PERPETUAL ESG AUSTRALIAN SHARE ACTIVE ETF

ASX code: GIVE

February 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

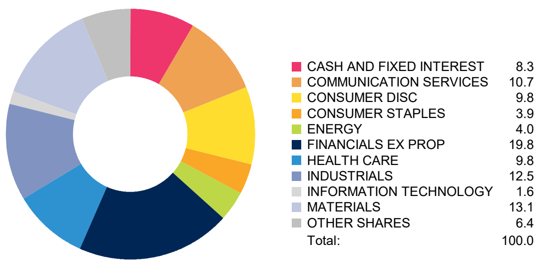
The Fund has two exclusion screens, with which we assess companies. A values-based exclusionary screen for involvement in certain activities, and a ESG exclusionary screen based on an evaluation of companies overall performance on ESG issues.

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
EVT Limited	5.2%
Deterra Royalties Ltd	4.8%
GWA Group Limited	4.7%
Healius Limited	4.3%
Pacific Current Group Ltd	4.2%
Ampol Limited	4.0%
Telstra Group Limited	3.7%
a2 Milk Company Limited	3.6%
Bluescope Steel Limited	3.6%
Reliance Worldwide Corp. Ltd.	3.3%

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

NET PERFORMANCE - periods ending 28 February 2025

	Fund	Benchmark	Excess
1 month	-0.06	-3.79	+3.73
3 months	1.86	-2.59	+4.45
1 year	9.01	9.65	-0.64
2 year p.a.	11.54	10.09	+1.45
3 year p.a.	8.99	8.89	+0.10
Since incep. p.a.	8.14	7.61	0.52

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	18.7	17.9
Dividend Yield*	3.3%	3.7%
Price / Book	1.8	2.2
Debt / Equity	31.3%	37.5%
Return on Equity*	9.7%	12.6%

^ 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

The S&P/ASX300 fell -3.8% in February buffeted by wild swings as company results were reported. Large caps in particular disappointed, often in relation to outlook rather than reported results. It also marked a major break in momentum with many companies that had had a strong run in the previous year struggling. Amongst the biggest reversals were NAB (-12.1%), Wisetech (-27.7%), Cochlear (-19.0%) and Fortescue (-11.1%). On a sector basis Utilities (+3.2%), Communications (+2.8%) and Consumer Staples (+1.4%) performed best. Information Technology (-12.3%) was the worst sector. Healthcare (-7.6%) and Real Estate (-6.2%) were also laggards. The sell-off in the market accelerated in the last half of the month in sympathy with a declining US market which increasingly worried about the frenetic and sometimes disruptive pace of White House initiatives, particularly in relation to tariffs.

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 EVT Limited, Deterra Royalties Ltd and GWA Group Limited. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, BHP Group Ltd (not held) and Wesfarmers Limited.

EVT contributed to portfolio performance (+23.4%) after delivering a strong result with net profit significantly ahead of expectations. The outperformance was driven by stronger-than-expected earnings from both the hotel and cinema divisions. This should support a potential rerating, with asset sales, strategic reviews, improvements in film content, hotel earnings growth, and upside from Thredbo all acting as potential catalysts. Despite this, EVT continues to trade at a lower premium to its net tangible assets compared to historical levels. Cinema earnings have shown clear signs of recovery after a challenging start to the year, easing concerns about structural declines. Hotels demonstrated strong performance, benefiting from an increased focus on high-margin managed agreements, improved cost efficiencies, and steady revenue growth. EVT also announced plans to divest 525 George Street, with proceeds likely to be reinvested in hotels, while a special dividend and further strategic moves for key assets are under consideration.
A2 Milk contributed strongly to returns in February, with the stock rising by 35.3%. The management team has proven it's ability to execute strategically through supply constraints and other external and market headwinds. The company reported a stronger than expected first half 25 result and Financial Year 2025 guidance was upgraded and implies that A2 Milk sales and margins will accelerate and expand further in the second half of the year. We remain optimistic about A2 Milk, given its strong balance sheet, ongoing expansion into tier 2 and 3 cities in China, as well as it's entry into the U.S., all of which present substantial growth opportunities.

Insurance Australia Group detracted from relative performance (-12.8%) despite a very strong net profit after tax beat. The company reported premium rate increases moderating in response to reducing claims inflation arising question marks around how the company will continue to grow earnings in the medium term. Despite this, there remains an opportunity for the firm to continue to take cost out. We also favourably view IAG's Adverse Development Cover (ADC) strategy, 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. This arrangement is structured to cover most expected scenarios, helping to stabilize the company's claims expenses. Although this layered protection introduces upfront costs, it reduces financial impact over time and is expected to moderate earnings volatility, protect target margins, and enhance long-term returns by lowering capital strain.
The overweight to Myer detracted from portfolio performance (-17.4%) during February. Despite the noise, we believe cost synergies are highly likely from the announced combination which could come from debt refinancing, COGS sourcing, rent reductions, and CODB efficiencies, with additional optionality from internal margin initiatives. Revenue synergies, while harder to realise, could stem from integrating Apparel Brands online, expanding MyerOne, and store consolidation. Despite the noise, we view the combination with Premier's Apparel Brands Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E as favourable. The combination has created a leading omni-channel retail platform that brings enhanced scale and significant operating leverage benefits.

OUTLOOK

Equity markets had looked expensive going into February with Australian growth stocks, like their US counterparts, had been trading at elevated P/E ratios. Many of these stocks bore the brunt of the sell-off as the world market potentially enters a new phase. Markets had broadly welcomed the pro business Trump administration choosing to focus on a welcome agenda of tax cuts, de-regulation and budget savings which they expected would boost economic growth whilst also containing inflation. Meanwhile Trumps much vaunted love of tariffs was widely considered to be, in the most part, a bargaining tool in trade negotiations. However there are some fears that headline-grabbing cuts to government spending could be increasingly hurting consumer sentiment whilst on-and-off tariffs on allies and close trading partners could be having a more profound pre-emptive impact on business confidence and supply side chains than fully appreciated.

MORE INFORMATION

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