

Wholesale Funds

PERPETUAL WHOLESAL GEARED AUSTRALIAN SHARE FUND

April 2022

FUND FACTS

Investment objective: Aims to enhance long-term capital growth through borrowing (gearing) to invest predominantly in quality Australian industrial and resource shares.

FUND BENEFITS

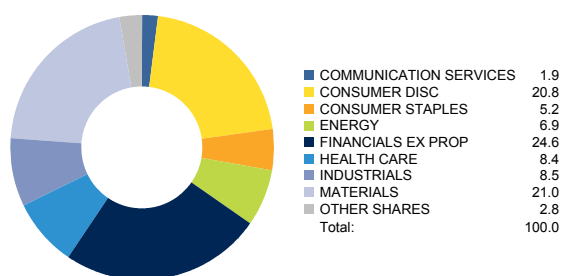
Offers investors broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams. A geared fund has benefits over gearing into a fund because there are no margin calls, no credit checks, no need for collateral or assets as security.

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:	March 2003
Size of Portfolio:	\$538.99 million as at 31 Mar 2022
APIR:	PER0071AU
Management Fee:	1.17%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	7.2%
Santos Limited	6.0%
Insurance Australia Group Limited	5.5%
Westpac Banking Corporation	5.1%
Ramsay Health Care Limited	4.5%
Iluka Resources Limited	4.4%
La Francaise des Jeux SA	4.0%
National Australia Bank Limited	3.9%
Brambles Limited	3.9%
Wesfarmers Limited	3.8%

NET PERFORMANCE - periods ending 30 April 2022

	Fund	Benchmark #	Excess
1 month	1.56	-0.84	+2.39
3 months	13.40	8.22	+5.18
FYTD	13.35	5.31	+8.04
1 year	25.64	10.17	+15.46
2 year p.a.	58.00	20.40	+37.60
3 year p.a.	14.28	9.65	+4.63
4 year p.a.	12.76	9.82	+2.94
5 year p.a.	10.66	8.98	+1.68
7 year p.a.	8.33	8.07	+0.26
10 year p.a.	14.28	9.87	+4.41
Since incep.	13.03	9.88	+3.15

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

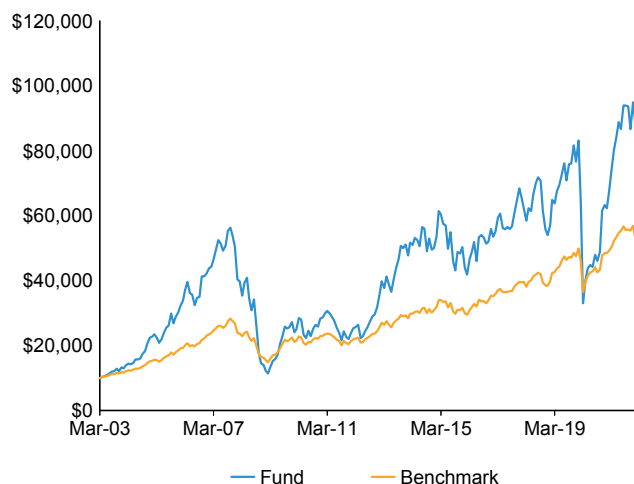
Please note: From July 2021 we corrected a minor discrepancy in the previously published 'since inception' returns for the benchmark. If you wish to receive historical 'since inception' data, please contact us. There has been no impact to any other performance period data in the table.

PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	15.8	15.2
Dividend Yield*	3.8%	4.4%
Price / Book	2.2	2.1
Debt / Equity	37.8%	33.4%
Return on Equity*	14.4%	14.5%
Gearing Level	55.2%	

[^] Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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

Australian equities started off the month positive, with post-holiday trade allowing the ASX to near its highest level since the beginning of January. Performance was underpinned by continued strength in mining and energy stocks as commodity prices remained elevated by the fallout from Russia's invasion. Rising volatility in the second half of the month, however, saw the market hand back its earlier gains. The IT sector was the greatest laggard, as soaring bond yields and negative sentiment from underwhelming US tech earnings impacted local tech stocks. Mining producers were also among the notable drags on the market, with China's lockdowns driving concerns of reduced commodity demand.

Consumer confidence fell in April to its lowest since Sep-2020 amid concerns over Russia's invasion, east coast flooding, and cost pressures. Trimmed mean inflation rose above the RBA's 2-3% target band in the March quarter for the first time since 2010, while headline CPI surged the most in more than 20 years. Fuel and food prices compounded inflation pressures from supply and labour shortages, higher transport costs, and strong consumer demand. Expectations of further inflation and a pickup in wages growth also saw the RBA bring forward the likely timing of its next interest rate hike. Consumer Discretionary stocks were adversely affected as the prospect of a more aggressive RBA tightening cycle clouded earnings outlooks.

Company announcements throughout April revealed a variety of challenges facing firms. Cost of living pressures, rising interest rates, and a weakening housing market were cited as demand headwinds for discretionary retailers. Retail and food and beverage operators also flagged impacts from increased packaging and freight costs due to ongoing supply chain constraints, while the East coast floods disrupted production volumes across numerous sectors. Of the industries that outperformed, Utilities, Consumer Staples, and Industrials were the standouts over the month.

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 Macquarie Group Limited, Rio Tinto Limited, and Transurban Group Ltd., all of which are not held in the Fund.

The overweight position in healthcare services and hospital operator Ramsay Health Care (+24.5%) contributed to relative performance. The company confirmed during the month 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 supply chain services provider Brambles (+6.5%) 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.

The overweight position in insurance provider Insurance Australia Group Ltd (+3.7%) contributed to relative performance. Despite selling off at the beginning of the month, the stock recovered towards the end of April in the absence of any price-sensitive news releases throughout the month other than a broker-upgrade to the stock's target price.

The overweight position in dairy producer a2 Milk Company (-14.6%) detracted from relative performance. The stock fell following a 32% cut in its target price, due partly to changes to its earnings forecasts. Citi attributed the downgrade to increased headwinds, including effects of the Covid-lockdown in China resulting in imported infant formula taking longer to reach consumers, the decline in reseller pricing observed through Citi's analysis of A2's product listings on Tmall, a decline in reseller pricing and additional cost pressures resulting from increased competition. The overweight position in online betting and gaming provider Flutter Entertainment Plc (-7.7%) detracted from relative performance. The stock continued its downward momentum over the month despite the absence of any adverse material news flow affecting the company. We continue to hold the stock in the portfolio as we believe the market is now significantly undervaluing the company.

OUTLOOK

After a few months of volatile market moves dominated by macroeconomic concerns, we are beginning to move forward. However, operating conditions for many companies remain challenging despite generally solid demand conditions. Pressures around supply chains, managing inflationary pressures, and weather will all be in focus. Our view in times like these is that strong business models, healthy balance sheets, and good management teams excel. As always, we will focus our attention on earnings quality and look for opportunities where the market is overly focussed on short-term earnings drivers. We feel that this shift in narrative towards increasing inflation and interest rates should continue for most of the year. This should prove to be a challenging environment for both bonds and equities but, more specifically, long-duration equities like nonearnings-generating tech companies. However, we will keep an open mind. Therefore, one needs to be careful about consensus macro views. We will need to keep on top of this from a portfolio risk management perspective. However, for the time being, we are seeing some great opportunities.

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. 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.

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