

Perpetual Private

PERPETUAL SELECT INTERNATIONAL SHARE FUND

December 2024



FUND FACTS

Investment objective: Long-term capital growth through investment in a diversified portfolio of international shares.

Suggested length of investment: Five years or longer

INVESTMENT APPROACH

The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager. The currency exposure of international assets is monitored and hedging strategies may be implemented (using derivatives) with the aim of reducing the impact of adverse currency movements.

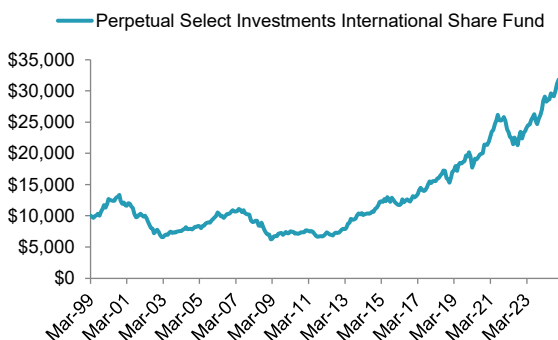
TOTAL RETURNS % (AFTER FEES) AS AT 31 DECEMBER 2024

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments International Share Fund	PER0256AU	2.1	9.1	11.2	21.7	7.2	10.3
Perpetual Select Super International Share Fund	WDL0009AU	2.0	8.4	10.5	20.1	6.9	9.6
MSCI All Country World Index - Net Return (unhedged in AUD)		2.7	10.9	13.9	29.5	11.2	12.9

Past performance is not indicative of future performance

February 2022 onwards, Mercer Super/Pension International Shares Median is no longer published by Mercer

GROWTH OF \$10,000 SINCE INCEPTION*



*The Growth of \$10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

TOP 10 STOCK HOLDINGS	WEIGHTS (%)
Microsoft Corporation	3.2
Amazon.com, Inc.	3.0
Visa Inc.	2.9
Alphabet Inc.	2.5
Meta Platforms Inc	1.9
NVIDIA Corporation	1.9
Apple Inc.	1.8
Merck & Co., Inc.	1.7
Intuit Inc.	1.7
Salesforce, Inc.	1.4

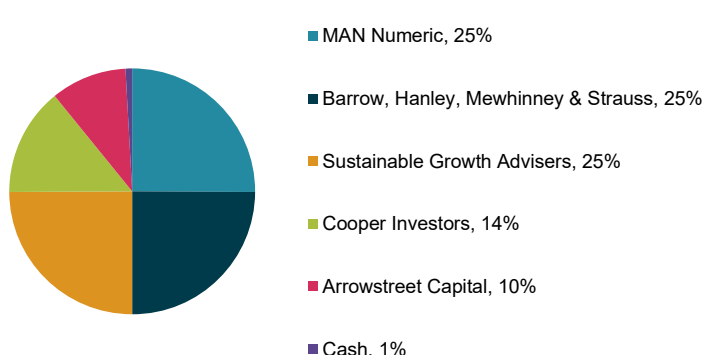
BENEFITS

Offers investors access to returns from companies overseas. Investing internationally allows investors the ability to diversify their portfolio, reducing overall volatility.

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.

PORTFOLIO EXPOSURES[^]



Source: State Street

[^]Portfolio exposures represent the Perpetual Select Investments International Share Fund

MANAGER INVESTMENT APPROACH

MAN Numeric	Concentrated portfolio, quantitative global large to mega cap
Barrow, Hanley, Mewhinney & Strauss	Diversified portfolio, mid to large cap value
Cooper Investors	Concentrated portfolio, mid to large cap quality
Arrowstreet Capital	Quantitative core global small cap
Sustainable Growth Advisers	Concentrated portfolio, mid to large cap growth

MARKET COMMENTARY

International equities, buoyed by continued US outperformance, rounded out an exceptional year (+20.2%) with a respectable quarter (+1.3%). Indeed, the year would have ended even more strongly, had it not been for Federal Reserve guiding interest rate expectations higher in December. That much of the economic optimism associated with President Trump's election victory had been priced into market valuations in the weeks coming into the vote, meant that US markets lost momentum coming into the end of the year. As has been the case for the past couple of years, AI linked technology companies were the primary drivers of market performance. Indeed it is instructive to examine the outcomes for the three main US share indices, whereby the technology-heavy Nasdaq market delivered 6.4% for the quarter and 29.6% for the year, whilst the more broadly spread S&P delivered 2.3% and 24.5% over the same timeframes. Trailing further behind was the Dow Jones Industrials, with a return for the quarter of just 0.5% and a relatively limp 12.9% for the year. Viewed through another lens, we can see that aside from a period of strong performance around 2022, Value as an investment style continues to meaningfully lag Growth. If we view this on a global basis, Growth outperformed value by 8% (-2.1% vs +5.9%) in the December quarter, and by 14.7% (13.7% vs 28.4%) for the year.

