PERPETUAL GLOBAL INNOVATION SHARE FUND (MANAGED FUND)

ASX code: IDEA

December 2021

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in global shares that are benefiting from changes in technology and innovation. To outperform the stated benchmark (before fees and taxes) over rolling 3 year periods.

FUND BENEFITS

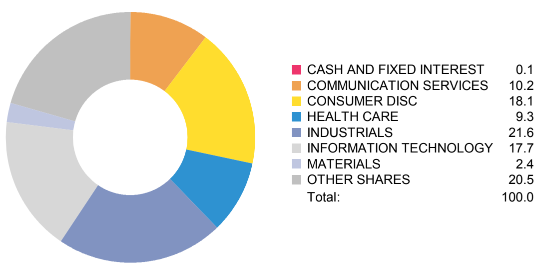
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental valuation of stocks. The Manager believes that changes in technology and innovation can have a significant impact on future earnings and valuation of companies, and that by focusing on understanding new changes in technology and innovation this can lead to early identification of undervalued stocks.

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 AC World Net Total Return Index (AUD)
Inception date of strategy:	June 2017
ASX commencement date:	13 December 2021
Distribution Frequency:	Half-Yearly
Management Fee:	0.99%*
Performance Fee:	20 % of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

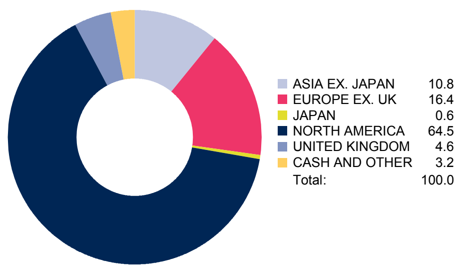
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Opendoor Technologies Inc	11.4%
WeWork Inc. Class A	8.1%
GXO Logistics Inc	8.1%
Siemens AG	7.1%
IQVIA Holdings Inc	5.6%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 December 2021

	Fund	Benchmark	Excess
1 month	-	-	-
3 months	-	-	-
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-0.98	-0.16	-0.82

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	45.2	18.3
Dividend Yield*	2.4%	2.4%
Price / Book	4.5	2.8
Debt / Equity	37.9%	51.1%
Return on Equity*	16.0%	16.2%

^ 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.

*Information on management costs is set out in the relevant PDS

MARKET COMMENTARY

Most equity markets around the globe shrugged off the spread of the Omicron variant of COVID, potentially the most contagious strain yet, and posted solid positive returns in the quarter, gaining speed to finish 2021 with double-digit returns. The S&P 500 led global markets in the quarter, while emerging markets and Japan were the laggards. China was one of the key drivers of the underperformance in emerging markets. A macro slow-down driven by a tight zero COVID policy, a regulatory crackdown, and concerns over property developer defaults have continued to pressure the China stock market throughout the year. In addition, a spike in COVID cases in multiple cities, renewed regulatory and price cut concerns in the healthcare sector, simmering political tension with the US's diplomatic boycott of the Beijing Olympics, and likely even tighter control and weaker growth into the upcoming Chinese New Year and the winter Olympics have further weighed on sentiment towards year-end.

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The majority of sectors outpaced the broader market in the quarter, with the Communication Services, Energy, Financials, and Industrials the only sectors to lag the Index. The outperformance of the Information Technology sector and the underperformance of Financials and, to a lesser degree, the Energy sector caused the MSCI World Value Index to lag the broader index. The breadth of sector performances was not as prevalent for the year, as only four of the 11 sectors – Energy, Financials, Information Technology, and Real Estate – outpaced the broader MSCI Index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Opendoor Technologies Inc, WeWork, Inc. Class A, and GXO Logistics, Inc. Conversely, the Fund's largest underweight positions include Apple Inc. (not held), Microsoft Corporation, and Alphabet, Inc. Class A (not held).

