Perpetual Private

PERPETUAL SELECT AUSTRALIAN SHARE FUND

June 2024

FUND FACTS

Investment objective: Long-term capital growth and income through investment in a diversified portfolio of Australian shares.

Suggested length of investment: Five years or longer

BENEFITS

Provides investors with the potential for maximising capital growth and income, with broad market exposure.

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.

INVESTMENT APPROACH

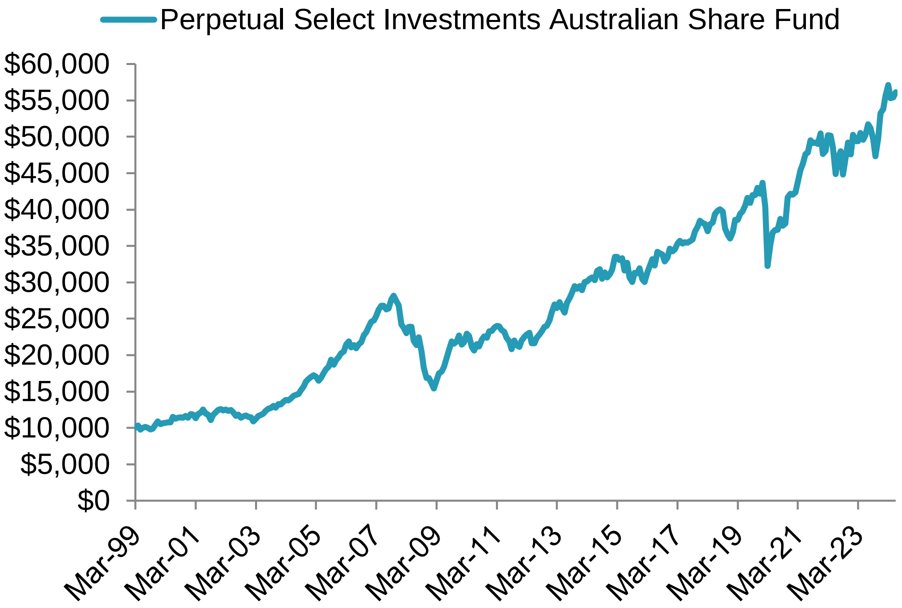
The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the Fund.

TOTAL RETURNS % (AFTER FEES) AS AT 30 JUNE 2024

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Australian Share Fund	PER0255AU	1.3	-1.7	5.4	11.8	5.6	6.7
Perpetual Select Super Australian Share Fund	WDL0001AU	1.0	-1.4	5.4	11.6	5.9	6.8
S&P/ASX 300 Accumulation Index		0.9	-1.2	4.2	11.9	6.1	7.2

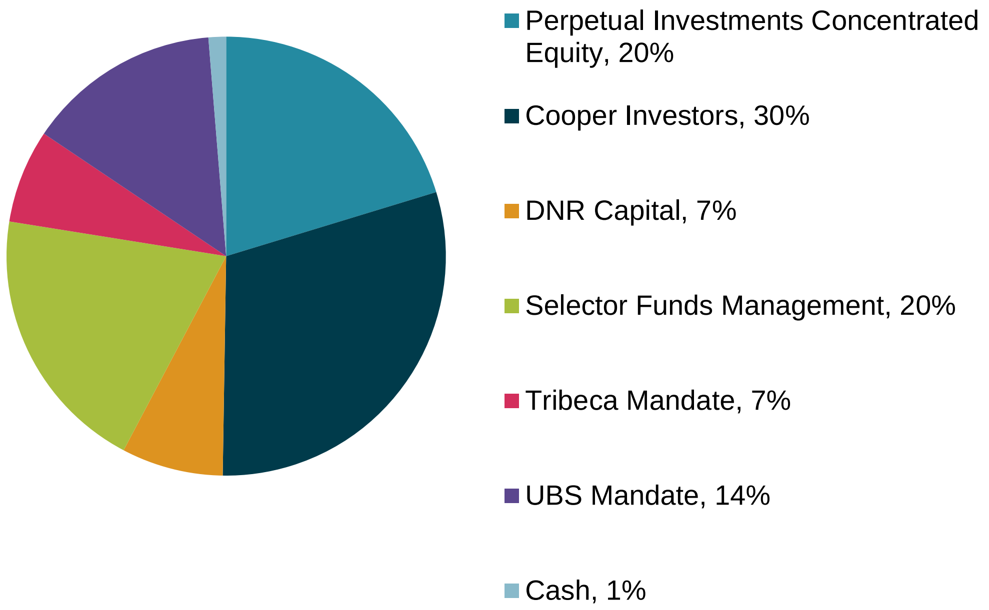
Past performance is not indicative of future performance

