

## Wholesale Funds

# PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

December 2021

### FUND FACTS

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

### FUND BENEFITS

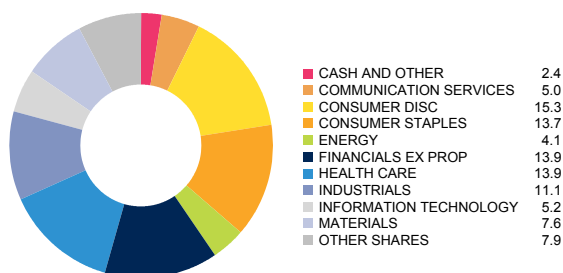
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### 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>	\$111.07 million as at 31 Dec 2021
<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

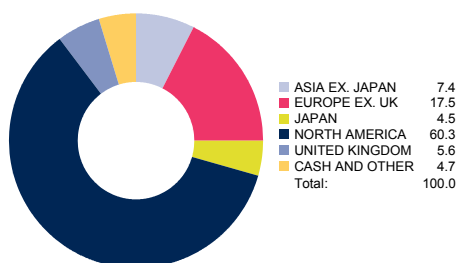
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
Seven & I Holdings Co., Ltd.	3.5%
Oracle Corporation	3.3%
Advance Auto Parts, Inc.	2.8%
Merck & Co., Inc.	2.8%
Anthem, Inc.	2.6%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 31 December 2021

	Fund	Benchmark #	Excess
1 month	3.30	1.69	+1.61
3 months	1.63	7.07	-5.44
FYTD	3.18	11.27	-8.09
1 year	22.81	29.29	-6.48
2 year p.a.	13.45	16.84	-3.39
3 year p.a.	17.18	20.40	-3.22
4 year p.a.	11.76	15.35	-3.59
5 year p.a.	13.25	14.94	-1.69
7 year p.a.	11.91	13.43	-1.53
10 year p.a.	14.44	16.72	-2.28
Since incep.	6.46	7.98	-1.52

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

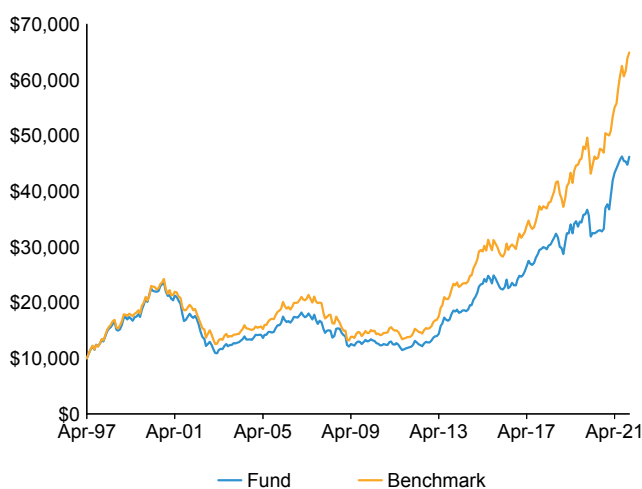
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	14.7	19.4
Dividend Yield*	2.7%	2.2%
Price / Book	2.0	3.1
Debt / Equity	83.6%	55.5%
Return on Equity*	14.4%	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

Most equity markets around the globe shrugged off the spread of the Omicron variant of COVID, potentially the most contagious strain yet, and posted solid positive returns in the quarter, gaining speed to finish 2021 with double-digit returns. The S&P 500 led global markets in the quarter, while emerging markets and Japan were the laggards. China was one of the key drivers of the underperformance in emerging markets. A macro slow-down driven by a tight zero COVID policy, a regulatory crackdown, and concerns over property developer defaults have continued to pressure the China stock market throughout the year. In addition, a spike in COVID cases in multiple cities, renewed regulatory and price cut concerns in the healthcare sector, simmering political tension with the US's diplomatic boycott of the Beijing Olympics, and likely even tighter control and weaker growth into the upcoming Chinese New Year and the winter Olympics have further weighed on sentiment towards year-end.

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Most sectors outpaced the broader market in the quarter, with the Communication Services, Energy, Financials, and Industrials the only sectors to lag the Index. The outperformance of the Information Technology sector and the underperformance of Financials and, to a lesser degree, the Energy sector caused the MSCI World Value Index to lag the broader index. The breadth of sector performances was not as prevalent for the year, as only four of the 11 sectors – Energy, Financials, Information Technology, and Real Estate – outpaced the broader MSCI Index.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Seven & I Holdings Co., Ltd., Oracle Corporation, and Advance Auto Parts, 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.

Lowe's Companies, Inc. outperformed in the quarter as the business delivered a 33% two-year stock sales comp and more than 200bps EBIT margin expansion against a difficult quarterly comparison. Pro same store sales rose 16% year-over-year and 43% on a two-year basis, highlighting major share gain with both existing and new professional customers. EBIT margin for the year will exceed 12%, up from 9% in 2019. In nearly every regard, Lowe's has shown impressive traction in its efforts to close the performance gap that existed versus Home Depot when Marvin Ellison joined in 2018. We think that investors are beginning to appreciate this and believe that significant upside remains for the business and the shares as sales continue to grow and margins expand helping to shrink the gap with Home Depot.

Managed Care Organization (MCO) Anthem, Inc. outperformed in the period. We have long believed that MCOs represent one of the cheapest parts of the healthcare sector. With Medicare For All (M4A) not even getting sufficient support within the democratic party, we believe that a major overhang on the industry has been removed. During the period, despite COVID and utilization variabilities, MCOs delivered strong results, resulting in partial upward re-rating on the names. Over time, we expect other investors to start appreciating strong margin stability and growth opportunity names such as Anthem that are still not fully reflected in the stocks.

Alibaba Group Holding Ltd. continued to struggle in the quarter as Chinese stocks in general sold off in December. The macro environment surrounding China appears to be a current overhang to the stock as investors are concerned about China's growth. Further, the de-listing of Didi in the US. raised concerns about Chinese companies listed on US exchanges. However, at the end of the month China's CSRC published a draft stating that companies can list overseas as variable interest entities as long as they abide by compliance rules. The shares continue to trade at attractive valuations.

Altice USA, Inc. Class A underperformed in the second half of 2021 as the CEO disclosed disappointing net ad trends at a sell-side conference in September. The operational underperformance appears manageable and is mostly contained to 1/3 of the footprint that competes with a fiber product (Verizon FIOS). Altice plans to address this by accelerating fiber investments in the areas where there is solid competitive overlap, which should help to stabilize market share and return the company to net subscriber growth. The step-up in investment will weigh on free cash flow and EBITDA in 2022, which will limit the share repurchase program for some time.

## OUTLOOK

As we noted in our last month's commentary, "market sentiment can shift very rapidly." We witnessed this in November as the MSCI World Index swung dramatically to the downside in just a few weeks but fully reversed course in December to post its strongest December return since 2010. Markets appear to be less concerned about the impact of the most recent variant of COVID and are seemingly building in an expectation that economies will be able to fully re-open. However, the market continues to deal with inflation (input costs and labour costs), supply chain shortages, labour shortages, monetary tightening, etc., all of which are worth continuing to monitor for impacts to equities. Although we expect that market volatility will continue over the next several months as we get to the other side of many of these risks, we do believe that the set-up for value remains strong on the back of modestly higher interest rates, firm commodity prices, re-opening of economies, etc. As we maintain our time-tested discipline, we believe our portfolio is well positioned to take advantage of the dislocations we have seen over the last several months. As value comes back into favour, we fully expect to participate in this environment and expect to continue to outpace the overall market.

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.

## MORE INFORMATION

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