

Wholesale Funds

PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

March 2022

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares.

FUND BENEFITS

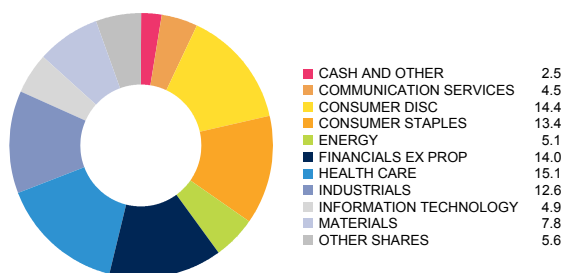
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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:	MSCI World Net Total Return Index (\$A)
Investment Manager:	Barrow, Hanley, Mewhinney & Strauss, LLC
Inception Date:	April 1997
Size of Portfolio:	\$105.84 million as at 31 Mar 2022
APIR:	PER0050AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

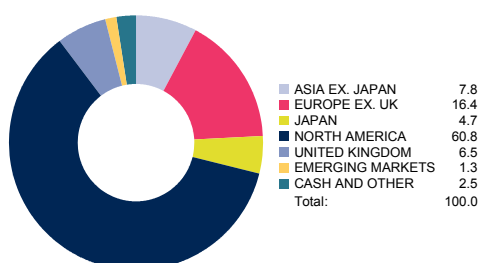
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Seven & I Holdings Co., Ltd.	3.8%
Merck & Co., Inc.	3.7%
Oracle Corporation	3.1%
Allstate Corporation	3.0%
BAE Systems plc	2.6%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 March 2022

	Fund	Benchmark #	Excess
1 month	-1.05	-0.72	-0.34
3 months	-2.95	-8.17	+5.22
FYTD	0.14	2.18	-2.04
1 year	6.87	11.69	-4.82
2 year p.a.	18.63	17.58	+1.05
3 year p.a.	11.38	12.87	-1.49
4 year p.a.	10.99	12.73	-1.74
5 year p.a.	11.83	12.78	-0.95
7 year p.a.	9.81	10.60	-0.79
10 year p.a.	13.08	14.58	-1.50
Since incep.	6.26	7.53	-1.27

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

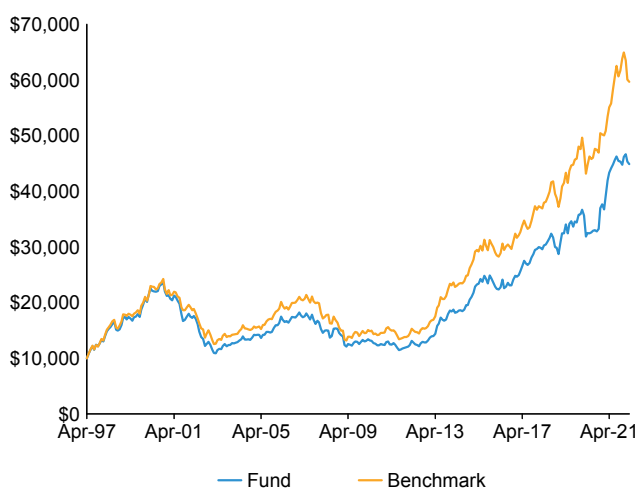
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	14.9	17.6
Dividend Yield*	2.6%	2.4%
Price / Book	2.1	2.8
Debt / Equity	72.0%	50.7%
Return on Equity*	14.1%	16.6%

[^] 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) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

Few markets or asset classes escaped the downdraft in the first quarter of 2022. Additional bricks were stacked on an already high "wall of worry" during the quarter, including the addition of the central banks' high-wire act of taming the rapid rise in inflation without slowing economic growth too quickly.

Additionally, Russia's invasion of Ukraine, pushed commodity prices higher and further disrupted global supply chains. Against this backdrop, U.S. equities declined nearly 5%, yet fared better than most markets around the world. Continental European stocks were pushed lower as expected higher energy costs added to already slowing growth, creating concerns of a near-term recession in the region. Japan was similarly impacted given its need to import gasoline at higher prices though the government did introduce some gasoline subsidies to help household consumption.

