

Monthly Factsheet

31 August 2022

Fund Managers - Global Opportunities team
Andrew Hall Fund Manager (Lead)
Stephen Anness Fund Manager
Fund facts at a glance
Asset class Global equities
Objective¹ To provide long-term capital growth through a portfolio of global equities
Management style Fundamental, bottom-up approach driven by valuation
Benchmark Hedged - Class A MSCI All Country World Net TR Index - hedged in A\$
Unhedged MSCI All Country World Net TR Index - unhedged in A\$
Risk profile Very high
Time horizon 7 years
Distribution frequency Half-yearly
Inception date Hedged - Class A: 31/8/94 Unhedged: 31/8/99
MER/ICR 0.95% (both funds)
Buy/Sell Spread 0.20%/0.20%
APIR code Hedged - Class A: GTU0008AU Unhedged: GTU0102AU

Performance analysis - hedged - Class A (periods to 31 August 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-5.26	-2.98	-2.28
3 months	-3.92	-4.22	0.30
6 months	-9.49	-9.02	-0.47
1 year	-12.41	-13.26	0.85
2 years p.a.	8.62	5.22	3.40
3 years p.a.	8.05	7.38	0.67
5 years p.a.	4.33	7.02	-2.69
7 years p.a.	6.98	8.57	-1.59
10 years p.a.	9.87		
Calendar year to date	-17.22	-15.58	-1.64
Financial year to date	4.06	3.78	0.28
Since inception p.a.	6.56		

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Benchmark history - hedged:

- From inception to 30/09/02 = MSCI World Index (net dividends reinvested) - unhedged in \$A
- From 01/10/02 = MSCI World ex Australia Index (net dividends reinvested) - hedged in A\$
- From 1/4/03 = MSCI World Index (net dividends reinvested) - hedged in A\$
- Current from 5/5/16 = MSCI All Country World Net TR Index - hedged in A\$m

Performance analysis - unhedged Fund (periods to 31 August 2022)

Net performance			
Periods	Fund %	Benchmark %	Value added %
1 month	-4.14	-1.96	-2.18
3 months	-0.68	-1.26	0.58
6 months	-5.62	-6.02	0.40
1 year	-8.41	-10.33	1.92
2 years p.a.	12.03	8.04	3.99
3 years p.a.	9.23	7.41	1.82
5 years p.a.	7.56	10.14	-2.58
7 years p.a.	7.20	8.94	-1.74
10 years p.a.	12.51		
Calendar year to date	-13.78	-12.77	-1.01
Financial year to date	3.72	3.36	0.36
Since inception p.a.	4.63		

The Fund returns are shown after ongoing fees and assumes reinvestment of income. Past returns are not a reliable indicator of future returns. Future returns may be affected by a range of factors including economic and market influences.

Benchmark history - unhedged:

- From inception to 30/09/02 = MSCI World Index (gross dividends reinvested) - unhedged in \$A
- From 01/10/02 = MSCI World Index (net dividends reinvested) - unhedged in A\$
- Current from 5/5/16 = MSCI All Country World Net TR Index - unhedged in A\$

Note: The Funds strategy changed from a quantitative global equity strategy to a fundamental, high conviction global equity strategy, effective from 5th May 2016. Shaded areas in the tables above show the returns prior to the change in strategy.

Fund analysis (as at 31 August 2022)

Assets under management			
	A\$m		
Hedged Fund AUM	31.43		
Unhedged Fund AUM	67.96		
Strategy AUM	2,357.79		
Region allocation			
Country	Fund %	Benchmark %	Active weight %
Africa	0.00	0.39	-0.39
Asia Ex Japan	4.71	9.58	-4.86
Australia	0.00	1.96	-1.96
Europe - EMU	4.99	7.26	-2.27
Europe - Non-EMU	11.21	7.89	3.32
Japan	0.00	5.46	-5.46
Latin America	0.00	0.23	-0.23
North America	75.86	65.44	10.42
South America	0.00	0.71	-0.71
[Other]	0.00	1.09	-1.09
Cash [net of payables]	3.22	0.00	3.22
Sector allocation			
Sector	Fund %	Benchmark %	Active weight %
Communication Services	6.99	7.56	-0.57
Consumer Discretionary	13.68	11.59	2.08
Consumer Staples	6.48	7.48	-1.01
Energy	1.33	5.23	-3.91
Financials	20.49	14.34	6.15
Health Care	7.03	12.17	-5.15
Industrials	13.39	9.58	3.81
Information Technology	27.40	21.45	5.95
Materials	0.00	4.64	-4.64
Real Estate	0.00	2.75	-2.75
Utilities	0.00	3.20	-3.20
Cash [net of payables]	3.22	0.00	3.22
Five largest overweight positions			
Security	Fund %	Benchmark %	Active weight %
Danaher Corporation	4.47	0.32	4.15
Mastercard Incorporated Class A	3.70	0.50	3.20
Progressive Corporation	3.04	0.13	2.91
JPMorgan Chase and Co.	3.45	0.59	2.86
Microsoft Corporation	6.12	3.26	2.86
Five largest underweight positions			
Security	Fund %	Benchmark %	Active weight %
Apple Inc.	1.86	4.49	-2.63
Tesla Inc	0.00	1.27	-1.27
Alphabet Inc. Class A	0.00	1.14	-1.14
UnitedHealth Group Incorporated	0.00	0.85	-0.85
Johnson and Johnson	0.00	0.74	-0.74

