

## Perpetual Investment Funds

# PERPETUAL INCOME SHARE FUND

August 2024

### FUND FACTS

**Investment objective:** To provide investors with exposure to a diversified portfolio of tax-effective, high income yielding Australian securities that are also expected to produce some long-term capital growth. To provide above market dividend yield as measured by the S&P/ASX 200 Accumulation Index.

### FUND BENEFITS

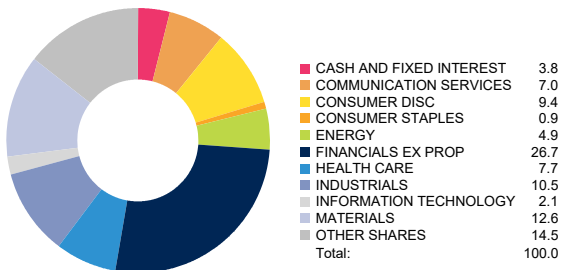
To provide investors with regular income through investment in quality securities.

### 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.

<b>Benchmark:</b>	S&P/ASX 200 Accum. Index
<b>Inception Date:</b>	December 1995
<b>Size of Portfolio:</b>	\$160.41 million as at 30 Jun 2024
<b>APIR:</b>	PTC0002AU
<b>Management Fee:</b>	0.99%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

	% of Portfolio
Insurance Australia Group Ltd	5.9%
Origin Energy Limited	5.9%
National Australia Bank Limited	5.8%
BHP Group Ltd	5.1%
GWA Group Limited	4.7%
Healius Limited	4.5%
Premier Investments Limited	4.1%
Medibank Private Ltd.	3.7%
Deterra Royalties Ltd	3.6%
EVT Limited	3.5%

### NET PERFORMANCE - periods ending 31 August 2024

	Fund	Benchmark	Excess
1 month	-0.45	0.47	-0.92
3 months	4.52	5.74	-1.22
1 year	8.53	14.90	-6.37
2 year p.a.	10.21	12.20	-1.99
3 year p.a.	7.75	6.73	+1.02
4 year p.a.	13.13	11.72	+1.41
5 year p.a.	7.82	8.14	-0.31
7 year p.a.	7.18	9.28	-2.09
10 year p.a.	7.78	8.02	-0.23
Since incep.	8.88	9.09	-0.21

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

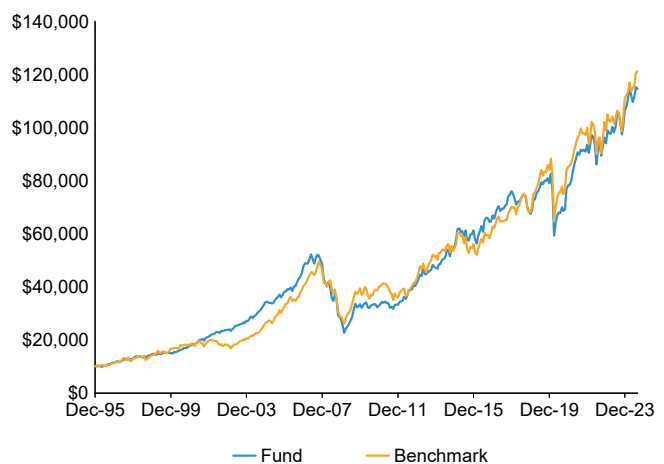
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	16.2	18.0
Dividend Yield*	4.2%	3.7%
Price / Book	1.8	2.2
Debt / Equity	36.3%	36.7%
Return on Equity*	10.9%	12.6%

<sup>^</sup> Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.

\* Forward looking 12-month estimate.

### GROWTH OF \$10,000 SINCE INCEPTION



\*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

## MARKET COMMENTARY

The S&P/ASX300 Accumulation Index delivered a relatively flat return for August, masking a tumultuous month. Early in the month, recession fears spiked in the US due to weak data, including a contraction in the Purchasing Managers' Index and disappointing payroll numbers. The Bank of Japan's decision to raise rates to their highest level since 2007 triggered a sharp sell-off in the Nikkei 225, marking its worst decline since 1987. However, the market rebounded in the second week as data, including improved services PMI and jobless claims, alleviated recession concerns. Financials were the strongest performer, rising 1.85% and now representing 31.7% of the index. Technology also saw gains, up 7.2%, though it remains a smaller component of the index, contributing modestly. Industrials and Communications both rose by more than 3%. In contrast, concerns about slower growth in China weighed on materials and energy sectors, with energy falling 6.17% and materials dropping 1.7%.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Insurance Australia Group Ltd, Origin Energy Limited and GWA Group Limited. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia (not held), CSL Limited (not held) and BHP Group Ltd.

