

## Perpetual Investment Funds

# PERPETUAL SHARE-PLUS LONG-SHORT FUND

March 2024

### FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and income through investment in quality shares and taking short positions predominantly in selected Australian shares.

### FUND BENEFITS

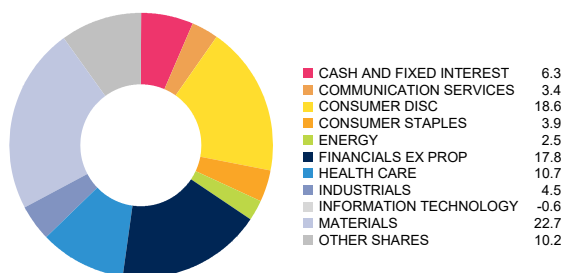
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

### 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.

<b>Benchmark:</b>	S&P/ASX 300 Accum. Index
<b>Inception Date:</b>	March 2003
<b>Size of Portfolio:</b>	\$829.20 million as at 31 Dec 2023
<b>APIR:</b>	PER0072AU
<b>Management Fee:</b>	0.99%*
<b>Performance Fee:</b>	13.98% of outperformance*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	10.5%
Commonwealth Bank of Australia	6.2%
Flutter Entertainment Plc	5.4%
Goodman Group	5.3%
Suncorp Group Limited	4.7%

### MARKET EXPOSURE

	% of Portfolio
Long	113.6%
Short	-19.9%
Net	93.7%

### NET PERFORMANCE - periods ending 31 March 2024

	Fund	Benchmark #	Excess
1 month	2.78	3.26	-0.48
3 months	9.89	5.43	+4.46
FYTD	12.39	13.28	-0.90
1 year	12.81	14.40	-1.59
2 year p.a.	8.99	6.66	+2.34
3 year p.a.	12.10	9.43	+2.67
4 year p.a.	19.30	16.04	+3.26
5 year p.a.	11.42	9.15	+2.27
7 year p.a.	9.69	8.60	+1.09
10 year p.a.	9.19	8.27	+0.93
Since incep.	11.57	9.65	+1.91

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

### GEOGRAPHIC LOCATION

The Fund holds no single international asset representing more than 10% of the Fund's net asset value.

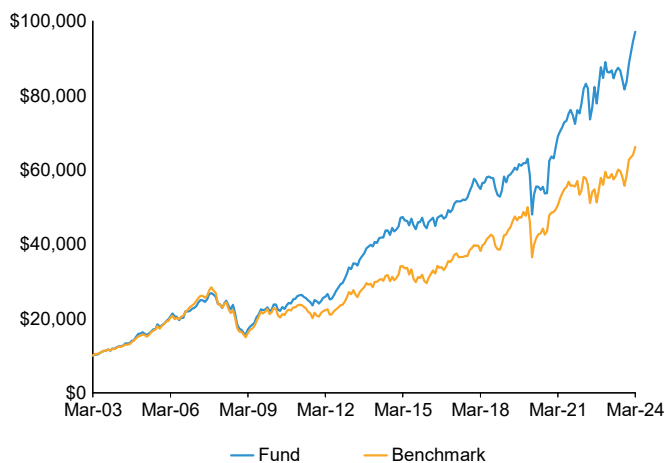
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	18.2	17.0
Dividend Yield*	3.3%	3.9%
Price / Book	2.2	2.1
Debt / Equity	27.7%	36.9%
Return on Equity*	12.6%	13.0%

<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 and a full description of the Fund's performance fee is set out in the Fund's PDS.

## MARKET COMMENTARY

In the March quarter, the S&P/ASX300 saw a substantial 5.4% increase, with Tech (23.6%), Real Estate (14.9%), Consumer Discretionary (13.4%), and Financials (12.1%) leading the pack in terms of sector returns. Conversely, Materials (-6.3%), Telecoms (1.1%), and Consumer Staples (2.1%) struggled to keep pace, marking them as the underperformers. The sector movements during this period reflected various factors at play. Optimism surrounding lower interest rates, spurred by the Federal Reserve, propelled tech stocks and real estate to notable gains, while consumer sectors remained resilient. Concerns regarding China's growth trajectory led to a drop in iron ore prices, impacting the Materials sector negatively.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment Plc, Suncorp Group Limited and La Francaise des Jeux SA. Conversely, the portfolio's largest underweight positions include Macquarie Group, Ltd (not held), Woodside Energy Group Ltd (not held) and Commonwealth Bank of Australia.

