Wholesale Funds

PERPETUAL WHOLESALE CONCENTRATED EQUITY FUND

June 2022

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

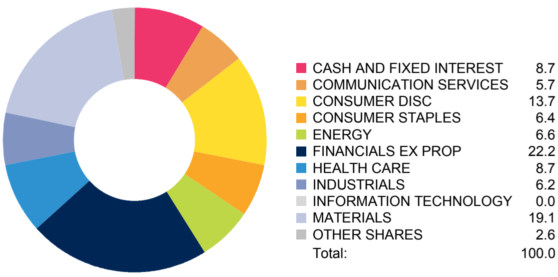
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	$395.93 million as at 30 Jun 2022
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 Limited	7.3%
Santos Limited	5.0%
Iluka Resources Limited	4.3%
Orica Limited	4.2%
Brambles Limited	4.1%
BHP Group Ltd	4.0%
Westpac Banking Corporation	3.9%
Wesfarmers Limited	3.8%
National Australia Bank Limited	3.8%
Ramsay Health Care Limited	3.8%

NET PERFORMANCE - periods ending 30 June 2022

	Fund	Benchmark #	Excess
1 month	-7.74	-8.97	+1.23
3 months	-7.93	-12.22	+4.29
FYTD	-0.17	-6.78	+6.61
1 year	-0.17	-6.78	+6.61
2 year p.a.	17.35	9.45	+7.90
3 year p.a.	5.51	3.44	+2.07
4 year p.a.	5.20	5.38	-0.18
5 year p.a.	6.41	6.90	-0.49
7 year p.a.	6.29	6.98	-0.68
10 year p.a.	9.51	9.24	+0.27
Since incep.	10.18	7.81	+2.36

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

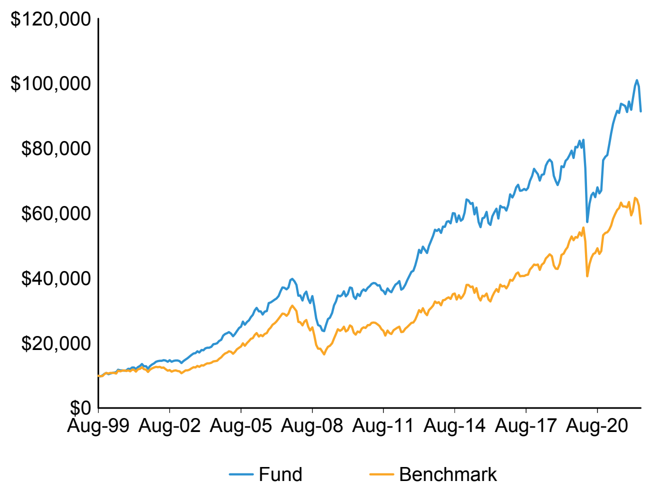
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	14.1	12.6
Dividend Yield*	4.3%	5.2%
Price / Book	1.9	1.8
Debt / Equity	43.3%	31.8%
Return on Equity*	14.2%	15.0%

^ 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 declined over the June quarter as inflation and interest rate news dominated headlines. The market retreated following the consecutive interest rate rises in May and June, which saw the cash rate climb a total of 75 basis points to 0.85%, prompted by a significant increase in inflation and expectations of its continued upward trajectory.

Equities started the quarter on a positive note, with performance underpinned by continued strength in mining and energy stocks as commodity prices remained elevated by the fallout from Russia's invasion. Rising volatility, however, saw the market hand back its earlier gains. The spike in gas and electricity prices contributed to near-term inflation expectations. At the same time, consumer confidence fell to its lowest level since Sep-2020 amid concerns over the Ukrainian war, east coast flooding, and cost pressures. Fuel and food prices compounded inflationary pressures from supply and labour shortages and strong consumer demand. Consumer Discretionary stocks, however, were adversely affected as the aggressive RBA tightening cycle clouded corporate earnings outlooks. Confidence deteriorated with indebted Australians facing cost-of-living headwinds, which prompted warnings of a pullback in discretionary spending. Consumer staples similarly lost ground amid concerns of cost inflation and pervasive supply chain constraints.

