

Perpetual Pure Series Funds

PERPETUAL PURE EQUITY ALPHA FUND - CLASS A

March 2024

FUND FACTS

Investment objective: Aims to generate positive returns over a market cycle irrespective of market conditions by investing in both long and short positions of predominantly Australian shares.

FUND BENEFITS

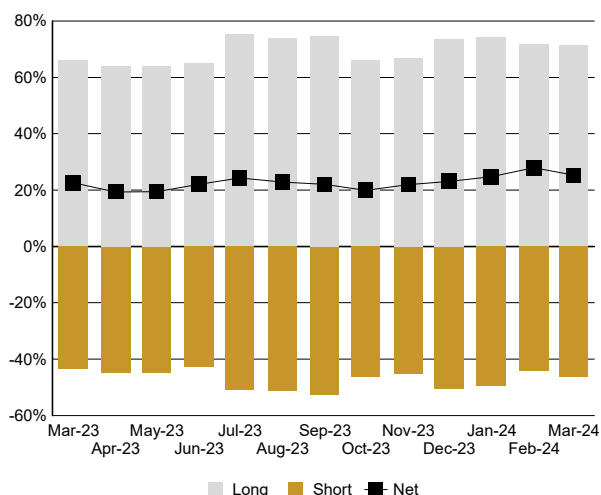
The Fund aims to achieve performance objectives by adopting a bottom-up stock selection process for both long and short positions, combined with a top down approach to managing market exposure. Decisions to buy or sell are based mainly on fundamental stock analysis, complemented by the identification of special opportunities.

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.

Inception Date:	March 2012
Size of fund:	\$247.94 million as at 31 Dec 2023
APIR:	PERo668AU
Fund Managers:	Anthony Aboud
Management Fee:	1.28%*
Performance Fee:	20.5% of outperformance*
Performance Hurdle:	RBA Cash Rate Index
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

HISTORICAL MARKET EXPOSURE



TOP 5 STOCK HOLDINGS (LONG)

	% of Portfolio
Flutter Entertainment Plc	5.6%
Servcorp Limited	3.9%
Goodman Group	3.4%
Cobram Estate Olives Ltd.	3.3%
Suncorp Group Limited	3.2%

* 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.

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

NET PERFORMANCE- periods ending 31 March 2024

	Fund	RBA Cash Rate Index*
1 month	1.08	0.37
3 months	7.43	1.09
FYTD	4.10	3.24
1 year	5.26	4.23
2 year p.a.	5.59	3.16
3 year p.a.	6.30	2.13
4 year p.a.	8.85	1.64
5 year p.a.	7.03	1.50
7 year p.a.	6.48	1.51
10 year p.a.	6.55	1.67
Since incep.	7.11	1.90

RBA Cash Rate Index is the Performance Hurdle.

PORTFOLIO SECTORS

	Long	Short	Net
Communication Services	3.1	-2.7	0.4
Consumer Discretionary	17.8	-7.5	10.4
Consumer Staples	9.1	-3.6	5.5
Energy	0.7	-0.2	0.5
Financials ex Property Trusts	5.8	-12.3	-6.5
Health Care	4.5	-2.5	2.0
Industrials	7.7	-9.1	-1.4
Information Technology	0.0	-0.8	-0.8
Materials	8.4	-4.0	4.5
Other Shares	0.0	0.0	0.0
Property Trusts	0.0	0.0	0.0
Real Estate	11.4	-3.3	8.1
Utilities	2.6	0.0	2.6
Total	71.2	-45.9	25.3

PORTFOLIO FUNDAMENTALS^

	Portfolio
Price / Earnings*	18.2
Dividend Yield*	3.2%
Price / Book	2.1
Debt / Equity	28.1%
Return on Equity*	12.1%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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.

