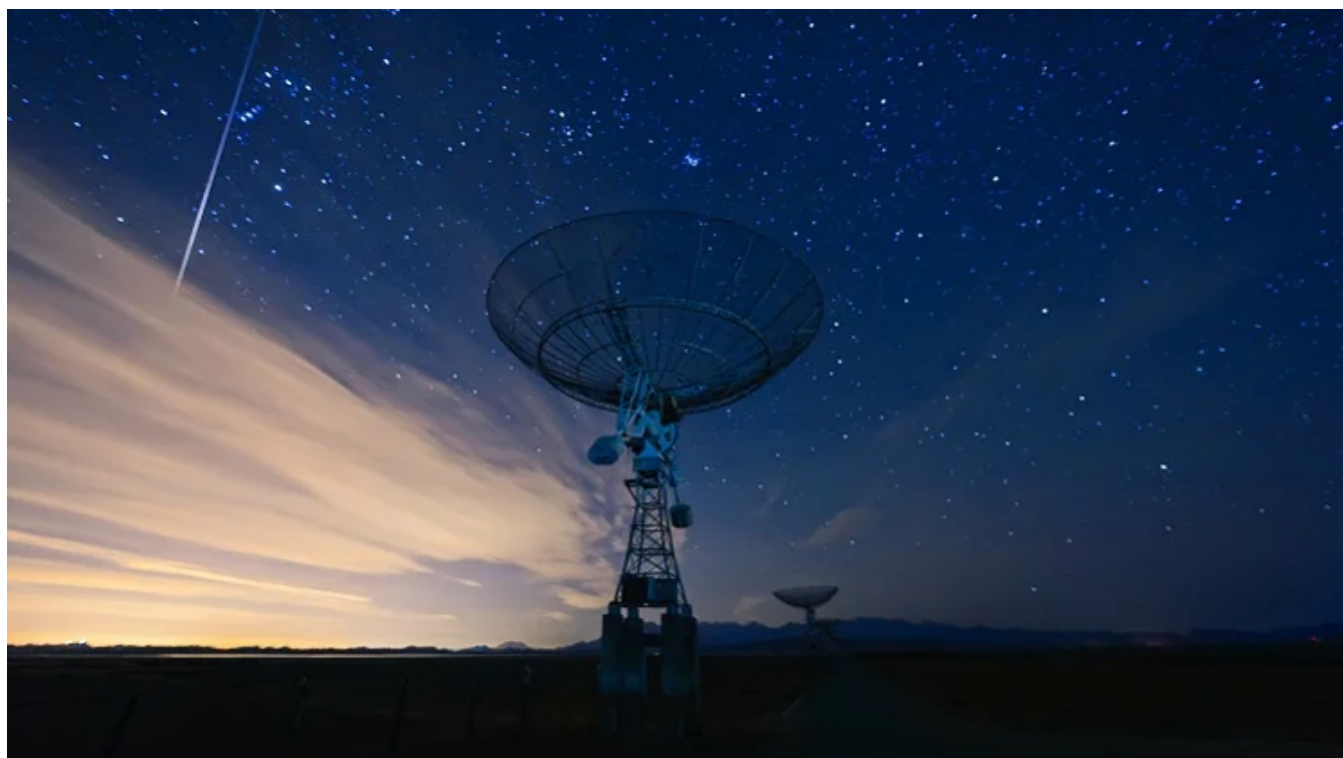


The Barrow Hanley passport to global value

By Perpetual Asset Management

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Why value now?

Despite the longest growth run on record, the team at Barrow Hanley believes the market has reached an inflection point where value stocks have become more attractive. Growth stocks are

typically in demand when interest rates fall and there is often a flow of capital to companies that have good potential for growth, implying that investors are willing to pay a higher premium for the future growth of such companies. However, Barrow Hanley has observed many growth stocks become overpriced, partly as a result of the extraordinary stimulus being pushed into global economies over the past two years. But with a more bearish macro outlook, persistent inflation and higher interest rates, we could see value becoming a better investment strategy as investors again see the advantages of backing companies that trade at share prices below their intrinsic value, have solid cash flows in their businesses and, in some cases, have a high dividend yield.

