Perpetual Private

IMPLEMENTED INTERNATIONAL SHARE PORTFOLIO

Fund Profile – 31 March 2024

FUND FACTS

APIR code	PER0711AU
Inception Date	9 December 2013
Asset class	Global Equities
Investment style	Multi Manager Blend
Benchmark	MSCI AC World Index - Net Return (Unhedged in AUD)
Suggested length of investment	5 years or more
Unit pricing frequency	Daily
Distribution frequency	Quarterly
Legal type	Unit Trust
Product type	Wholesale Managed Investment Scheme
Status	Open
Management Fee* (%)	0.93%
Buy/Sell spread	0.22% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

INVESTMENT OBJECTIVE

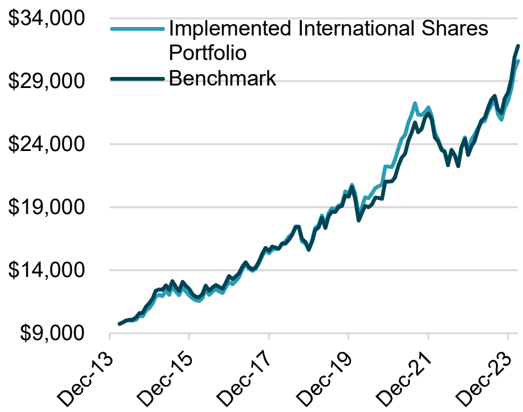
To provide investors with long-term capital growth through investment in a diversified portfolio of international shares. To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising capital growth, with broad market exposure.

GROWTH OF $10,000 SINCE INCEPTION (NET OF FEES)

As at March 2024



Source: State Street

NET PERFORMANCE

As at March 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	2.4%	11.5%	21.0%	9.0%	11.7%	11.9%
Growth return	2.2%	11.3%	19.1%	3.6%	5.7%	7.3%
Distribution return	0.2%	0.2%	1.9%	5.4%	6.0%	4.6%
Benchmark	2.9%	13.2%	26.5%	12.6%	12.8%	12.3%
Excess Return	-0.5%	-1.7%	-5.5%	-3.6%	-1.1%	-0.4%

Source: State Street. Past performance is not indicative of future performance. *Since Inception

TOP 10 STOCK HOLDINGS

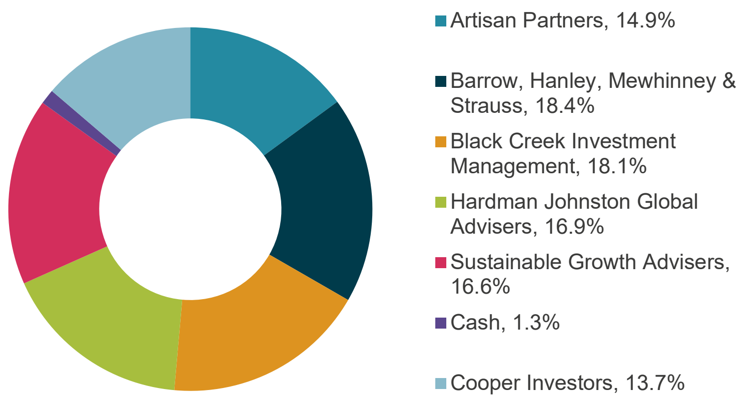
As at March 2024

STOCK	WEIGHT	COUNTRY
Microsoft Corporation	2.8%	United States
Alphabet Inc.	2.3%	United States
Amazon.com	2.1%	United States
Novo Nordisk	2.1%	Denmark
Boston Scientific Corporation	1.5%	United States
Visa Inc.	1.4%	United States
Atlassian Corp	1.3%	United States
Vertiv Holdings Co.	1.2%	United States
MercadoLibre	1.2%	United States
London Stock Exchange Group PLC	1.1%	United Kingdom
Total Top 10 Holdings %	**16.9%**	

Source: State Street, Factset

PORTFOLIO EXPOSURE BY MANAGER

As at March 2024



Source: State Street

*Effective 11th October 2023, Cooper Investors were appointed.

