

### Pendal Concentrated Global Share Fund Hedged

Global Equities

Previously known as 'Pendal Core Hedged Global Share Fund'

December 2020

ARSN: 098 376 151

#### About the Fund

The Pendal Concentrated Global Share Fund Hedged (**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) hedged to 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. The Fund's foreign currency exposure will generally be fully hedged back to the Australian dollar to the extent considered reasonably practicable.

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 Costs<sup>1</sup>

Issuer fee <sup>2</sup>	0.95% pa
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<sup>1</sup> You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

<sup>2</sup> This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund.

#### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
3 months	18.77	19.04	11.73
FYTD	22.54	23.10	18.90
6 months	22.54	23.10	18.90
1 year (pa)	3.96	4.92	10.57
2 years (pa)	11.88	12.94	18.41
3 years (pa)	2.77	3.75	9.02
5 years (pa)	6.91	7.93	11.41

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	5.8%
France	6.7%
Germany	3.0%
Netherlands	5.1%
Spain	3.4%
Switzerland	5.7%
United Kingdom	5.1%
Hong Kong	2.1%
Japan	3.5%
USA	55.2%
Cash & other	4.4%

#### Top 10 Holdings (as at 31 December 2020)

Freeport-Mcmoran Inc	4.3%
Anheuser-Busch Inbev	4.0%
Total Se Common Stoc	3.9%
Alphabet Inc Common	3.8%
Wells Fargo & Co Com	3.7%
Analog Devices Inc C	3.6%
Facebook Inc Common	3.5%
Airbus Se Common Sto	3.3%
Discovery Inc Common	3.2%
Mgm Resorts Internat	3.2%

#### Other Information

Fund size (as at 31 Dec 2020)	\$291 million
Date of inception	October 2001
Minimum investment	\$25,000
Buy-sell spread <sup>3</sup>	For the Fund's current buy-sell spread information, visit <a href="http://www.pendalgroup.com">www.pendalgroup.com</a>
Distribution frequency	Yearly
APIR code	RFA0031AU

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

## 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.
- **Counterparty risk** - The risk of another party to a transaction failing to meet its obligations.
- **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

December quarter-end returns were largely supported by record monthly returns across multiple equity markets over the month of November. November is the strongest month since the lows of March 2020 when the worst of the virus was felt across global markets. The MSCI World ex Australia (Net Dividends) Standard in USD earned a positive return over the quarter (13.78%). However, with US stimulus approved during December and rising commodity prices, the AUD strengthened against the USD. Australian investors suffered from the rise of 7.66% in the Australian dollar vs the US dollar over the quarter which saw the MSCI World ex Australia (Net Dividends) Standard in AUD return 5.68%.

Driving global markets higher over the quarter was the US market and especially the Nasdaq which rose 15.41% in local currency terms, whilst the broader S&P 500 rose 12.15%.

European markets also rose with the German DAX market gaining 7.51% and the UK FTSE market rising 10.13%. Asian markets showed strength with the Hang Seng (16.08%) and Nikkei (18.37%) both earning positive returns in local currency terms. However, the rise in the Australian dollar vs the Yen (5.33%) and Hong Kong dollar (7.71%) softened these returns for Australian investors.

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

## Fund performance

The Fund outperformed in the December quarter. The appreciation of the AUD against the USD also contributed to the fund's performance over the quarter.

The quarter rounded off a tumultuous year which concluded with the approval, and the initial batches of COVID 19 vaccine being administered, a Biden victory in the US elections, further US fiscal stimulus and the signing of the BREXIT trade deal. Markets ended the year on their highs, despite record numbers of COVID cases being recorded globally and with the outcome of the US Senate elections yet to be decided. It appears likely that many forms of restrictions will remain in place globally until a vaccination has been widely distributed and efficacy is certain. As a consequence, we expect operating conditions for many companies to remain challenging for some time. We continue to focus on owning the companies we know can survive the pandemic, and prosper post pandemic.

Our positions in financials outperformed this quarter. The US Federal Reserve, after a second round of "stress tests" on US banks announced a partial relaxation of its buyback ban announced in the wake of the COVID outbreak. Whilst dividends will continue to be capped, the Fed announcement signals confidence in the ability of US banks to withstand "severe adverse scenarios". The UK and European regulators also took steps to partially lift constraints on capital returns, which underscores an increasing confidence in the sector's ability to withstand the economic consequences of the pandemic. We share this confidence and believe our bank holdings are yet to reflect their capacity to grow their long term earnings.

The headlines pertaining to the roll-out of a COVID vaccine towards the end of the year saw the companies that were most impacted by COVID in our portfolio also outperform this quarter; that is airline manufacturers, casinos and airports. We initiated and added to these positions during the depths of the crisis, after a robust assessment of their balance sheets and longer term growth prospects. Whilst continued restrictions on travel and visitation are likely to be in place for some time, leading to shorter term volatility, we believe that that the market is yet fully reflect the longer term value of these businesses.

Our holding in Infineon Technology was an outperformer this quarter after reporting third quarter results in November which signalled a bottoming of automotive market in the second quarter. Automotive industry sales account for 40% of Infineon's total revenue. The company is not only leveraged to a recovery in automotive market, however more particularly their product set is to leveraged to the growth in electric vehicles. A subsequent investor day in late November highlighted a further driver of future growth in the industrial power control segment which is well positioned to benefit from the structural growth in renewables, with the company supplying a broad spectrum of companies involving the delivery of renewable energy solutions. Research and development remains a focus for the company who are at the forefront of silicon carbide (SiC) technology, a material which solves for the problems faced by semiconductors manufactured with traditional silicon that are unable to withstand the higher voltages generated by power applications. With excess capacity, a leading position in power management and a diversified customer base, we continue to believe the company will benefit from the structural demand drivers for electric vehicles, battery management and renewable energy solutions for many years to come.

## Strategy and Outlook

As we look back on 2020 and look forward to 2021, we foresee continued volatility in global markets. Whilst there may be some historical observations to be made on past global pandemics, this pandemic comes with an unprecedented level of global fiscal stimulus, heightened global trade tensions and a technology revolution which is having ramifications across all sectors of the market; as well as testing the power of regulators. We remain cognisant of these factors, and remain focused on owning a portfolio of companies that have the ability to withstand a lengthy slow-down in the economy if it is to eventuate, yet at the same time outperform peers. We will also remain vigilant in looking for opportunities to buy businesses that are trading in our view at significant discounts to what we consider to be their long term value. We remain very much of the view that in order to optimise equity market returns, investors are best placed by owning a concentrated portfolio of companies, who have the ability to sustain their business models over the longer term.

For more information please call **1800 813 886**,  
contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)

**PENDAL**

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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.