

Perpetual Private

IMPLEMENTED AUSTRALIAN SHARE PORTFOLIO

Fund Profile – 31 December 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 October 2024
Issuer	Perpetual Investment Management Limited

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

INVESTMENT OBJECTIVE

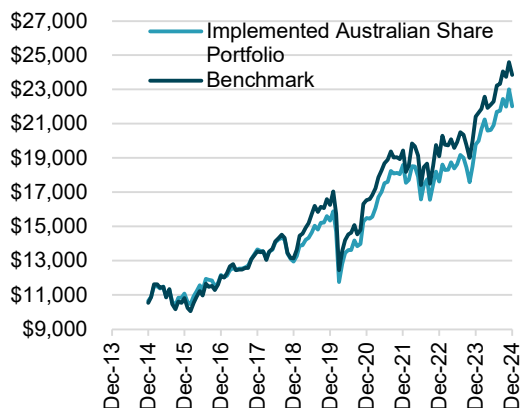
To provide investors with long term capital growth and income through investment in a diversified portfolio of Australian shares. To outperform the stated benchmark over rolling three-year periods.

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 December 2024



Source: State Street

NET PERFORMANCE

As at December 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	-4.4%	-1.9%	11.3%	5.8%	7.5%	7.8%
Growth return	-4.9%	-2.5%	8.8%	-2.9%	0.1%	1.9%
Distribution return	0.6%	0.6%	2.4%	8.7%	7.4%	5.9%
Benchmark	-3.1%	-0.8%	11.4%	7.1%	8.0%	8.6%
Excess Return	-1.3%	-1.1%	-0.1%	-1.3%	-0.5%	-0.8%

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

TOP 10 STOCK HOLDINGS

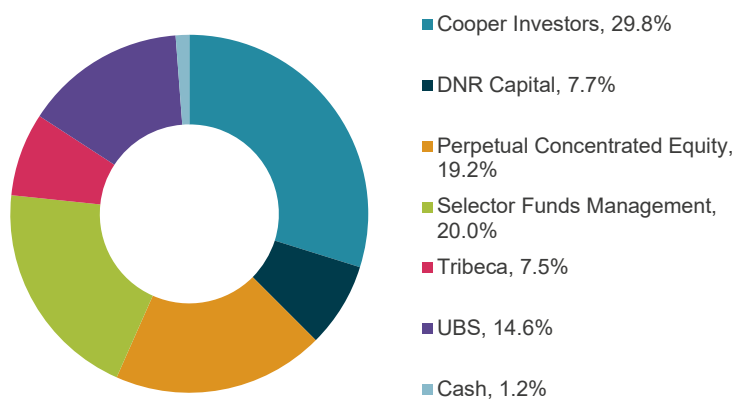
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STOCK	WEIGHT %	COUNTRY
BHP Group Limited	6.3%	Australia
CSL Limited	5.7%	Australia
Commonwealth Bank	4.0%	Australia
National Australia Bank	3.8%	Australia
Macquarie Group	3.0%	Australia
ANZ Banking Group	2.9%	Australia
Technology One Limited	2.4%	Australia
Wisetech Global Ltd.	2.3%	Australia
Goodman Group	2.2%	Australia
Reece Limited	2.0%	Australia
Total Top 10 Holdings %	34.4%	

Source: State Street, Factset.

PORTFOLIO EXPOSURE BY MANAGER

As at December 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.

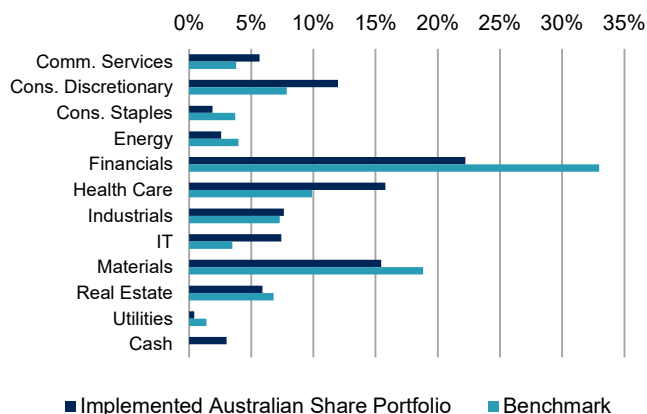
The Implemented Australian Share Portfolio uses broad market managers that invest across the entire market capitalisation spectrum of the domestic equity market. Their portfolios tend to be concentrated in nature and hold anywhere between 30-50 companies. This allows for the portfolio to access these 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

