

Perpetual Investment Funds

PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

January 2023

FUND FACTS

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

FUND BENEFITS

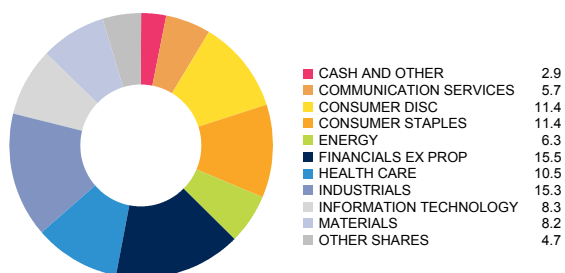
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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:	\$90.61 million as at 31 Dec 2022
APIR:	PER0050AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

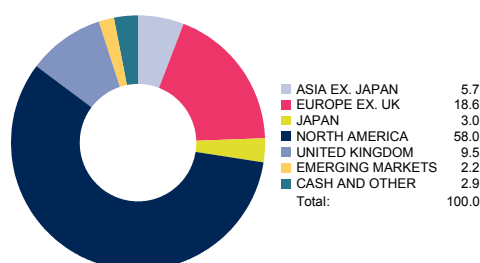
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	3.8%
Air Products and Chemicals, Inc.	3.3%
Oracle Corporation	3.3%
Seven & I Holdings Co., Ltd.	3.0%
BAE Systems plc	2.9%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 January 2023

	Fund	Benchmark #	Excess
1 month	3.82	3.05	+0.77
3 months	4.73	-0.49	+5.22
FYTD	9.69	7.60	+2.09
1 year	4.36	-7.47	+11.82
2 year p.a.	15.12	8.36	+6.76
3 year p.a.	9.91	5.76	+4.15
4 year p.a.	12.08	10.98	+1.11
5 year p.a.	10.19	9.50	+0.69
7 year p.a.	11.39	10.62	+0.78
10 year p.a.	13.51	13.53	-0.02
Since incep.	6.39	7.21	-0.82

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

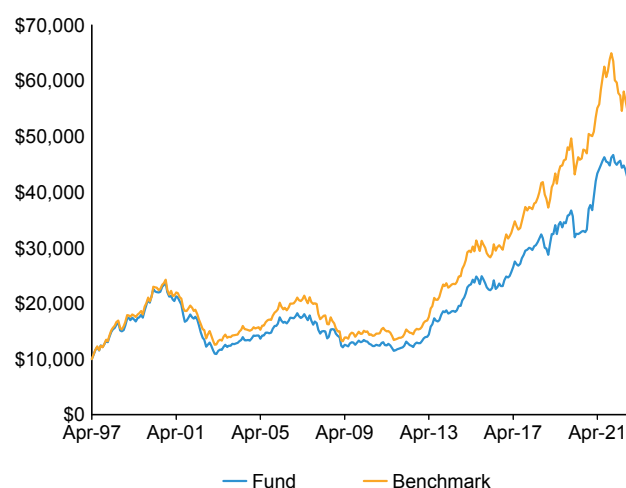
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	13.7	16.3
Dividend Yield*	2.8%	2.6%
Price / Book	2.1	2.6
Debt / Equity	69.8%	51.0%
Return on Equity*	15.6%	16.4%

[^] 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 started the calendar year on a strong note, with the MSCI World and MSCI All Country World Indexes ending January materially higher. There were several economic factors providing optimism for investors that perhaps a recession (hard landing) might be avoided in 2023. Inflation in the US and Europe seems to have peaked, and modest declines in inflation are being seen that indicate central bank tightening has had its intended effect, with smaller rate rises expected. Further, employment and job openings remain strong. In the US, this translated to strong performance within smaller capitalization stocks, which tend to benefit from a positive outlook on an economic recovery, while their larger cap peers lagged not only in the US but also trailed their global peers.

In the month, the Eurozone saw a surprise rebound in its composite PMI to 50.2, with improving sentiment on the back of declining gas prices given a milder winter than expected and a decreasing risk of future shortages as gas storage levels have improved meaningfully from a year ago. Combined with a weakening US dollar, continental European equities saw the most robust returns in the month. However, high inflation persisted in both the UK and continental Europe, and the European Central Bank raised rates 50bps more in its last meeting compared to the US Federal Reserve, which has now slowed its interest rate hikes to 25bps.

Given an expectation of fewer rate increases and potentially some expectation that central banks may ease later in the year, growth stocks saw a strong rally after a very dismal 2022, with the MSCI World Growth Index outpacing the MSCI World Value Index by 5%. Growth stocks were favoured broadly across sectors, with the Information Technology, Consumer Discretionary, Health Care, Communication Services, and Consumer Staples sectors leading the growth index higher. In stark contrast, value stocks in the Health Care and Consumer Staples sectors produced negative returns in the month, with Energy and Utilities stocks also lagging the broader index.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Merck & Co., Inc., Oracle Corporation, and Air Products and Chemicals, Inc. 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.

Lithia Motors Inc. and Aptiv PLC, both in the auto space, were the top contributors in January after being the leading detractors in December. The Automobile and Parts industry was the strongest performing in January, up nearly 31% in the month, with both stocks benefitting from this strong performance. With lower interest rates beginning to be expected for later in the year, lessening fear of a recession and lessening supply chain constraints were likely drivers to the more robust performance within this space. Both stocks continue to present a compelling risk/reward profile.

After being among the top contributors in December, Merck & Co., Inc. underperformed in January along with another Health Care holding, Elevance Health Inc. Both stocks were challenged by the market rotation out of the Health Care sector after its stellar 2022 performance. Both companies continue to deliver excellent financial results, and we believe each still presents a strong risk/reward opportunity. Allstate Corporation detracted from performance in the month as markets expected a challenging period for Allstate given December's winter storm Elliot and continued challenges in its auto book. Allstate has continued to face challenges that we are monitoring, but we currently feel our investment thesis, though delayed, remains intact.

OUTLOOK

We are encouraged by positive economic data highlighting that we may have seen the worst in inflation readings. Further, strong employment continues to keep the consumer afloat as have prior savings during the COVID period. Further, stabilizing or improving PMIs could be a strong signal that global economies may be able to avoid a hard landing. However, with solid economic data comes continued pressure on inflation, which is likely to cause central banks to be reluctant to lower interest rates any time in the near future. Accordingly, as we have seen in previous value-led markets, growth rallies within a value cycle can be strong when investors expect a "pivot," but growth will tend to lose out to value until there is a meaningful and permanent shift in central bank policies and an actual turn in economic growth. Even under these scenarios, we expect markets to continue favour value stocks as cyclical sectors tend to outperform in an economic recovery.

As such, we believe that it is too early to say whether global markets will experience a hard or soft landing, but we recognize the material risks associated with central banks wanting to raise rates until there is some pressure in the labour market. Accordingly, we believe our portfolio, which is modestly tilted towards defensive stocks, remains appropriate in this uncertain market environment. We are pleased with the positive start to 2023 and the strong setup we see for value stocks going forward.

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.
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

