

PERPETUAL SHARE-PLUS LONG-SHORT

September 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality shares and taking short positions predominantly in selected Australian shares.

FUND BENEFITS

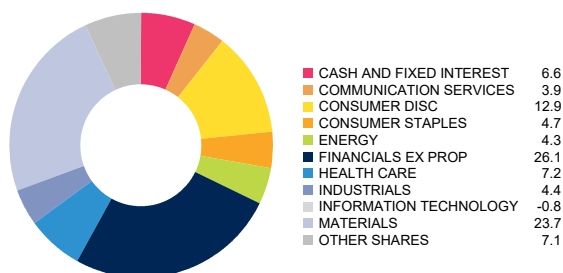
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

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/ASX 300 Accum. Index
Inception Date:	November 2003
Size of Portfolio:	\$28.88 million as at 30 Jun 2024
APIR:	PER0224AU
Management Fee:	0.98%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	9.5%
Flutter Entertainment Plc	5.9%
Goodman Group	5.7%
Commonwealth Bank of Australia	5.5%
Westpac Banking Corporation	4.8%

MARKET EXPOSURE

	% of Portfolio
Long	114.6%
Short	-21.2%
Net	93.4%

NET PERFORMANCE - periods ending 30 September 2024

	Fund	Benchmark #	Excess
1 month	2.27	3.07	-0.80
3 months	2.87	7.81	-4.94
1 year	15.90	21.69	-5.78
2 year p.a.	11.99	17.22	-5.23
3 year p.a.	9.07	8.13	+0.95
4 year p.a.	15.74	13.41	+2.33
5 year p.a.	9.56	8.30	+1.27
7 year p.a.	9.05	9.70	-0.66
10 year p.a.	8.34	8.92	-0.58

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

GEOGRAPHIC LOCATION

The underlying fund holds no single international asset representing more than 10% of the underlying fund's net asset value.

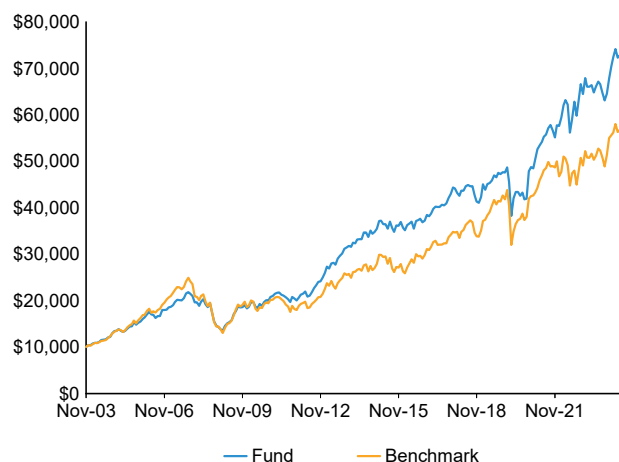
PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	17.8	18.9
Dividend Yield*	3.3%	3.6%
Price / Book	2.2	2.3
Debt / Equity	28.5%	35.8%
Return on Equity*	12.9%	12.5%

[^] 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



MARKET COMMENTARY

The S&P/ASX 300 rose 7.81% in the quarter ending September, driven initially by a surge in bank stocks and followed by a significant rotation from defensive to cyclical stocks in late September. As expected, the U.S. Federal Reserve cut interest rates, while China surprised markets with a larger-than-anticipated stimulus package. Although there was skepticism about the long-term effectiveness of China's measures, they had an immediate and notable impact on both Chinese and Australian stock markets. Banks performed well early in the quarter, buoyed by consumer resilience, but faced sharp sell-offs once the stimulus measures were announced, allowing resource stocks to take the lead. The Materials sector soared 10.80%, significantly outpacing the broader market. Financials also saw strong gains, rising 8.27%. Real estate, consumer, and industrial stocks all participated in the rally.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment Plc, Suncorp Group Limited and Goodman Group. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, Macquarie Group Ltd and Rio Tinto Limited (not held).

