

# WEALTHFOCUS PERPETUAL CONCENTRATED EQUITY

November 2024

## FUND FACTS

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

## FUND BENEFITS

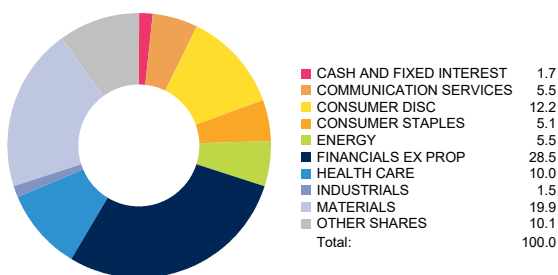
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

## 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:** November 2008  
**Size of Portfolio:** \$30.68 million as at 30 Sep 2024  
**APIR:** PER0488AU  
**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

Stock Holding	% of Portfolio
BHP Group Ltd	8.8%
Commonwealth Bank of Australia	8.0%
ANZ Group Holdings Limited	4.8%
Goodman Group	4.0%
Premier Investments Limited	3.7%
Insurance Australia Group Ltd	3.6%
Westpac Banking Corporation	3.5%
CSL Limited	3.5%
Wesfarmers Limited	3.2%
Whitehaven Coal Limited	2.9%

## NET PERFORMANCE - periods ending 30 November 2024

Period	Fund	Benchmark #	Excess
1 month	2.79	3.68	-0.89
3 months	2.71	5.48	-2.78
1 year	18.57	23.22	-4.65
2 year p.a.	8.72	11.63	-2.92
3 year p.a.	9.21	9.12	+0.08
4 year p.a.	11.64	10.81	+0.83
5 year p.a.	7.41	8.20	-0.79
7 year p.a.	7.11	9.19	-2.08
10 year p.a.	6.91	9.08	-2.17

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

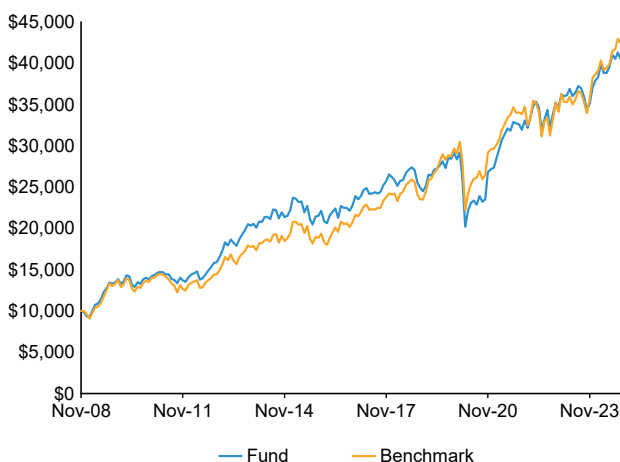
## PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	19.1	18.8
Dividend Yield*	2.9%	3.5%
Price / Book	2.3	2.3
Debt / Equity	28.7%	36.4%
Return on Equity*	11.9%	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

The portfolio's largest overweight positions include Premier Investments Limited, Insurance Australia Group Ltd & Whitehaven Coal Limited. Conversely, the portfolio's largest relative underweight positions include Commonwealth Bank of Australia, Woodside Energy Group Ltd (not held) and National Australia Bank Limited.

Sigma Healthcare strongly contributed to performance 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.

Insurance Australia Group contributed to performance after the market responded positively to the announcement that they were entering a 25 year strategic alliance with RACQ (+13.7%). Recently, IAG has become more resilient through introducing strategic protections against potential claims variability in its long-term commercial policies, which carry risks of unpredictable claims outcomes over extended periods. These policies can expose the company to risks like inflation-driven litigation costs and delayed claims. One aspect of IAG's strategy is an Adverse Development Cover (ADC), designed to shield its existing reserves from significant fluctuations. A second layer of protection comes from a reinsurance arrangement focused on natural perils, which provides a buffer against the unpredictable costs of weather-related events.

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.

Healius continued to be a challenging position detracting from relative performance over the month (-16.6%) with pathology margins being impacted by higher labour and other inflationary costs despite volume growth. The company is however showing signs of recovery under new management following a stretch of underperformance. Looking ahead, we see further upside after the rationalisation of Healius' portfolio, including the sale of Lumus Imaging at a favourable price, possible capital returns, and topline growing stronger in FY 2025.

The overweight position in Iluka Resources detracted to performance over November as the stock continued to de-rate as investors waited for news on the government negotiations for the rare earths refinery. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and largest producer of zircon that is used to produce ceramics (tiles) and a recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets.

Whitehaven Coal Limited detracted from performance during November (-3.4%) despite the lack of stock specific news. Indian coal buys have not returned to the market post the monsoon season with much of their demand being filled out of China due to weakness in that market. Whitehaven recently announced the sale of 30% of its Blackwater asset for US\$1.08 billion to Nippon Steel and JFE Steel. This deal significantly reduces the company's leverage, offering more flexibility for capital management over the next few years and initially drove a 6% rally in the share price. Offsetting this was the higher than expected cost guidance for FY25 and lower than expected production guidance for the NSW assets, Qld volume guidance was in-line, and fall in the metallurgical coal price that is now the key earnings driver for the company, in conjunction with the thermal coal price.

## OUTLOOK

Markets continue to respond positively to the economic policies anticipated under a Trump presidency, which center 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.

# 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.

## 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)

