

Perpetual Investment Funds

PERPETUAL WHOLESALE INTERNATIONAL SHARE FUND

February 2023

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares.

FUND BENEFITS

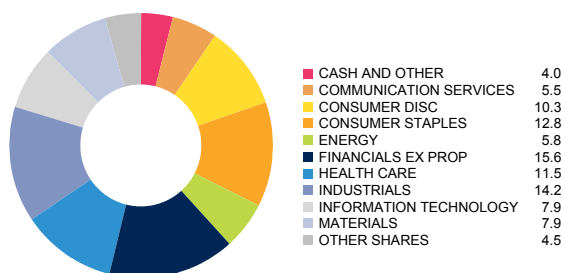
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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:	MSCI World Net Total Return Index (\$A)
Investment Manager:	Barrow, Hanley, Mewhinney & Strauss, LLC
Inception Date:	April 1997
Size of Portfolio:	\$90.61 million as at 31 Dec 2022
APIR:	PER0050AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

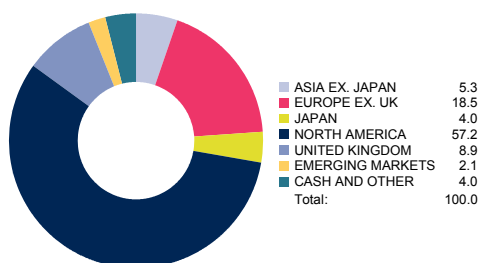
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	3.9%
Oracle Corporation	3.3%
Air Products and Chemicals, Inc.	3.0%
Seven & I Holdings Co., Ltd.	3.0%
HSBC Holdings Plc	2.8%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 28 February 2023

	Fund	Benchmark #	Excess
1 month	1.37	1.98	-0.61
3 months	2.43	-0.63	+3.06
FYTD	11.19	9.73	+1.46
1 year	8.85	-0.28	+9.14
2 year p.a.	12.29	8.54	+3.75
3 year p.a.	11.43	8.27	+3.16
4 year p.a.	11.07	10.02	+1.05
5 year p.a.	10.57	10.02	+0.56
7 year p.a.	11.88	11.20	+0.68
10 year p.a.	13.48	13.54	-0.06
Since incep.	6.43	7.27	-0.85

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

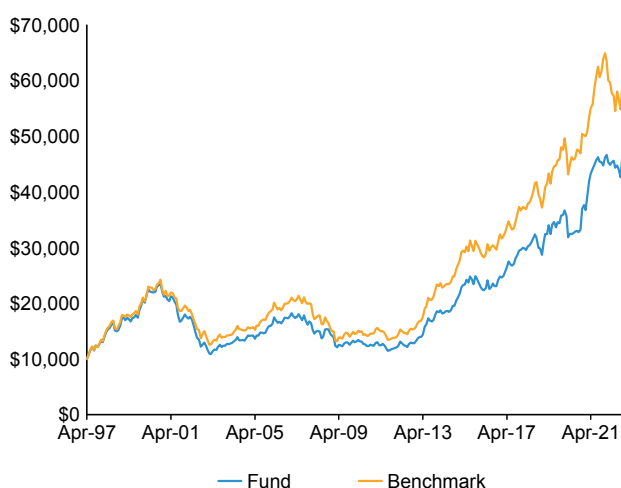
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	13.3	16.0
Dividend Yield*	3.0%	2.7%
Price / Book	2.0	2.5
Debt / Equity	65.8%	50.1%
Return on Equity*	15.1%	16.2%

[^] 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) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

Equity markets reversed course in February as a “good news was bad news” setting ultimately drove equity prices lower, with the MSCI World and MSCI All Country World Indexes losing ground. Strong economic data reported in February dampened expectations for lower interest rates in 2023, as historically low unemployment rates pushed below their pre-pandemic levels and PMIs showed improvement across major economic regions. These factors are likely to keep central banks on a tightening path to ensure they do not lose control of inflation, which appears to have peaked but remains very “sticky.”

