PENDAL

Factsheet

Global Equities

31 July 2023

Pendal Global Emerging Markets Opportunities Fund

ARSN: 159 605 811

About the Fund

The Pendal Global Emerging Markets Opportunities Fund (**Fund**) is an actively managed portfolio of global emerging market shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the MSCI Emerging Markets (Standard) Index (Net Dividends) in AUD over the long term. The suggested investment time frame is seven years or more.

Description of Fund

This Fund is designed for investors who want the potential for long-term capital growth, diversification across a broad range of global emerging market shares and are prepared to accept high variability of returns. The Fund can invest in shares in a range of emerging markets and may also hold cash.

As manager of the Fund, J O Hambro Capital Management (**JOHCM**) investment process for global emerging market shares aims to add value through a combination of country allocation as well as individual stock selection. JOHCM's country allocation process is based on analysis of a country's economic growth, monetary policy, market liquidity, currency, governance/politics and equity market valuation. The stock selection process focuses on buying quality growth stocks at attractive valuations.

The Fund has assets that are denominated in foreign currencies. This means that changes to the Australian dollar relative to foreign currencies may affect the value of the assets of the Fund. The Fund's foreign currency exposure will generally not be hedged to the Australian dollar but JOHCM may do so from time to time. JOHCM does not intend to use currency trading as an additional source of Fund returns.

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.

Investment Manager

The portfolio is managed by J O Hambro Capital Management Limited, wholly owned subsidiary of Perpetual Limited (ASX ticker: PPT).

Other Information

Fund size (as at 31 July 2023)	$259 million
Date of inception	November 2012
Minimum Investment	$25,000
Buy-sell spread[1] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Yearly
APIR code	BTA0419AU

[1] The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee[2]	1.18% pa

[2] This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	2.89	2.99	4.93
3 months	4.91	5.22	6.32
6 months	9.81	10.45	7.98
1 year	15.56	16.93	12.20
2 years (p.a)	0.10	1.29	-2.82
3 years (p.a)	6.54	7.80	3.59
5 years (p.a)	4.43	5.74	3.73
Since Inception (p.a)	8.01	9.45	7.07

Source: Pendal as at 31 July 2023

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: November 2012.

Past performance is not a reliable indicator of future performance.

Country Allocation (as at 31 July 2023)

China	24.1%
India	17.2%
Brazil	9.8%
Indonesia	9.5%
Mexico	9.3%
Taiwan	8.4%
Korea, Republic of	4.5%
United Arab Emirates	4.3%
South Africa	3.6%
Hong Kong	3.3%
Other countries	3.7%
Cash & other	2.4%

Sector Allocation (as at 31 July 2023)

Energy	2.2%
Materials	7.5%
Industrials	9.2%
Consumer Discretionary	10.0%
Consumer Staples	11.5%
Health Care	0.0%
Information Technology	11.1%
Telecommunication Services	7.4%
Utilities	2.5%
Financials ex Property Trusts	29.9%
Property Trusts	6.4%
Cash & other	2.4%

Top 10 Holdings (as at 31 July 2023)

Tencent Holdings Ltd	7.2%
Taiwan Semiconductor Manufacturing Co Lt	4.4%
Emaar Properties PJSC	3.9%
Larsen & Toubro Ltd	3.8%
FirstRand Ltd	3.6%
Mahindra & Mahindra Ltd	3.5%
HDFC Bank Ltd	3.5%
State Bank of India	3.5%
Ambev SA	3.5%
Grupo Financiero Banorte SAB de CV	3.4%

Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk** - The risk associated with an individual asset.
- **Emerging markets risk** – The risk of asset price volatility and higher currency, default and liquidity risk from investments in emerging markets.
- **International investments risk** – The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Currency risk -** Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Regulatory risk -** The risk that a change in laws and regulations governing an investment or financial markets could have an adverse impact on an investment.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

Fund manager commentary

July 2023 was a strong month for emerging market equities. The MSCI EM index returned 4.9% in AUD terms, with strong gains from some major groups of stocks. Chinese internet names performed well, including some key portfolio holdings; some emerging market banks rose strongly, including portfolio holdings in Mexico and South Africa. Turkish (not held) stocks rose strongly on hopes for more orthodox economic policies.

By far, the most substantial gains, though, were in parts of the broader technology sector, particularly stocks with exposure to electric vehicles/batteries and stocks that are possible artificial intelligence beneficiaries. We see multiple signs that there may be excessive optimism in some of these groups of stocks. We are neither taking a view on particular companies/business models nor saying that these upward moves are finished, but we are highlighting some of the market dynamics we see:

1. Huge volumes and parabolic price moves driven by retail investors: this has particularly been the case with the Korean EV/battery sector. EV/battery stocks represented nearly half of the total Korean stock market turnover on some days in July, driven by retail investor leverage rising to a record KRW (South Korean won) 10trn. The key to stock selection has been the Korean YouTube presenter Park Soon-hyeok, better known as 'Mr. Battery'. Six of his eight recommended names rose over 40% in the month, with the strongest of them, Ecopro (not held), up 1,059% year-to-date. There has also been a raft of new issuance of Korean EV/battery ETFs in recent weeks.

2. Strongest moves in names that might have quality challenges: Strongest moves in names that might have quality challenges: New Oriental Education (China, online education, not held) has previously been the subject of both short-seller allegations of dishonesty and also of the crackdown on online education by the Chinese government. The stock returned 49.8% in July. NIO (China, EV, not held) is forecast by consensus estimates to have a net loss of USD 2bn on USD 8.9bn of sales this year but rose 58% in July, underperforming XPeng (China, EV, not held), expected to lose USD 1.2bn on USD 4.5bn of sales, and up 74% in July. In May of this year, Lee Dong-chae, the chairman and largest shareholder of Ecopro, was sentenced to two years in prison for violating South Korean capital market laws.

3. Parabolic moves in stocks that aren't pure play tech names: Posco Holdings (Korea, steel, not held) is one of Asia's largest steel producers, with thirty thousand employees producing 32 million tons of steel every year. The company has made some smart investments in green steel technology and has ongoing investments in EV battery components, which it provided an update on in July. That update was material in driving the market cap of Posco Holdings from USD 24.9bn to USD 42.5bn in the month. Similarly, strong monthly gains (+50%) were seen in some Taiwanese PC and laptop producers that have been reporting declining PC, laptop and server volumes this year, on the hope that AI server orders (volumes and margins at this point unclear) are about to follow.

4. Crucially, the high-quality large-cap companies with proven track records and technologies were laggards in the month. TSMC (Taiwan, tech hardware, held) is widely recognised as the world's dominant producer of high-performance semiconductors that are key to AI; the stock fell 2.8% in July. Samsung Electronics (Korea, tech hardware, held) is TSMC's nearest challenger in high-end semiconductors and a major producer of computer memory, including the HBM type used in AI servers; the stock fell -0.4% in July. The technological revolutions in AI and EV are changing the world, but equity markets will not price that opportunity with perfect efficiency. We are concerned that some parts of the EM equity space look particularly inefficient right now.