



Pendal Global Select Fund

BOB GLS Breakout session

“Beware good houses
in bad neighbourhoods”

PENDAL

J O Hambro 
Capital Management Group

September 2023
London

Workshop

- 1 Analyse three stocks to determine their driving factors
- 2 Write down your answer and supporting argument
- 3 Group discussion and presentation of answers



The Global Select Fund Team



Christopher Lees, CFA
Senior Fund Manager

Joined JOHCM from Barings in 2008

- 33 years experience, 19+ years at Barings, 13+ years at JOHCM
- Lead Global/International manager at Barings until joining JOHCM
- Head of Global Sector Teams, lead manager Barings USA equities
- CFA charterholder, lived and worked in Asia, Europe and US



Nudgem Richyal, CFA
Senior Fund Manager

Joined JOHCM from Barings in 2008

- 23 years experience, 8+ years at Barings, 13+ years at JOHCM
- 18 years of investment partnership with Christopher
- Managed one of the largest Latin American strategies in London
- CFA charterholder, lived and worked in Asia, Europe and US

Our investment process leverages the best ideas from all of JOHCM/Regnan's 40+ PM's and analysts

What drives stock returns?

Equity markets have and always will
refuse to obey how the investment
community thinks it should behave

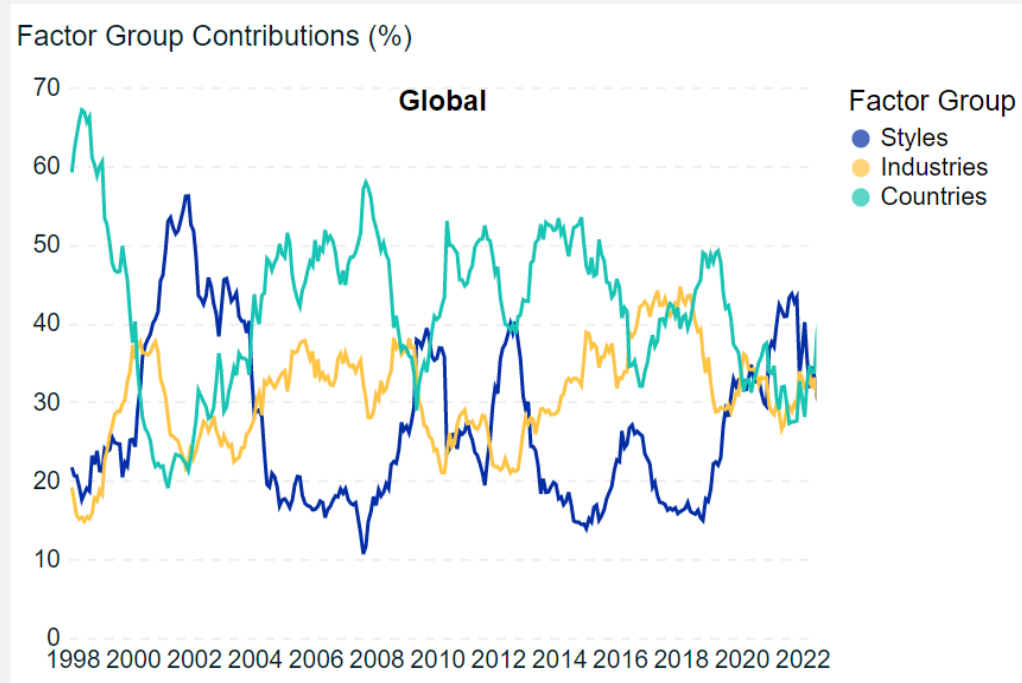


The world is not uniform or static

Style briefly became highest in global developed markets, country still highest in emerging markets

