

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 30 June 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
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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		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	2.92	3.02	0.91
3 months	3.24	3.54	1.52
6 months	8.83	9.46	6.86
1 year	12.38	13.70	5.11
2 years (p.a)	-2.74	-1.58	-7.40
3 years (p.a)	6.28	7.54	3.48
5 years (p.a)	3.93	5.23	3.06
Since Inception (p.a)	7.79	9.22	6.65

Source: Pendal as at 30 June 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 30 June 2023)

China	24.4%
India	17.2%
Brazil	10.3%
Taiwan	9.6%
Indonesia	9.1%
Mexico	9.0%
Korea, Republic of	5.2%
United Arab Emirates	4.2%
South Africa	3.3%
Hong Kong	3.0%
Other Countries	3.7%
Cash & Other	1.1%

Sector Allocation (as at 30 June 2023)

Energy	2.3%
Materials	9.9%
Industrials	9.4%
Consumer Discretionary	9.6%
Consumer Staples	11.9%
Health Care	0.0%
Information Technology	11.4%
Telecommunication Services	7.2%
Utilities	2.4%
Financials ex Property Trusts	28.7%
Property Trusts	6.2%
Cash & other	1.1%

Top 10 Holdings (as at 30 June 2023)

Tencent Holdings Ltd	6.9%
Taiwan Semiconductor	4.6%
Emaar Properties PJSC	3.8%
HDFC Bank Ltd	3.7%
Ambev SA	3.7%
Mahindra & Mahindra Ltd	3.6%
Larsen & Toubro Ltd	3.6%
State Bank of India	3.3%
FirstRand Ltd	3.3%
Itau Unibanco Holding SA	3.1%

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

One of the strongest arguments for employing a top-down, country-level approach to EM equity investing (as we do) is the role of currencies in returns and the variance of returns. Emerging market currencies are typically more volatile than developed market currencies, but in addition, currency moves in emerging markets are typically correlated with equity market moves and with economic conditions.

This approach has worked well in the first half of 2023, with some major emerging markets (from the higher beta, more US dollar-sensitive end of the spectrum) seeing strong returns in both currencies and equities. For example, MSCI Mexico returned 11.6% in MXN terms, while the Mexican peso appreciated by 13.9% against the US dollar, lifting USD returns for the index to 27.1%. Brazil and Indonesia enjoyed similar return patterns in the first half of the year.

There have been a number of drivers of this currency support for equity returns, and we believe that these are likely to persist in the second half of 2023, lifting our confidence in the markets our portfolio is overweight.

Firstly, conditions for the US dollar. Exchange rates are just ratios, and the fundamentals of the US dollar have not been supportive this year. 2021 and 2022 saw dramatic strength in the US dollar

relative to key trade-partner currencies, lifting the real effective exchange rate to a thirty-year high. This represented an overshoot relative to the commodity terms of trade, which turned into negative momentum in late 2022 and the first half of 2023. With a more uncertain outlook, the Federal Reserve may be hiking or cutting interest rates in the second half of 2023 in H2, but the interest rate outlook seems less hawkish than other global central banks.

Secondly, and following on from that, many emerging market central banks, including in Mexico and Brazil, had hiked much earlier and far more aggressively than developed market central banks. Policymakers in these countries have remained cautious despite clear disinflation in their economies – ex-ante real interest rates in Brazil are approaching 9%. Other central banks, for example, in India and Indonesia, have chosen to deploy excess foreign exchange reserves to support their currencies but have avoided the accommodation of inflation that we have seen in many developed markets.

Combining these, we have seen strong conditions for carry trade investors funding in US dollars and investing in emerging market rates and bond markets. As those flows have stabilised currency volatility, risk-adjusted carry returns have steadily improved. A JP Morgan index of one month volatility in emerging market currencies peaked at 20% during the Covid sell-off, averaged 11.3% in 2022, but declined to 8% in June 2023. Volatility adjusted carry still looks attractive relative to history.

Lastly, the trade fundamentals, both in terms of prices (terms of trade) and goods flows (trade balances), look extremely supportive. Trade balances and current account balances look strong relative to history in Brazil, India and Indonesia, while the Mexican trade deficit is offset by inbound remittances from overseas Mexican workers. In all four countries, strong economic and domestic demand growth will inevitably lead to rising imports, but the starting position remains attractive after weak domestic demand growth in the 2010s and the powerful sell-off in real effective exchange rates in 2020.

For these emerging economies, we see attractive economic conditions and strong commitments to monetary orthodoxy attracting increasing capital flows from global carry-trade investors. Those flows further drive liquidity and growth while stabilising and strengthening currencies, all of which are highly supportive for equity investors. We remain highly positive on the outlook for these markets in the second half of the year.

For more information please call 1300 346 821,
contact your key account manager or visit pendalgroup.com

PENDAL

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PFSL is the responsible entity and issuer of units in the Pental Global Emerging Markets Opportunities Fund (Fund) ARSN: 159 605 811. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pentalgroup.com. The Target Market Determination (TMD) for the Fund is available at www.pentalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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Performance figures are calculated in accordance with the Financial Services Council (FSC) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.