

Wholesale Funds

PERPETUAL WHOLESAL E ETHICAL SRI FUND

June 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.

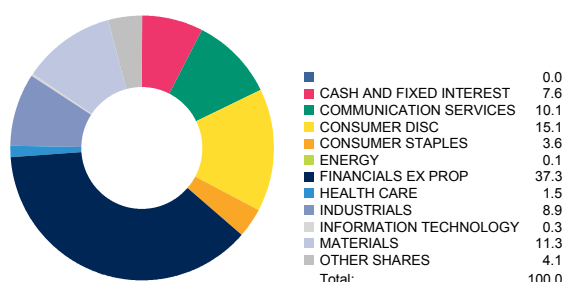
Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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: | \$958.40 million as at 30 Jun 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 |
|-----------------------------------|----------------|
| National Australia Bank Limited | 6.7% |
| ANZ Banking Group Ltd. | 6.6% |
| AUB Group Limited | 5.7% |
| Orora Ltd. | 5.2% |
| Insurance Australia Group Limited | 4.5% |
| Commonwealth Bank of Australia | 3.9% |
| Telstra Corporation Limited | 3.8% |
| HT&E Ltd | 3.5% |
| Premier Investments Limited | 3.5% |
| Nick Scali Limited | 3.1% |

NET PERFORMANCE - periods ending 30 June 2021

| | Fund | Benchmark # | Excess |
|--------------|-------|-------------|--------|
| 1 month | 2.88 | 2.25 | +0.63 |
| 3 months | 8.14 | 8.48 | -0.35 |
| FYTD | 42.51 | 28.49 | +14.01 |
| 1 year | 42.51 | 28.49 | +14.01 |
| 2 year p.a. | 14.28 | 8.95 | +5.33 |
| 3 year p.a. | 9.03 | 9.77 | -0.74 |
| 4 year p.a. | 8.31 | 10.63 | -2.31 |
| 5 year p.a. | 9.40 | 11.26 | -1.86 |
| 7 year p.a. | 9.02 | 8.90 | +0.12 |
| 10 year p.a. | 11.97 | 9.21 | +2.76 |
| Since incep. | 11.32 | 8.61 | +2.71 |

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

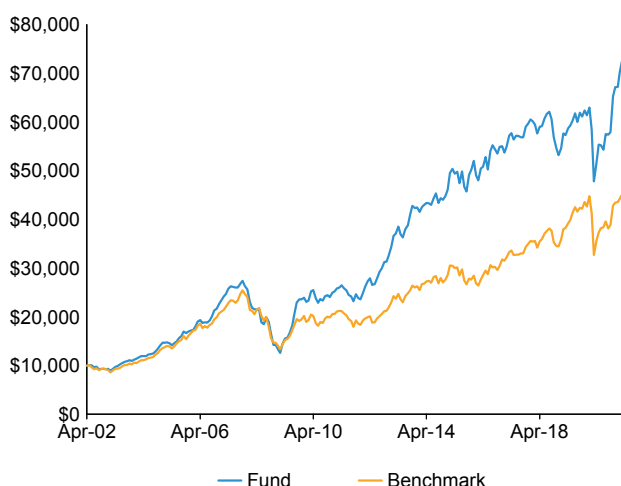
PORTFOLIO FUNDAMENTALS[^]

| | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 18.1 | 17.8 |
| Dividend Yield* | 4.1% | 4.1% |
| Price / Book | 2.2 | 2.2 |
| Debt / Equity | 26.1% | 31.4% |
| Return on Equity* | 12.4% | 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



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

A feature of this Fund is that it invests in a screened universe enforced by strict ethical and socially responsible (SRI) investment criteria. The Fund's largest overweight positions include packaging manufacturer Orora, insurance provider AUB Group, and insurance provider Insurance Australia Group Ltd. The Fund's largest underweight positions include CSL, BHP Group, and Westpac Bank, all of which are not held in the Fund.

The overweight position in furniture retailer Nick Scali (+17.6%) contributed to relative performance. The stock was assisted over the quarter by an upbeat trading update, with management reporting continued positive trading momentum. Written sales orders remained strong in April with growth of +242% compared to April 2020, and +37% compared to April 2019. FY2021 year-to-date sales revenue grew ~44% to the end of April, with expectations of ongoing growth throughout the June quarter despite shipping container shortages continuing to affect its supply chain.

The overweight position in plumbing and heating products supplier Ferguson PLC (+17.7%) contributed to relative performance. The stock rose after reporting a 65.4% year-on-year increase in its third-quarter trading profit. Adjusted EBITDA grew 61.2%, and revenue for the quarter climbed 24.5% from the same period last year to \$5.92b. Its revenue growth was assisted by 20.1% organic growth in the US, boosted by increasing sales price inflation and easing prior-year revenue comparatives. The better-than-expected performance resulted in management upgrading its outlook, with FY2021 Group trading profit now expected to be in the range of \$2b to \$2.10b.

The underweight position in Commonwealth Bank of Australia (+16.0%) detracted from relative performance. The stock broke through the \$100 price mark for the first time during the quarter, supported by a solid March-quarter financial result, reporting a cash net profit after tax of \$2.4b. This 85% increase came off a low base over the same period in 2020 of \$1.3b, (2019 and 2018 net profit after tax was \$1.70b and \$2.35b, respectively). Management advised that the impressive performance was primarily driven 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.

The overweight position in funds management and financial services provider Platinum Asset Management (-1.8%) detracted from relative performance. The stock fell after reporting a total net fund outflow of \$206m during March, leading to a 1.4% decline in its funds under management to \$24.5b. Management noted that \$41m of the total net outflow came from their Platinum Trust Funds and that \$99m related to one of its clients rebalancing their portfolio. Despite this setback, we continue to hold the stock as we believe the market is currently undervaluing its resilient earnings stream.

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.

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MORE INFORMATION

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