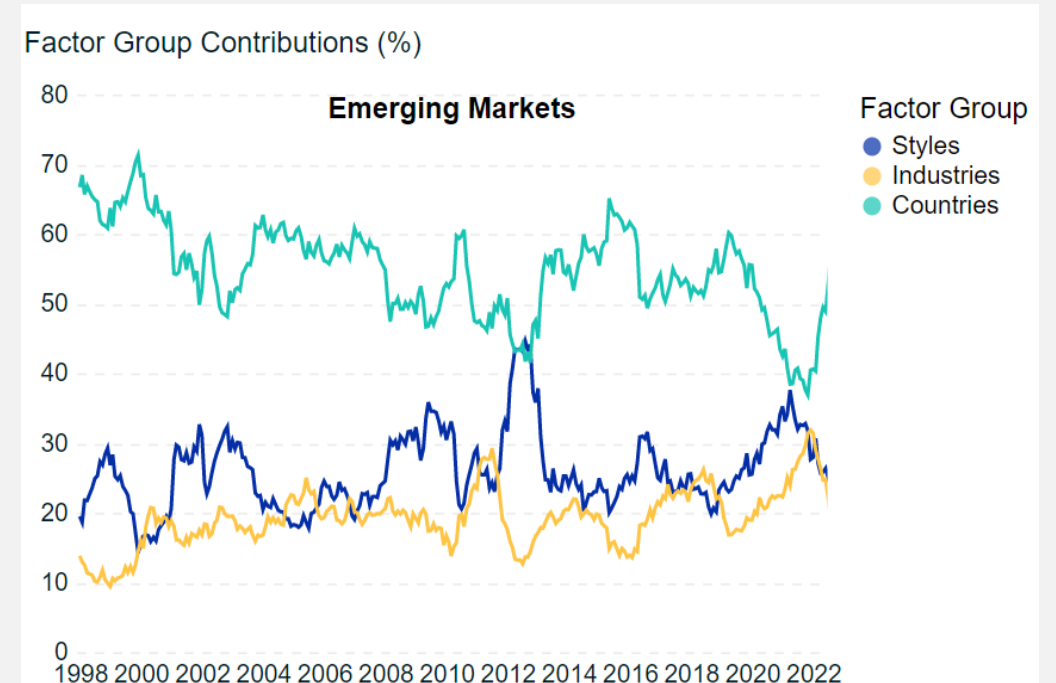
Developed markets

Factor group contributions, 12 month moving average



Emerging markets

Factor group contributions, 12 month moving average



Different “neighbourhoods” matter in different parts of the world at different times

Idea generation and research

Idea generation

- We screen every stock in the world that is liquid enough for us to buy, based on Fundamentals, Valuation, Trend = focusing on both the highest rankings and the improving rankings
- We also put JOHCM's 350 liquid stock holdings researched by 40 Investment professionals through our process = less than 10% pass our through cycle 4 Dimensional global investment process
- We then do the following fundamental research only on those stocks that rank/screen well - "the best ideas"

Is it a good or bad company?

- Are earnings revisions, return on capital, ESG/Sustainability, debt levels, trending up or down?
- Why is this happening and how sustainable is it? (Dupont analysis = margins, asset turns, leverage)
- Is there a catalyst for fundamentals to change?

Is it a good or bad stock?

- Is the valuation attractive?
- Is the share price trending up or down?
- Is there a catalyst for the market's perception to change?

