PERPETUAL ESG AUSTRALIAN SHARE FUND (MANAGED FUND)

ASX code: GIVE

April 2023

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian shares that meet Perpetual's ESG and values-based criteria. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

FUND BENEFITS

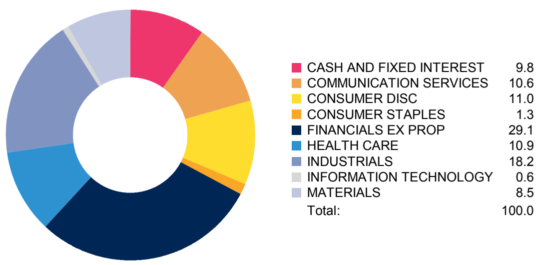
We seek to invest in quality companies that represent the best investment quality, are appropriately priced and meet Perpetual's ESG and values-based criteria. Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research 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
Insurance Australia Group Ltd	7.5%
National Australia Bank Limited	6.4%
Brambles Limited	5.7%
Medibank Private Ltd.	5.1%
Healius Limited	4.4%
Bapcor Ltd	4.0%
Orora Ltd.	3.9%
Telstra Group Limited	3.7%
Ferguson Plc	3.5%
Reliance Worldwide Corp. Ltd.	3.3%

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

NET PERFORMANCE - periods ending 30 April 2023

	Fund	Benchmark	Excess
1 month	3.13	1.85	1.28
3 months	3.04	-0.98	4.03
FYTD	17.12	15.37	+1.75
1 year	3.72	2.13	+1.60
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	4.52	4.49	0.03

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.2	14.9
Dividend Yield*	4.5%	4.4%
Price / Book	2.0	2.0
Debt / Equity	34.7%	33.0%
Return on Equity*	13.4%	13.9%

^ 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

The Australian equity market ended the month of April higher while markets were attentive to offshore developments, most notably any potential banking sector fallout from First Republic's issues and the outcome of May's RBA, Fed Reserve and ECB meetings. Recession signalling from deeply inverted yields, downside risks to consensus earnings estimates, a pullback in lending/tightening credit, and the pricing out of a dovish pivot later in 2023 have been among the bearish talking points. At the same time, bullish drivers have come from easing banking sector stresses, a fall in stock and bond market volatility measures, hopes for a soft landing from low unemployment and a looming end to the global tightening cycle.

Australia March CPI increased by +6.3% year-on-year, down from +6.8% in February. Government bond yields fell across the curve, reflecting dovish sentiment as markets assigned a higher probability to another RBA hold in May. Analysts generally noted that, though the March quarter CPI data likely confirmed that peak inflation is in the rear-view mirror, inflation remains too high. Prices in the clothing and footwear, and furnishings and household equipment categories shrank, resulting in a fall in goods inflation. However, services inflation rose to its highest since 2001, driven by higher prices for holiday travel, medical services, utilities, rents and restaurant meals.

Most economists see a pause to interest rate hikes in May, given the latest CPI print, with further tightening to come later in the year, while markets have consistently priced in no change since the April meeting. The RBA emphasised that the April pause did not mean tightening has ended, and the central bank is expected to retain its tightening bias in the May statement. However, there is a view that the RBA will want more than one month to assess the lagged effects of tightening to date.

PORTFOLIO COMMENTARY

A feature of this Fund is that it applies Perpetual's ESG process and values-based investment criteria. The Fund's largest overweight positions include Insurance Australia Group Ltd, Healius Ltd, and Brambles Ltd. Conversely, the Fund's largest underweight positions include CSL Ltd, BHP Group Ltd (not held), and Commonwealth Bank of Australia.

Not holding iron ore miner BHP Group (-6.0%) contributed to relative performance. A March-quarter production report shows it missed consensus estimates for copper production but produced slightly more iron ore than expected. Its nickel, met coal, and energy coal production was also lower than expected. Despite this, production guidance for FY23 remains unchanged for iron ore, metallurgical coal, and energy coal, while total copper production guidance remains unchanged, and its full-year unit cost guidance remains unchanged.
The overweight position in insurance provider Insurance Australia Group Ltd (+6.2%) contributed to relative performance. The stock finished higher on speculation that IAG is in talks to acquire RACQ's insurance business. The Australian notes that RACQ's insurance operations were purchased for ~A$500M. However, sources indicate that RACQ may offload the division for ~A$200M.
The overweight position in supply chain services provider Brambles (+6.1%) contributed to relative performance. The Firm reported sales of $9 million in its 9-month trading update after noting its pricing strategy has helped to offset cost increases across all regions, despite macroeconomic challenges and inventory optimisation by retailers and manufacturers. Brambles has also revised its FY23 guidance, projecting sales revenue growth of 14-15% and underlying profit growth of 17-19%.

The overweight position in healthcare technology solutions provider Healius (-5.4%) detracted from relative performance. The stock ended the month lower following denial by The Takeovers Panel to conduct proceedings on an application from Healius relating to its takeover bid by Australian Clinical Labs. Healius alleged in its submission to the panel that ACL's letter of offer to merge the two ASX-listed diagnostic companies was "misleading, including by omission, and inadequate in a number of respects".
The overweight position in mining royalty firm Deterra Royalties Ltd (-4.2%) detracted from relative performance. Deterra Royalties ended the month lower after acknowledging BHP's Q3 operational review, which reported that its Mining Area C royalty achieved production for the March quarter of 29.7 million wet metric tonnes, a decrease of 3.9% compared to the prior quarter. The company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly FOB revenue from the MAC royalty area.

OUTLOOK

Economic conditions will continue to evolve, and uncertainty will continue to manifest in markets. The central banks' aggressive attempt to rein in inflation expectations will cause unintended consequences in both economies and the markets. Because central banks have no influence on the supply of goods and materials, they also cannot influence the willingness of companies to invest in expanding supply in response to higher prices. This hesitancy is mostly due to companies seeing this as a significant pull forward of demand from fiscal and monetary largesse. We see the only influence central banks can have is on demand, and to achieve a reduction in demand, we will see a tightening in liquidity and financial conditions. This will force many companies to face up to this new reality with many early phase/profitless companies not surviving.

MORE INFORMATION

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