MARKET COMMENTARY

In the March quarter, the S&P/ASX300 saw a substantial 5.4% increase, with Tech (23.6%), Real Estate (14.9%), Consumer Discretionary (13.4%), and Financials (12.1%) leading the pack in terms of sector returns. Conversely, Materials (-6.3%), Telecoms (1.1%), and Consumer Staples (2.1%) struggled to keep pace, marking them as the underperformers. The sector movements during this period reflected various factors at play. Optimism surrounding lower interest rates, spurred by the Federal Reserve, propelled tech stocks and real estate to notable gains, while consumer sectors remained resilient. Concerns regarding China's growth trajectory led to a drop in iron ore prices, impacting the Materials sector negatively.

PORTFOLIO COMMENTARY

The portfolio's largest positions include Flutter Entertainment Plc, Servcorp Limited and Cobram Estate Olives Ltd. Conversely, the portfolio's largest short positions vary across sectors but include selected Financials and Infrastructure names.

A2 Milk significantly contributed to our returns in the first quarter of 2024 (+46.71%). 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 to HMC Capital contributed to performance over the quarter as the stock rallied (+17.74%) after the company outlined ambitious plans to transition into a global diversified alternative asset manager across including ambitiously growing its FUM from c.a. \$8bn today to \$20bn in 2027 across healthcare, last mile logistics, digital infrastructure and energy transition. HMC has grown from a highly geared property fund into a complex investment vehicle with global ambitions across multiple asset classes. Execution remains key as the business continues to evolve.

Stanmore Resources detracted from relative performance over the quarter as the stock declined -16.54%, following a period of notable strength. The headline coking coal price has fallen >US\$100/t as steel production rates in China have remained seasonally low due to subdued construction demand post Lunar New Year, although quality discounts for some of the lower quality coking coals produced by Stanmore have begun to tighten from historically wide levels. Stanmore also purchased an interest in the Eagle Downs project that has a chequered history of development. The upfront cost is only US\$15m and there are significant synergies around capex to be unlocked from Stanmore mines that are close by (Poitrel) so we think this adds another organic growth option to the portfolio. Looking ahead, coking coal is anticipated to face a structural deficit given insufficient supply to meet the escalating steel demand in India and other Southeast Asian countries. In light of these developments, we maintain our perspective on the significant value inherent in Stanmore Resources' assets.

The overweight position in copper and zinc miner 29Metals (-41.54%) detracted from relative performance. The company's Capricorn Copper operation has been suspended again after the recovery from the extreme wet weather event in 2023 that flooded the underground mine was set back by further heavy rainfall in MQ24. The company will now focus on a more structured restart with permanent water treatment facilities and a full restart of operations to drive lower unit costs. Focus now shifts to the balance sheet and the further receipt of insurance proceeds to fund the restart of Capricorn Copper. With higher copper and zinc prices the Golden Grove operation in WA is now generating cash, which will increase on higher production, lower costs in 2025. Corporate costs are also being reduced and a new CEO is commencing at the end of April.

OUTLOOK

With services inflation in the US showing a robust rise of around 5% annually, coupled with indications of persistent and domestically driven inflation in Australia, concerns about a "higher for longer" stance on interest rates have regained prominence. Despite this, the US Federal Reserve is steadfast in its commitment to reducing rates throughout 2024, prioritizing economic growth over inflation worries. This situation poses a challenge for the Reserve Bank of Australia (RBA), given that the Australian economy trails behind the US by several months, and the RBA remains unconvinced that inflation has been effectively managed. While Australian equities are still relatively cheaper compared to their US counterparts, there remains a risk of downward adjustments to earnings, particularly if pressures on margins and interest rates persist without alleviation.

The performance fee is equal to 20.50% of daily outperformance over the hurdle rate of return. The current hurdle rate is the Reserve Bank of Australia cash rate. Performance fees are accrued daily and payable six monthly, however will only be paid in the event that the Fund's return over the performance fee calculation period is positive and the performance fee accrual is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

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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.

MORE INFORMATION

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