Perpetual Private

IMPLEMENTED AUSTRALIAN SHARE PORTFOLIO

Fund Profile – 30 September 2024

FUND FACTS

APIR code	PER0708AU
Inception Date	9 December 2013
Asset class	Domestic Equities
Investment style	Multi Manager Blend
Benchmark	S&P/ASX 300 Accumulation Index
Suggested length of investment	5 years or more
Unit pricing frequency	Daily
Distribution frequency	Quarterly
Legal type	Unit Trust
Product type	Wholesale Managed Investment Scheme
Status	Open
Management Fee* (%)	0.90%
Buy/Sell spread	0.26% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

INVESTMENT OBJECTIVE

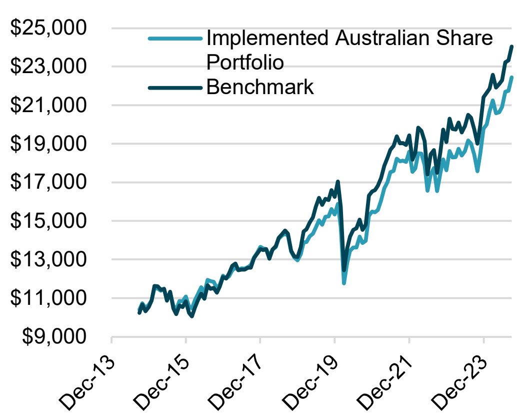
To provide investors with long term capital growth and income through investment in a diversified portfolio of Australian shares. To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising capital growth and income, with broad market exposure.

GROWTH OF $10,000 SINCE INCEPTION (NET OF FEES)

As at September 2024



Source: State Street

NET PERFORMANCE

As at September 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	3.2%	7.4%	21.7%	7.5%	8.1%	8.1%
Growth return	2.8%	6.9%	18.9%	-1.5%	0.6%	2.2%
Distribution return	0.4%	0.4%	2.8%	8.9%	7.5%	6.0%
Benchmark	3.1%	7.8%	21.7%	8.1%	8.3%	8.9%
Excess Return	0.1%	-0.5%	0.0%	-0.7%	-0.2%	-0.7%

Source: State Street. Past performance is not indicative of future performance.
*Since Inception

TOP 10 STOCK HOLDINGS

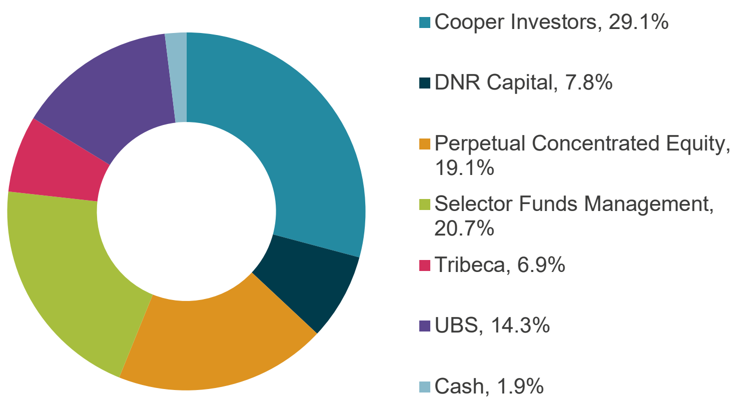
As at September 2024

STOCK	WEIGHT %	COUNTRY
BHP Group Limited	7.7%	Australia
CSL Limited	5.5%	Australia
National Australia Bank	3.5%	Australia
Commonwealth Bank	3.4%	Australia
ANZ Banking Group	3.1%	Australia
Macquarie Group	2.6%	Australia
Wisetech Global Ltd.	2.5%	Australia
Reece Limited	2.1%	Australia
Goodman Group	2.1%	Australia
Technology One Limited	2.0%	Australia
Total Top 10 Holdings %	**34.5%**	

Source: State Street, Factset.

PORTFOLIO EXPOSURE BY MANAGER

As at September 2024



Source: State Street

INVESTMENT APPROACH

A multi-manager framework is utilised, where several specialist investment managers are selected to form a diverse and complementary mix of investment strategies and styles. This can help reduce volatility by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the portfolio.

