

# BARROW HANLEY GLOBAL EQUITY TRUST

August 2021



## FUND FACTS

**Investment return objective:** Aims to provide the trust with higher returns compared to the benchmark, while maintaining lower risk.

## FUND BENEFITS

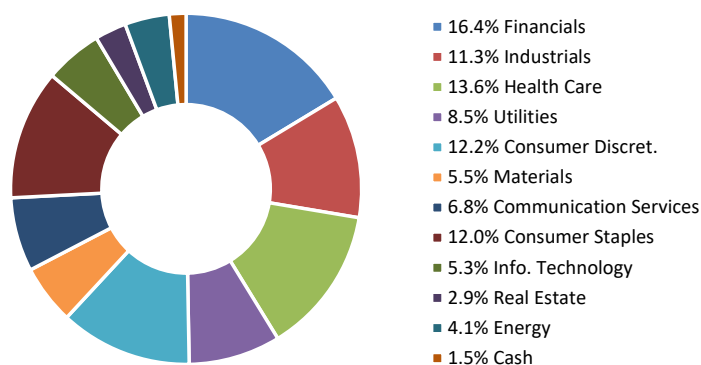
True traditional value portfolio concentrated in 50-70 stocks which focuses on undervalued companies with improving operating fundamentals identified by Barrow Hanley's screening process.

## FUND RISKS

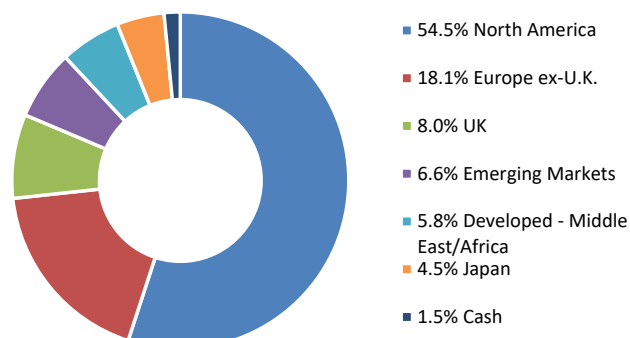
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

<b>Benchmark:</b>	MSCI World Index (Measured in AUD)
<b>Inception date:</b>	6/05/2016
<b>Delegated Investment Manager:</b>	Barrow Hanley Mewhinney & Strauss
<b>APIR:</b>	ETL0434AU
<b>Management Fee:</b>	0.99% p.a
<b>Size of fund</b>	\$ 111.37 million as at 30-June-2021
<b>Suggested minimum investment period:</b>	Five years or longer

## PORTFOLIO SECTORS



## PORTFOLIO REGIONS



## NET PERFORMANCE - Periods ending August 31, 2021

	Fund	Benchmark	Excess
<b>1 month</b>	1.3	3.1	-1.8
<b>3 months</b>	4.6	12.2	-7.6
<b>FYTD</b>	3.2	7.2	-4.0
<b>1 year</b>	40.6	31.9	+8.7
<b>2 years</b>	11.7	18.8	-7.1
<b>3 years</b>	10.4	15.2	-4.7
<b>4 years</b>	12.4	17.5	-5.1
<b>5 years</b>	13.3	16.1	-2.8
<b>Since Inception</b>	12.7	15.7	-3.0

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

## TOP 5 STOCK HOLDINGS

	% of Portfolio
COMCAST CORP	3.5%
SEVEN & I HOLDINGS	3.4%
ORACLE CORP USD	3.3%
ADVANCE AUTO PARTS	2.3%
COCA-COLA EUROPACIFIC	2.2%

## MARKET COMMENTARY

Despite growing concerns over increasing COVID infections due to the Delta variant, combined with what appears to be peaking growth, the performance of markets in August was robust once again, with the MSCI AC World Total Return Index up 3.1%. US equities remained among the top-performing regions, with the S&P 500 reaching all-time highs. Japanese equities performed well in August after lagging for much of the year. Similarly, emerging markets ended the month higher after a sell-off in early August on the back of Chinese regulatory concerns.

Although markets continue to perform strongly, high inflation levels in several countries are a cause for concern. The US consumer price index, for example, printed a decade-high year-on-year increase of 5.4%. Although the US Federal Reserve continues to talk of transitory inflation, risks of prolonged inflation remain top of mind. In addition, with the rise in COVID cases across the globe, fears of further lockdowns impacted equity market performance at the sector level as it shunned the more cyclical areas of the market in favour of more defensive sectors. While economic fundamentals such as PMIs have appeared to peak, they remain in expansionary territory. Further, economic growth has been constrained due to supply chain disruptions.

