

WealthFocus Super

# WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

October 2024

## FUND FACTS

**Investment objective:** Aims to enhance long-term capital growth through borrowing (gearing) to invest predominantly in quality Australian industrial and resource shares.

## FUND BENEFITS

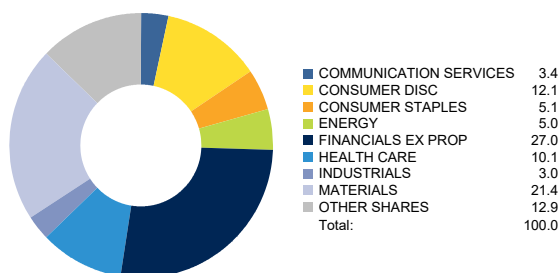
Provides investors with broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

## 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.

**Benchmark:** S&P/ASX 300 Accum. Index  
**Inception Date:** November 2003  
**Size of Portfolio:** \$64.79 million as at 30 Sep 2024  
**APIR:** PER0223AU  
**Management Fee:** 0.98%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Seven years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
BHP Group Ltd	10.4%
Commonwealth Bank of Australia	7.8%
ANZ Group Holdings Limited	5.3%
Flutter Entertainment Plc	4.6%
CSL Limited	4.5%
Westpac Banking Corporation	4.2%
Goodman Group	4.0%
Premier Investments Limited	3.9%
Insurance Australia Group Ltd	3.7%
National Australia Bank Limited	3.2%

## NET PERFORMANCE - periods ending 31 October 2024

	Fund	Benchmark #	Excess
1 month	-4.52	-1.30	-3.22
3 months	-2.55	2.19	-4.74
1 year	34.43	24.86	+9.57
2 year p.a.	12.63	13.14	-0.51
3 year p.a.	8.05	7.62	+0.43
4 year p.a.	23.46	12.52	+10.94
5 year p.a.	8.54	8.10	+0.44
7 year p.a.	9.64	8.88	+0.76
10 year p.a.	8.58	8.33	+0.26

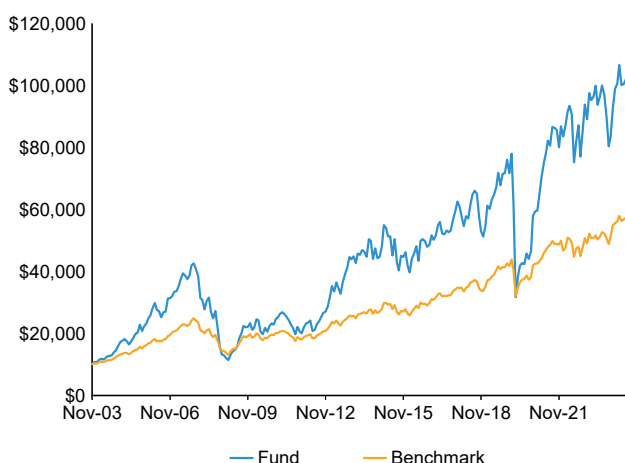
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

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

	Portfolio	Benchmark
Price / Earnings*	18.6	18.3
Dividend Yield*	3.1%	3.6%
Price / Book	2.1	2.2
Debt / Equity	26.6%	36.1%
Return on Equity*	10.9%	12.6%
Gearing Level	52.1%	

<sup>^</sup> 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.

## 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

The portfolio's largest overweight positions include BHP Group Ltd, Flutter Entertainment PLC and Premier Investments Limited. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd and Rio Tinto Limited, all of which are not held in the portfolio.

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 Alexander 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 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](https://www.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.

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.

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.

---

# 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.  
The publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL No 234426 and issued by Perpetual Superannuation Limited (PSL) ABN 84 008 416 831 AFSL No 225246 RSEL No L0003315. 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 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](https://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.

---

## MORE INFORMATION

Adviser Services 1800 062 725  
Investor Services 1800 022 033  
Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)  
[www.perpetual.com.au](https://www.perpetual.com.au)