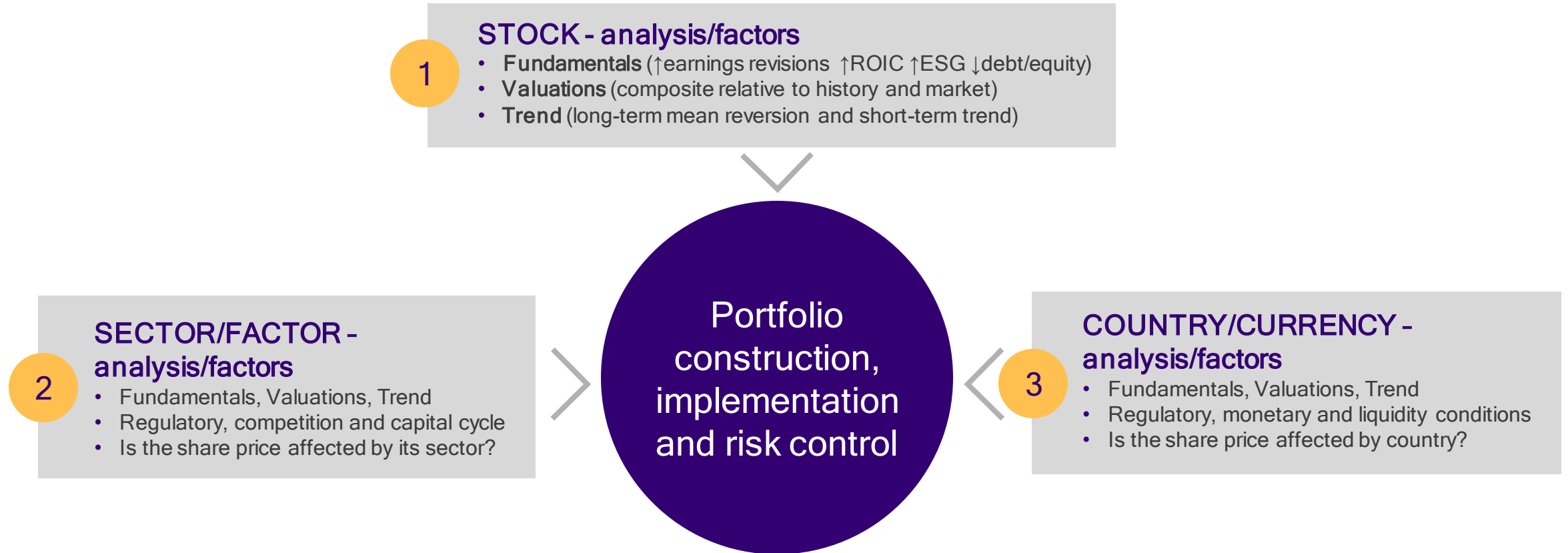
Is it in a good or bad sector/factor and country/currency?

- Are the top down neighbourhoods fundamentals, ESG/Sustainability, and technicals improving or deteriorating?
- Is it an idiosyncratic stock with a low correlation to its sector/factor or country/currency or is it highly correlated?
- Why and what could change the share price correlations?

Over 30 years of "quantamental" research, focusing on both relative level and rate of change


“4-Dimensional” global investment process

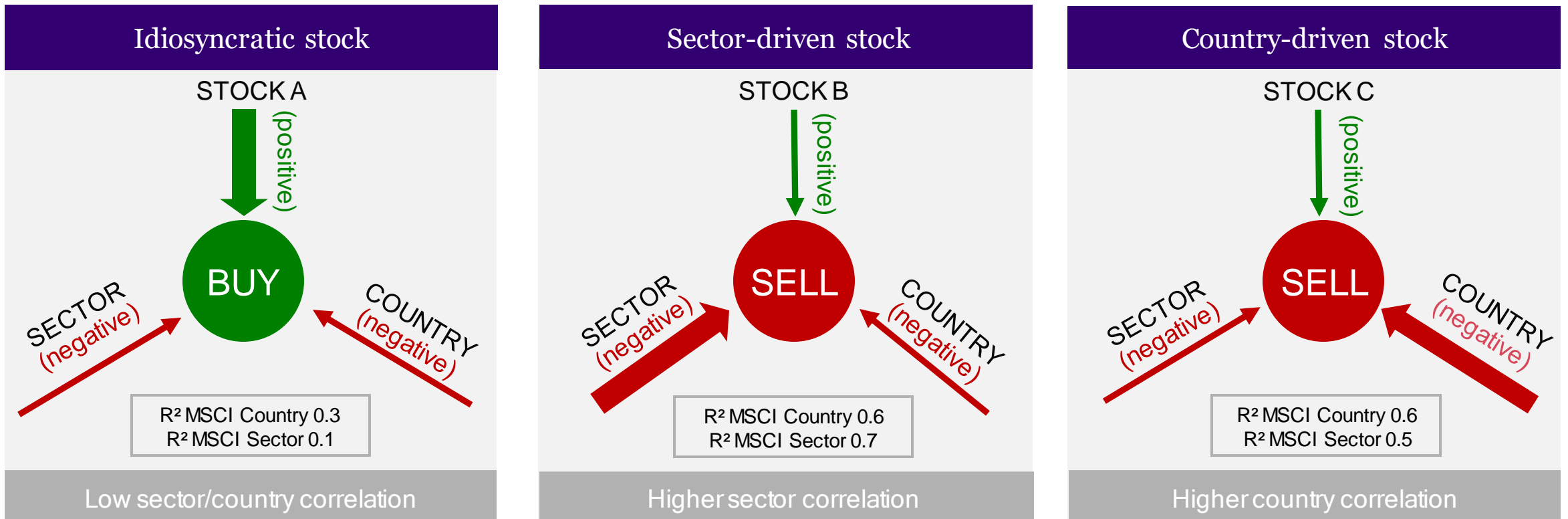
Stock, sector, country factors and how they change over time



