Wholesale Funds

PERPETUAL WHOLESALE SMALLER COMPANIES FUND

April 2021

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

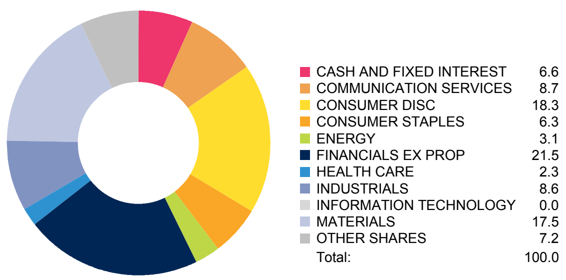
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

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 Small Ordinaries Accum. Index
Inception Date:	October 1996
Size of Portfolio:	$650.33 million as at 31 Mar 2021
APIR:	PER0048AU
Management Fee:	1.25%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
AUB Group Limited	4.0%
Northern Star Resources Ltd	4.0%
Enero Group Limited	3.6%
Pacific Current Group Ltd	3.5%
MAAS Group Holdings Ltd.	3.3%

NET PERFORMANCE - periods ending 30 April 2021

	Fund	Benchmark #	Excess
1 month	6.25	4.98	+1.27
3 months	11.40	7.44	+3.96
FYTD	35.65	28.91	+6.74
1 year	51.41	39.78	+11.63
2 year p.a.	18.28	10.08	+8.20
3 year p.a.	11.96	9.10	+2.85
4 year p.a.	12.08	11.37	+0.71
5 year p.a.	12.19	11.10	+1.09
7 year p.a.	10.81	9.39	+1.42
10 year p.a.	10.04	4.89	+5.15
Since incep.	12.65	6.08	+6.57

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

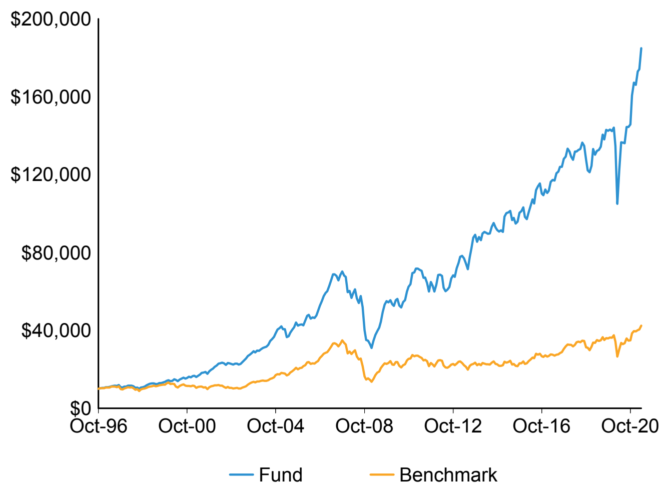
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	12.7	20.3
Dividend Yield*	4.6%	3.3%
Price / Book	1.7	2.0
Debt / Equity	25.9%	26.3%
Return on Equity*	12.2%	10.3%

^ 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 S&P/ASX Small Ordinaries Accumulation Index gained 5.0% over April. Equities rallied on improved consumer confidence, surging to its strongest level since August 2010, buoyed by a rising housing market and a resilient labour market despite the winding down of the Job Keeper wage subsidy program and concerns surrounding the AstraZeneca vaccine rollout. Headline jobs growth more than doubled consensus estimates (increasing +70.7K month-on-month versus consensus of +35.0K), leading to a 0.2% fall in the unemployment rate to 5.6%.

Sentiment was further boosted following a bullish Reserve Bank April policy meeting, noting a faster-than-expected return of Australian GDP to pre-pandemic levels, as well as reaffirming its hold on the record low interest rate of 0.10% until inflation is sustainably within its 2-3% target range. In a pre-budget speech, Treasurer Frydenberg emphasised a pro-growth fiscal stance with a focus on job creation through increased spending without accompanied tax increases or budget cuts. While also flagging measures aimed at boosting infrastructure, tax reform, and encouraging more skilled migration to alleviate worker shortages. The market was further buoyed by strengthening US equities, which gained traction following solid March-quarter earnings and another multi-trillion-dollar fiscal package outlined by President Biden in an address to Congress.