The latest bond yield backup coincided with steep falls in high-growth pockets of the market, particularly across tech stocks, which took a beating over the quarter. Commodity producers also sustained significant losses following the reimposition of Covid restrictions in China. The banks took a steep dive later in the quarter after executives and regulatory officials flagged challenges related to the housing market / construction sector and warned of likely stresses on borrowers from rising rates. The Energy sector, however, finished ahead, supported by rallying crude oil prices. Market sentiment, nevertheless, remained fraught as the increasingly hawkish central bank policy pivot continued to drive concerns of an economic hard landing.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Santos Limited, Insurance Australia Group Limited, and Iluka Resources Limited. Conversely, the Fund's largest underweight positions include BHP Group Ltd, Commonwealth Bank of Australia, and CSL Limited.

The overweight position in healthcare services and hospital operator Ramsay Health Care (+12.4%) contributed to relative performance. The company confirmed during the quarter that it had received a conditional, non-binding, indicative proposal from KKR consortium to acquire the company. Under the proposal, Ramsay shareholders would be entitled to receive $88.00 per share cash, less any ordinary or special dividends paid after the date of the proposal. The Ramsay board has determined it appropriate to provide the Consortium with due diligence on a non-exclusive basis.

The overweight position in insurance provider Insurance Australia Group Ltd (-0.5%) contributed to relative performance. The stock was supported after received regulatory approval for the sale of AmGeneral Holdings Berhad (the Malaysian business in which it holds a 49% interest). The completion of the deal is conditional on the Malaysian High Court approving a capital reduction and distribution to IAG of its share of the sale proceeds. The sale proceeds will be ~$340M and is expected to result in a net loss after tax of ~A$90M, though it will improve its regulatory capital position by ~A$150M at completion.

The overweight position in supply chain services provider Brambles (+8.1%) contributed to relative performance. The stock rallied sharply upon release of the company's nine-month trading update, reporting sales revenue of $4.07B, vs $3.79B from last year. It also upgraded its FY2022 guidance to reflect sales revenue growth of 8-9% (previous guidance of 6-8%) and underlying profit growth of 6-7% (previous guidance of 3-5%), including ~$50M of short-term transformation costs. Its FY2022 dividends are expected to be in line with its policy to pay out 45-60% of underlying profit after finance costs and tax.

Not holding toll road operator Transurban Group (+8.0%) detracted from relative performance. The company released its March quarter 2022 update, reporting an Average Daily Traffic increase of 0.4% over the March quarter compared to its 2021 March quarter. Management noted that the March quarter again demonstrated traffic recovery in line with the progressive easing of government restrictions and increased economic activity. NSW and QLD traffic also recovered rapidly as weather patterns normalised following the severe rainfall events in late February and early March.

The overweight position in retail outlet investment company Premier Investments Ltd (-28.3%) detracted from relative performance. The stock sold off with the broader discretionary retail sector on rising interest rates and inflationary concerns. CLSA upgraded the stock to outperform from underperform. However, it decreased its target price to $25.75 from $28.25. Citi also upgraded Premier to a 'buy' from 'neutral,' though decreased its target price to $29 from $30.80. This came as US retail giants Target and Walmart released a disappointing quarterly earnings report, further dampening sentiment for local retail stocks.

OUTLOOK

We have long believed that markets are poised for further rotation to a more value-oriented investment environment as Covid disruptions, waning stimulus, and war combine to keep consumer price inflation at high levels. Until June this year, equity markets were resilient in the face of the rate hikes, but bond markets have priced in tighter monetary policy much more aggressively. Historically, when the bond market and equity market disagreed, the bond market was usually correct. In our view, rising bond yields will eventually lead overpriced growth stocks into a more sustained and overdue correction, challenging investors with large growth exposures. We think, in the years ahead, markets will need to become accustomed to more inflation than previously experienced. This distinct shift in the macro backdrop is already playing out across asset classes. In these conditions, our focus on value style investing, 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

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