Classic defensive sectors such as Utilities, Health Care, Communication Services, and Information Technology were all favoured in the month. The Financials sector surprised, outperforming despite concerns over lower interest rates. Value stocks continued to come under pressure in August despite a strong performance by the Financials. On a year-to-date basis, the MSCI World Growth Index has closed the gap with the MSCI World Value Index and is now slightly ahead. The MSCI ACW Value Index continues to outpace its MSCI ACW Growth Index modestly, as value stocks from the emerging market have meaningfully outpaced their growth peers year-to-date.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include convenience store operator Seven & I Holdings Co, video, internet, and phone service provider Comcast Corporation, and computer technology company Oracle Corporation. Conversely, the Fund's largest underweight positions include Microsoft, Apple, and Amazon, all of which are not held by the Fund.

### Contributors

American International Group, Inc. (AIG) performed strongly in the month as earnings came in well above consensus. Its core P&C Insurance operation continues to show substantial improvement and is the primary driver for the earnings beat. Premium growth was very strong during the quarter in both commercial and personal insurance. Overall, pricing continues to be favorable and substantially exceeds loss cost

trends. AIG authorized an incremental \$5 billion share repurchase program, giving it a total capacity of \$6 billion, a sizeable~14.5% of market value.

Like AIG, KunLun Energy Co. Ltd. reported better-than-expected first half 2021 earnings in the month, which contributed to the strong relative performance. The results demonstrated the strong growth in the remaining business. The next leg up in the stock price will be from executing growth and improved profitability in the natural gas sales business that can reduce the stock's valuation discount to peers. We continue to see positive indicators for further re-rating but are monitoring management actions to see continued progress towards their growth initiatives.

Communication Services company Vodacom Group Limited continued to rally in August after posting a strong revenue update in late July. Additionally, Vodacom's subsidiary in Kenya, Safaricom, continued to rally on optimism surrounding its planned entry into the Ethiopian market. The positive sentiment on Safaricom helped lift Vodacom's share price as well.

### Detractors

Hess Corporation underperformed in August, largely in line with the price of crude oil which was down more than 7% in the month. Given the strong earnings report we saw in July, we continue to see Hess as a good risk/reward opportunity.

The price of Coca-Cola Europacific Partners plc was down ~7% (JPY) in the month, with the market modestly up. There was nothing meaningful at a company level that would lead us to believe that this relative underperformance alters our investment thesis. Given the increase in COVID cases globally, we suspect market concerns over further re-openings and public gatherings has likely impacted the stock over the short-term. We continue to see a positive risk/reward profile.

Altice USA, Inc. Class A lagged the broader market in the month. At the end of July, Altice reported earnings that were largely in line with expectations, but management guidance was a bit soft relative to market expectations; this pressured the share price and continued into August. Altice is trading at very attractive valuations relative to its peers and has good growth opportunities in 2022 on the back of recent investments in its fiber offerings. Accordingly, we remain positive on the stock.

### Outlook

As we have noted in our prior month commentaries, despite the recent challenges for value stocks given concerns about economic growth, we view the opportunity for value stocks as quite compelling. In looking at PMIs, global economies appear healthy and, in some cases, seem to be held back by supply constraints. Once these supply constraints are alleviated, we expect economic growth to pick up, thus enabling the more economically-sensitive areas of the market to do well. Additionally, with the high level of consumer savings, government stimulus, and government fiscal spending, economies are likely to be pushed higher as this money is added to economies through increased spending. Accordingly, we see the recent pause in value stock performance as temporary and believe our portfolio is well-positioned for the future.

---

Equity Trustees Limited (Equity Trustees) ABN 46 004 031 298 | AFSL 240975 is the Responsible Entity for the Barrow Hanley Global Equity Trust (the Fund). Equity Trustees is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT). The Investment Manager for the Fund is Perpetual Investment Management Limited (Perpetual) ABN 18 000 866 535 | AFSL 234426. Perpetual has delegated the investment management of the Fund to Barrow, Hanley, Mewhinney & Strauss, LLC (BH). This information has been prepared by Perpetual to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Perpetual, BH, Equity Trustees nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). Barrow Hanley Global Equity Trust's Target Market Determination available here. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

## MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

[www.perpetual.com.au](http://www.perpetual.com.au)

