Perpetual Investment Funds

PERPETUAL INCOME SHARE FUND

December 2024

FUND FACTS

Investment objective: To provide investors with exposure to a diversified portfolio of tax-effective, high income yielding Australian securities that are also expected to produce some long-term capital growth. To provide above market dividend yield as measured by the S&P/ASX 200 Accumulation Index.

FUND BENEFITS

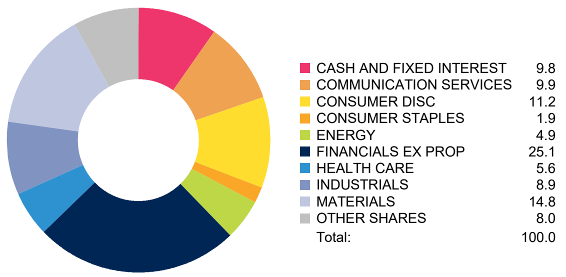
To provide investors with regular income through investment in quality securities.

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 200 Accum. Index
Inception Date:	December 1995
Size of Portfolio:	$164.77 million as at 30 Sep 2024
APIR:	PTC0002AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	7.9%
GWA Group Limited	6.0%
Medibank Private Ltd.	5.2%
Ampol Limited	4.9%
Telstra Group Limited	4.5%
EVT Limited	3.9%
National Australia Bank Limited	3.8%
Westpac Banking Corporation	3.0%
Healius Limited	3.0%
Deterra Royalties Ltd	2.9%

NET PERFORMANCE - periods ending 31 December 2024

	Fund	Benchmark	Excess
1 month	-1.10	-3.15	+2.05
3 months	1.35	-0.80	+2.15
1 year	12.26	11.44	+0.82
2 year p.a.	12.69	11.93	+0.76
3 year p.a.	8.47	7.41	+1.06
4 year p.a.	11.20	9.79	+1.41
5 year p.a.	8.63	8.06	+0.58
7 year p.a.	6.69	8.47	-1.78
10 year p.a.	7.97	8.51	-0.54
Since incep.	8.93	9.06	-0.13

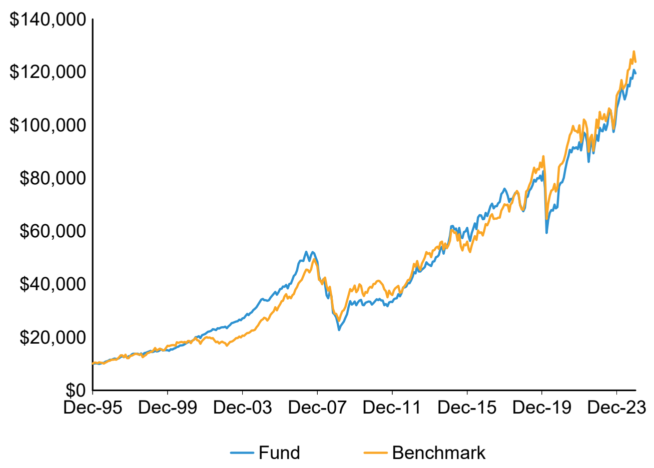
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.8	17.6
Dividend Yield*	4.7%	3.7%
Price / Book	1.9	2.2
Debt / Equity	43.9%	35.7%
Return on Equity*	11.8%	12.9%

^ 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



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

MARKET COMMENTARY

Markets sold off in December after their strong bounce in November. The S&P/ASX300 Accumulation Index gave up -0.81% with Materials down a significant -11.75% while Real Estate, Energy and Consumer Staples all gave up over 5%. Euphoria over hoped-for tax cuts and de-regulation from the incoming Trump administration were tempered by the growing reality of governing with a narrow Republican majority in the House of Representatives. Squabbling over spending measures nearly forced the US federal government into shutdown before Christmas. Combined with resurgent economic confidence this led to US bond yields rising, with the yield on the US 10 year threatening to rise above the 4.7% peaks in April. The Australian economy sent mixed signals. Employment growth remained robust, at 35,600 in November, pushing the unemployment rate down to 3.9%, but most jobs were being created by government as public spending continued to grow. Meanwhile GDP slowed to just 0.8% for the year ended Q3 with just 0.3% for the quarter. GDP per capita fell -0.3% the seventh consecutive quarterly decline.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include GWA Group Limited, Medibank Private Ltd and Ampol Limited. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, CSL Limited and Goodman Group, all of which are not held in the portfolio.

The overweight to Sigma Healthcare contributed to performance as it was one of the strongest performing stocks in the market during the quarter (+82.46%) after the ACCC announced it did not oppose the Sigma Healthcare Limited and CW Group Holdings Limited merger creating a new listed retail giant. The acquisition creates a larger high-quality company which operates in a favourable oligopolistic wholesale market and has an industry leading distribution network. We believe that the quality of the combined business will improve as the group moves to become an integrated wholesaler as well as a pharmacy franchisor with dominant market share and a pipeline of pharmacists to continue to expand their franchise network. We have admired Chemist Warehouse for a long time and believe that it is probably the best franchisor/retailer in Australia. Chemist Warehouse brings with it a high-quality management team to be instilled into the new combined board through founders Mario Verrocchi and Jack Gance as well as further long-term synergies to be realised by the group.

Myer rallied 50.34% during the December quarter as the company continued towards its potential combination with Premier Investments apparel brands Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E. The combination will create a leading omni-channel retail platform that brings enhanced scale and significant operating leverage benefits. Myer will also benefit from the expected addition of Retail Stalwart Solomon Lew's potential addition to the board.

Healius continued to be a challenging position detracting from relative performance over the quarter (-20.58%) with pathology margins being impacted by higher labour and other inflationary costs despite volume growth. The company is however showing signs of recovery under new management following a stretch of underperformance. Looking ahead, we see further upside after the rationalisation of Healius' portfolio, including the sale of Lumus Imaging at a favourable price, possible capital returns, and topline growing stronger in FY 2025.

Ramsay Health Care detracted from performance over the quarter as the stock fell 17.01%. There is growing concern over operating cost growth outpacing revenue growth which is further exacerbated by the level of debt on the balance sheet. Despite this, for the patient investor activity level trends are normalising, the balance sheet has improved post the sale of Sime Darby and Ramsay has the highest quality private hospital assets on the market.

OUTLOOK

After initially embracing Trumponomics attention is now turning to the challenges of delivery and containing excesses in the economy, including the potential for inflation to return in 2025. The incoming administration will need all its political guile to deliver the much hyped agenda of reduced regulation, tax relief and spending cuts whilst also reducing the budget deficit. Bond vigilantes will no doubt be around to remind markets if they think that this ambitious mix of goals is not being achieved. Whilst bond markets have been wary of the period ahead equity markets in the United States continue to exhibit extreme exuberance and are once again trading at similar valuations to the Dotcom peak in 2000 and the post COVID bubble in 2021. Australian equity valuations, whilst stretched in some sectors, are not as out of kilter overall, especially as resources trade near multi year lows. The big question remains what happens in China where the economy flirts with deflation and whether authorities can pull off a the sustained stimulus that Mario Draghi and Ben Bernanke did in 2012, such as QE3, that allayed market concerns about the commitment to reflating the economy.

MORE INFORMATION

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