Perpetual Private

IMPLEMENTED AUSTRALIAN SHARE PORTFOLIO

Fund Profile – 31 March 2024

FUND FACTS

APIR code	PER0708AU
Inception Date	9 December 2013
Asset class	Domestic Equities
Investment style	Multi Manager Blend
Benchmark	S&P/ASX 300 Accumulation Index
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* (%)	0.90%
Buy/Sell spread	0.26% / 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

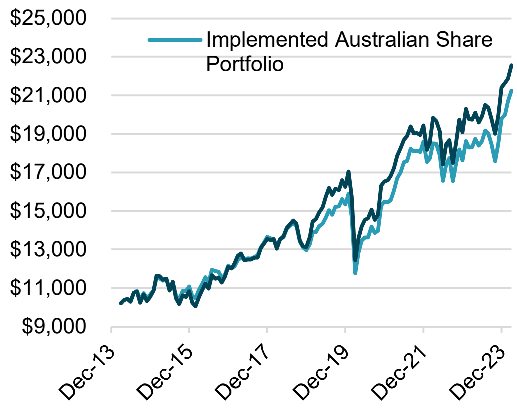
To provide investors with long term capital growth and income through investment in a diversified portfolio of Australian shares. To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising capital growth and income, 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	2.8%	7.4%	16.1%	9.8%	8.9%	8.0%
Growth return	2.4%	7.0%	9.2%	-1.0%	0.5%	1.9%
Distribution return	0.4%	0.4%	6.9%	10.8%	8.4%	6.1%
Benchmark	3.3%	5.4%	14.4%	9.4%	9.2%	8.7%
Excess Return	-0.5%	2.0%	1.7%	0.3%	-0.3%	-0.7%

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

TOP 10 STOCK HOLDINGS

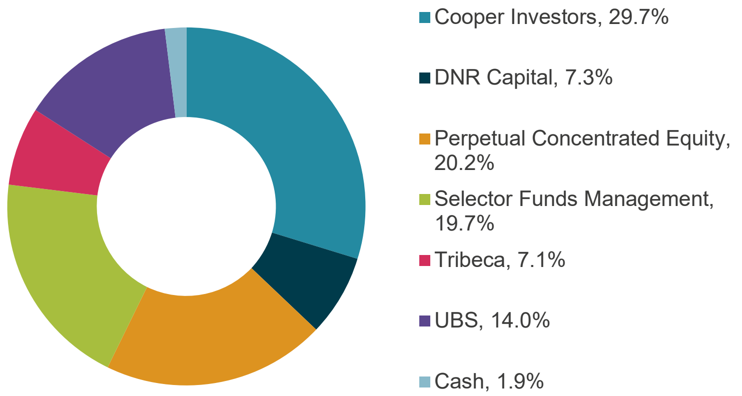
As at March 2024

STOCK	WEIGHT %	COUNTRY
BHP Group Limited	7.3%	Australia
CSL Limited	6.1%	Australia
National Australia Bank	4.0%	Australia
Commonwealth Bank	3.3%	Australia
ANZ Banking Group	3.0%	Australia
Goodman Group	2.5%	Australia
Macquarie Group	2.3%	Australia
Reece Limited	1.9%	Australia
Seek Limited	1.9%	Australia
Santos Limited	1.8%	Australia
Total Top 10 Holdings %	**34.1%**	

Source: State Street, Factset.

PORTFOLIO EXPOSURE BY MANAGER

As at March 2024



Source: State Street

INVESTMENT APPROACH

A multi-manager framework is utilised, where several 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 strategy is biased towards utilising 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.

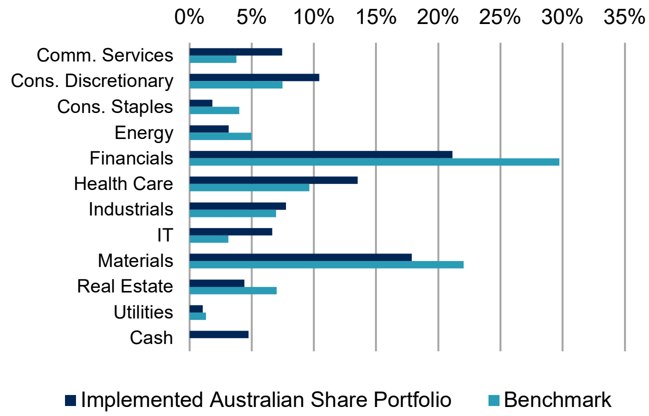
The Implemented Australian Share Portfolio uses broad market managers that invest across the entire market capitalisation spectrum of the domestic equity market. Their portfolios tend to be concentrated in nature and hold anywhere between 30-50 companies. This allows for the portfolio to access these managers' high conviction stock picking decisions. This lowers the degree of overlap across securities in each portfolio and lowers the risk of over diversification.

The portfolio will also typically use one to two specialist managers with focused strategies across the small company segment of the domestic share market. This is a relatively inefficient part of the domestic sharemarket where we feel a targeted and specialist approach is warranted. The exposure to small company specialist managers as a whole is typically held in line with the exposure of the small company segment of the sharemarket to the overall sharemarket by capitalisation.

