

# Perpetual Global Innovation Fund

### Fund overview

The Wholesale Perpetual Global Innovation Share Fund returned 6.9% for the quarter and 38.2% for the financial year. This brings the fund's total return since inception to 25.1% per annum. In this update, we'll take a closer look at some of the key contributors to this result, recent changes in the portfolio and our outlook for the year ahead.

### Contributors

BioNTech, the German developer of the Pfizer Covid-19 vaccine, was the biggest contributor to performance during the quarter. We bought a position in February and added to it in April on the thesis that MRNA technology would be the biggest beneficiary of Covid variants and that revenue from the vaccine would be funnelled into an exciting pipeline of oncology treatments, making them one of the world's best-funded biotech startups. The stock rallied almost 100% from our buy price by June, leading us to reduce the position. We loved BioNTech at \$118 but reduced the position above \$230 in favour of other positions. However, we continue to be excited about its potential to address variants and its pipeline for the treatment of other diseases.

Twist Bioscience was the second biggest contributor during the quarter and the biggest contributor over the financial year.<sup>1</sup> This was a position we actually exited in the March quarter at \$192.50, a price we felt didn't offer compelling value. We were lucky that Twist got caught up in the broader sell-off of high growth stocks earlier this year, giving us the opportunity to re-enter the position in May and June at an average price of \$97.61. Often volatility works in your favour if you're an active investor with the capability to act on the new opportunities being created by the market every day.

While Twist was the biggest contributor to fund performance over the year, it contributed just 12% of the fund's return, with 88% of the fund's return coming from other stocks. This is by design as what we're aiming to do is build a portfolio containing a large number of high-returning but hopefully uncorrelated ideas. We think this is the best way to build a portfolio that's both high-returning and resilient.

This is why you'll find an eclectic mix of stocks in the portfolio where, for example, a century-old German industrial company like Siemens can sit alongside a young Australian tech company like Nitro Software. The team's ability to quickly look across sectors and geographies to find and assess compelling new ideas has been a key driver of the fund's performance to date. With this, it is interesting to look at the returns from such a mix in the below chart.

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<sup>1</sup> Twist Bioscience is a synthetic biology company we discussed in our December 2020 Quarterly. Click [here](#) for update.

