PERPETUAL GLOBAL INNOVATION SHARE FUND (MANAGED FUND)

ASX code: IDEA

March 2022

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality 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

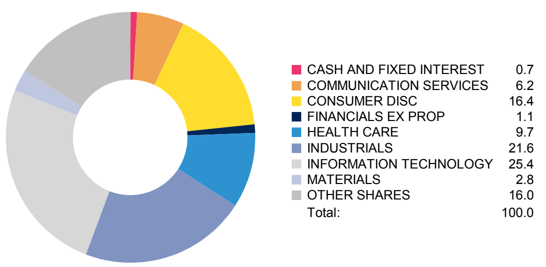
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental valuation of stocks. The Manager believes that changes in technology and innovation can have a significant impact on future earnings and valuation of companies, and that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

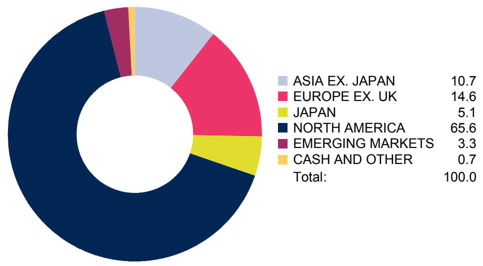
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Opendoor Technologies Inc	12.4%
Siemens AG	7.9%
IQVIA Holdings Inc	6.3%
Amazon.com, Inc.	6.1%
GXO Logistics Inc	5.5%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 March 2022

	Fund	Benchmark	Excess
1 month	-4.23	-1.28	-2.95
3 months	-25.83	-8.37	-17.46
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-26.56	-8.52	-18.04

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	56.6	16.7
Dividend Yield*	1.8%	2.5%
Price / Book	3.4	2.6
Debt / Equity	65.5%	47.1%
Return on Equity*	17.1%	16.1%

^ 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

Few markets or asset classes escaped the downdraft in the first quarter of 2022. Additional bricks were stacked on an already high "wall of worry" during the quarter, including the addition of the central banks' high-wire act of taming the rapid rise in inflation without slowing economic growth too quickly.

Additionally, Russia's invasion of Ukraine, pushed commodity prices higher and further disrupted global supply chains. Against this backdrop, U.S. equities declined nearly 5%, yet fared better than most markets around the world. Continental European stocks were pushed lower as expected higher energy costs added to already slowing growth, creating concerns of a near-term recession in the region. Japan was similarly impacted given its need to import gasoline at higher prices though the government did introduce some gasoline subsidies to help household consumption.

Emerging markets fared the worst in the quarter. After what looked like a promising start to the year, Chinese stocks fell precipitously, as China continued to pursue a zero COVID policy and introduced major lockdowns in cities such as Shenzhen and Shanghai. Conversely, the U.K., with its higher exposure to commodities (Energy and Materials), actually posted positive returns in the quarter.

At a sector level, there was a meaningful bifurcation in performance as the Energy sector was up over the quarter on the back of crude oil up 33% and natural gas up more than 51%. Conversely, the Communication Services, Consumer Discretionary, and Information Technology sectors were down more than -10%. With the MSCI World Value Index underweight these sectors while overweighting the Materials, Financials, and Utilities sectors, the MSCI World Value Index outpaced the MSCI World Growth Index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Opendoor Technologies Inc, IQVIA Holdings Inc, and Siemens AG. Conversely, the Fund's largest underweight positions include Apple Inc., Alphabet, Inc. Class A, and Tesla Inc, all of which are not held in the Fund.

The overweight position in online marketplace operator Airbnb, Inc. Class A (-0.1%) contributed to relative performance. Management noted during the quarter that it expects to deliver Q1 revenue of between US$1.41-1.48B, highlighting strong growth relative to both Q1 2021 and Q1 2019. Along with a substantial improvement in its cost structure, the company delivered significant margin expansion. Management further noted that due to these improvements, it expects to achieve its first positive Q1 adjusted EBITDA in Airbnb history.

The overweight position in machine vision technologies provider Cognex Corporation (-3.9%) contributed to relative performance. Despite ending the quarter lower, the stock avoided much of the sell-down experienced by the benchmark. Cognex reported during February a Q4 EPS of US$0.30 (vs consensus of US$0.22), and revenue of US$244.1M (vs consensus of US$224.2M). Its gross margin for Q1 2022 is expected to be in the low-70% range (similar to the level reported in Q4-21), while its operating expenses is expected to be relatively flat with Q4 2021.

The overweight position in Amazon.com, Inc. (-5.3%) contributed to relative performance. Despite ending the quarter lower, the stock outperformed the benchmark, assisted by its Q4 earnings release in which revenue of US$137.41B missed by (0.2%) and EPS of US $27.75 beat by US$24.12. Management noted "extraordinary" growth in its Amazon Web Service business of +40% y/y and is now at a US$71B revenue run rate. Management also provided Q1 guidance, modestly lower than consensus, and announced an increase in the Prime membership fee. Views of its Q4 results were somewhat mixed, though guidance for Q1 was described by analysts as "better than feared."

The overweight position in residential real estate digital platform provider Opendoor Technologies Inc (-42.9%) detracted from relative performance. The stock fell on the back of a weaker-than-expected December-quarter financial result and rising interest rate expectations. The company reported an EPS loss of US$0.31 (vs consensus (US$0.18)), revenue of US$3.82b (vs consensus of $3.17b), and an adjusted EBITDA of US$0.4m (vs consensus of $5.1m). Its first-quarter guidance, however, exceeded expectations, with revenue expected between $4.1b-$4.3b (vs consensus of $3.32b), and an adjusted EBITDA between $30m-$40m (vs consensus of $11.8m).

The overweight position in flexible shared workspace provider WeWork (-23.1%) detracted from relative performance. The stock declined sharply after Bloomberg reported that WeWork is believed to be looking to raise more than $200M equity capital as it faces restrictions on taking on new debt. This was later refuted by WeWork, who issued a statement denying that it was exploring inbound interest for an additional equity investment, and that it has no plans to issue equity at this time.

OUTLOOK

After the recent shakeout in equities from rate rise fears, the invasion of Ukraine has further dented confidence. The shock of war will have a negative effect on confidence and economic activity, mainly in Europe. This will ripple, to varying degrees, out to the world. Sanctions have an even greater potential to disrupt capital movement and key resources, especially Russian energy production. A rising global oil price acts as a tax or interest rate hike on the global economy. The financial sanctions will also bite specific sectors hard. The only thing we really know for certain is that these sanctions are the toughest ever imposed on a country and are likely to be in place for the foreseeable future. This all adds to the existing supply chain and inflation problem that besets the global economy. There is also always risk of some unexpected 'contagion', like unknown Russian financial exposures. Despite these challenges and uncertainty in markets that lay ahead, we remain consistent in our investment approach.

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.

MORE INFORMATION

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