

Monthly Factsheet

30 September 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
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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
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Performance analysis - hedged - Class A (periods to 30 September 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-9.89	-8.96	-0.93
3 months	-6.23	-5.52	-0.71
6 months	-19.82	-19.03	-0.79
1 year	-17.41	-18.05	0.64
2 years p.a.	4.75	1.84	2.91
3 years p.a.	2.60	3.32	-0.72
5 years p.a.	1.39	4.58	-3.19
10 years p.a.	8.49		
Calendar year to date	-25.40	-23.15	-2.25
Financial year to date	-6.23	-5.52	-0.71
Since inception p.a.	6.15		

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 September 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-4.26	-3.58	-0.68
3 months	-0.70	-0.34	-0.36
6 months	-8.03	-8.21	0.18
1 year	-9.02	-10.86	1.84
2 years p.a.	9.90	6.17	3.73
3 years p.a.	5.76	5.41	0.35
5 years p.a.	5.46	8.69	-3.23
10 years p.a.	11.80		
Calendar year to date	-17.45	-15.90	-1.55
Financial year to date	-0.70	-0.34	-0.36
Since inception p.a.	4.41		

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 September 2022)
Assets under management

	A\$m
Hedged Fund AUM:	28.18
Unhedged AUM:	63.60
Strategy AUM:	2,244.45

Region allocation

Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.39	-0.39
Asia Ex Japan	4.86	9.33	-4.48
Australia	0.00	1.90	-1.90
Europe - EMU	5.73	7.34	-1.61
Europe - Non-EMU	11.28	7.96	3.32
Japan	0.00	5.37	-5.37
Latin America	0.00	0.25	-0.25
North America	76.35	65.58	10.77
South America	0.00	0.75	-0.75
[Other]	0.00	1.13	-1.13
Cash [net of payables]	1.78	0.00	1.78

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Communication Services	5.48	7.33	-1.86
Consumer Discretionary	13.10	11.58	1.52
Consumer Staples	8.17	7.65	0.52
Energy	2.26	5.21	-2.95
Financials	22.43	14.55	7.88
Health Care	6.27	12.89	-6.63
Industrials	13.34	9.49	3.85
Information Technology	27.16	20.77	6.40
Materials	0.00	4.69	-4.69
Real Estate	0.00	2.69	-2.69
Utilities	0.00	3.14	-3.14
Cash [net of payables]	1.78	0.00	1.78

Five largest overweight positions

Security	Fund %	Benchmark %	Active weight %
Danaher Corporation	4.22	0.35	3.88
Mastercard Incorporated Class A	3.73	0.48	3.25
JPMorgan Chase and Co.	3.81	0.60	3.21
Microsoft Corporation	6.42	3.21	3.21
Constellation Software Inc.	2.92	0.05	2.87

Five largest underweight positions

Security	Fund %	Benchmark %	Active weight %
Apple Inc.	1.86	4.34	-2.48
Tesla Inc	0.00	1.36	-1.36
Alphabet Inc. Class A	0.00	1.12	-1.12
UnitedHealth Group Incorporated	0.00	0.92	-0.92
Johnson and Johnson	0.00	0.83	-0.83

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	6.42	3.21	3.21
Danaher Corporation	4.22	0.35	3.88
JPMorgan Chase and Co.	3.81	0.60	3.21
Mastercard Incorporated Class A	3.73	0.48	3.25
Amazon.com, Inc.	3.56	2.01	1.55
Berkshire Hathaway Inc. Class B	3.32	0.67	2.66
L'Oreal S.A.	2.94	0.15	2.79
Constellation Software Inc.	2.92	0.05	2.87
Copart, Inc.	2.83	0.04	2.78
Progressive Corporation	2.72	0.13	2.59

Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$100M - \$250M	0.00	0.00	0.00
\$500M - \$1B	0.00	0.03	-0.03
\$1B - \$2B	0.58	0.30	0.28
\$2B - \$5B	1.63	2.28	-0.64
\$5B - \$10B	2.00	4.64	-2.64
\$10B - \$25B	7.76	12.45	-4.69
\$25B - 50B	10.51	14.03	-3.52
\$50B - 100B	13.48	16.36	-2.88
> \$100B	62.25	49.91	12.34
Cash [net of payables]	1.78	0.00	1.78

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 declined in September, as macroeconomic headwinds continued to erode markets. Initial optimism of peaking prices in the US were undone as CPI reported higher-than-expected inflation, sparking fresh concerns of tighter Fed monetary policy and further investor risk-off sentiment. Despite recession fears, the ECB raised interest rates to their highest level since 2011 in order to curb inflation, sending stocks lower. UK equities also sold off amid the broader risk-off tone and growth fears, and markets reacted unfavourably to new tax cuts and spending pledges announced by the new chancellor. Asian stocks also fell on Fed hawkishness and domestic currencies weakened against the US dollar. The PBOC stepped in to support markets and ensure yuan stability, however Covid conditions improved, with Hong Kong and Macau relaxing restrictions. Taiwanese and Korean stocks similarly lagged as technology continued to be out of favour. Emerging markets similarly lost ground, underperforming the developed market.

Contributors to performance

Both the hedged and unhedged Global Opportunities funds fell in value and underperformed their benchmark during the month of September.

From a geographic perspective, most detraction came for our US stocks, with our technology names particularly impacted by continued hawkish Fed rhetoric. Adobe fell as investors deemed their purchase of design platform Figma as too expensive, while NVIDIA faced the continued headwind of limited exports to China imposed by the US, although the company obtained licenses to export some chips to China-based US customers. Some Chinese stocks also detracted from performance, namely the US-listed companies Tencent and NetEase which were dragged down by waning risk appetite and tensions between Beijing and Taiwan both also held back the fund's performance in the communication services sector. Our UK holdings also struggled against broader headwinds of continued growth fears and concerns around the government's new fiscal package.

Our industrials holdings were relatively weak, such as Ryanair which lost ground amid staff strikes and flight disruptions. Not holding any real estate or utilities companies in the portfolio buoyed relative gains, as both sectors underperformed the broader market. While our underweight in healthcare was an area of weakness, the two stocks we do own in the sector, Roche and Danaher, were the fund's top performers. Notably, Roche's share price rose on positive news flow around a successful Alzheimer's drug trial by industry peers.

Market outlook and portfolio strategy

We continue to expect inflation to reach its peak by the end of 2022 as a result of higher commodity prices annualising. With tighter global central bank monetary policy beginning to choke off excess demand, recession risks are growing even more acute. With demand at risk of dropping further into 2022 and 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.

Making forecasts at this stage is fraught with difficulty, however some outcomes seem certain. Energy prices will stay high for the foreseeable future and food prices are likely to continue to rise as we go through the year. The 280 billion rescue package earmarked by Europe's politicians is being dwarfed by the scale of the energy crisis, as Russia continues to squeeze supplies. The squeeze on consumer disposable incomes globally will continue, especially in Europe as rising defence spending may have to be funded through higher taxes. In relative terms, the US and Canada may well do better than Europe in the medium term due to self-sufficiency in energy and a lower geopolitical risk premium; sadly the war is on our doorstep.

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 2021) 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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