

WEALTHFOCUS PERPETUAL CONCENTRATED EQUITY

February 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment predominantly in quality Australian industrial and resource shares.

FUND BENEFITS

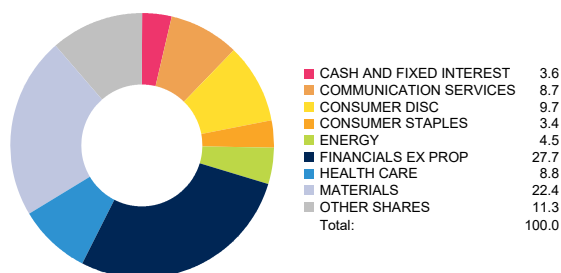
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	\$31.09 million as at 31 Dec 2023
APIR:	PER0488AU
Management Fee:	1.23%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	9.2%
Commonwealth Bank of Australia	6.9%
National Australia Bank Limited	6.6%
Insurance Australia Group Ltd	5.5%
Goodman Group	5.2%
Origin Energy Limited	5.2%
Westpac Banking Corporation	4.5%
Telstra Group Limited	4.2%
CSL Limited	4.0%
Santos Limited	3.1%

NET PERFORMANCE - periods ending 29 February 2024

	Fund	Benchmark #	Excess
1 month	0.98	0.98	-0.00
3 months	9.07	9.46	-0.39
FYTD	4.98	9.70	-4.72
1 year	6.39	10.53	-4.14
2 year p.a.	7.19	8.52	-1.32
3 year p.a.	10.38	9.09	+1.28
4 year p.a.	10.08	8.58	+1.49
5 year p.a.	7.63	8.61	-0.99
7 year p.a.	6.99	8.60	-1.61
10 year p.a.	6.28	7.94	-1.66

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

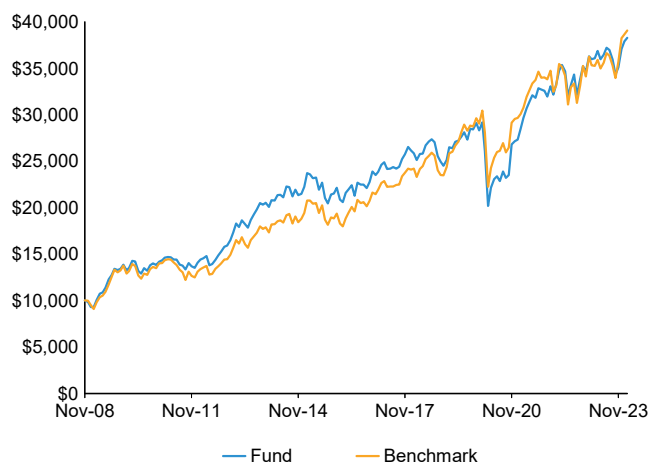
PORTFOLIO FUNDAMENTALS*

	Portfolio	Benchmark
Price / Earnings*	17.0	16.7
Dividend Yield*	3.5%	4.0%
Price / Book	2.1	2.0
Debt / Equity	29.7%	36.4%
Return on Equity*	12.1%	12.7%

* 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



MARKET COMMENTARY

In February, the S&P/ASX 300 experienced a 0.98% increase. The dominating theme throughout the month was the reporting season, where key focus areas included the challenges of rising costs and the resilience of the consumer. Amidst this, traditional value sectors such as Energy (-5.9%) and Materials (-4.8%) faced difficulties, grappling with uncertainties surrounding China's economic growth. In contrast, the relatively modest but lively IT sector recorded a remarkable surge of +19.7%, mirroring the tech boom observed internationally. The performance of significant resource players like Fortescue (-9.6%), Woodside (-6.3%), and Rio (-8.1%) exerted downward pressure on the index. Conversely, sectors such as Consumer, Real Estate, and Financials emerged as strong performers during this period.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Insurance Australia Group Ltd, Origin Energy Limited and Goodman Group. Conversely, the portfolio's largest relative underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Rio Tinto Limited, all of which are not held in the fund.

