

## Perpetual Investment Funds

# PERPETUAL INDUSTRIAL SHARE FUND

October 2023

### FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial shares.

### FUND BENEFITS

Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

### 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 Industrial Accum. Index

**Inception Date:** December 1996

**Size of Portfolio:** \$969.77 million as at 30 Sep 2023

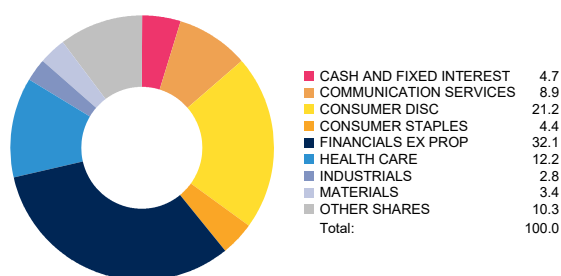
**APIR:** PER0046AU

**Management Fee:** 0.99%\*

**Investment style:** Active, fundamental, bottom-up, value

**Suggested minimum investment period:** Five years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
Commonwealth Bank of Australia	10.3%
Suncorp Group Limited	7.7%
Flutter Entertainment Plc	6.5%
Goodman Group	5.4%
CSL Limited	5.2%
National Australia Bank Limited	5.2%
Wesfarmers Limited	5.2%
ANZ Group Holdings Limited	4.6%
Sonic Healthcare Limited	3.7%
Westpac Banking Corporation	3.6%

### NET PERFORMANCE - periods ending 31 October 2023

	Fund	Benchmark #	Excess
1 month	-4.55	-4.73	+0.19
3 months	-8.35	-8.60	+0.25
FYTD	-5.74	-5.73	--
1 year	-2.63	-1.86	-0.77
2 year p.a.	-1.35	-4.67	+3.32
3 year p.a.	9.32	5.88	+3.44
4 year p.a.	3.41	1.93	+1.47
5 year p.a.	5.25	5.38	-0.13
7 year p.a.	5.32	5.91	-0.58
10 year p.a.	5.07	6.00	-0.93
Since incep.	9.08	8.33	+0.75

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

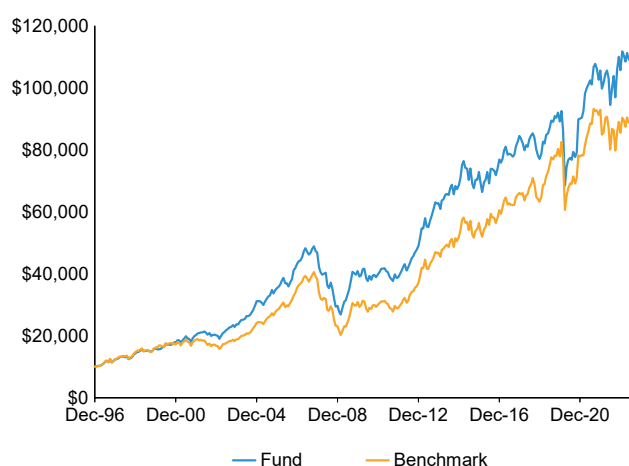
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	17.0	16.3
Dividend Yield*	3.5%	4.4%
Price / Book	1.9	1.8
Debt / Equity	29.7%	51.5%
Return on Equity*	10.6%	11.5%

<sup>^</sup> 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.

### GROWTH OF \$10,000 SINCE INCEPTION



## MARKET COMMENTARY

The S&P/ASX300 fell -3.8% in October. Rising bond yields was the continuing theme through October as the Australian 10 year extended its run from 4.50% to 4.96%, raising concerns for financial conditions and growth. Hamas' attack on Israel on 7 October sparked renewed geopolitical fears, although the worst expectations for markets were contained and oil fell. RBA Minutes for October noted a low tolerance for slow progress on inflation & Governor Michelle Bullock became more hawkish as October dragged on. Inflation for the September quarter came in hot at 1.2% vs expectations of 1.1% and 0.8% in June, unemployment fell from 3.7% to 3.6% and retail sale rose 0.9% vs 0.3% expected leading all the major banks to predict a rate hike on Melbourne Cup day. Most sectors finished in the red with IT, Healthcare, Industrials, Real Estate and Energy all taking the heaviest hits.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Suncorp Group Limited, Flutter Entertainment Plc and Premier Investments Limited. The portfolio's largest underweight positions include Macquarie Group Ltd, Woolworths Group Ltd, and Transurban Group Ltd all of which are not held.

Origin Energy contributed to portfolio returns in October as the price rose after the ACCC approved the Brookfield/EIG takeover bid. While competitive issues were highlighted, the regulator determined that renewables investments promised by Brookfield if it owned the Origin portfolio (excluding APLNG), were of sufficient public benefit to allow the transaction. The evolution of the energy transition since the consortium's original approach, highlights the value of Origin's suite of assets. With Eraring's life to be extended under an agreement with the state government, the coal fired generator will generate profits for longer at a time of higher wholesale electricity prices. The country's best portfolio of gas peaking plants will be even more valuable given their ability to respond to market volatility. The value of Origin's large client book is emphasised by Brookfield's willingness to invest in renewables as these internal customers provide an integrated hedge. Growth by the Octopus investment, driven by its client management technology, has exceeded expectations and APLNG is generating its strongest cash flows at a time of favourable supply demand dynamics.

Goodman Group contributed strongly to performance in October as the company protected investors capital not falling as much as the broader market (-3.31%). We took the opportunity to establish a position in Goodman Group late last year when the market was generally worried about large property groups' performance in a rising rate environment. However, Goodman's focus on the Industrial & logistics segment has delivered strong results driven by tenants' e-commerce expansion and supply chain optimisation in an environment of limited supply of modern and well-located warehouses. Looking forward, Goodman's large development pipeline of datacentres we believe has the potential to not only grow earnings but improve margin. In conclusion, Goodman Group's best-in-class status and large pipeline of data centre development we believe make it a compelling long-term investment choice in the Australian property market for the right price.

Incitec Pivot Limited detracted from performance in October (-12.74%) for the month as the market continued to sell it down in as it faces uncertainty. With Fertiliser prices under pressure and Incitec being plagued by a number of problems including differences over future strategies, the delayed plan to de-merge the fertiliser business continued to haunt the firm.

The overweight to HMC Capital Limited gave back some of it's strong performance in October (-9.77%). This is on the back of the market fretting that the alternative asset manager may miss it's \$10 billion FUM goal by the end of 2023. This is despite raising \$800 million in June for its first Last Mile Logistics Fund, HMC originally was listed on the ASX in 2019 as a highly geared property fund that owned Masters sites and had a complicated capital structure. Since then, they have bought into healthcare assets and large format retail sites and set up a listed property trust. Targeting \$10b in FUM by the end of 2023 and \$20 billion over five years, the business continues to evolve.

## OUTLOOK

Stickier inflation and higher-for-longer interest rates are playing out as we expected. Whilst longer duration bond prices have been hit very hard in recent months, longer duration stocks have remained stubbornly expensive. Whilst this does not make much sense, only two outcomes are possible; stock prices will eventually decline to reflect broader market moves or the real return on these stocks will be low in the period ahead. Either outcome is not good and we remain invested in quality businesses with good prospects and solid balance sheets trading at much more reasonable valuations.

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# Benchmark prior to 1/4/2000 was the ASX All Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Industrials Accumulation Index.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

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## MORE INFORMATION

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