

# PERPETUAL SHARE-PLUS LONG-SHORT

October 2024

## FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and income through investment in quality shares and taking short positions predominantly in selected Australian shares.

## FUND BENEFITS

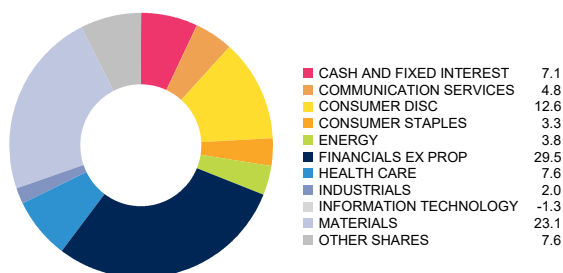
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

## 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.

<b>Benchmark:</b>	S&P/ASX 300 Accum. Index
<b>Inception Date:</b>	November 2003
<b>Size of Portfolio:</b>	\$27.96 million as at 30 Sep 2024
<b>APIR:</b>	PER0224AU
<b>Management Fee:</b>	0.98%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

## PORTFOLIO SECTORS



## TOP 5 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	9.8%
Commonwealth Bank of Australia	5.9%
Goodman Group	5.7%
Flutter Entertainment Plc	5.1%
Westpac Banking Corporation	4.9%

## MARKET EXPOSURE

	% of Portfolio
Long	115.0%
Short	-22.2%
Net	92.9%

## NET PERFORMANCE - periods ending 31 October 2024

	Fund	Benchmark #	Excess
1 month	0.11	-1.30	+1.40
3 months	0.30	2.19	-1.89
1 year	19.08	24.86	-5.78
2 year p.a.	9.26	13.14	-3.88
3 year p.a.	9.88	7.62	+2.26
4 year p.a.	15.69	12.52	+3.17
5 year p.a.	9.72	8.10	+1.63
7 year p.a.	8.62	8.88	-0.26
10 year p.a.	7.90	8.33	-0.42

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

## GEOGRAPHIC LOCATION

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

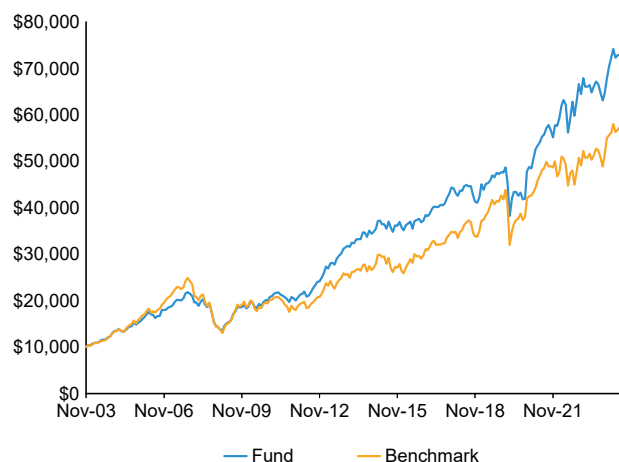
## PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	18.5	18.3
Dividend Yield*	3.2%	3.6%
Price / Book	2.2	2.2
Debt / Equity	28.0%	36.1%
Return on Equity*	12.3%	12.6%

<sup>^</sup> 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



## MARKET COMMENTARY

The S&P/ASX 300 Accumulation Index declined by -1.30% in October. While the market reached new all-time highs at the beginning of the month, it pulled back as October came to a close. Investor sentiment was initially buoyed by ongoing Chinese stimulus efforts and generally positive economic data. However, as the month progressed, enthusiasm waned regarding China's recovery due to limited details and concerns over potential tariffs, which dampened the rotation trade. Financials were a notable outperformer, with the banking index up 3.8% for the month, approaching within 2.2% of its all-time high. In contrast, Consumer Staples underperformed due to the ongoing ACCC inquiry into supermarkets and disappointing updates from Woolworths, Coles, and Metcash. The Energy and Resources sectors also lagged. Meanwhile, the Small-Ords and Emerging Companies indexes posted modest gains, reflecting early signs of a shift from large caps.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment Plc, HMC Capital Limited and Goodman Group. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, Macquarie Group Ltd and CSL Limited.

