

Wholesale Funds

PERPETUAL GLOBAL INNOVATION SHARE FUND – CLASS A

June 2021

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares that are benefiting from changes in technology and innovation. To outperform the stated benchmark (before fees and taxes) over rolling 3 year periods.

FUND BENEFITS

Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental valuation of stocks. The Manager believes that changes in technology and innovation can have a significant impact on future earnings and valuation of companies, and that by focusing on understanding new changes in technology and innovation this can lead to early identification of undervalued stocks.

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 AC World Net Total Return Index (AUD)

Inception Date: June 2017

Size of Portfolio: \$123.93 million as at 30 Jun 2021

APIR: PER1547AU

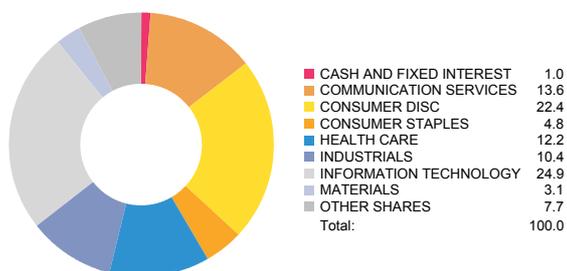
Management Fee: 0.99%*

Performance Fee: 20% of outperformance*

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Seven years or longer

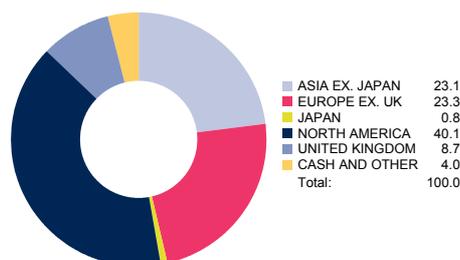
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Siemens AG	5.7%
JOYY, Inc. Sponsored ADR Class A	5.2%
boohoo group Plc	5.0%
Unity Software, Inc.	4.8%
Alibaba Group Holding Ltd.	4.6%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 June 2021

	Fund	Benchmark	Excess
1 month	7.44	4.46	+2.98
3 months	6.94	8.95	-2.01
FYTD	38.22	27.72	+10.50
1 year	38.22	27.72	+10.50
2 year p.a.	37.65	15.29	+22.36
3 year p.a.	27.69	13.96	+13.73
4 year p.a.	27.33	14.21	+13.13
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	25.06	12.82	+12.25

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

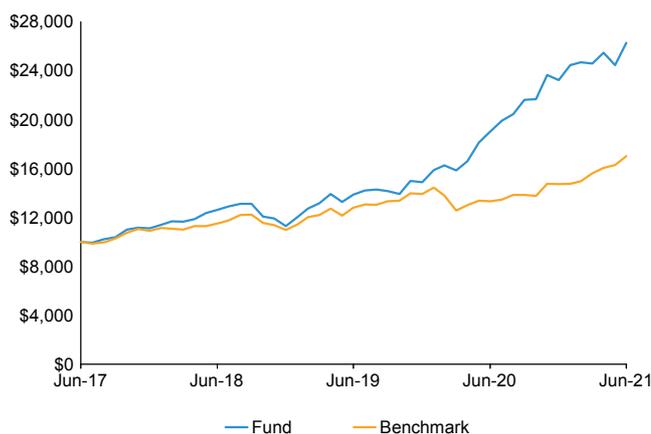
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	41.7	18.8
Dividend Yield*	1.7%	2.4%
Price / Book	4.4	2.7
Debt / Equity	23.0%	50.8%
Return on Equity*	14.6%	15.1%

[^] 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



*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

Global markets ended the June quarter higher, with the MSCI All Country World Net Total Return Index gaining 9.0% (in Australian dollar terms). Most markets maintained their positive momentum over the quarter despite concerns over rising inflation and stretched valuation multiples. Ongoing vaccine rollout programs quelled investor concerns as more than 3 billion inoculations were administered globally, with 23.2% of the world's population receiving at least one dosage. This comes as overall global cases passed 181 million, with the US still leading the count at 34.5 million, followed by India (30.4 million), then Brazil (18.5 million).

The market was buoyed by strengthening US equities, which gained traction following solid March-quarter corporate earnings, improving economic data, and another multi-trillion-dollar fiscal package outlined by President Biden in an address to Congress. Reopening optimism and hawkish commentary from the Federal Reserve further assisted market sentiment, allowing the S&P500 to finish the quarter 8.5% higher.

