

Wholesale Funds

PERPETUAL WHOLESALÉ SPLIT GROWTH FUND

July 2022

FUND FACTS

Investment objective: Aims to: achieve long-term capital growth through investment in a variable mix of Australian and international shares and other securities with lower risk than 100% exposure to either asset class; outperform a composite benchmark (before fees and taxes) comprising the S&P/ASX 300 Accumulation Index and the MSCI World ex Australia Accumulation Index (AUD) reflecting Fund's allocation over 3-years.

FUND BENEFITS

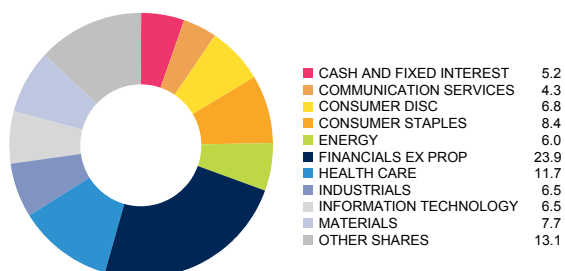
Provides investors with 100% exposure to long-term growth opportunities across Australian and international shares. The fund is run by high quality investment teams.

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/ASX300 Accum. Index & MSCI World ex Australia Accum. Index (AUD)
Inception Date:	March 1999
Size of Portfolio:	\$43.84 million as at 30 Jun 2022
APIR:	PER0066AU
Management Fee:	0.55%*
Investment style:	Active, fundamental, disciplined, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Merck & Co., Inc.	1.6%
Air Products and Chemicals, Inc.	1.2%
Oracle Corporation	1.1%
National Grid PLC	1.0%
Exxon Mobil Corporation	1.0%
Medtronic Public Limited Company	1.0%
Seven & I Holdings Co., Ltd.	0.9%
BAE Systems plc	0.9%
Hess Corporation	0.9%
Microsoft Corporation	0.8%

PERFORMANCE- periods ending 31 July 2022

	Fund	Historical ¹ Performance	Benchmark	Excess
1 month	2.92	-	6.33	-3.41
3 months	-1.19	-	-0.42	-0.77
FYTD	2.92	-	6.33	-3.41
1 year	2.67	-	-3.96	+6.63
2 year p.a.	-	17.09	13.01	+4.08
3 year p.a.	-	7.81	7.64	+0.17
4 year p.a.	-	7.96	8.75	-0.79
5 year p.a.	-	9.11	10.25	-1.14
7 year p.a.	-	7.25	8.34	-1.09
10 year p.a.	-	11.84	13.33	-1.48

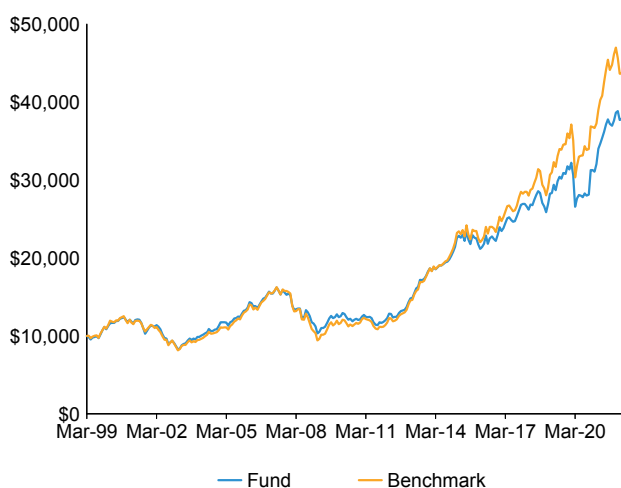
¹Effective 1 December 2020 the Fund investment strategy has changed; including the investment objective, investment approach, benchmark and management fee of the Fund.

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

ASSET ALLOCATION

	Portfolio	Benchmark
Australian Equities	24.2%	15.0%
International Equities	71.5%	85.0%
Cash	4.4%	0.0%
Total	100.0%	100.0%

GROWTH OF \$10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

July appeared to be a classic “bad news is good news” month. Continued readings of slowing economic activity sparked some hope that the US Federal Reserve would start cutting interest rates as soon as mid-2023 to help revive the largest consumer economy after a second consecutive quarter of negative GDP growth. However, several Fed officials were quick to note that the Fed is very focused on seeing signs of falling inflation prior to considering any rate reductions. This did not stop investors from reversing course and bidding up markets—growth stocks in particular—which have taken the brunt of this year’s market sell-off.

