WealthFocus Super

PERPETUAL SPLIT GROWTH

March 2022

FUND FACTS

Investment objective: Aims to: achieve long-term capital growth through investment in a variable mix of Australian and international shares and other securities with lower risk than 100% exposure to either asset class; outperform a composite benchmark (before fees and taxes) comprising the S&P/ASX 300 Accumulation Index and the MSCI World ex Australia Accumulation Index (AUD) reflecting Fund's allocation over 3-years.

FUND BENEFITS

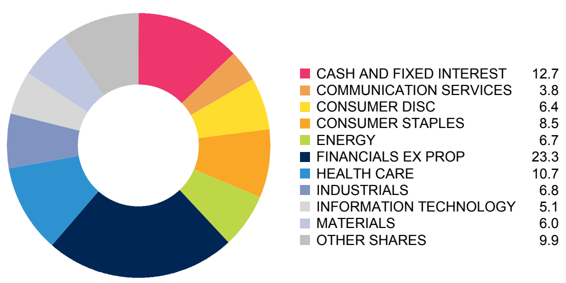
Provides investors with 100% exposure to long-term growth opportunities across Australian and international shares. The fund is run by high quality investment teams.

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:	S&P/ASX300 Accum. Index & MSCI World ex Australia Accum. Index (AUD)
Inception Date:	September 2000
Size of Portfolio:	$11.79 million as at 31 Mar 2022
APIR:	PER0109AU
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.	1.5%
Seven & I Holdings Co., Ltd.	1.2%
Exxon Mobil Corporation	1.1%
Oracle Corporation	1.1%
Allstate Corporation	1.0%
BAE Systems plc	0.9%
National Grid plc	0.9%
Air Products and Chemicals, Inc.	0.9%
Medtronic Plc	0.8%
Chevron Corporation	0.8%

PERFORMANCE- periods ending 31 March 2022

	Fund	Historical[1] Performance	Benchmark	Excess
1 month	0.20	-	0.28	-0.08
3 months	-2.02	-	-6.83	+4.81
FYTD	4.01	-	2.80	+1.21
1 year	10.08	-	12.26	-2.18
2 year p.a.	-	17.03	20.17	-3.13
3 year p.a.	-	8.92	12.21	-3.29
4 year p.a.	-	8.39	11.83	-3.45
5 year p.a.	-	7.98	11.03	-3.05
7 year p.a.	-	6.61	9.34	-2.73
10 year p.a.	-	10.28	13.55	-3.27

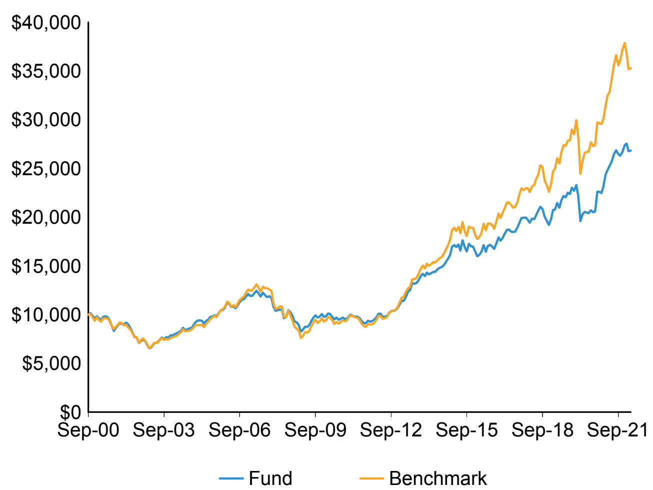
[1]Effective 1 December 2020 the Underlying Fund investment strategy has changed; including the investment objective, investment approach, benchmark and management fee of the investment option.

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

ASSET ALLOCATION

	Portfolio	Benchmark
Australian Equities	13.2%	15.0%
International Equities	74.1%	85.0%
Cash	12.7%	0.0%
Total	100.0%	100.0%

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

Few markets or asset classes escaped the downdraft in the first quarter of 2022. Additional bricks were stacked on an already high "wall of worry" during the quarter, including the addition of the central banks' high-wire act of taming the rapid rise in inflation without slowing economic growth too quickly.

