

WealthFocus Allocated Pension

WEALTHFOCUS PERPETUAL SMALLER COMPANIES

January 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

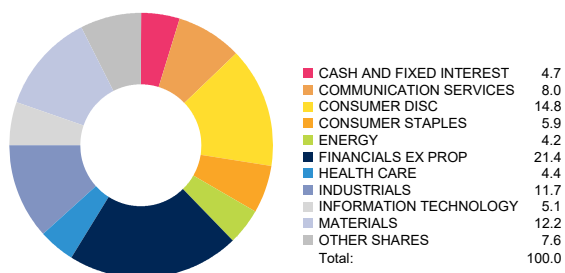
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

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 Small Ordinaries Accum. Index
Inception Date: August 1995
Size of Portfolio: \$30.26 million as at 31 Dec 2023
APIR: PER0008AU
Management Fee: 1.03%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Pacific Current Group Ltd	6.5%
Graincorp Limited	3.1%
EVT Limited	3.0%
EQT Holdings Limited	2.8%
Whitehaven Coal Limited	2.8%

NET PERFORMANCE - periods ending 31 January 2024

	Fund	Benchmark #	Excess
1 month	1.96	0.90	+1.06
3 months	8.99	15.80	-6.81
FYTD	4.46	7.37	-2.91
1 year	-1.85	2.10	-3.95
2 year p.a.	4.71	-1.22	+5.94
3 year p.a.	9.64	1.33	+8.31
4 year p.a.	11.09	2.33	+8.76
5 year p.a.	12.05	5.44	+6.61
7 year p.a.	10.46	6.42	+4.04
10 year p.a.	9.97	6.40	+3.57

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

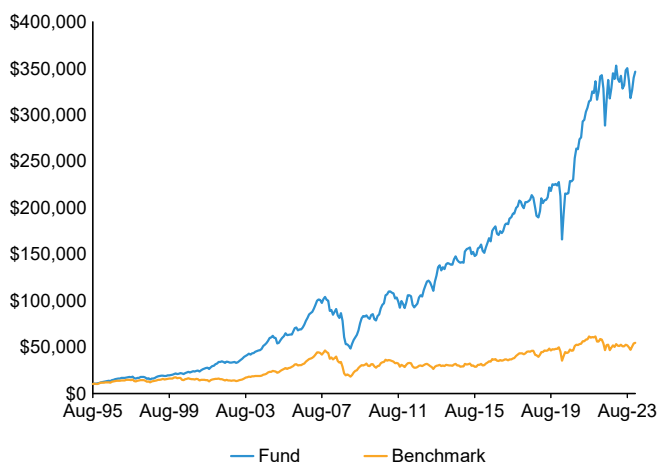
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	13.6	18.1
Dividend Yield*	4.5%	3.8%
Price / Book	1.4	1.6
Debt / Equity	27.4%	31.3%
Return on Equity*	11.0%	10.2%

[^] 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 Pacific Current Group Ltd, EQT Holdings Ltd and Whitehaven Coal Limited. Conversely, the portfolio's largest underweight positions include Pro Medicus Limited, Paladin Energy Ltd and Flight Centre Travel Group Limited, all of which are not held in the portfolio.

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.

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 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.

IGO Limited detracted from performance over the month (-16.46%) as the lithium price remained at historically low levels. Despite commodity price weakness, we still believe Greenbushes to be one of the lowest cost, highest quality hard rock lithium mines globally that has further expansion potential. The fall in the share price was also brought on by IGO placing its Cosmos nickel mine into care and maintenance as heavy investment in cheaper Indonesian nickel capacity caught the market by surprise.

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.

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

MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au

