PERPETUAL ETHICAL SRI FUND (MANAGED FUND)

ASX code: GIVE

April 2022

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality shares of Australian ethical and socially responsible companies. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

FUND BENEFITS

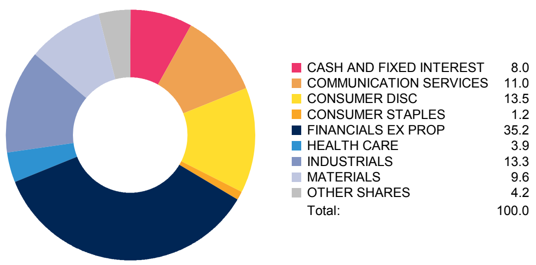
We seek to invest in quality companies that have satisfied our range of ethical and socially responsible investment criteria. Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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:	S&P/ASX 300 Accum. Index
Inception date of strategy:	April 2002
ASX commencement date:	29 November 2021
Distribution Frequency:	Half-Yearly
Management Fee:	0.65%*
Performance Fee:	15 % of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
National Australia Bank Limited	6.8%
ANZ Banking Group Ltd.	6.7%
Insurance Australia Group Limited	6.5%
Orora Ltd.	4.5%
Brambles Limited	4.3%
Medibank Private Ltd.	4.2%
Wesfarmers Limited	4.2%
Deterra Royalties Ltd	3.6%
Bapcor Ltd	3.4%
HT&E Ltd	3.3%

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

NET PERFORMANCE - periods ending 30 April 2022

	Fund	Benchmark	Excess
1 month	0.35	-0.84	1.19
3 months	5.31	8.22	-2.91
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	2.63	4.20	-1.57

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.2	15.2
Dividend Yield*	4.7%	4.4%
Price / Book	1.8	2.1
Debt / Equity	30.2%	33.4%
Return on Equity*	12.6%	14.5%

^ 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 portfolic and does not reflect the distributions to be determined for the fund.
* Forward looking 12-month estimate.

MARKET COMMENTARY

Australian equities started off the month positive, with post-holiday trade allowing the ASX to near its highest level since the beginning of January. Performance was underpinned by continued strength in mining and energy stocks as commodity prices remained elevated by the fallout from Russia's invasion. Rising volatility in the second half of the month, however, saw the market hand back its earlier gains. The IT sector was the greatest laggard, as soaring bond yields and negative sentiment from underwhelming US tech earnings impacted local tech stocks. Mining producers were also among the notable drags on the market, with China's lockdowns driving concerns of reduced commodity demand.

Consumer confidence fell in April to its lowest since Sep-2020 amid concerns over Russia's invasion, east coast flooding, and cost pressures. Trimmed mean inflation rose above the RBA's 2-3% target band in the March quarter for the first time since 2010, while headline CPI surged the most in more than 20 years. Fuel and food prices compounded inflation pressures from supply and labour shortages, higher transport costs, and strong consumer demand. Expectations of further inflation and a pickup in wages growth also saw the RBA bring forward the likely timing of its next interest rate hike. Consumer Discretionary stocks were adversely affected as the prospect of a more aggressive RBA tightening cycle clouded earnings outlooks.

Company announcements throughout April revealed a variety of challenges facing firms. Cost of living pressures, rising interest rates, and a weakening housing market were cited as demand headwinds for discretionary retailers. Retail and food and beverage operators also flagged impacts from increased packaging and freight costs due to ongoing supply chain constraints, while the East coast floods disrupted production volumes across numerous sectors. Of the industries that outperformed, Utilities, Consumer Staples, and Industrials were the standouts over the month.

PORTFOLIO COMMENTARY

A feature of this Fund is that it invests in a screened universe enforced by strict ethical and socially responsible (SRI) investment criteria. The Fund's largest overweight positions include Orora Ltd, Insurance Australia Group Ltd, and Medibank Private Ltd. Conversely, the Fund's largest underweight positions include CSL Ltd. (not held), BHP Group Ltd. (not held), and Commonwealth Bank of Australia.

Not holding iron ore miner BHP Group (-7.2%) contributed to relative performance. BHP revealed in its third-quarter trading update a fall in production across most of its operations, including lower iron production, due to a variety of issues. Management advised that full-year copper and nickel production guidance had also been lowered due to Covid-related labour constraints. However, production guidance for iron ore, metallurgical coal, and energy coal remained unchanged.
The overweight position in healthcare services and hospital operator Ramsay Health Care (+24.5%) contributed to relative performance. The company confirmed during the month that it had received a conditional, non-binding, indicative proposal from KKR consortium to acquire the company. Under the proposal, Ramsay shareholders would be entitled to receive $88.00 per share cash, less any ordinary or special dividends paid after the date of the proposal. The Ramsay board has determined it appropriate to provide the Consortium with due diligence on a non-exclusive basis.
The overweight position in insurance provider Insurance Australia Group Ltd (+3.7%) contributed to relative performance. Despite selling off at the beginning of the month, the stock recovered towards the end of April in the absence of any price-sensitive news releases throughout the month other than a broker-upgrade to the stock's target price.

The overweight position in Australia and New Zealand media and online publishing company HT&E (-11.2%) detracted from relative performance The stock continued its sell-off throughout the month in line with the broader consumer services sector, despite the absence of adverse material news flow directly affecting the company. We continue to hold the stock in the portfolio as we believe the market is now significantly undervaluing the company.
The overweight position in retail outlet investment company Premier Investments Ltd (-7.4%) detracted from relative performance. The stock continued its decline over the month, selling off with the broader consumer discretionary industry despite the absence of any material news flow directly relating to the company during April.

OUTLOOK

After a few months of volatile market moves dominated by macroeconomic concerns, we are beginning to move forward. However, operating conditions for many companies remain challenging despite generally solid demand conditions. Pressures around supply chains, managing inflationary pressures, and weather will all be in focus. Our view in times like these is that strong business models, healthy balance sheets, and good management teams excel. As always, we will focus our attention on earnings quality and look for opportunities where the market is overly focussed on short-term earnings drivers. We feel that this shift in narrative towards increasing inflation and interest rates should continue for most of the year. This should prove to be a challenging environment for both bonds and equities but, more specifically, long-duration equities like nonearnings-generating tech companies. However, we will keep an open mind. Therefore, one needs to be careful about consensus macro views. We will need to keep on top of this from a portfolio risk management perspective. However, for the time being, we are seeing some great opportunities.

MORE INFORMATION

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