Additionally, Russia's invasion of Ukraine, pushed commodity prices higher and further disrupted global supply chains. Against this backdrop, U.S. equities declined nearly 5%, yet fared better than most markets around the world. Continental European stocks were pushed lower as expected higher energy costs added to already slowing growth, creating concerns of a near-term recession in the region. Japan was similarly impacted given its need to import gasoline at higher prices though the government did introduce some gasoline subsidies to help household consumption.

Emerging markets fared the worst in the quarter. After what looked like a promising start to the year, Chinese stocks fell precipitously, as China continued to pursue a zero COVID policy and introduced major lockdowns in cities such as Shenzhen and Shanghai. Conversely, the U.K., with its higher exposure to commodities (Energy and Materials), actually posted positive returns in the quarter.

At a sector level, there was a meaningful bifurcation in performance as the Energy sector was up over the quarter on the back of crude oil up 33% and natural gas up more than 51%. Conversely, the Communication Services, Consumer Discretionary, and Information Technology sectors were down more than -10%. With the MSCI World Value Index underweight these sectors while overweighting the Materials, Financials, and Utilities sectors, the MSCI World Value Index outpaced the MSCI World Growth Index.

PORTFOLIO COMMENTARY

With the outbreak of war in Ukraine, the portfolio's holdings in defence stocks Rheinmetall AG and BAE Systems plc were up firmly in the quarter as European governments recognised the need to spend more on their national defence given years of underinvestment. Rheinmetall is one of the leading defence contractors in Europe, with market-leading positions in land vehicles, large calibre weapons, and ammunitions and electronic solutions. The company is a key supplier to the German army as well as a range of both NATO and non-NATO countries around the world.
Similarly, BAE Systems plc is the largest non-U.S. defence contractor in the world and has a diversified portfolio with a strong technology focus covering air, land, and sea. BAE Systems plc performed strongly on the back of potentially higher defence spending, but also reported full-year 2021 numbers in the quarter with EPS and free cash flow ahead of consensus and guided free cash flow meaningfully over the next few years. We continue to hold both names as we see a compelling risk/reward profile.

Vertiv Holdings Co. Class A, a leading provider of power management and thermal systems for data centres and other critical infrastructure, faced issues with their suppliers delivering the necessary components as planned and securing transport of those components at previously agreed upon prices along with broader inflationary pressures. Management stepped in and took swift action to remedy the internal processes and adjust price/cost to balance, however, near-term earnings are currently depressed, with shares trading at 16.5x forward EV/EBITDA. Should their margin profile normalise as we expect, the stock is trading at a notable discount to its peers and create a re-rating potential as results match or exceed expectations.
Axalta Coating Systems Ltd., a performance coatings business with leading positions in automotive refinish and OEM, faced rising input prices for solvents, resins, and pigments driven by rise in oil prices. Management remains committed to raising prices, though there will be some lag until they catch up. They also continue to invest into sustainability initiatives, helping offset rising carbon costs and drive efficiencies. Semiconductor shortages persisted, impacting new car production volumes, as people are still returning to their normal driving habits. A normalisation in miles driven should create the need for accident repair. These headwinds are well-known, and more likely to be opportunities for upside improvement as they reverse in the future. Shares are very attractive with solid free cash generation in the interim and trade at 13.7x forward price-to-earnings.

OUTLOOK

As it now stands, central banks face a monumental challenge – raise rates fast enough to cool inflation but not so fast that economic growth is negatively impacted. Central banks appear woefully behind tackling inflation as they underestimated the effects of fiscal and monetary policies enacted over the past decade and, more recently, the massive stimulus provided during the COVID pandemic. Markets are rightly concerned over a misstep by central banks which could ultimately push economies into a recession.

However, not all is gloom and doom, as there are some metrics pointing to economic strength that could help create a softer economic landing than what investors are expecting. Currently, employment trends are positive as unemployment has declined meaningfully post-pandemic, as economies have continued to reopen. Further, the consumer appears to be in a good place with higher savings and higher wages and, barring persistently high inflation, should allow for positive consumer spending trends. This has been one contributor to corporate profits being forecasted to rise in the coming year. All this would continue to bode well for positive economic growth and should provide for a constructive environment for value stocks.

MORE INFORMATION

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