After a challenging period, Healius made a positive contribution to performance during reporting season, with the stock rising 10.60%. The company is showing signs of recovery under new management following a stretch of underperformance. Operational improvements in both Pathology and Imaging led to higher EBIT in the second half, resulting in a beat on expectations. This aligns with our earlier view that sustainable pathology margins would exceed consensus estimates. Looking ahead, we see further upside from the potential rationalisation of Healius' portfolio, including the sale of Lumus Imaging at a favourable price, possible capital returns, and topline growing stronger in FY 2025.

Premier Investments delivered strong performance during reporting season up 6.49%. This marks a period of very strong performance for the stock which has outperformed the broader market by more than 3 times, up 43.50%. Premier delivered record sales and operating EBIT ahead of consensus which was further supported from their stake in Breville which delivered a good result against a subdued consumer environment. PMV has been a cornerstone of our core retail investments, renowned for its quality business model, fortified by a robust net cash balance and overseen by engaged and experienced executive leadership. PMV's strategic review signals proactive measures to assess and potentially enhance the corporate, operating, and capital structure, reinforcing its commitment to sustained excellence. The upside in the business has been further exacerbated by the proposal for a combination of Myer and Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti. This could be materially beneficial for both businesses as additional quality sales are incorporated under a cheaper rental format and with strong retail management expertise. Although future outcomes remain uncertain, they are expected to reflect Premier's commitment to maintaining its high-quality standing in the market.

Origin Energy gave back some of its strong outperformance in the month of August falling -5.05%. The FY24 announcement was mixed with a decent result but guidance that disappointed. This was explained by higher Energy Markets costs to serve, broadly across the business in terms of lines and markets, although bad debts were a focus. Eraring's performance and the impact on gas peakers are also likely contributors. These suggest underperformance in aggregate versus AGL. APLNG was solid but cost expectations lifted there too. While the operational momentum was not as forecast, we back management to improve execution and benefit further from the transition in both its own portfolio and the energy market overall.

The overweight position in healthcare services and hospital operator Ramsay Health Care detracted from relative performance over August with the stock falling -10.59%. The Australian segment underperformed, with weaker EBIT margins, while the UK division showed strong revenue growth and a slight margin improvement. Ramsay Sante's performance was mixed, with higher-than-expected revenue but a small miss on margins. Looking ahead, challenges such as slower activity, rising costs, and pricing that lags inflation have led to downgrades for FY25 through FY27. While the company continues to perform better than unlisted peers, hospital indexation is less than required to offset wage pressure and FY25 guidance of some profit growth. On a positive note, Ramsay's gearing has returned to its target range, though interest costs remain high, limiting the immediate financial benefit. Future opportunities may arise from strategic reviews or market share gains, but downside risks like wage inflation and limited indexation from payors exists.

## OUTLOOK

Despite markets recovering from the August turbulence, confidence remains fragile. Early September saw another decline in US stocks, particularly in the tech sector. After reaching \$130 on August 19, Nvidia's share price dropped to \$106 in early September, driven by weak manufacturing PMI data and a decrease in job openings, fuelling concerns about a slowing US economy. In Australia, GDP growth for the second quarter of 2024 was a mere 0.2%, marking the slowest expansion since the early 1990s, excluding the COVID period. GDP per capita fell for the sixth consecutive quarter. The economy has been propped up only by increased government spending and high migration rates, while consumers grapple with persistent inflation and elevated interest rates. Despite these challenges, markets remain near all-time highs, underscoring the need for continued vigilance.

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The Perpetual Wholesale Income Fund was known as the Trust Company Income Fund until 21 August 2016. Perpetual was appointed as Fund Manager effective 28 July 2014. The previous Fund Manager invested under a different investment strategy using a different investment approach. Therefore performance information before 28 July 2014 is not directly comparable. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

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## MORE INFORMATION

Adviser Services 1800 062 725  
Investor Services 1800 022 033  
Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)  
[www.perpetual.com.au](http://www.perpetual.com.au)