Goodman Group continued to significantly contribute to our relative performance for the quarter, posting a robust 33.64% increase, supported by a favourable half-yearly update and the inclusion into the North American REIT index (NAREIT). The shares experienced a positive re-rate driven by a stronger than expected result and increasing optimism surrounding the company's data centre strategy. Despite the current relatively full valuation compared to our initial position, the investment in data centres offers additional upside potential for future earnings. Our decision to establish a position in Goodman Group late last year proved prescient, capitalizing on market concerns about the performance of large property groups in a rising rate environment. In contrast to some overly leveraged property owners facing challenges, we believed GMG's positioning within key growth sectors in the property industry, its development-driven model and strong management team would enable the company to outperform its peers.

The overweight position in Light & Wonder substantially contributed to the portfolio's outperformance over the quarter as it re-rated (+32.25%) on the back of an impressive fourth quarter result. Light & Wonder delivered a result ahead of analyst expectations, driven primarily by outperformance in the core land-based gaming division. The strong performance of one of its new release games, Dragon Train, in the home Australian market is of particular note. Dragon Train is showing strong early signs of success with leading game performance translating to market share gains. Management highlighted in the result that the game will be imminently released into the larger US market, providing a solid foundation for anticipated earnings growth in 2024. Over the past few years, Light & Wonder has undergone a transformative journey, resulting in a repositioned company with a robust balance sheet, an exceptional management team, creative talent, and a clear strategic vision. Pleasingly, recent operational results suggest that the foundational changes made in the business are translating to better products for customers and ultimately better earnings and overall outcomes for shareholders. Despite the recent re-rate, we maintain that the company trades at an attractive valuation relative to its attainable growth prospects.

Stanmore Resources detracted from relative performance over the quarter as the stock declined -16.54%, following a period of notable strength. The headline coking coal price has fallen >US\$100/t as steel production rates in China have remained seasonally low due to subdued construction demand post Lunar New Year, although quality discounts for some of the lower quality coking coals produced by Stanmore have begun to tighten from historically wide levels. Stanmore also purchased an interest in the Eagle Downs project that has a chequered history of development. The upfront cost is only US\$15m and there are significant synergies around capex to be unlocked from Stanmore mines that are close by (Poitrel) so we think this adds another organic growth option to the portfolio. Looking ahead, coking coal is anticipated to face a structural deficit given insufficient supply to meet the escalating steel demand in India and other Southeast Asian countries. In light of these developments, we maintain our perspective on the significant value inherent in Stanmore Resources' assets.

The overweight position in mining royalty firm Deterra Royalties Ltd (-3.64%) detracted from relative performance over the quarter. After rallying through January, iron ore prices corrected in February and have now fallen back to <US\$100/t driven by increased supply from Australia and Brazil and a slow recovery in Chinese steel production post Lunar New Year. The MAC mine operated by BHP that Deterra owns a royalty over had a 4% decrease in production in the DQ QoQ due to tie-in activity from the expansion to 145mtpa, but is expected to ramp up to full production through 2024 that will be a partial offset to lower iron ore prices. The company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly FOB revenue from the MAC royalty area and A\$1m for every additional tonne of capacity added on an annual basis.

## OUTLOOK

With services inflation in the US showing a robust rise of around 5% annually, coupled with indications of persistent and domestically driven inflation in Australia, concerns about a "higher for longer" stance on interest rates have regained prominence. Despite this, the US Federal Reserve is steadfast in its commitment to reducing rates throughout 2024, prioritizing economic growth over inflation worries. This situation poses a challenge for the Reserve Bank of Australia (RBA), given that the Australian economy trails behind the US by several months, and the RBA remains unconvinced that inflation has been effectively managed. While Australian equities are still relatively cheaper compared to their US counterparts, there remains a risk of downward adjustments to earnings, particularly if pressures on margins and interest rates persist without alleviation.

---

The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily however will only be paid in the event that the Fund's return over the performance fee calculation period is positive and the performance fee accrual is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

# 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)

