

## Perpetual Investment Funds

# BARROW HANLEY GLOBAL SHARE FUND - CLASS A

December 2022

### FUND FACTS

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

### FUND BENEFITS

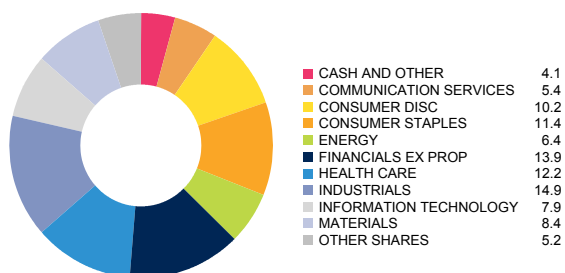
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### 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>	\$674.20 million as at 31 Dec 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

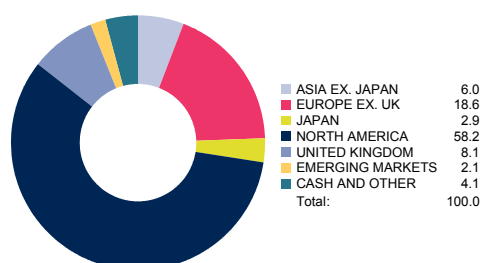
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	4.2%
Air Products and Chemicals, Inc.	3.4%
Oracle Corporation	3.2%
BAE Systems plc	3.0%
Seven & I Holdings Co., Ltd.	2.9%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 31 December 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	-2.66	-5.44	+2.78
3 months	9.99	4.07	+5.93
FYTD	5.75	4.42	+1.34
1 year	1.60	-12.24	+13.84
2 year p.a.	11.74	6.52	+5.22
3 year p.a.	9.42	6.21	+3.21
4 year p.a.	13.15	11.25	+1.90
5 year p.a.	9.74	9.21	+0.53
7 year p.a.	10.36	9.62	+0.75
10 year p.a.	-	-	-
Since incep.	11.52	10.92	+0.60

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

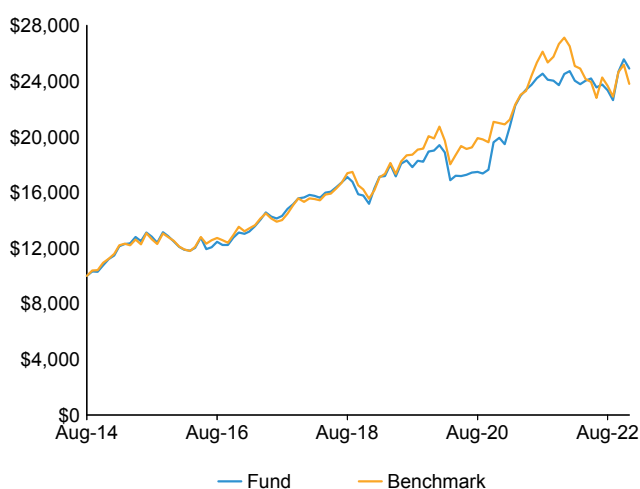
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	12.9	15.1
Dividend Yield*	3.0%	2.7%
Price / Book	2.0	2.4
Debt / Equity	69.5%	53.7%
Return on Equity*	16.2%	16.7%

<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 December quarter saw equity markets roar to life after touching new lows for the year in October, bouncing back from the prior quarter's fall. The strong performance through October and November helped pull most regions around the world out of bear market territory; however, a slide backward in December sent US small cap and emerging market stocks back into bear market territory.

Not since the 1980s, under the leadership of Paul Volcker, has the Fed raised rates in such a manner, raising the discount rate by 425 bps in total for 2022 to end the year at 4.50%. Investors viewed the most recent hike—only 50 bps—positively as the rate of inflation, excluding food and energy, began to moderate marginally from 6.3% to 6.0% in the most recent monthly report for November. Together, the markets took some comfort that perhaps inflation has peaked, and the Fed may be able to begin to ease its restrictive monetary policy in the future. This is similar to what has unfolded in Europe, where inflation has finally begun to slow but, as in the US, remains stubbornly high. Slowing inflation, combined with a weakening US dollar, was a boon for Non-US developed markets as the MSCI EAFE Index was up 17.3% in the quarter, with continental Europe up more than 20% compared to the S&P 500 Index, which was up a more modest 7.4% in the quarter.

Lower energy prices provided some relief on the inflation front, as oil prices have retreated from their COVID highs and natural gas prices also saw a dramatic decline ahead of the winter season. This has helped ease some of the burden on consumers here and particularly abroad, given the war in Ukraine and the importance of Russian gas to the European continent. In addition, the reopening of China post-COVID lockdowns could see a rise in energy demand as restrictions are lifted but comes with potentially lower prices as global supply chains reopen.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Oracle 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.

Air Products and Chemicals, Inc. added to performance as the company posted another strong quarter of double-digit revenue and earnings growth. A new plant coming online in Asia helped volumes while pricing was strong globally, offsetting some of the recent cost inflation. Their backlog continues to grow and remains meaningfully higher than history, over US\$21B now versus their entire company's gross plant, property, and equipment of US\$29B today. As the company executes on this backlog, distributable cash flow could more than double, and this embedded future growth remains underappreciated in shares today.

Merck & Co., Inc. benefitted from the market's tendency to favor more defensive sectors, as Health Care was one of the better-performing sectors in the quarter, with Merck doing better than peers. Strength in the quarter was not driven by any dramatic change in fundamentals, but rather by a steady progress on pipeline drugs and the earnings coming slightly ahead of expectations. The market also sensed a meaningful change in Merck's commentary on M&A, now indicated as focused on collaborations and small tuck-in acquisitions rather than larger deals. We like this capital discipline. Despite the recent strong outperformance, we see the risk/reward profile sufficiently reasonable to continue owning the shares.

Fidelity National Information Services, Inc. detracted from performance in the quarter as the company reported disappointing earnings in November driven by higher-than-expected costs, slowing revenue growth, and foreign exchange/interest expense headwinds from the stronger dollar and higher interest rates. Despite challenges for the stock price in the quarter, we remain positive on what we believe is a solid business following management change, board turnover, and an activist investor now helping drive shareholder value creation. The stock is compelling at approximately 10x forward price-to-earnings, a meaningful discount to where this business has historically traded.

Medtronic Plc had two disappointments in the quarter, causing the stock to detract from performance. First, its 2nd renal denervation trial failed to hit the primary endpoint in the most recently conducted studies, thus creating a market controversy on the future revenues that can be expected from this blood pressure-reducing procedure. Additionally, the company announced results that missed on organic growth and guided lower top-line growth. Although disappointing, we believe the full renal denervation data combining all the trials is still compelling for a very prevalent condition in a difficult-to-treat population. We believe the company offers good long-term value within the Medical Devices group.

## OUTLOOK

Despite potential relief from energy prices and China reopening, wage inflation remains sticky and may remain so well into the future as economies continue to deal with robust employment and tight labour markets. This dichotomy highlights the ongoing battle between governments' desire to stimulate economic growth and central banks wanting to tame inflation by cooling demand. This battle is likely to keep markets volatile for the foreseeable future, and the trajectory of corporate profits will be determined by whether improvements in margins from lower input costs will be enough to offset wage pressures and potential declines in revenues. As widely anticipated in the market, a recession cannot be ruled out for 2023.

<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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