BARROW HANLEY GLOBAL SHARE FUND (MANAGED FUND)

ASX code: GLOB

August 2022

FUND FACTS

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

FUND BENEFITS

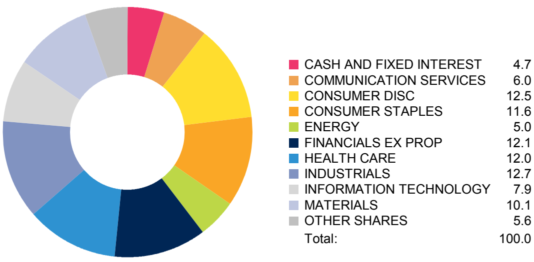
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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)
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

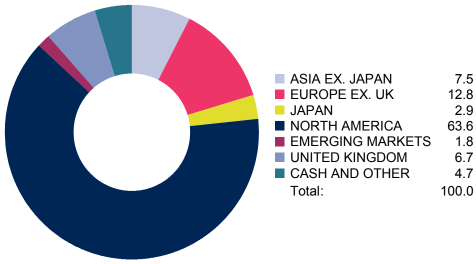
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Air Products and Chemicals, Inc.	3.8%
Merck & Co., Inc.	3.5%
Hess Corporation	3.2%
Oracle Corporation	3.1%
Seven & I Holdings Co., Ltd.	2.9%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 August 2022

	Fund	Benchmark	Excess
1 month	-1.81	-2.47	+0.66
3 months	-	-	-
FYTD	-0.97	3.74	-4.72
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-2.76	-0.49	--2.27

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	13.1	15.1
Dividend Yield*	2.7%	2.7%
Price / Book	1.9	2.5
Debt / Equity	67.5%	51.3%
Return on Equity*	15.2%	17.2%

^ 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.

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

MARKET COMMENTARY

After posting very strong returns in July, equity markets recoiled, fearing central banks would tighten, regardless of the impact of slowing economic growth. This caused the MSCI World and MSCI All Country World Indexes to drop -4.2% and -3.7%, respectively. Given elevated inflation and higher gas prices, Europe appears to remain on the brink of a recession as Russia continues to toy with Europe gas supply via the Nordstream 1 pipeline. However, eurozone GDP was up 0.7% quarter over quarter, surprising to the upside. The UK appears particularly challenged with inflation, as expectations are that the UK may hit 13% inflation later this year after posting year-over-year inflation of 10.1% in July, causing the Bank of England to raise rates another 50bps. Japan posted the strongest results in developed markets, particularly in local terms, despite its currency continuing to weaken. Emerging markets posted positive returns in a down market, the best results across all markets in the month.

With rates moving higher and continued concerns over slowing economic growth, investors moved back to value stocks and away from higher multiple stocks in the Information Technology and Consumer Discretionary sectors, as these sectors had been bid up on the hope that a slowing economy would soften the Federal Reserve and other central banks' stance on pushing rates higher.

Despite falling oil prices, the Energy sector posted the strongest returns in the month and was the only sector in positive territory. The Financials sector performed well on the back of higher rates and the Utilities and Consumer Staples sectors did well given a flight to safety in the month. Despite the flight to safety, the Health Care sector failed to participate and was the worst-performing sector in the month.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Hess Corporation, and Air Products and Chemicals, 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.

Air Products and Chemicals, Inc. reported EPS +13% and $.01 ahead of consensus while reiterating guidance. This is the second quarter of steady results without the Europe gas cost or project timing noise seen earlier, which is leading to renewed interest in the company given its defensive secular growth profile. Further, with the passing of the Inflation Reduction Act, the climate provisions within the bill are expected to be a net benefit to Air Products.
Despite falling oil prices in August, Hess Corporation contributed positively to performance in the month as the company reported better-than-consensus results. Further, Hess continues to be a solid story in the Energy sector as the Guyana asset growth will drive cash flow and earnings higher. The company has one of the best compounding stories in the Energy sector, with at least +20% CAGR for the next 4-5 years.

Aptiv PLC was challenged in the month given the negative market sentiment on cyclical stocks. In August, the company noted it expects second-half margins of 10%-10.5%, which is below expectations of 12% but well ahead of the previously realized margins of 5%-7%. Further, given the strong bounce from its lows in July, a pullback from the strong performance in this environment was not unreasonable. We continue to see the stock trading at very attractive valuations with high upside potential.
Rheinmetall AG detracted from performance in the month despite reporting numbers in line with expectations. The primary cause of the shortfall appears to be that the company is expected to push its defence order intake further out. Consequently, Rheinmetall now expects 2023 defence revenue to grow ~21%, which is at the lower end of its prior guidance. The stock continues to trade at an attractive valuation, and we remain positive on the name.

OUTLOOK

As we noted in our commentary last month, "while the rebound in the markets in the month may be cause for optimism, we would caution that this optimism may not be fully rooted in improving economic fundamentals. Despite strong labour markets, we believe high inflation continues to create uncertainty about whether central banks can engineer a soft landing in the next 12-18 months, as some market participants expect." The battle with inflation makes navigating these markets very difficult, as the range of outcomes is wide. Further, Russia remains a wild card given uncertainty about how it will respond to the West's continued sanctions and price caps on Russian energy, with its first action further limiting supplies of energy to Europe. This is exacerbating accelerating inflation issues within the UK and eurozone, with the central banks seemingly far behind in raising rates and having to do so in the likely event of an economic slowdown.

MORE INFORMATION

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