Perpetual Investment Funds

PERPETUAL INDUSTRIAL SHARE FUND

June 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

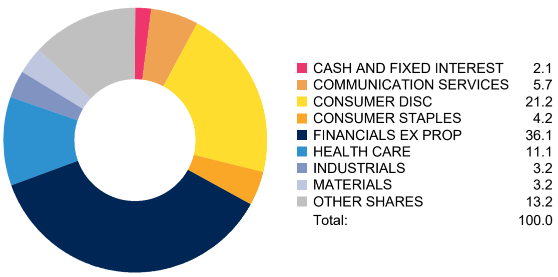
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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:	$1,093.02 million as at 31 Mar 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	11.4%
Suncorp Group Limited	6.9%
Goodman Group	6.7%
CSL Limited	6.7%
National Australia Bank Limited	5.9%
Flutter Entertainment Plc	5.9%
Wesfarmers Limited	5.2%
Westpac Banking Corporation	4.1%
ANZ Group Holdings Limited	4.0%
Premier Investments Limited	3.9%

NET PERFORMANCE - periods ending 30 June 2024

	Fund	Benchmark #	Excess
1 month	3.02	3.28	-0.26
3 months	-0.43	0.11	-0.55
FYTD	18.00	17.70	+0.30
1 year	18.00	17.70	+0.30
2 year p.a.	17.04	14.64	+2.40
3 year p.a.	8.11	5.93	+2.18
4 year p.a.	13.72	11.04	+2.67
5 year p.a.	8.25	7.00	+1.24
7 year p.a.	7.36	7.65	-0.30
10 year p.a.	7.06	8.01	-0.95
Since incep.	9.74	9.00	+0.75

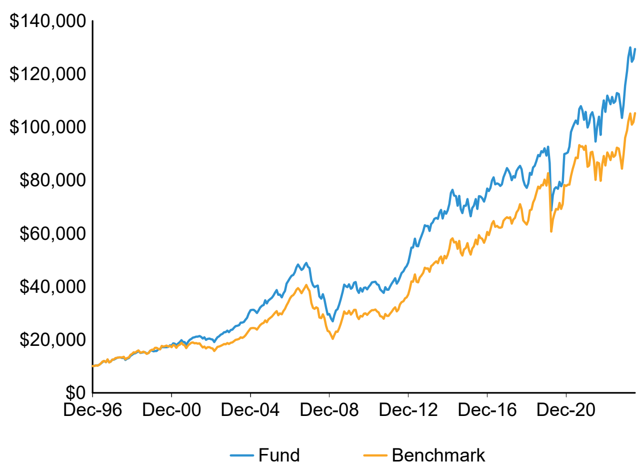
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	20.0	19.5
Dividend Yield*	3.2%	3.7%
Price / Book	2.3	2.2
Debt / Equity	29.8%	53.4%
Return on Equity*	11.1%	11.8%

^ 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 largely traded within a range throughout the June quarter finishing down a modest -1.20%. Australia's Q1 GDP growth unexpectedly slowed to 0.1% for the quarter, down from 0.2% in the previous quarter. On an annual basis, GDP grew by 1.1%, falling slightly short of the consensus estimate of 1.2%. In May, employment rose by 39,700 jobs, surpassing the consensus estimate of 30,000 and the 38,500 increase seen in April. Concurrently, the unemployment rate dropped to 4.0%. Monthly inflation in Australia increased to 4.0% year-over-year in May (up from 3.6% in April), exceeding the consensus forecast of 3.8%. This marks the third consecutive increase, bringing inflation to its highest level since December 2023. Despite this, the Reserve Bank of Australia (RBA) has maintained the cash rate at 4.35%, keeping its options open due to ongoing inflation risks and the influence of recent state and federal budgets on inflation. Sector-wise, Utilities and Financials led the market higher, while Energy and Real Estate were the biggest laggards. Major contributors to this drag were Woodside Energy Group Ltd, down 7.51%, and Mirvac Group, down -18.14%, both of which weighed heavily on the index.

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 Macquarie Group Ltd, Telstra Group Limited (not held), and Woolworths Group Ltd (not held), all of which are not held in the portfolio.

The overweight position in financial services provider Suncorp Group (+6.40%) contributed to relative performance over the quarter. The stock's recent performance has been impressive and the Australian Competition Tribunal's decision to grant authorisation of the proposed sale of Suncorp bank at the end of February buoyed the stock price in a negative period for the market.

Origin Energy significantly contributed to portfolio returns during the quarter (+18.04%) while the market was down -1.20%. This was partly due to the New South Wales government announcing a deal to extend the lifespan of the Eraring power station, which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realise value if the transition to cleaner energy sources does not proceed efficiently. Additionally, while electricity prices have remained volatile (weak during summer before improving afterwards), ORG's portfolio of gas peakers provides the flexibility to manage market instability and optimise exposure. While pure upstream energy plays have shown inconsistent operational performance, Origin's APLNG demonstrated solid volumes and favourable capital expenditure outcomes.

The overweight to Sonic Healthcare Limited detracted from performance over the June quarter (-10.57%). Sonic downgraded it's FY 2024 earnings guidance to $1.6 billion which was roughly a 9% downgrade. Sonic cited the inflationary cost pressures and that productivity initiatives have been slower to deliver however will likely come into affect in 2025. Despite this, the base business is returning well with Sonic enjoying a strong portion of specialist work, which has higher reimbursement from Medicare. We continue to see Sonic as a well-managed company, with emphasis on medical leadership as well as reasonably under-levered balance sheet and unrealised value in its investment in Harrison.ai.

During the June quarter, EVT experienced a decline of 6.44%, largely in the absence of significant news flow. The upcoming FY24 results are anticipated to be lower than the prior comparable period, primarily due to a lack of box office content and the impact of the Euros in Germany. With substantial operating leverage, the absence of content in late 2023 resulted in a weaker performance relative to expectations. Despite the underperformance of the cinema segment, the hotels division showed strong results and earnings growth. This segment is expected to benefit further from the recent redevelopment of Rydges Melbourne, as the property matures towards its targeted earnings levels over the coming years. This site is among the largest contributors to the hotels division. The company's diversified property portfolio adds resilience and supports valuations that exceed the current share price.

OUTLOOK

Markets are contending with a range of challenges, including consumer pressure, high interest rates, and resurgent inflation. Although the Australian market does not have the same concentration of technology companies as the U.S, there are still pockets of exuberance with sky high valuations. It is still important to remain disciplined about the prices we pay for quality investments, a strategy that has been crucial in consistently delivering superior returns with lower risk over time.

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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