10 largest holdings			
Security	Fund %	Benchmark %	Active weight %
Microsoft Corporation	6.12	3.26	2.86
Danaher Corporation	4.47	0.32	4.15
Amazon.com, Inc.	4.12	2.03	2.09
Mastercard Incorporated Class A	3.70	0.50	3.20
JPMorgan Chase and Co.	3.45	0.59	2.86
Progressive Corporation	3.04	0.13	2.91
Constellation Software Inc.	2.68	0.05	2.63
Berkshire Hathaway Inc. Class B	2.68	0.63	2.05
L'Oreal S.A.	2.68	0.15	2.53
Copart, Inc.	2.61	0.04	2.56

Market capitalisation allocation			
Ranges	Fund %	Benchmark %	Active weight %
\$100M - \$250M	0.00	0.00	0.00
\$500M - \$1B	0.00	0.01	-0.01
\$1B - \$2B	0.66	0.28	0.38
\$2B - \$5B	1.60	2.19	-0.59
\$5B - \$10B	1.98	4.50	-2.52
\$10B - \$25B	6.95	12.21	-5.26
\$25B - 50B	11.36	13.91	-2.56
\$50B - 100B	10.59	16.33	-5.74
> \$100B	63.64	50.57	13.07
Cash [net of payables]	3.22	0.00	3.22

The data in the fund analysis tables above (not including the AUM table) is based on the underlying portfolio, i.e. the unhedged fund (Fund), into which the hedged fund directly invests.

Note: Security selection will change. You should not rely on this statement in making an investment decision about any security, but should make your own independent enquiries.

Market review

Global equities declined in August, as macroeconomic headwinds persisted. In the US, the summer rally was quickly undone as investors digested the Fed's unexpectedly hawkish announcement at the annual Jackson Hole meeting, increasing risk-off sentiment. Inflation did however edge lower, and the US labour market continued to show strength. European shares also fell on the back of news of the Fed's resolve to raise interest rates, and Eurozone inflation hit another new record of 9.1% as wholesale gas and electricity prices also rose to record levels, prompting increasing calls for the ECB to raise rates more aggressively in September. Asian stocks similarly declined, with Chinese equities trading flat on Fed news and macroeconomic data pointing towards softness in domestic demand and cautious private sector sentiment. Technology stocks in Taiwan and Korea were out of favour, while India continued to outperform as annual inflation dropped. Emerging markets marginally advanced, outperforming the developed markets.

Contributors to performance

In August, the Global Opportunities Fund fell in value, on both a hedged and unhedged basis, and underperformed the MSCI AC World index.

From a geographic perspective, key detractor came from our US stocks. The Fed's hawkish signal led to a sell-off in major US technology stocks, including Apple and Nvidia, two key underperformers in the fund. Idiosyncratic risk also contributed: Apple faced reports of a possible antitrust case filed by the Department of Justice. Meanwhile Nvidia, the second-largest semiconductor company in the US, slid after cutting its quarterly revenue forecast due to a weaker outlook in the gaming industry, and dropped at the end of the month on news of the US limiting exports to China on fears of military end-use. Some weakness also came from our UK holdings such as Berkeley Group: the residential and commercial property development company gave back gains as inflation data fuelled concerns about rising mortgage rates weighing on property demand. Stock selection in Europe (ex UK) was an area of strength for the fund however, with the likes of Ryanair and TotalEnergies outperforming.

The Fed's hawkish indication of more interest rate rises issued at the Jackson Hole meeting troubled large technology stocks, sending the fund's information technology stocks lower. Housing durables of the consumer discretionary sector also detracted, largely down to Berkeley Group and Installed Building Products. The communications services sector was our strongest, with the Chinese companies Tencent and NetEase outperforming on news of 1 trillion yuan of additional economic stimulus from the Chinese government.

Market outlook and portfolio strategy

We continue to expect inflation to reach its peak by the end of 2022 as a result of higher commodity prices annualising. With tighter global central bank monetary policy reiterated by the Fed at the annual Jackson Hole meeting - beginning to choke off excess demand, recession risks are growing even more acute. With demand at risk of dropping further into 2022 and 2023, we have, and will continue to, review the pricing power of our holdings, to ensure as far as possible that increased costs can be compensated by higher selling prices.

Making forecasts at this stage is fraught with difficulty, however some outcomes seem certain. Energy prices will stay high for the foreseeable future, food prices are likely to continue to rise as we go through the year, although the new grain deal between Ukraine and Russia is cause for modest optimism. The 280 billion rescue package earmarked by Europe's politicians is being dwarfed by the scale of the energy crisis, as Russia continues to squeeze supplies, with Gazprom shutting the key Nord Stream 1 pipeline for maintenance work only adding fuel to the fire. The squeeze on consumer disposable incomes globally will continue, especially in Europe as rising defence spending may have to be funded through higher taxes. In relative terms, the US and Canada may well do better than Europe in the medium term due to self-sufficiency in energy and a lower geopolitical risk premium; sadly the war is on our doorstep.

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Notes

¹Invesco does not guarantee that the Fund will achieve its objective.

Important Information

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