Emerging markets fared the worst in the quarter. After what looked like a promising start to the year, Chinese stocks fell precipitously, as China continued to pursue a zero COVID policy and introduced major lockdowns in cities such as Shenzhen and Shanghai. Conversely, the U.K., with its higher exposure to commodities (Energy and Materials), actually posted positive returns in the quarter.

At a sector level, there was a meaningful bifurcation in performance as the Energy sector was up over the quarter on the back of crude oil up 33% and natural gas up more than 51%. Conversely, the Communication Services, Consumer Discretionary, and Information Technology sectors were down more than -10%. With the MSCI World Value Index underweight these sectors while overweighting the Materials, Financials, and Utilities sectors, the MSCI World Value Index outpaced the MSCI World Growth Index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Seven & I Holdings Co., Ltd., Merck & Co., Inc., and Allstate Corporation. Conversely, the Fund's largest underweight positions include Apple Inc., Microsoft Corporation, and Alphabet, Inc. Class A, all of which are not held in the Fund.

With the outbreak of war in Ukraine, the portfolio's holdings in defence stocks Rheinmetall AG and BAE Systems plc were up firmly in the quarter as European governments recognised the need to spend more on their national defence given years of underinvestment. Rheinmetall is one of the leading defence contractors in Europe, with market-leading positions in land vehicles, large calibre weapons, and ammunitions and electronic solutions. The company is a key supplier to the German army as well as a range of both NATO and non-NATO countries around the world.

Similarly, BAE Systems plc is the largest non-U.S. defence contractor in the world and has a diversified portfolio with a strong technology focus covering air, land, and sea. BAE Systems plc performed strongly on the back of potentially higher defence spending, but also reported full-year 2021 numbers in the quarter with EPS and free cash flow ahead of consensus and guided free cash flow meaningfully over the next few years. We continue to hold both names as we see a compelling risk/reward profile.

Vertiv Holdings Co. Class A, a leading provider of power management and thermal systems for data centres and other critical infrastructure, faced issues with their suppliers delivering the necessary components as planned and securing transport of those components at previously agreed upon prices along with broader inflationary pressures. Management stepped in and took swift action to remedy the internal processes and adjust price/cost to balance, however, near-term earnings are currently depressed, with shares trading at 16.5x forward EV/EBITDA. Should their margin profile normalise as we expect, the stock is trading at a notable discount to its peers and create a re-rating potential as results match or exceed expectations.

Axalta Coating Systems Ltd., a performance coatings business with leading positions in automotive refinish and OEM, faced rising input prices for solvents, resins, and pigments driven by rise in oil prices. Management remains committed to raising prices, though there will be some lag until they catch up. They also continue to invest into sustainability initiatives, helping offset rising carbon costs and drive efficiencies.

Semiconductor shortages persisted, impacting new car production volumes, as people are still returning to their normal driving habits. A normalisation in miles driven should create the need for accident repair. These headwinds are well-known, and more likely to be opportunities for upside improvement as they reverse in the future. Shares are very attractive with solid free cash generation in the interim and trade at 13.7x forward price-to-earnings.

OUTLOOK

As it now stands, central banks face a monumental challenge – raise rates fast enough to cool inflation but not so fast that economic growth is negatively impacted. Central banks appear woefully behind tackling inflation as they underestimated the effects of fiscal and monetary policies enacted over the past decade and, more recently, the massive stimulus provided during the COVID pandemic. Markets are rightly concerned over a misstep by central banks which could ultimately push economies into a recession.

However, not all is gloom and doom, as there are some metrics pointing to economic strength that could help create a softer economic landing than what investors are expecting. Currently, employment trends are positive as unemployment has declined meaningfully post-pandemic, as economies have continued to reopen. Further, the consumer appears to be in a good place with higher savings and higher wages and, barring persistently high inflation, should allow for positive consumer spending trends. This has been one contributor to corporate profits being forecasted to rise in the coming year. All this would continue to bode well for positive economic growth and should provide for a constructive environment for value stocks.

Management of this Fund: 09/09/2020 Barrow, Hanley, Mewhinney & Strauss, LLC, from 31/01/2015 to 08/09/2020 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.

The benchmark for the Fund prior to 31/1/2015 was the MSCI World ex Australia Accumulation Index. Returns shown reflect the Fund's benchmark during the period. 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.

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