

## Perpetual Investment Funds

# BARROW HANLEY GLOBAL SHARE FUND - CLASS A

June 2023

### FUND FACTS

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

### FUND BENEFITS

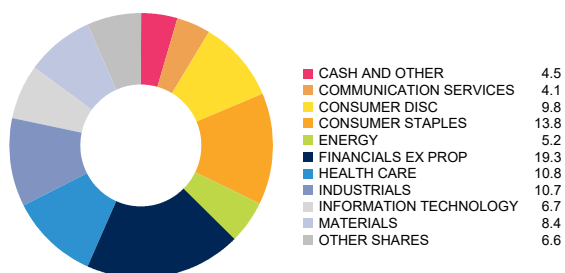
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### 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.

**Benchmark:** MSCI World Net Total Return Index (\$A)  
**Investment Manager:** Barrow, Hanley, Mewhinney & Strauss, LLC  
**Inception Date:** August 2014  
**Size of Portfolio:** \$784.80 million as at 31 Mar 2023  
**APIR:** PER0733AU  
**Management Fee:** 0.99%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Seven years or longer

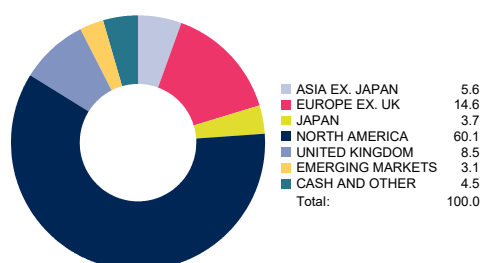
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

Company	% of Portfolio
Oracle Corporation	3.1%
Air Products and Chemicals, Inc.	3.0%
Merck & Co., Inc.	2.9%
HSBC Holdings Plc	2.7%
Seven & I Holdings Co., Ltd.	2.7%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 30 June 2023

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	4.10	3.10	+1.00
3 months	5.66	7.49	-1.83
FYTD	17.62	22.43	-4.81
1 year	17.62	22.43	-4.81
2 year p.a.	8.01	7.00	+1.00
3 year p.a.	17.05	13.44	+3.60
4 year p.a.	11.26	11.23	+0.04
5 year p.a.	11.06	11.37	-0.31
7 year p.a.	12.77	12.40	+0.37
10 year p.a.	-	-	-
Since incep.	12.18	12.28	-0.10

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

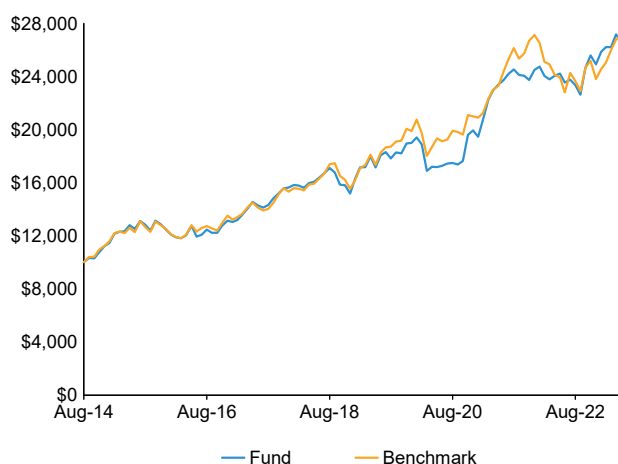
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	12.4	17.1
Dividend Yield*	3.3%	2.6%
Price / Book	1.7	2.7
Debt / Equity	65.2%	49.7%
Return on Equity*	14.2%	16.6%

<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 second quarter of 2023 saw equity markets continue their march higher, fuelled by several shorter-term factors including additional injections of liquidity by the U.S. Federal Reserve (the Fed) in response to the regional bank crisis and debt ceiling debate and investor fears of missing out. Uncertainty remained high, climbing a “Wall of Worry” and fears of recession persisted. Said differently, everyone was bearish, yet everything rallied this year.