Portfolio construction

Weighted alpha = factors weighted towards what actually drives each share price, i.e. materiality

 = Most important driver of return of these 3 JOHCM held stocks that are all in the same global sector



Beware the “good house in a bad neighbourhood”

Stock One

Large Indonesian Bank

I am one of the largest banks in Indonesia by assets. I was founded in 1895 and have been serving the people of Indonesia for over 125 years. I am committed to providing financial services to the underserved and rural communities, and I offer a wide range of products and services, including savings accounts, loans, insurance, and investment products. I am also a leading provider of microfinance in Indonesia, and I have helped millions of people to start or expand their businesses.

I am proud to be a part of the Indonesian community, and I am committed to helping the country achieve its economic and social goals. My Non Indonesian revenues are negligible.

What am I?

An idiosyncratic stock? A stock correlated to Indonesia? Or a stock correlated to the Global Financials Index?

Stock Two

UK listed Energy
Company

I am an integrated oil company.

This means I operate across the entire oil and gas value chain, from exploration and production to refining and marketing. In exploration and production, I find and develop oil and gas resources. I do this by drilling wells and using other technologies to extract oil and gas from the ground. In refining, we turn crude oil into fuels, such as gasoline, diesel, and jet fuel. I also produce other products, such as asphalt and lubricants. In marketing, I sell our products to customers around the world. I do this through our own retail network and through third-party distributors. My primary listing is on the London Stock Exchange. I operate in over 70 countries around the world employing a workforce of over 70,000 people.

Am I an idiosyncratic stock?

Or am I most correlated to the UK index or the Global Energy sector?

Stock Three

US Medical Technology
Company

I am a US company and a leading global manufacturer of cryogenic equipment.

My products are used in the production, storage, distribution, and end-use of atmospheric, hydrocarbon, and industrial gases.

I am committed to the energy transition and am developing new technologies to help decarbonize the global economy.

Am I idiosyncratic?

Or am I closely correlated to the Industrials sector or the MSCI USA?

Stock Four

Large Dutch Global Tech Firm

I am a Dutch firm who is a leading supplier of lithography systems for the semiconductor industry. My systems are used to create the tiny transistors that are essential for the chips that power our computers, smartphones, and other electronic devices. I am a complex machine, but I am also very precise. I can create patterns on silicon wafers that are just a few nanometers wide. This is essential for the continued miniaturization of chips.

I am used by chipmakers all over the world, including in China. However, the US government has imposed restrictions on the sale of my systems to China. This is because the US government is concerned that China could use my systems to develop its own military capabilities. I am proud to play a role in the development of new technologies that are making our lives better.

I am committed to innovation. I am constantly working to improve my systems and make them even more precise. I am also working to develop new technologies that will make it possible to create even smaller and more powerful chips. I am a critical part of the semiconductor industry. I am helping to drive innovation and make it possible to create the chips that will power the future.

Am I idiosyncratic?

Or am I closely correlated to the Tech space or the Dutch index?

Workshop Answers

Stock	Dominant Factor (Idiosyncratic, Sector or Country)	Rationale
Stock One		
Stock Two		
Stock Three		
Stoc Four		

Was there a particular stock that was hard to identify the dominant factor? Why?

Beware good stocks in bad (or deteriorating) neighborhoods...

