

BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

January 2024

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 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)

Inception date of strategy: August 2014

ASX commencement date: 06 June 2022

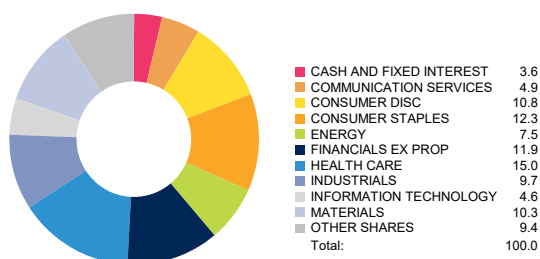
Distribution Frequency: Half-Yearly

Management Fee: 0.99%*

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Seven years or longer

PORTFOLIO SECTORS

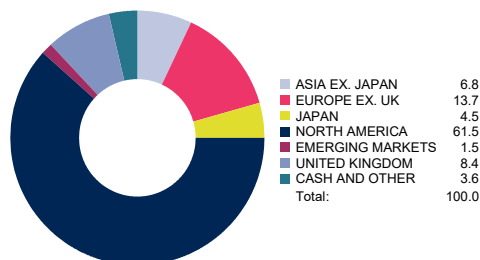


TOP 5 STOCK HOLDINGS

| Stock Holding | % of Portfolio |
|-----------------------------|----------------|
| Comcast Corporation Class A | 3.8% |
| Merck & Co., Inc. | 3.0% |
| Danone SA | 2.7% |
| Aramark | 2.6% |
| Qualcomm Incorporated | 2.6% |

*Information on management costs is set out in the relevant PDS

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 January 2024

| | Fund | Benchmark | Excess |
|--------------|-------|-----------|--------|
| 1 month | 1.07 | 4.46 | -3.39 |
| 3 months | 3.90 | 11.22 | -7.33 |
| FYTD | 3.54 | 9.61 | -6.07 |
| 1 year | 11.15 | 24.71 | -13.56 |
| 2 year p.a. | - | - | - |
| 3 year p.a. | - | - | - |
| Since incep. | 11.51 | 16.49 | -4.98 |

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

PORTFOLIO FUNDAMENTALS[^]

| | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 13.0 | 17.8 |
| Dividend Yield* | 3.1% | 2.5% |
| Price / Book | 1.7 | 2.9 |
| Debt / Equity | 58.3% | 49.9% |
| Return on Equity* | 13.5% | 16.8% |

[^] 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.

MARKET COMMENTARY

The first month of 2024 marked a continuation of many themes observed in 2023. Global markets pushed nominally higher with the MSCI World and MSCI All Country World indexes both up 1.2% and 0.6%, respectively. This built on the sharp reversal from December, but the returns were not evenly distributed across the globe. Unlike last quarter, growth stocks generally led value stocks, except in Japan and emerging markets. In the MSCI World Index, sector performance was mixed. The top performing sectors were in more growth-oriented sectors such as Communication Services, Information Technology, and Health Care. The worst performing sectors – Materials, Utilities, and Real Estate – are more interest rate-sensitive sectors, hurt by the realization that interest rates may fall slower than previously expected.

PORTFOLIO COMMENTARY

During a month in which growth stocks led the market higher, the strategy underperformed the MSCI World Index. The underperformance was spread between stock selection and allocation impacts. Positive stock selection within the Industrials, Consumer Staples, and Utilities sectors positively contributed to relative performance. Challenging stock selection in Consumer Discretionary, Materials, and Financials detracted from relative performance. An overweight in the Materials sector and underweight to the Information Technology sector, the second-best performing sector during the month, detracted from relative performance. An overweight to the Health Care sector was modestly positive. Regionally, selection in the U.S. detracted from relative performance, overpowering positive stock selection in the UK. An overweight to the worst performing region, emerging markets, detracted from relative returns.

Vertiv Holdings Co. Class A positively contributed to relative performance during the month due to continued bullish sentiment surrounding AI stocks. As a leading supplier of cooling equipment and technology to data centers, the company stands to benefit from increased spending on digital infrastructure for expansion and upgrades. Company management continues to execute its strategy to improve margins, reversing the cost headwinds from the prior year, and delivering on operational improvements and greater free cash flow conversion. Backed by sustainable growth in their end markets, Vertiv continues to trade at an attractive valuation and remains well positioned for future earnings growth. Merck & Co. performed strongly in January on news that the pharmaceutical company's blockbuster drug, Keytruda, could see its patent life extended with combination treatments to target other types of cancer. Overall, this builds on positive momentum for the company and is part of the larger thesis that Keytruda will be a larger driver of growth for longer than the market currently expects. The company trades at 14.8x forward earnings with a dividend yield of 2.8%.

Humana Inc. underperformed in January on continued higher utilization rates for its health insurance products. The higher utilization trends in 2023 do not appear transitory, leading Humana to slash its earnings guidance to half of the level previously predicted for 2024. While managed care organizations continue to struggle, Humana remains an attractive asset that may be oversold on pessimism.

DuPont de Nemours, Inc. underperformed in January due to guidance surrounding a deeper trough in the cycle, continued destocking, and weak demand from China. The company guidance for the next two quarters was well below consensus. Overall, the company still has a strong portfolio of assets, but cyclical impacts continue to challenge the company.

OUTLOOK

The continuation of the market rally in January pushed some markets toward highs. The strong returns over the past year may have gotten ahead of the fundamentals as inflation remains above the 2% targets favoured by central banks. Markets remain hopefully positioned that 2024 will be the year in which inflation is under control and monetary policy is more accommodative. We still do not understand the longer-term ramifications of the Quantitative Easing experiment, as business and economic cycles have been prolonged beyond historical norms. One gauge for this is unprofitable companies within the Russell 2000 Index. This tends to peak just after recessionary periods and tends to fall fairly quickly over the ensuing 2-3 years. In the dotcom recession, the percentage was just above 30%, falling to approximately 15% by 2006. In the Global Financial Crisis recession, the percentage of unprofitable companies increased to approximately 40% before falling to a higher 20%+ in 2012 then steadily increased to approximately 45% post the COVID recession. However, nearly two years later, unprofitable companies constitute roughly 40% of the total index. What might be the ramifications of this returning to a more normal level of less than 20%?

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Investment returns, net of management costs have been calculated on the growth of Net Asset Value (NAV) after taking into account all operating expenses (including management costs) and assuming reinvestment of distributions on the ex-date. Distribution return has been calculated based on the ETMF's investment portfolio return less the growth of NAV. No allowance has been made for taxation. Future returns may bear no relationship to the historical information displayed. The returns shown represent past returns only and are not indicative of future returns of an ETMF. Returns on an ETMF can be particularly volatile in the short term and in some periods may be negative. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the ETMF or the return of an investor's capital.

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