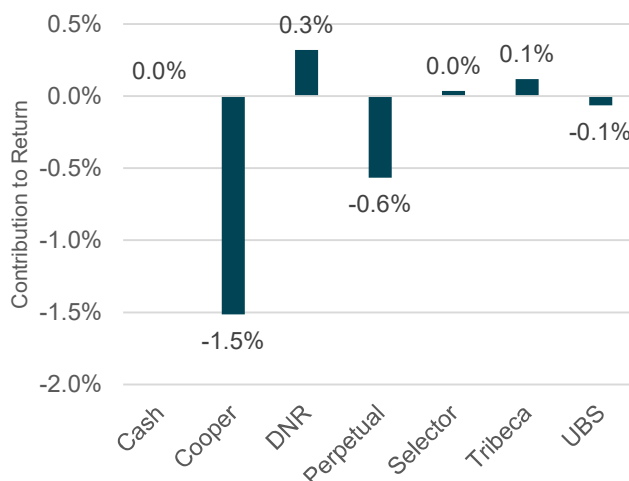
As at December 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to December 2024



Source: State Street

MANAGER LINE-UP AND APPROACH

As at December 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 shares experienced a disappointing final quarter of 2024, with a 3.1%¹ retreat in December driving a negative return for the period (-0.8%²). Whilst the election of Donald Trump to his second presidential term drove market sentiment higher, concerns relating to the impact of tariffs on our trading partners (primarily China) and softening global growth expectations, weighed on our stock market. Further complicating matters, was an Australian economy that, in aggregate, remains impressively robust, with inflationary pressures receding too slowly for the RBA to begin easing monetary conditions. As markets moved to more fully reflect the “higher for longer” reality of cash rates in Australia, interest rate sensitive valuations became challenged as we came into the end of

Viewed over a 12 month time horizon however, Australian equities performed well, with the ASX 300 index gaining 11.4%; a healthy margin above long term averages (9.4% over the past 30 years). Amongst mid and large-cap companies, performance for the year was uncannily similar with the ASX 100, 200, 300 and All Ordinaries, all delivering returns of between 11.4% and 11.7%. On the other hand, smaller companies continued to lag behind their larger peers, with the ASX Small Ordinaries delivering a relatively smaller 8.4% for the 12 months. From the perspective of investment styles, Value continued its recent trend of underperformance, as its bias towards traditional industries and business models pales against the continued momentum of tech linked sectors. Value’s decline (4.6%³ for the quarter), dragged 12 month performance down to a meagre 3.5%. This contrasts starkly with the experience of Growth which managed a return of 2.9%⁴ for the quarter, in spite of headwinds from higher interest rate expectations, rounding out 2024 with an impressive gain of 19.5%⁵.

When we look at the market through a sector ‘lens’, the divergence in performance between best and worst, is meaningful. For the quarter, Financials ex-REITS performed best, gaining 5.9%⁶. In stark contrast, Materials fell 11.8%⁷. Looking across 2024 as a whole, again Materials was the worst performing sector (-13.8%⁸) however, Energy wasn’t far behind with a return of -13.6%⁹. At the other end of the pack, Information Technology stormed ahead, gaining 48.5%¹⁰ over the year, most of which came in the first 9 months of the year.

PORTFOLIO COMMENTARY

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

Cooper Investors underperformed their benchmark over Q4. Almost half the underperformance was attributable to stocks not held in their portfolio that did well over the period. Most notably, their continued underweight to the major banks, not holding any exposure to either CBA (+13%) or Westpac (+4%), the 2 best performing banks, was the

primary detractor for the quarter. Other detractors were their key positions in Iluka Resources, Wisetech Global, Reece, Ramsay Healthcare and Lendlease. This was partially offset by their overweight to and strong stock selection in the Healthcare sector. Key contributors at the stock level were Sigma Healthcare, QBE Insurance and HMC Capital.

Perpetual Concentrated Equity underperformed their benchmark over Q4. The primary detractor was stock selection within the Materials, Energy and Industrials sectors. Key contributors were Insurance Australia Group (+15%), News Corp (+23%) and Sigma Healthcare (+82%). This was offset by weaker returns from key positions in Iluka Resources, Whitehaven Coal, Ramsay Healthcare, Healius and Bluescope Steel.

Selector Funds Management outperformed their benchmark over Q4. The primary contributor has been their considerable overweight to and strong stock selection within the Technology sectors, with key positions in Technology One (+32%), FINEOS Corp (+31%). Other key contributors were Pro Medicus (+40%), REA Group (+16%), Computershare (+34%) and Aristocrat (+17%). They also benefited from not having any exposure to Resources stocks, with the Materials sector down 12% for the quarter. While key detractors were Reece, OFX Group, Nanosonics and James Hardie.

UBS are running a passive ASX20 indexing strategy and have delivered the benchmark ASX20 index return (-0.46%) over Q4, which on an absolute basis has outperformed the Implemented Australian Share Portfolio’s ASX300 benchmark by 0.35%. Financials (+5.2%) were the strongest performing sector for the period and a key contributor for our passive ASX20 allocation, which has just over 44% allocated to the Financials sector. Notable contributors were CBA (+13%), QBE Insurance (+16%) and Westpac (+4%). While a notable detractor was the Materials sector, with key exposures to BHP (-14%), Fortescue (-12%) and Rio (-9%).