	Sector	Fundamentals* -1 to +1	Valuation** -1 to +1	Trend*** -1 to +1	Total score**** -3 to +3
Commodities	Energy	0	0	0	0
	Materials	-1	1	0	0
Rate Cyclicals	Financials	0	0	0	0
	Consumer Discretionary	0	0	0	0
Capex Cyclicals	Industrials	0	0	0	0
	Technology	0	0	0	0
Defensive growth	Healthcare	1	0	1	2
	Consumer Staples	1	0	0	1
	Real Estate	-1	0	-1	-2
Bond proxies	Communication Services	-1	0	0	-1
	Utilities	1	-1	0	0
	Region	Fundamentals* -1 to +1	Valuation** -1 to +1	Trend*** -1 to +1	Total score**** -3 to +3
Developed Markets	North America	1	-1	0	0
	Europe ex UK	0	0	0	0
	UK	0	1	0	1
	Japan	0	1	0	1
	Developed Pacific ex Japan	0	0	0	0
Emerging Markets	China	0	0	0	0
	Emerging Asia ex China	-1	0	0	-1
	EMEA ex Russia	0	0	-1	-1
	Emerging Latin America	0	1	0	1

Lots of orange lights are hiding some big and important changes:

- Energy and Financials deteriorating;
- while Technology and Consumer Staples improving

Conclusion

We think most equity markets are in a drawn out bottoming process, with risk on/off rotations as inflation and interest rates peak, but banking crisis and probable recession

Last quarterly webinar we said that we will wait to buy the dips in 2023 due to the twin risks of interest rates and recession - no significant transactions in Q1 2023

We see improving relative fundamentals, attractive valuation, and improving relative share price trends in the following neighbourhoods:

- Quality growth stocks, many of which are already down 30-50%
- UK & European & Japanese global champions, i.e. exporters
- Emerging Markets domestic consumption growth stocks
- China reopening/recovering, but probably more indirect than direct opportunities

Quality stocks usually outperform during a financial crisis and earnings recession

