Perpetual Investment Funds

PERPETUAL INCOME SHARE FUND

January 2025

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

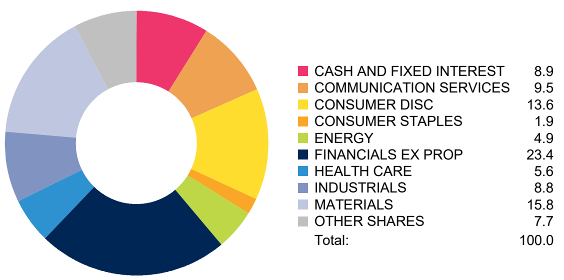
To provide investors with regular income through investment in quality securities.

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:	$4.54 million as at 31 Dec 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	7.9%
GWA Group Limited	6.0%
Ampol Limited	4.9%
Premier Investments Limited	4.7%
Telstra Group Limited	4.3%
ANZ Group Holdings Limited	4.1%
National Australia Bank Limited	3.9%
EVT Limited	3.9%
Deterra Royalties Ltd	3.1%
Brickworks Ltd	3.1%

NET PERFORMANCE - periods ending 31 January 2025

	Fund	Benchmark	Excess
1 month	2.94	4.57	-1.63
3 months	4.66	5.11	-0.46
1 year	13.54	15.17	-1.63
2 year p.a.	11.49	11.05	+0.44
3 year p.a.	10.81	11.44	-0.63
4 year p.a.	11.92	10.94	+0.98
5 year p.a.	8.29	7.97	+0.31
7 year p.a.	7.31	9.23	-1.92
10 year p.a.	7.75	8.65	-0.90
Since incep. p.a.	9.01	9.20	-0.19

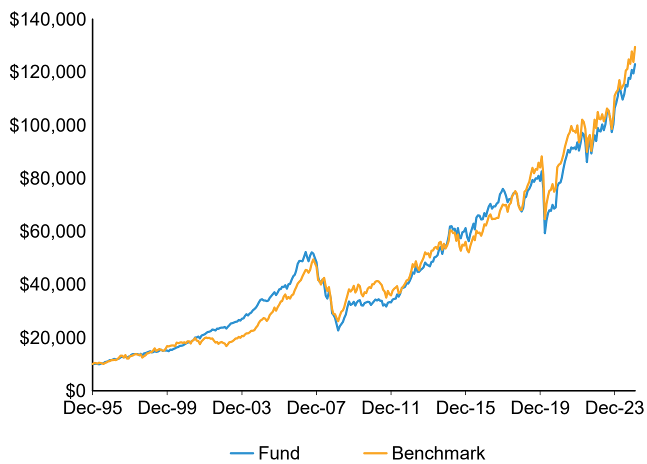
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	16.3	18.3
Dividend Yield*	4.5%	3.5%
Price / Book	1.8	2.3
Debt / Equity	35.0%	36.5%
Return on Equity*	11.5%	13.0%

^ 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

Markets surged in January, with the S&P/ASX 300 Accumulation Index delivering a strong 4.46% return, driven largely by Financials, which contributed nearly half of the month's gains. The major banks rallied, with NAB surging 8.19% and ANZ adding 7.29%, while CBA and Westpac rose 4.77% and 4.36%, respectively. Macquarie Group also posted a notable 8.64% gain, and Wesfarmers added 7.09%. Consumer Discretionary (+6.07%) and Real Estate (+4.60%) were among the strongest-performing sectors, while Utilities (-2.40%) was the weakest, weighed down by a 4.13% decline in Origin Energy. Consumer Staples saw only modest gains, rising 0.77%. Despite continued tariff threats from the White House, major miners BHP and Rio Tinto remained flat. December NAB Business Conditions improved to +6 from +3 in November, while the labour market remained resilient, with employment rising by 56,300—well ahead of expectations. Headline inflation fell to its lowest level since early 2021, with the trimmed mean reaching a three-year low. This drove increased speculation of interest rate cuts, leading to a decline in the Australian dollar.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include GWA Group Limited, Ampol Limited and Premier Investments Limited. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, CSL Limited and Goodman Group all of which are not held in the portfolio.

Insurance Australia Group continued to contribute to relative performance (+8.8%) as the market continued to reward the RACQ deal with the potential for IAG to reduce the capital demands of that business and extract higher returns. One aspect of IAG's strategy is an Adverse Development Cover (ADC), designed to shield its existing reserves from significant fluctuations. A second layer of protection comes from a reinsurance arrangement focused on natural perils, which provides a buffer against the unpredictable costs of weather-related events. This arrangement is structured to cover most expected scenarios, helping to stabilize the company's claims expenses. Although this layered protection introduces upfront costs, it reduces financial impact over time and is expected to moderate earnings volatility, protect target margins, and enhance long-term returns by lowering capital strain.

Eagers Automotive Limited contributed to performance in January (+9.0%) despite a lack of news-flow and automotive dealers being at an interesting point in the cycle. With potentially an improving consumer sentiment outlook and a favourable rate environment the market's excitement is building around the potential for an environment where excess inventory in the market is cleared and dealers can once again focus on price.

The overweight to Myer detracted from portfolio performance (-35.1%) during January as the company released a mid-month trading update which highlighted operating cost pressure and issues at the new distribution centre. Despite the noise, the company completed it's combination with Premier's Apparel Brands Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E. The combination has created a leading omni-channel retail platform that brings enhanced scale and significant operating leverage benefits. Myer will also benefit from the expected addition of Retail Stalwart Solomon Lew's potential addition to the board.

Orora limited detracted from portfolio performance in January falling -3.66% in a strong market. Although the company didn't release any material news, investor sentiment continues to wain around the near term outlook for Saverglass. We built an overweight position in Orora when we felt analysts' forecasts better reflected the risks associated with the controversial Saverglass acquisition. At that point, we thought prospective investors were paying fair value for both the Australasian and North American businesses but getting Saverglass at a substantial discount. Assuming the sale of the North American business completes shortly, then we believe investors will own a high-quality global packaging company, with a relatively under-geared balance sheet, providing the Board with considerable scope to consider shareholder capital management initiatives.

OUTLOOK

After an initial embrace of Trumponomics, market focus is shifting to the challenges of execution and the risk of inflation returning in 2025. The new administration must navigate deregulation, tax relief, and spending cuts while managing the budget deficit—an ambitious mix that bond markets will closely scrutinize. U.S. equities remain exuberant, with valuations echoing the Dotcom peak in 2000 and the post-COVID surge in 2021. While some Australian sectors appear stretched, overall valuations are more measured, especially in resources, which trade near multi-year lows. China remains the key uncertainty as its economy flirts with deflation. The question is whether authorities can deliver sustained stimulus, akin to QE3 in 2012, to restore confidence and support growth—an outcome with broad implications for global markets.

MORE INFORMATION

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