Despite concerns surrounding rising infection rates across Europe, fuelling a sell-off mid-way through the quarter, the DJ Euro Stoxx 50 price index managed a 3.7% gain. The German Dax index hit a record high after advancing 3.5%, while the UK FTSE 100 index jumped 5.7%, boosted by improved sentiment attributed to the rapid rollout of its vaccine program. The Japanese Nikkei 225 index ending 1.3% lower spurred by resurging infection rates, while the MSCI China price index finished 1.3% higher as the government took steps to cool its economy on the back of inflation fears.

The best performing sectors for the quarter, as measured by the MSCI All Country World Net Total Return Index, were Information Technology (+12.1%), Health Care (+11.0%), and Energy (+10.9%). Conversely, the worst performers were Utilities (+1.0%), Industrials (+6.2%), and Consumer Staples (+7.2%). As a whole, value stocks (+3.9%) underperformed growth stocks (+10.5%) as measured from the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include multinational conglomerate Siemens AG, Chinese social communications platform provider JOYY, Inc. Sponsored ADR Class A, and online clothes and accessories retailer Boohoo Group PLC. Conversely, the Fund's largest underweight positions include Apple, Microsoft, and Alphabet, all of which are not held by the Fund.

The overweight position in biopharmaceutical developer BioNTech SE Sponsored ADR (+75.2%) contributed to relative performance. The stock rallied over the month after announcing that it will be supplying the European Union with an additional 100 million doses of its Pfizer vaccine. The European Commission exercised its option to buy the doses under an existing agreement signed in February, bringing the total number of doses supplied to the EU to 600 million. This came after AstraZeneca failed to deliver its contracted 120 million doses in the March quarter, with only 30 million doses delivered due to concerns surrounding potential blood-clotting side effects.

The overweight position in synthetic biology and genomics company Twist Bioscience Corp. (+41.4%) contributed to relative performance. The company reported March-quarter earnings of \$0.78 per share (vs consensus of \$0.76) and delivered growth across all four areas of its business with total orders received of \$41.7m for the quarter (compared to \$24.6m over the past comparative period) and total revenues of \$31.2m (compared to \$19.3m from the prior year). Management also noted that it has signed new biopharma partnerships with multiple associated programs and expects continued growth of its Next-Generation Sequencing and Synbio customer base as it builds out its 'Factory of the Future.'

The overweight position in Chinese social communications platform provider JOYY Inc, Sponsored ADR Class A (-27.8%) detracted from relative performance. The stock fell following its March-quarter financial results release, which failed to meet investor expectations. Despite total revenue surging 88% to \$643.1m (vs consensus of \$600.7m), the company generated an operating income loss of \$33.2m. JOYY's quarterly EPS also failed to meet expectations, coming in at -\$1.13 (vs consensus of -\$0.17). While this result was disappointing, the Fund continues to hold the stock as we still view the company as being attractively valued on a sum-of-parts basis.

The overweight position in online clothes and accessories retailer Boohoo Group PLC (-7.9%) detracted from relative performance. The stock sold-off despite posting a solid March-quarter group revenue, driven by growth from its UK and US markets (surging 50% and 43%, respectively). However, revenue fell by 14% across its Europe business, and by 15% across its remaining markets. Management left its full-year guidance unchanged and expressed confidence in its medium-term prospects, nevertheless, noted that the June quarter will remain a challenge. Despite this setback, we still see the stock as being attractively valued at its current price.

OUTLOOK

As signs of a sustained recovery in the global economy emerge, with corporate earnings and business conditions continuing to strengthen, our outlook for global equity markets remain optimistic over the near term. Although we remain wary that future COVID outbreaks may trigger lockdowns, investor sentiment is anticipated to remain relatively resilient as national vaccine programs continue to be rolled out. While optimism over the eventual reopening of international borders and ongoing stimulus measures by federal governments and central banks continue to support economic recovery, rising inflationary pressures may stoke market volatility over the coming year. We believe that certain segments of the market will thrive under such conditions, however, other segments will struggle if such conditions persist. For this reason, we continue to focus on high-quality companies with proven management and strong balance sheets that will remain resilient throughout prolonged periods of uncertainty.

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