Perpetual Investment Funds

PERPETUAL INCOME SHARE FUND

June 2024

FUND FACTS

Investment objective: To provide investors with exposure to a diversified portfolio of tax-effective, high income yielding Australian securities that are also expected to produce some long-term capital growth. To provide above market dividend yield as measured by the S&P/ASX 200 Accumulation Index.

FUND BENEFITS

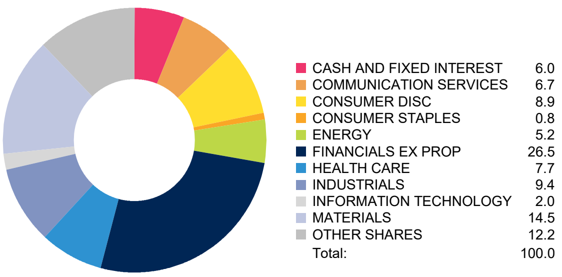
To provide investors with regular income through investment in quality securities.

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 200 Accum. Index
Inception Date:	December 1995
Size of Portfolio:	$166.44 million as at 31 Mar 2024
APIR:	PTC0002AU
Management Fee:	0.99%*
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	7.3%
Origin Energy Limited	6.2%
Insurance Australia Group Ltd	5.5%
National Australia Bank Limited	5.4%
Healius Limited	4.7%
GWA Group Limited	4.6%
Medibank Private Ltd.	4.1%
EVT Limited	3.6%
Deterra Royalties Ltd	3.6%
Premier Investments Limited	3.5%

NET PERFORMANCE - periods ending 30 June 2024

	Fund	Benchmark	Excess
1 month	1.76	1.01	+0.75
3 months	-3.00	-1.05	-1.94
FYTD	11.34	12.10	-0.77
1 year	11.34	12.10	-0.77
2 year p.a.	13.82	13.43	+0.39
3 year p.a.	7.16	6.37	+0.79
4 year p.a.	13.20	11.36	+1.84
5 year p.a.	7.61	7.26	+0.35
7 year p.a.	7.03	8.67	-1.64
10 year p.a.	8.14	8.06	+0.08
Since incep.	8.83	8.97	-0.14

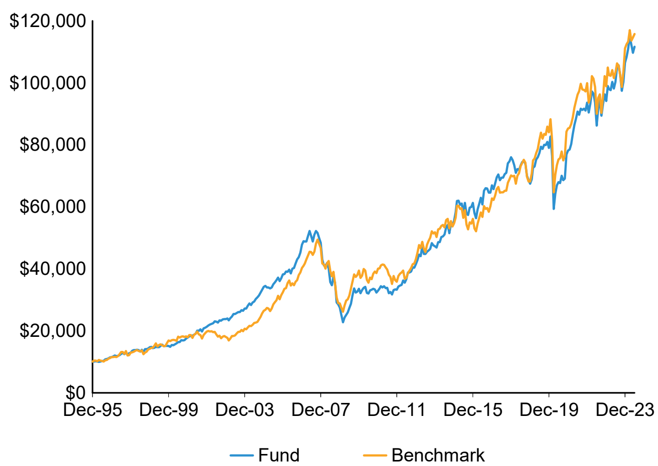
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.3	16.7
Dividend Yield*	4.5%	4.0%
Price / Book	1.8	2.1
Debt / Equity	33.6%	37.6%
Return on Equity*	11.8%	13.1%

^ 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 Healius Limited. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, CSL Limited (not held) and Wesfarmers Limited (not held).

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 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. While pure upstream energy plays have shown inconsistent operational performance, Origin's APLNG demonstrated solid volumes and favourable capital expenditure outcomes.

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. This is already in train and quite a detailed process, encapsulating everything from the authorised collection centre (ACC) footprint, opening hours, staff rostering, lab scheduling, and looking for efficiencies in middle management layers. Our view is that sustainable pathology margins are in excess of consensus expectations.

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. We continue to believe that BAP is a good quality business with material opportunity to improve margins, although volatility could persist with a potentially tough trading environment and uncertainty , although volatility could persist with a potentially tough trading environment and uncertainty around future leadership.

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 FOB revenue from the MAC royalty area. MAC is expected to ramp-up to full capacity of 145mtpa in JQ24 that will increase the royalty and capacity payments to Deterra.

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 isl 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.

MORE INFORMATION

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