Perpetual Pure Series Funds

PERPETUAL PURE EQUITY ALPHA FUND - CLASS A

May 2025

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

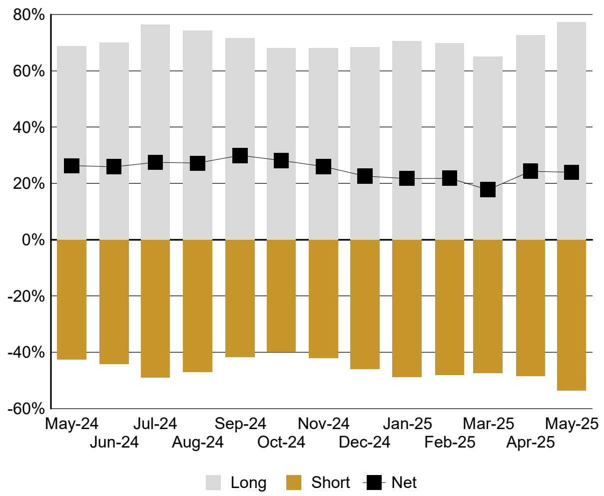
The Fund aims to achieve performance objectives by adopting a bottom-up stock selection process for both long and short positions, combined with a top down approach to managing market exposure. Decisions to buy or sell are based mainly on fundamental stock analysis, complemented by the identification 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: $278.25 million as at 31 Mar 2025
APIR: PER0668AU
Fund Managers: Anthony Aboud & Sean Roger
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	6.8%
Servcorp Limited	5.2%
Cobram Estate Olives Ltd.	3.2%
Tabcorp Holdings Limited	3.0%
Goodman Group	2.8%

* 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 May 2025

	Fund	RBA Cash Rate Index*
1 month	1.71	0.34
3 months	0.99	1.03
1 year	5.10	4.36
2 year p.a	5.63	4.35
3 year p.a.	5.00	3.80
4 year p.a.	6.21	2.86
5 year p.a.	7.11	2.32
7 year p.a.	6.07	1.98
10 year p.a.	6.02	1.89
Since incep. p.a.	6.95	2.12

RBA Cash Rate Index is the Performance Hurdle.

PORTFOLIO SECTORS

	Long	Short	Net
Communication Services	4.8	-4.2	0.6
Consumer Discretionary	18.3	-8.5	9.8
Consumer Staples	8.0	-3.5	4.5
Energy	3.5	-2.3	1.3
Financials ex Property Trusts	7.6	-16.7	-9.1
Health Care	5.3	-1.3	3.9
Industrials	11.6	-6.9	4.8
Information Technology	0.0	-1.6	-1.6
Materials	4.6	-2.5	2.2
Other Shares	0.0	0.0	0.0
Property Trusts	0.0	0.0	0.0
Real Estate	9.9	-3.6	6.3
Utilities	1.6	-0.2	1.5
Total	**75.2**	**-51.3**	**23.9**

PORTFOLIO FUNDAMENTALS^

	Portfolio
Price / Earnings*	19.5
Dividend Yield*	2.6%
Price / Book	2.4
Debt / Equity	43.4%
Return on Equity*	11.1%

^ 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

The S&P/ASX 300 Accumulation Index rose 4.2% in May, marking a strong rebound after April's tariff-driven sell-off. Global markets found relief as President Trump paused his sweeping tariff agenda, fuelling hopes the so-called "Trump put" - the tendency to reverse course after market weakness - remains intact. The rally was further supported by stronger-than-expected US earnings, with over 70% of S&P 500 companies beating estimates, helping risk sentiment recover. Locally, Information Technology (+18.8%) surged on AI optimism, while Energy (+8.7%) rebounded alongside firmer oil prices. Defensive sectors lagged as risk appetite returned, with Health Care (+1.4%), Consumer Staples (+1.2%) and Utilities (+0.3%) underperforming. Despite the rally, Australian forward earnings expectations softened, and gains were driven by valuation expansion, with the market's P/E multiple returning to recent highs at 18.6x. While valuations have risen and local earnings forecasts remain more measured than global peers, selective opportunities remain for investors focused on quality, resilient business models and disciplined capital allocation.