Considered from a sectoral point of view, Consumer Discretionary was the best performer over the quarter gaining 7.7%, with Tesla rocketing by 54.5%, off the back of founder Elon Musk's association with the Trump victory. As was the case in our own domestic markets, Financials also enjoyed strong conditions, gaining 5.8% as interest rates remained elevated, and whilst businesses and consumers remained strong. Also enjoying the ongoing technological tailwinds, were Information and Technology, and Communication Services (includes Meta – Facebook's parent company), delivering 5.4% and 6.0% respectively. Tied to concerns around global growth and China's slowing demand for commodities, the Materials sector saw the worst performance for the quarter (-11.2%) and year (-3.8%). Meanwhile, Healthcare continued to suffer from cost pressures born out of the pandemic, receding by 9.4% for the final 3 months of the year. Of course, all sectors were impacted by Jerome Powell's comments in December however, traditional income generating businesses in Real Estate (-7.3%) and Utilities (-6.3%) bore the brunt more firmly, as their cost of capital rose and their relative attractiveness waned.

Across Developed markets, Europe (-2.9%) and the UK (-0.2%) saw the most challenging conditions in the final three months of 2024. Europe continues to suffer from a structural lack of dynamism whilst facing the Ukraine/Russia war on its doorstep, whilst the UK is still searching for its economic balance post BREXIT. Similar to the US, Japanese shares delivered robust returns, producing 5.3% gains for the quarter and 20.9% for the year. Meanwhile, the Hang Seng in Hong Kong, enjoyed a remarkable year in spite of a decline of 4.9% in the final 3 months. Indeed, its performance of 22.7% for the year in Hong Kong Dollar (HKD) terms, is enhanced when we consider that HKD significantly appreciated in 2024. In Australian dollar (AUD) terms, it produced an outstanding 35.9% in returns. Indeed, currency impacts were meaningful for global equity investments with US dollar strength adding 10.8% to AUD returns over the quarter and 9.3% over the year.

PORTFOLIO COMMENTARY

The Perpetual Select International Share Fund underperformed the MSCI All Country World Index (unhedged AUD) in the fourth quarter of 2024 on a net of fees basis. During the quarter, the AUD fell against the USD, delivering stronger outcomes to domestic investors. No changes to the manager line up were made during the quarter.

Arrowstreet Capital outperformed the MSCI ACWI (unhedged AUD) benchmark for the quarter, however, it underperformed the strategy's benchmark, being the MSCI World Small Cap Index (unhedged AUD). Against the manager's small cap benchmark, sector and stock selection was positive, while currency detracted from returns. At the sector level, overweight exposure to Financials and underweight exposure to Materials contributed to performance. Stock selection was most accretive across Industrials, Financials and Health Care. At the stock level, the main contributors were Argan Inc, Stifel Financial Corporation and Kawasaki Heavy Industrials, while the main detractors were Universal Health Services, Universal Entertainment Corporation and Mohawk Industries.

Barrow Hanley underperformed the MSCI ACWI (unhedged AUD) in the fourth quarter, with sector selection, stock selection and currency all contributing to underperformance. From a sector perspective, the main detractors were underweight positions in Information Technology, and overweight positions in Materials and Real Estate. Despite the material underweight to Information Technology, the managers stock selection within the sector was positive. Stock selection was more disappointing within Communication Services, Financials and Consumer Discretionary. The main contributors to performance were Carnival Corporation, Entergy Corporation and Sunny Optical Technology, while the main detractors were Kasikornbank Public Co. Ltd, Newmont Corporation and Sanofi.

Cooper Investors underperformed the benchmark in Q4 2024, despite delivering strong performance through December. Sector allocation was positive during the period, while stock selection and currency detracted. Overweight positions in Financials and underweight positions in Energy contributed to performance while an underweight position in Information Technology detracted. The main contributors to performance were Booking Holdings Inc., Visa Inc., and Sony Group, while CDW Corporation, L'Oreal SA and Eurofins Scientific detracted from performance.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2024	FY 2023	FY 2022
Growth Return %	-1.0%	17.4%	-18.6%
Distribution Return %	14.0%	0.5%	5.5%
Total Return %	13.0%	18.0%	-13.1%

DISTRIBUTION BREAKDOWN

	FY 2024	FY 2023	FY 2022
Cents per unit	20.9956	0.6966	8.7614

PRODUCT FEATURE

	SUPER	INVEST.
Inception date	Dec 94	Mar 99
Management/Investment Fee (p.a.)*	0.92%	1.30%
Ongoing fee discount	Yes	No
Admin fee	0.10%	0.00%
Buy spread	0.22%	0.22%
Sell spread	0.00%	0.00%
Contribution fee	0.00%	0.00%
Withdrawal fee	\$0.00	\$0
Monthly member fee	\$0.00	\$0
Min. initial contribution	\$3,000	\$2,000
Min. additional contribution	\$0	\$0
Savings plan	Yes	Yes
Withdrawal plan	No	Yes
Distribution frequency	N/A	Quarterly
Contact information	1800 022 033	