INVESTMENT APPROACH

A multi-manager framework is utilised, where specialist investment managers are selected to form a diverse and complementary mix of investment strategies and styles. This can help reduce volatility by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the portfolio.

INVESTMENT STRATEGY

The portfolio is biased towards managers who are fundamental bottom-up stock pickers, have a repeatable investment process, operate within an appropriate risk management framework and operate in an aligned and stable organisational structure. We believe these factors best deliver a stable outcome of returns within a multi-manager framework.

The Implemented International Share Portfolio combines broad market managers that operate across all industry sectors and geographic regions, including both developed and emerging markets. These managers are typically grouped across two main categories. The first is those that represent a core exposure, with well diversified portfolios that hold more than 50 companies. These managers tend to exhibit balanced style and sector biases with their portfolios biased towards the larger market capitalisation segment of the global share market. These managers form the largest allocation within the fund. The second category is those managers that offer high conviction concentrated portfolios holding anywhere between 20-50 companies. These managers have more distinct style and sector biases. Their portfolios are typically biased towards the small-to-medium market capitalisation segment of the global share market and as such are complementary to the core manager exposures. The portfolio blends the above-mentioned group of managers, targeting managers who have a long term and consistent track record, are expected to continue to deliver on this track record, and whose investment styles complement each other well. Consistency of return profiles are paramount such that we can comfortably blend managers who we believe will continue to complement each other well. The end result is the creation of a portfolio that aims to have an overall volatility below that of the broader benchmark.

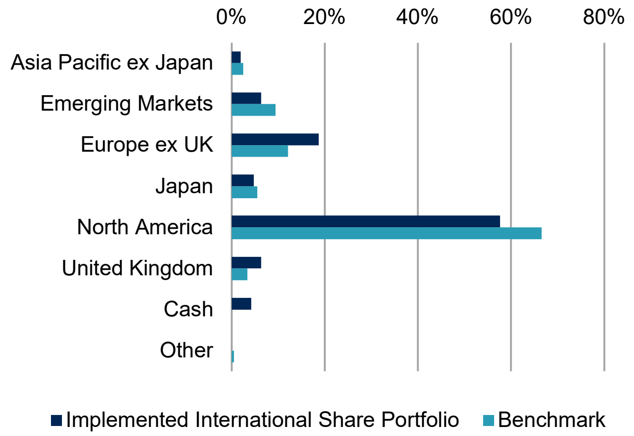
MANAGER LINE-UP AND APPROACH

As at March 2024

MANAGER	APPROACH
Artisan Partners	Concentrated portfolio, mid to large cap growth
Barrow, Hanley, Mewhinney & Strauss	Diversified portfolio, mid-large cap value
Black Creek	Concentrated portfolio, mid cap contrarian
Hardman Johnston Global Advisers	Concentrated portfolio, mid to large cap growth
Cooper Investors	Concentrated portfolio, mid to large cap quality
Sustainable Growth Advisers	Concentrated portfolio, mid to large cap growth

