

WEALTHFOCUS PERPETUAL INDUSTRIAL SHARE

April 2023

FUND FACTS

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

FUND BENEFITS

Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares.

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 Industrial Accum. Index

Inception Date: May 1995

Size of Portfolio: \$470.62 million as at 31 Mar 2023

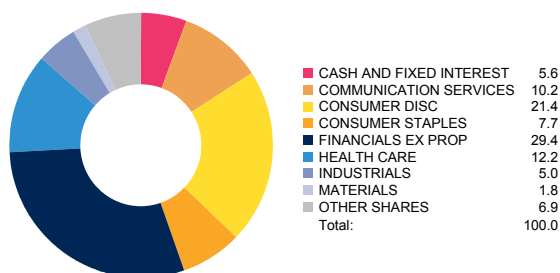
APIR: PER0028AU

Management Fee: 1.23%*

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
Commonwealth Bank of Australia	9.3%
Flutter Entertainment Plc	7.4%
CSL Limited	7.2%
Suncorp Group Limited	6.4%
Telstra Group Limited	5.1%
Westpac Banking Corporation	4.4%
ANZ Group Holdings Limited	4.3%
Goodman Group	4.3%
National Australia Bank Limited	3.8%
Wesfarmers Limited	3.0%

NET PERFORMANCE - periods ending 30 April 2023

	Fund	Benchmark #	Excess
1 month	2.51	3.46	-0.95
3 months	-0.44	0.15	-0.59
FYTD	17.41	13.07	+4.35
1 year	5.27	-0.14	+5.41
2 year p.a.	5.39	3.82	+1.57
3 year p.a.	13.84	11.66	+2.17
4 year p.a.	6.40	6.07	+0.32
5 year p.a.	5.69	6.78	-1.09
7 year p.a.	5.92	7.34	-1.42
10 year p.a.	5.81	7.36	-1.55
Since incep.	9.34	9.35	-0.01

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

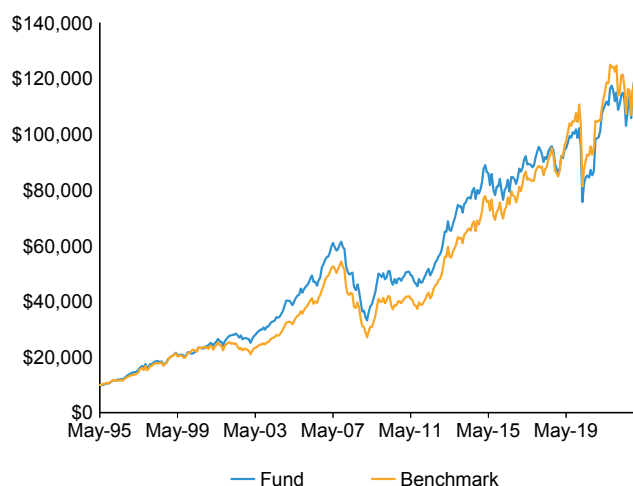
PORTFOLIO FUNDAMENTALS*

	Portfolio	Benchmark
Price / Earnings*	16.7	17.7
Dividend Yield*	3.8%	4.0%
Price / Book	2.0	2.0
Debt / Equity	36.8%	52.4%
Return on Equity*	12.1%	11.9%

* 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



— Fund — Benchmark

MARKET COMMENTARY

The Australian equity market ended the month of April higher while markets were attentive to offshore developments, most notably any potential banking sector fallout from First Republic's issues and the outcome of May's RBA, Fed Reserve and ECB meetings. Recession signalling from deeply inverted yields, downside risks to consensus earnings estimates, a pullback in lending/tightening credit, and the pricing out of a dovish pivot later in 2023 have been among the bearish talking points. At the same time, bullish drivers have come from easing banking sector stresses, a fall in stock and bond market volatility measures, hopes for a soft landing from low unemployment and a looming end to the global tightening cycle.

