

# PERPETUAL SHARE-PLUS LONG-SHORT

July 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

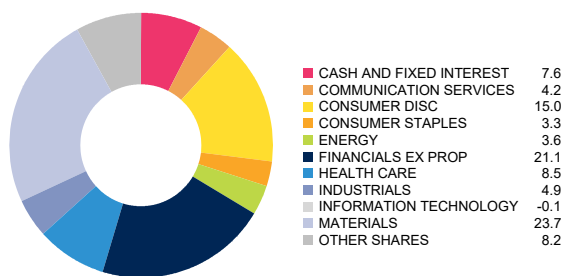
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

## 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.

**Benchmark:** S&P/ASX 300 Accum. Index  
**Inception Date:** November 2008  
**Size of Portfolio:** \$49.59 million as at 30 Jun 2024  
**APIR:** PER0495AU  
**Management Fee:** 1.23%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Five years or longer

## PORTFOLIO SECTORS



## TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
BHP Group Ltd	9.9%
Commonwealth Bank of Australia	7.1%
Suncorp Group Limited	5.4%
Flutter Entertainment Plc	5.3%
CSL Limited	5.2%

## MARKET EXPOSURE

Market Exposure	% of Portfolio
Long	115.3%
Short	-22.9%
Net	92.4%

## NET PERFORMANCE - periods ending 31 July 2024

Period	Fund	Benchmark #	Excess
1 month	2.23	4.13	-1.90
3 months	3.25	5.98	-2.73
FYTD	2.23	4.13	-1.90
1 year	11.59	13.27	-1.68
2 year p.a.	12.54	12.18	+0.37
3 year p.a.	9.86	7.12	+2.74
4 year p.a.	15.37	12.25	+3.12
5 year p.a.	9.57	7.46	+2.11
7 year p.a.	8.79	9.28	-0.49
10 year p.a.	7.64	8.02	-0.38

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

## GEOGRAPHIC LOCATION

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

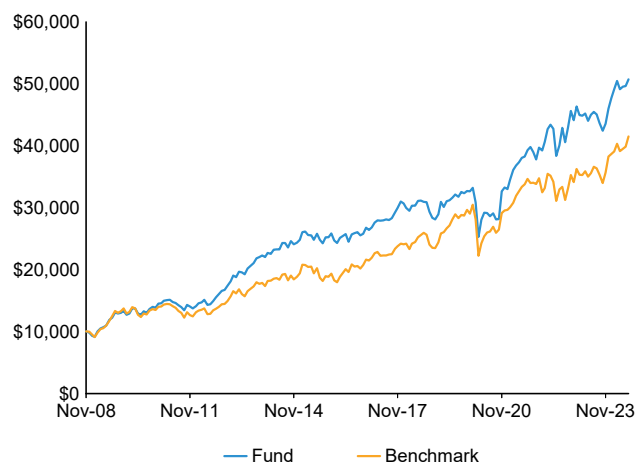
## PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	17.2	17.6
Dividend Yield*	3.2%	3.8%
Price / Book	2.3	2.2
Debt / Equity	29.4%	36.1%
Return on Equity*	13.4%	12.9%

<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 (including estimated indirect costs) is set out in the Fund's PDS.

## 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 Flutter Entertainment Plc, Suncorp Group Limited and Premier Investments Limited. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd (not held), Commonwealth Bank of Australia and Woodside Energy Group Ltd (not held).

Mainfreight Limited significantly contributed to the portfolio's performance over the month, with the stock rallying 10.17%, outperforming the broader ASX 300, which was up 4.13%. We began purchasing stock in Mainfreight in June 2024, drawn by a cyclical downturn in New Zealand which culminated in a research trip to the country. Mainfreight is a high-quality logistics company operating globally, with a success-driven culture established by its founder and carefully maintained by a strong management team. CEO Don Braid, who has been with the company for 29 years, exemplifies this culture, which permeates the entire organization down to the most junior employees. The company has robust succession planning, ensuring the continuity of its cultural framework, which has consistently led to significant success. Mainfreight places a strong emphasis on quality service, providing transparent KPI reporting to both customers and shareholders. A key KPI is the number of customers using all three divisions. As of FY23, 37% of the top 500 customers utilized all three divisions, a figure that has steadily increased over time. Outside of New Zealand, the company's performance in Australia is strong, with the potential to achieve New Zealand-level margins by adapting to local conditions. While the Americas and Europe currently lag behind, MFT is confident in its strategic approach and foundational capabilities to capitalize on these larger markets. The company has announced plans for significant investments in these regions, supported by a strong balance sheet (net cash) and retained earnings. MFT's impressive track record in New Zealand and disciplined capital management inspire confidence. However, we acknowledge the risks associated with entering highly competitive markets where network intensity is crucial and where volatile cost pressures can significantly impact margins.

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.

Cobram Estate Olives detracted from performance over July (-6.70%) although has still performed strongly for the year up over 20%. Several years of drought across Europe has resulted in a significant increase in the price of olive oil. While the current European crop looks healthy and global olive oil prices have stabilised, we believe the market has underestimated the earnings leverage that Cobram will reap from the 25-40% price increases taken across its range in Woolworths and Coles over the past 12 months.

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 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.

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## MORE INFORMATION

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