HMC positively impacted portfolio performance during the period, with its stock rising 14.57% following a strong result during reporting season. Earnings per share slightly exceeded consensus expectations, and the company emphasized its substantial growth potential, adding \$3 billion in additional funds under management (FUM) during the period. HMC aims to double its assets under management (AUM) in its private credit platform over the next year. The company also reported increasing transactional activity in real estate and a promising pipeline in infrastructure and energy transition, presenting significant opportunities for its newly formed Energy Transition Fund.

BlueScope Steel Limited contributed to performance during the period (10.31%). The stock was buoyed largely by market anticipation of potential monetary policy easing in the US and expectations that the US election outcome could further pressure Chinese steel imports. This rally occurred despite consensus downgrades for FY25 due to the collapse in steel spreads. While short-term steel spread dynamics remain challenging, we believe the share price movement aligns with the longer-term opportunity. Steel pricing has reached a level where there is an asymmetric upside potential, and we are observing positive competitive trends with hot-rolled coil steel prices increasing. BlueScope remains one of the highest quality steel producers globally, with a capable management team, a significant asset in Port Kembla, and the Colorbond brand, which not only boosts margins but also represents a substantial overseas opportunity.

Star Entertainment Group detracted from performance over the quarter (-39.80%) after a trading halt in September. Star continues to undergo a transformation after encountering regulatory issues and is currently under regulatory management. Operational challenges and two capital raises to stabilize the balance sheet have further weighed on investor sentiment. Star has a range of quality assets, a small debt load, but with suppressed cashflow as the Queens Wharf development gradually opens in Brisbane, and the Sydney casino operates under regulatory management. The Gold Coast casino is fully operational. The market capitalisation of the business is approximately \$750 million, a substantial discount to our assessed value of the company's assets. CEO Steve McCann has experience working with the regulator (at Crown) and is positioning the business for the future. The position is risk weighted commensurate with the opportunity.

After a period of strong performance, A2 Milk detracted from performance over the period (-7.83%). The company's results met both its guidance and consensus expectations and showed that A2 navigated the China label product transition well. However, concerns arose regarding a production disruption at its key supplier, Synlait, which provides 90% of A2 Milk's infant formula and holds critical licenses for importing these products into China. This triggered a significant sell-off due to concerns that A2 will miss sales into the crucial 2H CY24 which is expected to see a pick-up in births post-Covid. Although the production and supply chain issue appears to have been largely resolved at the time of writing, the stock price remains depressed. Nonetheless, we remain optimistic about A2 Milk, given its strong balance sheet, ongoing expansion into tier 2 and 3 cities in China, as well as its entry into the U.S., all of which present substantial growth opportunities.

OUTLOOK

September served as a stark reminder of how quickly market dynamics can shift, particularly when a momentum trend is disrupted. Concerns about Chinese growth and deflation led to excessive bearish sentiment, with the Chinese equity market reaching generational lows. Even quality, world leading businesses like Baidu traded at just 8x earnings, despite having a cash backing amounting to half its market capitalization. In Australia, despite a resilient consumer base, it was increasingly difficult to justify the ~45% rally in Commonwealth Bank shares since October 2023. Meanwhile, BHP was trading at levels reminiscent of 2007. The easing measures from both the Federal Reserve and the People's Bank of China was also a reminder of the role of the US dollar and policy. With US interest rates high and the stock market performing well, the US (and the USD) had been the primary destination for global capital. However, as we potentially enter a rate-cutting cycle and with much of the US equity gains already baked in, global capital could begin to flow outside the US in search of better returns. This trend has historically been beneficial for emerging markets and, by extension, Australian companies, particularly in the resources sector.

The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily however will only be paid in the event that the Fund's return over the performance fee calculation period is positive and the performance fee accrual is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

The Ordinaries benchmark prior to 1/4/2000 was the ASX All Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Accumulation Index.

The publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL No 234426 and issued by Perpetual Superannuation Limited (PSL) ABN 84 008 416 831 AFSL No 225246 RSEL No L0003315. 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 product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the 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 an investor's capital.

Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

MORE INFORMATION

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