

PERPETUAL GLOBAL INNOVATION SHARE FUND (MANAGED FUND)

ASX code: IDEA

March 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

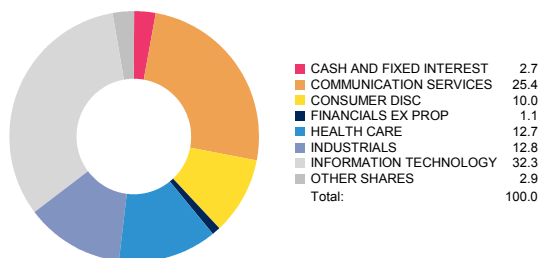
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities is based on a fundamental valuation of stocks, with an emphasis on the potential returns a company can generate. The Manager believes that changes in technology and innovation can have a 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

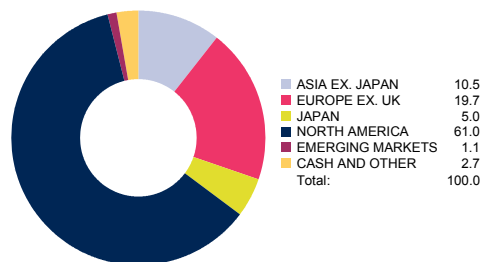
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Embracer Group AB Class B	7.8%
GXO Logistics Inc	6.2%
Microsoft Corporation	5.7%
NVIDIA Corporation	5.2%
IQVIA Holdings Inc	4.7%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 March 2023

	Fund	Benchmark	Excess
1 month	6.83	3.79	3.04
3 months	20.70	8.65	12.05
FYTD	19.51	12.68	+6.83
1 year	-10.47	3.78	-14.25
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	-27.65	-3.93	-23.73

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Dividend Yield*	0.9%	2.8%
Price / Book	2.9	2.3
Return on Equity*	12.7%	15.3%

^ 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

The March quarter saw considerable volatility as early gains gave way to concerns over the need for incremental monetary tightening, only to culminate with an old-fashioned run on a bank. Equities, however, largely posted positive gains in the quarter as weakness proved short-lived. The rally was led by expensive growth and technology stocks, while traditional value and cheaper areas, including financials and cyclical, were much more challenged. When breaking out the performance by valuation, dividend yield, and beta, the most expensive, lowest dividend-paying stocks and highest beta far outpaced the broader index in a reversal of what was seen all last year. Further, the highest beta stocks that outperformed were largely in the growth areas of the market, i.e., Information Technology, Communication Services, and Consumer Discretionary, which is atypical in most environments.

US Inflation remains one of the biggest battlegrounds for investors. The most recent consumer price index (CPI) prints for February and March were relatively in line with expectations. This did not dissuade the Federal Reserve (the Fed) or European central banks from raising rates during the quarter. Their efforts to maintain price stability continue to be challenged by the strength in employment, the housing market, and continued service sector strength.

While much has and will be written on Silicon Valley Bank's collapse, equities and markets, appear to have settled out after just a few short weeks as systemic concerns calmed. Outside of the US, the reverberations were felt hardest in Europe. The Swiss regulators orchestrated the takeover of Credit Suisse amid the turmoil, a casualty of systemic fears from the last crisis. Elsewhere, there appeared to be little lasting impact. As a result, emerging markets saw similar strength to the US, with the MSCI EM Index up 4.1%. China's effort to reopen continued during the quarter, providing additional support outside of the US to those markets.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Embracer Group AB Class B, GXO Logistics Inc, and IQVIA Holdings Inc. 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 platform for buying, selling and trading-in residential properties Opendoor Technologies Inc (+83.2%) contributed to relative performance. The stock was a substantial beneficiary of the rally in US growth stocks over the March quarter, allowing it to recover from its December quarter loss. The sharp bounce was further assisted by optimistic economic data pointing to a recovery in the US housing market.

The overweight position in social media platform provider Meta Platforms Inc. Class A (+78.3%) contributed to relative performance. The stock rallied sharply after reporting its December-quarter revenue and announcing a US\$40B stock buyback. Meta said it expects revenue in the March quarter of between US\$26B and \$28.5B, while analysts were expecting revenue of US\$27.1B. The company anticipates total expenses in 2023 will be in the range of US\$89B to US\$95B, down from its prior outlook of US\$94B to US\$100B. Meta attributed the adjustment to "slower anticipated growth in payroll expenses and cost of revenue."

The overweight position in global cloud services provider Cloudflare Inc Class A (+38.1%) contributed to relative performance. The stock rose following the announcement of its December-quarter and fiscal year 2022 financial results. December-quarter revenue totalled US\$274.7M (representing an increase of 42% year-over-year), while fiscal year 2022 revenue totalled \$975.2M (representing a 49% increase year-on-year). The company delivered record operating profit and free cash flow in the December quarter, as gross profit increased to US\$206.9M from \$151.1M over the same period in 2021.

The overweight position in internet services provider Pentanet Ltd (-48.7%) detracted from relative performance. The stock ended the quarter lower after sell-side analysts cut the company's revenue and earnings expectations. Revenue forecast was revised down from A\$25m to A\$21m, however, this is up 11% from revenue posted in FY2022. EPS consensus loss is also predicted to shrink 21% from FY2022 to A\$0.025 per share. However, this was also revised down from its prior consensus estimated loss of A\$0.022 per share.

The overweight position in IQVIA Holdings (-1.7%) detracted from relative performance. The provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry fell over the quarter on the back of a mixed set of financial results. Revenue for the December-quarter increased by 2.8% year-on-year to US\$3,739M, while GAAP Net Income fell by 28.6% to US\$227M, and GAAP Diluted Earnings per Share decreased by 26.4% to \$1.20. Adjusted Net Income, however, came in at US\$524M, up 5.6% year-on-year, and Adjusted EBITDA rose 11.1% to US\$920M.

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.

MORE INFORMATION

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