JOHCM Global Select Fund holdings and sector/regional positions

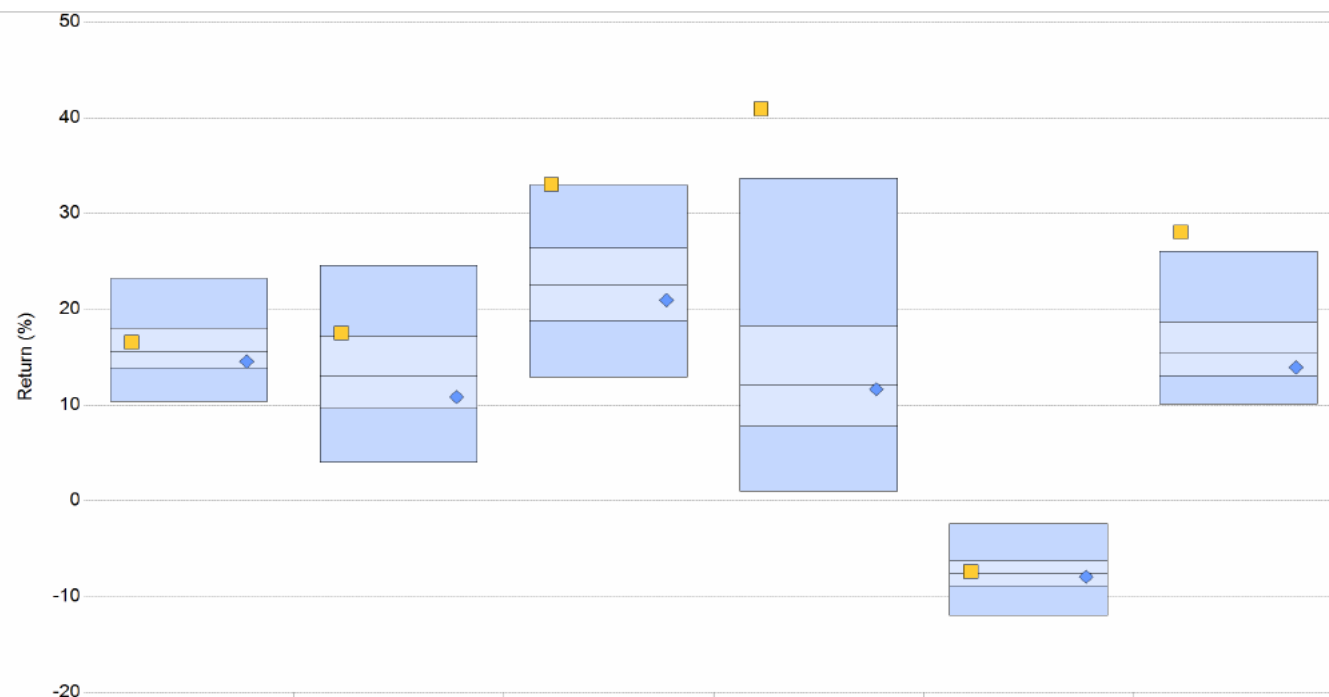
	North America	UK & Europe	Japan	Asia, Emerging & Other	Total	Benchmark	Difference
Energy	Tenaris 2.0				2.0	5.0	-3.0
Materials	Linde 2.6	Boliden 2.5		Fortescue Metals 2.6	7.7	4.9	2.8
Consumer Discretionary	Aptiv PLC 2.5		Sony 2.6		5.1	11.3	-6.2
Healthcare	Regeneron Pharmaceuticals, Inc. 2.6 Vertex Pharmaceuticals Incorporated 2.5 Henry Schein, Inc. 2.5 Thermo Fisher Scientific Inc. 2.4 Dana Her Corporation 2.2 Agilent Technologies, Inc. 2.2 Repligen Corporation 2.1 PerkinElmer, Inc. 2.1 UnitedHealth Group Incorporated 2.0 Elevance Health, Inc. 2.0	Novo Nordisk / 2.9			25.5	12.2	13.2
Consumer Staples	Estee Lauder 2.3	Unilever 2.1		Wal-Mart de Mexico 2.4	6.7	7.5	-0.8
Communication Services	Alphabet 2.6				2.6	6.8	-4.1
Utilities		Orsted 2.2			2.2	3.2	-1.0
Financials	Intercontinental Exchange, Inc. 2.4 S&P Global, Inc. 2.3 TPG Inc Class A 2.2 Nasdaq, Inc. 2.1 Morningstar, Inc. 2.1			PT Bank Mandiri 2.3 B3 SA - Brasil 2.0 Banco Bradesco S.A. 1.9	17.5	13.9	3.5
Information Technology	ANSYS, Inc. 2.8 Microsoft Corporation 2.7 Intuit Inc. 2.5 Accenture Plc Class A 2.4 Keysight Technologies Inc 2.1 Globant SA 2.1 EPAM Systems, Inc. 2.1		Keyence Corporation 2.7		19.4	22.6	-3.2
Real Estate					0.0	2.4	-2.4
Industrials	United Rentals, Inc. 2.6 AGCO Corporation 2.4 CNH Industrial NV 2.4 Chart Industries, Inc. 2.0				9.5	10.0	-0.5
Cash						1.9	
Total	70.0	9.5	5.3	11.3			
Benchmark	60.8	16.9	5.5	16.8			
Difference	9.2	-7.3	-0.2	-5.6			

Not defensive enough and wrong type of defensive sectors/stocks for 2022's interest rate shock/crisis

The team's track record at Barings

Baring Global Select

Rolling Performance Analysis
 Rolling 3-Year Periods
 Universe: eA Global Equity
 Returns
 ■ Barings: Global Select Equity
 ◆ MSCI ACWI-ND



	RC	DS	VT	RM	9/04-12/04	Rk	1/05-12/05	Rk	1/06-12/06	Rk	1/07-12/07	Rk	1/08-2/08	Rk	9/04-2/08	Rk
■ 5th percentile					23.21		24.58		32.98		33.70		-2.42		26.07	
■ 25th percentile					18.04		17.24		26.40		18.27		-6.21		18.71	
— Median					15.54		12.99		22.46		12.09		-7.56		15.38	
■ 75th percentile					13.89		9.63		18.83		7.80		-8.89		13.04	
■ 95th percentile					10.39		4.05		12.93		1.03		-11.96		10.12	
# of Observations					358		373		412		451		493		333	
■ Barings	USD	IM	SA	GF	16.57	39	17.52	24	33.04	5	40.90	2	-7.40	46	28.08	3
◆ MSCI ACWI-ND	USD	IM	---	IX	14.54	63	10.84	68	20.96	61	11.66	52	-7.93	57	13.93	65

Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up and investors may not get back the amount invested

Source: eVestment Alliance. Baring Global Select strategy, calendar year returns from September 2004 to February 2008 in USD. Track record may be used as supplemental information under GIPS® rules.

