PERPETUAL GLOBAL INNOVATION SHARE FUND (MANAGED FUND)

ASX code: IDEA

April 2022

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

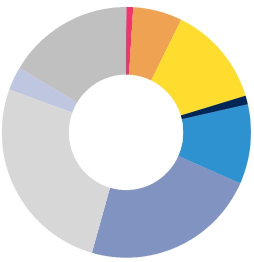
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental valuation of stocks. The Manager believes that changes in technology and innovation can have a significant impact on future earnings and valuation of companies, and that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

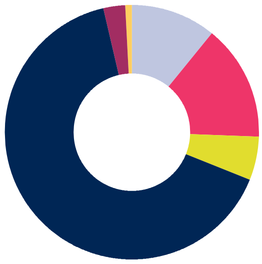
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Opendoor Technologies Inc	11.9%
Siemens AG	8.1%
IQVIA Holdings Inc	6.9%
GXO Logistics Inc	5.9%
Microsoft Corporation	4.9%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 April 2022

	Fund	Benchmark	Excess
1 month	-9.57	-2.79	-6.78
3 months	-23.30	-9.23	-14.08
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-33.58	-11.07	-22.52

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	122.9	15.4
Dividend Yield*	1.9%	2.7%
Price / Book	2.9	2.5
Debt / Equity	66.1%	47.1%
Return on Equity*	16.9%	16.4%

^ 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.

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

MARKET COMMENTARY

The year began with a rough first quarter and equity markets added further to the misery, with the MSCI World Index falling again in April. The wall of worry persisted on the back of global events like the war in Ukraine, which continues to pressure commodity prices, ongoing lockdowns in China, and steeply rising inflation across major developed markets. Investors are rightfully concerned over recessionary risks as central banks attempt to engineer a soft landing without stamping out economic growth. However, the US posting a -1.4% annualised growth rate in the first quarter of 2022 could shake confidence in its ability to do so. Regionally, the US was the worst-performing region in the month, and even more clearly on a local currency basis, whereby the UK returned 1.0%, and continental Europe returned -1.3% in local terms, while the S&P500 was down nearly -9%. Markets may have priced in much of the bad news across non-US securities regarding inflation and slowing economic growth, but it is likely too early to tell.

Given these fears in the market, defensive sectors tended to do better over the month, with Consumer Staples, Real Estate, Utilities, and Health Care sectors the best performers. This is in stark contrast to the Communication Services, Consumer Discretionary, and Information Technology sectors, which were down more than -11% in the month. In the more cyclical sectors, Energy and Materials sectors did well while Financials and Industrials lagged. Accordingly, value stocks posted strong performance again in the month, with the MSCI World Value Index outpacing the MSCI World Growth by ~700bps in April and now ahead by ~15% for the year to date. Despite this strong performance, the valuation gap between value and growth stocks remains at historic highs.

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 flexible shared workspace provider WeWork Inc. Class A (+8.6%) contributed to relative performance. The stock price continued its recovery throughout April, assisted by the initial broker coverage on the company by Mizuho Securities USAand Piper Sandler who provided overweight/buy recommendations a with 38% and 69% price upside, respectively.
During April 2022, not holding designer of computer graphics processors NVIDIA Corporation (-28.2%) contributed to relative performance. NVDIA was no exception to the general correction in technology stocks during the month. The fact that several brokers cut price targets and/or recommendations added to the slide. We remain confident in the Company's longer-term competitive advantage despite the near-term market sentiment.
During April 2022, not holding technology holding company Alphabet Inc. Class A (-13.2%) contributed to relative performance. The company reported a disappointing first-quarter earnings report and fell alongside the broader tech sector as market sentiment continued to move away from tech stocks. The main news out on the stock last month was its Q1 earnings report. It was a solid quarter as revenue increased 23% to $68 billion, matching estimates, but earnings per share fell from $26.29 to $24.62 and missed expectations of $25.96 as the value of some of its investments declined.

The overweight position in residential real estate digital platform provider Opendoor Technologies Inc (-14.5%) detracted from relative performance. investor sentiment over the stock continued to decline over the month, 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 Brazilian mobile payment-based e-commerce service provider PagSeguro Digital Ltd. Class A (-22.5%) detracted from relative performance. The stock sold-off over the month alongside other growth stocks and the broader tech sector, which pulled back over investor concerns of rising interest rates, inflation, a potential recession, and the war in Ukraine. Investors also seemed to be adjusting to the end of COVID-19 tailwinds that had previously favoured the sector.

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

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

Perpetual