Notably, broad market gains were driven by an incredibly narrow handful of companies, primarily in U.S. tech. This market concentration around typical growth name is contributing to a spread between value and growth stocks greater than any calendar year since the tech bubble. Secular growth themes in the quarter re-emerged as tailwinds, boosted by the euphoria building for Artificial Intelligence (AI) and largely benefitted the same mega-cap winners of years past. Given the narrowness of the markets, investors continue to question the sustainability of the current rally.

With the banking situation from earlier this year well-contained, investors have turned their attention back toward the outlook for rates and inflation. Market expectations in the U.S. have flipped from expecting rate cuts later this year to anticipating additional hikes by the Fed while maintaining the view of continued rate increases by other central banks particularly within Europe. The normalization of supply chains and rebalancing of labour markets along with lower cost inputs are starting to filter through in macroeconomic data releases.

Central banks continue to be stuck in a precarious position of trying to balance strong employment and price stability while orchestrating a “soft landing” or “no landing.” This uncertainty remains a headwind as investors continue to gravitate towards a few mega-cap and growth stocks, at the expense of more value-oriented areas. After the longest growth rally in history, continued normalization of economic conditions should continue to see investors refocusing on key drivers of future performance – earnings and valuations. Given the current valuation discount for value stocks, we believe the outlook for a meaningful, multi-year value cycle remains strong.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Air Products and Chemicals Inc, Oracle Corporation and Seven & I Holdings Co Ltd. 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.

Vertiv Holdings Co. Class A contributed positively to relative performance during the quarter due to the bullish sentiment surrounding AI stocks. As a leading supplier of equipment and technology to data centres, the company stands to benefit from increased spending on digital infrastructure for expansion and upgrades. Company management continues to execute its strategy to improve margins, reversing the cost headwinds from the prior year, and delivering on operational improvements and greater free cash flow conversion. Backed by sustainable growth in their end markets, Vertiv continues to trade at an attractive valuation as they build a profitable backlog and remain well positioned for future earnings growth.

Lithia Motors, Inc. outperformed in the second quarter. It is becoming increasingly clear to investors that our view that the company's current earnings are durable, rather than substantially inflated, as many have argued. That growing recognition, alongside increased optimism about the economy in general, is driving the beginnings of a re-rating in Lithia's stock. We continue to see the shares as deeply undervalued and earnings should grow materially in 2024. Lithia currently trades at a forward P/E of 9x.

Northern Trust Corporation underperformed in sympathy with banks facing expectations of deposit outflows. While the top-line results matched expectations, EPS guidance was a little lower for the full year on continued deposit pressure. Pressure on custody revenue continued driven by market trends, but servicing and wealth management showed solid organic growth in the most recent quarter. Capital remains robust and the diversified businesses mix coupled with low credit exposure relative to other financials suggests the bank trades at too large a discount (12x forward price to earnings).

Aptiv PLC detracted from performance after margins fell short of estimates in their most recent quarterly release. However, full year guidance was reiterated, and the stock stands to benefit as auto manufacturers' production normalizes and increasingly demand their solutions for electrical systems and autonomous vehicles. Aptiv provides integrated power management solutions, which as a whole use less power, adding to electric vehicle efficiency, and improving their range, a key selling point to the end consumer. Valuation remains attractive as cyclical headwinds abate and electric vehicle production increases.

## OUTLOOK

After a busy start to the year, the second half appears as though it may be just as exciting. Monetary policy from central banks typically impacts economies on a lag, typically over 12-18 months. Much of the central banks' efforts to raise rates and quantitatively tighten will just now begin to make an impact. Concurrently, within the U.S., the stimulus provided by the U.S. Treasury during the debt ceiling debate has reversed, removing another potential support to the largest global market. Forecasters remain convinced that the economy will fall into a recession, though the timing remains nebulous. This “Wall of Worry” remains, though offset by vibrant labour markets and a resilient set of markets with a newfound infatuation with AI. Time will tell, but we remain watchful for further signs of deterioration in fundamentals or improvement and broadening of the market rally.

<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

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