

# WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

July 2024

## FUND FACTS

**Investment objective:** Aims to enhance long-term capital growth through borrowing (gearing) to invest predominantly in quality Australian industrial and resource shares.

## FUND BENEFITS

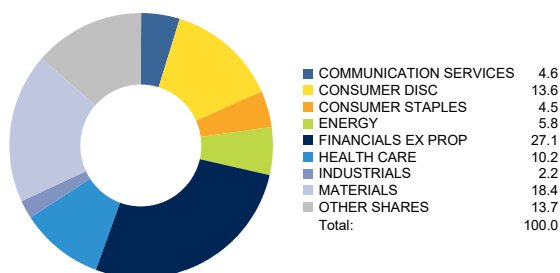
Provides investors with broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

## 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>	November 2003
<b>Size of Portfolio:</b>	\$62.16 million as at 30 Jun 2024
<b>APIR:</b>	PER0223AU
<b>Management Fee:</b>	0.98%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Seven years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	10.1%
Commonwealth Bank of Australia	9.0%
National Australia Bank Limited	5.8%
Origin Energy Limited	5.4%
Flutter Entertainment Plc	5.3%
CSL Limited	5.0%
Insurance Australia Group Ltd	4.5%
Goodman Group	4.4%
Westpac Banking Corporation	4.0%
Premier Investments Limited	3.4%

## NET PERFORMANCE - periods ending 31 July 2024

	Fund	Benchmark #	Excess
1 month	8.67	4.13	+4.54
3 months	10.60	5.98	+4.62
FYTD	8.67	4.13	+4.54
1 year	10.75	13.27	-2.52
2 year p.a.	16.26	12.18	+4.08
3 year p.a.	11.19	7.12	+4.06
4 year p.a.	27.14	12.25	+14.89
5 year p.a.	9.06	7.46	+1.60
7 year p.a.	11.06	9.28	+1.77
10 year p.a.	8.20	8.02	+0.18

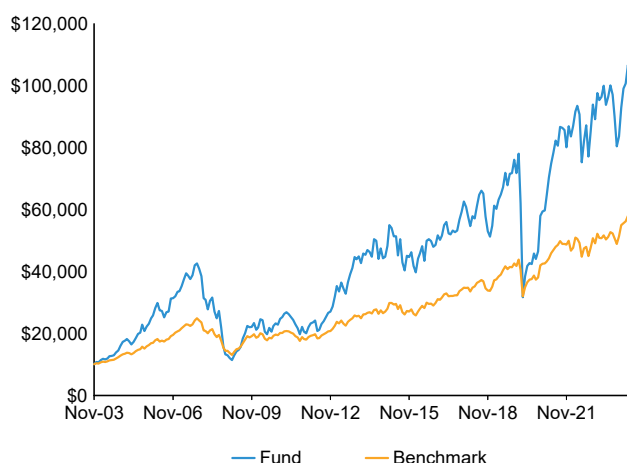
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

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

	Portfolio	Benchmark
Price / Earnings*	18.0	17.6
Dividend Yield*	3.1%	3.8%
Price / Book	2.1	2.2
Debt / Equity	26.6%	36.1%
Return on Equity*	11.6%	12.9%
Gearing Level	50.8%	

<sup>^</sup> Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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



## MARKET COMMENTARY

The S&P/ASX 300 rallied strongly in July, rising by 4.1%. The Australian market benefited from a global rotation favouring cyclicals over technology. This shift saw Financials soar by 6.25%, contributing nearly half of the benchmark return. The Consumer Discretionary and Real Estate sectors were also significant contributors, along with healthcare. The backdrop was reasonably benign, with strong domestic employment growth and high hopes for a soft landing in the US. While concerns about high inflation persisted at month-end, a consensus quarterly inflation number alleviated fears of further rate hikes and boosted markets.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include BHP Group Ltd, Flutter Entertainment PLC and Origin Energy Limited. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Rio Tinto Limited, all of which are not held in the portfolio.

BlueScope Steel Limited contributed to strong performance in July, with its stock rising by 8.47%. This increase was primarily driven by market anticipation of potential monetary policy easing in the US and expectations that the US election outcome could further pressure Chinese steel imports. This rally occurred despite consensus downgrades for FY25 due to the collapse in steel spreads. 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.

The overweight to Premier Investments continued to contribute to performance rallying 6.39% for the month and taking the 1 year return to 56.50%, greatly outperforming the broader Consumer Discretionary sector which is up 28.76% for the year. Despite negative industry trends and heightened consumer pressures, Premier has demonstrated its strength through consistently robust trading outcomes. PMV has been a cornerstone of our core retail investments, renowned for its quality business model, fortified by a robust net cash balance and overseen by engaged and experienced executive leadership. PMV's strategic review signals proactive measures to assess and potentially enhance the corporate, operating, and capital structure, reinforcing its commitment to sustained excellence. The strategic review has resulted in a potential demerger and separate listings of its Smiggle and Peter Alexander brands. Further to this, the approach from Myer to acquire Premier's Apparel Brands is a further opportunity to unlock value for shareholders. Although future outcomes remain uncertain, they are expected to reflect Premier's commitment to maintaining its high-quality standing in the market.

After a period of strong performance, Origin Energy gave back some gains in the month of July falling -3.41%. Although the stock traded down for most of the month, on the 31st Origin released their quarterly report with no notable surprises. The stock continues to look favourably valued, particularly post 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 realize 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.

The overweight position in Iluka Resources detracted to performance over July as the stock fell -7.48%. Although rutile and zircon pricing was largely stable, negative sentiment around global GDP levels and negative sentiment around a CAPEX increase for the rare earths refinery led to the stock falling. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and largest producer of zircon that is used to produce ceramics (tiles) and a recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets. The next catalyst for the company is the update on the funding for the increased capex of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than \$1 billion from the federal government that has a \$200 million overrun facility.

## OUTLOOK

Markets finished July on a high note, but difficulties are emerging. A sudden deterioration in economic data in the US during the first week of August led to a sharp sell-off in US and other equity markets. This accelerated the rotation in equities that began in July and raised the spectre of a recession for the first time in months. Coinciding with this was the Bank of Japan's decision to raise interest rates to near generational highs, which appeared to trigger a reappraisal of asset allocation and a potential unwind of the multi-trillion-dollar Japanese "carry trades" that have been in place for many years. The Nikkei had its worst day since 1987, though it bounced back a day later. Nonetheless, the sharp correction in markets, with the NASDAQ repeatedly underperforming the Dow and S&P, increases the risk that a broader realignment could finally be here.

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# 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.  
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The product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the 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 an investor's capital.  
Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

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## MORE INFORMATION

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