

Wholesale Funds

PERPETUAL WHOLESAL AUSTRALIAN SHARE FUND

May 2021

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial and resource shares.

FUND BENEFITS

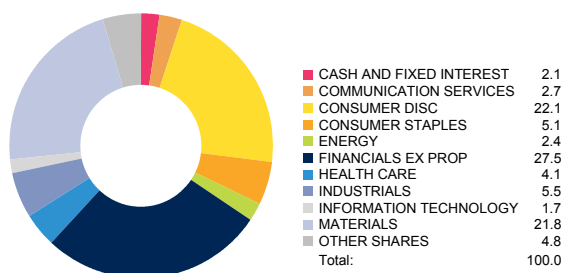
Provides investors with the potential for maximising capital growth and income, with broad market exposure, through active management by one of Australia's most experienced investment management teams.

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 300 Accum. Index
Inception Date:	February 1997
Size of Portfolio:	\$511.52 million as at 31 Mar 2021
APIR:	PER0049AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Crown Resorts Limited	5.3%
National Australia Bank Limited	5.2%
La Francaise des Jeux SA	4.9%
Westpac Banking Corporation	4.4%
Iluka Resources Limited	3.8%
Woolworths Group Ltd	3.8%
Insurance Australia Group Limited	3.7%
Commonwealth Bank of Australia	3.7%
Suncorp Group Limited	3.7%
Flutter Entertainment Plc	3.7%

NET PERFORMANCE - periods ending 31 May 2021

	Fund	Benchmark #	Excess
1 month	2.46	2.31	+0.15
3 months	11.17	8.53	+2.64
FYTD	35.77	25.66	+10.11
1 year	37.32	28.72	+8.60
2 year p.a.	11.51	9.69	+1.82
3 year p.a.	10.15	10.10	+0.05
4 year p.a.	8.96	10.07	-1.12
5 year p.a.	8.25	10.22	-1.97
7 year p.a.	6.73	8.33	-1.60
10 year p.a.	8.54	8.75	-0.21
Since incep.	10.29	8.83	+1.47

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

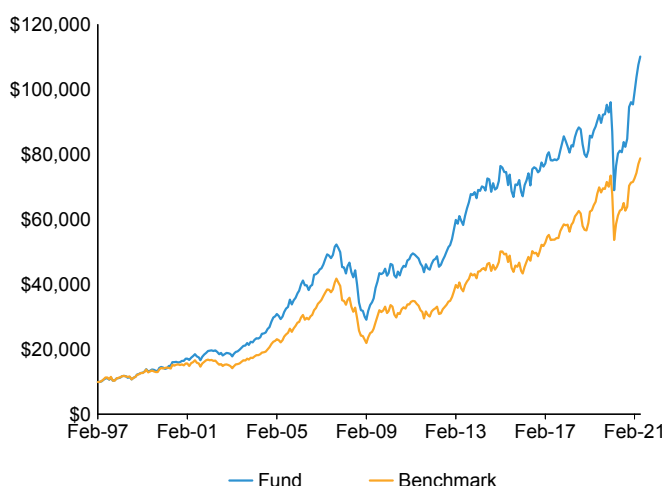
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	19.3	18.5
Dividend Yield*	3.3%	3.9%
Price / Book	2.0	2.2
Debt / Equity	28.0%	32.0%
Return on Equity*	10.8%	13.9%

[^] 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



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, online betting and gaming provider Flutter Entertainment Plc, and French Gambling operator La Francaise des Jeux SA. The Fund's largest underweight positions include CSL, Commonwealth Bank, and BHP Group.

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. Not holding payment services provider Afterpay (-21.1%) contributed to relative performance. Despite the absence of any materially adverse news directly relating to the company over the month, the stock fell along with the broader tech sector following declining investor confidence spurred by a broader sell-off across US tech stocks. The decline was thought to result from the prospects of higher inflation and concerns of rising interest rates that are likely to adversely impact higher valuation-multiple tech companies.

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 underweight position in Commonwealth Bank of Australia (+12.0%) detracted from relative performance. The stock broke through the \$100 price mark for the first time in May, supported by a solid March-quarter financial result, reporting a cash net profit after tax of \$2.4 billion (compared with \$1.3 billion across the same period in 2020, \$1.70 billion in 2019, and \$2.35 billion in 2018). Management advised that the impressive performance was driven largely by lower loan impairment expenses and a 2% increase in income, resulting from above-system core volume growth, improved margins, and higher non-interest income.

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.

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