INVESTMENT STRATEGY

The strategy is biased towards utilising managers who are fundamental bottom-up stock pickers, have a repeatable investment process, operate within an appropriate risk management framework and operate in an aligned and stable organisational structure. We believe these factors best deliver a stable outcome of returns within a multi-manager framework.

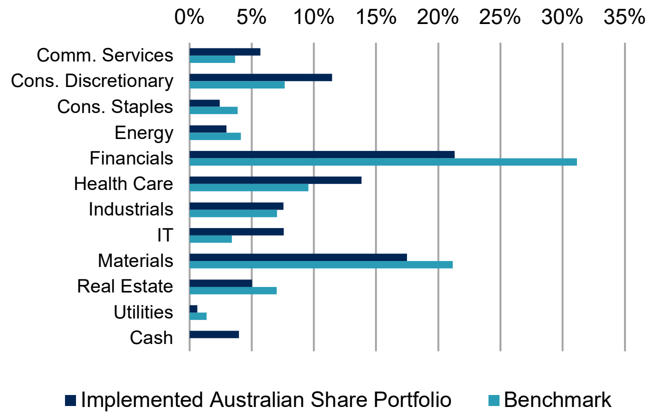
The Implemented Australian Share Portfolio uses broad market managers that invest across the entire market capitalisation spectrum of the domestic equity market. Their portfolios tend to be concentrated in nature and hold anywhere between 30-50 companies. This allows for the portfolio to access these managers' high conviction stock picking decisions. This lowers the degree of overlap across securities in each portfolio and lowers the risk of over diversification.

The portfolio will also typically use one to two specialist managers with focused strategies across the small company segment of the domestic share market. This is a relatively inefficient part of the domestic sharemarket where we feel a targeted and specialist approach is warranted. The exposure to small company specialist managers as a whole is typically held in line with the exposure of the small company segment of the sharemarket to the overall sharemarket by capitalisation.

The portfolio blends the above mentioned group of managers, targeting managers who have a long term and consistent track record, are expected to continue to deliver on this track record, and whose investment styles complement each other well.

SECTOR EXPOSURES

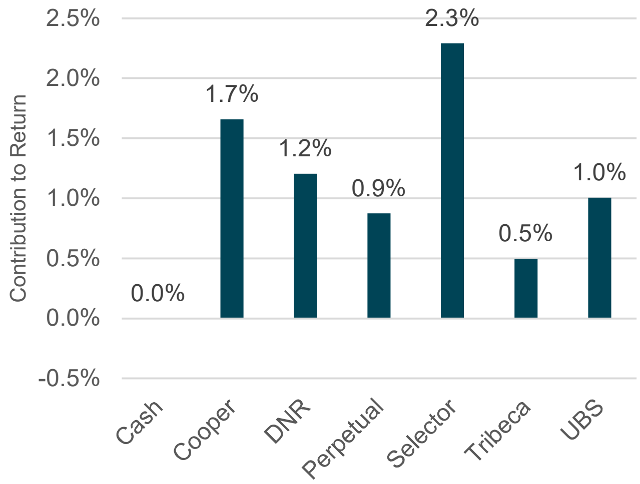
As at September 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to September 2024



Source: State Street

MANAGER LINE-UP AND APPROACH

As at September 2024

MANAGER	APPROACH
Cooper Investors	High conviction portfolio, fundamental bottom up stock selection
DNR Capital	Concentrated small company portfolio, fundamental bottom up stock selection.
Perpetual Investments Concentrated Equity	High conviction portfolio, fundamental bottom up stock selection
Selector Funds Management	High conviction portfolio, benchmark agnostic, fundamental bottom up stock selection
Tribeca Investment Partners	Small cap style neutral manager, diversified portfolio, fundamental bottom-up stock selection
UBS Asset Management (Australia)	Passive ASX20 mandate

MARKET COMMENTARY

Australian equities experienced a stellar September quarter, marking the best quarter of 2024 and the strongest September - typically a weaker month for equity markets - since 2010. The ASX 300[1] reached 13 all-time highs, including on the final day of the period, capping off a remarkable turnaround from the sharp sell-off in early August. Despite the Reserve Bank of Australia (RBA) maintaining its monetary policy stance and resisting the global trend of rate cuts among other major central banks, Australian equities remained resilient. Domestically, inflation remains above the RBA's target, preventing the central bank from joining the broader monetary easing cycle. However, lower bond yields both at home and abroad, alongside the U.S. Federal Reserve's 50 basis point rate cut and late-quarter surprise stimulus measures from China, provided significant tailwinds for the Australian equity market.

