

## Perpetual Investment Funds

# BARROW HANLEY EMERGING MARKETS FUND

March 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:** \$1.68 million as at 31 Dec 2023

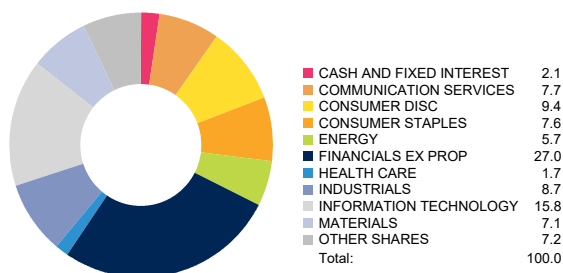
**APIR:** PER6134AU

**Management Fee:** 0.99%\*

**Investment style:** Emerging Markets

**Suggested minimum investment period:** Seven years or longer

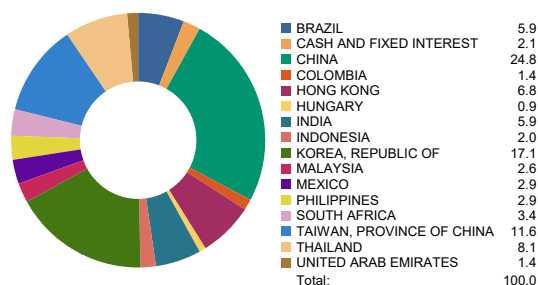
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
SK hynix Inc.	5.9%
Mediatek Inc.	4.2%
PTT Exploration & Production Plc	2.9%
Baidu, Inc.	2.7%
BizLink Holding Inc.	2.7%

### PORTFOLIO COUNTRIES

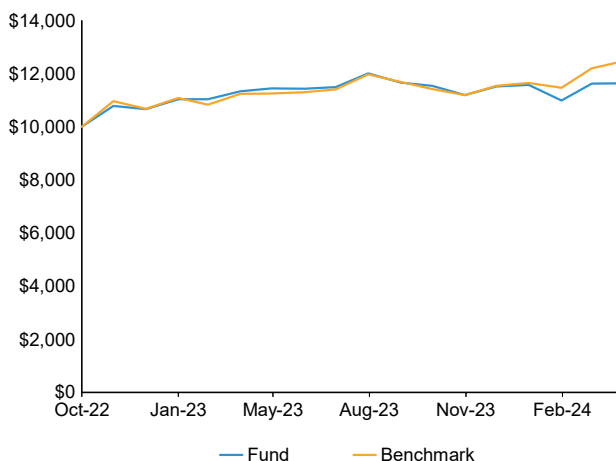


### NET PERFORMANCE - periods ending 31 March 2024

	Fund	Benchmark	Excess
1 month	0.13	2.28	-2.15
3 months	0.58	7.07	-6.48
FYTD	1.32	9.37	-8.05
1 year	2.70	11.03	-8.32
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.	10.84	14.77	-3.93

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

The first quarter of 2024 took off from the starting line quick, adding another consecutive quarter of strong equity returns for global indexes with the MSCI All Country World Index up more than 8%. A combination of continued hope for central bank rate cuts and declining fears over a recession fueled the global equity rally. Markets hit new all-time highs not just in the U.S., but also in Europe and Japan. While the top-level index returns were strong, under the hood, much of those gains were driven by a narrow handful of high momentum and mega-tech companies, particularly in the U.S., though within emerging markets the theme of large cap, tech, and momentum was similar. Buoyed in part by the euphoria for artificial intelligence (AI), Information Technology stocks continued to drive the overall U.S. (and global) indices even as most stocks have not kept pace with the torrid move higher to start the year.

