Wholesale Funds

PERPETUAL WHOLESALE CONCENTRATED EQUITY FUND

June 2021

FUND FACTS

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

FUND BENEFITS

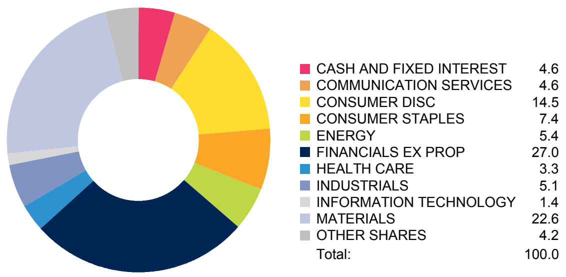
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

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:	August 1999
Size of Portfolio:	$494.97 million as at 30 Jun 2021
APIR:	PER0102AU
Management Fee:	1.10%*
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	6.2%
Iluka Resources Limited	6.2%
Insurance Australia Group Limited	4.8%
Westpac Banking Corporation	4.8%
Deterra Royalties Ltd	4.4%
BHP Group Ltd	4.2%
National Australia Bank Limited	4.1%
Medibank Private Ltd.	3.6%
Commonwealth Bank of Australia	3.4%
Woolworths Group Ltd	3.3%

NET PERFORMANCE - periods ending 30 June 2021

	Fund	Benchmark #	Excess
1 month	2.20	2.25	-0.06
3 months	8.23	8.48	-0.25
FYTD	37.93	28.49	+9.44
1 year	37.93	28.49	+9.44
2 year p.a.	8.47	8.95	-0.49
3 year p.a.	7.05	9.77	-2.72
4 year p.a.	8.12	10.63	-2.50
5 year p.a.	9.43	11.26	-1.83
7 year p.a.	7.04	8.90	-1.86
10 year p.a.	9.23	9.21	+0.02
Since incep.	10.67	8.53	+2.14

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

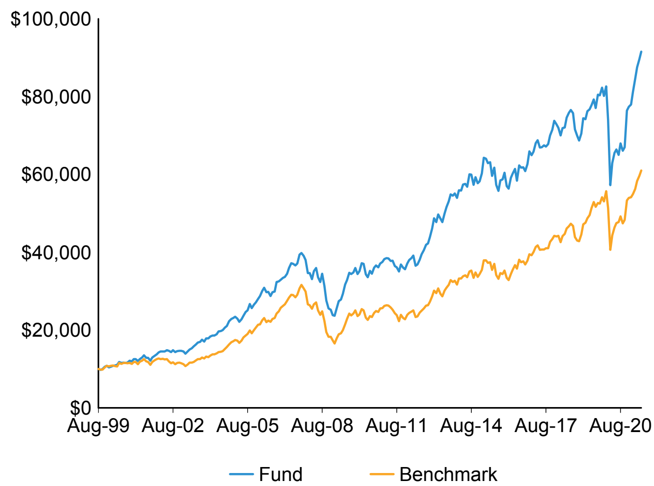
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	18.9	17.8
Dividend Yield*	3.8%	4.1%
Price / Book	1.9	2.2
Debt / Equity	29.1%	31.4%
Return on Equity*	10.9%	14.9%

^ 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



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

The Australian equity market ended the quarter higher with the S&P/ASX 300 Accumulation Index gaining 8.5%. Stock prices were supported by improved consumer confidence, surging to its highest level since August 2010 and buoyed by rallying commodity prices. Despite the wind-down of the Job Keeper wage subsidy program, the labour market remained resilient. Business conditions reached a new record high, attributed to improvements in trading, profitability, and strengthening employment data. Manufacturing activity also accelerated, while services activity reached an almost 18-year high. National house price growth maintained its momentum, boosted by consumer demand amid a low-interest-rate environment and supply-side constraints.

