Perpetual Investment Funds

PERPETUAL CONCENTRATED EQUITY FUND

April 2023

FUND FACTS

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

FUND BENEFITS

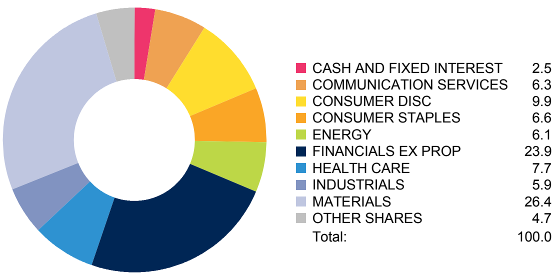
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	August 1999
Size of Portfolio:	$404.30 million as at 31 Mar 2023
APIR:	PER0102AU
Management Fee:	1.10%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Insurance Australia Group Ltd	8.1%
BHP Group Ltd	5.6%
Santos Limited	5.2%
Orica Limited	5.0%
Commonwealth Bank of Australia	4.8%
Brambles Limited	4.8%
Telstra Group Limited	4.3%
Iluka Resources Limited	4.1%
CSL Limited	4.0%
Westpac Banking Corporation	4.0%

NET PERFORMANCE - periods ending 30 April 2023

	Fund	Benchmark #	Excess
1 month	2.19	1.85	+0.34
3 months	1.70	-0.98	+2.68
FYTD	15.44	15.37	+0.07
1 year	4.51	2.13	+2.39
2 year p.a.	9.79	6.07	+3.72
3 year p.a.	18.84	13.97	+4.87
4 year p.a.	8.48	7.72	+0.76
5 year p.a.	7.99	8.23	-0.25
7 year p.a.	8.34	9.14	-0.81
10 year p.a.	7.82	7.87	-0.05
Since incep.	10.47	8.18	+2.29

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

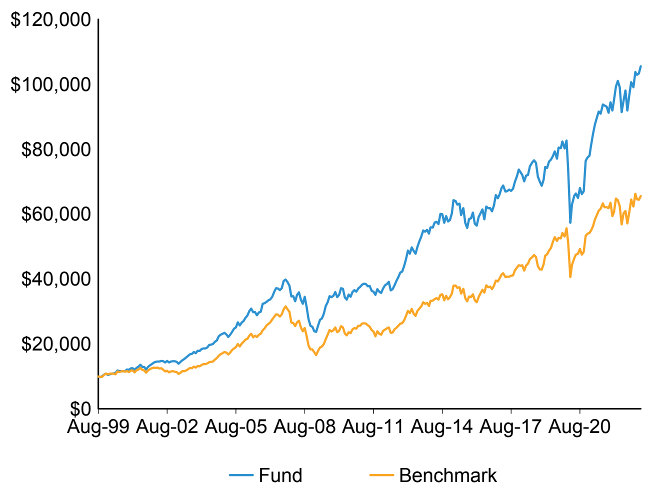
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.4	14.9
Dividend Yield*	4.0%	4.4%
Price / Book	1.9	2.0
Debt / Equity	28.3%	33.0%
Return on Equity*	13.1%	13.9%

^ 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



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

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 Insurance Australia Group Limited, Orica Limited, and Santos Limited. Conversely, the Fund's largest relative underweight positions include BHP Group Ltd, Commonwealth Bank of Australia, and Macquarie Group Ltd (not held).

The underweight position in iron ore miner BHP Group (-6.0%) contributed to relative performance. A March-quarter production report shows it missed consensus estimates for copper production but produced slightly more iron ore than expected. Its nickel, met coal, and energy coal production was also lower than expected. Despite this, production guidance for FY23 remains unchanged for iron ore, metallurgical coal, and energy coal, while total copper production guidance remains unchanged, and its full-year unit cost guidance remains unchanged.
The overweight position in insurance provider Insurance Australia Group Ltd (+6.2%) contributed to relative performance. The stock finished higher on speculation that IAG is in talks to acquire RACQ's insurance business. The Australian notes that RACQ's insurance operations were purchased for ~A$500M. However, sources indicate that RACQ may offload the division for ~A$200M.
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 healthcare technology solutions provider Healius (-5.4%) detracted from relative performance. The stock ended the month lower following denial by The Takeovers Panel to conduct proceedings on an application from Healius relating to its takeover bid by Australian Clinical Labs. Healius alleged in its submission to the panel that ACL's letter of offer to merge the two ASX-listed diagnostic companies was "misleading, including by omission, and inadequate in a number of respects".
The overweight position in mining royalty firm Deterra Royalties Ltd (-4.2%) detracted from relative performance. Deterra Royalties ended the month lower after acknowledging BHP's Q3 operational review, which reported that its Mining Area C royalty achieved production for the March quarter of 29.7 million wet metric tonnes, a decrease of 3.9% compared to the prior quarter. The company receives an ongoing royalty of 1.232% of Australian dollar-denominated quarterly FOB revenue from the MAC royalty area.
The overweight position in dairy producer a2 Milk Company (-6.5%) detracted from relative performance. In light of NZ milk company Synlait's guidance downgrade, a2 Milk has confirmed that its FY23 outlook remains largely unchanged. The company still expects around 10% revenue growth, aligning with their previous low double-digit growth projection. While the IMF revenue for the English market is estimated to decrease by mid-single digits, a2 anticipates double-digit growth in China.

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.

We have long believed that markets are poised for further rotation to a more value-oriented investment environment as COVID-19 disruptions, waning stimulus, and war combine to keep consumer price inflation at high levels. However, we must also be willing to pivot the portfolio when the markets are pricing in overly aggressive rate expectations. With fear of a deep and long recession, this will be factored into markets, providing opportunities to redeploy capital. In these conditions, our focus on value-style investing and buying quality companies with strong balance sheets trading at reasonable valuations should continue to do well and offer attractive opportunities for investors.

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.

MORE INFORMATION

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

Perpetual