WealthFocus Investment Advantage

WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

April 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

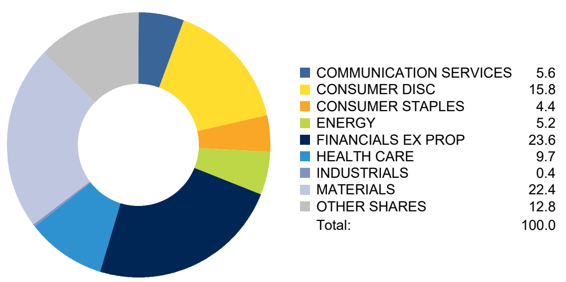
Provides investors with broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

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:	November 2008
Size of Portfolio:	$124.86 million as at 31 Mar 2024
APIR:	PER0492AU
Management Fee:	1.23%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	7.6%
Commonwealth Bank of Australia	7.5%
Flutter Entertainment Plc	5.3%
Origin Energy Limited	5.2%
Goodman Group	5.1%
National Australia Bank Limited	5.1%
CSL Limited	4.7%
Insurance Australia Group Ltd	4.1%
Iluka Resources Limited	3.6%
Westpac Banking Corporation	3.5%

NET PERFORMANCE - periods ending 30 April 2024

	Fund	Benchmark #	Excess
1 month	-6.68	-2.92	-3.76
3 months	1.54	1.23	+0.31
FYTD	2.75	9.97	-7.22
1 year	-2.06	9.04	-11.11
2 year p.a.	1.83	5.53	-3.70
3 year p.a.	8.99	7.05	+1.94
4 year p.a.	26.50	12.72	+13.78
5 year p.a.	8.39	7.98	+0.41
7 year p.a.	7.22	7.98	-0.76
10 year p.a.	6.14	7.77	-1.62

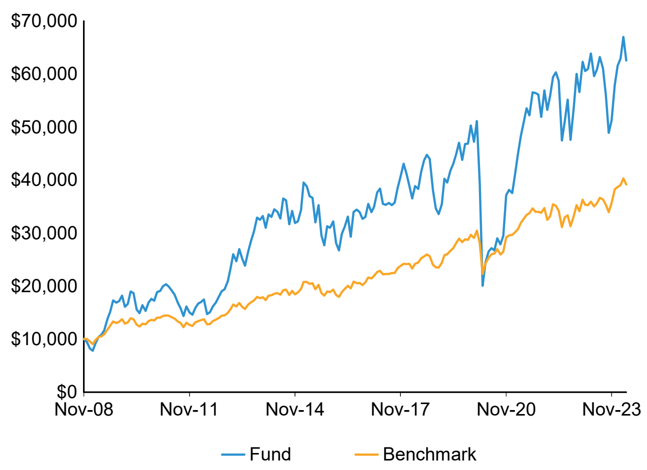
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	17.0	16.7
Dividend Yield*	3.3%	4.0%
Price / Book	2.1	2.0
Debt / Equity	25.0%	37.0%
Return on Equity*	12.6%	12.9%
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

In April market sentiment shifted as 10 of the 11 main sectors experienced declines with the ASX 300 registering a -2.92% decline. March's top performers faced a downturn, contributing to overall market weakness. Rate-sensitive sectors suffered, reflecting diminished expectations of rate cuts and a growing anticipation of an RBA rate hike by year-end, now nearing 60%. Heightened concerns over inflation arose from hotter-than-expected Q1 CPI data, further impacting market dynamics. Additionally, the Aus 10Y yield reached a five-month high at 4.56%. The market started weak and drifted lower, with notable outflows from banks/financials and consumer discretionary stocks. Gold miners remained resilient, while the ASX-200 VIX surged by +21.3%, signalling a shift from bullish sentiment.

PORTFOLIO COMMENTARY

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

Origin Energy (ORG) contributed to portfolio returns in April (+5.98%) as the market lost -2.92%. 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 the pure upstream energy plays have produced inconsistent operational performance, ORG's APLNG exhibited solid volumes and CapEx outcomes in the 3rd quarter report. Speculation is that the NSW government will now require Eraring to remain open a further 2 years on top of the original 2 years indicated beyond the planned shutdown next year which should deliver additional profits to ORG shareholders. Octopus, the least transparent but potentially highest growth business, is conducting a briefing session in early May which should provide greater clarity around both the retail and licencing economics and outlooks for the business.
The overweight position in Iluka Resources contributed to performance over the month as the stock rallied (+6.52%) 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 the core feedstock side of the business where the company has idled some production to reduce output through a period of soft demand. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and largest producer of zircon that is used to produce ceramics (tiles) and a recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. 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 it is able to buffer these periods of demand distortion that is a feature of these markets. The next catalyst for the company is the update on the funding for the increased CapEx of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than $1 billion from the federal government that has a $200 million overrun facility, but there remains uncertainty between how much of the increased CapEx is funded by debt versus equity.

After a period of very strong performance, our overweight in Premier (PMV) detracted from performance over the month (-7.95%). Despite negative industry trends and heightened consumer pressures, Premier has demonstrated its strength through consistently robust trading outcomes. PMV has been a cornerstone of our core retail investments, renowned for its quality business model, fortified by a robust net cash balance and overseen by engaged and experienced executive leadership. PMV's strategic review signals proactive measures to assess and potentially enhance the corporate, operating, and capital structure, reinforcing its commitment to sustained excellence. The strategic review has resulted in a potential demerger and separate listings of its Smiggle and Peter Alexander brands. Although future outcomes are currently uncertain, they are expected to reflect Premier's commitment to maintaining its high-quality standing in the market.
After rallying 66.32% over the past 12 months, Goodman Group gave back some of it's strong performance during April (-6.27%) as the real estate sector digested the potential for rates staying higher for longer. We took the opportunity to establish a position in Goodman Group late last year when the market was generally worried about large property groups' performance in a rising rate environment. Goodman Group's first quarter update for FY24 was largely uneventful however highlighted data centre development to start in late FY24. Additionally, management noted an uptick in acquisition opportunities as certain overly geared property owners have come under pressure. This presents an opportunity for well capitalised asset owners and operators such as Goodman Group.

OUTLOOK

The outlook remains clouded by uncertainty over the direction of the economy and markets. Investors are still unsure if the final outcome is a recession, a soft landing or an economic rebound. Strong commodity prices point to growth but other data including employment, is mixed as the consumer labours under high rates. Fears are growing that inflation will rise either way, raising the prospect of stagflation. We continue to invest in a selection of quality businesses with good prospects and solid balance sheets trading at reasonable valuation.

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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