

WEALTHFOCUS PERPETUAL INDUSTRIAL SHARE FUND

July 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial shares.

FUND BENEFITS

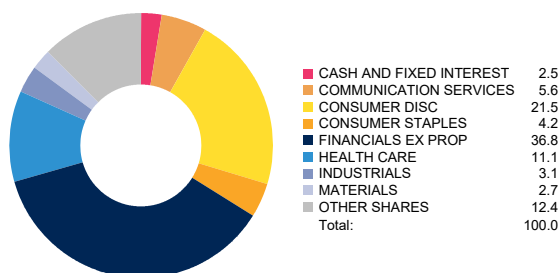
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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:	S&P/ASX 300 Industrial Accum. Index
Inception Date:	December 1976
Size of Portfolio:	\$469.00 million as at 30 Jun 2024
APIR:	PER0011AU
Management Fee:	1.23%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Commonwealth Bank of Australia	11.9%
CSL Limited	6.8%
Suncorp Group Limited	6.8%
Flutter Entertainment Plc	6.3%
Goodman Group	6.0%
National Australia Bank Limited	5.8%
Wesfarmers Limited	5.7%
Westpac Banking Corporation	4.4%
ANZ Group Holdings Limited	4.2%
Premier Investments Limited	4.0%

NET PERFORMANCE - periods ending 31 July 2024

	Fund	Benchmark #	Excess
1 month	5.26	5.71	-0.45
3 months	9.36	10.22	-0.86
FYTD	5.26	5.71	-0.45
1 year	20.50	20.63	-0.14
2 year p.a.	16.34	13.24	+3.11
3 year p.a.	10.17	8.00	+2.17
4 year p.a.	15.07	12.71	+2.36
5 year p.a.	8.28	7.47	+0.81
7 year p.a.	7.53	8.65	-1.12
10 year p.a.	6.45	8.20	-1.75

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

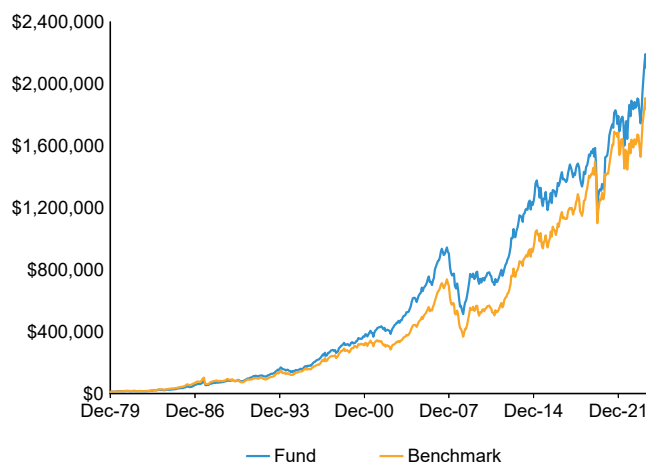
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	21.4	20.5
Dividend Yield*	3.0%	3.5%
Price / Book	2.4	2.4
Debt / Equity	32.0%	51.2%
Return on Equity*	11.1%	11.9%

[^] 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



MARKET COMMENTARY

The S&P/ASX 300 rallied strongly in July, rising by 4.1%. The Australian market benefited from a global rotation favouring cyclicals over technology. This shift saw Financials soar by 6.25%, contributing nearly half of the benchmark return. The Consumer Discretionary and Real Estate sectors were also significant contributors, along with healthcare. The backdrop was reasonably benign, with strong domestic employment growth and high hopes for a soft landing in the US. While concerns about high inflation persisted at month-end, a consensus quarterly inflation number alleviated fears of further rate hikes and boosted markets.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment PLC, Suncorp Group Limited and Premier Investments Limited. The portfolio's largest underweight positions include Macquarie Group Ltd, Telstra Group Limited (not held) & Woolworths Group Ltd.

