Perpetual Investment Management Limited
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29 April 2022

ASX Limited
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**PERPETUAL ETHICAL SRI FUND (MANAGED FUND) (ASX: GIVE)
REPLACEMENT MONTHLY INVESTMENT UPDATE – MARCH 2022**

Perpetual Investment Management Limited (**Responsible Entity**) advises that the attached Monthly Investment Update (**Report**) replaces the Report released on 22 April 2022.

For more information about GIVE, please visit www.perpetual.com.au/etmf.

Yours faithfully

Perpetual Investment Management Limited

PERPETUAL ETHICAL SRI FUND (MANAGED FUND)

ASX code: GIVE

March 2022

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality shares of Australian ethical and socially responsible companies. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

FUND BENEFITS

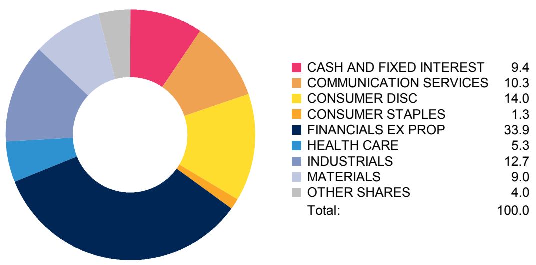
We seek to invest in quality companies that have satisfied our range of ethical and socially responsible investment criteria. Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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 of strategy:	April 2002
ASX commencement date:	29 November 2021
Distribution Frequency:	Half-Yearly
Management Fee:	0.65%*
Performance Fee:	15 % of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
National Australia Bank Limited	7.3%
ANZ Banking Group Ltd.	6.2%
Insurance Australia Group Limited	5.7%
Orora Ltd.	4.1%
Wesfarmers Limited	3.9%
Brambles Limited	3.9%
Medibank Private Ltd.	3.8%
HT&E Ltd	3.6%
Commonwealth Bank of Australia	3.4%
Deterra Royalties Ltd	3.4%

*Information on management costs is set out in the relevant PDS

NET PERFORMANCE - periods ending 31 March 2022

	Fund	Benchmark	Excess
1 month	2.70	6.90	-4.20
3 months	-1.18	2.08	-3.27
FYTD	-	-	-
1 year	-	-	-
2 year p.a.	-	-	-
3 year p.a.	-	-	-
Since incep.	2.27	5.08	-2.81

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

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.5	16.6
Dividend Yield*	4.6%	4.1%
Price / Book	1.9	2.2
Debt / Equity	30.5%	34.3%
Return on Equity*	12.8%	13.8%

^ 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.

MARKET COMMENTARY

The Australian equity market strengthened over the March quarter, supported by the Resources sector as energy and metals prices soared to multi-year and record highs amid concerns that the Ukrainian war and associated sanctions would curtail supply. While volatility was elevated, the market remained relatively resilient against a backdrop of geopolitical tensions, trade restrictions, supply disruptions, and heightened inflationary pressure. Value stocks outpaced growth stocks, as the IT sector sold off heavily early in the quarter despite seeing a strong rally in March. The Health Care and Consumer Discretionary industries were also heavily impacted as trading updates highlighted margin pressures from supply chain disruptions. Solid half-year corporate financial results released throughout February, however, helped offset losses incurred at the beginning of the quarter.

Coronavirus news dominated headlines in January, though there was no significant shift in the narrative. The Omicron variant intensified the pressure on already-strained supply chains, while isolation requirements exacerbated worker shortages and adversely impacted business confidence and conditions. The announcement of the reopening of the international border assisted in boosting confidence, though consumers appeared more reactive to the war in Ukraine, rising inflation, and interest rate developments. Finally, there were few surprises in the Federal Budget, which included new spending and income support to ease cost-of-living pressures.Robust jobs data saw markets increase interest rate hike expectations, with five now priced in for 2022. While the RBA left policy settings unchanged throughout the quarter, it reiterated the possibility of an interest rate rise in 2022 as inflation picked up more quickly than expected and acknowledged the risk of waiting too long to raise rates.