For the quarter, the ASX 300 posted a robust 7.8% gain. Larger companies (+7.9%[2]) outperformed smaller companies (+6.5%[3]), continuing the trend seen across global markets where larger firms benefit from economies of scale and better access to capital in a higher rate environment. However, in September, smaller companies (+5.1%) outperformed larger companies (+2.8%). Another notable rotation during the month of September was the outperformance of Value (+5.0%[4]) versus Growth (+1.0%[5]), reversing the pattern witnessed during the June quarter. Investors favoured more cyclical, value-driven sectors as market conditions shifted and bond yields drifted lower.

Sector performance was broadly positive, with nine of the eleven ASX 300 sectors delivering gains. Information Technology led the charge (+15.3%), closely followed by A-REITs (+14.3%), which benefitted from falling bond yields. After a challenging Q2, Materials (+10.8%) rebounded strongly, with a notable 13.0% one-month return in September, as China's stimulus efforts benefited Australian miners. Energy (-6.4%) was the weakest sector over the quarter, reflecting weaker global oil demand. Utilities (-1.2%) and Health Care (+0.6%) also lagged.

PORTFOLIO COMMENTARY

The Perpetual Implemented Australian Share Portfolio underperformed its benchmark in the third quarter on a net of fees basis.

Cooper Investors underperformed their benchmark over Q3. The primary detractor was both stock selection within Financials and their overweight to Healthcare, being one of the weaker sectors. Within Financials, they have been underweight the major banks which proved resilient through reporting season and most notably do not hold a position in Westpac which was the strongest performer up 16% for the period. While a key contributor was their stock selection within the Tech sector, namely Wisetech Global which surged 37% over the period on the back of very strong revenue and earnings guidance.

Perpetual Concentrated Equity underperformed their benchmark over Q3. The fund held no exposure to the strongest performing Technology sector, which was a primary detractor, as was their overweight exposure to Utilities via their key position in Origin Energy, which was down 5% for the period. Also detracting from performance were positions in Ramsay Healthcare, Start Entertainment and Light and Wonder.

Selector Funds Management outperformed their benchmark over Q3. Their heavy overweight to the best performing Tech sector was by far the primary contributor, in particular their key positions in Technology One (+28%), Wisetech Global (+37%) and IRESS (+23%). They also had no exposure to the worst performing Energy sector, nor Consumer Staples, which together were strong contributors. While key detractors were their overweight to the Healthcare sector as well as key positions held in Cochlear, FINEOS Corp and Jumbo Interactive.

UBS are running a passive ASX20 indexing strategy and have delivered the benchmark ASX20 index return (+7.11%) over Q3, which on an absolute basis has underperformed the Implemented Australian Share Portfolio's ASX300 benchmark by 0.70%. Key contributors were Westpac, CBA, Macquarie Group and BHP, while key detractors were Woodside, CSL, Woolworths and Fortescue.

DNR considerably outperformed their Small Ordinaries benchmark for Q3. DNR had meaningful sector tilts within their portfolio, with strong overweights to the Technology, Financials and Consumer Discretionary sectors, which together represent three-quarters of their overall portfolio allocation. These were by far the strongest performing sectors in the Small Ords index along with Healthcare. This was a primary contributor, with notable strength from key positions in ARB Corporation, Breville Group, HUB24, IRESS, Pinnacle Investment Management and Zip Co.

Tribeca outperformed their Small Ordinaries benchmark for Q3. They benefited most from positive stock selection within the Materials, REITS and Industrials sectors. Key contributors were their positions in Capricorn Metals, Genesis Minerals, Ramelius Resources, Champion Iron, Breville Group and Alpha HPA. This was partially offset by weaker returns from Boss Energy, FleetPartners, PWR Holdings and WEB Travel Group.

