

Perpetual Investment Funds

PERPETUAL SHARE-PLUS LONG-SHORT FUND

October 2023

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

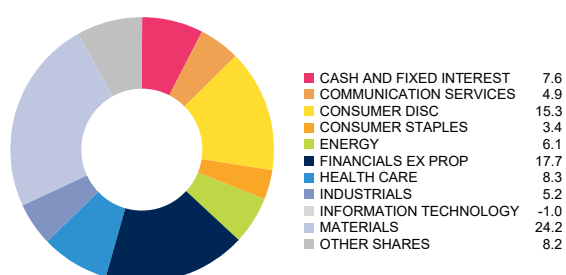
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

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:	\$773.55 million as at 30 Sep 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	10.8%
Commonwealth Bank of Australia	5.4%
Suncorp Group Limited	5.2%
Flutter Entertainment Plc	4.7%
Goodman Group	4.6%

MARKET EXPOSURE

	% of Portfolio
Long	114.2%
Short	-21.9%
Net	92.4%

NET PERFORMANCE - periods ending 31 October 2023

	Fund	Benchmark #	Excess
1 month	-2.85	-3.80	+0.95
3 months	-6.68	-7.29	+0.62
FYTD	-5.65	-4.61	-1.04
1 year	-0.92	2.51	-3.43
2 year p.a.	4.56	-0.08	+4.64
3 year p.a.	14.96	8.68	+6.29
4 year p.a.	7.48	4.27	+3.21
5 year p.a.	8.24	7.15	+1.09
7 year p.a.	8.24	7.73	+0.51
10 year p.a.	7.70	6.57	+1.12
Since incep.	10.87	8.95	+1.92

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.

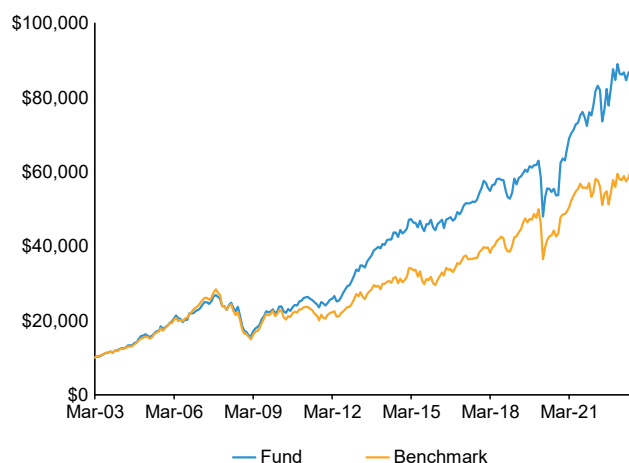
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	15.0	14.5
Dividend Yield*	3.9%	4.5%
Price / Book	1.8	1.8
Debt / Equity	25.9%	34.1%
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

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 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), Commonwealth Bank of Australia, and Rio Tinto Limited (not held).

Liberty Financial Group defied the falling market as the stock rallied (+8.9%). Despite most brokers cutting forward estimates, we believe LFG's full year result released earlier in the year to have been potentially overreacted to. Liberty Financial Group still managed to grow its loan book through strong growth in secured loans marginally offset by less residential. Net profit after tax was still down on prior comparable periods. Overall we believe Liberty's management to be high quality and the business well positioned to deliver through the cycle.

McMillan Shakespeare contributed strongly to performance in October (+4.0%) as the market ended the month in the red. We think this is on the back of the stock being oversold post results in August as the market came to terms with how the business now looks without the UK division or the Retail Financial Services business. We think the fleeting leasing company has a few tailwinds including supportive organic growth, a net cash balance sheet and a high payout ratio. In addition, the business will generate some supernormal profits from the unwinding of its order book.

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 its strong performance in October (-9.77%). This is on the back of the market fretting that the alternative asset manager may miss its \$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.

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.

MORE INFORMATION

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