

## Wholesale Funds

# PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

April 2022

### FUND FACTS

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

### FUND BENEFITS

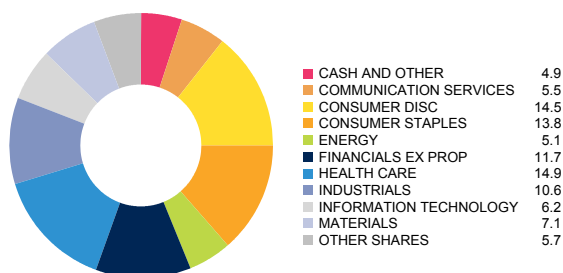
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### 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>	April 1997
<b>Size of Portfolio:</b>	\$105.84 million as at 31 Mar 2022
<b>APIR:</b>	PER0050AU
<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

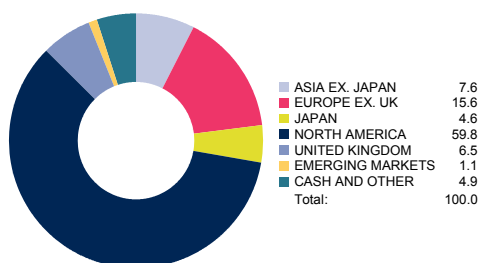
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	4.2%
Seven & I Holdings Co., Ltd.	3.6%
Oracle Corporation	2.9%
Allstate Corporation	2.9%
BAE Systems plc	2.7%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 30 April 2022

	Fund	Benchmark #	Excess
1 month	1.04	-3.11	+4.15
3 months	-2.84	-8.96	+6.12
FYTD	1.18	-1.00	+2.17
1 year	4.57	4.87	-0.30
2 year p.a.	18.14	13.65	+4.48
3 year p.a.	10.03	10.06	-0.03
4 year p.a.	10.64	11.08	-0.44
5 year p.a.	11.31	11.30	+0.02
7 year p.a.	9.91	10.24	-0.33
10 year p.a.	13.41	14.42	-1.02
Since incep.	6.29	7.37	-1.08

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

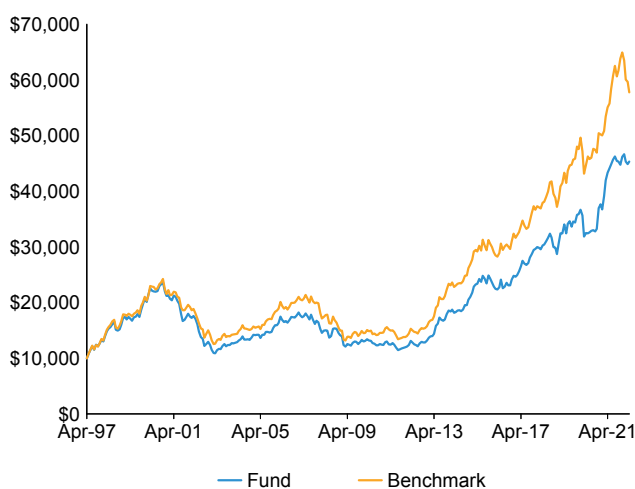
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	14.0	16.2
Dividend Yield*	2.6%	2.5%
Price / Book	2.1	2.7
Debt / Equity	66.4%	50.7%
Return on Equity*	15.1%	16.9%

<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 year began with a rough first quarter and equity markets added further to the misery, with the MSCI World Index falling again in April. The wall of worry persisted on the back of global events like the war in Ukraine, which continues to pressure commodity prices, ongoing lockdowns in China, and steeply rising inflation across major developed markets. Investors are rightfully concerned over recessionary risks as central banks attempt to engineer a soft landing without stamping out economic growth. However, the US posting a -1.4% annualised growth rate in the first quarter of 2022 could shake confidence in its ability to do so. Regionally, the US was the worst-performing region in the month, and even more clearly on a local currency basis, whereby the UK returned 1.0%, and continental Europe returned -1.3% in local terms, while the S&P500 was down nearly -9%. Markets may have priced in much of the bad news across non-US securities regarding inflation and slowing economic growth, but it is likely too early to tell.

