

## WealthFocus Allocated Pension

# WEALTHFOCUS PERPETUAL INDUSTRIAL SHARE

September 2024

### FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial shares. The fund aims to outperform the S&P/ASX 300 Industrials Accumulation Index (before fees and taxes) over rolling three-year periods.

### FUND BENEFITS

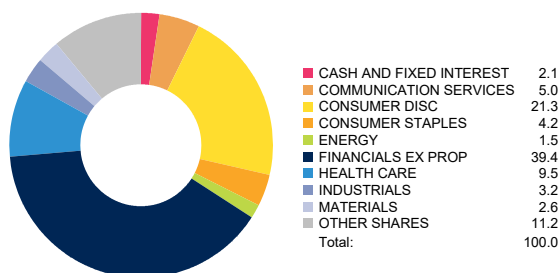
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares.

### 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.

<b>Benchmark:</b>	S&P/ASX 300 Industrial Accum. Index
<b>Inception Date:</b>	August 1995
<b>Size of Portfolio:</b>	\$43.81 million as at 30 Jun 2024
<b>APIR:</b>	PER0010AU
<b>Management Fee:</b>	0.98%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

	% of Portfolio
Commonwealth Bank of Australia	9.2%
Flutter Entertainment Plc	7.1%
Goodman Group	6.9%
Westpac Banking Corporation	6.2%
Suncorp Group Limited	5.8%
CSL Limited	5.7%
Wesfarmers Limited	5.4%
National Australia Bank Limited	5.3%
ANZ Group Holdings Limited	4.5%
Premier Investments Limited	3.9%

### NET PERFORMANCE - periods ending 30 September 2024

	Fund	Benchmark #	Excess
1 month	0.45	0.84	-0.40
3 months	5.59	8.10	-2.51
1 year	26.83	28.58	-1.75
2 year p.a.	19.41	19.43	-0.02
3 year p.a.	9.21	7.12	+2.08
4 year p.a.	15.84	13.25	+2.59
5 year p.a.	9.06	7.80	+1.26
7 year p.a.	8.83	8.98	-0.16
10 year p.a.	8.10	8.86	-0.76

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

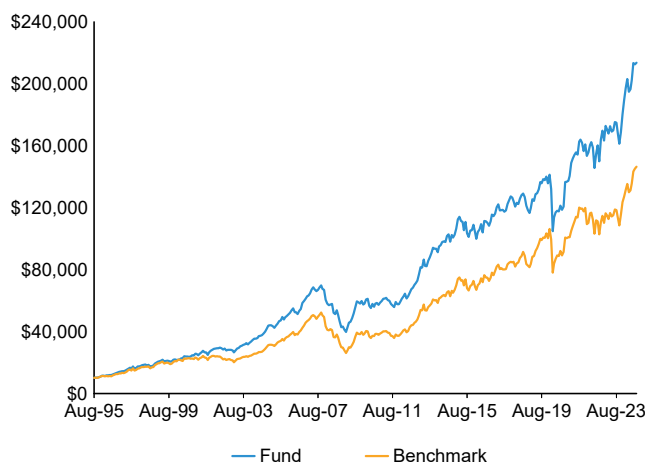
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	21.3	21.2
Dividend Yield*	3.1%	3.5%
Price / Book	2.4	2.4
Debt / Equity	31.2%	50.6%
Return on Equity*	11.5%	12.0%

<sup>^</sup> 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



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

## MARKET COMMENTARY

The S&P/ASX 300 rose 7.81% in the quarter ending September, driven initially by a surge in bank stocks and followed by a significant rotation from defensive to cyclical stocks in late September. As expected, the U.S. Federal Reserve cut interest rates, while China surprised markets with a larger-than-anticipated stimulus package. Although there was skepticism about the long-term effectiveness of China's measures, they had an immediate and notable impact on both Chinese and Australian stock markets. Banks performed well early in the quarter, buoyed by consumer resilience, but faced sharp sell-offs once the stimulus measures were announced, allowing resource stocks to take the lead. The Materials sector soared 10.80%, significantly outpacing the broader market. Financials also saw strong gains, rising 8.27%. Real estate, consumer, and industrial stocks all participated in the rally.