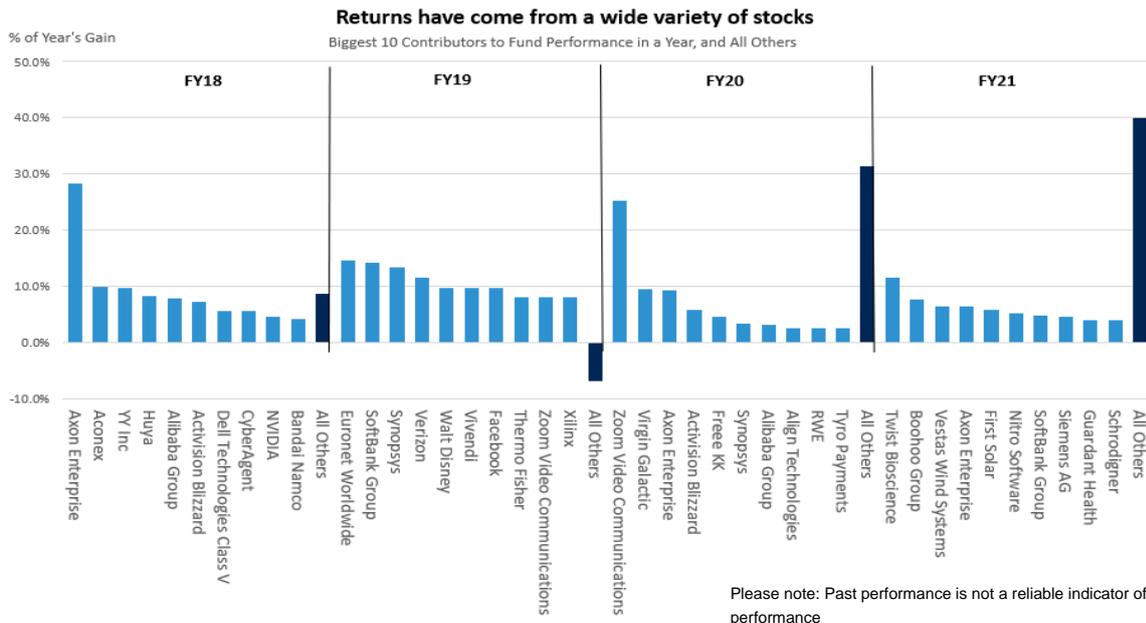


Chart: Top 10 contributors in the wholesale Perpetual Global Innovation Fund per year<sup>2</sup>. Source: FactSet, Perpetual

## Portfolio Changes

Exited positions during the quarter include NCsoft, AfreecaTV, Activision Blizzard, Discovery Limited, Guardant Health, MongoDB, Microsoft and Okta. New positions bought during the quarter include Opendoor, 10x Genomics, Infineon, Netflix, and Duck Creek Technologies.

### OpenDoor (NASDAQ: OPEN)

We bought a new position in Opendoor Technologies (OPEN) during the quarter. We have been following the iBuying sector for some time and bought in on recent share price weakness. OPEN is an online real estate company in the USA that aims to streamline the process of buying and selling residential homes into a seamless digital experience. The customer completes all the details relating to their home online and OPEN will make an offer instantly. Once accepted the funds are transferred within a couple of days and this gives convenience, certainty and quick settlement to the consumer. OPEN makes its money by charging the seller a service fee, currently 5% across markets, which replaces the average 6% fee they'd pay to list a home. Homes are typically held for 90-110 days before being resold and are largely funded by a non-recourse credit facility.

To us, OPEN seems like a real disruptor in a sector that has traditionally seen minimal digital disruption. They are currently operating in 21 markets with plans to grow to 100 markets. To date they have been able to show really strong market share gains in their most mature markets with 3.2% share in their first six markets, and within this 4-6% share in core markets of Raleigh-Durham and Atlanta. They are beginning to expand into horizontal verticals such as Title & Escrow and are seeing strong attachment rates of >80%.

<sup>2</sup> Above chart presents the percentage of the Fund's performance contributed by the top 10 value adding stocks for each financial year. Past performance is not a reliable indicator of future performance

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Nearly 70% of Americans are homeowners with U\$1.6tr/year transacted, which is 2x auto spend and 60% higher than spend on food. If OPEN is able to grow into their new markets and replicate the successes they have seen in some of their first markets, then we believe there is meaningful upside to the stock.

### **Duck Creek Technologies (NASDAQ: DCT)**

We also re-entered Duck Creek Technologies during the quarter. Duck Creek is a provider of software to the property and casualty insurance market, which while a major spender on technology, is a market that has been slow to adopt the flexibility offered by the cloud. There are many reasons for this, but it is now beginning to change and has become a high priority for insurance CTOs. Duck Creek was early to recognise that this shift would eventually happen and invested accordingly. They are now gaining market share and we believe they have another decade at least of strong growth in front of them.

### **Outlook**

The fund remains fully invested and consists of a diverse collection of global stocks that we believe will drive strong returns for the fund over the next 3-5 years. The sell-off in high growth stocks we saw earlier this year was an opportunity to buy into new positions at attractive prices, and we think doing so will prove to be the right decision down the track.

We're also finding there's no shortage of new ideas that we look forward to sharing in future updates.

**Kind regards,**



**Thomas Rice**

Portfolio Manager  
Perpetual Global Innovation Share Fund

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The product disclosure statement (PDS) for the Perpetual Wholesale Funds, issued by PIML, should be considered before deciding whether to acquire or hold units in Perpetual Global Innovation Share Fund. The PDS 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 Global Innovation Share Fund have been calculated using exit prices after taking into account all of PIML's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

For more information

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