

Wholesale Funds

PERPETUAL WHOLESAL GEARED AUSTRALIAN SHARE FUND

May 2021

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.

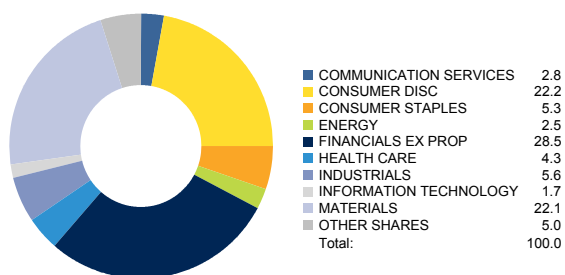
A geared fund has benefits over gearing into a fund because there are no margin calls, no credit checks, no need for collateral or assets as security.

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: | \$470.48 million as at 31 Mar 2021 |
| 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 |
|-----------------------------------|----------------|
| National Australia Bank Limited | 5.3% |
| Crown Resorts Limited | 5.3% |
| La Francaise des Jeux SA | 4.8% |
| Westpac Banking Corporation | 4.6% |
| Iluka Resources Limited | 3.9% |
| Woolworths Group Ltd | 3.9% |
| Commonwealth Bank of Australia | 3.9% |
| Insurance Australia Group Limited | 3.9% |
| Suncorp Group Limited | 3.7% |
| ANZ Banking Group Ltd. | 3.7% |

NET PERFORMANCE - periods ending 31 May 2021

| | Fund | Benchmark # | Excess |
|--------------|-------|-------------|--------|
| 1 month | 5.34 | 2.31 | +3.03 |
| 3 months | 24.89 | 8.53 | +16.37 |
| FYTD | 88.32 | 25.66 | +62.66 |
| 1 year | 92.48 | 28.72 | +63.76 |
| 2 year p.a. | 10.15 | 9.69 | +0.46 |
| 3 year p.a. | 11.19 | 10.10 | +1.08 |
| 4 year p.a. | 10.72 | 10.07 | +0.65 |
| 5 year p.a. | 10.22 | 10.22 | +- |
| 7 year p.a. | 7.02 | 8.33 | -1.30 |
| 10 year p.a. | 11.36 | 8.75 | +2.60 |
| Since incep. | 12.64 | 9.95 | +2.68 |

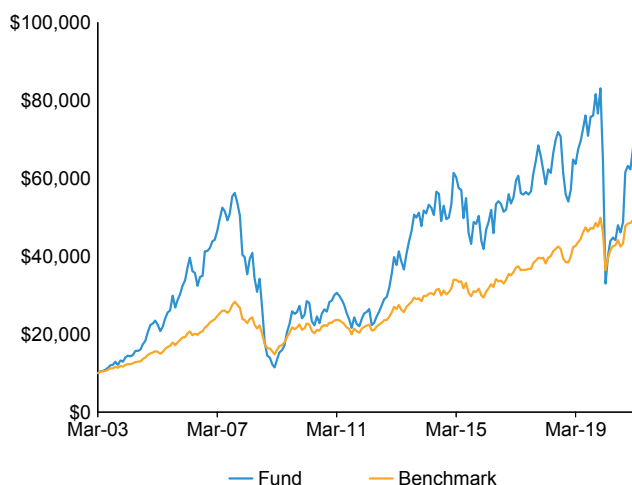
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS[^]

| | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 19.2 | 18.5 |
| Dividend Yield* | 3.3% | 3.9% |
| Price / Book | 2.0 | 2.2 |
| Debt / Equity | 28.3% | 32.0% |
| Return on Equity* | 10.8% | 13.9% |
| Gearing Level | 53.7% | |

[^] 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

The Australian equity market ended the month higher with the S&P/ASX 300 Accumulation Index gaining 2.3% over May. Stock prices were supported by a stimulating Federal Budget, rising commodity prices, and the continued roll-out of Australia's vaccine program. Unveiling of the Federal Budget during the month was well received by the market, with \$96 billion in stimulus promised over five years, much of which is expected to flow through to businesses via increased consumer spending and investment. Market sentiment was further bolstered after the Reserve Banks made positive revisions to domestic GDP growth forecasts during its May policy meeting, citing positive labour market momentum and a strong outlook for global growth. The central bank highlighted that it would decide on whether to extend quantitative easing at its July meeting as it places a high priority on a return to full employment.