The Barrow Hanley Global Share Fund

The Barrow Hanley Global Share Fund (Fund) aims to provide investors with long-term capital growth through investment in quality global shares. It may be suitable for investors seeking to diversify their portfolio with global equities exposure and a value investment style. The Fund can be accessed on the ASX via the [active ETF](#) under the ASX code: GLOB or directly by completing the application form under the PDS via its [unquoted unit class](#). But what is behind the Barrow Hanley investment process and how does it differ from other global value fund managers?

The Barrow Hanley Method

Dallas-based Barrow Hanley, a part of Perpetual Asset Management International, is a global specialist focused exclusively on value investing. Founded in 1979, the US manager made its name offering value-focused investment strategies spanning global equities and fixed income. This is best exemplified by the flagship Barrow Hanley Global Share Fund, which aims to provide investors with long-term capital growth through investment in quality global shares. Barrow Hanley strives to achieve this investment objective by adopting a value-oriented, bottom-up investment process focused on in-depth fundamental research to identify companies that trade below their intrinsic value for reasons that they can identify, believe are temporary and have a clearly identified path to achieving fair value.

Investment process and opportunities

Barrow Hanley's consistent, repeatable investment process identifies companies across the globe seeking market inefficiencies and dislocations. This results in a diversified, actively managed equity portfolio that aims to provide asymmetrical returns by participating in up markets while protecting in down markets. Typically, value stocks present an opportunity to buy shares below their potential future market value and the fall in markets across the globe from late 2021 into early 2022 highs have created just such an opportunity. Rising interest rates and fears of slowing economic growth have to date seen growth stocks bear the brunt of market declines, with value stocks outpacing their growth peers over the last year but especially over the six months to June 2022. Despite this strong relative performance, Barrow Hanley continues to see value stocks trading at historical discounts to their growth peers. The team believes that

the portfolio, with a good mix of defensive and cyclical stocks that trade at a discount to the overall market, is well positioned to continue outperforming.

Aren't all value managers the same?

Value managers globally may share some common beliefs in terms of investment philosophy – broadly defined as buying companies that trade at a discount to their estimate of fair value – but their resulting portfolio characteristics and ultimate performance can vary dramatically. Some will do better in growth environments but fail to keep pace with their peers in a value-led market. Value strategies have differing characteristics which contribute to performance over various market cycles. This means that not all styles will benefit to the same degree as value comes back into favour across global equities markets. When considering how a strategy fits into a specific value style, defensive and traditional value managers tend to be the easiest to define based on valuation metrics, beta, upside/downside capture and sector positioning. However, relative strategies are a bit more difficult, as these managers can have tendencies that cause them to lean toward either defensive or traditional and, in some cases, even more closely to broad benchmark-like exposures.

The Barrow Hanley approach

Deep value strategies will tend to have portfolios that are dominated by cyclical companies. These strategies will do well in a risk-on environment where market expectations are for strong economic growth and muted fears over economic stress. Defensive value strategies will tend to have portfolios that are dominated by companies with stable/compounding earnings. These strategies will do well in a risk-off environment where markets are concerned over slowing economic growth/recession. Barrow Hanley's traditional value style gives the team the opportunity to participate in both risk-on and risk-off environments seeking to provide consistent/steady returns through the cycle. As we enter the second half of calendar 2022, it is worth reflecting that value stocks continue to be priced at a meaningful discount to growth stocks relative to their historical averages. The set-up for value stocks to provide strong upside performance relative to growth stocks remains compelling to us at these valuation spreads. The team at Barrow Hanley has experienced many tumultuous cycles like this in their 43-year history, and a mean reversion toward value stocks is a matter not of if, but when.

Find out more about [Barrow Hanley](#).

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