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[1] As measured by the S&P/ASX 300 - Total Return Index
[2] As measured by the S&P/ASX 100 - Total Return Index
[3] As measured by the S&P/ASX Small Ordinaries - Total Return Index
[4] As measured by the MSCI Australia Value Index
[5] As measured by the MSCI Australia Growth Index

OUTLOOK

As we entered the new financial year, we remained relatively cautious on the near-term path for equity markets. We hadn't seen any material pullback in share prices despite the pressure from persistent inflation, tight labour markets, and what seemed to be a "higher for longer" interest rate environment. From a valuation perspective, the share market was relatively fully priced. With the RBA's narrative on inflation and the path of interest rates evolving month by month, we could argue there may be tailwinds for either investment style. As such, we began the quarter with a relatively style-neutral approach, given the shifting macroeconomic landscape. However, from a market capitalisation perspective, we continued to observe clear dispersion in returns, with sustained outperformance of large caps over small caps. Our view remains that there will be more opportunities and market inefficiencies outside of the large-cap index names. Particularly, as rates stabilise and we inch closer to rate cuts, investors may rotate away from the safety of larger companies and into more opportunistic small-cap allocations. Therefore, we have maintained a slight bias towards SMID (small-to-medium) sized companies. At the sector level, key overweights included Tech, Healthcare, and Consumer Discretionary stocks, while key underweights were in Financials, Materials, and REITs.

The quarter began strongly, with the ASX 300 surging 4% higher in July, largely driven by softer inflation and labour market data. Despite a marginally positive return in August (+0.4%), it certainly was a much more eventful and highly volatile month. Early in the month, we experienced a sharp and indiscriminate sell-off on global equity markets as investors became concerned about the combination of possibility a US recession off the back of weaker jobs data, as well as some disappointing results from some of the mega cap tech companies and the Bank of Japan lifting interest rates to their highest point since 2007. However, markets recovered in the second week, supported by positive PMI and jobless claims data. August also marked the beginning of reporting season. While company earnings for FY24 slightly exceeded expectations, all eyes were firmly focused on the companies' forward guidance for the year ahead, resulting in some downgrades to earnings revisions. Larger companies, with better access to capital, a more diverse business model and greater economies of scale, generally fared better than the smaller companies. At a sector level, Banks proved resilient and delivered on market expectations, while Technology stocks demonstrated robust customer demand and pricing power to sustain top line revenue growth. On the other hand, Resources and Energy sectors struggled due to increased costs, capital expenditure pressures, and falling commodity prices. The ASX 300 rallied a further 3% in September to close out the quarter up nearly 8%, and up nearly 22% on a 12 month basis. The portfolio notably benefited from an overweight to the Technology sector (+15.3%), with particularly strong returns from key holdings in WiseTech Global (+37%), Technology One (+28%), IRESS (+23%) and Life360 (+16%).

Our outlook from here remains largely unchanged. As we saw through the recent August sell-off, equity markets are particularly sensitive to central bank narratives on the path of inflation and interest rates. Post earnings season we've also seen a weaker earnings outlook, as companies grapple with higher costs and lower growth. While the RBA has played down the prospect of rate cuts this year, the market is pricing in 1% of rate cuts for the next 12 months. Despite potential interest rate cuts, which should favour growth stocks; the Australian share market across nearly all sectors (aside from Materials and Energy) is trading at near peak 12 month valuations (on a forward P/E multiple basis), and with sustained higher inflation, these data points would support value stocks.

At this stage, we don't have a strong conviction on whether value or growth stocks will be favoured, so we remain broadly neutral on style. We expect continued volatility, which should benefit active managers with a bottom-up, fundamental approach, enabling them to capitalise on near-term stock price fluctuations by deploying capital to companies at attractive valuations. We also continue to maintain a slight bias towards SMID sized companies, as we feel there is greater opportunity to exploit inefficiencies within this pocket of the market.

PERPETUAL PRIVATE

Phone 1800 631 381
Email perpetualprivate@perpetual.com.au

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