

Perpetual Investment Funds

PERPETUAL CONCENTRATED EQUITY FUND

June 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

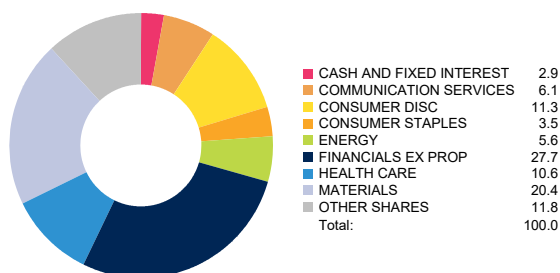
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	August 1999
Size of Portfolio:	\$353.00 million as at 31 Mar 2024
APIR:	PER0102AU
Management Fee:	1.10%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	8.5%
Commonwealth Bank of Australia	8.3%
National Australia Bank Limited	7.1%
Origin Energy Limited	6.8%
Insurance Australia Group Ltd	6.0%
Goodman Group	5.0%
CSL Limited	4.6%
Premier Investments Limited	3.4%
Ramsay Health Care Limited	2.9%
Santos Limited	2.9%

NET PERFORMANCE - periods ending 30 June 2024

	Fund	Benchmark #	Excess
1 month	2.04	0.92	+1.12
3 months	-0.77	-1.20	+0.43
FYTD	8.76	11.92	-3.16
1 year	8.76	11.92	-3.16
2 year p.a.	11.42	13.15	-1.73
3 year p.a.	7.41	6.08	+1.34
4 year p.a.	14.34	11.28	+3.06
5 year p.a.	7.83	7.22	+0.62
7 year p.a.	7.82	8.65	-0.83
10 year p.a.	7.15	8.04	-0.89
Since incep.	10.27	8.23	+2.04

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

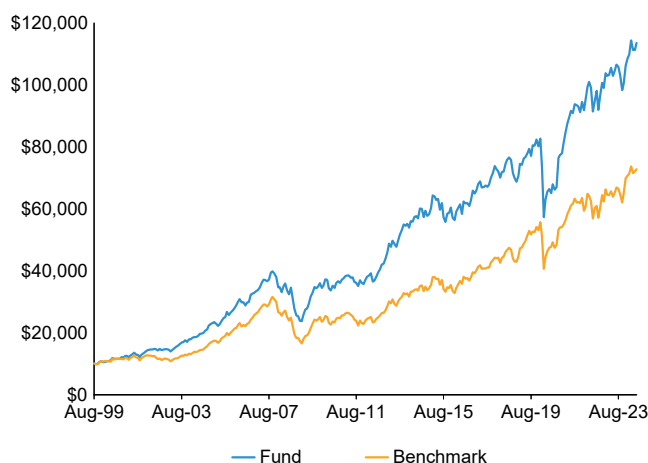
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	16.9	16.8
Dividend Yield*	3.3%	4.0%
Price / Book	2.2	2.1
Debt / Equity	30.3%	37.8%
Return on Equity*	12.8%	13.0%

[^] 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 Origin Energy Limited, Insurance Australia Group Ltd and Premier Investments Limited. Conversely, the portfolio's largest relative underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Woolworths Group Ltd, all of which are not held in the portfolio.

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.

The overweight to IAG was a strong contributor to performance over the quarter as the stock was up 11.56% in a falling market. IAG is one of our largest domestic overweight positions, and the stock has been a beneficiary of rising insurance premiums. Rising interest rates are also a tailwind for the business as it translates into higher investment returns on their balance sheet. Whilst insurance margins have been improving, we believe there is more upside here. In addition, towards the end of the month IAG announced reinsurance agreements with Berkshire Hathaway and Canada Life which reduced earnings volatility risk.

After a tough period of performance, the overweight to Healius contributed to performance over the quarter with the stock up 13.21%. With the first quarter under the new CEO Paul Anderson's belt, we have seen progress across operational improvements and a focus to bringing the balance sheet back to a net cash position. Looking forward we continue to see upside in the stock from the rationalisation of the company's portfolio (sale of Lumus imaging for a favourable price) with a potential return of some capital as well as a reduction in overhead costs. We also anticipate a recalibration of the pathology operating model.

The overweight position in healthcare services and hospital operator Ramsay Health Care detracted from relative performance over the quarter (-16.04%). There is growing concern over reimbursements the hospital providers receive not keeping up with both wage inflation as well as higher medical supply costs. The overseas operations are under further pressure as French government initially provided Ramsay Sante with a lower-than-expected tariff indexation, which they have since adjusted upwards to match the inflationary environment.

The overweight position in mining royalty firm Deterra Royalties Ltd detracted from performance over the quarter (-19.07%). This was firstly due to a falling iron ore price as China port stocks rose and steel inventory drew at a below seasonal rate due to the ongoing weakness in the property sector. Secondly, Deterra announced the acquisition of Trident Royalties that is its first foray into diversification. While the company has widely been expected to grow through acquisition, the acquisition of another royalty company and cut in the dividend policy to a minimum 50%, previously 100%, payout was not anticipated by the market.

The overweight position in motor vehicle equipment, parts, and servicing supplier Bapcor Ltd (-18.54%) detracted from relative performance over the June quarter. This is despite the stock rallying 20.94% in June as the company announced it had received an indicative, conditional and non-binding proposal from Bain Capital to acquire the company. This helped the stock recover following a difficult period for the firm with some turbulence to the leadership team. The previous downgrade in net profit after tax also highlighted the pressure the business faces from costs of doing business. Despite this, FY23 was a solid result with significant improvement in cash flow conversion through the second half as BAP was able to reduce inventory whilst maintaining strong gross margins.

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.

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. 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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