GROWTH OF $10,000 SINCE INCEPTION*



*The Growth of $10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

PORTFOLIO EXPOSURES^



^Portfolio exposures represent the Perpetual Select Investments Australian Share Fund

TOP 10 STOCK HOLDINGS	WEIGHTS (%)
BHP Group Ltd	7.4
CSL Limited	6.5
National Australia Bank Limited	4.4
Commonwealth Bank of Australia	3.8
ANZ Group Holdings Limited	3.0
Goodman Group	2.5
Macquarie Group, Ltd.	2.4
Technology One Limited	2.0
Wisetech Global Ltd.	2.0
Reece Limited	1.7

MANAGER INVESTMENT APPROACH	
Cooper Investors	High conviction portfolio, fundamental bottom up stock selection
DNR Capital	Concentrated small company portfolio, fundamental bottom up stock selection.
Tribeca Investment Partners	Small cap style neutral manager, diversified portfolio, fundamental bottom-up stock selection
Perpetual Investments Concentrated Equity	High conviction portfolio, fundamental bottom up stock selection
Selector Funds Management	High conviction portfolio, fundamental bottom up stock selection
UBS Asset Management (Australia)	Passive ASX20 mandate

MARKET COMMENTARY

Australian equities, and indeed most asset classes, experienced their first dose of volatility for 2024 early in Q2, as fears of 'sticky' inflation and diminishing hopes of rate cuts in Australia, pressured stocks in April. These concerns were primarily driven by hotter-than-expected inflation data, which reignited fears that the Reserve Bank of Australia (RBA) would be forced to hike rates after holding them steady since November last year. In Australia, the market is now 50 percent priced for the RBA to increase its cash rate target to a 12-year high of 4.6% in August, with cuts not currently expected until late 2025.

Despite positive performance in both May and June, the ASX 300 was unable to fully recover from the early-quarter losses, finishing the period down 1.2%. By market capitalisation, larger cap companies, as measured by the ASX 100 (-0.8%), outperformed small caps, as measured by the ASX Small Ords Index (-4.5%). Initially, higher bond yields in April weighed on smaller names, while later in the quarter, economic growth concerns further pressured smaller companies, which tend to be more sensitive to the economic outlook. From an investment style standpoint, Growth outperformed Value in the second quarter. Over FY24, on a total return basis, the ASX 300 returned 11.9%, which is above the 20-year average of 8.4%.

On a sector level, performance was mixed, with five of the eleven ASX 300 sectors finishing the quarter with positive returns. Utilities recorded the strongest gain (13.3%), followed by Financials (4.0%), Information Technology (2.4%), and Health Care (1.9%). In contrast, Energy (-6.7%), Materials (-5.9%), REITs (-5.7%), Communication Services (-5%) and Industrials (-4.3%) were the weakest sectors over the period. Their declines reflected growing anxiety about future economic growth, ongoing concerns around the property crisis and lower growth in China, and the potential impact of rate hikes on Australian households.

PORTFOLIO COMMENTARY

The Perpetual Implemented Australian Share Portfolio underperformed its benchmark in the second quarter on a net of fees basis.

