PERPETUAL ESG AUSTRALIAN SHARE FUND (MANAGED FUND)

ASX code: GIVE

January 2025

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

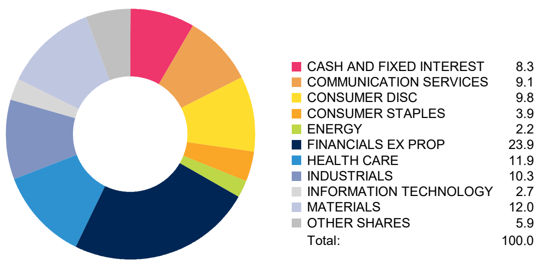
The Fund has two exclusion screens, with which we assess companies. A values-based exclusionary screen for involvement in certain activities, and a ESG exclusionary screen based on an evaluation of companies overall performance on ESG issues.

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 of strategy:	April 2002
ASX commencement date:	29 November 2021
Distribution Frequency:	Half-Yearly
Management Fee:	0.65%*
Performance Fee:	15 % of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
GWA Group Limited	5.1%
Healius Limited	4.8%
Deterra Royalties Ltd	4.5%
EVT Limited	4.2%
Pacific Current Group Ltd	4.1%
National Australia Bank Limited	3.7%
Westpac Banking Corporation	3.5%
Telstra Group Limited	3.5%
a2 Milk Company Limited	3.2%
Bluescope Steel Limited	3.1%

*Information on management costs is set out in the relevant PDS

NET PERFORMANCE - periods ending 31 January 2025

	Fund	Benchmark	Excess
1 month	3.51	4.46	-0.95
3 months	4.04	4.98	-0.94
1 year	13.44	15.09	-1.65
2 year p.a.	11.76	10.80	+0.96
3 year p.a.	9.81	11.07	-1.26
Since incep. p.a.	8.36	9.13	-0.76

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	19.3	18.5
Dividend Yield*	3.4%	3.5%
Price / Book	1.9	2.3
Debt / Equity	25.4%	36.7%
Return on Equity*	9.7%	12.9%

^ 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.

MARKET COMMENTARY

Markets surged in January, with the S&P/ASX 300 Accumulation Index delivering a strong 4.46% return, driven largely by Financials, which contributed nearly half of the month's gains. The major banks rallied, with NAB surging 8.19% and ANZ adding 7.29%, while CBA and Westpac rose 4.77% and 4.36%, respectively. Macquarie Group also posted a notable 8.64% gain, and Wesfarmers added 7.09%. Consumer Discretionary (+6.07%) and Real Estate (+4.60%) were among the strongest-performing sectors, while Utilities (-2.40%) was the weakest, weighed down by a 4.13% decline in Origin Energy. Consumer Staples saw only modest gains, rising 0.77%. Despite continued tariff threats from the White House, major miners BHP and Rio Tinto remained flat. December NAB Business Conditions improved to +6 from +3 in November, while the labour market remained resilient, with employment rising by 56,300—well ahead of expectations. Headline inflation fell to its lowest level since early 2021, with the trimmed mean reaching a three-year low. This drove increased speculation of interest rate cuts, leading to a decline in the Australian dollar.

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 Wesfarmers Limited.

BlueScope Steel Limited contributed to performance in January (+13.9%) as the industry experienced multiple positive news points including a joint Cleveland-Cliffs Inc and Nucor Corp bid for US Steel. The valuation disparity between BlueScope and it's US peers became obvious and eventuated in a rally. 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.
Nick Scali outperformed the market during the month of January (+7.7%) despite a lack of stock specific news. Nick Scali offers an attractive exposure to a founder led retail business able to weather a tough consumer environment. There remains an attractive growth opportunity in the UK through Nick Scali's capital disciplined entry into the UK market through the acquisition of Fabb Furniture and a real opportunity to grow gross margin through adoption of Nick Scali's gold standard operations.

Premier Investments suffered a setback during January (-4.20%) after issuing a surprisingly disappointing trading update halfway through the month which was below consensus. The combination of Myer and Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti presented a material growth opportunity for shareholders and the transaction was completed at the end of the month. This will be materially beneficial for both businesses as additional quality sales are incorporated under a cheaper rental format and with strong retail management expertise.
Orora limited detracted from portfolio performance in January falling -3.66% in a strong market. Although the company didn't release any material news, investor sentiment continues to wain around the near term outlook for Saverglass. We built an overweight position in Orora when we felt analysts' forecasts better reflected the risks associated with the controversial Saverglass acquisition. At that point, we thought prospective investors were paying fair value for both the Australasian and North American businesses but getting Saverglass at a substantial discount. Assuming the sale of the North American business completes shortly, then we believe investors will own a high-quality global packaging company, with a relatively under-geared balance sheet, providing the Board with considerable scope to consider shareholder capital management initiatives.

OUTLOOK

After an initial embrace of Trumponomics, market focus is shifting to the challenges of execution and the risk of inflation returning in 2025. The new administration must navigate deregulation, tax relief, and spending cuts while managing the budget deficit—an ambitious mix that bond markets will closely scrutinize. U.S. equities remain exuberant, with valuations echoing the Dotcom peak in 2000 and the post-COVID surge in 2021. While some Australian sectors appear stretched, overall valuations are more measured, especially in resources, which trade near multi-year lows. China remains the key uncertainty as its economy flirts with deflation. The question is whether authorities can deliver sustained stimulus, akin to QE3 in 2012, to restore confidence and support growth—an outcome with broad implications for global markets.

MORE INFORMATION

Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

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