

Monthly Factsheet

31 October 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:
GTU008AU

Unhedged:
GTU0102AU

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

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	5.12	6.08	-0.96
3 months	-10.26	-6.31	-3.95
6 months	-9.08	-7.73	-1.35
1 year	-18.48	-17.02	-1.46
2 years p.a.	8.30	6.24	2.06
3 years p.a.	3.49	4.71	-1.22
5 years p.a.	2.04	5.24	-3.20
7 years p.a.	5.41	7.39	-1.98
10 years p.a.	9.06		
Calendar year to date	-21.59	-18.47	-3.12
Financial year to date	-1.43	0.23	-1.66
Since inception p.a.	6.32		

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 31 October 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	5.94	6.62	-0.68
3 months	-2.76	0.78	-3.54
6 months	0.49	0.67	-0.18
1 year	-6.30	-5.98	-0.32
2 years p.a.	12.90	9.85	3.05
3 years p.a.	7.24	7.48	-0.24
5 years p.a.	6.01	9.13	-3.12
7 years p.a.	6.78	8.86	-2.08
10 years p.a.	12.51		
Calendar year to date	-12.55	-10.33	-2.22
Financial year to date	5.20	6.25	-1.05
Since inception p.a.	4.66		

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 October 2022)

Assets under management			
	A\$m		
Hedged Fund AUM:	29.50		
Unhedged Fund AUM:	65.19		
Strategy AUM:	2,368.35		
Region allocation			
Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.38	-0.38
Asia Ex Japan	5.19	8.34	-3.15
Australia	0.00	1.88	-1.88
Europe - EMU	6.86	7.57	-0.71
Europe - Non-EMU	12.07	7.94	4.13
Japan	0.00	5.22	-5.22
Latin America	0.00	0.27	-0.27
North America	73.61	66.52	7.09
South America	0.00	0.77	-0.77
[Other]	0.00	1.12	-1.12
Cash [net of payables]	2.27	0.00	2.27
Sector allocation			
Sector	Fund %	Benchmark %	Active weight %
Communication Services	4.38	6.89	-2.52
Consumer Discretionary	9.66	10.82	-1.16
Consumer Staples	10.00	7.56	2.44
Energy	3.00	5.80	-2.81
Financials	22.56	14.77	7.78
Health Care	5.44	13.24	-7.80
Industrials	13.28	9.83	3.45
Information Technology	28.23	20.89	7.34
Materials	1.19	4.63	-3.45
Real Estate	0.00	2.53	-2.53
Utilities	0.00	3.03	-3.03
Cash [net of payables]	2.27	0.00	2.27
Five largest overweight positions			
Security	Fund %	Benchmark %	Active weight %
JPMorgan Chase and Co.	4.00	0.68	3.33
Mastercard Incorporated Class A	3.79	0.52	3.27
Danaher Corporation	3.43	0.32	3.11
Samsung Electronics Co., Ltd.	3.25	0.37	2.88
Constellation Software Inc.	2.93	0.05	2.88
Five largest underweight positions			
Security	Fund %	Benchmark %	Active weight %
Apple Inc.	2.01	4.55	-2.54
Tesla Inc	0.00	1.10	-1.10
Alphabet Inc. Class A	0.00	1.04	-1.04
UnitedHealth Group Incorporated	0.00	0.95	-0.95
Exxon Mobil Corporation	0.00	0.86	-0.86

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	5.28	3.02	2.26
JPMorgan Chase and Co.	4.00	0.68	3.33
Mastercard Incorporated Class A	3.79	0.52	3.27
Berkshire Hathaway Inc. Class B	3.57	0.70	2.88
Danaher Corporation	3.43	0.32	3.11
Nestle S.A.	3.41	0.56	2.85
Samsung Electronics Co., Ltd.	3.25	0.37	2.88
Coca-Cola Company	3.10	0.45	2.65
L'Oreal S.A.	2.95	0.14	2.81
Constellation Software Inc.	2.93	0.05	2.88

Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$100M - \$250M	0.00	0.00	0.00
\$250M - \$500M	0.00	0.00	0.00
\$500M - \$1B	0.00	0.02	-0.02
\$1B - \$2B	0.47	0.30	0.17
\$2B - \$5B	0.85	2.06	-1.21
\$5B - \$10B	1.56	4.14	-2.59
\$10B - \$25B	5.06	11.63	-6.57
\$25B - 50B	11.48	13.01	-1.53
\$50B - 100B	11.06	16.88	-5.82
> \$100B	67.25	51.95	15.30
Cash [net of payables]	2.27	0.00	2.27

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 markets were in positive territory in October, as some upbeat 3Q22 corporate earnings reports outweighed inflation concerns and worries of an economic slowdown. However, amidst this solid earnings season, big US technology companies disappointed due to slowing revenues and US dollar strength acting as a notable headwind. Some investor confidence returned, with several Fed officials considering slowing monetary tightening, as headline CPI fell for the third consecutive month. European and UK markets also ended higher despite continued high inflation and data pointing towards an economic slowdown. The ECB raised interest rates in line with expectations by 75 basis points to the highest level since 2009, 1.5%. Politics made headlines in the UK, with the new Chancellor reversing tax cuts announced following last month's 'mini budget'. Asian equities fell over the month, dragged down by an underperforming Chinese equity market as investors badly digested the 20th Communist Party Congress and the continued Covid lockdown policy. China's underperformance and US dollar strength also impacted emerging markets.

Contributors to performance

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

From a geographic perspective, most of the fund's weakness came from our US holdings. Despite its 3Q earnings beating estimates, Danaher, along with other life-science tools makers, dropped on bioprocessing demand normalising as Covid recedes. Danaher, along with Swiss pharmaceutical Roche, dragged on the fund's health care holdings. First Republic Bank also lost value after announcing that its 2022 net interest margin (NIM) is expected to be at the lower end of their guidance range. In line with other large, US technology stocks, Amazon and Microsoft also detracted from performance on disappointing 3Q corporate earnings results as revenues slowed. Having said this, the fund's information technology stocks overall did well relative to the benchmark thanks to strong stock selection, with Mastercard a notable contributor after an earnings beat. Chinese gaming companies, NetEase and Tencent, underperformed amid a global mobile-game sales slowdown and Chinese market weakness. Both drove underperformance in our communication services holdings, our weakest sector over the month.

The fund's UK stocks did well however, with Relx and 3i the two strongest performers, as did stock selection in South Korea. Our underweight position to Japan was additive to performance. JP Morgan was the fund's top performer, as the investment bank rebounded after reporting better-than-expected earnings and boosting its annual NII (net interest income) guidance. The consumer discretionary sector was also an area of modest strength, largely due to the omission of Tesla from the portfolio.

Market outlook and portfolio strategy

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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