Global Select Equities Composite

Composite Performance Results

Composite : **Global Select Equities**
 Benchmark : **MSCI All Country World NR Index**
 Currency : **AUD**
 Inception Date: **1/10/2008**
 Report End Date: **30/04/2023**
 Composite Creation Date: **30/09/2009**



Composite			3yr Std. Deviation		3yr Std. Deviation		Dispersion (AW)	No. Accounts	Market Value at End	% Firm Assets	Total Firm Assets
	Gross	Net	Benchmark	Composite	Benchmark	Composite					
Global Select Equities	4.89	4.65	11.70	13.06	10.78	10.78	0.39	8	5,068,370,358	12.24	41,424,464,326.25
2022	-26.86	-27.37	-12.48	14.22	12.47	12.47	0.22	8	5,232,246,381	12.84	40,736,069,136.75
2021	34.03	32.70	25.81	10.52	10.72	10.72	0.16	7	7,704,676,921	13.28	58,011,055,860.87
2020	22.29	20.88	5.90	11.02	11.34	11.34	0.48	6	6,151,673,226	11.51	53,438,847,224.63
2019	25.26	24.33	26.79	9.25	9.22	9.22	N/A	5	5,547,165,955	10.11	54,845,543,584.75
2018	3.75	2.95	0.64	8.48	9.04	9.04	N/A	4	5,311,380,589	10.64	49,931,816,374.97
2017	17.37	16.48	14.77	12.65	10.07	10.07	0.45	5	6,425,839,554	11.93	53,854,032,164.86
2016	3.14	2.35	8.38	14.03	9.81	9.81	0.54	5	6,144,485,547	14.13	43,476,104,857.18
2015	5.74	4.15	9.82	15.39	10.19	10.19	0.55	5	5,712,057,091	14.60	39,111,281,434.42
2014	19.08	17.37	13.87	12.06	8.67	8.67	0.46	5	4,859,647,415	15.73	30,893,104,779.00
2013	62.98	60.86	42.51	12.29	9.96	9.96	N/A	5	3,806,623,885	15.58	24,431,540,571.89
2012	13.89	12.60	14.68	10.12	8.13	8.13	0.64	5	2,193,148,638	16.22	13,523,648,857.30
2011	-11.13	-12.24	-7.36	13.24	10.55	10.55	N/A	5	1,829,186,083	17.99	10,169,240,436.27
2010	15.96	14.62	-1.15	N/A	N/A	N/A	N/A	3	1,222,704,682	15.48	7,896,938,993.76
2009	-5.71	-7.50	4.37	N/A	N/A	N/A	N/A	1	194,832,578	3.78	5,150,271,787.92
Q4 08,Initial Part Year	-7.12	-7.74	-12.17	N/A	N/A	N/A	N/A	1	35,672,688	1.15	3,098,924,803.61

Source: JOHCM/Statpro. This report has been prepared and is presented in compliance with the Global Investment Performance Standards (GIPS®). A complete list of firm Composites is available upon request. *Inception date: 1 October 2008.

Past performance is not necessarily a guide to future performance. The value of an investment can go down as well as up as a result of market fluctuations, and currency fluctuations (where relevant), and investors may not get back the amount invested.

Disclaimer

Global Select Equities Composite Disclosures

As at 1st February 2011, the Firm employed a policy to exclude portfolio performance from composites in months where the portfolio has experienced a cash flow greater than 30% of assets at the time of cash flow. This policy has been employed for all composites, with exception of single account composites. If after a period of time a composite which has previously included more than one account becomes a single account composite, it will at this point cease to be included in this procedure.

Additional information on the methodologies used for the valuation of portfolios, the calculation and reporting of returns and the preparation of GIPS compliant presentations is available upon request.

Timing and sourcing of exchange rates may differ between funds in the composite and the benchmark due to the use of differing third party administrators to produce portfolio valuations.

