Perpetual Investment Funds

PERPETUAL INDUSTRIAL SHARE FUND

October 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

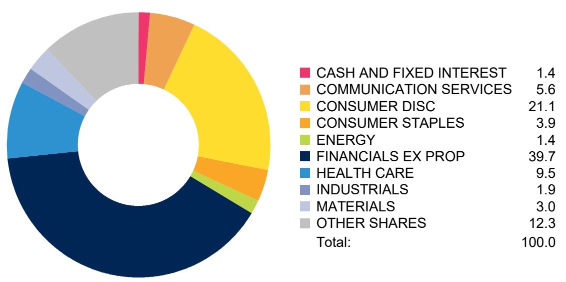
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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 1996
Size of Portfolio:	$1,088.38 million as at 30 Sep 2024
APIR:	PER0046AU
Management Fee:	0.99%*
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	9.6%
Flutter Entertainment Plc	6.9%
Goodman Group	6.8%
Westpac Banking Corporation	6.2%
National Australia Bank Limited	5.4%
Suncorp Group Limited	5.2%
CSL Limited	5.1%
Wesfarmers Limited	5.1%
ANZ Group Holdings Limited	4.5%
Premier Investments Limited	4.2%

NET PERFORMANCE - periods ending 31 October 2024

	Fund	Benchmark #	Excess
1 month	1.45	-0.26	+1.71
3 months	1.57	2.00	-0.43
1 year	33.86	34.62	-0.76
2 year p.a.	14.16	14.94	-0.78
3 year p.a.	9.22	6.96	+2.26
4 year p.a.	14.99	12.43	+2.56
5 year p.a.	8.89	7.77	+1.12
7 year p.a.	7.94	8.35	-0.41
10 year p.a.	7.31	8.22	-0.91
Since incep.	9.88	9.18	+0.71

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

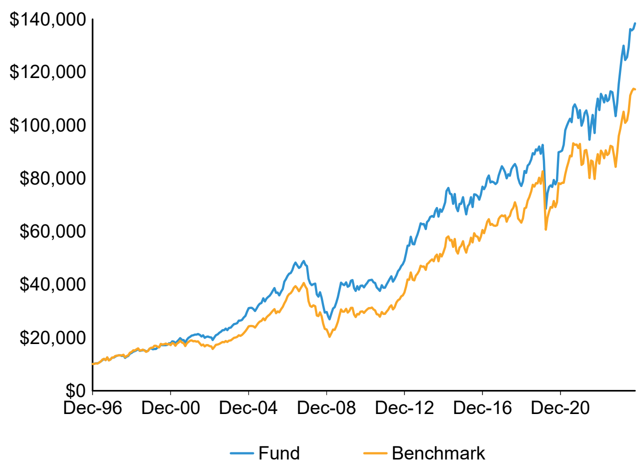
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	21.7	20.8
Dividend Yield*	3.0%	3.5%
Price / Book	2.5	2.4
Debt / Equity	35.2%	50.9%
Return on Equity*	11.4%	12.1%

^ 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 Accumulation Index declined by -1.30% in October. While the market reached new all-time highs at the beginning of the month, it pulled back as October came to a close. Investor sentiment was initially buoyed by ongoing Chinese stimulus efforts and generally positive economic data. However, as the month progressed, enthusiasm waned regarding China's recovery due to limited details and concerns over potential tariffs, which dampened the rotation trade. Financials were a notable outperformer, with the banking index up 3.8% for the month, approaching within 2.2% of its all-time high. In contrast, Consumer Staples underperformed due to the ongoing ACCC inquiry into supermarkets and disappointing updates from Woolworths, Coles, and Metcash. The Energy and Resources sectors also lagged. Meanwhile, the Small-Ords and Emerging Companies indexes posted modest gains, reflecting early signs of a shift from large caps.

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).

Sigma Healthcare strongly contributed to performance over October (+36.50%) after offering major concessions to ensure the facilitation of the Chemist Warehouse reverse listing creating a new listed retail giant. The acquisition creates a larger high-quality company which operates in a favourable oligopolistic 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.

Premier Investments strongly contributed to performance in October (+9.58%) after announcing the combination of Premier's apparel brands with Myer late in the month. This comes after some share price weakness in September where the company reported a -2.9% drop in total retail sales to $1.6 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 Alexnader rose 6.2% whilst Smiggle fell -6.4%. Chairman Solomon Lew, who will now join the board of Myer, will now be focusing on the high quality retail businesses Peter Alexander and Smiggle, each of which have significant local and international growth opportunities. The company also has a strategic investment in Breville as well as a portfolio of property assets. 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.

IPH Ltd detracted from performance over the month of October (-11.68%). We have been invested on and off in the stock since its IPO, drawn by its strong entrepreneurial culture and skilled management team, which has remained resilient through leadership transitions. The company operates in a niche, reputation-driven industry where protecting intellectual property is essential and retention relies heavily on reliability rather than pricing. IPH has positioned itself as a dominant, highly efficient operator in this market, leveraging proprietary systems that significantly boost productivity over competitors. The company's strategic consolidation in a traditionally fragmented industry, coupled with favourable low-interest environments, has made its acquisitions earnings-accretive. Its consistent cash generation further supports rapid debt reduction and sustains an attractive payout ratio, reinforcing its long-term value as an investment.

BlueScope Steel Limited detracted to performance in October (-8.51%) following an unexpected downgrade from the company and further cyclical weakness. In the update, management was able to identify $200 million in cost savings which would help offset the downgrade which favorably offset the news. 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.

OUTLOOK

Market confidence remains fragile following further declines in early September, particularly in the U.S. tech sector, markets remain sensitive to economic indicators. Nvidia's share price, for instance, fell from $130 on August 19 to $106 in early September, impacted by weak manufacturing PMI data and a decline in job openings, raising concerns about a potential slowdown in the U.S. economy. In Australia, second-quarter GDP growth for 2024 was just 0.2%—the slowest rate of expansion since the early 1990s, excluding the COVID period—marking a sixth consecutive quarterly decline in GDP per capita. The economy has been buoyed by government spending and high migration rates, while consumers continue to face the pressures of persistent inflation and elevated interest rates. Adding to this complex outlook, U.S. 10-year bond yields have been rising in anticipation of higher economic growth and the potential return of inflation, with Australian bond yields climbing in tandem. This trend suggests a possible shift in equity markets toward cyclical stocks, likely bolstered by any Republican gains in the upcoming U.S. election. While markets remain near all-time highs, these dynamics underscore the importance of continued caution.

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.

MORE INFORMATION

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