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, Consumer Staples and Infrastructure names.

Webjet Group contributed strongly to portfolio performance over the month of May as the stock rallied 39% on the back of potential takeover news. Both BGH and Helloworld notified the ASX that they own more than 10% of WJL. The Webjet brand is one of the most recognised brands in the Australian corporate landscape and the company's balance sheet is extremely well capitalised with over $100 million cash and no debt. The OTA division is currently in the midst of a cyclical downturn which is further exacerbated by cost of living pressures however we see material upside to earnings should the cycle turn with some green chutes from international volumes already starting to increase.

The portfolio's overweight to EVT Limited contributed to relative performance over may (+15.0%) as the stock continued to appreciate despite the lack of announced news. We took a position in EVT when the share price reflected only the value of its property portfolio and attributed little to its operating businesses. A recovery in cinema earnings is underway, supported by an improving box office pipeline and growing spend per visitor. Operating leverage in cinemas remains underappreciated, particularly given the fixed-cost nature of the model. Meanwhile, the company's hotel and property assets offer embedded value, with planned divestments and strategic reviews acting as near-term catalysts. As earnings momentum builds and asset-level transparency improves, we remain convicted in EVT and believe the market will narrow the valuation gap implied by its current trading levels.

Select Harvests detracted from relative performance over May (-8.8%) after delivering First Half FY25 results, despite presenting a stabilising investment case underpinned by improved balance sheet dynamics, firm pricing, and disciplined crop management. Approximately 60% of the almond crop is committed for sale, with the remainder expected to support further debt reduction by year-end. Debt refinancing has mitigated short-term funding risks, and working capital cycles remain seasonally predictable. While first-half earnings were elevated due to accounting recognition of most crop value, second-half contributions from value-added processing and third-party sales are expected to balance the full-year earnings. Management appears aligned with market expectations, and while interim result complexity caused some confusion, fundamentals remain sound. Pricing trends are favourable, and medium-term supply growth is constrained, particularly in California. Upside exists through stronger pricing and tariff adjustments, but current valuations appear more reflective of underlying assets and operations.

The overweight position in Iluka Resources detracted from performance over May (-11.6%) despite an investor briefing early in the month. The briefing highlighted significant value, with the company's market capitalisation close to the value of its inventory and stake in Deterra Royalties. Further upside depends on investor confidence in the Eneabba refinery, but major uncertainty around cost overruns, slow ramp-up, and no secured offtake dampens sentiment. If management executes well, the current share price presents significant upside. Iluka is a major producer of rutile and synthetic rutile used in pigments, and the largest zircon producer used in ceramics. A market recovery could be met by releasing excess inventory and reducing working capital before restarting production. Iluka has a strong balance sheet (net cash) and owns a valuable stake in Deterra Royalties, providing a buffer during demand distortions typical in these markets.

OUTLOOK

Markets are at a crossroads. Despite growing concern over U.S. debt and deficit - highlighted by talk of another "big, beautiful bill" to increase liabilities - equity markets remain resilient. Bond vigilantes are re-emerging, and inflation fears persist. Yet markets have quickly rebounded into growth and tech trades, reversing the sharp sell-off earlier this year. Some optimism is supported by strong fundamentals, including Nvidia's robust revenue growth. However, a deeper shift appears underway. The global economy is entering a period of rebalancing, and markets typically follow. U.S. equities remain near peak valuations, with elevated profit margins and a peaking U.S. dollar - conditions that are rarely sustained. Historically, similar peaks in 1985 and 2000 marked turning points, with global capital flowing toward regions offering more attractive valuations, often in emerging markets. At the same time, the policy backdrop is shifting. The Trump administration is focused on opening global market access and challenging currency and regulatory tools used to suppress trade. The U.S. and U.K. are moving toward banking deregulation to stimulate credit growth. Germany is reflating through structural reforms and a €500 billion defence and infrastructure fund. India is overtaking Japan to become one of the world's top three economies. Together, these forces suggest an inflection point for the global economy and market leadership. Investors should be prepared for a market environment that looks very different from the last, both for Australia and globally.

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.

MORE INFORMATION

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