

## Perpetual Pure Series Funds

# PERPETUAL PURE EQUITY ALPHA FUND - CLASS A

October 2024

### FUND FACTS

**Investment objective:** Aims to generate positive returns over a market cycle irrespective of market conditions by investing in both long and short positions of predominantly Australian shares.

### FUND BENEFITS

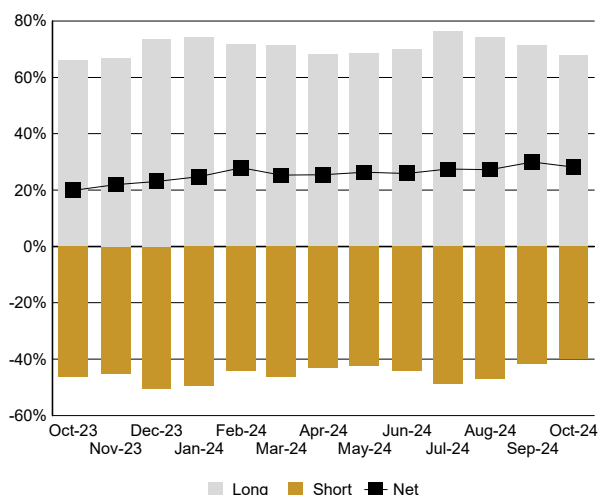
The Fund aims to achieve performance objectives by adopting a bottom-up stock selection process for both long and short positions, combined with a top down approach to managing market exposure. Decisions to buy or sell are based mainly on fundamental stock analysis, complemented by the identification of special opportunities.

### 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>Inception Date:</b>	March 2012
<b>Size of fund:</b>	\$269.14 million as at 30 Sep 2024
<b>APIR:</b>	PERo668AU
<b>Fund Managers:</b>	Anthony Aboud
<b>Management Fee:</b>	1.28%*
<b>Performance Fee:</b>	20.5% of outperformance*
<b>Performance Hurdle:</b>	RBA Cash Rate Index
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

### HISTORICAL MARKET EXPOSURE



### TOP 5 STOCK HOLDINGS (LONG)

	% of Portfolio
Flutter Entertainment Plc	5.6%
Servcorp Limited	5.1%
HMC Capital Limited	3.6%
Cobram Estate Olives Ltd.	3.2%
Goodman Group	3.1%

\* Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

### GEOGRAPHIC LOCATION OF MATERIAL ASSETS

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

### NET PERFORMANCE- periods ending 31 October 2024

	Fund	RBA Cash Rate Index*
1 month	0.86	0.37
3 months	1.18	1.10
1 year	8.78	4.45
2 year p.a.	4.73	4.08
3 year p.a.	5.52	2.98
4 year p.a.	8.33	2.25
5 year p.a.	7.64	1.89
7 year p.a.	6.50	1.75
10 year p.a.	5.77	1.78
Since incep.	6.91	2.02

RBA Cash Rate Index is the Performance Hurdle.

### PORTFOLIO SECTORS

	Long	Short	Net
Communication Services	4.8	0.0	4.8
Consumer Discretionary	14.5	-6.5	7.9
Consumer Staples	8.6	-4.9	3.7
Energy	1.7	-1.3	0.3
Financials ex Property Trusts	9.7	-10.8	-1.1
Health Care	2.7	-0.1	2.6
Industrials	7.3	-8.8	-1.5
Information Technology	0.0	-2.5	-2.5
Materials	8.0	-1.5	6.5
Other Shares	0.0	0.0	0.0
Property Trusts	0.0	0.0	0.0
Real Estate	8.3	-3.3	4.9
Utilities	2.5	0.0	2.5
<b>Total</b>	<b>67.9</b>	<b>-39.8</b>	<b>28.2</b>

### PORTFOLIO FUNDAMENTALS^

	Portfolio
Price / Earnings*	18.0
Dividend Yield*	3.2%
Price / Book	2.1
Debt / Equity	35.2%
Return on Equity*	12.8%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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.

## 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 positions include Flutter Entertainment Plc, Servcorp Limited and HMC Capital Limited. Conversely, the portfolio's largest short positions vary across sectors but include selected Financials, Consumer Staples and Infrastructure names.

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.

The overweight to News Corporation contributed to portfolio performance over the month of October rallying 9.99%. Despite the lack of company specific news, positive property listings data supporting stronger than expected listing volumes for the group's 61% owned digital real estate company REA contributed to the rally in the share price. News Corporation is a high quality global media and publishing company known for its diverse portfolio spanning newspapers, digital real estate, and book publishing. Founded by Rupert Murdoch, it operates major brands such as The Wall Street Journal, The New York Post, and HarperCollins Publishers. News Corp has a significant presence in digital real estate through [Realtor.com](#) and Move, Inc., serving a vast audience in the United States. Although not all businesses within the portfolio post the same growth opportunities, on a sum of the parts basis we view the Dow Jones Professional Information and Data business as underappreciated by the market.

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 20.50% of daily outperformance over the hurdle rate of return. The current hurdle rate is the Reserve Bank of Australia cash rate. Performance fees are accrued daily and payable six monthly, 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.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that 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 any investor's capital. Total return shown for the fund(s) 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 contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

## MORE INFORMATION

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