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.

SECTOR EXPOSURES

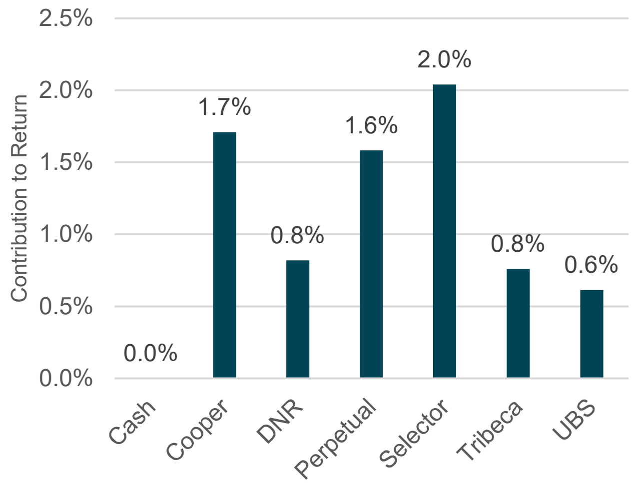
As at March 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to March 2024



Source: State Street

MANAGER LINE-UP AND APPROACH

As at March 2024

MANAGER	APPROACH
Cooper Investors	High conviction portfolio, fundamental bottom up stock selection
DNR Capital	Concentrated small company portfolio, fundamental bottom up stock selection.
Perpetual Investments Concentrated Equity	High conviction portfolio, fundamental bottom up stock selection
Selector Funds Management	High conviction portfolio, benchmark agnostic, fundamental bottom up stock selection
Tribeca Investment Partners	Small cap style neutral manager, diversified portfolio, fundamental bottom-up stock selection
UBS Asset Management (Australia)	Passive ASX20 mandate

MARKET COMMENTARY

Over the quarter, the rally in Australian shares continued and expanded on the strong gains experienced over the prior nine months. Indeed, following the 8.4% return (as measured by the S&P ASX 300 index) over the prior quarter, 5.4% feels relatively tepid. It should be noted however, the 14.4% gains over the past year, are meaningfully higher than long term annual averages for the index. As such, it is important to enjoy these returns within context. This buoyancy ultimately reflects optimism about economies, domestic and local, and monetary policy (i.e. that interest rates will soon fall). This building force of positive sentiment has now begun to 'lift all boats', with smaller companies (as measured by the S&P ASX Small Ordinaries) growing by 7.6%, aided by increasing levels of M&A (another sign of growing confidence in the market).

As has been the case since the abrupt change in interest rate policies in 2022, different companies and different sectors experienced meaningfully different outcomes. Continuing to be weighed by reduced demand (particularly from China) whilst being squeezed on labour costs, the Materials sector gave up 6.3% over the quarter. Also trailing, albeit delivering positive returns were Communication Services and Consumer Staples (returning 1.1% and 2.1% respectively), both of which dragged due to their exposure to highly rated defensive stocks. At the other end of the pack, Information Technology returned 23.6% with enthusiasm for the sector, combining with impressive earnings outcomes, to drive an upwards valuation re-rating. Unfortunately, the sector is relatively small within Australian markets, accounting for only 3.0% of market capitalisation versus Materials, for instance, at 22.4%. Fortunately, Real Estate, Financials and Consumer Discretionary (43.9% of the market) enjoyed robust double-digit gains over the quarter, delivering 16.2%, 12.1% and 13.4% respectively.

Stylistically, the period saw Growth assets comfortably outstrip Value, 7.7% to 3.0%. However, this is not a surprise given the broader context of AI-inspired optimism and some outstanding outcomes for a number of more growth orientated names.

PORTFOLIO COMMENTARY

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

Cooper Investors outperformed their benchmark over Q1. Stock selection was the primary driver, particularly within the Financials and Materials sectors. Key contributors at a stock level were their holdings in ANZ, Goodman Group, Orica, QBE, Reece and Wisetech Global. Being underweight to the better performing more cyclical Consumer Discretionary and Financials sectors detracted from returns for the period, as did their key positions in BHP, Nine Entertainment, Seek, Worley and Wesfarmers

Perpetual Concentrated Equity outperformed their benchmark over Q1. Strong returns from positions held in the Consumer Discretionary, Consumer Staples and Real Estate (REITs) sectors was the key contributor. Major contributors at a stock level were their holdings in a2 Milk, Goodman Group, IAG, Light & Wonder and Premier Investments. The primary detractor was not holding any exposure to the Tech sector, which was the strongest performing sector over the period. Also weighing on returns was their holding in Healius and Deterra Royalties.

Selector Funds Management outperformed their benchmark over Q1. They were heavily overweight to the best performing Tech sector and also didn't hold any Resources stocks, which form part of the worst performing Materials sector. This sector positioning was a major contributor to their outperformance over the period, as was their key position in the electronic design automation software company, Altium, which was up 40% for the quarter, having received a successful takeover offer from Japan's Renesas Electronics Corporation in February at a 33% premium to the prevailing share price. While the primary detractor was not having any exposure to the Real Estate (REITs) sector as well as a considerable underweight to Financials, which also did well over the period.

