

Monthly Factsheet

31 January 2023

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 January 2023)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	7.85	6.23	1.62
3 months	12.45	7.23	5.22
6 months	0.91	0.47	0.44
1 year	-7.32	-8.24	0.92
2 years p.a.	6.25	2.63	3.62
3 years p.a.	6.13	5.52	0.61
5 years p.a.	3.35	5.31	-1.96
7 years p.a.	8.52	9.51	-0.99
10 years p.a.	9.42		
Calendar year to date	7.85	6.23	1.62
Financial year to date	10.84	7.48	3.36
Since inception p.a.	6.70		

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 January 2023)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	4.69	3.14	1.55
3 months	5.08	0.67	4.41
6 months	2.18	1.46	0.72
1 year	-6.11	-8.01	1.90
2 years p.a.	11.07	6.51	4.56
3 years p.a.	6.26	5.02	1.24
5 years p.a.	6.37	8.50	-2.13
7 years p.a.	8.96	10.15	-1.19
10 years p.a.	12.31		
Calendar year to date	4.69	3.14	1.55
Financial year to date	10.55	6.96	3.59
Since inception p.a.	4.83		

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 31 January 2023)
Assets under management

	A\$m
Hedged fund AUM:	32.91
Unhedged fund AUM:	56.29
Strategy AUM:	2,439.65

Region allocation

Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.41	-0.41
Asia Ex Japan	6.43	9.59	-3.16
Australia	0.00	2.08	-2.08
Europe - EMU	7.40	8.59	-1.19
Europe - Non-EMU	11.94	8.24	3.70
Japan	0.00	5.51	-5.51
Latin America	0.00	0.28	-0.28
North America	71.41	63.64	7.77
South America	0.00	0.70	-0.70
[Other]	0.00	0.96	-0.96
Cash [net of payables]	2.82	0.00	2.82

Sector allocation

Sector	Fund %	Benchmark %	Active weight %
Communication Services	6.30	7.14	-0.84
Consumer Discretionary	8.22	11.13	-2.91
Consumer Staples	9.78	7.33	2.45
Energy	3.51	5.35	-1.85
Financials	21.02	15.30	5.73
Health Care	6.14	12.46	-6.32
Industrials	15.69	9.99	5.70
Information Technology	24.87	20.61	4.26
Materials	1.66	5.11	-3.45
Real Estate	0.00	2.63	-2.63
Utilities	0.00	2.96	-2.96
Cash [net of payables]	2.82	0.00	2.82

Five largest overweight positions			
Security	Fund %	Benchmark %	Active weight %
Samsung Electronics Co., Ltd.	3.47	0.39	3.08
RELX PLC	3.04	0.00	3.04
Nestle S.A.	3.50	0.55	2.95
Danaher Corporation	3.16	0.30	2.85
Ryanair Holdings Plc	2.71	0.00	2.71

Five largest underweight positions			
Security	Fund %	Benchmark %	Active weight %
Apple Inc.	2.14	3.85	-1.72
Alphabet Inc. Class A	0.00	0.98	-0.98
Exxon Mobil Corporation	0.00	0.80	-0.80
Tesla Inc	0.00	0.77	-0.77
Johnson and Johnson	0.00	0.71	-0.71

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	4.73	2.92	1.82
Nestle S.A.	3.50	0.55	2.95
Samsung Electronics Co., Ltd.	3.47	0.39	3.08
Danaher Corporation	3.16	0.30	2.85
RELX PLC	3.04	0.00	3.04
Berkshire Hathaway Inc. Class B	2.79	0.67	2.11
Intercontinental Exchange, Inc.	2.77	0.10	2.67
Ryanair Holdings Plc	2.71	0.00	2.71
Texas Instruments Incorporated	2.63	0.27	2.37
American Express Company	2.61	0.19	2.43

Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$500M - \$1B	0.00	0.00	0.00
\$1B - \$2B	0.00	0.22	-0.22
\$2B - \$5B	1.36	2.14	-0.78
\$5B - \$10B	1.29	4.22	-2.93
\$10B - \$25B	1.12	12.03	-10.92
\$25B - 50B	12.54	13.60	-1.07
\$50B - 100B	15.10	17.03	-1.93
> \$100B	65.78	50.74	15.04
Cash [net of payables]	2.82	0.00	2.82

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 equity markets started 2023 on a strong note, finishing the month higher with investor risk appetite supported by some positive news flow. 'Growth' stocks outperformed 'value', as longer duration assets rallied on expectations of a US Federal Reserve 'pivot' to lower interest rates. A brighter macroeconomic outlook characterised by a decline in energy prices, China reopening and peaking inflation drove the S&P 500's best start to a year since 2019. European and UK shares also benefited from these broader tailwinds, ending the month higher as their respective annual inflation readings continued to slow. Asia Pacific equities advanced over the month, as China's reopening progressed faster than expected in January. Taiwan and Korea were the top absolute performers, spurred on by a rebound in the technology sector amid expectations of the Fed's softer monetary tightening.

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, Asia Pacific was the biggest area of strength for the fund. China was the key contributor, as our gaming and internet holdings NetEase and Tencent took support from the easing regulatory environment. Our US holdings also aided relative performance, led by American Express and Nvidia. AmEx notably advanced after reporting strong 4Q earnings and an optimistic 2023 forecast, while the semiconductor manufacturer was buoyed by a broader chip rally. 3i, the London-based private equity company, was behind the strength in the fund's UK holdings, following a significant 3Q earnings beat.

Sector-wise, healthcare was the fund's biggest contributor to relative gains – this was down to our significant underweight in what was the market's weakest absolute performer over the month. Industrials closely followed, in particular driven by Ryanair after the airline operator boosted its full-year profit forecast following stronger-than-expected demand over Christmas. The consumer staples name, L'Oréal, jumped amid a broader rally of France's luxury stocks on softer-than-expected inflation and China optimism. However, further gains were held back by our underweight consumer discretionary which outperformed in January, and our materials names modestly lagged.

Market outlook and portfolio strategy

December'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.

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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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