Europe benefitted further from declining gas prices, now down more than 84% since their peak last year as inventories remain elevated on a milder-than-expected winter. This is helping improve consumer and business confidence, leading Europe to be among the strongest performing regions in the month, with continental Europe only down -0.9% and the UK up 0.3%. Conversely, emerging markets, down -6.5%, was the worst-performing region in the month, driven largely by the pullback in Chinese equities. China has seen a strong rebound since its lows in October but increasing geo-political tensions and unclear signalling regarding stimulus by the Chinese government have led investor enthusiasm toward the country to wane. However, with the re-opening of China continuing apace and the potential for additional stimulus, we are still likely in the early innings of a full recovery in Chinese equities.

Even with the expectation of higher interest rates, growth stocks continued to outpace their value peers, with the MSCI World Growth Index outpacing the MSCI World Value Index by more than 100bps for the month. This was driven primarily by US value stocks lagging their growth peers, as the MSCI EAFE Value Index outpaced the MSCI EAFE Growth Index by 140bps. The resurgence in US Information Technology stocks and poor performance within the Energy sector were key drivers of growth's outperformance over value.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Oracle Corporation, and Air Products and Chemicals, Inc. Conversely, the Fund's largest underweight positions include Apple Inc., Microsoft Corporation, and Alphabet, Inc. Class A, all of which are not held in the Fund.

Defence company Rheinmetall AG was top contributor in the month. Rheinmetall is benefitting from continued higher demand with the ongoing war in Ukraine. The stock has performed strongly since the time of purchase, but we believe further upside remains. As such, we continue to hold the security but took the opportunity in the month to take some profits in the stock along with our other defence holding, as noted below.

Vertiv Holdings Co. Class A was a top contributor in February as Vertiv posted a record quarter in operating profits. Investor concerns about the impact of slowing cloud growth on data centre demand seem to have abated. Further, Vertiv has been able to improve its margins to historical averages, though we recognize that it may take several quarters of stable margins before investors feel comfortable that Vertiv can deliver.

Despite the strong performance, we continue to see a good risk/reward profile.

Fidelity National Information Services, Inc./STRONG> was a top detractor in the month. The stock sold off after the company guided lower-than-expected earnings growth. We recognize that with a new management team the company wants to reset expectations, and we believe guidance is conservative. Further, the company announced it is planning to spin off the underperforming merchant segment. Finally, the company has announced additional cost savings over the next two years. As such, despite the stock's challenging performance since our initial purchase, our bottom-up analysis and calls with management have given us confidence that the company offers not only a compelling valuation but a pathway for a re-rating in that value.

Air Products and Chemicals, Inc. underperformed in the month after announcing earnings below consensus. Earnings were at the bottom end of guidance as a result of macro weakness in Europe and COVID impacts in Asia. The company did maintain guidance for the year while also reporting merchant pricing up 19%, which highlights the company is overcoming inflationary pressure and getting additional pricing over higher inflationary costs.

OUTLOOK

We are encouraged by positive economic data highlighting that we may have seen the worst in inflation readings. Further, strong employment continues to keep the consumer afloat as have prior savings during the COVID period. Further, stabilizing or improving PMIs could be a strong signal that global economies may be able to avoid a hard landing. However, with solid economic data comes continued pressure on inflation, which is likely to cause central banks to be reluctant to lower interest rates any time in the near future. Accordingly, as we have seen in previous value-led markets, growth rallies within a value cycle can be strong when investors expect a “pivot,” but growth will tend to lose out to value until there is a meaningful and permanent shift in central bank policies and an actual turn in economic growth. Even under these scenarios, we expect markets to continue favour value stocks as cyclical sectors tend to outperform in an economic recovery.

As such, we believe that it is too early to say whether global markets will experience a hard or soft landing, but we recognize the material risks associated with central banks wanting to raise rates until there is some pressure in the labour market. Accordingly, we believe our portfolio, which is modestly tilted towards defensive stocks, remains appropriate in this uncertain market environment. We are pleased with the positive start to 2023 and the strong setup we see for value stocks going forward.

Management of this Fund: 09/09/2020 Barrow, Hanley, Mewhinney & Strauss, LLC, from 31/01/2015 to 08/09/2020 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.

The benchmark for the Fund prior to 31/1/2015 was the MSCI World ex Australia Accumulation Index. Returns shown reflect the Fund's benchmark during the period. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

MORE INFORMATION

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