

## Perpetual Investment Funds

# PERPETUAL ESG AUSTRALIAN SHARE FUND

October 2024

### FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian shares that meet Perpetual's ESG and values-based criteria. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

### FUND BENEFITS

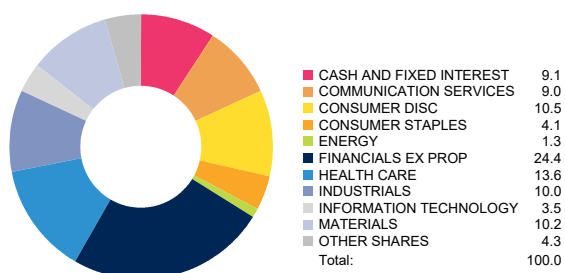
The Fund has two exclusion screens, with which we assess companies. A values-based exclusionary screen for involvement in certain activities, and a ESG exclusionary screen based on an evaluation of companies overall performance on ESG issues.

### 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 300 Accum. Index  
**Inception Date:** April 2002  
**Size of Portfolio:** \$636.58 million as at 30 Sep 2024  
**APIR:** PER0116AU  
**Management Fee:** 1.18%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Five years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

Company	% of Portfolio
Healius Limited	5.8%
GWA Group Limited	4.8%
Deterra Royalties Ltd	4.1%
EVT Limited	4.0%
Westpac Banking Corporation	3.9%
Pacific Current Group Ltd	3.9%
National Australia Bank Limited	3.8%
Premier Investments Limited	3.6%
Telstra Group Limited	3.5%
Medibank Private Ltd.	3.4%

### NET PERFORMANCE - periods ending 31 October 2024

	Fund	Benchmark #	Excess
1 month	-1.56	-1.30	-0.27
3 months	-0.12	2.19	-2.31
1 year	23.24	24.86	-1.62
2 year p.a.	12.02	13.14	-1.12
3 year p.a.	6.70	7.62	-0.92
4 year p.a.	14.62	12.52	+2.11
5 year p.a.	10.36	8.10	+2.26
7 year p.a.	7.82	8.88	-1.06
10 year p.a.	8.46	8.33	+0.14
Since incep.	10.74	8.43	+2.31

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

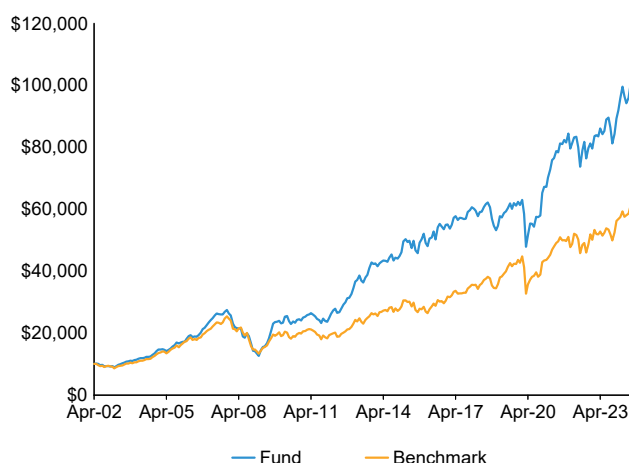
### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	19.1	18.3
Dividend Yield*	3.5%	3.6%
Price / Book	2.0	2.2
Debt / Equity	32.0%	36.1%
Return on Equity*	9.9%	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



\*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

## 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

A feature of this portfolio is that it applies Perpetual's ESG process and values-based investment criteria. The portfolio's largest overweight positions include Healius Limited, GWA Group Limited and Deterra Royalties Ltd. Conversely, the portfolio's largest underweight positions include BHP Group Ltd (not held), Commonwealth Bank of Australia, 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.

The overweight position in mining royalty firm Deterra Royalties Ltd detracted from performance month (-8.42%) as markets came to the conclusion that the recently announced stimulus from China was not enough to push the economy back to a strong growth profile. The stock also continues to de-rate surrounding negative sentiment towards lithium post the Trident acquisition. While the company has widely been expected to grow through acquisition, the acquisition of another royalty company and cut in the dividend policy to a minimum 50%, previously 100%, payout was not anticipated by the market. The company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly FOB revenue from the MAC royalty area. MAC is expected to ramp-up to full capacity of 145mtpa in JQ24 that will increase the royalty and capacity payments to Deterra.

BlueScope Steel Limited detracted to performance in October (-8.51%) following an unexpected downgrade from the company and further cyclical weakness. In the update, management was able to identify \$200 million in cost savings which would help offset the downgrade which favorably offset the news. While short-term steel spread dynamics remain challenging, we believe the share price movement aligns with the longer-term opportunity. Steel pricing has reached a level where there is an asymmetric upside potential, and we are observing positive competitive trends with hot-rolled coil steel prices increasing. BlueScope remains one of the highest quality steel producers globally, with a capable management team, a significant asset in Port Kembla, and the Colorbond brand, which not only boosts margins but also represents a substantial overseas opportunity.

## 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 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. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. 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.

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## MORE INFORMATION

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