Given these fears in the market, defensive sectors tended to do better over the month, with Consumer Staples, Real Estate, Utilities, and Health Care sectors the best performers. This is in stark contrast to the Communication Services, Consumer Discretionary, and Information Technology sectors, which were down more than -11% in the month. In the more cyclical sectors, Energy and Materials sectors did well while Financials and Industrials lagged. Accordingly, value stocks posted strong performance again in the month, with the MSCI World Value Index outpacing the MSCI World Growth by ~700bps in April and now ahead by ~15% for the year to date. Despite this strong performance, the valuation gap between value and growth stocks remains at historic highs.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Seven & I Holdings Co., Ltd., Merck & Co., Inc., and Allstate Corporation. 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.

Merck & Co., Inc. was a top contributor in the month after posting quarterly EPS and sales results that were ahead of consensus expectations. Merck's Keytruda drug continues to perform well, and we expect that Keytruda, used in conjunction with other cancer-fighting drugs, will ultimately extend the life of Keytruda. The stock continues to trade below our estimate of fair value with a compelling risk/reward profile. Atlantia S.p.A performed strongly in the quarter on the back of an announcement that the Benetton family and Blackstone were buying the company. Given that the Benetton family has a controlling position, we do not believe higher offers will be made, and we thus sold our position.

Altice USA, Inc. Class A continued to be volatile despite our underlying assessment of good assets that are currently undervalued. Altice reported results for the quarter that was largely in line with expectations but noted slightly weaker customer data, with broadband net ads declining 13k versus an expectation of roughly flat net ads. Although the company remains compellingly cheap, we are continuing to monitor overall industry dynamics regarding cable broadband and assessing whether this is a cyclical slowdown post COVID strength or due to secular challenges.

Koninklijke Philips N.V. reported mixed results in the quarter. Personal Health outperformed revenue and EBITA expectations, while margins in Diagnostics & Treatment and Connected Care trailed. Overall, adjusted EBITA was better than consensus. Importantly, management maintained guidance for the year. However, the update on the Respiroics CPAP recall was incrementally disappointing. The company increased its provision to account for +300k more units to be replaced/remediated. The company is pushing out the completion of this recall into 2023. Lastly, Philips has received a DOJ subpoena to provide information related to the events leading to the recall, which is not out of line with expectations.

## OUTLOOK

The challenges we have noted in our prior commentaries regarding supply chains, labour shortages, higher inflation, higher interest rates, etc., remain, as seen with a market that was down in April. We believe the path to recovery will continue to be challenging as China's zero COVID policy will continue to pressure supply chains. Further, central banks are beginning their tightening policies, including the US Fed announcing a 50bps rise in its Federal-funds target rate this week. Although we do not make top-down calls, we believe market fears about a potential recession due to central banks overshooting on their tightening policies is not unwarranted.

Given the strong sell-off in Technology-related names and the strength in defensive areas of the market, we are beginning to see opportunities in Technology and the more cyclical areas of the market, which we are pursuing as part of our bottom-up, fundamental process. We believe our portfolio positioning that is tilted towards defensive stocks remains appropriate in this market environment, though we recognise the positioning may shift if we continue to see pressure on more cyclically oriented stocks. Regardless, we will continue to follow our time-tested, bottom-up, fundamental strategy of looking for those dislocations in the market where we see good companies that are trading below our estimate of intrinsic value and where we see opportunities for those companies to unlock that value.

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Management of this Fund: 09/09/2020 Barrow, Hanley, Mewhinney & Strauss, LLC, from 31/01/2015 to 08/09/2020 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.

# The benchmark for the Fund prior to 31/1/2015 was the MSCI World ex Australia Accumulation Index. Returns shown reflect the Fund's benchmark during the period. 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.

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.

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## MORE INFORMATION

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