REGION EXPOSURES

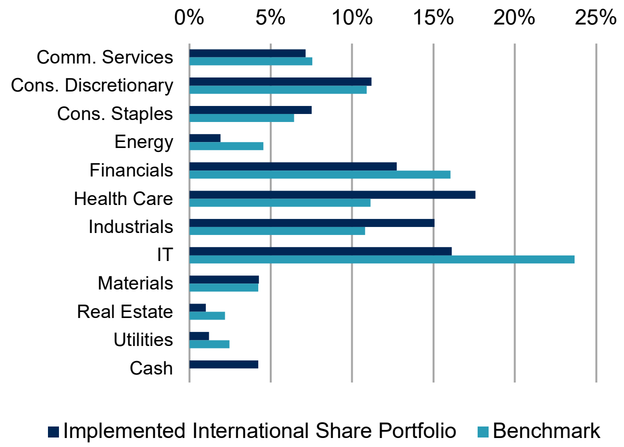
As at March 2024



Source: State Street, Factset

SECTOR EXPOSURES

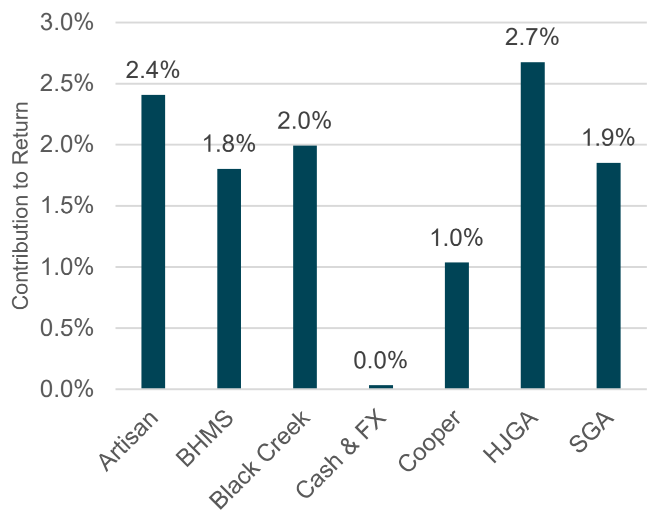
As at March 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to March 2024



Source: State Street

MARKET COMMENTARY

International shares, like their domestic counterparts, enjoyed a strong first quarter to the year. As has been the case over multiple periods, International equities outperformed locally listed companies by a meaningful margin (13.2% vs 5.4% in Australian dollar (AUD) terms). The currency impact over the 3 months was meaningful, with our most important exchange rate (AUD vs U.S. dollar) declining by 4.4% over the quarter.

Particularly encouraging over the period was the regional broadening of contributors to International equities performance. Of the major markets we follow, only the UK (FTSE 100 index) and Hong Kong (Hang Seng index) failed to generate double-digit returns over the quarter; still delivering 7.8% and 1.7% respectively. Factoring out currency effects, these results are less impressive but still consistent with the theme of broadening support for global share markets.

Sector performance was broad-based, with all 11 MSCI AC World sectors recording positive returns. Unlike 2023, Information Technology (+17.2%) wasn't the sole leader. Other top performers included Communication Services (16.5%), Financials (14.3%), Energy (+14.4%), and Industrials (+14.1%). This mix reflects AI enthusiasm, strong financial guidance, and solid economic data. The diversified gains demonstrated that the Q1 rally was driven by a more varied set of influences beyond just AI enthusiasm. Turning to the laggards, Real Estate (+3.6%) continues to be weighed down by concerns about the health of the commercial real estate market. Defensive sectors like Consumer Staples (+7.4%) and Utilities (+6.1%) faced headwinds from stronger-than-expected economic growth and higher rates also reduced investors' appetites for these higher dividend-yielding sectors, resulting in sluggish returns year-to-date after being some of the best relative outperformers in 2022.

Of similar interest is the observation that the growing buoyancy of equity investor behaviour, is increasingly being enjoyed by smaller companies. Although they are currently lagging their larger peers (8.7% vs 13.2% in AUD terms over the quarter), smaller companies appear to be building some momentum, having been out of favour for a period.

PORTFOLIO COMMENTARY

The Perpetual Implemented International Share Portfolio underperformed its benchmark in the first quarter on a net of fees basis.

Artisan Partners outperformed the benchmark in Q1 2024, with stock selection driving most of the outperformance, while sector and currency allocations made modest contributions. At the sector level, the main detractor was an overweight position in Health Care, while underweight positions in Consumer Staples contributed. At the stock level, the main contributors to performance were Advanced Micro Devices, Novo Nordisk and Lonza Group. The main detractors for the quarter were Atlassian, Vestas Wind Systems, and ON Semiconductor. Cash also detracted during the quarter.

Barrow Hanley underperformed the benchmark in Q1 2024, with security and sector allocation detracting from detracting from relative performance. The main detractors at the sector level were underweight exposures to Information Technology and Communication Services while overweight positions in Materials also detracted. At the stock level, the main contributors were Rheinmetall AG, Vertiv Holdings and CRH Limited. The main detractors were Human Inc ,Air Products and Chemicals, and Banco Bradesco SA.

