

## WealthFocus Investment Advantage

# WEALTHFOCUS PERPETUAL GEARED AUSTRALIAN

December 2024

### FUND FACTS

**Investment objective:** Aims to enhance long-term capital growth through borrowing (gearing) to invest predominantly in quality Australian industrial and resource shares.

### FUND BENEFITS

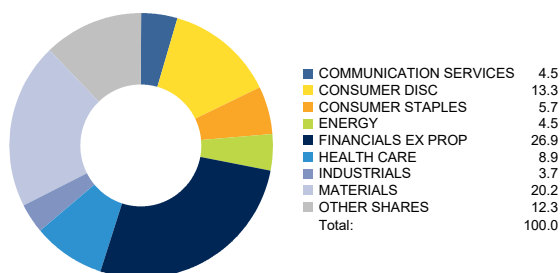
Provides investors with broad market exposure with the potential for higher returns through the use of gearing (borrowing within the fund) and actively managed by one of Australia's most experienced investment management teams.

### 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.

<b>Benchmark:</b>	S&P/ASX 300 Accum. Index
<b>Inception Date:</b>	November 2008
<b>Size of Portfolio:</b>	\$111.08 million as at 30 Sep 2024
<b>APIR:</b>	PER0492AU
<b>Management Fee:</b>	1.23%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Seven years or longer

### PORTFOLIO SECTORS



### TOP 10 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	9.8%
Commonwealth Bank of Australia	8.1%
Flutter Entertainment Plc	5.3%
CSL Limited	4.5%
Westpac Banking Corporation	4.1%
Wesfarmers Limited	4.0%
Insurance Australia Group Ltd	3.9%
Goodman Group	3.9%
Premier Investments Limited	3.6%
ANZ Group Holdings Limited	3.4%

### NET PERFORMANCE - periods ending 31 December 2024

	Fund	Benchmark #	Excess
1 month	-8.36	-3.07	-5.29
3 months	-7.64	-0.81	-6.83
1 year	13.14	11.39	+1.75
2 year p.a.	7.67	11.76	-4.09
3 year p.a.	4.88	7.06	-2.18
4 year p.a.	14.52	9.59	+4.94
5 year p.a.	6.80	7.97	-1.16
7 year p.a.	6.20	8.41	-2.21
10 year p.a.	7.38	8.52	-1.14

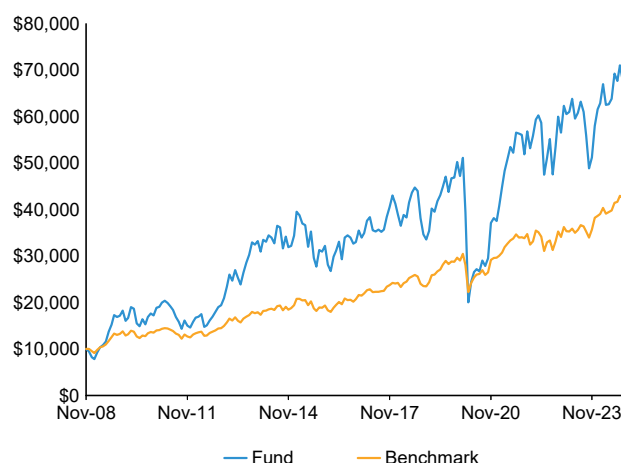
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

### PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	18.1	17.7
Dividend Yield*	3.2%	3.7%
Price / Book	2.1	2.2
Debt / Equity	25.3%	36.0%
Return on Equity*	11.1%	12.9%
Gearing Level	54.2%	

<sup>^</sup> Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating Perpetual'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 BHP Group Ltd, Flutter Entertainment Plc and Premier Investments Limited. Conversely, the portfolio's largest underweight positions include Macquarie Group Ltd, Woodside Energy Group Ltd (not held) and Telstra Group Limited (not held).

NewsCorp was a strong contributor during the quarter (+22.71%). Towards the end of the period NewsCorp announced the sale of Foxtel to DAZN which will bring the NewsCorp balance sheet back to a healthy net cash position. NewsCorp remains our favoured media exposure encompassing some of the highest quality media exposures in the world and with strong growth opportunities through REA group and realtor.com.

The overweight position in Select Harvests strongly contributed to performance during the quarter as the stock was up 15.49% while the broader market was flat. With weak almond crops globally the price of almonds remains strong, and SHV is well placed to capitalise on this. The capital raise has derisked the balance sheet and with costs now taken out of the business management can focus on maximising yield and capturing the strong almond prices.

BlueScope Steel Limited detracted from performance (-15.81%) as the steel sector continued to face headwinds and downgrades from the sell-side. 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. At current levels, the company is an attractive opportunity trading near net tangible asset value. 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.

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.

## 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.

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# 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.

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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](http://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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## MORE INFORMATION

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