PORTFOLIO COMMENTARY

A feature of this Fund is that it invests in a screened universe enforced by strict ethical and socially responsible (SRI) investment criteria. The Fund's largest overweight positions include Orora Ltd, Insurance Australia Group Ltd, and HT&E Ltd. Conversely, the Fund's largest underweight positions include CSL Ltd., BHP Group Ltd. (not held), and Commonwealth Bank of Australia.

The overweight position in lenders mortgage insurance provider Genworth Mortgage Insurance Australia Ltd (+34.9%) contributed to relative performance. The stock advanced after reporting an NPAT of $192.8m for the 2021 calendar year (vs a $107.6m loss from the prior year). The result was underpinned by a strong underwriting result of $295.8m vs a $234.0m loss from a year-ago. The stock further benefitted from the announcement that Commonwealth Bank has renewed its three-year exclusive Supply and Service Lenders Mortgage Insurance contract with Genworth.

The overweight position in mining royalty firm Deterra Royalties Ltd (+15.5%) contributed to relative performance. The stock saw its target price increased by Citi, Morgan Stanley, Macquarie, and UBS throughout the quarter, assisted by a 34.1% rise in the price of iron ore over the March quarter, triggered by concerns of supply disruptions resulting from the Ukrainian-Russian war.
The overweight position in National Australia Bank (+12.2%) contributed to relative performance. The stock price befitted from its December-quarter trading update, reporting a cash earnings increase of 12% compared with the quarterly average of 2H2021. The company noted that its asset quality remained benign and good momentum has continued despite the environment remaining competitive. Volumes have been strong over the quarter with lending and deposits each up $18 billion. In Australia, over the three months to December 2021, home lending was reported to have grown by 2.6% and SME business lending increased 3.4%.

Not holding BHP Group (+30.5%) detracted from relative performance. Investors were impressed with the company's half-year financial results released in February. Assisted by higher iron ore prices, revenue from continuing operations increased 27% to US$30.527b, total revenue rose 32% to US$33.784b, underlying EBITDA was up 46% to US$21.381b, and underlying EBITDA from continuing operations up 33% to US$18.463b. The board also delivered a payout ratio of 78% for the first half, much higher than its minimum policy of 50%.
The overweight position in plumbing and heating products supplier Ferguson PLC (-25.01%) detracted from relative performance. The stock struggled over the quarter despite its first-half adjusted EPS of US$4.43, beating consensus of US$4.39, as well as increasing its interim dividend by 15% and conducting a $2.0 equity buyback. Management announced that markets remain supportive and anticipate solid revenue growth in the second half as it begins to lap tougher comparatives. It was also noted that first-half tailwinds on gross margins would likely moderate but are confident in its full-year expectations.

OUTLOOK

After the recent shakeout in equities from rate rise fears, the invasion of Ukraine has further dented confidence. The shock of war will have a negative effect on confidence and economic activity, mainly in Europe. This will ripple, to varying degrees, out to the world. Sanctions have an even greater potential to disrupt capital movement and key resources, especially Russian energy production. A rising global oil price acts as a tax or interest rate hike on the global economy. The financial sanctions will also bite specific sectors hard. The only thing we really know for certain is that these sanctions are the toughest ever imposed on a country and are likely to be in place for the foreseeable future. This all adds to the existing supply chain and inflation problem that besets the global economy. By and large Australian equities offer some natural protection for investors. We are far removed from the events of Ukraine itself. The Australian economy is also in much better shape than most of the rest of the world, having avoided the worst of Covid. Business confidence is beginning to build again and inflation, whilst a significant problem in the US and Europe, has been more contained here. But it will rise. Despite these challenges and uncertainty in markets that lay ahead, we remain consistent in our investment approach.

MORE INFORMATION

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