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

Man Numeric underperformed the benchmark in Q4 2024, despite delivering strong performance through December. Stock selection detracted from performance, while sector allocation was additive during the quarter. An overweight position in Information Technology was the main contributor and the sector level, supported by underweight positions in Consumer Staples and Materials. The largest detractor was an overweight position in Health Care. At the stock level, the main contributors to performance were Salesforce, Honeywell International and Alphabet. The main detractors were Applied Materials, Nike and Roche Holdings.

SGA performed in line with the benchmark in Q4 2024. During the quarter, sector allocation contributed to returns, while stock selection detracted. Overweight positions in Information Technology, Financial and Consumer Discretionary contributed to performance, as did underweights in Materials, Consumer Staples and Industrials. Stock selection detracted within Industrials, Health Care and Consumer Staples. At the stock level, the main contributors were Atlassian Corp., Amazon and Visa, while positions in Novo Nordisk, ICON and Alcon all detracted.

OUTLOOK

The most notable news during the quarter was the (re)election of Donald Trump as the next President of the USA. With it came much speculation around what his policies and approach could mean for global growth, inflation, the path of interest rates and subsequently equity markets.

Following the shift we saw across markets in Q3 2024, we were optimistic that a 'regime change' for equity market leadership was only 'moments' away from being realised. Unfortunately, the status quo resumed in Q4 2024, with 'growth' and 'sentiment' factors / styles leading the way over the period. After a short breather, large and mega cap stock outshone their smaller and mid cap names.

A cursory glance across equity markets is unlikely to clearly reveal the dispersion we are seeing across geographies, sectors, styles and segments, however a deeper dive clearly demonstrates 'shifting sands' over rather short horizons. To us, this may be a sign that equity markets lack a clear direction, despite a reasonably robust macroeconomic environment. Following the rally over the last 24 months, valuations are significantly higher than they have been for some time, and as we move through 2025, we expect markets to be laser focused on whether revenue / earnings support current valuations. The first test of this is underway as we prepare this commentary, with earnings season for most US companies taking place through January and February 2025. Given these dynamics, we are focused on the nexus between valuations and revenue/earnings outcomes. As markets extend the rally, we consider corporates' 'margin for error' in terms of revenue and earnings outcomes to narrow markedly. Misses are likely to see the trend of sharp drawdowns on specific stocks continue. We believe that avoiding names where this risk is elevated will be key to delivering strong outcomes.

From a cross-asset perspective, we wouldn't be surprised if equity markets started paying greater attention to bond markets and yields, at least in the near term. Through the course of H2 2024 markets priced a significant number of rate cuts through 2024, and 2025. As we suggested last quarter, the number and magnitude of aggregate rate cuts this cutting cycle is likely to be less than initially anticipated for several reasons (macroeconomic environment, fiscal policy expectations, etc.). Initially, markets took a rather nonchalant attitude to the risk around the expected path of interest rates, however we expect that to change as the spread between bond yields and earnings yield on equities widens.

We watch with interest as to how markets evolve and react over the course of 2025. Despite a return to previous programming in Q4 2024, we remain optimistic that 2025 will see a broadening of the equity market rally, supporting exposures which have been unloved for some time and offer attractive relative value. We watch with interest as to how markets evolve and react over the course of 2025. Despite a return to previous programming in Q4 2024, we remain optimistic that 2025 will see a broadening of the equity market rally, supporting exposures which have been unloved for some time and offer attractive relative value.

¹ As measured by the MSCI All Country World index in USD terms

² As measured by the MSCI World Index Value - Net Return index in USD terms

³ As measured by the MSCI AC World - Consumer Discretionary - Net Return index in USD terms

⁴ As measured by the MSCI AC World - Information Technology - Net Return index in USD terms

⁵ As measured by the MSCI AC World - Communication Services - Net Return index in USD terms

⁶ As measured by the MSCI AC World - Materials - Net Return index in USD terms

⁷ As measured by the MSCI AC World - Health Care - Net Return index in USD terms

⁸ As measured by the MSCI AC World / Real Estate -SEC - Net Return index in USD terms

⁹ As measured by the MSCI AC World - Utilities - Net Return index in USD terms

¹⁰ As measured by the MSCI Europe - Net Return index in EUR terms

¹¹ As measured by the FTSE 100 - Net Return index in GBP terms

¹² As measured by the Nikkei 225 Stock Average - Net Return index in JPY terms

¹³ As measured by the Hang Seng Index - Net Return index in HKD terms

This information has been prepared by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643. 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.

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