

# WEALTHFOCUS PERPETUAL GLOBAL ALLOCATION ALPHA

February 2024

## FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and outperform the MSCI World ex Australia Net Total Return Index (AUD) with lower risk (before fees and taxes) over rolling three-year periods.

## FUND BENEFITS

Provides investors with long-term growth opportunities across global equities. The fund is run by high quality investment 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:** MSCI World Ex Australia Net Total Return Index (AUD) - since 1st October 2022

**Inception Date:** September 2000

**Size of Portfolio:** \$0.69 million as at 31 Dec 2023

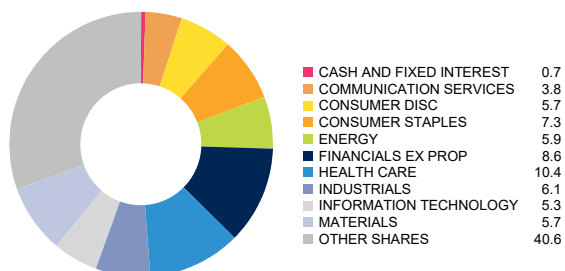
**APIR:** PER0108AU

**Management Fee:** 0.55%\*

**Investment style:** Active, fundamental, disciplined, value

**Suggested minimum investment period:** Five years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

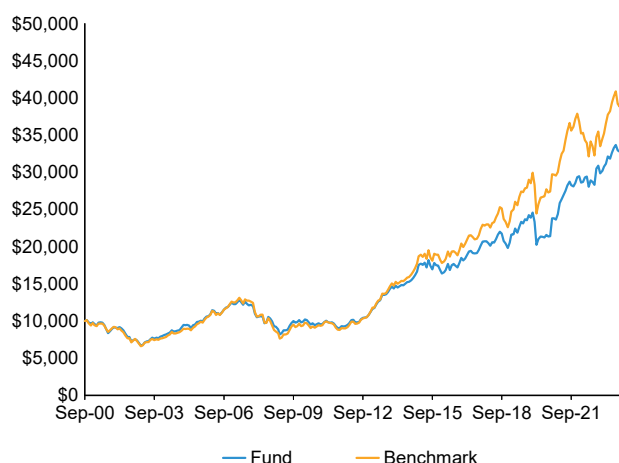
	% of Portfolio
Merck & Co., Inc.	1.4%
Comcast Corporation Class A	1.2%
Microsoft Corporation	1.0%
Qualcomm Incorporated	1.0%
CRH public limited company	0.9%
Danone SA	0.8%
Wells Fargo & Company	0.8%
Seven & I Holdings Co., Ltd.	0.8%
BAE Systems plc	0.8%
Aramark	0.8%

## PERFORMANCE- periods ending 29 February 2024

	Fund	Historical <sup>1</sup> Performance	Benchmark	Excess
1 month	3.89	-	5.92	-2.03
3 months	8.97	-	12.74	-3.77
FYTD	10.99	-	16.08	-5.09
1 year	17.83	-	29.79	-11.96
2 year p.a.	-	-	13.99	-1.46
3 year p.a.	-	14.12	15.04	-0.92
4 year p.a.	-	11.64	12.75	-1.11
5 year p.a.	-	10.90	13.09	-2.19
7 year p.a.	-	10.18	12.24	-2.05
10 year p.a.	-	9.42	11.61	-2.19

<sup>1</sup>Effective 1 October 2022 the Fund Investment strategy has changed; including the investment objective, investment approach and benchmark of the Fund. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

## GROWTH OF \$10,000 SINCE INCEPTION



## MARKET COMMENTARY

The second month of 2024 marked a continuation of many themes observed over the past year. Global markets pushed higher, with the MSCI World index up 5.8. This built on the sharp reversal from December that continued through January. This continuation of strong performance in the month can be seen in the momentum factor: the stocks with the highest 12-month momentum (top quintile) are up nearly 20% year-to-date with no other quintile ahead of the MSCI World Index. Further, returns were not evenly distributed across the globe. Unlike last quarter, growth stocks generally led value stocks across markets, and sector performance remained mixed (albeit all sectors were positive during the month except Utilities). The top performing sectors in the MSCI World Index were the Consumer Discretionary, Information Technology, Industrials, and Communication Services sectors. The worst performing sectors – Utilities, Consumer Staples, Energy, and Real Estate – are more interest rate-sensitive sectors and were hurt by the continued market focus on the notion that interest rates may fall slower than previously expected.

## PORTFOLIO COMMENTARY

Rheinmetall AG positively contributed to relative performance in February after the German automotive supplier and defense contractor saw strong news flow on contract awards throughout the month. The company has a strong balance sheet supported by the desire in Europe to build up domestic defense production through increased expenditure as NATO countries push spending toward 2% of GDP.

Vertiv Holdings Co. Class A positively contributed to relative performance during the month due to continued bullish sentiment surrounding Artificial Intelligence stocks. As a leading supplier of cooling equipment and technology to data centers, the company stands to benefit from increased spending on digital infrastructure for expansion and upgrades. Company management continues to execute its strategy to improve margins, reversing the cost headwinds from the prior year, and delivering on operational improvements and greater free cash flow conversion. Backed by sustainable growth in its end markets, Vertiv continues to trade at an attractive valuation and remains well positioned for future earnings growth.

Humana Inc. underperformed in February on continued higher utilization rates for its health insurance products, extending a trend from January. In addition, the higher utilization trends in 2023 do not appear transitory, leading Humana to slash its earnings guidance to half of the level previously predicted for 2024. Another negative for the Managed Care Organization (MCO) industry was the Change cyberattack, which impacted the routing of provider claims for a two-week period. While MCOs continue to struggle, Humana remains an attractive asset that may be oversold on pessimism.

Industrial gases company Air Products and Chemicals, Inc. underperformed in February after an earnings report that missed expectations, even though it continued to show year-over-year growth. The main reason for the miss was weakness in China and electronics, for which the company supplies helium. The company guidance for the next two quarters was well below consensus. The company is cheaper than it has been in years, trading at roughly 15x distributable free cash flow.

## OUTLOOK

The continuation of the market rally in February pushed some markets toward highs. The strong returns over the past year may have outpaced the fundamentals of companies, as inflation remains above the 2% targets favoured by central banks. Markets remain hopefully positioned that 2024 will be the year in which inflation is under control and monetary policy is more accommodative. However, the current market optimism is still pricing in more accommodative monetary policy for 2024 in the form of rate cuts in the U.S. and Europe. This is reflected in elevated multiples and earnings growth estimates are still above 10%. A negative return environment could recur if there is any disappointment from the current forecast of multiple rate cuts in 2024, which could lead to multiple compression among more expensive stocks, or if earnings growth does not materialize. As macro issues tend to swing markets up and down, it is important to remember that the best time to find value is when markets are fearful or exuberant about a small opportunity set and are ultimately overlooking good companies with solid operating fundamentals.

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Cash levels have not been calculated on a look-through basis. The underlying investments of the fund will also have a proportion of their assets invested in liquid assets.

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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

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