

Perpetual Investment Funds

PERPETUAL INDUSTRIAL SHARE FUND

January 2025

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment predominantly in quality Australian industrial shares.

FUND BENEFITS

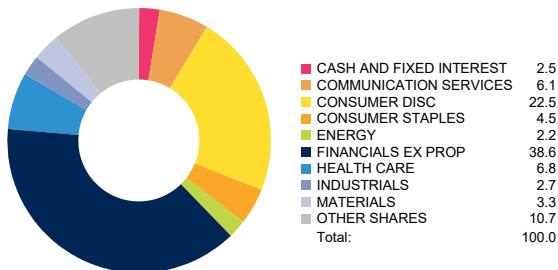
Provides investors with the potential for capital growth and consistent, tax effective income through the active management of quality industrial shares. Investors have been benefitting from this strategy since 1966.

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 300 Industrial Accum. Index |
| Inception Date: | December 1996 |
| Size of Portfolio: | \$1,105.31 million as at 31 Dec 2024 |
| APIR: | PER0046AU |
| 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 |
|---------------------------------|----------------|
| Commonwealth Bank of Australia | 10.4% |
| Flutter Entertainment Plc | 7.8% |
| Wesfarmers Limited | 6.2% |
| Westpac Banking Corporation | 6.1% |
| Goodman Group | 5.9% |
| Suncorp Group Limited | 5.1% |
| ANZ Group Holdings Limited | 4.6% |
| National Australia Bank Limited | 4.5% |
| CSL Limited | 4.3% |
| Macquarie Group, Ltd. | 2.9% |

NET PERFORMANCE - periods ending 31 January 2025

| | Fund | Benchmark # | Excess |
|-------------------|-------|-------------|--------|
| 1 month | 3.78 | 4.72 | -0.94 |
| 3 months | 6.44 | 7.34 | -0.89 |
| 1 year | 21.64 | 23.36 | -1.72 |
| 2 year p.a. | 14.80 | 16.06 | -1.27 |
| 3 year p.a. | 13.86 | 12.75 | +1.11 |
| 4 year p.a. | 12.97 | 11.68 | +1.30 |
| 5 year p.a. | 9.74 | 8.08 | +1.66 |
| 7 year p.a. | 8.42 | 9.23 | -0.81 |
| 10 year p.a. | 7.57 | 8.44 | -0.87 |
| Since incep. p.a. | 10.04 | 9.37 | +0.67 |

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

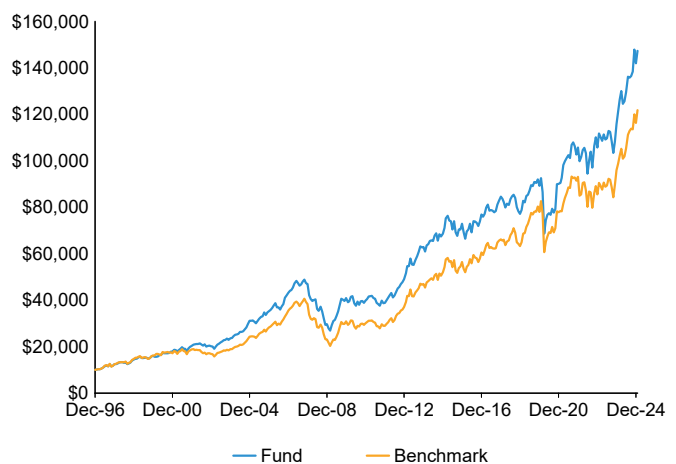
PORTFOLIO FUNDAMENTALS[^]

| | Portfolio | Benchmark |
|-------------------|-----------|-----------|
| Price / Earnings* | 21.5 | 21.4 |
| Dividend Yield* | 3.0% | 3.3% |
| Price / Book | 2.5 | 2.6 |
| Debt / Equity | 32.6% | 51.0% |
| Return on Equity* | 12.1% | 12.5% |

[^] 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 surged in January, with the S&P/ASX 300 Accumulation Index delivering a strong 4.46% return, driven largely by Financials, which contributed nearly half of the month's gains. The major banks rallied, with NAB surging 8.19% and ANZ adding 7.29%, while CBA and Westpac rose 4.77% and 4.36%, respectively. Macquarie Group also posted a notable 8.64% gain, and Wesfarmers added 7.09%. Consumer Discretionary (+6.07%) and Real Estate (+4.60%) were among the strongest-performing sectors, while Utilities (-2.40%) was the weakest, weighed down by a 4.13% decline in Origin Energy. Consumer Staples saw only modest gains, rising 0.77%. Despite continued tariff threats from the White House, major miners BHP and Rio Tinto remained flat. December NAB Business Conditions improved to +6 from +3 in November, while the labour market remained resilient, with employment rising by 56,300—well ahead of expectations. Headline inflation fell to its lowest level since early 2021, with the trimmed mean reaching a three-year low. This drove increased speculation of interest rate cuts, leading to a decline in the Australian dollar.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment PLC, Suncorp Group Limited and Premier Investments Limited. The portfolio's largest underweight positions include Commonwealth Bank of Australia, Aristocrat Leisure Limited (not held) and Telstra Group Limited (not held).

Suncorp Group Limited contributed to fund performance over January (9.5%) although there was no new stock specific news through the month. The major Australian insurers have performed strongly over the past 12 months and the opportunity for material excess capital returns continues to bolster short term returns.

BlueScope Steel Limited contributed to performance in January (+13.9%) as the industry experienced multiple positive news points including a joint Cleveland-Cliffs Inc and Nucor Corp bid for US Steel. The valuation disparity between BlueScope and its US peers became obvious and eventuated in a rally. 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. 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.

Premier Investments suffered a setback during January (-4.20%) after issuing a surprisingly disappointing trading update halfway through the month which was below consensus. The combination of Myer and Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti presented a material growth opportunity for shareholders and the transaction was completed at the end of the month. This will be materially beneficial for both businesses as additional quality sales are incorporated under a cheaper rental format and with strong retail management expertise.

The overweight to Myer detracted from portfolio performance (-35.1%) during January as the company released a mid-month trading update which highlighted operating cost pressure and issues at the new distribution centre. Despite the noise, the company completed its combination with Premier's Apparel Brands Just Jeans, Jay Jays, Portmans, Dotti and Jacqui E. The combination has created 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.

OUTLOOK

After an initial embrace of Trumponomics, market focus is shifting to the challenges of execution and the risk of inflation returning in 2025. The new administration must navigate deregulation, tax relief, and spending cuts while managing the budget deficit—an ambitious mix that bond markets will closely scrutinize. U.S. equities remain exuberant, with valuations echoing the Dotcom peak in 2000 and the post-COVID surge in 2021. While some Australian sectors appear stretched, overall valuations are more measured, especially in resources, which trade near multi-year lows. China remains the key uncertainty as its economy flirts with deflation. The question is whether authorities can deliver sustained stimulus, akin to QE3 in 2012, to restore confidence and support growth—an outcome with broad implications for global markets.

Benchmark prior to 1/4/2000 was the ASX All Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Industrials 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. 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.

MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au