Black Creek underperformed the benchmark in Q1 2024, with stock selection and currency detracting from relative performance, while sector allocation was broadly neutral. At the sector level the main detractor to performance was the underweight position in Information Technology and Financials, while an overweight to Consumer Staples and Materials also detracted. At the stock level, the main contributors to performance were Ebara Corporation, Nice Limited and Bureau Veritas. The main detractors from performance were Kuehne & Nagel International, Misumu Group, and Murata Manufacturing.

Cooper Investors underperformed the benchmark in Q1 2024, with stock selection, sector allocation and currency all detracting from relative performance. At the sector level, the main detractors were underweight positions in Information Technology, and an overweight position in Consumer Staples and Consumer Discretionary. At the stock level, the main detractors were HDFC Bank Limited, Pernod Ricard, and Sony Group Limited, while the main contributors were Microsoft, Arthur J Gallagher & Co and Alphabet.

Hardman Johnston outperformed the benchmark in Q1 2024, with stock selection, currency and sector allocation contributing to relative performance. Sector-wise, the main contributor was an overweight to Industrials, while underweight positions in Materials, and Energy contributed. The main detractors at the sector level were overweight positions in Health Care and Communication Services. At the stock-level, the largest contributors to performance were NVIDIA Corporation, Vertiv Holdings and ASML Holdings. The largest detractors were Grifols, Wolfspeed, Atlassian.

SGA underperformed the benchmark in Q1 2024, with currency and sector allocation contributing to relative performance, while stock selection detracted. At the sector level, overweight exposure to Information Technology contributed, while an underweight to Utilities and Materials also contributed. At the stock level the main contributors NVIDIA, Amazon and Novo Nordisk. The main detractors for the quarter were HDFC Bank, AIA Group and Atlassian.

OUTLOOK

With the hype around the 'Magnificent 7' and Artificial Intelligence, combined with the sanguine economic environment it would have been brave to expect anything other than a positive outcome for the first quarter of 2024. With AI having application across multiple sectors and disciplines, we had been spending time thinking about how AI could manifest within corporates, and what this would mean for both near term capital expenditure (capex) / operational expenditure (opex) as well as future cost savings / efficiencies. In speaking with our managers, it became clear that the capex / opex required to implement AI solutions on a large scale would be very capital intensive and not likely to bear much fruit for a couple of financial years. As such, in the early stages of AI adoption, we expect larger companies to be better positioned to finance this capex / opex, while smaller companies may hold off in the near term, seeking greater certainty around the efficiency and productivity benefits that AI promises. It will be interesting to see how this theme plays out in coming periods.

Stepping away from AI, and focusing on the health of corporates more broadly, with interest rates stabilising we had been focused on developing a clearer picture of the health of corporates as we moved into 2024. Margins remain elevated in the post COVID-19 world, as many firms have discovered customers are 'stickier' than they had expected. While margins remain robust, there are other factors which could impact corporate financial performance such as refinancing costs - as older debt is refinanced at materially higher interest rates - or variability in input costs. As such there is room for some margin contraction and/or profit downgrades. However, pleasingly, we have seen some positive earnings revisions mainly within Communications, Technology, and Consumer Discretionary sectors. Those sectors which have seen materially negative earnings revisions have been in the more cyclical sectors of Materials and Energy. At this stage, the macro-economic environment is supportive of further growth, and so we're optimistic that this momentum can be maintained through the remainder of the year.

Finally, many would be aware that the equity market is 'narrow' presently, with a large proportion of performance being driven by a small group of stocks ('Magnificent 7'), who are also trading on reasonably lofty valuation multiples. The Top 10 and Top 20 names within the benchmark currently represent a similar weight to the same groups in the lead up to TMT Bubble of the late 1990's. This time around we see one notable difference, being the profitability of mega caps being materially higher, and therefore (at least to some extent) able to justify higher valuations. That said, not all of the largest companies are created equally, and we had hoped we'd either see a broadening of the rally which started in early Q4 2023, or a change in market leadership. Pleasingly, both have begun to play out, with Tesla and Apple delivering negative returns (in local currency) YTD, with the former, along with several other companies (e.g. JP Morgan) falling out of the MSCI AC World Index top 10 names. This shift in market dynamic has the potential to continue for some time, and so we watch with interest.

PERPETUAL PRIVATE

Phone 1800 631 381
Email perpetualprivate@perpetual.com.au