

Perpetual Pure Series Funds

PERPETUAL PURE EQUITY ALPHA FUND - CLASS A

June 2024

FUND FACTS

Investment objective: Aims to generate positive returns over a market cycle irrespective of market conditions by investing in both long and short positions of predominantly Australian shares.

FUND BENEFITS

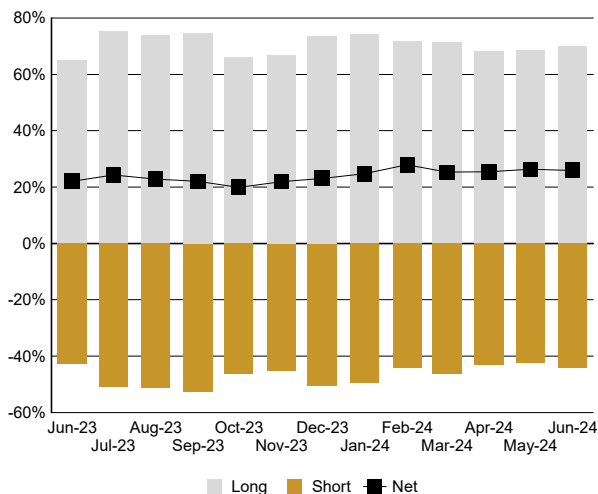
The Fund aims to achieve performance objectives by adopting a bottom-up stock selection process for both long and short positions, combined with a top down approach to managing market exposure. Decisions to buy or sell are based mainly on fundamental stock analysis, complemented by the identification of special opportunities.

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.

Inception Date:	March 2012
Size of fund:	\$265.87 million as at 31 Mar 2024
APIR:	PERo668AU
Fund Managers:	Anthony Aboud
Management Fee:	1.28%*
Performance Fee:	20.5% of outperformance*
Performance Hurdle:	RBA Cash Rate Index
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

HISTORICAL MARKET EXPOSURE



TOP 5 STOCK HOLDINGS (LONG)

	% of Portfolio
Flutter Entertainment Plc	5.6%
Servcorp Limited	4.1%
Goodman Group	3.3%
Premier Investments Limited	3.0%
Suncorp Group Limited	3.0%

* Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

GEOGRAPHIC LOCATION OF MATERIAL ASSETS

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

NET PERFORMANCE- periods ending 30 June 2024

	Fund	RBA Cash Rate Index*
1 month	0.15	0.36
3 months	1.16	1.09
FYTD	5.31	4.37
1 year	5.31	4.37
2 year p.a.	6.50	3.67
3 year p.a.	6.39	2.49
4 year p.a.	8.06	1.90
5 year p.a.	7.43	1.65
7 year p.a.	6.50	1.61
10 year p.a.	6.27	1.72
Since incep.	7.07	1.95

RBA Cash Rate Index is the Performance Hurdle.

PORTFOLIO SECTORS

	Long	Short	Net
Communication Services	3.6	-2.4	1.2
Consumer Discretionary	17.3	-7.6	9.8
Consumer Staples	8.6	-5.9	2.6
Energy	2.0	0.0	2.0
Financials ex Property Trusts	6.2	-11.2	-5.0
Health Care	2.1	-1.4	0.7
Industrials	8.8	-8.8	0.0
Information Technology	0.0	-0.3	-0.3
Materials	7.8	-1.1	6.7
Other Shares	0.0	0.0	0.0
Property Trusts	0.0	0.0	0.0
Real Estate	10.1	-5.4	4.7
Utilities	3.6	0.0	3.6
Total	70.1	-44.2	25.9

PORTFOLIO FUNDAMENTALS^

	Portfolio
Price / Earnings*	16.6
Dividend Yield*	3.3%
Price / Book	2.1
Debt / Equity	29.9%
Return on Equity*	13.5%

^ 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.

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 positions include Flutter Entertainment Plc, Servcorp Limited and Cobram Estate Olives Ltd. Conversely, the portfolio's largest short positions vary across sectors but include selected Financials, Consumer Staples and Infrastructure names.

During a quarter where the market declined by 1.2%, the portfolio's investment in Servcorp significantly contributed to its performance, with the stock appreciating by 7.63%. Following an encouraging update to shareholders in February, the stock continued to perform well despite the absence of material news releases. The current valuation remains attractive, with considerable upside potential from the anticipated IPO of Servcorp's Saudi Arabian business. As disclosed at the half-year mark, Servcorp has secured a regional headquarters license from the Saudi Ministry of Investment. The plan is to list its Middle East and European (excluding the UK) operations, which would result in a substantial cash injection into the business. Servcorp already boasts a robust balance sheet, with approximately \$100 million in cash. Whether or not the IPO proceeds, Servcorp is currently trading at an appealing valuation, generates strong cash flows for investors, and has multiple avenues to unlock shareholder value. With the growing demand for flexible workspaces, Servcorp remains a leader in providing innovative and premium office solutions, adapting to the evolving dynamics of the workplace.

LGI contributed to performance over the quarter with the stock rising 31.58%. LGI is currently capitalising on a number of thematic/regulatory tailwinds including: circularity of waste, industrial decarbonisation, & energy market volatility. Across the next three years the business is investing in expansion of its existing landfill gas assets, adding further MWh of generation with grid scale battery assets to lean into medium term power market volatility. The installation of LGI-AU's first battery asset at its Bunya generation facility has highlighted the opportunity across the rest of the portfolio with realised spot prices 77% above what was achievable with a generation unit alone. Expansion of brownfield sites & the incremental addition of new greenfield flaring sites supports growth in the Carbon business that is seeing tailwinds as the current safeguard mechanism pressures large emitters to materially decarbonise operations or source ACCUs which LGI provides.

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 company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly Free-on-Board (FOB) revenue from the MAC royalty area. MAC is expected to ramp-up to full capacity of 145 millions of tonnes per annum in JQ24 that will increase the royalty and capacity payments to Deterra.

The overweight position to McMillan Shakespeare detracted from relative performance over the quarter as the stock was down -10.75%. Importantly, this is despite no stock specific news from the company and likely a case of an automotive "baby being thrown out with the bathwater" as a few auto dealers such as Eagers Automotive downgraded profit for the financial year. McMillan Shakespeare continues to be a well-trusted, high-quality brand, with numerous government contracts spanning decades. The company remains strategically positioned to capitalise on growth opportunities in employee benefits, fleet management, and disability support industries. Additionally, the push for electric vehicles, supported by lease benefits, presents a promising growth pathway for the business.

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 performance fee is equal to 20.50% of daily outperformance over the hurdle rate of return. The current hurdle rate is the Reserve Bank of Australia cash rate. Performance fees are accrued daily and payable six monthly, 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.

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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.

MORE INFORMATION

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