All composites are compared to indices priced at close of business. Where the composite contains open-ended portfolios, market fluctuations between the intra-day pricing of the fund and close of day will have an impact on relative performance.

Dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year. Periods with less than 5 accounts are not deemed statistically representative and dispersion is not presented.

The 3 year annualised ex-post standard deviation of the composite and benchmark is displayed as of each year end. The standard deviation is not presented if there is less than 36 months of performance history available.

The benchmark for this composite is the MSCI All Country World NR Index.

All MSCI indices are calculated net dividends reinvested. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

Past performance is no guarantee of future performance. The value of investments and the income from them may go down as well as up.

Portfolios in this composite aim to achieve long-term total return from investing in a concentrated portfolio of global securities on an unconstrained basis.

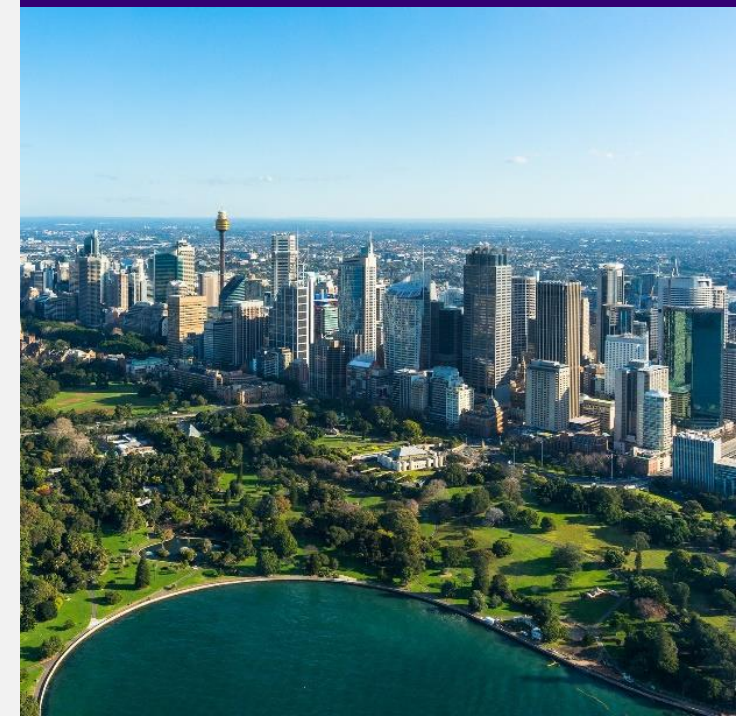
The composite was created in September 2009.

A complete list and description of all the firm's composites is available upon request.



PENDAL

For more information,
call us 1300 346 821
or visit www.pendalgroup.com



Disclaimer

This presentation has been prepared by Pental Fund Services Limited (PFSL) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of its publication. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity of, and issuer of units in the Pental Global Select Fund ARSN: 651 789 678 (the "Fund"). PFSL has appointed J O Hambro Capital Management Limited to manage the assets of the Fund. A product disclosure statement (PDS) is available for each class in the Fund and can be obtained by calling 1300 346 821 or visiting www.pentalgroup.com. The Target Market Determination (TMD) for the Fund is available at www.pentalgroup.com/ddo. You should obtain and consider the relevant PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

This presentation is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation. Past performance is not a reliable indicator of future performance.

The information in this presentation may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this presentation is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pental group accepts any responsibility or liability for the accuracy or completeness of this information.

The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

Investors should note that this strategy invests in emerging markets and such investments may carry risks with failed or delayed settlement and with registration and custody of securities. Companies in emerging markets may not be subject to accounting, auditing and financial reporting standards or be subject to the same level of government supervision and regulation as in more developed markets. Government involvement in the economy may affect the value of investments in certain emerging markets and the risk of political instability may be high. The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets which may result in problems in realising investments. Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the fund manager may experience difficulty in purchasing or selling holdings of securities. Furthermore, due to local postal and banking systems, no guarantee can be given that all entitlements attaching to quoted and over-the counter traded securities acquired by this strategy, including those related to dividends, can be realised. (only relevant for emerging markets strategies)



PENTAL

For more information,
call us 1300 346 821
or visit www.pentalgroup.com

