

Wholesale Funds

PERPETUAL WHOLESALÉ SPLIT GROWTH FUND

August 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

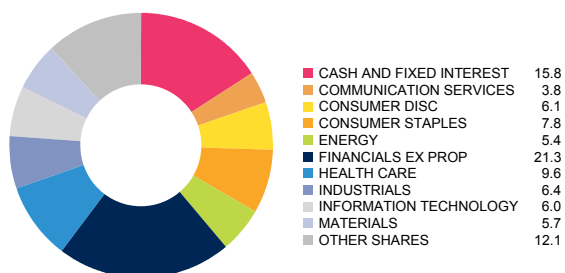
Provides investors with 100% exposure to long-term growth opportunities across Australian and international shares. The fund is run by high quality investment teams.

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.	1.4%
Air Products and Chemicals, Inc.	1.2%
Oracle Corporation	1.0%
Exxon Mobil Corporation	1.0%
Hess Corporation	1.0%
National Grid PLC	0.9%
Medtronic Public Limited Company	0.9%
Seven & I Holdings Co., Ltd.	0.9%
American International Group, Inc.	0.9%
BAE Systems plc	0.9%

PERFORMANCE- periods ending 31 August 2022

	Fund	Historical ¹ Performance	Benchmark	Excess
1 month	-0.71	-	-1.98	+1.27
3 months	-2.36	-	-1.28	-1.08
FYTD	2.19	-	4.23	-2.04
1 year	0.13	-	-8.63	+8.76
2 year p.a.	-	15.64	9.96	+5.69
3 year p.a.	-	7.83	7.00	+0.83
4 year p.a.	-	7.27	7.24	+0.03
5 year p.a.	-	8.89	9.72	-0.83
7 year p.a.	-	7.80	8.83	-1.02
10 year p.a.	-	11.32	12.68	-1.35

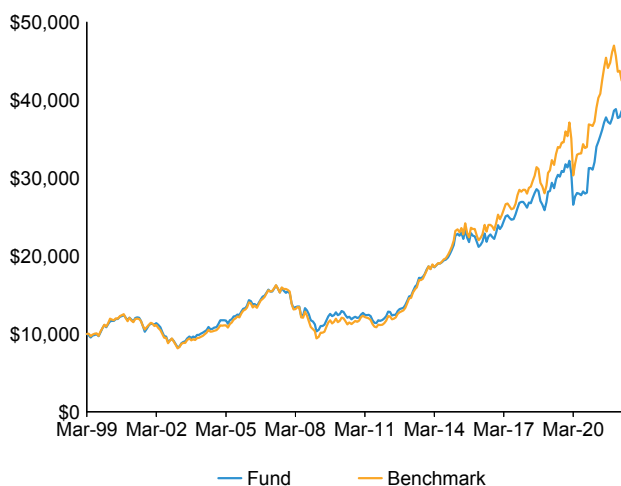
¹Effective 1 December 2020 the Fund investment strategy has changed; including the investment objective, investment approach, benchmark and management fee of the Fund.

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

ASSET ALLOCATION

	Portfolio	Benchmark
Australian Equities	14.2%	15.0%
International Equities	70.7%	85.0%
Cash	15.1%	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

After posting very strong returns in July, equity markets recoiled, fearing central banks would tighten, regardless of the impact of slowing economic growth. This caused the MSCI World and MSCI All Country World Indexes to drop -4.2% and -3.7%, respectively. Given elevated inflation and higher gas prices, Europe appears to remain on the brink of a recession as Russia continues to toy with Europe gas supply via the Nordstream 1 pipeline. However, eurozone GDP was up 0.7% quarter over quarter, surprising to the upside. The UK appears particularly challenged with inflation, as expectations are that the UK may hit 13% inflation later this year after posting year-over-year inflation of 10.1% in July, causing the Bank of England to raise rates another 50bps. Japan posted the strongest results in developed markets, particularly in local terms, despite its currency continuing to weaken. Emerging markets posted positive returns in a down market, the best results across all markets in the month.

With rates moving higher and continued concerns over slowing economic growth, investors moved back to value stocks and away from higher multiple stocks in the Information Technology and Consumer Discretionary sectors, as these sectors had been bid up on the hope that a slowing economy would soften the Federal Reserve and other central banks' stance on pushing rates higher.

Despite falling oil prices, the Energy sector posted the strongest returns in the month and was the only sector in positive territory. The Financials sector performed well on the back of higher rates and the Utilities and Consumer Staples sectors did well given a flight to safety in the month. Despite the flight to safety, the Health Care sector failed to participate and was the worst-performing sector in the month.

PORTFOLIO COMMENTARY

Air Products and Chemicals, Inc. reported EPS +13% and \$.01 ahead of consensus while reiterating guidance. This is the second quarter of steady results without the Europe gas cost or project timing noise seen earlier, which is leading to renewed interest in the company given its defensive secular growth profile. Further, with the passing of the Inflation Reduction Act, the climate provisions within the bill are expected to be a net benefit to Air Products.

Despite falling oil prices in August, Hess Corporation contributed positively to performance in the month as the company reported better-than-consensus results. Further, Hess continues to be a solid story in the Energy sector as the Guyana asset growth will drive cash flow and earnings higher. The company has one of the best compounding stories in the Energy sector, with at least +20% CAGR for the next 4-5 years.

Aptiv PLC was challenged in the month given the negative market sentiment on cyclical stocks. In August, the company noted it expects second-half margins of 10%-10.5%, which is below expectations of 12% but well ahead of the previously realized margins of 5%-7%. Further, given the strong bounce from its lows in July, a pullback from the strong performance in this environment was not unreasonable. We continue to see the stock trading at very attractive valuations with high upside potential.

Rheinmetall AG detracted from performance in the month despite reporting numbers in line with expectations. The primary cause of the shortfall appears to be that the company is expected to push its defence order intake further out. Consequently, Rheinmetall now expects 2023 defence revenue to grow ~21%, which is at the lower end of its prior guidance. The stock continues to trade at an attractive valuation, and we remain positive on the name.

OUTLOOK

As we noted in our commentary last month, "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." The battle with inflation makes navigating these markets very difficult, as the range of outcomes is wide. Further, Russia remains a wild card given uncertainty about how it will respond to the West's continued sanctions and price caps on Russian energy, with its first action further limiting supplies of energy to Europe. This is exacerbating accelerating inflation issues within the UK and eurozone, with the central banks seemingly far behind in raising rates and having to do so in the likely event of an economic slowdown.

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. 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.

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