Australia March CPI increased by +6.3% year-on-year, down from +6.8% in February. Government bond yields fell across the curve, reflecting dovish sentiment as markets assigned a higher probability to another RBA hold in May. Analysts generally noted that, though the March quarter CPI data likely confirmed that peak inflation is in the rear-view mirror, inflation remains too high. Prices in the clothing and footwear, and furnishings and household equipment categories shrank, resulting in a fall in goods inflation. However, services inflation rose to its highest since 2001, driven by higher prices for holiday travel, medical services, utilities, rents and restaurant meals.

Most economists see a pause to interest rate hikes in May, given the latest CPI print, with further tightening to come later in the year, while markets have consistently priced in no change since the April meeting. The RBA emphasised that the April pause did not mean tightening has ended, and the central bank is expected to retain its tightening bias in the May statement. However, there is a view that the RBA will want more than one month to assess the lagged effects of tightening to date.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Flutter Entertainment Plc, EVT Limited, and Suncorp Group Limited. The Fund's largest underweight positions include Transurban Group Ltd., Macquarie Group, and Woolworths Group, all of which are not held in the portfolio.

The overweight position in online betting and gaming provider Flutter Entertainment Plc (+12.1%) contributed to relative performance. During the month, it was revealed that the Company is said to be in talks to appoint John Bryant as its new chairman. Bryant is based in the US and serves on Ball Corp and Macy's boards. Reports speculate that this could lead to Flutter giving up its listing on the London Stock Exchange. The overweight position in building and construction materials provider Boral (+17.0%) contributed to relative performance. On Thursday, 20 April, Boral was reinstated as a 'buy' recommendation by sell-side analyst Bank of America, with a target price of A\$4.41 per share, representing a 13% potential upside.

The overweight position in property and investment company HMC Capital (+9.2%) contributed to relative performance. HMC Capital announced it had acquired a 3% stake in Lendlease. The Australian reports that HMC supports Lendlease's current direction but believes a simplified business model would reduce risk and allow for greater focus on core operations. Consequently, HMC suggests that Lendlease should exit more challenging areas such as buildings and minimise exposure to non-core segments like communities and retirement.

The overweight position in dairy producer a2 Milk Company (-6.5%) detracted from relative performance. Despite the earnings-guidance downgrade by NZ milk company Synlait's, a2 Milk has confirmed that its own FY2023 outlook will remain largely unchanged. The company still expects around 10% revenue growth, aligning with their previous low double-digit growth projection. While its infant milk formula revenue for the English market is estimated to decrease by mid-single digits, a2 anticipates double-digit growth in China.

The overweight position in healthcare services and hospital operator Ramsay Health Care (-2.8%) detracted from relative performance. Management reported that Surgical volumes are increasing after a slow period in December and January and that productivity is improving as disruption declines. The workforce is experiencing less pressure, but recruitment and retention are top priorities. Ramsay expects a gradual earnings recovery through FY23 and more normalised conditions in FY24.

The overweight position in casino operator Star Entertainment Group (-11.2%) detracted from relative performance. The stock ended the month lower after the new NSW treasurer, Daniel Mookhey, reportedly asked the Treasury to urgently reassess plans for a \$120M tax hike on the state's casinos. According to reports, Mookhey is keen to ensure that due diligence is carried out in order to properly assess the impact of this policy, particularly in relation to job losses. He acknowledges that the state is facing significant financial pressures, with around A\$7B of additional costs expected over the next four years.

OUTLOOK

Economic conditions will continue to evolve, and uncertainty will continue to manifest in markets. The central banks' aggressive attempt to rein in inflation expectations will cause unintended consequences in both economies and the markets. Because central banks have no influence on the supply of goods and materials, they also cannot influence the willingness of companies to invest in expanding supply in response to higher prices. This hesitancy is mostly due to companies seeing this as a significant pull forward of demand from fiscal and monetary largesse. We see the only influence central banks can have is on demand, and to achieve a reduction in demand, we will see a tightening in liquidity and financial conditions. This will force many companies to face up to this new reality with many early phase/profitless companies not surviving.

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

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