.30	0.00	0.30

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 rose in value across the board for the second month in a row in November. The US advanced amid positive news flow: improving inflation prints, suggestions of smaller future rate hikes, and easing geopolitical tensions between the US and China after the Biden-Xi Jinping meeting. European stock markets also appreciated as data indicated that the eurozone would fall into a milder recession than previously anticipated. The governments' fiscal support, lower gas prices and eurozone inflation falling for the first time in 17 months all contributed to the broad gains. The UK equity market participated in the rally despite some concerns around inflation which rose more than forecasted and official data suggesting that the UK economy is already in recession. Asian equity markets rebounded strongly from last month's lows, as Chinese equities were buoyed by earlier than expected policy responses by Beijing following the 20th Communist Party Congress regarding re-opening, as well as support measures for its property market.

Contributors to performance

The Global Opportunities in Australia fund rose in value and outperformed the MSCI AC World index over the month.

From a geographic perspective, the US drove most of the fund's outperformance. Our underweight in Apple relative to the benchmark was the top contributor, as the tech giant slid in value amid continued Covid-driven lockdowns around the largest iPhone production factory in China. The omission of Tesla from the portfolio also benefitted, with Elon Musk's company facing a dip in its share price as the Twitter turmoil continues to impact the EV maker, and Wedbush removed the stock from its well-recognised best stock ideas list. The prospect of lower rate hikes from the Fed buoyed Nvidia's share price, and the semiconductor manufacturer also benefitted from easing US-China tensions, as well as improving sentiment after Warren Buffet invested c.\$5bn in Taiwanese chipmaker, TSMC. Our French and Chinese holdings were also a bright spot, with cosmetic manufacturer L'Oréal participating in a broader rally of European luxury stocks, spurred on by China's said plan to end their system of penalising airlines for bringing virus cases into the country.

The fund's information technology holdings led gains, with Apple the main driver, followed by the communications services sector as Tencent and NetEase participated in the broader rally in Chinese equities on reopening hopes. Our energy stocks did well too, with Total Energies in particular benefitting from a broader rally in oil names as crude advanced after Saudi Arabia denied a report stating that it is discussing increasing the oil production for the OPEC+. Our underweight in materials – the sector with the highest absolute returns in both the portfolio and the benchmark – was an area of weakness however.

Market outlook and portfolio strategy

As we thought, recent US CPI data indicates that inflation is reaching its peak as a result of higher commodity prices annualising, and factors such as shipping costs beginning to normalise. The tighter global central bank monetary policies have started to choke off excess demand, and excess consumer savings built up during Covid lockdowns have largely been drawn down. With demand at risk of dropping further into 2023, we will have, and will continue to, review the pricing power of our holdings, to ensure as far as possible that increased costs can be compensated by higher selling prices.

Our focus is on 'bottom-up' industry and company level research because this is where we see our greatest source of competitive advantage. Idiosyncratic risk continues to account for over half of tracking error, a result of our continuing efforts to make sure that our stock picking is the dominant determinant of our returns. Our tolerance for balance sheet leverage remains low with most of the top 20 holdings boasting net cash balance sheets.

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.

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Notes

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

² The Zenith Investment Partners (ABN 27 103 132 672 FS Licence 226872) (“Zenith”) rating (assigned GTU0008AU/GTU0102AU - November 2022) referred to in this piece is limited to “General Advice” (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith’s methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at [Fund Research Regulatory Guidelines](#).

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