DNR outperformed their Small Ordinaries benchmark for Q4. DNR had meaningful sector tilts within their portfolio, with nearly half their portfolio allocated to the Technology sector (+5%) and Financials sector (+10%), the 2 best performing sectors for the period on the Small Ordinaries. Key contributors were HUB24 (+19%), Netwealth (+16%), Pinnacle Investment Management (+27%), Technology One (+32%) and Life360 (19%). While key detractors were Domino’s Pizza, ARB Corporation, IDP Education and Lovisa Holdings.

Tribeca outperformed their Small Ordinaries benchmark for Q4. They benefited most from positive stock selection within the Healthcare, Tech and Communication Services sectors. Key contributors were their positions in Sigma Healthcare (+82%), Pro Medicus (+40%), Imricor Medical Systems (+143%), Life360 (+19%), News Corp (+23%) and Superloop (+27%). This was partially offset by weaker returns from WEB Travel Group, Boss Energy and Champion Iron.

¹ As measured by the S&P/ASX300 – Total Return index

² As measured by the S&P/ASX300 – Total Return index

³ As measured by the MSCI Australia Value - Net Return index

⁴ As measured by the MSCI Australia Growth – Net Return index

⁵ As measured by the MSCI Australia Growth – Net Return index

⁶ As measured by the S&P/ASX 300 Financial ex A-REIT (Sector) - Total Return index

⁷ As measured by the S&P/ASX 300 Materials (Sector) - Total Return index

⁸ As measured by the S&P/ASX 300 Materials (Sector) - Total Return index

⁹ As measured by the S&P/ASX 300 Energy (Sector) - Total Return

¹⁰ As measured by the S&P/ASX 300 Information Technology (Sector) - Total Return index

OUTLOOK

Coming into the quarter, we had witnessed broadly weaker earnings outlooks from Australian companies post the August reporting season. Sustained cost pressures and a slowdown in demand were largely to blame for these weaker outlooks. At the same time, bond markets were also pricing 100bps of rate cuts by the RBA over the next 12-month period, something we viewed as overly optimistic given core inflation remains above the central bank's target. Nearly all sectors (aside from Materials and Energy) were trading at or near peak 12-month valuations (on a forward P/E multiple basis). Against this backdrop, coupled with softer global growth expectations, we remained alert to the possibility of a sell-off in the domestic equity market. Despite our concerns, we remained neutral on style – noting that if the RBA did in fact cut rates aggressively (not our base case), this would favour managers with a growth bias, but also noting that in a market that appeared fully priced, it may also favour managers with a more value-oriented approach. From a market capitalisation perspective, our view remained unchanged that stocks outside of the Australian large cap market are, in aggregate, trading at attractive valuations and active managers in this space should be able to capitalise and generate alpha in volatile markets. At the sector level, key overweights included Tech, Healthcare, and Consumer Discretionary stocks, while key underweights were in Financials and Materials.

Throughout the quarter, demonstrating notable strength were CBA (+13%), insurance companies (QBE +16% and IAG +15%), and wrap platform providers (HUB24 +19% and Netwealth +16%). Notably, CBA now represents close to 10% of the S&P/ASX 300 benchmark index, being the largest stock in the index. Despite trading well above consensus analyst share price targets and having to grapple with continued cost pressures and competitive industry dynamics, the banks, and in particular CBA, have proven to be incredibly resilient over the last year. It is for these reasons that our bottom-up fundamental managers have in aggregate maintained an underweight to the Financials sector.

As a result, CBA was the primary detractor for the period. Healthcare and Technology sectors also both surged close to 2% higher for the period and our positions benefited from an overweight allocation to and strong stock selection within these sectors. Of note, we were substantially overweight to Sigma Healthcare, which was up over 80% for the quarter on the back of the proposed merger with Chemist Warehouse that was approved by the ACCC late last year. Similarly, our overweight to Technology One was another key contributor – the stock was up 32% for the quarter having delivered a strong full year result with profit jumping

18% and strong growth from their UK business. Over the period, we also saw considerable weakness from the Materials sector, which was down 12%. Despite seeing relative value in certain names within the materials sector, the combination of geopolitical concerns, and in particular concerns for Chinese growth and the impact that will have on Australian mineral exports, has driven softer commodity prices and weaker forecasts for Australian mining names. BHP represents close to half of this sector, and the stock was down 14% for the period. Our portfolio was underweight materials, contributing positively to our relative performance.

Our outlook from here remains broadly unchanged. We anticipate ongoing volatility, which should favour active managers using a bottom-up, fundamental strategy. Additionally, we maintain a modest preference for small and medium-sized (SMID) companies, believing there are more opportunities to capitalise on inefficiencies in this segment of the market. Against the backdrop of interest rates having stabilised and several rate cuts from other major central banks, we believe our portfolio is well positioned for a rotation away from the safety of large cap stocks (in particular the major banks) and into SMID-sized companies with longer-term growth tailwinds, trading at more attractive valuations. From a sector perspective, we remain notably underweight to Financials and Materials, while overweight to Tech, Healthcare, and Consumer Discretionary sectors.

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