Goodman Group continued to significantly contribute to our relative performance for the month, posting a robust 16.80% increase, supported by a favourable half-yearly update and the potential inclusion into the North American REIT index (NAREIT). The shares experienced a positive re-rate driven by a stronger than expected result and increasing optimism surrounding the company's data centre strategy. Despite the current relatively full valuation compared to our initial position, the investment in data centres offers additional upside potential for future earnings. A2 Milk significantly contributed to our returns in February (+19.88%). This outperformance can be attributed to a strong 1H24 result where sales and operating margin held despite the backdrop of a shrinking China IMF market. A2 upgraded full year FY24 forecast fuelled by robust sales in mother-baby stores and cross-border e-commerce. Moreover, Kantar market share data underscores A2's increasing market presence in both offline and online channels. A2 Milk has successfully evolved from a rapid-growth startup to a well-established, professionally managed entity with a brand that resonates with Chinese consumers. The company exhibits adept inventory and pricing management, and our confidence in the returns generated from its marketing investments is growing. With a robust balance sheet boasting over \$790 million in cash, A2 is well-positioned for strategic manoeuvring in the face of the challenging macroeconomic landscape.

The overweight position in Light & Wonder (+20.05%) substantially contributed to the portfolio's outperformance as it re-rated on the back of an impressive fourth quarter result. Light & Wonder delivered a result ahead of analyst expectations, driven primarily by outperformance in the core land-based gaming division. The strong performance of one of its new release games, Dragon Train, in the home Australian market is of particular note. Dragon Train is showing strong early signs of success with leading game performance translating to market share gains. Management highlighted in the result that the game will be imminently released into the larger US market, providing a solid foundation for anticipated earnings growth in 2024. Over the past few years, Light & Wonder has undergone a transformative journey, resulting in a repositioned company with a robust balance sheet, an exceptional management team, creative talent, and a clear strategic vision.

The overweight to Whitehaven detracted from performance over the month (-17.09%). Thermal coal prices were initially lower through the start of the month, however the underperformance was largely driven by perceived risks to the balance sheet. This stems from the decision to only sell down one of the assets acquired from BHP as part of the transition from a largely thermal coal producer to a coking/metallurgical coal producer. Whitehaven is acquiring the Blackwater and Duania mines from BHP for a total consideration of US\$4.1b, and is looking to sell down a 20-30% interest in these assets to key customers as part of the deleveraging process. We remain comfortable that WHC has enough funding in place to complete the acquisition and will deleverage from cash flow and bringing in a JV partner to Blackwater in 2Q24 (completion 2H24). With the stigmatism attached to thermal coal from the global goal of reducing carbon emissions, increasing exposure to coking coal used in steel production has the potential to drive a re-rating of Whitehaven.

In February, EVT experienced a decline of 7.14%, primarily attributed to disappointing results in the cinema business. This is a business with substantial operating leverage and a lack of content late in 2023 meant a weak result relative to expectations. Despite cinema's underperformance, the hotels segment exhibited strong results and earnings growth. This division will be boosted further by the recent redevelopment of Rydges Melbourne, as this property matures toward targeted earnings levels over coming years. This site is among the largest contributors to the hotels division. The company's diversified property portfolio adds resilience to the company and supports valuations in excess of the current share price.

The overweight to Healius detracted from performance over the month (-19.86%) but has since recovered +15% since the end of February following the appointment of a new CEO. The market was not impressed with the result despite the company pre-releasing a profit downgrade as the market has lost faith in the management team. We are encouraged with the recent change in CEO and CFO. We believe the incoming CEO is more likely to sell assets to crystallise the value of its radiology assets or its clinical trial business Agilex, which is not currently being valued by the market. The Pathology segment continues to track below what the business could and is pressured by inflationary pressures on wages and rent. We are also encouraged by signs of more rationale behaviour by competitors in the consolidation of the pathology collection centre as there has been leakage of value in terms of high rents paid on the collection centre.

OUTLOOK

Considerable uncertainty looms on the horizon. Despite appearing subdued in the US, inflation is displaying renewed vigour, potentially serving as a precursor to further inflationary pressures in Australia. Consequently, inquiries about the Federal Reserve (Fed) and Reserve Bank of Australia (RBA) contemplating rate cuts are gaining prominence, introducing elements of uncertainty regarding their timing and pace. Australia finds itself more vulnerable to the unpredictable growth trajectory in China, where policymakers grapple with subdued consumer sentiment and an enduring property downturn. Additionally, geopolitical and policy risks add complexity to the landscape. In navigating these turbulent waters, our strategy remains centred on identifying high-quality businesses with reasonable valuations.

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. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that 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 any investor's capital. Total return shown for the fund(s) 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 contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

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