## 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 Commonwealth Bank of Australia, Telstra Group Limited (not held) and Transurban Group Ltd (not held).

HMC positively impacted portfolio performance during the period, with its stock rising 14.57% following a strong result during reporting season. Earnings per share slightly exceeded consensus expectations, and the company emphasized its substantial growth potential, adding \$3 billion in additional funds under management (FUM) during the period. HMC aims to double its assets under management (AUM) in its private credit platform over the next year. The company also reported increasing transactional activity in real estate and a promising pipeline in infrastructure and energy transition, presenting significant opportunities for its newly formed Energy Transition Fund.

Sigma Healthcare was a strong contributor to performance over the period (+12.94%) and has more than doubled over the past year as Chemist Warehouse undertook a reverse listing creating a new listed retail giant. The acquisition creates a larger high-quality company which operates in a favourable wholesale market and has an industry leading distribution network. We believe that the quality of the combined business will improve as the group moves to become an integrated wholesaler as well as a pharmacy franchisor with dominant market share and a pipeline of pharmacists to continue to expand their franchise network. We have admired Chemist Warehouse for a long time and believe that it is probably the best franchisor/retailer in Australia. Chemist Warehouse brings with it a high-quality management team to be instilled into the new combined board through founders Mario Verrocchi and Jack Gance as well as further long-term synergies to be realised by the group.

Star Entertainment Group detracted from performance over the quarter (-39.80%) after a trading halt in September. Star continues to undergo a transformation after encountering regulatory issues and is currently under regulatory management. Operational challenges and two capital raises to stabilize the balance sheet have further weighed on investor sentiment. Star has a range of quality assets, a small debt load, but with suppressed cashflow as the Queens Wharf development gradually opens in Brisbane, and the Sydney casino operates under regulatory management. The Gold Coast casino is fully operational. The market capitalisation of the business is approximately \$750 million, a substantial discount to our assessed value of the company's assets. CEO Steve McCann has experience working with the regulator (at Crown) and is positioning the business for the future. The position is risk weighted commensurate with the opportunity.

After a period of very strong performance, Premier Investments suffered a temporary setback towards the end of the period which resulted in the stock detracting from performance. The company reported a -2.9% drop in total retail sales to \$1.59 billion. This was still the second highest result for the business, however, and markedly up on pre COVID levels (25.5%). Sales at high margin growth brands like Peter Alexander rose 6.2% whilst Smiggle fell -6.4%. Premier's board also determined that the planned de-merger of Smiggle & Peter Alexander brands, as well as the proposed combination of the Apparel Brands with Myer, warranted further consideration. Chairman Solomon Lew stressed that the board's focus on the strategic review, and any proposals, was to create shareholder value as well as maintaining the potential and integrity of each of the businesses. PMV remains a cornerstone of our core retail investments, renowned for its quality business model, fortified by a robust net cash balance, investments, bank of franking credits and overseen by engaged and experienced executive leadership.

## OUTLOOK

September served as a stark reminder of how quickly market dynamics can shift, particularly when a momentum trend is disrupted. Concerns about Chinese growth and deflation led to excessive bearish sentiment, with the Chinese equity market reaching generational lows. Even quality, world leading businesses like Baidu traded at just 8x earnings, despite having a cash backing amounting to half its market capitalization. In Australia, despite a resilient consumer base, it was increasingly difficult to justify the ~45% rally in Commonwealth Bank shares since October 2023. Meanwhile, BHP was trading at levels reminiscent of 2007. The easing measures from both the Federal Reserve and the People's Bank of China was also a reminder of the role of the US dollar and policy. With US interest rates high and the stock market performing well, the US (and the USD) had been the primary destination for global capital. However, as we potentially enter a rate-cutting cycle and with much of the US equity gains already baked in, global capital could begin to flow outside the US in search of better returns. This trend has historically been beneficial for emerging markets and, by extension, Australian companies, particularly in the resources sector.

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# 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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The product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the 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 an investor's capital.  
Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

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## MORE INFORMATION

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