

PENDAL

Factsheet

Pendal Concentrated Global Share Fund No.2

Global Equities

Previously known as 'Pendal Core Global Share Fund'
ARSN: 089 938 492

December 2020

About the Fund

The Pendal Concentrated Global Share Fund No.2 (**Fund**) is an actively managed concentrated portfolio of global shares.

Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds MSCI World ex Australia (Standard) Index (Net Dividends) in AUD over the medium to long term. The suggested investment timeframe is five years or more.

Description of Fund

The Fund is designed for investors who want the potential for long term capital growth from a concentrated portfolio of global shares, diversified across a broad range of global sharemarkets and are prepared to accept higher variability of returns. The Fund invests in global companies that offer attractive investment opportunities predominately in markets such as the USA, UK, Continental Europe, Asia and Japan. The Fund may also hold cash and use derivatives.

Pendal's investment process for global shares aims to add value through active stock selection and fundamental company research. Pendal focuses on identifying a company's long term value and potential risk reward opportunity and is benchmark agnostic. Our high conviction approach to the Fund's investments seeks to invest in companies that are out of favour, considered to be undervalued in the near term and offer long term capital growth. The Fund will typically hold between 35-55 stocks.

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. Generally, these currency exposures will not be hedged to the Australian dollar but Pendal may do so from time to time.

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 Team

Pendal's Global Equities team is led by Ashley Pittard. Ashley has been analysing and investing in global businesses for over 20 years and was appointed as Pendal's Head of Global Equities in 2016. The five person Global Equities team is organised on an industry basis and has an average finance industry tenure of over ten years. The Global Equities team will be able to leverage Pendal Group's global resources, including those of J O Hambro Capital Management, 100% owned by offices in London, Singapore, New York and Boston.

Management Costs¹

| | |
|-------------------------|----------|
| Issuer fee ² | 0.95% pa |
|-------------------------|----------|

¹ You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

² This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

Other Information

| | |
|--|--------------|
| Fund size (as at 31 Dec 2020) | \$87 million |
| Date of inception | October 1992 |
| Minimum investment | \$25,000 |
| Buy-sell spread ³ | |
| For the Fund's current buy-sell spread information, visit www.pendalgroup.com | |
| Distribution frequency | Yearly |
| APIR code | RFA0821AU |

³ The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Performance

| (%) | Total Returns | | Benchmark Return |
|--------------|---------------|-----------|------------------|
| | (post-fee) | (pre-fee) | |
| 1 month | -0.57 | -0.49 | -0.50 |
| 3 months | 12.80 | 13.05 | 5.68 |
| FYTD | 13.92 | 14.43 | 9.68 |
| 6 months | 13.92 | 14.43 | 9.68 |
| 1 year (pa) | 0.95 | 1.83 | 5.73 |
| 2 years (pa) | 10.84 | 11.84 | 16.32 |
| 3 years (pa) | 5.38 | 6.35 | 11.16 |
| 5 years (pa) | 6.98 | 7.97 | 10.94 |

The investment manager for this Fund changed on 21 February 2020. Performance before this date may not be directly comparable.

Country Allocation (as at 31 December 2020)

| | |
|----------------|-------|
| Belgium | 5.9% |
| France | 6.8% |
| Germany | 3.5% |
| Netherlands | 5.2% |
| Spain | 3.1% |
| Switzerland | 6.1% |
| United Kingdom | 5.1% |
| Hong Kong | 2.2% |
| Japan | 3.7% |
| USA | 57.3% |
| Cash & other | 1.1% |

Sector Allocation (as at 31 December 2020)

| | |
|-------------------------------|-------|
| Energy | 4.9% |
| Materials | 8.1% |
| Industrials | 15.3% |
| Consumer Discretionary | 5.6% |
| Consumer Staples | 11.6% |
| Health Care | 4.4% |
| Information Technology | 13.7% |
| Telecommunication Services | 12.5% |
| Financials ex Property Trusts | 20.9% |
| Property Trust | 1.9% |
| Cash & other | 1.1% |

Top 10 Holdings (as at 31 December 2020)

| | |
|----------------------|------|
| Freeport-Mcmoran Inc | 4.3% |
| Anheuser-Busch Inbev | 4.1% |
| Alphabet Inc Common | 3.8% |
| Total Se Common Stoc | 3.7% |
| Wells Fargo & Co Com | 3.6% |
| Analog Devices Inc C | 3.6% |
| Mgm Resorts Internat | 3.6% |
| Discovery Inc Common | 3.5% |
| Infineon Technologie | 3.5% |
| Facebook Inc Common | 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.
- **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.
- **Concentrated portfolio risk** - The Fund's investment strategy of seeking to generate high returns by investing in a concentrated portfolio of global shares may make the Fund more volatile than a diversified global share fund with a larger number of shares. This means there is a greater risk of negative returns, particularly over the short to medium term.

