

Wholesale Funds

PERPETUAL WHOLESAL ETHELICAL SRI FUND

April 2021

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality shares of Australian ethical and socially responsible companies. 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 have satisfied our range of ethical and socially responsible investment criteria.

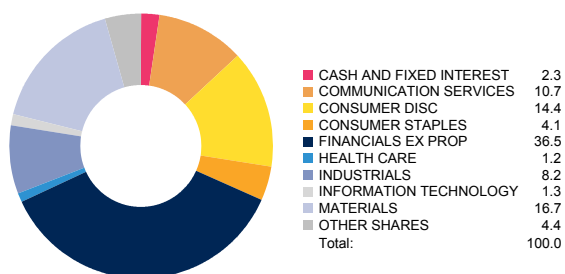
Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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:	\$804.36 million as at 31 Mar 2021
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
ANZ Banking Group Ltd.	7.0%
AUB Group Limited	6.4%
Orora Ltd.	6.3%
National Australia Bank Limited	6.2%
HT&E Ltd	4.3%
Asaleo Care Ltd.	4.1%
Insurance Australia Group Limited	4.1%
Fletcher Building Limited	3.7%
Premier Investments Limited	3.5%
Telstra Corporation Limited	3.5%

NET PERFORMANCE - periods ending 30 April 2021

	Fund	Benchmark #	Excess
1 month	4.14	3.70	+0.44
3 months	12.78	7.64	+5.13
FYTD	37.24	22.83	+14.42
1 year	46.94	31.58	+15.36
2 year p.a.	13.61	9.39	+4.21
3 year p.a.	8.70	9.70	-1.00
4 year p.a.	7.04	8.69	-1.65
5 year p.a.	8.33	10.40	-2.07
7 year p.a.	8.29	8.07	+0.22
10 year p.a.	11.10	8.28	+2.82
Since incep.	11.21	8.43	+2.78

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

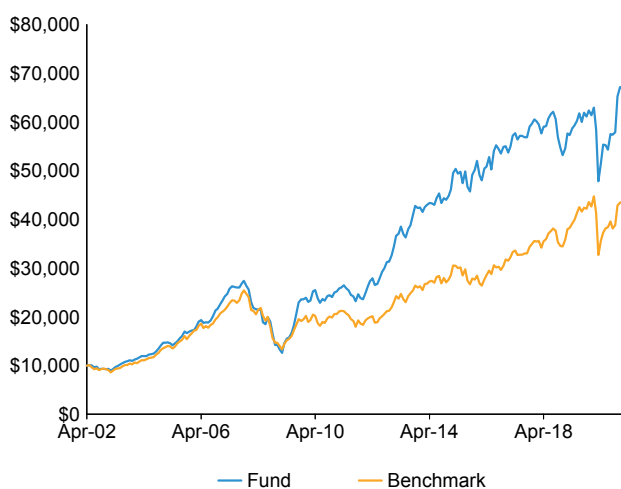
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	17.8	18.6
Dividend Yield*	4.0%	3.9%
Price / Book	2.0	2.2
Debt / Equity	29.1%	36.9%
Return on Equity*	11.5%	12.0%

[^] 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 ended the month higher with the S&P/ASX 300 Accumulation Index gaining 3.7% 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.

PORTFOLIO COMMENTARY

A feature of this Fund is that it has strict ethical and socially responsible (SRI) criteria and therefore a screened investment universe. The Fund's largest overweight positions include packaging manufacturer Orora, insurance provider AUB Group, and Australia and New Zealand media and online publishing company HT&E. The Fund's largest underweight positions include CSL (not held), BHP Group (not held), and Commonwealth Bank.

The overweight position in furniture retailer Nick Scali (+12.6%) contributed to relative performance. The stock price rallied over the month following a boost in the retail sector driven by improved consumer confidence and the continued recovery in economic activity. This has led to an anticipated stronger-than-guided first-half financial result that is scheduled for release in May.

Not holding diversified retailer Woolworths (-3.8%) contributed to relative performance. The stock fell on the back of a weaker-than-expected March-quarter sales update, reporting a 0.4% increase in group sales to \$16,566 million (driven by its BIG W and drinks businesses). This offset softer sales from its supermarkets where Australian Food sales were down 0.7% on the prior corresponding period to \$11,092m, and NZ supermarket sales down 6.9% to NZ\$1,792m. Management noted that the subdued sales growth reflected a normalisation in its operating environment after the pandemic-related panicking-buying witnessed during the March quarter of last year.

The overweight position in Funds management and financial services provider Platinum Asset Management (-5.6%) detracted from relative performance. The stock fell after reporting a total net fund outflow of \$206 million during March, leading to a 1.42% decline in its funds under management to \$24.5 billion by the end of the month. Management noted that \$41 million of the total net outflow came from their Platinum Trust Funds, and that that \$99 million was related to one of its clients rebalancing its portfolio. Despite this setback, we continue to hold the stock as we believe the market is currently undervaluing its resilient earnings stream.

Not holding iron ore producer Fortescue Metals Group (+13.0%) detracted from 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 Fortescue reported its March-quarter production update, with year-to-date shipments of 132.9Mt (up +2% year-on-year), and 53.6M wet metric tonne of Ore mined (vs 41.9M wmt from a year ago) with average revenue of \$143/dry metric tonne (up +17% quarter-on-quarter).

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.

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 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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