WealthFocus Allocated Pension

WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

January 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:	$2.37 million as at 31 Dec 2023
APIR:	PER0147AU
Management Fee:	0.98%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

PORTFOLIO SECTORS

COMMUNICATION SERVICES	5.6
CONSUMER DISC	17.6
CONSUMER STAPLES	4.9
ENERGY	5.1
FINANCIALS EX PROP	22.4
HEALTH CARE	9.7
INDUSTRIALS	0.5
MATERIALS	21.2
OTHER SHARES	13.2
Total:	100.0

TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	10.6%
Commonwealth Bank of Australia	7.2%
Flutter Entertainment Plc	5.8%
CSL Limited	4.8%
Goodman Group	4.6%
La Francaise des Jeux SA	4.6%
National Australia Bank Limited	4.6%
Insurance Australia Group Ltd	4.0%
Origin Energy Limited	3.9%
Telstra Group Limited	3.8%

NET PERFORMANCE - periods ending 31 January 2024

	Fund	Benchmark #	Excess
1 month	7.30	1.10	+6.20
3 months	26.71	13.89	+12.82
FYTD	3.16	8.64	-5.48
1 year	1.60	6.66	-5.06
2 year p.a.	10.97	9.11	+1.86
3 year p.a.	21.35	9.27	+12.08
4 year p.a.	7.64	6.15	+1.49
5 year p.a.	15.00	9.67	+5.33
7 year p.a.	12.26	8.78	+3.48
10 year p.a.	10.59	8.36	+2.23

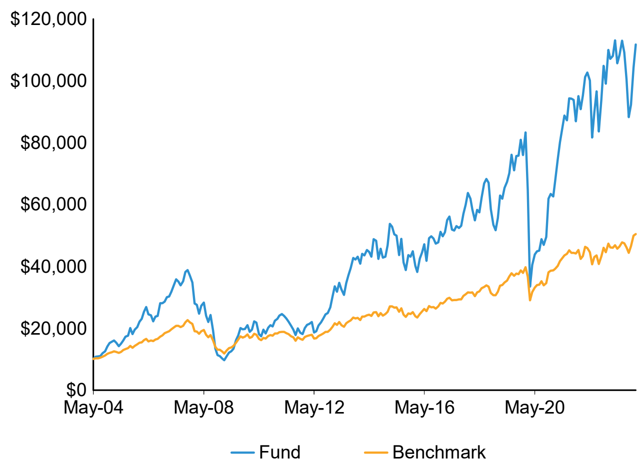
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	16.9	16.7
Dividend Yield*	3.4%	4.0%
Price / Book	2.1	2.0
Debt / Equity	24.9%	35.9%
Return on Equity*	12.3%	12.7%
Gearing Level	50.7%	

^ 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

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, BHP Group Ltd, 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 Fund.

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.

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.

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.

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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