FRANKLIN TEMPLETON

# Brandywine Global Opportunistic Equity Fund

# PIE Fund

## Fund Facts

**Benchmark**

MSCI All Country World Index in New Zealand Dollars

**Issuer & Manager**

FundRock NZ Limited

**Delegated Investment Manager**

Brandywine Global Investment Management as appointed by Franklin Templeton Australia Limited

**Inception Date**

13/03/2025

**Strategy**

The Firm's Global Opportunistic Equity strategy is designed to utilize three of the Firm's areas of expertise: macroeconomic research, currency positioning, and stock selection. These proven capabilities represent a distinct competitive advantage for Global Opportunistic Equity versus other global equity managers, given Brandywine Global's long and successful track record of country and currency analysis dating back to 1995 and its experience conducting fundamental, value-oriented stock analysis since 1986.

The Global Opportunistic Equity strategy uses a differentiated process that combines top-down, macroeconomic country and currency research and rigorous, bottom-up fundamental analysis and stock selection to capture diversified sources of return. We believe taking this opportunistic approach at both the macro and security level gives us multiple ways to win. We have insights on countries' business cycles, which will not only enable us to narrow down the world to countries with tailwinds, but also help us identify attractive sectors within those countries.

The strategy seeks to earn a return (before fees and taxes) in excess of the Benchmark, the MSCI ACWI Index, Hedged to New Zealand Dollars, over rolling five-year periods.

## What happened in the market?

Global equities delivered mixed performance in July, marked by the momentum unwind (and snapback), with chipmakers and AI-linked industrials selling off sharply before recovering some ground late in the month.

U.S. equities delivered mixed results in July as sector rotation continued amid a pullback in semiconductors and other AI-related companies.

Eurozone equities advanced in July, supported by improving activity data, strong corporate earnings, and rotation toward value-oriented and cyclical sectors.

UK equities outperformed in July, helped in part by the market's higher weightings to energy and financials and lower exposure to tech.

Equities across Asia Pacific ex Japan declined in July as weakness in South Korea and Taiwan outweighed strength in China and Australia.

Emerging market equities declined in July as sharp weakness in tech-heavy markets outweighed gains across China, Latin America, and parts of Southeast Asia.

## What happened in the Fund?

The Fund returned 3.14% (after fees) in July compared to the benchmark which returned –3.13% for the same period.

The momentum factor continues to dominate in an extreme way. This month we were very much on the right side of that.

Semiconductor stocks collapsed in July from extreme peaks. Our holdings in the technology sector are predominantly software which is on the other side of the momentum trade. Technology was by far our biggest outperforming sector in July.

Korea was quite interesting. The Korean stocks we purchased a month ago after our visit there did not behave at all like the two technology stocks that make up half of the Korean index weighting.

Within Industrials, stock selection was the primary driver of outperformance, with Teleperformance, Randstad and Visional among the key contributors.

## What is the outlook?

Momentum, the dominant driver of relative performance over the past two years, has gone global and we think this went to a 3 -sigma extreme in the second quarter. The momentum factor absolutely dominated the second quarter – and July in the opposite direction - in a way not seen since the tech bubble 26 years ago. Given momentum's strong mean-reverting tendency, we see a high probability of a sharp reversal, and we saw a large reversal from late June through July. Momentum being this big a factor is very unusual.

We are watching the AI trade carefully and we believe it is springing leaks. We do not believe the economics going forward are at all known today though the market is making a huge one way bet on the future.

Our technology underweight is actually the highest technology weighting we have had in years. Within technology, all that matters day to day now is software or semiconductors. It might as well be two sectors, they move in opposite directions with the momentum trade dominating the markets. We are overweight software, underweight semiconductors.

After a productive trip to Asia, we had started a position in Korea in the last day of June and we continued to accumulate. We sold all of our Indonesian investment. Everything you have read about the Korean market going down is about two huge memory semiconductor stocks that make up half the market in Korea. The other half of the market is where we are and that is behaving very differently.

**Fund performance (%) as at 31 July 2026**

| | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs p.a. |
|---|---|---|---|---|---|
| Fund (net) | 3.14 | 8.96 | 8.82 | 22.99 | - |
| Benchmark | -3.13 | 4.59 | 11.29 | 23.69 | - |

The performance in this fact sheet is net of fees. Investors should also refer to the quarterly Fund Update, which is available on www.fundrock.com/fundrock-new-zealand and www.business.govt.nz/disclose. Past performance is not indicative of future performance.

## Key features of the Fund

### High conviction

Brandywine Global's conviction levels drive the composition of the Fund, not a benchmark.

### Active management

Allows investors to gain overweight exposure to countries that are likely to outperform and underweight exposure to those who are likely to underperform.

### Multiple Ways to Win

Marry top-down macroeconomic observations with fundamental assessment of market dynamics and corporate Financials

### Superior risk adjusted returns

Designed to capture market upside but aiming to avoid market downside, and to provide long term performance.

## Meet the team

The Fund is led by an experience, long-tenured portfolio management team that includes:

**James J. Clarke**

Portfolio Manager & Director of Fundamental Equity Research, with firm since 1997

**Sorin Roibu, CFA**

Portfolio Manager & Research Analyst, with firm since 2014

## Top Ten Holdings (%)

| | |
|---|---|
| Bnp Paribas Sa | 3.97 |
| Aercap Holdings Nv | 3.02 |
| Global Payments Inc | 2.96 |
| Alphabet Inc | 2.79 |
| Constellation Software Inc | 2.74 |
| Tencent Holdings Ltd | 2.74 |
| Kimberly-Clark Corporation | 2.64 |
| Taiwan Semiconductor Manufacturing Co Ltd | 2.57 |
| Microsoft Corporation | 2.41 |
| Valero Energy Corporation | 2.40 |

## Sector Allocations (%)

| | | | |
|---|---|---|---|
| Financials | 19.42 | Health Care | 9.31 |
| Information Technology | 13.29 | Cash | 3.87 |
| Industrials | 12.57 | Real Estate | 3.71 |
| Communication Services | 12.41 | Energy | 2.40 |
| Consumer Staples | 11.84 | Materials | 0.98 |
| Consumer Discretionary | 10.22 | Utilities | 0 |

## Fund statistics

| | |
|---|---|
| Fund size ($m) (NZD) | 144.87 |
| Price-to-Earnings | 14.2 |
| Price-to-Book | 2.0 |
| Price-to-Cash Flow | 7.3 |
| Dividend Yield (%) | 2.50 |
| Number of Securities | 65 |

## Investment manager

Brandywine Global Investment Management, LLC ("Brandywine Global"), has built up significant experience across fixed income, equity and global portfolios that invest in international markets. Founded in 1986 by a group of highly experienced portfolio managers, Brandywine Global pursues one investment approach: value investing. Through practical experience, Brandywine has determined that value-style investing — whether in fixed income markets or equity — can provide excellent risk-adjusted returns over full investment cycles, and it is a particularly important strategy in today's global markets.