

WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

June 2024

FUND FACTS

Investment objective: Aims to enhance long-term capital growth through borrowing (gearing) to invest predominantly in quality Australian industrial and resource shares.

FUND BENEFITS

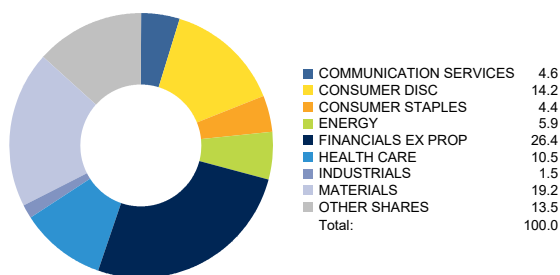
Provides investors with broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

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: May 2004
Size of Portfolio: \$2.75 million as at 31 Mar 2024
APIR: PER0147AU
Management Fee: 0.98%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
Commonwealth Bank of Australia	8.7%
BHP Group Ltd	8.6%
Origin Energy Limited	5.8%
National Australia Bank Limited	5.7%
Goodman Group	5.2%
Flutter Entertainment Plc	5.0%
CSL Limited	4.9%
Insurance Australia Group Ltd	4.5%
Westpac Banking Corporation	3.8%
Premier Investments Limited	3.4%

NET PERFORMANCE - periods ending 30 June 2024

	Fund	Benchmark #	Excess
1 month	1.76	0.92	+0.85
3 months	-4.89	-1.20	-3.69
FYTD	6.66	11.92	-5.26
1 year	6.66	11.92	-5.26
2 year p.a.	18.95	13.15	+5.80
3 year p.a.	9.19	6.08	+3.11
4 year p.a.	26.71	11.28	+15.43
5 year p.a.	10.51	7.22	+3.29
7 year p.a.	12.22	8.65	+3.57
10 year p.a.	10.37	8.04	+2.33

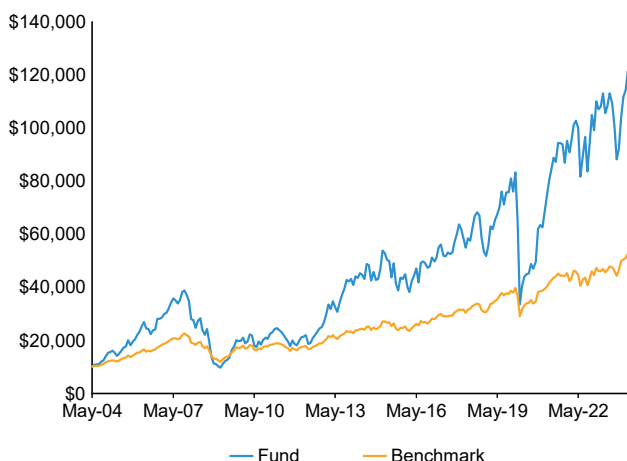
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	16.9	16.8
Dividend Yield*	3.4%	4.0%
Price / Book	2.1	2.1
Debt / Equity	24.9%	37.8%
Return on Equity*	12.4%	13.0%
Gearing Level	52.0%	

[^] Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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) is set out in the Fund's PDS.

MARKET COMMENTARY

The S&P/ASX 300 largely traded within a range throughout the June quarter finishing down a modest -1.20%. Australia's Q1 GDP growth unexpectedly slowed to 0.1% for the quarter, down from 0.2% in the previous quarter. On an annual basis, GDP grew by 1.1%, falling slightly short of the consensus estimate of 1.2%. In May, employment rose by 39,700 jobs, surpassing the consensus estimate of 30,000 and the 38,500 increase seen in April. Concurrently, the unemployment rate dropped to 4.0%. Monthly inflation in Australia increased to 4.0% year-over-year in May (up from 3.6% in April), exceeding the consensus forecast of 3.8%. This marks the third consecutive increase, bringing inflation to its highest level since December 2023. Despite this, the Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35%, keeping its options open due to ongoing inflation risks and the influence of recent state and federal budgets on inflation. Sector-wise, Utilities and Financials led the market higher, while Energy and Real Estate were the biggest laggards. Major contributors to this drag were Woodside Energy Group Ltd, down 7.51%, and Mirvac Group, down -18.14%, both of which weighed heavily on the index.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Origin Energy Limited, Flutter Entertainment PLC and Commonwealth Bank of Australia. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Woolworths Group Ltd, all of which are not held in the portfolio.

Origin Energy significantly contributed to portfolio returns during the quarter (+18.04%) while the market was down -1.20%. This was partly due to the New South Wales government announcing a deal to extend the lifespan of the Eraring power station, which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realise value if the transition to cleaner energy sources does not proceed efficiently. Additionally, while electricity prices have remained volatile (weak during summer before improving afterwards), ORG's portfolio of gas peakers provides the flexibility to manage market instability and optimise exposure. While pure upstream energy plays have shown inconsistent operational performance, Origin's APLNG demonstrated solid volumes and favourable capital expenditure outcomes.

The overweight to IAG was a strong contributor to performance over the quarter as the stock was up 11.51% in a falling market. IAG is one of our largest domestic overweight positions, and the stock has been a beneficiary of rising insurance premiums. Rising interest rates are also a tailwind for the business as it translates into higher investment returns on their balance sheet. Whilst insurance margins have been improving, we believe there is more upside here. In addition, towards the end of the month IAG announced reinsurance agreements with Berkshire Hathaway and Canada Life which reduced earnings volatility risk. Additionally, Suncorp's focus on cost efficiencies has delivered superior profitability and we think there is a substantial upside to IAG if it was able to target a similar level of operating efficiency. IAG's renewed focus on capital management, re-instating the share buyback at the end of May 2023 has also helped bolster the share price.

The overweight position in healthcare services and hospital operator Ramsay Health Care detracted from relative performance over the quarter (-16.04%). There is growing concern over reimbursements the hospital providers receive not keeping up with both wage inflation as well as higher medical supply costs. The overseas operations are under further pressure as French government initially provided Ramsay Sante with a lower-than-expected tariff indexation, which they have since adjusted upwards to match the inflationary environment. The UK Government has provided only a 0.6% indexation, and Ramsay UK are currently negotiation for a higher rate of indexation. Despite this, activity level trends are normalising, and the balance sheet is much healthier post the sale of Sime Darby.

The overweight position in mining royalty firm Deterra Royalties Ltd detracted from performance over the quarter (-19.07%). This was firstly due to a falling iron ore price as China port stocks rose and steel inventory drew at a below seasonal rate due to the ongoing weakness in the property sector. Secondly, Deterra announced the acquisition of Trident Royalties that is its first foray into diversification. While the company has widely been expected to grow through acquisition, the acquisition of another royalty company and cut in the dividend policy to a minimum 50% (previously 100%) payout was not anticipated by the market. The company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly Free-on-Board (FOB) revenue from the MAC royalty area. MAC is expected to ramp-up to full capacity of 145 millions of tonnes per annum in JQ24 that will increase the royalty and capacity payments to Deterra.

OUTLOOK

Markets are contending with a range of challenges, including consumer pressure, high interest rates, and resurgent inflation. Although the Australian market does not have the same concentration of technology companies as the U.S, there are still pockets of exuberance with sky high valuations. It's still important to remain disciplined about the prices we pay for quality investments, a strategy that has been crucial in consistently delivering superior returns with lower risk over time.

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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Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

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