

PERPETUAL GLOBAL INNOVATION SHARE FUND (MANAGED FUND)

ASX code: IDEA

January 2023

FUND FACTS

Investment objective: Aim to provide investors with long-term capital growth through investment in global shares that are benefiting from technological change and innovation, and outperform the MSCI All Countries World Net Total Return Index (AUD) before fees and taxes over rolling three-year periods.

FUND BENEFITS

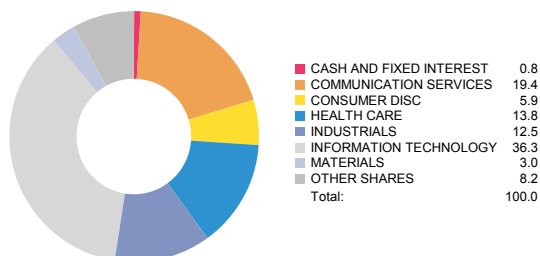
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities is based on a fundamental valuation of stocks, with an emphasis on the potential returns a company can generate. The Manager believes that changes in technology and innovation can have a significant impact on the future earnings and valuation of companies, focusing on understanding new technology and innovation can lead to the early identification of companies with growth potential.

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
Suggested minimum investment period:	Seven years or longer

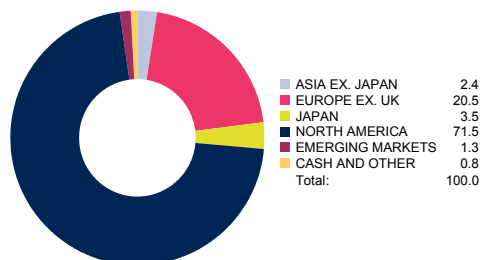
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Opendoor Technologies Inc	7.9%
Embracer Group AB Class B	6.7%
MongoDB, Inc. Class A	6.5%
GXO Logistics Inc	6.5%
IQVIA Holdings Inc	5.5%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 January 2023

	Fund	Benchmark	Excess
1 month	13.14	3.14	10.01
3 months	5.79	0.67	5.12
FYTD	12.02	6.96	+5.06
1 year	-28.82	-8.01	-20.82
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-34.75	-8.76	-25.99

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Dividend Yield*	1.0%	2.7%
Price / Book	3.7	2.4
Return on Equity*	14.4%	15.8%

^ 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

Equity markets started the calendar year on a strong note, with the MSCI World and MSCI All Country World Indexes ending January materially higher. There were several economic factors providing optimism for investors that perhaps a recession (hard landing) might be avoided in 2023. Inflation in the US and Europe seems to have peaked, and modest declines in inflation are being seen that indicate central bank tightening has had its intended effect, with smaller rate rises expected. Further, employment and job openings remain strong. In the US, this translated to strong performance within smaller capitalization stocks, which tend to benefit from a positive outlook on an economic recovery, while their larger cap peers lagged not only in the US but also trailed their global peers.

In the month, the Eurozone saw a surprise rebound in its composite PMI to 50.2, with improving sentiment on the back of declining gas prices given a milder winter than expected and a decreasing risk of future shortages as gas storage levels have improved meaningfully from a year ago. Combined with a weakening US dollar, continental European equities saw the most robust returns in the month. However, high inflation persisted in both the UK and continental Europe, and the European Central Bank raised rates 50bps more in its last meeting compared to the US Federal Reserve, which has now slowed its interest rate hikes to 25bps.

Given an expectation of fewer rate increases and potentially some expectation that central banks may ease later in the year, growth stocks saw a strong rally after a very dismal 2022, with the MSCI World Growth Index outpacing the MSCI World Value Index by 5%. Growth stocks were favoured broadly across sectors, with the Information Technology, Consumer Discretionary, Health Care, Communication Services, and Consumer Staples sectors leading the growth index higher. In stark contrast, value stocks in the Health Care and Consumer Staples sectors produced negative returns in the month, with Energy and Utilities stocks also lagging the broader index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Opendoor Technologies Inc, Embracer Group AB Class B, and MongoDB, Inc. Class A. Conversely, the Fund's largest underweight positions include Apple Inc., Alphabet Inc. Class A, and NVIDIA Corporation, all of which are not held in the Fund.

The overweight position in online platform for buying, selling and trading-in residential properties Opendoor Technologies Inc (+82.5%) contributed to relative performance. The stock was a substantial beneficiary of the rally in US growth stocks over the month, allowing it to recover from its prior month's loss. The sharp bounce was further assisted by optimistic economic data pointing to a recovery in the US housing market. Investors will be anticipating an upbeat financial result when the company reports its December-quarter earnings on 23 February. The overweight position in social media platform provider Meta Platforms Inc. Class A (+19.1%) contributed to relative performance. The stock appeared to benefit from hype surrounding ChatGPT during the month, which brought about a surge in the demand for AI-related stocks. Separately, Meta's rally coincided with reports that Donald Trump will be returning to mainstream social media, and the subsequent announcement by Meta that it will be ending the suspension of the former US President's Facebook and Instagram accounts in coming weeks. The overweight position in supply chain services provider GXO Logistics (+18.0%) contributed to relative performance. The market reacted positively to its updated guidance released during an investor day. Management now guides to FY2022 (to 31 December 2022) revenue of US\$9B vs consensus of US\$8.89B and Adjusted EBITDA of between US\$720M-\$730M (vs prior guidance between US\$715M-\$750M, and consensus of US\$720.8M). Net income is now forecasted between US\$189M to \$199M, compared to its previous US\$153M and pro forma net income of US\$162M for the year ended 31 Dec 2021.

The overweight position in surgical systems developer Intuitive Surgical, Inc. (-10.9%) detracted from relative performance. The market was underwhelmed with its Q4 financial results, reporting EPS of \$1.23 (vs consensus \$1.25) from Revenue of \$1.66B (vs consensus \$1.67B). The company's Worldwide da Vinci procedures business grew ~18% from Q4 of 2021, with FY23 guiding to between 12 and 16%. Management noted that Q4 of 2022 reflected a resurgence in COVID-19 in China, and later in the quarter in the US and Europe, which negatively impacted procedure volumes in the respective regions.

The overweight position in farming machinery manufacturer Deere & Company (-5.1%) detracted from relative performance. During the month, the company conceded on its right to repair its tractors by signing a Memorandum of Understanding with the American Farm Bureau Federation to ensure farmers can use third-party shops to repair their equipment. The company will further commit to provide the tools needed to fix their own equipment to farmers. Deere & Co, however, reserves the right to exit the agreement if state or federal right-to-repair laws come into effect.

OUTLOOK

The end of rate rises is in sight, and we believe we are unlikely to see large drawdowns in the market from here, with most of the damage taking place in the past 1-2 years. Due to the drawdowns we've seen in our focus areas over the past 1-2 years, we believe there are significant opportunities in the market today that will perform well over the next three to five years. However, markets, along with the stocks we own, remain volatile, meaning this fund remains most suitable for investors with a longer-term horizon and the ability to withstand short-term volatility. Change is a constant in today's world, and that should provide ample opportunities for finding new profitable investments.

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 (including any supplementary 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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