Perpetual Investment Funds

PERPETUAL ESG AUSTRALIAN SHARE FUND

March 2023

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian shares that meet Perpetual's ESG and values-based criteria. Aims to outperform the S&P/ASX 300 Accumulation Index (before fees and taxes) over rolling three-year periods.

FUND BENEFITS

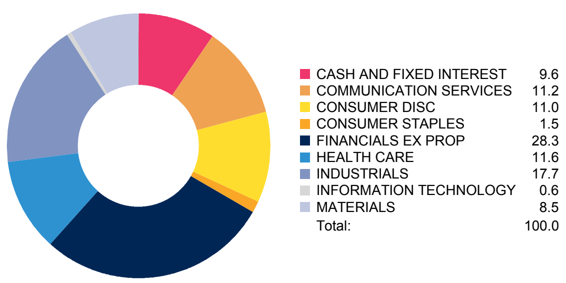
We seek to invest in quality companies that represent the best investment quality, are appropriately priced and meet Perpetual's ESG and values-based criteria. Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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:	April 2002
Size of Portfolio:	$888.64 million as at 31 Mar 2023
APIR:	PER0116AU
Management Fee:	1.18%*
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	7.3%
National Australia Bank Limited	5.9%
Brambles Limited	5.9%
Medibank Private Ltd.	5.0%
Healius Limited	4.8%
Bapcor Ltd	4.1%
Orora Ltd.	4.0%
Telstra Group Limited	3.7%
Ferguson Plc	3.4%
Deterra Royalties Ltd	3.2%

NET PERFORMANCE - periods ending 31 March 2023

	Fund	Benchmark #	Excess
1 month	-0.44	-0.24	-0.21
3 months	4.86	3.33	+1.52
FYTD	13.21	13.28	-0.07
1 year	0.37	-0.57	+0.93
2 year p.a.	7.08	7.03	+0.05
3 year p.a.	20.37	16.59	+3.78
4 year p.a.	9.84	7.88	+1.96
5 year p.a.	7.67	8.64	-0.97
7 year p.a.	7.45	9.37	-1.92
10 year p.a.	8.44	8.13	+0.31
Since incep.	10.64	8.14	+2.50

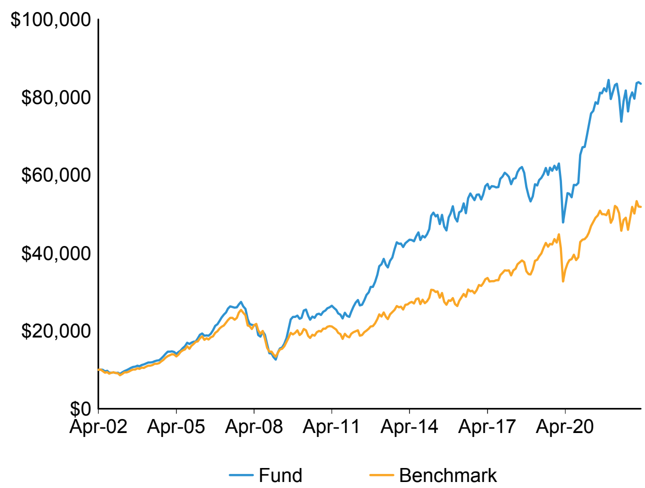
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	14.8	14.6
Dividend Yield*	4.7%	4.5%
Price / Book	1.9	1.9
Debt / Equity	34.8%	33.1%
Return on Equity*	13.4%	14.0%

^ 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 strengthened over the March quarter, boosted by strong January performance, which was assisted by the traction behind the disinflation narrative, a rise in expectations for a soft landing, and hopes for a near-term Federal Reserve pause anticipated later in 2023. Investor sentiment was also buoyed by the reopening of China's economy following signs that the latest COVID wave had peaked. However, a mixed set of first-half corporate earnings resulted in weakness across the ASX.

The collapse of Silicon Valley Bank and Credit Suisse in March triggered a bank-led equity sell-off and remained a significant driver of volatility towards the end of the quarter. Meanwhile, Australian retail sales growth slowed notably from January's outsized gain, indicating weakness amid cost-of-living pressures and rising interest rates. Despite these challenges, the ASX rebounded in the final week of March, aided by stabilising bond volatility, easing credit market tensions, and a softer CPI print. Among the sectors, Consumer Discretionary and Communication Services performed the best, while Energy posted the largest decline. Commodity producers fared well, with materials tracking gains in the metals markets and iron ore producers underpinning the sector's strength.

PORTFOLIO COMMENTARY

A feature of this Fund is that it applies Perpetual's ESG process and values-based investment criteria. The Fund's largest overweight positions include Insurance Australia Group Ltd, Healius Ltd, and Brambles Ltd. Conversely, the Fund's largest underweight positions include CSL Ltd, BHP Group Ltd (not held), and Commonwealth Bank of Australia.

The overweight position in packaging manufacturer Orora (+21.3%) contributed to relative performance. Its first-half FY2023 results beat consensus with a stronger-than-expected underlying NPAT of $108.1M and revenue of $2.26B. Orora's FY2023 outlook remains positive, with management anticipating higher earnings despite challenging global and domestic economic conditions, currency fluctuations, and continuing impact of the Pandemic. In North America, the company expects EBIT growth for the whole year, while in Australasia, it anticipates second-half 2023 EBIT to be up on the second-half 2022.

The overweight position in out-of-home advertising solutions provider oOh!media (+28.8%) contributed to relative performance. The stock rose sharply following its first-half earnings announcement. The results exceeded market expectations with underlying NPAT $56.2M vs consensus $52.0M, revenue of $592.6M (vs consensus $597.6M), Adjusted EBITDA of $127.1M (vs consensus $125.4M), and a final dividend of 3 cents per share (vs 1 cent last year). Management advised that its March-quarter revenue is on track for an 8% year-on-year increase.

The overweight position in lenders mortgage insurance business Helia (previously Genworth Mortgage Insurance) (+18.8%) contributed to relative performance. The company delivered a strong result during February based on favourable claims outcomes. New delinquencies are still favourable, but this will ultimately deteriorate despite banks being proactive on stressed loans. Nevertheless, the company's capital position remained strong, and we believe the firm has applied an element of conservatism to provisioning, which already allowed for a higher frequency of delinquencies.

The overweight position in household consumer products distributor GWA Group Limited (-17.4%) detracted from relative performance. The firm reported a first-half normalised NPAT of $21.3M (down 5% year-on-year). Management noted that demand in its Commercial new build and renovation segment is expected to continue, with its Commercial forward order book remaining strong (up 6.5%) in Australia since June 2022. This is expected to drive its strategic agenda in the second half of FY2023 with a focus on profitable volume growth targeting new markets and customers, as well as continued focus on cost management.

Noy holding iron ore miner BHP Group (+6.5%) detracted from relative performance. The miner provided an update on its UK class action brought by claimants in the English High Court seeking damages for alleged losses relating to the Fundão Dam collapse in 2015. BHP reported that a further claim was filed to add ~500,000 new claimants to the British proceedings. Full details of the claims have not been received, and the amount of damages sought in the proceedings remains unspecified.

The overweight position in dairy producer a2 Milk Company (-15.6%) detracted from relative performance. The stock price fell following the completion of the company's on-market 21.7M share buyback at an average price of NZ$6.87/share. The buyback equated to 2.9% of the issued capital with a total consideration of ~NZ$149M. The stock was subsequently downgraded to 'hold' from 'buy' at Bell Potter after the buyback, with its target price cut to A$6.80 from A$7.65.

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.

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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

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au