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

Market review

Global equity markets ended the year off well with positive US stimulus news and progress on vaccine rollouts contributing to positive returns. The MSCI World ex Australia (Net Dividends) Standard in USD earned a positive return over the month (4.20%). However, with US stimulus approved during December, the US Dollar weakened. Australian investors suffered from a large rise of 4.72% in the Australian dollar vs the US dollar which saw the MSCI World ex Australia (Net Dividends) Standard in AUD return a negative -0.50%.

Driving global markets higher was the US market and especially the Nasdaq which rose 5.65% in local currency terms, whilst the broader S&P 500 rose 3.84%.

European markets also rose with the German DAX market gaining 3.22% and the UK FTSE market rising 3.10%. Asian markets showed positivity with the Hang Seng (3.38%) and Nikkei (3.82%) both earning positive returns in local currency terms. However, the rise in the Australian dollar vs the Yen (3.69%) and Hong Kong dollar (4.74%) softened these returns for Australian investors.

While positive US stimulus news and progress on vaccine rollouts bolstered markets in December, continuing fears of the SARS-CoV-2 strain of coronavirus and further lockdowns weigh on global markets moving into 2021.

Fund performance

The Fund performed broadly in line with the benchmark in December.

Our holding in Oracle outperformed this month after delivering better than expected second quarter results. Whilst top line growth remains muted, it was ahead of expectations and the business continues to transition away from on premise to a cloud strategy along with the accompanying recurring revenue streams. Their autonomous data base product, as previously guided is unique to the market and gaining traction with customers. The growth in the app business also appears to be at the expense of the competition. Operating costs have been further reigned in, and the company continue to buy back shares resulting in better than expected earnings per share growth. Management were confident on the outlook for the business going into 2021, and we believe current valuation does not give the company credit for what is increasingly looking like a successful transition from an on premise technology company to one in which its primary products are offered via the cloud.

After months of speculation the US Federal Trade Commission (FTC), along with a coalition of 45 State Attorney Generals' filed a lawsuit against Facebook in December. As a result the company was an underperformer in the fund this month; down ~1.5%. The FTC allege illegally maintained monopoly power through anticompetitive conduct which highlights the firm's acquisition of both Instagram & WhatsApp. Whilst we do not profess to be experts in US competition law, we note that both acquisitions were approved by regulators in 2012/2014. Whilst we believe that existing laws regulating the technology sector are not "fit for purpose", we believe it will be difficult for regulators under the current law to unwind transactions that have been previously approved after lengthy regulatory scrutiny. We would prefer to see global regulators, politicians and industry leaders come together to form a consensus for a sensible regulatory framework which provides for consumer protection, and consumer choice whilst not inhibiting innovation and technological advancement. The FTC litigation will likely be a prolonged event, however in the interim it is pleasing that Facebook have prioritised discussing and solving for some of the challenges faced by running a global technology company with more than 2.5bn monthly active users.

Our holding in Discovery Communications outperformed in December after hosting an investor day in December. Company management outlined a direct to consumer (DTC) strategy which will transition their business from a purely traditional pay tv distributor. As of January 2021, Discovery will launch discovery+, a DTC service offered in two tiers (add supported & and ad free). Discovery have a library of content of 300+ hours of non fiction programming with notable offerings that span across lifestyle, home, food, natural history and science programs. The DTC offering will launch with over 55000 episodes and 50 original series. discovery+ will be rolled out across 25 international markets over the course of the year, leveraging the largest global offering of unscripted content. We met with management at the end of 2019 where they outlined a strategy to build out their owned content in preparation for a launch of a DTC offering and we have been impressed with progress to date. We look forward to the next step; monetising the opportunity.

Outlook

Whilst the US has a new President, the world has a COVID vaccine (s) and the UK/Europe have a BREXIT deal, there remains much uncertainty for markets going into 2021. Transmission of the COVID virus continues faster than a roll-out of a vaccine, and restrictions on travel and visitation are likely to be in place for some time. President Elect Biden has yet to learn if his party have control of the Senate and trade tensions amongst the largest economies globally remain unresolved. Yet many indices closed the year at record highs, driven not by earnings, but by multiple expansion. We expect the increase of volatility witnessed in 2020 to extend into 2021. We continue to believe that the greatest upside to performance will come from businesses that are currently being discounted on their near term earning profile, and where the market is overlooking their long term earnings power. We also continue to believe that owning a concentrated portfolio of businesses, rather than having indiscriminate broader market exposure is the best way to optimise investment performance over the longer term.

For more information please call 1800 813 886,
contact your key account manager or visit pendalgroup.com

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PFSL is the responsible entity and issuer of units in the Pental Concentrated Global Share Fund No.2 (**Fund**) ARSN: 089 938 492. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1800 813 886 or visiting www.pentalgroup.com. You should obtain and consider the PDS 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.