

Wholesale Funds

PERPETUAL WHOLESAL INTERNATIONAL SHARE FUND

January 2022

FUND FACTS

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

FUND BENEFITS

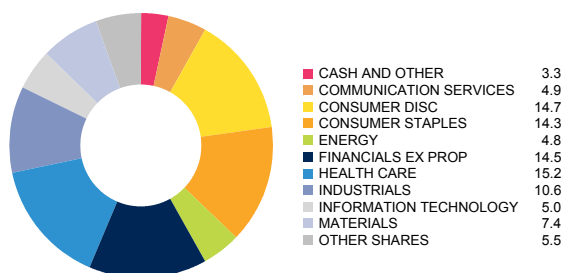
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

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: \$111.07 million as at 31 Dec 2021
APIR: PER0050AU
Management Fee: 0.99%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

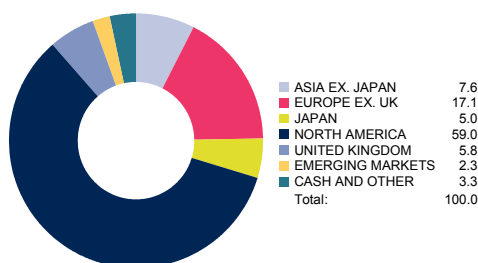
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Seven & I Holdings Co., Ltd.	4.0%
Oracle Corporation	3.2%
Merck & Co., Inc.	3.0%
Advance Auto Parts, Inc.	2.8%
Allstate Corporation	2.7%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 January 2022

	Fund	Benchmark #	Excess
1 month	0.93	-2.27	+3.19
3 months	2.90	2.97	-0.08
FYTD	4.13	8.75	-4.61
1 year	26.99	26.90	+0.09
2 year p.a.	12.80	13.06	-0.26
3 year p.a.	14.78	17.91	-3.12
4 year p.a.	11.70	14.21	-2.51
5 year p.a.	13.62	14.95	-1.33
7 year p.a.	11.49	12.56	-1.06
10 year p.a.	14.44	16.32	-1.88
Since incep.	6.47	7.85	-1.38

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

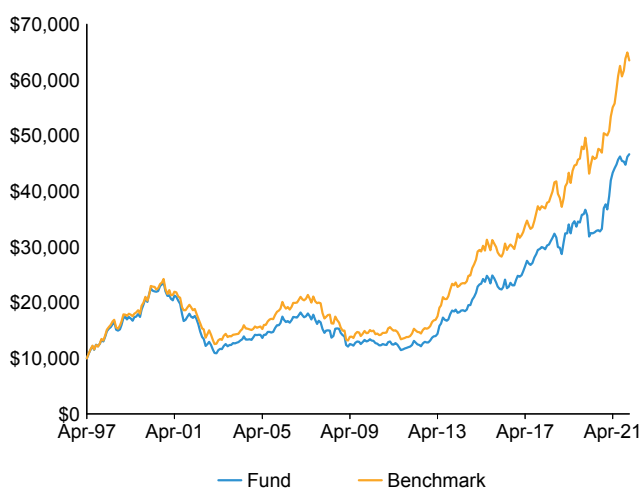
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	14.6	18.2
Dividend Yield*	2.7%	2.3%
Price / Book	2.0	2.9
Debt / Equity	73.7%	52.4%
Return on Equity*	14.3%	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

Markets stalled in the first month of 2022 after posting very strong gains in 2021. The recent pause in the market is not very surprising, as many factors have combined to create uncertainty in the markets. Inflation, which was once considered transitory, is not so transitory; changes in consumer spending, which accelerated due to government largess during the pandemic, have now been spent down; increasing geopolitical tensions have roiled commodity prices (i.e., oil); and fears that central banks may not be able to pull off a soft landing with the need to tighten monetary policy have created significant concerns about the potential for slowing economic growth.

Given the risks noted above, higher interest rates and commodity prices have ensued, causing the market to rotate meaningfully away from growth to value stocks in January. This rotation began in December and continued through January, negatively impacting technology and stay-at-home related stocks. Further, increasing interest rates and commodity prices benefitted more value-oriented sectors such as Financials, Materials, and Energy. Value's one month performance over Growth was one of the strongest in the last 20 years, as the MSCI World Value Index outpaced the MSCI World Growth Index by more than 800bps. Although the Information Technology and internet-related stocks grab most of the attention in growth's sell-off, this contributed a much smaller portion to value's outperformance versus the strength of performance in the Financials, Health Care, Energy, and Consumer Staples sectors.

Regionally, after a dismal performance in 2021, emerging market equities outpaced their developed peers in January. However, China was not a contributor to this performance, as the zero COVID policy and tighter financial conditions continue to put downward pressure on its economy. South and Central America were the notable standouts in the month, with Brazil and Chile both up ~13% and Colombia and Peru up ~11% and ~12%, respectively, broadly benefitting from positive commodity prices.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include Seven & I Holdings Co., Ltd., Oracle Corporation, and Advance Auto Parts, 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.

Seven & I Holdings Co., Ltd. contributed to relative performance reporting in January strong EBIT results and raised guidance. Speedway continues to run ahead of plan and drove the upgrade. Further, an activist investor reported an open letter sent to management recommending action to unlock value which is being impeded by the corporate structure and management structure/decision making. This remains a very cheap stock, and we believe the US business will drive faster growth and ultimately multiple re-rating as covid headwinds eventually ease.

Hess Corporation was a top contributor in January on the back of strong gains in oil prices. Further, during the month, Hess reported above-expectation earnings per share and cash flows from operations. A dividend increase is expected in the second quarter of 2022, to return the higher cash flows to shareholders. This, combined with its attractive oil reserve profile and valuations, leaves its risk/reward profile compelling.

Unlike Merck, Humana Inc. failed to defend in the down market of January, largely driven by the company announcing lower expected membership due to retention challenges as competitors were very aggressive on pricing. Humana noted it was conservative in its pricing for 2022 to protect profits, though expects that it may need to be more aggressive in 2023 if the trend persists. We feel the pricing challenges will be temporary and not sustainable by competitors, and we continue to be positive on this name and believe the risk/reward profile remains attractive.

Quidel Corporation continued to challenge performance in January. This stock was a detractor in December on the back of an acquisition announcement. In January, the company announced above-expectation results on higher COVID testing. However, this failed to push the stock higher as investors are not willing to price in higher COVID testing revenue when the OMICRON variant is quickly receding. Further, the company will be in the penalty box as investors wait to see how effective management is at integrating the recently-announced acquisition with the rest of the company.

OUTLOOK

The shifting sentiment toward value is encouraging, though as we noted in last month's commentary, it is likely too early to assert that we are seeing a sustained trend, given that the market continues to deal with inflation (input costs and labour costs), supply chain shortages, labour shortages, monetary tightening, and now with Russia threatening Ukraine, further geopolitical risks. Though value tended to outperform broadly in January, it was still most effective in a relatively small number of sectors: Financials, Energy, and Health Care. We expect that as inflation abates but remains above its historical lows, supply chain issues are resolved, and as countries fully re-open their economies, a return to the new "normal" should allow for broader economic growth, helping to lift value stocks higher. Further, there remains a strong likelihood that global interest rates will continue to push above their historically low base and monetary authorities will need to continue its tightening, thus putting additional pressure on higher multiple growth stocks and likely favouring lower multiple value stocks. We recognise that market uncertainties are always present and shifting sentiment can always cause course corrections; however, over the longer term, we believe following a structured, repeatable process despite short-term volatility will generate above-market, consistent excess returns.

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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Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au

