

## Perpetual Investment Funds

# BARROW HANLEY GLOBAL SHARE FUND - CLASS A

September 2022

### FUND FACTS

**Investment objective:** Aims to provide investors with long-term capital growth through investment in quality global shares.

### FUND BENEFITS

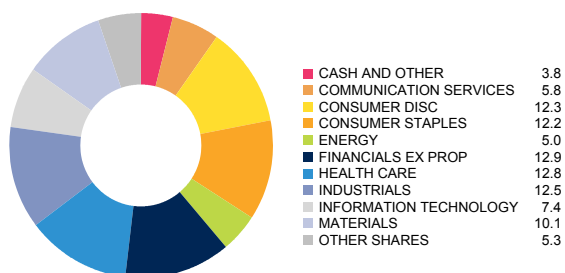
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

|   |  |
|---|--|
| <b>Benchmark:</b>                           | MSCI World Net Total Return Index (\$A)  |
| <b>Investment Manager:</b>                  | Barrow, Hanley, Mewhinney & Strauss, LLC |
| <b>Inception Date:</b>                      | August 2014                              |
| <b>Size of Portfolio:</b>                   | \$490.31 million as at 30 Sep 2022       |
| <b>APIR:</b>                                | PER0733AU                                |
| <b>Management Fee:</b>                      | 0.99%*                                   |
| <b>Investment style:</b>                    | Active, fundamental, bottom-up, value    |
| <b>Suggested minimum investment period:</b> | Seven years or longer                    |

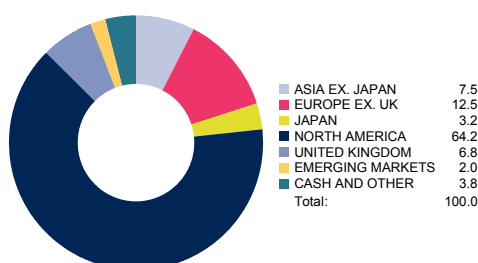
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

|                                  | % of Portfolio |
|----------------------------------|----------------|
| Air Products and Chemicals, Inc. | 3.9%           |
| Merck & Co., Inc.                | 3.9%           |
| Allstate Corporation             | 3.3%           |
| Hess Corporation                 | 3.2%           |
| Seven & I Holdings Co., Ltd.     | 3.2%           |

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 30 September 2022

Class A has been operating since August 2014. In September 2020, Barrow Hanley, Mewhinney & Strauss, LLC commenced as Investment Manager of the Fund.

|              | Fund  | Benchmark | Excess |
|--------------|-------|-----------|--------|
| 1 month      | -3.07 | -3.29     | +0.21  |
| 3 months     | -3.85 | 0.33      | -4.19  |
| FYTD         | -3.85 | 0.33      | -4.19  |
| 1 year       | -6.11 | -9.71     | +3.59  |
| 2 year p.a.  | 14.15 | 7.43      | +6.72  |
| 3 year p.a.  | 7.39  | 6.24      | +1.15  |
| 4 year p.a.  | 7.79  | 6.98      | +0.81  |
| 5 year p.a.  | 8.85  | 9.58      | -0.74  |
| 7 year p.a.  | 8.99  | 9.28      | -0.28  |
| 10 year p.a. | -     | -         | -      |
| Since incep. | 10.59 | 10.73     | -0.14  |

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

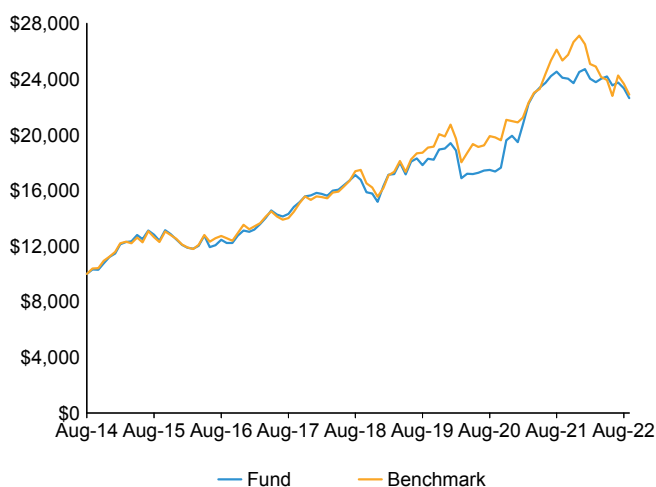
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

|                   | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 11.8      | 13.9      |
| Dividend Yield*   | 2.9%      | 3.0%      |
| Price / Book      | 1.8       | 2.3       |
| Debt / Equity     | 69.1%     | 51.4%     |
| Return on Equity* | 15.6%     | 17.3%     |

<sup>^</sup> Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.

\* Forward looking 12-month estimate.

