

## Wholesale Funds

# PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

February 2022

### FUND FACTS

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

### FUND BENEFITS

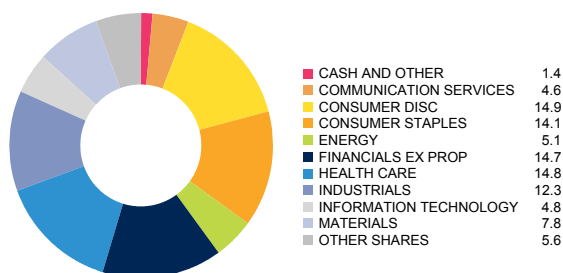
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

### 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.

**Benchmark:** MSCI World Net Total Return Index (\$A)  
**Investment Manager:** Barrow, Hanley, Mewhinney & Strauss, LLC  
**Inception Date:** April 1997  
**Size of Portfolio:** \$111.07 million as at 31 Dec 2021  
**APIR:** PER0050AU  
**Management Fee:** 0.99%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Seven years or longer

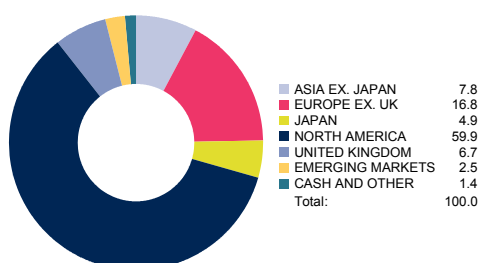
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Seven & I Holdings Co., Ltd.	3.9%
Merck & Co., Inc.	3.5%
Oracle Corporation	2.9%
BAE Systems plc	2.8%
Allstate Corporation	2.7%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 28 February 2022

	Fund	Benchmark #	Excess
1 month	-2.81	-5.36	+2.55
3 months	1.33	-5.94	+7.27
FYTD	1.21	2.92	-1.71
1 year	15.84	18.15	-2.31
2 year p.a.	12.74	12.82	-0.07
3 year p.a.	11.82	13.69	-1.87
4 year p.a.	11.01	12.76	-1.75
5 year p.a.	12.71	13.36	-0.64
7 year p.a.	10.26	10.85	-0.59
10 year p.a.	13.84	15.31	-1.47
Since incep.	6.33	7.59	-1.26

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

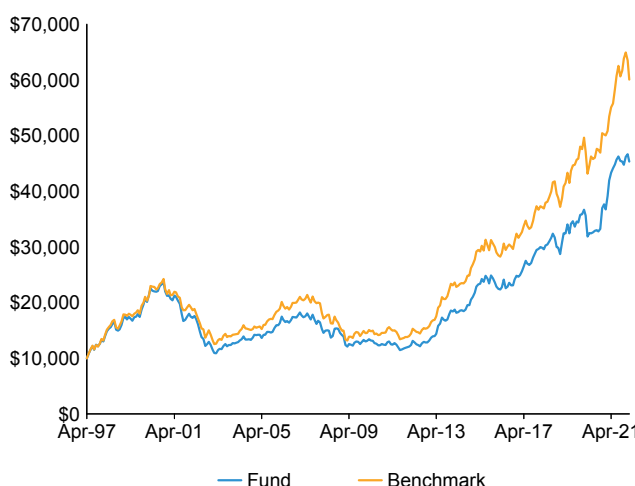
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	14.6	17.4
Dividend Yield*	2.8%	2.4%
Price / Book	2.1	2.8
Debt / Equity	74.2%	50.8%
Return on Equity*	14.4%	16.3%

<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

Markets continued their downward trajectory in February, with the MSCI World Index down -2.5% and continuing the trend that began in January. The month started with investors fretting over expected interest rate hikes as central banks continue to fight against higher inflation. However, by mid-month, concerns shifted to worries about the impact of the Russia-Ukraine conflict, which ultimately ended in Russia invading Ukraine. This added more uncertainty to markets, as central banks now need to contend with inflation that is being pressured even more by higher commodity prices combined with the prospect of slowing global growth due to higher inflation. Additional risk has also been introduced into the market due to the conflict, as sanctions have been levied against Russia which could exacerbate not only oil and gas supplies, but also food supplies. This adds to the ongoing battle against higher inflation that governments and central banks are dealing with due to tight labour markets, supply chain issues, and enormous stimulus pushed into consumers' pockets during the global pandemic.

With commodity prices moving higher in the month, it is unsurprising that the best performing sectors in February were Energy (+5%) and Materials (+2%). Defensive areas of the market also held up better, with Consumer Staples, Health Care, and Utilities stocks all down less than -1%. The Information Technology, Communication Services, and Consumer Discretionary sectors continued to lag the broader market, with all three retreating more than -4%. Given these sector trends, value stocks handily outpaced their growth peers in the month and now have a meaningful lead over growth in the year-to-date numbers. Regionally, the U.K. and Japan outperformed the broader market while continental Europe, emerging markets, and the U.S. underperformed. Within emerging markets, more commodity-driven markets such as Brazil, Chile, Colombia, etc. posted strong returns.

## 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.

As a result of Russia's invasion of Ukraine, European governments reassessed their allotted spending on their own defense infrastructure after having underspent for many years. Germany and other European countries have committed to increase the percentage of their budgets allocated to defense. Accordingly, BAE Systems PLC and Rheinmetall AG, were up strongly on the news, as they will be direct beneficiaries of this increased spending. Despite the strong performance in the month, both stocks continue to trade at attractive valuations with a longer path to stronger growth.

Ralph Lauren Corporation Class A was a positive contributor in the month after posting another set of very strong quarterly results, with results better than both consensus and guidance. Further, the company raised guidance again for the third time this year. Revenues and EBIT were well ahead of December 2019 levels, with margins continuing to expand.

During the month, Vertiv Holdings Co. Class A reported lower than expected EBIT and EBITDA margins due to supply chain issues and mispricing of its products. Vertiv failed to sufficiently adjust its prices higher during the period, as reflected in orders and backlog, which were up 51% and 56%, respectively as customers took advantage of the lower pricing. As noted earlier, with increased costs, margins were pressured. However, Vertiv has begun to aggressively price its products higher to compensate for higher costs, but this will not meaningfully impact results until the second half of 2022. We believe that if company management can effectively deliver on its second half guidance, there is substantial upside in the stock.

Public Joint Stock Company Moscow Exchange MICEX-RTS<sup>MX</sup> detracted from performance in the period. With Russia's invasion of Ukraine, Russian securities fell precipitously, and foreign investors have ultimately been excluded from trading in Russia. Although we believe there is value in this higher-quality Russian asset, the range of outcomes is very wide and we would expect when/if foreigners are allowed to transact in the security again, it is likely to see a continued re-rating lower.

## OUTLOOK

The challenges we have noted in our prior commentaries regarding supply chains, labor shortages, higher inflation, higher interest rates, etc., remain and may potentially be further exacerbated by Russia's invasion of Ukraine. This has continued to favor a fairly narrow set of investments in the markets, such as commodities, while punishing higher growth stocks that are viewed as long duration assets. We did see a broadening of participation in the market in February, as the more defensive areas of the market performed well. Accordingly, we continue to follow our balanced approach to investing, whereby we have a good mix of cyclical and defensive stocks, though we are still tilted toward defensive stocks.

We appreciate the challenges that recent market events have created for investors' confidence about their investments. During our 43+ years of investing, we have seen such challenging market environments before and recognize that within this turmoil, many value opportunities will present themselves.

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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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