WealthFocus Allocated Pension

WEALTHFOCUS PERPETUAL CONCENTRATED EQUITY

January 2024

FUND FACTS

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

FUND BENEFITS

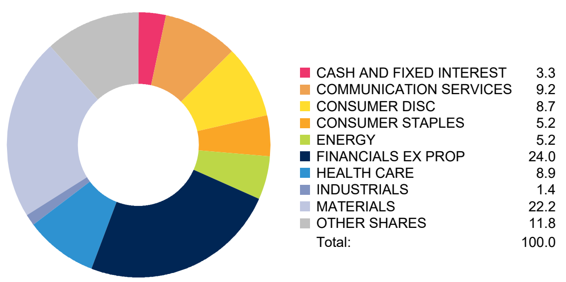
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	November 2003
Size of Portfolio:	$5.11 million as at 31 Dec 2023
APIR:	PER0145AU
Management Fee:	0.98%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	10.5%
Commonwealth Bank of Australia	6.9%
National Australia Bank Limited	5.4%
Goodman Group	4.9%
Telstra Group Limited	4.6%
Insurance Australia Group Ltd	4.5%
Origin Energy Limited	4.1%
CSL Limited	4.1%
Westpac Banking Corporation	3.9%
Santos Limited	3.4%

NET PERFORMANCE - periods ending 31 January 2024

	Fund	Benchmark #	Excess
1 month	2.84	1.10	+1.74
3 months	11.00	13.89	-2.89
FYTD	5.18	8.64	-3.46
1 year	5.76	6.66	-0.90
2 year p.a.	9.95	9.11	+0.84
3 year p.a.	13.09	9.27	+3.82
4 year p.a.	8.03	6.15	+1.88
5 year p.a.	10.01	9.67	+0.34
7 year p.a.	8.54	8.78	-0.24
10 year p.a.	8.07	8.36	-0.29

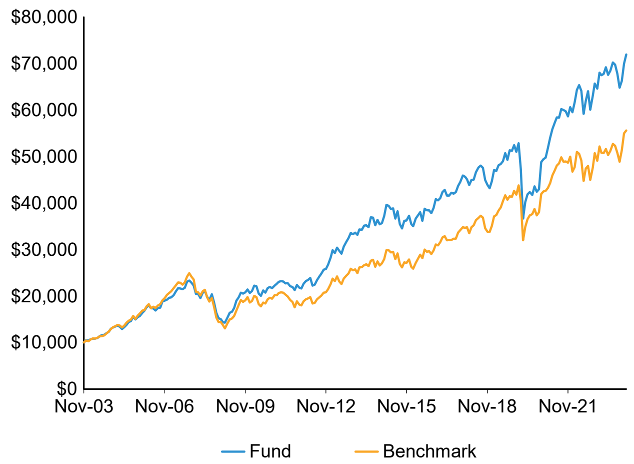
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	16.6	16.7
Dividend Yield*	3.4%	4.0%
Price / Book	2.1	2.0
Debt / Equity	30.5%	35.9%
Return on Equity*	12.4%	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) is set out in the Fund's PDS.

MARKET COMMENTARY

In January, the S&P/ASX300 exhibited a 1.1% rise. Notably, the Energy and Financial sectors demonstrated robust recoveries which countered the dominance of growth dominated sectors like healthcare and interest rate-sensitive stocks such as REIT's that characterised the closing quarter of 2023. Key players in the Materials sector such as BHP and Rio Tinto, experienced a decline as previously strong iron ore prices began to weaken. The market dynamics shifted with growth and bond proxies rallying strongly into Christmas in response to the Federal Reserve's indication of potential rate cuts. However as January unfolded, uncertainties arose regarding the timing and magnitude of these rate cuts. Economic data surpassed expectations and the late 2023 market rally coupled with improved financial conditions, led to increased questioning of the immediate necessity for rate cuts.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Insurance Australia Group Ltd, Origin Energy Limited and Goodman Group. Conversely, the portfolio's largest relative underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Fortescue Limited, all of which are not held in the portfolio.

