

Wholesale Funds

PERPETUAL GLOBAL INNOVATION SHARE FUND – CLASS A

September 2021

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares that are benefiting from changes in technology and innovation. To outperform the stated benchmark (before fees and taxes) over rolling 3 year periods.

FUND BENEFITS

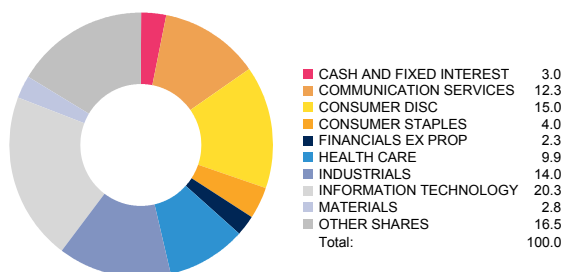
Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental valuation of stocks. The Manager believes that changes in technology and innovation can have a significant impact on future earnings and valuation of companies, and that by focusing on understanding new changes in technology and innovation this can lead to early identification of undervalued stocks.

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 AC World Net Total Return Index (AUD)
Inception Date:	June 2017
Size of Portfolio:	\$125.92 million as at 30 Sep 2021
APIR:	PER1547AU
Management Fee:	0.99%*
Performance Fee:	20% of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

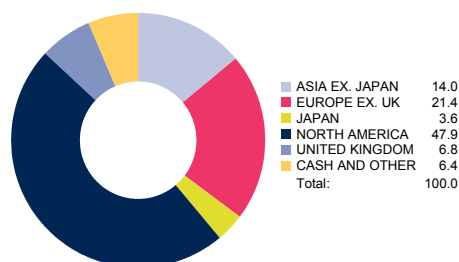
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Opendoor Technologies Inc	12.5%
GXO Logistics Inc	6.4%
Siemens AG	6.2%
IQVIA Holdings Inc	4.4%
Amazon.com, Inc.	4.1%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 September 2021

	Fund	Benchmark	Excess
1 month	-5.03	-3.00	-2.03
3 months	-0.29	2.84	-3.13
FYTD	-0.29	2.84	-3.13
1 year	21.25	26.45	-5.20
2 year p.a.	36.05	14.63	+21.41
3 year p.a.	25.95	12.64	+13.31
4 year p.a.	26.03	14.21	+11.83
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	23.37	12.76	+10.61

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

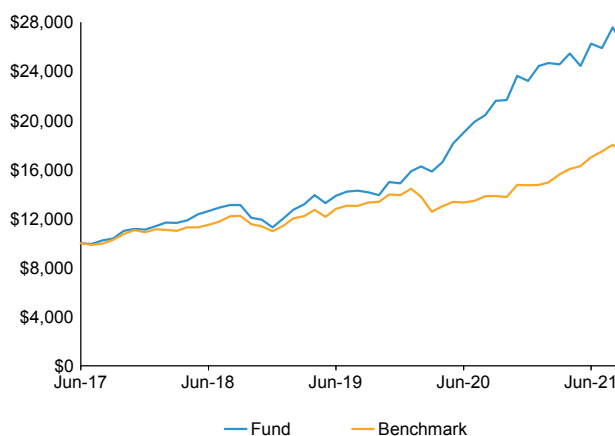
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	24.3	17.6
Dividend Yield*	2.0%	2.5%
Price / Book	3.5	2.7
Debt / Equity	36.1%	50.9%
Return on Equity*	14.6%	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) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

Equity markets experienced two notable reversals. First, the MSCI World Index and MSCI All Country World Index returns of ~-4.0% over September were the worst monthly performance since the beginning of the pandemic in early 2020 and broke a seven-month run of consecutive positive returns. Second, after underperforming growth stocks since May 2021, value stocks outperformed despite falling markets.

The quarter was marked with ongoing fears about such things as inflation, peak economic growth, China growth (lack of stimulus), Covid infection rates, supply chain disruptions, etc. This environment would typically lead markets to favour more defensive stocks, however, was not necessarily the case as Financials, IT, and Energy, and Health Care sectors outperforming, while the other seven sectors failed to keep up with the broader index.

Value stocks were helped by the outperformance of Energy and Financial stocks, both of which benefitted from rising oil prices and interest rates. Additionally, the pullback in internet and e-commerce related stocks such as Facebook, Apple, Amazon, Microsoft, etc., weighed on growth's performance, as these stocks represent very large weights in the broader and growth indexes. Despite the market risks noted above, economic fundamentals remain favourable as we continue to see declining unemployment, high savings rates, expansionary PMIs, and, in some regions, declining Covid cases. As we continue to see economies re-open and supply constraints abate, we expect economic growth to improve, thus helping equity markets and, in particular, value stocks.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Opendoor Technologies Inc, JOYY, Inc. Sponsored ADR Class A, and GXO Logistics Inc. Conversely, the Fund's largest underweight positions include Apple Inc., Microsoft Corporation, and Alphabet Inc. Class A.

The overweight position in digital infrastructure provider Mawson Infrastructure Group, Inc. (+88.7%) contributed to relative performance. The stock rose sharply following an announcement that it had completed a ~US\$37m private equity offering of its common stock. The offering was oversubscribed and supported by new and existing institutions, high-net-worth investors, and family offices. The proceeds are intended to be used to acquire additional bitcoin mining hardware as well as capital expenditure relating to its facilities and infrastructure.

The overweight position in pharmaceutical producer Merck KGaA (+38.7%) contributed to relative performance. The stock rose after reporting that it had entered into a manufacturing agreement with Kenya-based Universal Corporation Ltd. for the large-scale production of a new paediatric medication. The medication is used to treat the neglected tropical disease Schistosomiasis in children under six years of age and is currently in late-stage development. The agreement with Universal Corp includes the build-up of extensive production capacities in Kenya for the future provision of the treatment in endemic African countries.

The overweight position in British online fashion retailer Boohoo Group Plc (-9.2%) detracted from relative performance. The stock came under pressure after reports emerged that the company's executive chairman, Mahmud Kamani, was ordered to give evidence in a lawsuit alleging that the company had deceived US customers with fraudulent pricing. The deposition will cover issues related to class-action certification of the lawsuit and Boohoo's pricing and markdown practices. Management has denied all wrongdoing and will intend on defending itself against these allegations.

The overweight position in Chinese social communications platform provider JOYY Inc, Sponsored ADR Class A (-13.5%) detracted from relative performance. The stock was adversely impacted after Chinese regulators tightened rules to restrict companies from listing overseas. The revised rules would require firms using a variable interest entity structure to obtain approval from Beijing before listing in Hong Kong or the US. The new legislation is reportedly designed to govern cross-border data flows related to overseas listings and intensify punishment for companies that fail to comply in order to prevent illegal activities in the securities market.

OUTLOOK

As signs of a sustained recovery in the global economy emerge, with corporate earnings and business conditions continuing to strengthen, our outlook for global equity markets remain optimistic. Although we remain wary that future Covid outbreaks may trigger lockdowns, investor sentiment is anticipated to remain relatively resilient as national vaccine programs continue to be rolled out. While optimism over the eventual reopening of international borders and ongoing stimulus measures by federal governments and central banks continue to support economic recovery, rising inflationary pressures may stoke market volatility over the coming year. We believe that certain segments of the market will thrive under such conditions. However, other segments will struggle if such conditions persist. For this reason, we continue to focus on high-quality companies with proven management and strong balance sheets that will remain resilient throughout prolonged periods of uncertainty.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds, as applicable). Past performance is not indicative of future performance.

MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au

