

Perpetual Investment Funds

BARROW HANLEY EMERGING MARKETS FUND

August 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth through investment in emerging market shares and to outperform the MSCI Emerging Markets Net Total Return Index (AUD) (before fees and taxes) over a full market cycle, typically five-years.

FUND BENEFITS

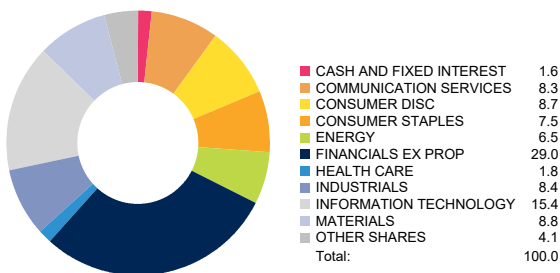
Provides investors with the potential for capital growth through a portfolio of emerging market shares using Barrow Hanley's experienced investment team and disciplined investment process. The Barrow Hanley team focuses primarily on fundamental securities analysis, valuation, and prospects for a return to fair valuation.

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 Emerging Markets Net Total Return (AUD)
Investment Manager: Barrow, Hanley, Mewhinney & Strauss, LLC
Inception Date: October 2022
Size of Portfolio: \$1.58 million as at 30 Jun 2024
APIR: PER6134AU
Management Fee: 0.99%*
Investment style: Emerging Markets
Suggested minimum investment period: Seven years or longer

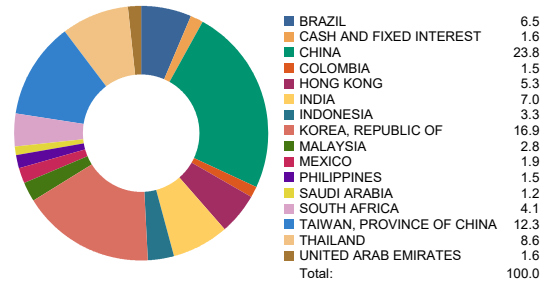
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
SK hynix Inc.	4.2%
Mediatek Inc.	4.2%
BizLink Holding Inc.	3.1%
LARGAN Precision Co., Ltd.	3.0%
PTT Exploration & Production Plc	2.8%

PORTFOLIO COUNTRIES

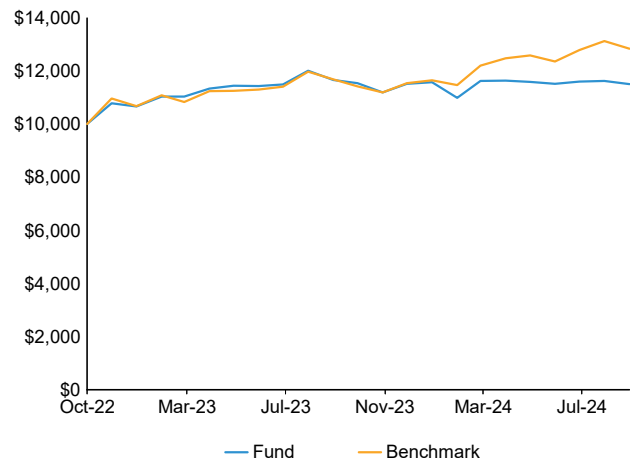


NET PERFORMANCE - periods ending 31 August 2024

	Fund	Benchmark	Excess
1 month	-1.10	-2.20	+1.10
3 months	-0.14	3.84	-3.98
1 year	-1.37	9.84	-11.21
2 year p.a.	-	-	-
3 year p.a.	-	-	-
4 year p.a.	-	-	-
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	7.69	13.03	-5.34

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

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

As we noted in our prior monthly commentary, market performance over the last several months has been driven by a narrow set of “assets that seemed to defy all odds, pushing ever higher into what appeared to us were unsustainable levels of valuations.” Within the emerging markets space, we have seen very differentiated performance not only within the Information Technology (AI) space, but also across countries, some of which having been driven by this sector (Taiwan). We have written extensively around our views of China and its slow recovery post COVID reopening. China has continued to be challenged by a slow recovery in the property market, which has carried over into consumer confidence and thus impacting broader spending within the country. Additionally, geopolitical issues around tariffs, Taiwan, support of Russia, etc. has challenged inflows from foreign investors. Given these challenges, China is trading at its cheapest valuations in several decades. However, we recognise that valuations alone are not a catalyst to outperformance, but we continue to see good assets in China that are trading at trough valuations, and we believe these assets will re-rate higher and despite the delayed recovery, we believe an allocation to China remains warranted.

Conversely, India has climbed to record highs after a brief dip around the recent elections where Narendra Modi failed to retain an outright majority in parliament. In fact, Indian equities are trading at more than double EM stocks. Investors have been willing to pay up for Indian equities given the high levels of growth seen in the country from the post COVID boom. However, could changes be afoot where India has peaked as potentially signalled by the second quarter GDP growth surprising to the downside? Regardless, following our valuation framework, we continue to be underweight this market.

In essence, much of the story in EM over the last 12-18 months has focused on Information Technology and the divergence between India and China market performance. Being on either side of this, has tended to determine underperformance or outperformance of the emerging market index.

PORTFOLIO COMMENTARY

The Barrow Hanley Emerging Markets Equity strategy posted strong results in August, outperforming the MSCI Emerging Market Index. Effective stock selection in the Industrials, Financials, Health Care, and Materials sectors were the primary drivers to the relative outperformance, though moderated by challenging selection in the Energy, Communication Services and Consumer sectors. On a country basis, effective stock selection in Taiwan, Malaysia and Brazil combined with an overweight in Thailand was the primary driver to excess returns while challenging stock selection in Korea and South Africa detracted from relative returns.

OUTLOOK

Given the muted market returns in July and higher volatility in August, a sentiment shift may be afoot, as we have seen material rotations over the past couple of months. Softening economic numbers and stagnant inflation over the last few months forced the Fed to admit the time to adjust policy is here, which likely means a rate cut in September. This will come on the heels of other central banks that have already cut. However, the issue regarding cutting rates is less about who is cutting and when that first rate comes, but more about why rates are being cut and by how much. If the Fed and other central banks have to move quickly in cutting historically high rates as a result of softening economic growth, which appears to be the case globally, versus sufficiently tame inflation, it will pull the soft-landing scenario off the table and we could continue to see a violent rotation away from high multiple stocks in favour of lower multiple stocks. This may be further aggravated if we do officially enter a recession.

We are also mindful that given the geopolitical factors which are ever present, i.e., war in Ukraine, middle east conflict, recent elections in Europe and South America, and pending elections in the U.S., markets are likely to remain more volatile typical in adjusting to changing economic conditions. Within emerging markets, concerns are still warranted around the global impact of a slowing China and a lack stimulus being provided by the government. This does not only impact Chinese equities but will have a knock-on effect for those economies/industries tied to China's growth, i.e., commodities, luxury goods, etc. Tariff wars risk exacerbating this further as many western economies attempt to protect their local industries. We believe that markets are likely to remain volatile until there is some visibility for several of these issues.

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MORE INFORMATION

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