Investors largely shrugged off concerns of intensifying global coronavirus trends which slowed reopening momentum after direct travel from India was suspended until 15-May in response to a growing number of infected travellers arriving into Australia. This came as the Federal Government abandoned its target for vaccinating the population and recommended that the AstraZeneca vaccine not be given to people under 50 following further challenges in the rollout of the program.

The best performing sectors for the month, as measured by the S&P/ASX Small Ordinaries Accumulation Index, were Information Technology (+10.1%), Materials (+9.1%) and Financials (+7.3%). The worst performers were Energy (-2.9%), Consumer Staples (-1.2%) and Health Care (+1.7%). As a whole, small cap industrial stocks (+3.9%) underperformed small cap resource stocks (+9.5%), and small cap value stocks (+2.1%) underperformed small cap growth stocks (+7.8%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions in gold miner Northern Star Resources, boutique funds management firm Pacific Current Group, and integrated marketing and communication services provider Enero Group. The Fund's largest underweight positions include Metcash, Steadfast Group, and Vocus, all of which are not held by the Fund.

The overweight position in construction materials supplier MAAS Group Holdings (+22.4%) contributed to relative performance. The stock price finished the month higher following the announcement that it has agreed to acquire Central Queensland leasehold quarry and fixed and mobile concrete batching plants operator Amcor Quarries & Concrete Pty Ltd, for an undisclosed amount. The transaction is subject to certain closing conditions and is expected to be finalised by May 2021. In a separate but related transaction, MAAS Group also announced during the month its acquisition of Amcor Excavations Pty Ltd and Willow Tree Gravels Pty Ltd.
The overweight position in mineral mining and processing company Mineral Resources Ltd (+25.9%) contributed to relative performance. The stock price continued to rise over the month, benefitting from record global iron-ore prices which surged to US$186/Mt (up US$22/Mt), driven by strong demand from Chinese steel mills due to aggressive infrastructure-focused stimulus programs in China, as well as across Europe and in the US, fuelled demand for the commodity. This came as the company released its March-quarter production update, reporting iron ore production of 4.9M wet metric tonne (up from 3.4M wmt a year ago), and spodumene production of 109 dry metric tonne (up from 89 dmt a year ago).

Not holding lithium miner Galaxy Resources (+55.3%) detracted from relative performance. The stock spiked on news of a proposed $4 billion merger of equals with Orocobre Limited to create the world's fifth-largest global lithium chemicals company. Under the proposal, Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held under the Scheme of Arrangement. The deal has been unanimously recommended by the Galaxy board and endorsed by the Orocobre board. Upon implementation of the Scheme, Orocobre shareholders will own 54.2% of the fully diluted share capital of the combined entity and Galaxy shareholders will own the remaining 45.8%.
Not holding lithium miner Orocobre Limited (+48.2%) detracted from relative performance. The stock rallied after its announced merger with Galaxy Resources. Management stated that the merger will unlock significant synergies for the merged company, create a diversified production base, and realise significant value for shareholders. Both Orocobre and Galaxy shareholders will benefit from the diversification, growth, and scale of a top-five global lithium chemicals company. The companies have a complementary portfolio of brine and hard rock lithium assets spread across Australia and Argentina as well as a vertically integrated supply chain.

OUTLOOK

The global economic recovery from COVID continues, although we remain wary of relapses that may trigger further economic dislocation, as we are seeing in Europe. The rollout of vaccine programs, however, raises hope that sustained economic growth is possible from mid-2021 onward as markets are beginning to price a significant rotation into stocks. Most value sectors (like banks, energy, resources, and consumer discretionary) will be more sensitive to an upswing in the economy, as such, this investment style is anticipated to outperform after a prolonged period of dominance by growth investing. This is why sticking to an investment approach that's underpinned by a disciplined, active, value-based methodology is important, whatever the investment environment.

Benchmark prior to 1/4/2000 was the ASX Small Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX Small Ordinaries Accumulation Index.

MORE INFORMATION

Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

Perpetual