

Perpetual Investment Funds

PERPETUAL SHARE-PLUS LONG-SHORT FUND

February 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality shares and taking short positions predominantly in selected Australian shares.

FUND BENEFITS

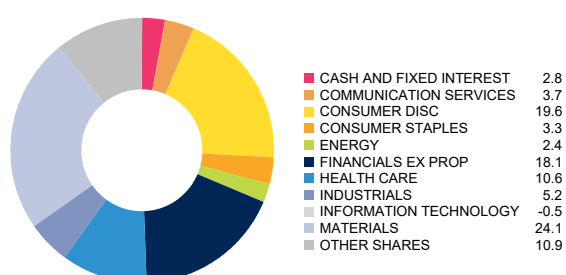
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

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:	March 2003
Size of Portfolio:	\$829.20 million as at 31 Dec 2023
APIR:	PER0072AU
Management Fee:	0.99%*
Performance Fee:	13.98% of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	10.7%
Commonwealth Bank of Australia	6.2%
Flutter Entertainment Plc	6.0%
Goodman Group	4.8%
Suncorp Group Limited	4.5%

MARKET EXPOSURE

	% of Portfolio
Long	114.6%
Short	-17.4%
Net	97.2%

NET PERFORMANCE - periods ending 29 February 2024

	Fund	Benchmark #	Excess
1 month	2.96	0.98	+1.97
3 months	12.86	9.46	+3.40
FYTD	9.34	9.70	-0.36
1 year	9.57	10.53	-0.96
2 year p.a.	10.27	8.52	+1.75
3 year p.a.	12.76	9.09	+3.67
4 year p.a.	12.75	8.58	+4.16
5 year p.a.	10.21	8.61	+1.60
7 year p.a.	9.74	8.60	+1.14
10 year p.a.	8.82	7.94	+0.88
Since incep.	11.47	9.53	+1.94

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

GEOGRAPHIC LOCATION

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

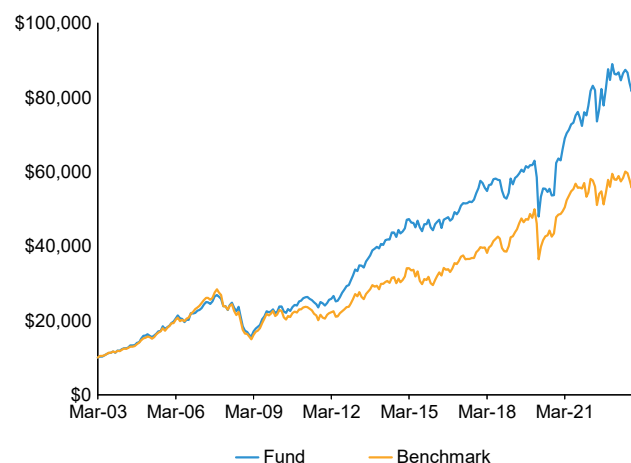
PORTFOLIO FUNDAMENTALS*

	Portfolio	Benchmark
Price / Earnings*	17.3	16.7
Dividend Yield*	3.4%	4.0%
Price / Book	2.1	2.0
Debt / Equity	27.5%	36.4%
Return on Equity*	12.5%	12.7%

* 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



*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

In February, the S&P/ASX 300 experienced a 0.98% increase. The dominating theme throughout the month was the reporting season, where key focus areas included the challenges of rising costs and the resilience of the consumer. Amidst this, traditional value sectors such as Energy (-5.9%) and Materials (-4.8%) faced difficulties, grappling with uncertainties surrounding China's economic growth. In contrast, the relatively modest but lively IT sector recorded a remarkable surge of +19.7%, mirroring the tech boom observed internationally. The performance of significant resource players like Fortescue (-9.6%), Woodside (-6.3%), and Rio (-8.1%) exerted downward pressure on the index. Conversely, sectors such as Consumer, Real Estate, and Financials emerged as strong performers during this period.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment Plc, Suncorp Group Limited and La Francaise des Jeux SA. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd (not held), Woodside Energy Group Ltd (not held) and Commonwealth Bank of Australia.

