

## WealthFocus Allocated Pension

# PERPETUAL SHARE-PLUS LONG-SHORT

January 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

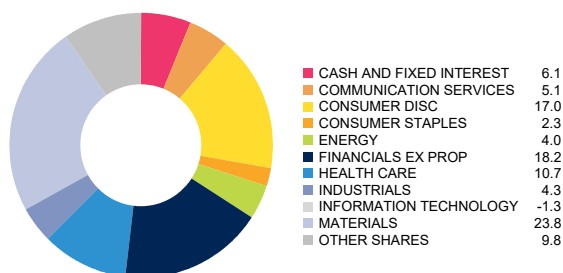
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

### 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.

|   |                                       |
|---|---------------------------------------|
| <b>Benchmark:</b>                           | S&P/ASX 300 Accum. Index              |
| <b>Inception Date:</b>                      | January 2004                          |
| <b>Size of Portfolio:</b>                   | \$9.43 million as at 31 Dec 2023      |
| <b>APIR:</b>                                | PER0148AU                             |
| <b>Management Fee:</b>                      | 0.98%*                                |
| <b>Investment style:</b>                    | Active, fundamental, bottom-up, value |
| <b>Suggested minimum investment period:</b> | Five years or longer                  |

### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

|                                | % of Portfolio |
|--------------------------------|----------------|
| BHP Group Ltd                  | 11.6%          |
| Commonwealth Bank of Australia | 6.3%           |
| Flutter Entertainment Plc      | 5.7%           |
| Goodman Group                  | 5.0%           |
| CSL Limited                    | 4.9%           |

### MARKET EXPOSURE

|       | % of Portfolio |
|-------|----------------|
| Long  | 114.5%         |
| Short | -20.3%         |
| Net   | 94.2%          |

### NET PERFORMANCE - periods ending 31 January 2024

|              | Fund  | Benchmark # | Excess |
|--------------|-------|-------------|--------|
| 1 month      | 4.38  | 1.10        | +3.28  |
| 3 months     | 12.92 | 13.89       | -0.97  |
| FYTD         | 7.18  | 8.64        | -1.46  |
| 1 year       | 4.13  | 6.66        | -2.53  |
| 2 year p.a.  | 11.73 | 9.11        | +2.62  |
| 3 year p.a.  | 14.63 | 9.27        | +5.36  |
| 4 year p.a.  | 10.53 | 6.15        | +4.38  |
| 5 year p.a.  | 11.79 | 9.67        | +2.11  |
| 7 year p.a.  | 10.10 | 8.78        | +1.32  |
| 10 year p.a. | 9.24  | 8.36        | +0.89  |

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

### GEOGRAPHIC LOCATION

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

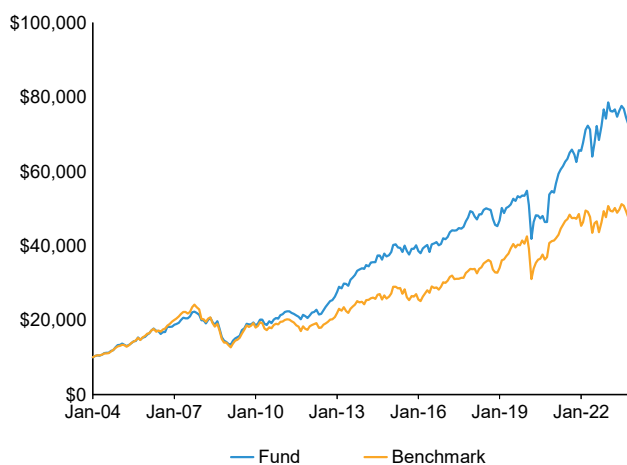
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

|                   | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 17.1      | 16.7      |
| Dividend Yield*   | 3.3%      | 4.0%      |
| Price / Book      | 2.1       | 2.0       |
| Debt / Equity     | 28.5%     | 35.9%     |
| Return on Equity* | 12.8%     | 12.7%     |

<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



\*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 Flutter Entertainment Plc, Suncorp Group Limited and La Francaise des Jeux SA. Conversely, the portfolio's largest underweight positions include Macquarie Group, Ltd, Woodside Energy Group Ltd and Fortescue Ltd, all of which are not held in the portfolio.

Flutter PLC strongly contributed to performance as the stock rose (16.82%) over the calendar month. The share price rose in response to a positive trading update in mid-January and in the lead up to the dual listing of FLTR on the NYSE that went live in late January. The trading update highlighted a strong Q4 performance for the key US asset FanDuel where market share increased sequentially in both online sports and online casino betting. Flutter acquired FanDuel (its flagship U.S. brand) in 2018 and since then has realised substantial returns through brand growth, customer acquisition, and market share expansion. This outcome was a timely reminder to investors of the dominant position FanDuel holds in the rapidly growing US market. Flutter PLC also announced it is planning to move its primary listing to the US later this year. We are supportive of the move to list in the US given the increasing materiality of FanDuel's value to the overall valuation of company.

Despite the thermal coal price not materially moving during January, Whitehaven started 2024 off strongly (+13.31%). This was largely due to the market beginning to appreciate the firm's recent acquisition of two BHP coking coal mines in Queensland which will see the firm's reliance on "dirty" thermal coal begin to decline. Whitehaven had traded in the \$0.80 to \$0.90 range in 2020 before reaching nearly \$11 in 2022 as prices and demand for coal skyrocketed. Despite trading at artificially low multiples, the inevitable fade in the coal price would eventually normalise the P/E longer term. Meanwhile Whitehaven racked up billions in surplus cash during the boom. Management will need to decide how to deploy this in the best interests of shareholders which could still buttress the share price against excessive falls if capital is managed well.

Cobram Estate Olives detracted from performance over January (-6.32%), consolidating December's strong performance where the stock was up over 20%. Operationally, Cobram continues to perform well with the US Harvest update release in December highlighting the production of 3.2m litres of olive oil, 89% higher than 2022 and the price of olive oil continuing to climb on the very weak European Harvest.

The overweight position in copper and zinc miner 29Metals (-47.70%) detracted from relative performance. The company reported a lower than expected cash balance at 31 December due to a build of zinc inventory at Golden Grove. The company also gave a disappointing production guidance for Golden Grove due to delayed access to the higher grade stopes that materially increase by-product credits to reduce costs. To further exacerbate the tough update, there remains permitting risk around tailings at Capricorn Copper that are critical for ongoing operation as the mine recovers from the flooding after the extreme weather event in 2023.

## 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.

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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 product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the 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 an investor's capital.

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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## MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

[www.perpetual.com.au](http://www.perpetual.com.au)

