

## Perpetual Investment Funds

# PERPETUAL ESG AUSTRALIAN SHARE FUND

November 2024

### FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian shares that meet Perpetual's ESG and values-based criteria. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

### FUND BENEFITS

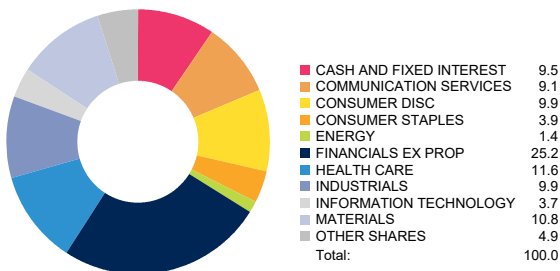
The Fund has two exclusion screens, with which we assess companies. A values-based exclusionary screen for involvement in certain activities, and a ESG exclusionary screen based on an evaluation of companies overall performance on ESG issues.

### 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 Accum. Index  
**Inception Date:** April 2002  
**Size of Portfolio:** \$636.58 million as at 30 Sep 2024  
**APIR:** PER0116AU  
**Management Fee:** 1.18%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Five years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
GWA Group Limited	4.7%
Healius Limited	4.6%
Deterra Royalties Ltd	4.1%
EVT Limited	4.1%
Westpac Banking Corporation	4.0%
Pacific Current Group Ltd	3.8%
National Australia Bank Limited	3.6%
Medibank Private Ltd.	3.6%
Premier Investments Limited	3.6%
Telstra Group Limited	3.5%

### NET PERFORMANCE - periods ending 30 November 2024

	Fund	Benchmark #	Excess
1 month	1.98	3.68	-1.70
3 months	1.95	5.48	-3.54
1 year	21.04	23.22	-2.18
2 year p.a.	12.08	11.63	+0.45
3 year p.a.	7.77	9.12	-1.35
4 year p.a.	11.83	10.81	+1.02
5 year p.a.	10.33	8.20	+2.13
7 year p.a.	7.97	9.19	-1.22
10 year p.a.	8.77	9.08	-0.31
Since incep.	10.79	8.57	+2.22

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

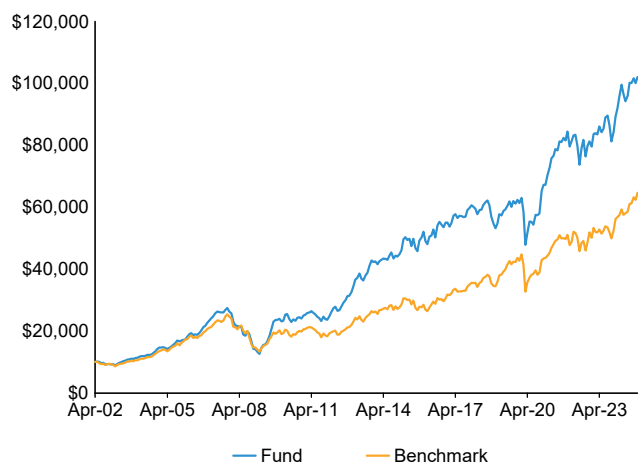
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	19.5	18.8
Dividend Yield*	3.4%	3.5%
Price / Book	2.0	2.3
Debt / Equity	25.5%	36.4%
Return on Equity*	10.1%	12.8%

<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 election of Donald Trump fuelled a strong rally in equities throughout November, with the S&P/ASX 300 Accumulation Index delivering a total return of 3.68%. The technology sector led the charge, posting a remarkable 10.18% gain. Financials were the largest contributor to the market's performance, rising 6.95% and accounting for 2.29% of the overall 3.68% return, driven primarily by a stellar 11.09% increase in Commonwealth Bank of Australia (CBA) shares. In contrast, Materials (-2.81%) and Energy (-0.66%) were the only sectors to decline, as markets weighed the potential impact of tariffs and persistent deflationary pressures in China. Meanwhile, Westpac and NAB surveys indicated improving consumer and business confidence in Australia, despite weaker-than-expected employment data and the Reserve Bank of Australia's ongoing concern over elevated underlying inflation, which continued to rule out the possibility of a rate cut.

## PORTFOLIO COMMENTARY

A feature of this portfolio is that it applies Perpetual's ESG process and values-based investment criteria. The portfolio's largest overweight positions include GWA Group Limited, Healius Limited and Deterra Royalties Ltd. Conversely, the portfolio's largest underweight positions include BHP Group Ltd (not held), Commonwealth Bank of Australia, and CSL Limited.

Sigma Healthcare was both the strongest performing stock to index returns and the portfolio returns over November (+47.5%) after the ACCC announced it did not oppose the Sigma Healthcare Limited and CW Group Holdings Limited merger 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.

BlueScope Steel Limited contributed to performance in November (+8.9%) as the company reaffirmed guidance and the valuation disparity between itself and its US peers became obvious following last month's weakness. 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.

A2M's share price was highly volatile in November but ended the month essentially flat (-0.35%) as concerns early in the month around the lack of Chinese consumer stimulus was offset by upgraded FY25 guidance and the announcement of a nascent dividend policy at the 2024 AGM in the latter half of the month. A2 has been navigating the China label product transition well. However, concerns arose regarding a production disruption at its key supplier, Synlait, which provides 90% of A2 Milk's infant formula and holds critical licenses for importing these products into China. This triggered a significant sell-off due to concerns that A2 will miss sales into the crucial 2H CY24 which is expected to see a pick-up in births post-Covid. Although the production and supply chain issue are largely resolved at the time of writing, the share price is yet to fully recover. Nonetheless, we remain optimistic about A2 Milk, given its strong balance sheet, ongoing expansion into tier 2 and 3 cities in China, as well as its entry into the U.S., all of which present substantial growth opportunities.

Despite appreciating during the month, Premier Investments lagged the broader market resulting in it detracting from relative performance in November. This marks a period of very strong performance for the stock which has greatly outperformed an already strong market over the past 12 months. The upside in the business has been further exacerbated by the combination of Myer and Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti. This could be materially beneficial for both businesses as additional quality sales are incorporated under a cheaper rental format and with strong retail management expertise. Although future outcomes remain uncertain, they are expected to reflect Premier's commitment to maintaining its high-quality standing in the market.

## OUTLOOK

Markets continue to respond positively to the economic policies anticipated under a Trump presidency, which centre on tax cuts, deregulation, deficit reduction, and increased energy production. However, tariffs remain a key area of uncertainty. Early indications suggest that President-Elect Trump views tariffs more as a negotiating tactic than as a firm policy stance. The critical challenge will be how China reacts to U.S. pressure to stimulate its domestic economy more aggressively or to intervene in key industries to achieve a more balanced trade relationship with the United States—an issue with significant implications for the resources sector. Despite the historical undervaluation of resources, investors continue to favor defensive assets, often irrespective of price. We continue to leverage our multi decade experience and remain true to label providing our investors with exposure to the highest quality companies trading at attractive valuations which we believe will drive outperformance as markets revert to fundamentals.

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

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## MORE INFORMATION

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