Sigma Healthcare strongly contributed to performance over October (+36.50%) after offering major concessions to ensure the facilitation of the Chemist Warehouse reverse listing creating a new listed retail giant. The acquisition creates a larger high-quality company which operates in a favourable oligopolistic wholesale market and has an industry leading distribution network. We believe that the quality of the combined business will improve as the group moves to become an integrated wholesaler as well as a pharmacy franchisor with dominant market share and a pipeline of pharmacists to continue to expand their franchise network. We have admired Chemist Warehouse for a long time and believe that it is probably the best franchisor/retailer in Australia. Chemist Warehouse brings with it a high-quality management team to be instilled into the new combined board through founders Mario Verrocchi and Jack Gance as well as further long-term synergies to be realised by the group.

Premier Investments strongly contributed to performance in October (+9.58%) after announcing the combination of Premier's apparel brands with Myer late in the month. This comes after some share price weakness in September where the company reported a -2.9% drop in total retail sales to \$1.6 billion. This was still the second highest result for the business, however, and markedly up on pre COVID levels (25.5%). Sales at high margin growth brands like Peter Alexnader rose 6.2% whilst Smiggle fell -6.4%. Chairman Solomon Lew, who will now join the board of Myer, will now be focusing on the high quality retail businesses Peter Alexander and Smiggle, each of which have significant local and international growth opportunities. The company also has a strategic investment in Breville as well as a portfolio of property assets. PMV remains a cornerstone of our core retail investments, renowned for its quality business model, fortified by a robust net cash balance, investments, bank of franking credits and overseen by engaged and experienced executive leadership.

IPH Ltd detracted from performance over the month of October (-11.68%). We have been invested on and off in the stock since its IPO, drawn by its strong entrepreneurial culture and skilled management team, which has remained resilient through leadership transitions. The company operates in a niche, reputation-driven industry where protecting intellectual property is essential and retention relies heavily on reliability rather than pricing. IPH has positioned itself as a dominant, highly efficient operator in this market, leveraging proprietary systems that significantly boost productivity over competitors. The company's strategic consolidation in a traditionally fragmented industry, coupled with favourable low-interest environments, has made its acquisitions earnings-accretive. Its consistent cash generation further supports rapid debt reduction and sustains an attractive payout ratio, reinforcing its long-term value as an investment.

The overweight position in Iluka Resources detracted to performance over October as the stock fell 15.78%. This came after a substantial rise post PBOC announcing stimulus to revive the Chinese economy leading to broad based gains amongst resource companies. The stimulus measures, though substantial, have been deemed by the market to likely not be enough and hence much of this has reversed. 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

Market confidence remains fragile following further declines in early September, particularly in the U.S. tech sector, markets remain sensitive to economic indicators. Nvidia's share price, for instance, fell from \$130 on August 19 to \$106 in early September, impacted by weak manufacturing PMI data and a decline in job openings, raising concerns about a potential slowdown in the U.S. economy. In Australia, second-quarter GDP growth for 2024 was just 0.2%—the slowest rate of expansion since the early 1990s, excluding the COVID period—marking a sixth consecutive quarterly decline in GDP per capita. The economy has been buoyed by government spending and high migration rates, while consumers continue to face the pressures of persistent inflation and elevated interest rates. Adding to this complex outlook, U.S. 10-year bond yields have been rising in anticipation of higher economic growth and the potential return of inflation, with Australian bond yields climbing in tandem. This trend suggests a possible shift in equity markets toward cyclical stocks, likely bolstered by any Republican gains in the upcoming U.S. election. While markets remain near all-time highs, these dynamics underscore the importance of continued caution.

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The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily 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.

# The Ordinaries benchmark prior to 1/4/2000 was the ASX All Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

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The product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://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 an investor's capital.

Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

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## MORE INFORMATION

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