Market sentiment was further bolstered by the Reserve Bank's upward revision to domestic GDP growth forecasts, citing expedited return to pre-pandemic levels, positive labour-market momentum and a strong outlook for global growth. The RBA also reaffirmed its hold on the record low cash rate of 0.10% until inflation is sustainably within its 2-3% target range. A stimulating 2021-22 Federal Budget 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.

Delays in the vaccine rollout and concerns of intensifying global coronavirus trends slowed reopening momentum, while further lockdowns in Melbourne and Sydney towards the end of the quarter contributed to weakness across 'reopening' and travel-related stocks. The market, however, largely brushed this aside, buoyed by new COVID support payments and rallying 'stay-at-home' stocks.

The best performing sectors for the quarter, as measured by the S&P/ASX 300 Accumulation Index, were Information Technology (+12.1%), Consumer Discretionary (+11.6%), and Communication Services (+11.1%). The worst performers were Utilities (-4.7%), Energy (-2.3%), and Consumer Staples (+5.4%). Industrial stocks (+8.7%) outperformed resource stocks (+7.8%), and large cap stocks (+8.2%), as measured by the S&P/ASX 50 Index, underperformed small cap stocks (+8.5%), as measured by the ASX Small Ordinaries Index. Value stocks (+7.5%) underperformed growth stocks (+9.3%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include mineral sands miner Iluka Resources, casino operator Crown Resorts, and mining royalty firm Deterra Royalties Ltd. The Fund's largest underweight positions include CSL (not held), Commonwealth Bank, and BHP Group.

The overweight position in mineral sands miner Iluka Resources (+26.9%) contributed to relative performance. The stock strengthened following reports that its mineral sands competitor, Rio Tinto, has suspended all mining and smelting operations at its South African Richards Bay Minerals site amid escalating security and safety concerns. The suspension of operations has led to higher zircon prices and expectations of increased demand from Iluka during its next round of contract negotiations. The stock was further supported during the quarter by media speculation that Iluka has identified several parties interested in acquiring its troubled Rutile operations in Sierra Leone.
The overweight position in building and construction materials provider Boral (+33.9%) contributed to relative performance. The stock rallied after Boral received an off-market takeover approach from Seven Group Holdings Ltd to acquire all ordinary shares in the company for a total cash consideration of $6.50 per share (representing a nil premium to its closing price at the time of the offer). The Board has recommended that its shareholders reject Seven's offer, indicating that it was opportunistic and undervalues the company. The stock was further boosted towards the end of the quarter by the announced sale of its US building products business to Westlake Chemical for $US2.15b.

The overweight position in casino operator Crown Resorts (+1.3%) detracted relative performance. The stock fell after AUSTRAC announced that it had identified potential non-compliance with Anti-Money Laundering and Counter-Terrorism Financing laws at its Perth casino. This comes as the Crown Board had received legal advice that a practice that existed at Crown Melbourne between 2012 and 2016 contravened section 68 of the Casino Control Act. The Board responded by ensuring that any shortcomings will be addressed and that they are committed to making Crown a stronger, more transparent, and respected company while also highlighting that it has initiated a sweeping program of reforms, enhancements, and personnel changes. The stock continues to be held in the Fund as we believe that it is significantly undervalued with respect to its long-term earnings prospects.
The overweight position in horticultural business provider Costa Group Holdings (-28.9%) detracted from relative performance. The stock fell abruptly on the back of an underwhelming profit guidance update, said to be driven by challenging domestic conditions. Investors were disappointed after management noted that it expects its June-half profit to be only "marginally ahead" of the previous corresponding period (which suffered significant setbacks due to the pandemic-affected operating environment). The Fund continues to hold the stock as we expect to see a strong rebound in its earnings as soon as operating conditions normalise.

OUTLOOK

As signs of a sustained recovery in the domestic economy emerge, with corporate earnings and business conditions continuing to strengthen, our outlook for the Australian equity market remains optimistic over the near term. Although we remain wary that future COVID outbreaks may trigger 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 have flourished in a low-interest-rate environment will be less resilient if such conditions persist. Adhering to an investment approach that is 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.

MORE INFORMATION

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