Cooper Investors underperformed their benchmark over Q2. The primary detractor was their relative underweight to and stock selection within Financials. Within this sector, they have been underweight the major banks and most notably do not hold a position in Westpac and CBA, which both had a strong quarter. Other detractors at a stock level were holdings in Mirvac Group, Ramsay Health Care, Seek and Worley. This was offset partially by stronger returns from Infratil, CSL, Wistech Global and Macquarie Group.

Perpetual Concentrated Equity outperformed their benchmark over Q2. The primary contributor was their overweight to Utilities, the best performing sector, and their high conviction position in Origin Energy which was up 18% for the period. They also benefited from good stock selection within Real Estate, holding a key weight in Goodman Group which outperformed the broader index. This was partially offset by weaker returns from stocks held in the Materials, Healthcare and Consumer Discretionary sectors. Key detractors were Deterra Royalties, Orora, Ramsay Healthcare, Iluka Resources and Bluescope Steel.

Selector Funds Management outperformed their benchmark over Q2. Sector allocation contributed meaningfully, with strong overweights to two of the better performing sectors in Healthcare and Technology, while also not holding any Resources or Energy stocks, two of the worst performing sectors. The primary detractor at a sector level was their considerable underweight to Financials, with no exposure to any of the major banks. At a stock level, key contributors were OFX Group, Aristocrat, Fisher and Paykel, Pro Medicus and Technology One. Key detractors were James Hardie, Domino's Pizza, Seek and Reliance Worldwide.

UBS are running a passive ASX20 indexing strategy and have delivered the benchmark ASX20 index return (+0.78%) over Q2, which on an absolute basis has outperformed the Implemented Australian Share Portfolio's ASX300 benchmark. This ASX20 allocation benefited from stronger relative returns from the major banks, which are a large component of this index.

DNR outperformed the Small Ordinaries benchmark for Q2. The primary drivers of outperformance for the period were very strong stock selection within Healthcare, which was the only positive sector within the ASX Small Ordinaries for the period, as well as their strong overweight to and stock selection within Financials sector. This was partially offset by stocks held within the Industrials and Technology sectors. Key contributors were their high conviction positions in Pro Medicus, Technology One, Hub24, Netwealth and Pinnacle Investment Management. While detractors were Chrysos, IDP Education, Audinate, Megaport and Beach Energy.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2024	FY 2023	FY 2022
Growth Return %	9.6%	5.5%	-20.3%
Distribution Return %	2.2%	6.3%	14.5%
Total Return %	11.8%	11.8%	-5.8%

DISTRIBUTION BREAKDOWN

	FY 2024	FY 2023	FY 2022
Cents per unit	3.3419	9.1069	26.9090

PRODUCT FEATURES

	SUPER	INVEST.
Inception date	Dec 94	Mar 99
Management/Investment Fee (p.a.)*	0.90%	1.28%
Ongoing fee discount	Yes	No
Admin fee	0.10%	0.00%
Buy spread	0.26%	0.26%
Sell spread	0.00%	0.00%
Contribution fee	0.00%	0.00%
Withdrawal fee	$0.00	$0.00
Monthly member fee	$0.00	$0.00
Min. initial contribution	$3,000	$2,000
Min. additional contribution	$0	$0
Savings plan	Yes	Yes
Withdrawal plan	No	Yes
Distribution frequency	N/A	Quarterly
Contact information	1800 022 033	

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

Tribeca outperformed the Small Ordinaries benchmark for Q2. They benefited most from positive stock selection within Technology and Financials sectors. Key contributors were their positions in GQG Partners, Pro Medicus, Life360 and Macquarie Technology Group and Global Data Centre Group. This was partially offset by weaker stock selection within the Industrials and Materials sectors. Key detractors were Tourism Holdings, Boss Energy and Temple & Webster.