The overweight position in Light & Wonder (+20.05%) substantially contributed to the portfolio's outperformance as it re-rated on the back of an impressive fourth quarter result. Light & Wonder delivered a result ahead of analyst expectations, driven primarily by outperformance in the core land-based gaming division. The strong performance of one of its new release games, Dragon Train, in the home Australian market is of particular note. Dragon Train is showing strong early signs of success with leading game performance translating to market share gains. Management highlighted in the result that the game will be imminently released into the larger US market, providing a solid foundation for anticipated earnings growth in 2024. Over the past few years, Light & Wonder has undergone a transformative journey, resulting in a repositioned company with a robust balance sheet, an exceptional management team, creative talent, and a clear strategic vision. Pleasingly, recent operational results suggest that the foundational changes made in the business are translating to better products for customers and ultimately better earnings and overall outcomes for shareholders. Despite the recent re-rate, we maintain that the company trades at an attractive valuation relative to its attainable growth prospects.

Goodman Group continued to significantly contribute to our relative performance for the month, posting a robust 16.80% increase, supported by a favourable half-yearly update and the potential inclusion into the North American REIT index (NAREIT). The shares experienced a positive re-rate driven by a stronger than expected result and increasing optimism surrounding the company's data centre strategy. Despite the current relatively full valuation compared to our initial position, the investment in data centres offers additional upside potential for future earnings. Our decision to establish a position in Goodman Group late last year proved prescient, capitalising on market concerns about the performance of large property groups in a rising rate environment. In contrast to some overly leveraged property owners facing challenges, we believed GMG's positioning within key growth sectors in the property industry, its development-driven model and strong management team would enable the company to outperform its peers.

In February, Stanmore Resources detracted from relative performance as the stock declined -15.70%, following a period of notable strength. The headline coking coal price remained strong through the month due to supply disruptions, but discounts for some of the lower quality coking coals produced by Stanmore remained well above historical levels due to Russian coal of this quality trying to find a home in markets still willing to take this coal. Stanmore also purchased an interest in the Eagle Downs project that has a chequered history of development. The upfront cost is only US\$15m and there are significant synergies around capex to be unlocked from Stanmore mines that are close by (Poitrel) so we think this adds another organic growth option to the portfolio. Looking ahead, coking coal is anticipated to face a structural deficit given insufficient supply to meet the escalating steel demand in India and other Southeast Asian countries. In light of these developments, we maintain our perspective on the significant value inherent in Stanmore Resources' assets.

The overweight to Whitehaven detracted from performance over the month (-17.09%). Thermal coal prices were initially lower through the start of the month, however the underperformance was more driven by risks to the balance sheet from the decision to only sell down one of the assets being acquired from BHP as part of the transition from a largely thermal coal producer to a largely coking/metallurgical coal producer.

Whitehaven is acquiring the Blackwater and Duania mines from BHP for a total consideration of US\$4.1b, and is looking to sell down a 20-30% interest in these assets to key customers as part of the deleveraging process. Whitehaven recently received initial approvals for its Winchester South project that is adjacent to Daunia, which has delayed the sell down of that asset as it will take a couple of years to work through an integration proposal for those assets. We remain comfortable that WHC has enough funding in place to complete the acquisition and will deleverage from cash flow and bringing in a JV partner to Blackwater in 2Q24 (completion 2H24). With the stigmatism attached to thermal coal from the global goal of reducing carbon emissions, increasing exposure to coking coal used in steel production has the potential to drive a re-rating of Whitehaven.

OUTLOOK

Considerable uncertainty looms on the horizon. Despite appearing subdued in the US, inflation is displaying renewed vigour, potentially serving as a precursor to further inflationary pressures in Australia. Consequently, inquiries about the Federal Reserve (Fed) and Reserve Bank of Australia (RBA) contemplating rate cuts are gaining prominence, introducing elements of uncertainty regarding their timing and pace. Australia finds itself more vulnerable to the unpredictable growth trajectory in China, where policymakers grapple with subdued consumer sentiment and an enduring property downturn. Additionally, geopolitical and policy risks add complexity to the landscape. In navigating these turbulent waters, our strategy remains centred on identifying high-quality businesses with reasonable valuations.

The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily however will only be paid in the event that the Fund's return over the performance fee calculation period is positive and the performance fee accrual is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

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