Perpetual Investment Funds

PERPETUAL INCOME SHARE FUND

July 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

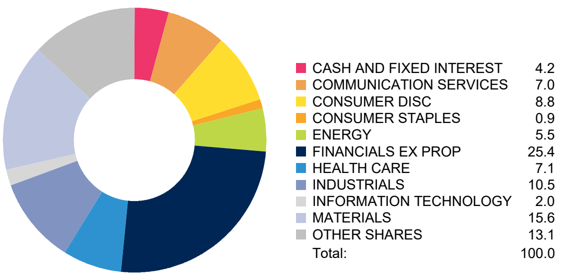
To provide investors with regular income through investment in quality securities.

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:	$160.41 million as at 30 Jun 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%
Origin Energy Limited	6.0%
National Australia Bank Limited	5.8%
Insurance Australia Group Ltd	5.7%
GWA Group Limited	5.1%
Medibank Private Ltd.	4.4%
Healius Limited	4.0%
Deterra Royalties Ltd	3.8%
Premier Investments Limited	3.7%
EVT Limited	3.6%

NET PERFORMANCE - periods ending 31 July 2024

	Fund	Benchmark	Excess
1 month	3.18	4.19	-1.01
3 months	2.59	6.21	-3.63
FYTD	3.18	4.19	-1.01
1 year	9.56	13.53	-3.97
2 year p.a.	12.02	12.59	-0.58
3 year p.a.	8.68	7.44	+1.24
4 year p.a.	14.21	12.37	+1.84
5 year p.a.	7.74	7.52	+0.21
7 year p.a.	7.50	9.31	-1.81
10 year p.a.	8.01	8.03	-0.02
Since incep.	8.93	9.10	-0.18

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

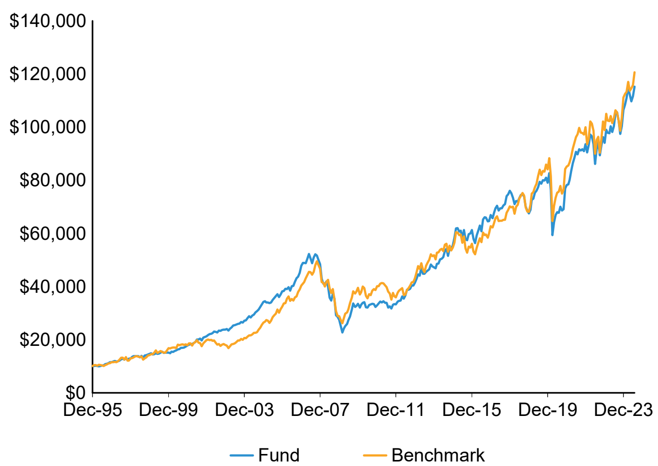
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.7	17.5
Dividend Yield*	4.3%	3.8%
Price / Book	1.8	2.2
Debt / Equity	34.5%	35.9%
Return on Equity*	11.7%	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

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 Origin Energy Limited, GWA Group Limited, Insurance Australia Group Ltd. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, CSL Limited (not held) and Wesfarmers Limited (not held).

The overweight position in GWA Group significantly contributed to performance over the month, with the stock rallying 10.42%. This recovery followed a period of sell-off after an impressive rally post the 1H24 results, which marked the first volume growth in the core Australian business in many years due to strategic investments in re-engaging with plumbers. This plumber engagement strategy is crucial, as 95% of GWA products require installation by certified plumbers who influence around 70% of purchase decisions. Two years ago, GWA was engaged with only 4,000 plumbers; now, it has increased this number to 22,000 out of a market of approximately 36,000. GWA has also been benefitting from deflationary tailwinds from Chinese manufacturers, which, combined with the ability to implement price increases, expanded gross margins by nearly 300 basis points in the half year result earlier in the year. Despite Australian housing starts remaining at low levels, the situation is unlikely to worsen. The Federal government's ambitious target to build 1.2 million houses over the next five years and potential interest rate cuts later in the year could positively impact GWA's medium-term outlook. The fully franked 6.5% dividend provides attractive compensation while awaiting market conditions to improve, especially since we appear to be at the bottom of the residential cycle.

Reliance Worldwide Corporation (RWC) saw a strong performance in July, with its stock rallying by 13.94%. This surge was primarily driven by falling hawkish yields in the US and positive sentiment on inflation, which is expected to benefit the US residential market and potentially boost RWC's volume growth. RWC holds a significant presence in the residential market, particularly through its plumbing solutions like SharkBite push-to-connect fittings. These fittings have gained a strong market share due to their simplicity in plumbing installations and repairs. Despite some cyclical weaknesses in the business, RWC benefits from the less cyclical nature of the repair and maintenance segment in the residential market. Additionally, management has successfully implemented cost-saving measures, which are expected to lead to sustainable margin improvements over time. RWC is a global leader in designing and manufacturing water delivery, control, and optimization systems. Their product range includes plumbing fittings, pipes, valves, and other solutions catering to residential, commercial, and industrial markets. The company's well-known brands include SharkBite, JG Speedfit, and HoldRite, among others.

After a period of strong performance, Origin Energy gave back some gains in the month of July falling -3.41%. Although the stock traded down for most of the month, on the 31st Origin released their quarterly report with no notable surprises. The stock continues to look favourably valued, particularly post 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.

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.

MORE INFORMATION

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