Wholesale Funds

PERPETUAL WHOLESALE ETHICAL SRI FUND

July 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.

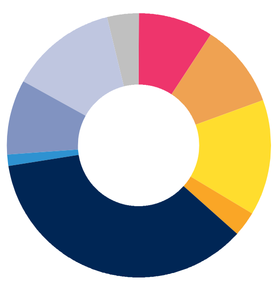
Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

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



CASH AND FIXED INTEREST	9.2
COMMUNICATION SERVICES	10.3
CONSUMER DISC	14.2
CONSUMER STAPLES	3.0
ENERGY	0.0
FINANCIALS EX PROP	35.7
HEALTH CARE	1.3
INDUSTRIALS	9.4
INFORMATION TECHNOLOGY	0.0
MATERIALS	13.1
OTHER SHARES	3.8
Total:	100.0

TOP 10 STOCK HOLDINGS

	% of Portfolio
National Australia Bank Limited	7.0%
ANZ Banking Group Ltd.	6.7%
Orora Ltd.	5.6%
Insurance Australia Group Limited	5.2%
AUB Group Limited	4.5%
Telstra Corporation Limited	4.0%
Commonwealth Bank of Australia	3.9%
Medibank Private Ltd.	3.5%
HT&E Ltd	3.4%
Premier Investments Limited	3.3%

NET PERFORMANCE - periods ending 31 July 2021

	Fund	Benchmark #	Excess
1 month	-0.48	1.11	-1.59
3 months	3.33	5.77	-2.44
FYTD	-0.48	1.11	-1.59
1 year	44.17	29.14	+15.03
2 year p.a.	12.57	7.96	+4.61
3 year p.a.	8.30	9.70	-1.40
4 year p.a.	8.22	10.93	-2.71
5 year p.a.	7.69	10.14	-2.45
7 year p.a.	8.47	8.40	+0.07
10 year p.a.	12.31	9.76	+2.54
Since incep.	11.24	8.63	+2.61

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

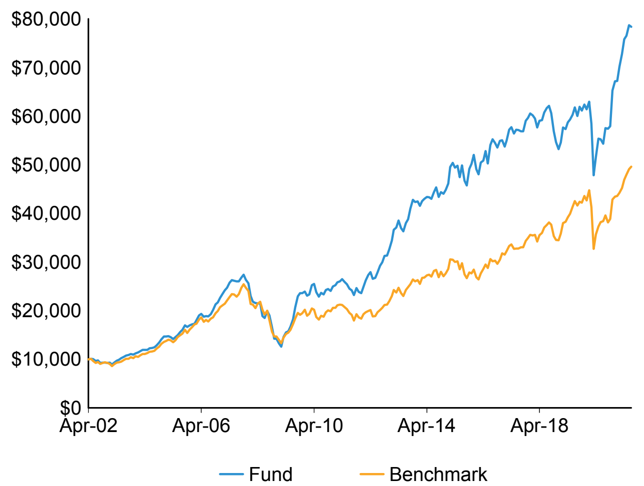
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	17.9	17.2
Dividend Yield*	4.0%	4.1%
Price / Book	2.1	2.3
Debt / Equity	37.4%	31.3%
Return on Equity*	12.2%	15.7%

^ 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 continued its positive run throughout July, reaching a new record high with the S&P/ASX 300 Accumulation Index ending 1.1% higher. The index was assisted by rebounding consumer sentiment and improving jobs data, with unemployment falling to a ten-year low of 4.9%. Bullish corporate activities, including significant M&A activity and dividend announcements towards the end of the month, further benefitted the market.

COVID concerns flared up again during July, leading to renewed lockdowns. Victoria managed to exit its fifth lockdown by the 27th, however, Sydney's lockdown was extended as new daily cases from the Delta strain reached 239 by month-end. This amounted to harsher restrictions rolled out across several local government areas, with health experts remaining doubtful of an August 28th reopening. The lockdowns prompted a sharp downward revision to near-term economic growth, with economists forecasting a minimum 2% contraction in September-quarter GDP. Equity investors mostly shrugged off lockdown concerns, as fiscal support was boosted, and expectations mounted for the RBA to delay its planned wind-down of quantitative easing policies. Meanwhile, the federal and state governments ramped up their focus on improving vaccination rates, with only 13.9% of the population fully vaccinated as of the end of July.

Declining global market sentiment was mostly ignored by local investors, as the Delta variant drove a surge in global cases (passing 196 million accumulative cases in July from 181 million in the prior month). The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Materials (+7.1%), Industrials (+4.1%), and Utilities (+1.6%). Conversely, the worst performers were Information Technology (-6.4%), Energy (-2.4%), and Communication Services (-1.5%). As a whole, industrial stocks (-0.3%) underperformed resource stocks (+6.5%), and large-cap stocks (+1.3%) outperformed small-cap stocks (+0.7%). Value stocks (+0.4%) underperformed growth stocks (+1.2%) 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.

Not holding payment services provider Afterpay (-18.2%) contributed to relative performance. The stock fell midway through the month after payments company, PayPal Australia, announced its plan to launch a no-late fee 'buy now, pay later' product.
The overweight position in furniture retailer Nick Scali (+4.7%) contributed to relative performance. The stock rose after the company confirmed reports that it is in non-exclusive discussions with Greenlit Brands Pty Ltd regarding a potential acquisition of its Plush Sofas business. If the acquisition is successful, Nick Scali is expected to fund the purchase with a combination of cash on hand and debt.

Not holding diversified miner BHP Group (+10.1%) detracted from relative performance. The stock traded higher over the month following reports suggesting that Australian energy producer Woodside Petroleum Ltd. is in talks with BHP over the acquisition of its oil assets which are reported to be worth an estimated $15b. Further reports revealed that BHP is likely to proceed with its Jansen potash development in Saskatchewan, Canada, after securing a conditional port services deal with Westshore Terminals Ltd.
The overweight position in funds management and financial services provider Platinum Asset Management (-16.7%) detracted from relative performance. The stock fell on the back of its June trading update. Platinum recorded a 4.8% month-on-month decline in total funds under management to $23.5b at the end of June. The decline was spurred by net fund outflows of $167m (not include the impact of its cash distribution to unitholders of $1.4b, or the distribution re-investment of $383m). Management also advised that it expects a 56% reduction in its total performance fee for FY2021 compared to FY2020.

OUTLOOK

The rotation to economic recovery that favours value stocks remains firmly on track. Looking beyond shorter-term disruptions, it is clear that economic momentum, both home and abroad, remains strong. Admittedly, business and consumer confidence have fallen off recent highs, but the Australian recovery remains one of the most advanced in the world and well ahead of forecasts in 2020.

Companies we talk to are less concerned by shorter-term lockdowns and focused heavily on longer-term challenges, including the potential for higher embedded inflation, although this bodes well for many value stocks, especially resources. Many value stocks are only just rising above previous 2007 peaks even as many growth stocks continue to trade at many multiples of the levels of just a few years ago. We think a combination of all the factors described above suggests a return to sustained global recovery, with higher inflation, higher bonds yield, but also a longer and more sustained swing to value. Our focus will remain on screening out balance-sheet, management, earnings, and business risks to ensure our clients are invested in high-quality businesses at reasonable prices.

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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