Sentiment, however, was hampered as trade tensions flared up as China's National Development and Reform Commission announced its indefinite suspension of activities under the China-Australia Strategic Economic Dialogue in response to the scrapping of Victoria's Belt & Road deal on the basis of national security grounds. A surge in iron ore prices to \$US218.0/Mt, however, offset the decline in market confidence until efforts by China to constrain the commodity led to a retraction in its price. By the end of the month, iron ore still managed to finish \$US14.50 higher at \$US201.50/Mt.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Financials (+5.7%), Health Care (+3.5%) and Consumer Discretionary (+3.2%). The worst performers were Information Technology (-9.1%), Utilities (-6.6%) and Energy (-1.5%). As a whole, industrial stocks (+6.0%) underperformed resource stocks (+7.7%) and large-cap stocks (+6.5%) outperformed small-cap stocks (+5.3%). Value stocks (+4.2%) outperformed growth stocks (+2.3%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include casino operator Crown Resorts, mineral sands miner Iluka Resources, and French Gambling operator La Francaise des Jeux SA. The Fund's largest underweight positions include Macquarie Group, Rio Tinto, and Transurban Group, all of which are not held in the Fund.

The overweight position in French Gambling operator La Francaise des Jeux SA (+10.7%) contributed to relative performance. The stock maintained its positive momentum over May, continuing to benefit from ongoing structural growth predominantly through its ongoing margin expansion due to its shift from retail sales to online sales. This was reinforced by a broker upgrade to its target price during the month, citing stronger-than-anticipated lottery margins and benefits which are expected to be derived from the migration to its online platform.

The overweight position in online betting and gaming provider Flutter PLC (-8.8%) detracted from relative performance. The stock fell after the company announced that the CEO of its US business FanDuel Group, Matt King, has given notice of his intention to resign from the company. Flutter reported that it will continue to assess its plans to float the business on the US exchange, however, noted that Mr. King's departure will affect the timing of any potential listing. Despite this setback, the Fund continues to hold the stock as we believe its future earnings growth potential from its international segments has yet to be fully recognised by the market.

The overweight position in automotive and industrial products manufacturer G.U.D. Holdings (-9.1%) detracted from relative performance. Investors were disappointed with its March-quarter trading update after narrowing its full-year FY2021 EBIT guidance to \$98-100m from a previous \$95-100m, despite reporting a first-half EBIT of \$52.3m (with its second-half result to include the earnings from its two newly acquired businesses, G4CVA and ACS). Management described the guidance range as "cautious" given its uncertain outlook. Despite this setback, the Fund continues to hold the stock as we believe the market is yet to recognise the benefits to be realised from its recent acquisitions.

OUTLOOK

As signs of a sustained recovery in the domestic economy emerge, our outlook for the Australian equity market remains optimistic over the near term with corporate earnings and business conditions continuing to strengthen. Although we remain wary of future COVID outbreaks that may trigger flash lockdowns, investor sentiment is anticipated to remain relatively resilient following the rollout of Australia's vaccine program, optimism over the eventual reopening of international borders, and ongoing discretionary fiscal and monetary stimulus measures continuing to support the economy. We expect to see a further rebound in the traditional value sectors (like banks, energy, resources, and consumer discretionary) which are likely to become more sensitive to an upswing in economic activity. As such, we anticipate that this investment style will continue to outperform after a prolonged period of dominance by growth investing. While rising inflationary pressures may stoke market volatility over the coming year, we believe that certain companies within the value segments of the market will thrive under such conditions, whereas other pockets of the market that has flourished in a low-interest rate environment will be less resilient if such conditions were to persist. This is why adhering to an investment approach that's underpinned by a disciplined, active, value-based methodology is important, regardless of 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. 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 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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