Mainfreight Limited significantly contributed to the portfolio's performance over the month, with the stock rallying 10.17%, outperforming the broader ASX 300, which was up 4.13%. We began purchasing stock in Mainfreight in June 2024, drawn by a cyclical downturn in New Zealand which culminated in a research trip to the country. Mainfreight is a high-quality logistics company operating globally, with a success-driven culture established by its founder and carefully maintained by a strong management team. CEO Don Braid, who has been with the company for 29 years, exemplifies this culture, which permeates the entire organization down to the most junior employees. The company has robust succession planning, ensuring the continuity of its cultural framework, which has consistently led to significant success. Mainfreight places a strong emphasis on quality service, providing transparent KPI reporting to both customers and shareholders. A key KPI is the number of customers using all three divisions. As of FY23, 37% of the top 500 customers utilized all three divisions, a figure that has steadily increased over time. Outside of New Zealand, the company's performance in Australia is strong, with the potential to achieve New Zealand-level margins by adapting to local conditions. While the Americas and Europe currently lag behind, MFT is confident in its strategic approach and foundational capabilities to capitalize on these larger markets. The company has announced plans for significant investments in these regions, supported by a strong balance sheet (net cash) and retained earnings. MFT's impressive track record in New Zealand and disciplined capital management inspire confidence. However, we acknowledge the risks associated with entering highly competitive markets where network intensity is crucial and where volatile cost pressures can significantly impact margins.

BlueScope Steel Limited contributed to strong performance in July, with its stock rising by 8.47%. This increase was primarily driven by market anticipation of potential monetary policy easing in the US and expectations that the US election outcome could further pressure Chinese steel imports. This rally occurred despite consensus downgrades for FY25 due to the collapse in steel spreads. While short-term steel spread dynamics remain challenging, we believe the share price movement aligns with the longer-term opportunity. Steel pricing has reached a level where there is an asymmetric upside potential, and we are observing positive competitive trends with hot-rolled coil steel prices increasing. BlueScope remains one of the highest quality steel producers globally, with a capable management team, a significant asset in Port Kembla, and the Colorbond brand, which not only boosts margins but also represents a substantial overseas opportunity.

Our overweight to Goodman Group detracted from relative performance over the month of July as the stock failed to keep up with the broader market rally up only 1.01%. Despite the current relatively full valuation compared to our initial position, the investment in data centres offers additional upside potential for future earnings. Our decision to establish a position in Goodman Group late last year proved prescient, capitalizing on market concerns about the performance of large property groups in a rising rate environment. In contrast to some overly leveraged property owners facing challenges, we believed GMG's positioning within key growth sectors in the property industry, its development-driven model and strong management team would enable the company to outperform its peers.

After a period of strong performance, Origin Energy gave back some gains in the month of July falling -3.41%. Although the stock traded down for most of the month, on the 31st Origin released their quarterly report with no notable surprises. The stock continues to look favourably valued, particularly post the New South Wales government announcing a deal to extend the lifespan of the Eraring power station which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realize value if the transition to cleaner energy sources does not proceed efficiently. Additionally, while electricity prices have remained volatile (weak during summer before improving afterwards), ORG's portfolio of gas peakers provides the flexibility to manage market instability and optimise exposure.

OUTLOOK

Markets finished July on a high note, but difficulties are emerging. A sudden deterioration in economic data in the US during the first week of August led to a sharp sell-off in US and other equity markets. This accelerated the rotation in equities that began in July and raised the spectre of a recession for the first time in months. Coinciding with this was the Bank of Japan's decision to raise interest rates to near generational highs, which appeared to trigger a reappraisal of asset allocation and a potential unwind of the multi-trillion-dollar Japanese "carry trades" that have been in place for many years. The Nikkei had its worst day since 1987, though it bounced back a day later. Nonetheless, the sharp correction in markets, with the NASDAQ repeatedly underperforming the Dow and S&P, increases the risk that a broader realignment could finally be here.

Benchmark prior to 1/4/2000 was the ASX All Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Industrials Accumulation Index.

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