Perpetual Investment Funds

PERPETUAL CONCENTRATED EQUITY FUND

May 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

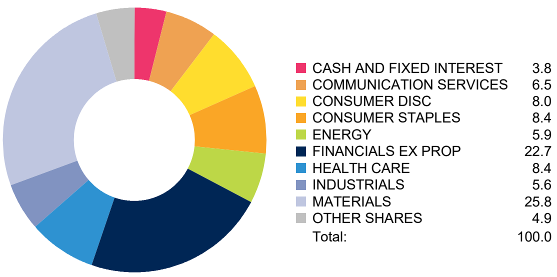
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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	7.6%
BHP Group Ltd	5.7%
Santos Limited	4.9%
Commonwealth Bank of Australia	4.8%
Orica Limited	4.8%
CSL Limited	4.6%
Telstra Group Limited	4.5%
Brambles Limited	4.4%
Iluka Resources Limited	4.1%
Westpac Banking Corporation	3.6%

NET PERFORMANCE - periods ending 31 May 2023

	Fund	Benchmark #	Excess
1 month	-2.42	-2.53	+0.11
3 months	0.05	-0.96	+1.02
FYTD	12.64	12.45	+0.19
1 year	3.93	2.37	+1.56
2 year p.a.	7.20	3.53	+3.67
3 year p.a.	16.26	11.33	+4.94
4 year p.a.	7.64	6.57	+1.07
5 year p.a.	7.40	7.43	-0.03
7 year p.a.	7.66	8.27	-0.61
10 year p.a.	7.78	8.10	-0.32
Since incep.	10.32	8.03	+2.28

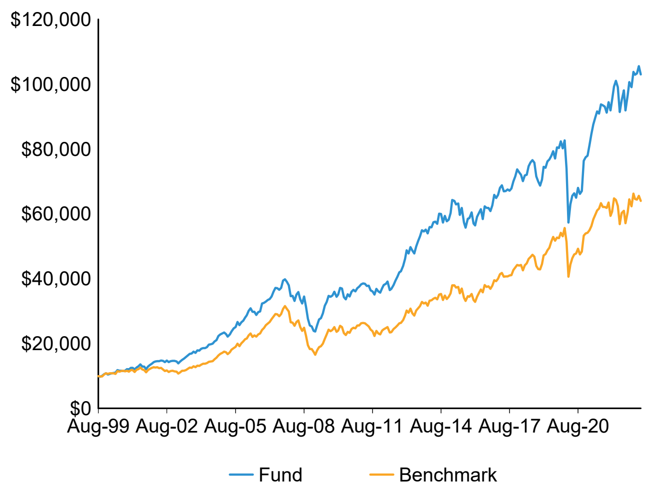
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.1	14.4
Dividend Yield*	4.1%	4.5%
Price / Book	1.9	1.9
Debt / Equity	28.5%	33.9%
Return on Equity*	13.1%	13.7%

^ 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 equities market ended the month lower, with the S&P/ASX300 Accumulation Index falling by 2.5%. May was defined by a return to favour of growth and momentum equities, driven by a belief that the central banks were near the end of their tightening cycle and rising hopes of a "soft landing" in the global economy. This was despite the US debt ceiling crisis casting a cloud over the second half of the month. Signs of strength were evident across the economy: Australian housing market valuations rose (with national home prices rising in March and April after 10 straight months of falls), March housing finance soared +4.9% vs -0.3% consensus, better than expected job advertisements and March retail sales beat expectations. A budget surplus of $4.2 billion for 2022/23 was handed down on 9 May. Massive downward revisions to the deficit over recent months were driven by booming jobs and commodity prices. Some market economists thought the $14.6 billion in cost-of-living assistance in the budget added incrementally to fears of further rate hikes.

A string of softer numbers later in the month, including the May Westpac consumer sentiment index (which dropped from 85.8 to 79), a slight uptick in unemployment from 3.5% to 3.7%, and flatter retail numbers for April appeared to make the case for a rate pause stronger. However, hotter wages growth (3.7% in Q1 vs 3.6% prior) and fears that the Fair Work Commission would sign off on record wage rises in June presaged a shock inflation read for April of +6.8%, way above consensus of +6.4% and well above the +6.3% reported in March. This all but sealed the case for further tightening by the RBA. It has not escaped our notice that despite the exuberance of growth equities, bond yields have also been rising through the month, hinting at more inflation or growth in contrast to hopes of lower interest rates from long duration equities.

PORTFOLIO COMMENTARY

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

The overweight position in insurance provider Insurance Australia Group Ltd (+4.2%) contributed to relative performance. The stock finished higher after being upgraded to 'overweight' from 'neutral' at JPMorgan, with its target price increased to A$5.75 from A$5, representing a 20% upside to its price at the time of the upgrade.
The overweight position in oil and gas producer Santos (+3.1%) contributed to relative performance. During the month, the company announced that its Moomba CCS project was 60% complete and is on track to start storing CO2 next year. Once complete, the project is said to support Santos in reducing its own emissions, in addition to working with other hard-to-abate sectors to look at ways of using Moomba CCS to help reduce their emissions as well. According to the company, in the next six weeks, there will be a direct air capture facility being installed at the project and that will work for nine months trialling the company's new technology for direct air capture.
The overweight position in mineral sands miner Iluka Resources (+2.5%) contributed to relative performance. The stock price rose sharply after being upgraded to 'outperform' from 'neutral' by Macquarie analysts, with its target price increasing to A$12.30 from A$12, representing a 12% upside to its price at the time of the upgrade.

The overweight position in gold and copper miner Newcrest Mining (-11.7%) detracted from relative performance. The stock was hampered after announcing that its Cadia mine was under investigation regarding its management of emissions of dust and other pollutants. Newcrest's Cadia Holdings mine in Central West NSW has been issued with a draft pollution Prevention Notice and a draft licence variation regarding the management of the emissions of dust and other pollutants as part of a new investigation commenced by the NSW Environment Protection Authority. The EPA has also written to the NSW Chief Health Officer requesting a full health risk analysis to determine if mine dust is impacting the health of the community.

Not holding online business solutions provider Xero Ltd. (+17.8%) detracted from relative performance. The stock increased significantly after reporting an FY NPAT of (NZ$113.5M vs consensus of NZ$1.0M), Revenue of NZ$1.40B (vs consensus of NZ$1.41B), EBITDA of NZ$158.4M (vs consensus of NZ$279.5M), and 3,741K Subscribers (vs consensus of 3,743K). Looking forward, the company aims to improve its operating expense ratio and operating income margin in the long term. However, no specific timeline has been provided. Xero is targeting an operating expense to operating revenue ratio of around 75% in FY24, which is expected to further improve its operating income margin compared to FY23.

The overweight position in healthcare services and hospital operator Ramsay Health Care (-11.3%) detracted from relative performance. Ramsay Health Care has announced its preliminary NPAT (net profit after tax) for the first nine months of FY23, which stands at A$235.1M. This marks an increase of 17% compared to the same period last year, where it was A$201.6M. The revenue for the 9M period was A$11.24B, which is an 11% increase from A$10.14B in the previous year. Additionally, EBITDA for the period was A$1.47B, a 7% increase from A$1.38B in the previous year. Looking ahead, the company expects a gradual recovery in earnings through FY23 and more normalised conditions in FY24.

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.

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