

# WEALTHFOCUS PERPETUAL GLOBAL ALLOCATION ALPHA

July 2024

## FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and outperform the MSCI World ex Australia Net Total Return Index (AUD) with lower risk (before fees and taxes) over rolling three-year periods.

## FUND BENEFITS

Provides investors with long-term growth opportunities across global equities. The fund is run by high quality investment teams.

## 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:** MSCI World Ex Australia Net Total Return Index (AUD) - since 1st October 2022

**Inception Date:** November 2008

**Size of Portfolio:** \$32.97 million as at 30 Jun 2024

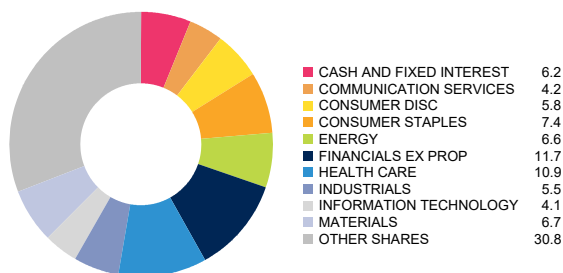
**APIR:** PER0496AU

**Management Fee:** 0.80%\*

**Investment style:** Active, fundamental, disciplined, value

**Suggested minimum investment period:** Five years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

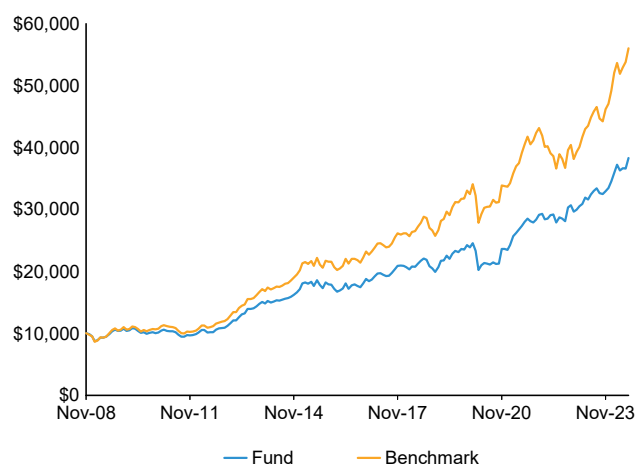
Stock Holding	% of Portfolio
Sanofi	1.1%
Comcast Corporation Class A	1.1%
Merck & Co., Inc.	1.1%
Microsoft Corporation	0.9%
Enbridge Inc.	0.9%
Exxon Mobil Corporation	0.8%
Air Products and Chemicals, Inc.	0.8%
Bank of Nova Scotia	0.8%
Wells Fargo & Company	0.8%
National Grid PLC	0.7%

## PERFORMANCE- periods ending 31 July 2024

Period	Fund	Historical <sup>1</sup> Performance	Benchmark	Excess
1 month	4.63	-	4.08	+0.56
3 months	5.40	-	7.88	-2.48
FYTD	4.63	-	4.08	+0.56
1 year	16.01	-	22.26	-6.24
2 year p.a.	-	-	19.97	-4.51
3 year p.a.	-	10.95	11.40	-0.44
4 year p.a.	-	16.09	16.44	-0.35
5 year p.a.	-	10.45	12.41	-1.96
7 year p.a.	-	10.32	12.94	-2.62
10 year p.a.	-	9.52	12.19	-2.68

<sup>1</sup>Effective 1 October 2022 the Fund Investment strategy has changed; including the investment objective, investment approach and benchmark of the Fund. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

## GROWTH OF \$10,000 SINCE INCEPTION



\*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

## MARKET COMMENTARY

During July, we saw enough daily headlines to last an entire year, especially in the U.S. Early in July we saw an attempted assassination attempt of the former President Donald Trump, the current U.S. President U.S. Joe Biden pushed off the Democrat ticket, and the ascension of his Vice President Kamala Harris to the ticket, thus altering the course of the election cycle in the U.S. Further, soft economic data in the U.S. regarding jobs and manufacturing output brought the word “recession” back into the realm of possibilities. Outside the U.S., we saw central banks in Canada, the UK, and other western-oriented central banks lowering rates while Japan raised rates. Finally, China has continued to garner headlines for the wrong reasons as the economy has failed to recover post COVID on the back of underwhelming stimulus by the government. This latter point may be somewhat forgivable as there has been a lot of rhetoric around tariffs and the fact that the U.S. Federal Reserve (the Fed) has continued to maintain tighter rates causing China to pause until there is greater clarity.

## PORTFOLIO COMMENTARY

Avantor, Inc. positively contributed to relative performance during the month after being among the top detractors in June. As we noted at the time, Avantor came under pressure after a peer reported poor results. However, in the month the company reported better execution than expected, with EBITDA margins improving on the back of pricing, mix, and cost controls. Further, free cash flow conversion was the strongest it has been over the last ten quarters despite recognizing some one-time costs. Management maintained full year guidance in a move that we see as conservative but appreciate nonetheless.

Newmont Corporation contributed positively to relative performance during the month on the back of improving gold prices given market concerns about softening economic fundamentals. The company benefitted not only from a higher gold price but also stronger than expected production. We believe that given its strong free cash flow and potential asset sales, Newmont should provide strong shareholder returns and we remain positive on the stock.

Merck & Co., Inc. detracted from relative performance in the month. Merck reported top line revenue and EPS growth and guided largely in line with expectations. Challenges in the month were due to a slowdown in China sales in one of Merck’s vaccine drugs, Gardasil, and concerns about potential competition from Chinese companies increasing in this space. We believe Merck will be able to manage through this and remain holders of the shares.

Carnival Corporation detracted from relative performance in July after being among the top contributors in June. Concerns about softening economic fundamentals outweighed lower fuel costs and potentially stronger than expected pricing. We continue to believe Carnival offers a good risk/reward profile.

## OUTLOOK

Despite the muted market returns in July, sentiment shift may be afoot, as we have seen material rotations over the last month. We note the large spread (+20%) between small cap stocks and the NASDAQ; as measured by the Russell 2000 Index small cap stocks were up more than 10% in the month. That said, this may not be sustained if economic concerns broaden, as small cap stocks are likely to be hurt in this scenario. Softening economic numbers and stagnant inflation over the last few months have all but guaranteed a rate cut by the Fed in September. This will come on the heels of other central banks that have already cut. However, the issue regarding cutting rates is less about who is cutting and when that first rate comes, but more about why rates are being cut. If the Fed and other central banks have to move quickly in cutting historically high rates as a result of softening economic growth versus sufficiently tame inflation, it will pull the soft-landing scenario off the table and we could continue to see a violent rotation away from high multiple stocks in favour of lower multiple stocks. This may be further aggravated if we do officially enter into a recession. The Fund has been tilted more to the defensive areas of the market over the last few years. This positioning, though challenging for performance over the last 12-18 months, has allowed the strategy to provide downside protection – not only in the rotating markets in July, but during August to date as we deal with markets continuing to stumble.

---

Cash levels have not been calculated on a look-through basis. The underlying investments of the fund will also have a proportion of their assets invested in liquid assets.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

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](http://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

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

[www.perpetual.com.au](http://www.perpetual.com.au)