The overweight position in Iluka Resources contributed to performance over the month as the stock rallied (+9.85%) post some volatility. This is largely due to the market digesting some lead indicators from downstream producers that demand was recovering which is supportive for rutile pricing. Iluka is a major producer of rutile and synthetic rutile which is used to produce pigment (paint) and is the largest producer of zircon that is used to produce ceramics (tiles etc). These minerals currently generate the earnings and cashflow for the company and the company has responded to soft near-term demand by idling some production to avoid inventory and working capital build up. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties (which was spun-off in an IPO) so is able to buffer these periods of demand distortion that is a feature of these markets. Risk of a capex increase for the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets also dominated market attention. Although we would highlight that construction is funded from a non-recourse loan of more than $1 billion from the federal government that has a $200m overrun facility.

A2 Milk contributed to returns during January (+13.38%). The out-performance was largely driven by better than expected Chinese 2023 birth-rate data in combination with an improving outlook for births and marriages across China as we enter the Dragon year, supportive of IMF sales. In addition, Kantar market share data continues to show A2 gaining market share in both offline and online channels. A2 has transitioned from a fast-growing start-up to an established and professional operator with a brand that resonates well with Chinese consumers. Management of inventory and pricing is sound, and we have growing confidence its investment in marketing is generating solid returns. The company's balance sheet is rock solid with over $800m in cash, providing it with optionality when navigating the challenging macroeconomic backdrop.

The overweight to IAG was a strong contributor to performance over January as the stock easily outperformed the 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. Whilst insurance margins have been improving, we believe there is more upside. IAG's cost efficiencies remain inferior to Suncorp. There is substantial upside to IAG if it is able to target a similar level of operating efficiency. IAG has a renewed focus on capital management and re-instated the share buyback at the end of May 2023 which has also helped bolster the share price.

The overweight to Healius detracted from performance over the month (-15.29%) following on from the company raising capital while the share price was distressed. The timing of the capital raise was a disappointment given the discount was very dilutive to shareholders. We expressed our disappointment to the management and board members of Healius and we believe the business could be better managed. However, we are encouraged with the progress Healius has made with improvements in their radiology business under new leadership. The Pathology segment continues to track below what the business could achieve given in person GP visits are still around 20% below pre pandemic levels. We believe some of the co-pay introductions are deterring GP visits as consumers continue to defer and there is evidence that primary care screenings are also being deferred. We believe GP visits and Pathology volumes will re-bound in the future and that we will start to see pathology segment margins improve from here.

AGL detracted from performance over the month (-8.54%) as investors marked to market the suppressing impacts of milder weather conditions (as opposed to the forecast El Niño pattern) on electricity demand and wholesale prices. This was most severe during the middle of the day when renewables were active and in Victoria where insufficient interconnector capacity does not allow excess power to be exported to other states. While this is a headwind for uncontracted supply, AGL is almost completely hedged for FY24 and at least 75% in FY25. The impact on electricity forwards is more critical where the movement has been relatively subdued. Investors should be informed of AGL's ability to manage their generation in these conditions at the interim. The company also has an undisclosed arrangement with the Victorian government which should at least partially protect their long exposure to the state.

The overweight position in healthcare services and hospital operator Ramsay Health Care (-2.62%) detracted from relative performance for the month despite a lack of news flow. The balance sheet has improved substantially since the sale of Sime Darby and the gearing levels are comfortably below debt covenants. Lead indicators for volumes look positive and UK volumes look to be improving. The only outstanding bug bear with the business is some cost pressure for the French operations which Ramsay is aware of and currently addressing.

OUTLOOK

Current market focus centres on the economic trajectory, with concerns about an imminent recession gradually diminishing. Instead, attention is directed towards assessing whether the Federal Reserve has successfully orchestrated a soft landing, no landing, or potentially a cyclical recovery. Interpretations vary, with some pointing to the robust performance of US tech as indicative of a late 1990s growth market while others underscore the risks associated with a 1970s-like environment characterised by escalating energy costs, geopolitical instability, and shorter economic cycles. In the backdrop, significant challenges persist. These include the potential for higher interest rates and lingering issues in the financial system, such as troubled commercial property loans and fallout from the 2023 US banking crisis.

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.

MORE INFORMATION

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