Perpetual Investment Funds

PERPETUAL INDUSTRIAL SHARE FUND

September 2023

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial shares.

FUND BENEFITS

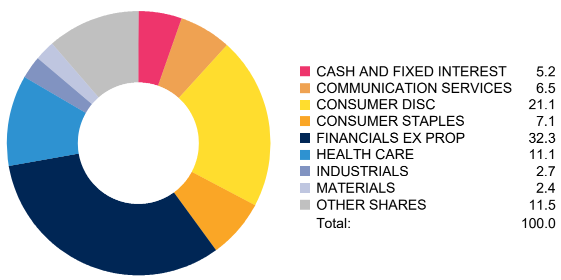
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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:	December 1996
Size of Portfolio:	$1,006.35 million as at 30 Jun 2023
APIR:	PER0046AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Commonwealth Bank of Australia	10.0%
Suncorp Group Limited	7.6%
Flutter Entertainment Plc	6.3%
Goodman Group	5.3%
Wesfarmers Limited	5.1%
National Australia Bank Limited	5.1%
CSL Limited	5.1%
ANZ Group Holdings Limited	4.5%
Westpac Banking Corporation	4.3%
Sonic Healthcare Limited	3.6%

NET PERFORMANCE - periods ending 30 September 2023

	Fund	Benchmark #	Excess
1 month	-3.70	-3.71	+0.01
3 months	-1.25	-1.05	-0.20
FYTD	-1.25	-1.05	-0.20
1 year	11.62	10.93	+0.69
2 year p.a.	0.21	-2.22	+2.44
3 year p.a.	11.71	8.55	+3.16
4 year p.a.	4.48	3.15	+1.33
5 year p.a.	5.21	5.08	+0.13
7 year p.a.	5.74	6.22	-0.47
10 year p.a.	5.95	6.96	-1.01
Since incep.	9.30	8.56	+0.75

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

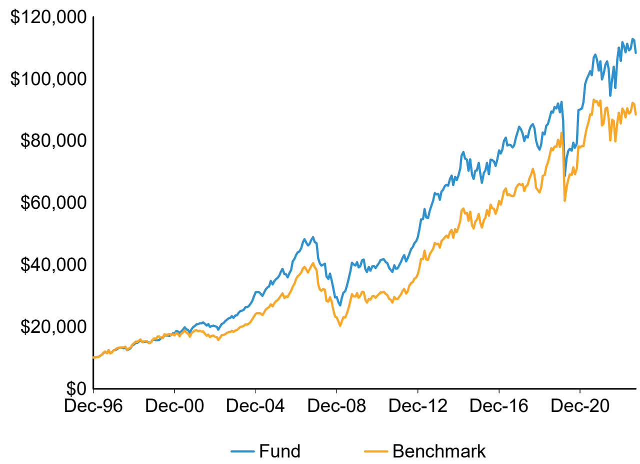
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	17.7	17.3
Dividend Yield*	3.5%	4.1%
Price / Book	1.9	1.9
Debt / Equity	30.2%	51.2%
Return on Equity*	10.6%	11.4%

^ 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/ASX300 Accumulation Index fell -2.89% during September. Bond yields continued their steady ascent, crippling equity markets. Conversely, the Australian dollar continued its steady descent against the USD. The Australian cash rate remained unchanged for the quarter at 4.10%, with newly installed governor Michelle Bullock seeing no need to act at her debut meeting. Recent data suggests inflation is past the peak but well above the desired range. Energy was the best performing sector, with the sector rising +2.2% as oil and coal prices rose. Real Estate Investment Trusts (-8.5%), Information Technology (-7.7%) and Healthcare (-6.4%) all fell sharply in response to rising rates.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Suncorp Group Limited, Flutter Entertainment Plc and Premier Investments Limited. The portfolio's largest underweight positions include Macquarie Group Ltd (not held), Woolworths Group Ltd (not held), and CSL Limited.

The overweight position in financial services provider Suncorp Group (+2.49%) contributed to relative performance. The share price continued it's upward trajectory post it's positive FY23 result which shows Insurance margins increasing excluding covid effects. The stock's recent performance has been impressive, receiving a significant boost towards the end of the month after being upgraded to 'overweight' by JPMorgan from its previous 'neutral' status. Notably, the target price has been raised to A$14.30 from A$14.00, representing a 6% upside to its price at the time of the upgrade.

Seven Group Holdings contributed to performance in September (+12.30%) following on from a solid result in August. Seven Group Holdings represents a quality diversified exposure to ongoing infrastructure and mining investment. The August result delivered improvement in key metrics including margins, cash flows and balance sheet measures. Seven Group Holdings portfolio spans across leading industrial services, media, and energy including names sch as Boral, Westrac, Coates Hire, Skyes, SGH Energy, Allight, Beach Energy and Seven West Media.

The overweight position in casino operator Star Entertainment Group (-34.02%) detracted from relative performance. The stock ended the month lower after the casino operator engaged the equity markets to raise $750m priced at $0.60 a share following Star also recently securing a $450 million debt package with the aim of paying off Star's existing loans and handling costs at Queens Wharf in Brisbane. The offer price was also lower than the $1.20 a share at which Star last raised $800 million at in February. The raise has provided further clarity on the balance sheet and we are still seeing value in Star's conservatively stated net tangible asset value.

The overweight to HMC Capital Limited detracted from performance in September (-12.45%). The firm gave back some strong performance earlier in August and July as the market fretted over rate staying higher for longer. This is despite raising $800 million in June for its first Last Mile Logistics Fund,. HMC originally was listed on the ASX in 2019 as a highly geared property fund that owned Masters sites and had a complicated capital structure. Since then, they have bought into healthcare assets and large format retail sites and set up a listed property trust. Targeting $10b in FUM by the end of 2023 and $20 billion over five years, the business continues to evolve.

OUTLOOK

The importance of interest rates on valuation cannot be understated - it is the fundamental driver of valuation. Yet as the yield curve has moved steadily higher over 2023 the equity market has taken a peculiar response, acknowledging the impact of rising discount rates in some sectors but not others. Pockets of growth stocks remain completely oblivious to the move in yields. Goldman Sachs strategist Matt Ross recently highlighted that many Australian growth stocks have held up better than offshore peers and continue to trade at elevated multiples. This could all be rendered irrelevant if the recent move in bonds is indeed an aberration, inflation plummets and yields settle lower. But if we are in a higher for longer world, there could yet be more pain to come for the "expensive defensives" and growth stocks that have been the darlings of the market in the last decade. The psychological temptation to buy a high quality company that has fallen 20% is ever present but if yields remain here, or even march higher, than there is every chance that this valuation unwind is far from complete.

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.

MORE INFORMATION
Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

Perpetual