



Investment
Management

PZENA GLOBAL FOCUSED VALUE FUND (WHOLESALE)

As of 31 December 2023

PORTFOLIO MANAGERS



Caroline Cai, CFA
With Pzena since 2004
In Industry since 1998



John P. Goetz
With Pzena since 1996
In Industry since 1979



Ben Silver, CFA
With Pzena since 2001
In Industry since 1988

PERFORMANCE SUMMARY - AUD

ANNUALISED

	QTD 2023	One Year	Three Years	Since Inception 30 Jan 2020
Pzena Global Focused Value Fund (Wholesale) (gross of fees)	3.33%	19.92%	14.80%	9.08%
Pzena Global Focused Value Fund (Wholesale) (net)	3.27%	19.45%	14.20%	8.41%
MSCI ACWI Index	5.02%	21.45%	10.17%	8.01%
MSCI ACWI Value Index	3.25%	11.12%	11.82%	5.67%

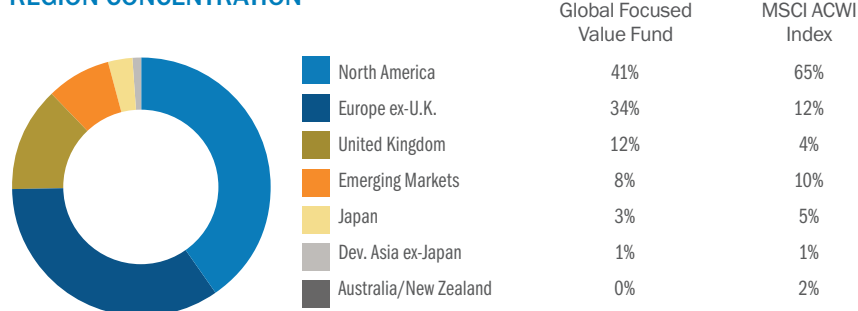
The above performance numbers are based on unaudited financial statements. The MSCI ACWI Index is used as a benchmark to indicate the investment environment existing during the time periods shown in this report. The MSCI ACWI Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, including the U.S. and Canada and is net of withholding tax. The MSCI ACWI Index cannot be invested in directly. The Pzena Global Focused Value Fund return reflects month end valuations as at the last business day of each month and the Since Inception returns are annualised. Past performance is not necessarily an indicator of future performance.

PORTFOLIO CHARACTERISTICS

	Global Focused Value Fund	MSCI ACWI Index
Price / Earnings (1-Year Forecast)	10.3x	17.7x
Price / Book	1.2x	2.8x
Median Market Cap (\$B)	\$37.3	\$15.6
Weighted Average Market Cap (\$B)	\$84.5	\$646.3
Active Share	96.4	-
Number of Stocks	52	2,921

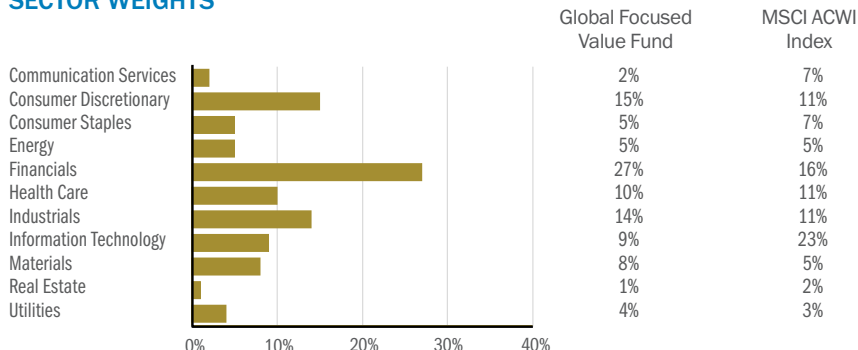
Source: MSCI ACWI Index, Pzena Analysis

REGION CONCENTRATION



Country weights adjusted for cash - may appear higher than actual.

SECTOR WEIGHTS



Sector weights adjusted for cash - may appear higher than actual. Numbers may not add due to rounding.

