

Wholesale Funds

PERPETUAL WHOLESALÉ SPLIT GROWTH FUND

July 2021

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

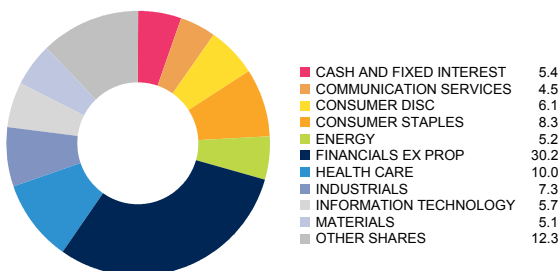
Provides investors with 100% exposure to long-term growth opportunities across Australian and international shares. The fund is run by high quality investment teams.

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: \$44.67 million as at 30 Jun 2021
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

| Stock Holding | % of Portfolio |
|------------------------------------|----------------|
| Comcast Corporation Class A | 1.4% |
| Seven & I Holdings Co., Ltd. | 1.2% |
| Oracle Corporation | 1.1% |
| Merck & Co., Inc. | 1.1% |
| Advance Auto Parts, Inc. | 0.8% |
| Anthem, Inc. | 0.8% |
| BAE Systems plc | 0.8% |
| Coca-Cola Europacific Partners plc | 0.8% |
| National Grid plc | 0.8% |

PERFORMANCE- periods ending 31 July 2021

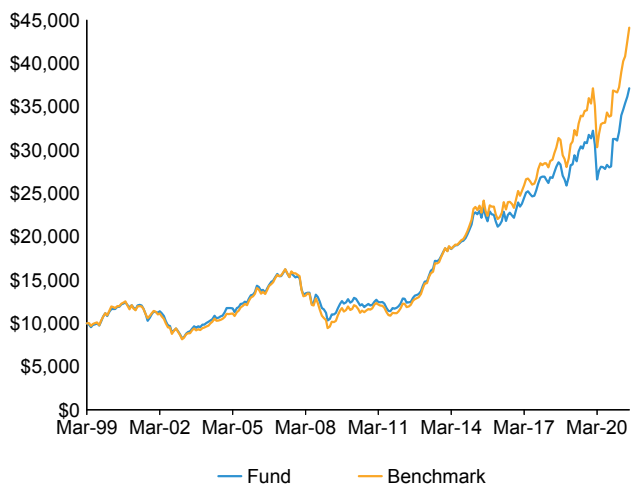
| | Fund | Historical ¹ Performance | Benchmark | Excess |
|--------------|------|-------------------------------------|-----------|--------|
| 1 month | 2.61 | - | 3.59 | -0.99 |
| 3 months | 7.07 | - | 9.56 | -2.49 |
| FYTD | 2.61 | - | 3.59 | -0.99 |
| 1 year | - | 33.53 | 32.98 | +0.55 |
| 2 year p.a. | - | 10.47 | 13.95 | -3.48 |
| 3 year p.a. | - | 9.78 | 13.35 | -3.57 |
| 4 year p.a. | - | 10.78 | 14.12 | -3.34 |
| 5 year p.a. | - | 10.53 | 12.95 | -2.41 |
| 7 year p.a. | - | 9.89 | 12.54 | -2.65 |
| 10 year p.a. | - | 12.17 | 14.61 | -2.43 |

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 | 14.8% | 15.0% |
| International Equities | 79.8% | 85.0% |
| Cash Equities | 5.4% | 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

Equity markets pushed higher in July, though performance was mixed across regions on the back of several factors, one of the more challenging was a resurgence in COVID cases because of the new Delta variant. Given the strength in the markets year-to-date, this caused investors to become less bullish, moving cash into bonds and the safer areas of the equity market. As has been the case with most of the year, U.S. equities led the markets higher (in local terms), with the S&P 500 hitting an all-time high in July. Despite the rise in COVID cases within the U.S., consumers continue to spend. This has pushed inflation higher for the fourth straight month and has caused some concerns that this rise in inflation may not be transitory. Additionally, fears in the market pushed investors back into government bonds, causing the 10-year Treasury yield to fall even more. Finally, given concerns in the U.S. that potential reopening restrictions could cause a pullback in economic strength, small-cap stocks performed poorly, with the Russell 2000 down -3.6% in the month.

Continental European stocks also performed well in July as the vaccine rollout continues to gain pace. The Purchasing Managers' Index (PMI) in the month continued to show strength in the recovery (particularly in the services PMI) as economic re-openings have continued to improve. Inflation remains stubbornly low in the eurozone and, with negative interest rates, it will be challenging for central bank actions to further assist with the recovery, largely leaving government spending in charge of providing the next leg up. As with other areas across the globe, supply chain challenges have dampened what would be stronger economic growth. Once these bottlenecks abate, we would expect the economic recovery to continue.

Emerging markets saw steep declines in the month particularly, the Real Estate, Consumer Discretionary, and Communication Services sectors, which were all down double-digits in July. China was a meaningful driver of these declines, as its government announced reforms to the private tutoring sector, increased scrutiny on technology/e-commerce-related stocks, and actions regarding stabilizing the housing sector. Further, challenging rollouts of the COVID vaccine and political unrest in South Africa and a few South/Central American countries also added pressure to emerging market equities.

PORTFOLIO COMMENTARY

Oracle Corporation performed strongly in the month of July after reporting very strong results and a solid outlook in the month of June. Investors appear to be gaining confidence in the revenue acceleration driven by strength in the cloud business. In addition, the share repurchase program, which totalled \$8b last quarter, was ahead of consensus estimates. Further, free cash flow continued to be strong and was also \$1.4b ahead of consensus.

BAE Systems plc is a recent addition to the portfolio and was a top contributor in the month. Sentiment toward European defence has been weak recently, and BAE was trading close to a multi-year low valuation relative to the market. A private equity bid for listed U.K. defence peer, Ultra Electronics, in July at a 63% premium highlighted the undemanding valuation of the sector and helped improve sentiment. BAE also reported strong 1H21 results at the end of July, with profits and cash flow coming in better than expected. Further, company management announced an expected share buyback; having this confirmed was a net positive.

Seven & I Holdings Co., Ltd. underperformed in the month of July after reporting earnings below consensus expectations. The miss was primarily attributable to non-core segments which are COVID sensitive - superstores, department stores, restaurants - and have been impacted by slower reopening. We believe that as Japan improves their vaccination rollout and we see further re-openings in Japan and the U.S., we should see improvement in Seven & I's share price.

Hess Corporation underperformed in the month, primarily given concerns over economic growth and the impact on fuel demand/prices. The company reported results at the end of July, with earnings per share beating consensus estimates for the quarter.

OUTLOOK

Despite the recent challenges for value stocks given concerns about economic growth, we view the opportunity for value stocks as quite compelling. As we have noted before, in looking at PMIs, global economies look healthy and, in some cases, appear to be held back by supply constraints. Once these supply constraints are alleviated, we expect economic growth to pick up, thus enabling the more economically sensitive areas of the market to do well. Additionally, with the high level of consumer savings, government stimulus, and government fiscal spending, economies are likely to be pushed higher as this money is added to economies through increased spending. Accordingly, we see the recent pause in value stock performance as temporary and believe our portfolio is well-positioned for the future.

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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MORE INFORMATION

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