### GROWTH OF \$10,000 SINCE INCEPTION



\*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

## MARKET COMMENTARY

The third quarter of 2022 began with a rally but ended in the red, much the same as the prior two quarters. For the first time since 1976, stocks and bonds both declined for three consecutive quarters. Since beginning in March, half the Fed's tightening has come via 75 basis point (bps) rate hikes in each of the last two meetings and marked the fastest pace of tightening in modern history. Not to be left out, the other global central banks – the European Central Bank and the Bank of England – also tightened monetary policy 100 bps or more during the quarter. With even more hikes now expected in the coming year, this collectively sent markets lower around the world, leaving global indexes in bear market territory year-to-date. Amid this volatility, most sectors largely performed within a narrow range of each other excepting Consumer Discretionary and Energy stocks, which outperformed the broader market while Communication Services and Real Estate sectors led the markets downward.

Central banks remain focused on fighting inflation rather than supporting growth, as this remains the number one issue for consumers. Some reprieve in the form of lower gasoline prices, driven by the significant decline in oil prices this quarter, helped lower the burden but, overall, core inflation in the US as measured by the Consumer Price Index (CPI) remains stubbornly high. The Fed has historically stopped tightening when rates exceed CPI, pointing to more rate hikes to come. Rising rates have negatively impacted consumer sentiment broadly. With labour markets remaining tight, wage gains continuing to support consumer spending, and Global PMIs still holding in expansionary territory, there appear to be areas of resiliency in the markets; however, the economic expansion trend appears to be skewed to the downside. Against this backdrop, economic growth seems at best anaemic across the globe, with recession still a possibility in 2023. However, with the markets coming down meaningfully year-to-date, as previously noted, a large portion of this fear may already be priced into the market.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Allstate Corporation, and Air Products and Chemicals, Inc. Conversely, the Fund's largest underweight positions include Apple Inc., Microsoft Corporation, and Alphabet, Inc. Class A, all of which are not held in the Fund.

Seven & I Holdings Co., Ltd. is a global retailer with market leadership in convenience stores. The shares outperformed during the period, driven by continued earnings strength, and management has now upgraded guidance multiple times this year. The company is benefitting from market tailwinds such as higher fuel margins, as well as currency benefits, in addition to company-specific initiatives such as strict cost discipline and achieving synergy milestones post the acquisition of Speedway. We remain constructive on the shares, especially as management has renewed its focus on capital discipline and corporate governance reforms, which we view as additional upside drivers.

Hess Corporation, a global independent oil and gas producer, boosted relative performance as its operations in Guyana continued to deliver. Recent discoveries have increased the resource base and production proceeds are starting to contribute to overall cash flow. Management reactivated its share repurchase in order to return this excess cash to shareholders, in addition to dividends. The valuation remains attractive ahead of the continued ramp-up in Guyana asset growth potential as well as its other production areas, including the Bakken and Gulf of Mexico.

Rheinmetall is well positioned to benefit from a material step-up in defence spending following the invasion of Ukraine. This transformation of the growth outlook drove very significant outperformance in the first half of the year with the stock nearly doubling. The stock then underperformed in the third quarter as it gave back some gains and momentum cooled, with some large orders expected for 2022 deferred to 2023. The strong growth outlook remains intact, however, and the valuation is attractive at less than 8x 2023 EV/EBIT.

National Grid plc detracted from performance as Utility stocks failed to provide downside protection against the backdrop of higher interest rates. Further, within the UK and across Europe, governments have talked about using pricing caps, which could impact profitability. We believe that the move down in National Grid is more macro driven versus any issue with its underlying fundamentals and, looking through this macro-overhang, we believe the company continues to offer a compelling risk/reward opportunity over the long term.

## OUTLOOK

While the most recent quarter saw the downward trajectory continue for markets, the case for value remains compelling. The resolve of global central banks to do what needs to be done, cleansing the excesses of the past decade's "easy money" policies should continue to provide two critical tailwinds for the value style of investing that have largely been missing: rising interest rates and increased inflation. Together, these two forces have already been painful for the darlings of the last decade, many of which were unprofitable growth stocks with lofty valuations justified by hopes of huge future growth. These forces are unlikely to abate in the near term, setting the stage for the continued rally in value to unfold. Stocks with cheap valuations and real assets generating real returns and cashflows today are likely to remain the market's preference in such an environment, a good recipe for value success.

<sup>1</sup> The Perpetual Global Share Fund- Class A has been operating since August 2014. Barrow Hanley, Mewhinney & Strauss, LLC commenced as Investment Manager of the Fund on 9 September 2020. Prior to this, the Investment Manager was Perpetual Investment Management Limited. The return shown for Class A in the Total Return table & the Growth of \$10,000 chart has been calculated using the performance of the A Class less the Management Fee and any historical Performance Fees, effective 1 October 2020 the performance fee of the Fund was removed. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

## MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

[www.perpetual.com.au](http://www.perpetual.com.au)