FUND FACTS

Responsible Entity	Equity Trustees Limited
Inception Date	January 30, 2020
APIR	ETL0484AU
ARSN	613 118 522
Base Currency	AUD
Minimum Investment Amount	A\$25,000
Fund AUM	A\$331 Million
Management Expense Ratio	0.85%
Liquidity	Daily
Benchmark Index	MSCI ACWI Index
Investment Universe	2,000 largest global companies
# of Positions	Generally 40-60
Buy/Sell Spread	0.25%/0.20%

Registered for distribution in Australia and New Zealand

ENQUIRIES

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For unit pricing visit: www.eqt.com.au/insto



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TOP 10 HOLDINGS

SHELL PLC	3.7%
BASF SE	3.3%
DAIMLER TRUCK HOLDING AG	3.3%
COGNIZANT TECH SOLUTIONS CORPORATION	3.1%
EDISON INTERNATIONAL	3.1%
RANDSTAD NV	3.0%
MICHELIN SA	2.9%
DOW INC.	2.9%
CAPITAL ONE FINANCIAL CORPORATION	2.8%
SANOFI	2.5%
Total	30.6%

Numbers may not add due to rounding.

PLATFORMS

AMP North
Asgard
BT Panorama
Hub24
Macquarie Wrap
Netwealth
Powerwrap
Praemium
Xplore Wealth



PORTFOLIO QUARTERLY COMMENTARY

Global equities rallied in the last few weeks of 2023 on signs of easing inflation and a possible end to the global rate hike cycle. Growth outperformed value in the quarter as the “magnificent seven” continued to outperform for much of the quarter. Only China, among the major markets, posted negative returns this quarter. Globally, technology and the rate-sensitive real estate sector were the best performing sectors, with industrials and financials also outperforming. Energy was the worst performing sector, as oil prices declined (by 20% in the quarter, WTI-basis), with consumer staples and healthcare also trailing. Against this backdrop, value underperformed growth in the quarter. The MSCI All Country World Index returned 5.0% and the MSCI ACW Value Index 3.2%. The Fund trailed the general index but modestly outperformed the value index, returning 3.3% for the quarter. The single largest driver of relative performance was our underweight and stock selection (i.e., expensive stocks that we did not own) in the information technology sector. Offsetting this was stock selection in consumer staples and within the overweight financials exposure.

Contributing negatively to relative returns this quarter were Charter Communications, Nokia and Sanofi. Charter Communications (Spectrum TV/Internet/Voice) fell, as strong wireless broadband subscriber gains at T-Mobile & Verizon pressured its subscriber base. Nokia posted disappointing results in the quarter as some of their larger US customers pulled back their 5G spending and the shares further declined after AT&T chose rival Ericsson as its supplier of 5G equipment moving forward. European biopharma Sanofi's checkered history made investors sceptical of management's new spending plans which were premised on speeding up the flow of new drugs in its pipeline.

Financials were the standout performers, with the sector providing five of the top 10 relative contributors. Also, shares of PVH – owner of Tommy Hilfiger and Calvin Klein – benefitted from tangible progress on its self-help plan, as evidenced by strong margin performance in North America. Capital One Financial's share price reacted positively to signs of sequential improvement on credit quality, and Citigroup rallied along with other large cap US banks in response to a perceived brightening macroeconomic outlook.

INVESTMENT PROCESS

- Universe: 2,000 largest global companies
- Fundamental research conducted on companies considered the most undervalued based on price relative to normalized earnings
- Co-Portfolio Managers construct a portfolio of deeply undervalued businesses requiring unanimous consent



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We initiated two new positions in the quarter, Baxter and Rexel. Baxter is a leading global medical products company. Profits have been negatively impacted by rapid cost inflation which could not immediately be passed through given the nature of its hospital supply contracts. Additionally, hospital admission rates have yet to fully recover from the pandemic disruption which depressed them. In October, news surfaced that Novo Nordisk's blockbuster weight-loss drug, Ozempic, could potentially slow the advancement of kidney disease, sending shares of Baxter down 15% on the premise that its renal business would be permanently impaired. After researching the issue, we determined that the impact to Baxter's normal earnings power, if anything, would likely be de minimis, and that the share price reaction was excessive. The shares trade at 8x our price to normalized earnings estimate. Baxter is the Highlighted Holding in our Q4 2023 Newsletter. Rexel is a French electrical equipment distributor that stands to benefit from the energy transition. It has executed well on its strategy of organic growth and margin improvement. Demand concerns in some end markets, such as construction, led to share weakness at the beginning of the quarter, and we added the company to the portfolio.

In the quarter, we exited industrial conglomerate General Electric. We increased the positions in German commercial truck manufacturer Daimler Truck, the large partially state-owned homebuilder China Overseas Land & Trust, and medical device company Medtronic.

We continue to find many good companies—across a range of different industries and geographies—that are underearning relative to their history but that have the scope to restore their profitability, given time for managements' self-help initiatives to bear fruit.



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