Gains extended beyond the U.S. as well, with Japan's Nikkei Index hitting a new all-time high for the first time in 34 years. In contrast, pressures on the Chinese market have persisted and valuations now stand well below historical norms. This resulted in the continuation of developed market outperformance over emerging markets, with the MSCI EAFE Index up 5.8%, outpacing the 2.4% gain for the MSCI Emerging Market Index. With cuts far outpacing those in developed markets, global policymakers continue to ease monetary policy in emerging market regions in an attempt to help support growth in those regions. Strengthening global commodity markets such as copper and oil and near-term data potentially showing the beginnings of a global synchronized upturn may also bolster the outlook for those countries given their greater importance to their local economies. This can be seen as the U.S. and euro area PMIs showed an uptick, China manufacturing new orders moved higher, and emerging market manufacturing PMIs moved higher of late. Accordingly, positive green shoots around global growth and lower rates combined with historically cheap valuations should indicate that an allocation to emerging markets would bode well for investors.

The narrow market is clearly highlighted in sector returns in the emerging markets, as only three of the 11 sectors posted returns above the broader emerging markets index and the spread between the best performing sector, Information Technology, and the worst performing sector, Real Estate, was nearly 16%. The Energy sector was also among the top performing sectors on the back of strong oil prices in the quarter, with Utilities being the third best, though having a more modest return relative to the Information Technology and Energy sectors. Momentum in India has continued to push strong gains in the country, with Taiwan propelled higher solely by the preponderance of Information Technology related stocks, as eight of the 11 sectors in Taiwan posted negative returns in the quarter. This phenomenon around narrowness is worth discussing further, as there are broader ramifications for investors as these trends reverse, as they have done in prior history.

## PORTFOLIO COMMENTARY

The Barrow Hanley Emerging Market Equity strategy struggled in the quarter, underperforming the MSCI Emerging Markets Index. The strategy's underweight to higher momentum and positioning away from larger capitalization stocks was a headwind in the quarter. This was seen in the strategy's underweight to the Information Technology sector, which detracted from relative returns. Further, the overweight to Consumer Staples and Real Estate, combined with challenging stock selection within the Financials, Materials, Communications, Real Estate, and Consumer sectors, detracted further from relative performance. On a country basis, the underweight to the Taiwan tech supply chain, and the overweight to Thailand and underweight India detracted from relative returns. Additionally, challenging stock selection in China and India detracted further from relative returns.

## OUTLOOK

The lagging of emerging markets relative to their developed peers in the quarter continues what has been a very long trend where over the prior three, five, seven, and ten years, emerging markets have failed to show any sustained outperformance relative to their developed peers. In fact, we are nearing trough relative returns in emerging markets going back to the late 90s. No doubt, China's lagging performance has been a driver of this lagging performance; however, as we have noted in the past few commentaries, we are seeing that pockets of opportunity may be emerging in China as equity prices are showing signs of stabilization. Mixed economic signs remain in China, with continued growth at a slower rate than before the pandemic. However, the services sector is growing faster than GDP and manufacturing PMIs continue to improve, beating estimates in March along with an upward spike in new orders. After months of disinflation, core CPI increased from 0.4% to 1.2% in February. Economic stimulus is the policy area investors are watching most intently, as the government unveiled a GDP target growth rate of 5% going forward. Equity bears hoping for more details about policy support or stimulus initially seized on Premier Li Qiang's comments, but the Chinese market still posted positive gains in March, holding on to the strong gains seen in February. Further, Chinese stocks are trading on valuations that are now near 20-year lows, prompting the question: how much worse can it get for companies that continue to grow? Outside of an improvement in China helping broader emerging markets, any resurgence in global growth and importantly synchronized global growth will bode well for broader emerging markets. As noted earlier, Europe is seeing signs of improvement combined with existing strength in the U.S. Further, emerging market manufacturing PMIs have now moved well above 50, signaling expansion. Finally, any weakness in the U.S. dollar is likely to further benefit emerging markets. Given macro events are not predictable and even the items we note above are not certain, this refocuses attention to individual stocks, which can meaningfully outperform the broader benchmarks.

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## MORE INFORMATION

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