The overweight position in microchip developer MediaTek, Inc. (+31.6%) contributed to relative performance. The stock rose after announcing the release of a new 5G smartphone chip that the company hopes will be used in premium-priced Android smartphones. Management noted that its new chip will be the world's first to use the "N4" process, which allows for a smaller chip to be produced at a faster rate. The chip will also be the first to feature a new computing core from Arm Ltd and will be the first in a series of chips aimed at persuading smartphone developers to switch to MediaTek products.
The overweight position in computer gaming hardware, software, and services provider Razer, Inc. (+44.1%) contributed to relative performance. The stock rose significantly higher after reporting that a consortium led by top executives of Razer plans to take the company private in a deal that values the company at up to HK$35b (US$4.5b). Reports reveal that Chairman Min-Liang Tan and non-executive director Kaling Lim (with a combined stake of nearly 60% in the company), led the group, offering up to HK$4 per share. The move comes as the consortium believes Razer has been undervalued on the Hong Kong market as investors typically pay more attention to tech firms from mainland China.
The overweight position in supply chain services provider GXO Logistics, Inc. (+15.0%) contributed to relative performance. The stock rallied following the release of its September-quarter financial result, reporting an EPS of US$0.56 (against consensus of US$0.51), from Revenue of US$1.97b (beating consensus of US$1.90b). Its E-commerce, omnichannel retail, and technology revenue increased 22%, while its reverse logistics revenue increased 21% from the same quarter last year. New customer wins are expected to have a full-year incremental revenue impact for 2022 of approximately US$700m.

The overweight position in residential real estate digital platform provider Opendoor Technologies Inc (-29.2%) detracted from relative performance. The stock price was impacted after Credit Suisse cut its target price on the stock from US$40 to US$31 per share. This came at the same time that a Wall Street Journal column encouraged caution with regards to investing in home-flipping businesses such as Opendoor, despite its main competitor Zillow Group having exited the space. We continue to hold the stock as we still see it as being attractively valued at its current price.
The overweight position in Brazilian mobile payment-based e-commerce service provider PagSeguro (-49.8%) detracted from relative performance. The stock sold off during the quarter after the Brazil Central Bank announced that it would be capping interchange fees on prepaid card transactions. While interchange fees make up a portion of the company's revenue, management stated that the new law would have only a negligible impact on its overall business and indicated that it might result in a net gain. PagSeguro also incurs interchange fees as part of the acquiring side of its transactions, which would decline if the new law were to come into effect.

OUTLOOK

As signs of a sustained recovery in the global economy emerge, with corporate earnings and business conditions continuing to strengthen, our outlook for global equity markets remain optimistic. Although we remain wary that future Covid outbreaks may trigger lockdowns, investor sentiment is anticipated to remain relatively resilient as national vaccine programs continue to be rolled out. While optimism over the eventual reopening of international borders and ongoing stimulus measures by federal governments and central banks continue to support economic recovery, rising inflationary pressures may stoke market volatility over the coming year. We believe that certain segments of the market will thrive under such conditions. However, other segments will struggle if such conditions persist. For this reason, we continue to focus on high-quality companies with proven management and strong balance sheets that will remain resilient throughout prolonged periods of uncertainty.

This publication has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535 AFSL 234426 (Perpetual), as the issuer of units in the Perpetual Global Innovation Share Fund (Managed Fund) (ASX: IDEA) (ETMF). 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 product disclosure statement for the ETMF, issued by Perpetual, should be considered before deciding whether to acquire or hold units in the ETMF. The ETMF's PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.
Investment returns, net of management costs have been calculated on the growth of Net Asset Value (NAV) after taking into account all operating expenses (including management costs) and assuming reinvestment of distributions on the ex-date. Distribution return has been calculated based on the ETMF's investment portfolio return less the growth of NAV. No allowance has been made for taxation. Future returns may bear no relationship to the historical information displayed. The returns shown represent past returns only and are not indicative of future returns of an ETMF. Returns on an ETMF can be particularly volatile in the short term and in some periods may be negative. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of the ETMF or the return of an investor's capital.

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Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

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