OUTLOOK

It had already been a strong start to the 2024 calendar year, with the Australian share market surging to new record highs – up over 5% for the March quarter (and up over 14% for that 12-month period to end March 2024). With equity markets already having delivered returns well above historical averages and sustained buoyancy in markets having already priced in the broader optimism from investors that rate cuts may be getting close; we naturally approached the June quarter feeling somewhat cautious on the near-term path for equities. Entering this quarter, we had positioned the portfolio to be relatively neutral from a style perspective, with a balanced allocation to both value and growth managers. With greater economic uncertainty, we saw potential headwinds and tailwinds for both investment styles. On the one hand, stronger than expected labour markets with continued wage growth and falling unemployment rates sparked some concerns that rates may be kept on hold for longer than expected, or that we may even see a further rate hike. Against this backdrop we would typically favour managers with a 'value' style bias. On the flip side, broader economic data was signalling that rates may have peaked and the perceived stability in interest rates, a more resilient consumer and the possibility of near-term rate cuts, we also saw as potential tailwinds for managers with a 'growth' style bias. The portfolio also had a slight bias to SMID (small-to-medium) sized companies, as this is where our managers have been seeing stronger opportunities at more reasonable valuations, particularly given the strong run up in equity markets that we've seen more recently. At the sector level, key overweights were Tech, Healthcare and Consumer Discretionary stocks, while we remained under-weight other more cyclical sectors, these being Financials, Materials, Energy and REITs.

The June quarter commenced broadly as we had anticipated. April was notably a tougher month for Australian Shares, as higher than expected inflation data fuelled fears of a 'higher for longer' interest rate environment. This combined with escalating geopolitical tensions and some frothier valuations post the February reporting season all contributed to a more fragile 'risk off sentiment'. Whilst we saw share prices recover slightly through May and June, this wasn't enough to offset April's pullback. We saw weaker returns from Energy and Materials stocks, which was driven by several factors. Volatile oil prices weighed on energy stocks. Concerns over future demand and increased supply, coupled with higher input costs (i.e. labour, machinery, fuel, materials), and continued regulatory and environmental scrutiny of their operations, all continued to weigh on these sectors. Most notably it was the index heavy weights across these 2 sectors that were the biggest detractors – these being James Hardie (-23%), Fortescue (-17%), Woodside (-7.5%), BHP (-3.6%), Rio (-2%), and Santos (-1%). We also saw weaker returns from REITs (-6%), with the sector being more sensitive to interest rate expectations and higher bond yields.

The portfolio's under-weights - Energy, Materials and REITS -contributed meaningfully to returns over the period. We have also seen broad-based resilience from the major banks, with the big 4 (NAB, CBA, Westpac and ANZ) plus Macquarie Group – who in aggregate represent close to 80% of the Financials sector – all delivering stable returns in excess of the broader ASX 300 index. The potential for rates staying higher for longer can be seen as a potential tailwind for banks, which can benefit from higher lending spreads. Other economic indicators such as continued tight labour markets and the strength of the consumer, helps loan demand and credit quality. The portfolio was under-weight the major banks, which was one of the primary detractors over the quarter, as was some of the smaller cap exposures in the broader portfolio.

As we look forward, we continue to remain cautious on the nearer term path for equity markets. We haven't yet seen a material pull back in share prices, and this is despite stickier inflation prints, tight labour markets and the resultant higher for longer interest rate expectations. From a valuation perspective, the Australian share market is broadly looking fully priced and in a relative sense, we believe there is still more opportunities and greater market inefficiencies outside of the larger cap index names. As such, our preference is to retain a slight bias towards SMID (small-to-medium) sized companies. At this stage, we don't have a strong conviction on whether the market will favour specifically value or growth stocks. The narrative from the RBA around inflation and the path of interest rates evolves month by month, and we could (and have) argued that there may be tailwinds for either style and as a result, we believe a relatively style neutral approach is warranted given the everchanging macroeconomic landscape. We believe this environment should bode well for fundamental bottom-up active managers, who can take advantage of any near-term volatility to deploy capital to companies at attractive valuations.

MORE INFORMATION
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