UBS are running a passive ASX20 indexing strategy and have delivered the benchmark ASX20 index return (+4.6%) over Q1, which on an absolute basis has underperformed the Implemented Australian Share Portfolio's ASX300 benchmark.

DNR outperformed the Small Ordinaries benchmark for Q1. The primary drivers of outperformance for the period were their nil exposure to Resources stocks, being the worst performing sector for the quarter, as well as a heavy overweight to the best performing Tech sector and strong stock selection within the Financials sector – namely Netwealth and Hub24. Detracting from returns was their positions in Chrysos, IDP Education, IRESS, Breville Group and Tabcorp.

Tribeca outperformed the Small Ordinaries benchmark for Q1. They benefited most from positive stock selection within the Tech and Consumer Discretionary sectors, as well as being overweight to both these strong performing sectors. Key contributors were their positions in GQG Partners, Altium, Boss Energy, FleetPartners, Imdex, Life360, Light & Wonder, Temple and Webster and Webjet.

OUTLOOK

After a very strong finish to the 2023 calendar year, where we saw the Australian Shares up 8.4% for the quarter to end December and finishing only around 100 points shy of their August 2021 record high, we embarked on the new year feeling somewhat cautious about share price valuations more broadly and the outlook for future earnings. Markets, we felt, were optimistically pricing in several rate cuts for the year ahead, despite stubborn inflation sitting ~2% above the RBA's target range, strong net immigration and tight labour markets with persistent wage inflation. We felt the pressure on corporate earnings from higher interest rates and a slowing economy (and potentially weaker consumer spending) had further to play out, whilst heightened economic and geopolitical uncertainty would also pave the way for sustained volatility in equity markets over the shorter term. Against this backdrop, entering the quarter the portfolio was positioned towards managers with a stronger regard for valuations and balance sheet strength. In addition, managers who were focused on investing in quality (ideally industry-leading) companies with the pricing power to pass on higher costs, thereby preserving their profit margins. At the sector level, key overweights were Tech, Healthcare and Consumer Discretionary stocks, with our managers seeing opportunities in select names where a high degree of pessimism was already baked into the share price. Conversely, we were under-weight other cyclical sectors, these being Financials, Materials, REITs and Energy names.

The main event for this quarter was the February reporting season, and generally speaking the results were not as bad as analysts had been forecasting. This was largely driven by more resilient consumer demand than had been anticipated. This resulted in strong share price rallies from the more cyclical names within Tech (+23.6%) and Consumer Discretionary (+13.4%), and our portfolio benefited from an overweight to both sectors. Artificial Intelligence remains a thematic tailwind, with companies focused on how this can be integrated into their business models to drive operational and cost efficiencies. We are also seeing an uplift in corporate activity (mergers and acquisitions), which we expect is largely being driven by the perception that rates have stabilised with further rate cuts to come in the short term. Of note, we were holding a position in the electronic design automation software company, Altium, at approximately 3 times the benchmark weight. The stock was up 40% for the quarter, having received a successful takeover offer from Japan's Renesas Electronics Corporation in February at a 33% premium to the prevailing share price. This was a key contributor to our portfolio's outperformance. We were also mindful of the supply-demand shift we've been observing within the Resources (Materials) sector, with an oversupply and contraction of demand contributing to lower commodity prices. At the same time, the sector was also battling ongoing cost pressures, for labour, which has squeezed their margins. These headwinds have continued for the Materials sector, being the only negative sector (-6.3%) for the period. Our underweight exposure to this sector has been a considerable driver of outperformance.

Looking ahead, on one hand we remain cautious on the likely path of interest rates, with tight labour markets, strong net immigration and sticky services-based inflation potentially driving central banks to delay cutting rates – with any delays here expected to put pressure on equity markets. The tightness in labour markets is a key signal that we are monitoring closely and one that we expect should be a key influence on the path of inflation, and subsequently interest rates. Of note, the unemployment rate in Australia unexpectedly fell from 4.1% to 3.7% near the end of the quarter despite a slowing economy, which sparks some concerns that rates may be kept on hold for longer than anticipated. Against this backdrop we would typically favour managers with a 'value' style bias. While on the other hand, we are mindful that broad economic data is signalling rates may have peaked and this stability, coupled with a more resilient consumer, the cooling of inflation and the potential for rate cuts in the near term, should benefit those managers with a 'growth' style bias. Against this dichotomy, we currently maintain a relatively style neutral approach albeit with a slight bias to SMID (small-to-medium) sized companies, as this is where our active managers are seeing stronger opportunities. Greater market inefficiencies at this end of the market cap spectrum (i.e. less analyst coverage of these stocks) coupled with the sustained volatility in equity markets, we believe should bode well for active managers in this space looking to deploy capital to attractive companies from a relative valuation perspective.

PERPETUAL PRIVATE

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