The Benchmark ended the month higher, with the US leading the rest of its global market peers. Developed ex-U.S. markets were up, however, emerging markets fell, weighed down by China, which fell more than -9% on the continued pursuit of a zero COVID policy. The Information Technology and Consumer Discretionary sectors were propelled to double-digit gains in July, spurred by the outlook for lower interest rates. Unfortunately, these two sectors, along with the Industrials sector, were the only sectors to outpace the broader MSCI All Country World Index, highlighting the narrowness of the market in the month.

The Energy sector was the second-best performing sector, despite the continued fall in oil prices, helped by natural gas prices which were up more than 50% in the month on continued concerns over the supply of gas to Europe from Russia. Recession fears in the Eurozone remain as PMIs continue to fall, and lower gas supplies could further hamper manufacturing output. Additionally, the Eurozone, like other areas of the globe, is fighting historic inflation levels; this has caused the European Central Bank to raise rates 50bps for the first time in more than a decade (a much larger increase than the expected 25bps). Despite these challenges, the Eurozone posted 0.7% GDP growth in the second quarter, though positive growth prints going forward are being questioned given the hurdles with gas supplies and inflation.

PORTFOLIO COMMENTARY

J.B. Hunt Transport Services, Inc. contributed positively to relative returns despite what appears to be a tougher economic environment. Driven by strong pricing in intermodal, the company reported strong results in the month, handily beating consensus earnings expectations. Company management continues to execute well on its long-term plan.

Vertiv Holdings Co. Class A was a positive contributor in the month as it reported operating income of positive \$13m, well ahead of guidance for a loss of \$20m and well ahead of consensus. Most of the beat was driven by better price/cost than previously expected, by more aggressive pricing in the distributor channel (where lead times are shorter), and lower material inflation than planned. With the stock previously challenged by mispricing due to higher inflation, we believe we are at an inflection point whereby the company is getting better control of its pricing, which should benefit margins and earnings going forward.

In a reversal from last month’s strong performance, Rheinmetall AG and BAE Systems plc detracted from performance. We view this as a pause due to the very strong performance over the last several months, as BAE reported strong results in the month with record order intake, better margin expansion, and an announced buyback. Rheinmetall published a brief guidance update, noting organic sales growth at the lower end of its previous guidance and expected operating margins >11%. There may be some weakness in its automotive division, which would not be surprising in this market environment, but the defence business remains strong. Rheinmetall rallied post guidance, potentially signalling investor relief. We continue to be constructive on both holdings.

Allstate Corporation detracted from relative returns in the month, posting negative underwriting results for the quarter. Cost inflation in automobiles is challenging for Allstate, as higher costs to repair vehicles are outpacing the company’s ability to price policies higher in the near-term. Allstate began pushing prices higher at the end of last year, and we believe positive pricing will begin to accrue for Allstate in the next 12 months. Despite the pullback in performance, we remain positive on the stock.

OUTLOOK

While the rebound in the markets in the month may be cause for optimism, we would caution that this optimism may not be fully rooted in improving economic fundamentals. Despite strong labour markets, we believe high inflation continues to create uncertainty about whether central banks can engineer a soft landing in the next 12-18 months, as some market participants expect. With China pursuing policies that are contra-growth, Europe battling with gas supplies which could impact manufacturing output, and the U.S. Fed continuing to push up interest rates at record levels (75bps each of the last two hikes), potentially impacting consumer spending materially. There is meaningful uncertainty about how this will slow economic output and how deep any potential recession may be due to these actions.

Despite the gloom we are bombarded with each day, we recognise that, over the longer-term, markets and economies do correct. Although the timing of these corrections may be uncertain, we believe that adhering to a time-tested, bottom-up, fundamental approach will provide positive performance results over the long term. During this uncertain market environment, we have continued to favour more defensive/stable companies, which has provided strong performance results year-to-date. However, given concerns about economic growth, we are beginning to see more cyclical stocks trading at very cheap valuations and could see an opportunity soon to begin modestly increasing our exposure.

Cash levels have not been calculated on a look-through basis. The underlying investments of the fund will also have a proportion of their assets invested in liquid assets.

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