

# WEALTHFOCUS PERPETUAL CONCENTRATED EQUITY

January 2025

## FUND FACTS

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

## FUND BENEFITS

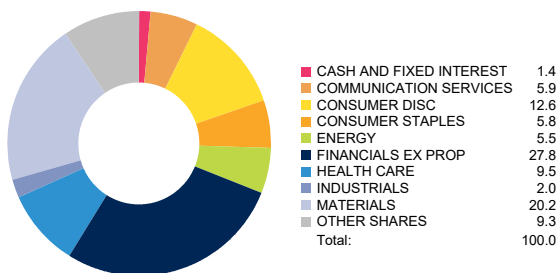
Provides investors with higher potential returns, through the active management of a portfolio of fewer stocks but with higher conviction, than our core Australian equity funds. This concentration may lead to increased short term volatility.

## 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 Accum. Index  
**Inception Date:** November 2003  
**Size of Portfolio:** \$4.36 million as at 31 Dec 2024  
**APIR:** PER0145AU  
**Management Fee:** 0.98%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Five years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

Stock Holding	% of Portfolio
BHP Group Ltd	9.7%
Commonwealth Bank of Australia	8.3%
CSL Limited	4.4%
Wesfarmers Limited	4.1%
Insurance Australia Group Ltd	3.9%
ANZ Group Holdings Limited	3.6%
Westpac Banking Corporation	3.5%
GPT Group	3.4%
Goodman Group	3.3%
National Australia Bank Limited	3.0%

## NET PERFORMANCE - periods ending 31 January 2025

	Fund	Benchmark #	Excess
1 month	4.01	4.46	-0.45
3 months	2.84	4.98	-2.14
1 year	10.39	15.09	-4.71
2 year p.a.	8.05	10.80	-2.75
3 year p.a.	10.09	11.07	-0.97
4 year p.a.	12.41	10.70	+1.71
5 year p.a.	8.49	7.88	+0.61
7 year p.a.	8.24	9.15	-0.92
10 year p.a.	7.89	8.65	-0.76

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

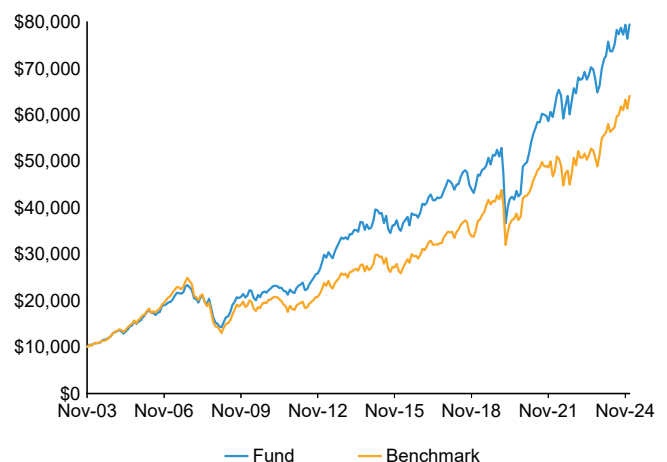
## PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	18.4	18.5
Dividend Yield*	3.0%	3.5%
Price / Book	2.1	2.3
Debt / Equity	27.7%	36.7%
Return on Equity*	11.7%	12.9%

<sup>^</sup> 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 GPT Group, Insurance Australia Group Ltd & Whitehaven Coal Limited. Conversely, the portfolio's largest relative underweight positions include Commonwealth Bank of Australia, Aristocrat Leisure Limited (not held) and Woodside Energy Group Ltd (not held).

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.

Insurance Australia Group continued to contribute to relative performance (+8.8%) as the market continued to reward the RACQ deal with the potential for IAG to reduce the capital demands of that business and extract higher returns. One aspect of IAG's strategy is an Adverse Development Cover (ADC), designed to shield its existing reserves from significant fluctuations. A second layer of protection comes from a reinsurance arrangement focused on natural perils, which provides a buffer against the unpredictable costs of weather-related events. This arrangement is structured to cover most expected scenarios, helping to stabilize the company's claims expenses. Although this layered protection introduces upfront costs, it reduces financial impact over time and is expected to moderate earnings volatility, protect target margins, and enhance long-term returns by lowering capital strain.

Nick Scali outperformed the market during the month of January (+7.7%) despite a lack of stock specific news. Nick Scali offers an attractive exposure to a founder led retail business able to weather a tough consumer environment. There remains an attractive growth opportunity in the UK through Nick Scali's capital disciplined entry into the UK market through the acquisition of Fabb Furniture and a real opportunity to grow gross margin through adoption of Nick Scali's gold standard operations.

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 position in Iluka Resources detracted to performance over January (-12.5%) following an unloved quarterly update. The company updated the market with ongoing soft zircon sales and a commitment to inject capital into the rare earth refinery. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and largest producer of zircon that is used to produce ceramics (tiles) and a recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets.

Orora limited detracted from portfolio performance in January falling -3.66% in a strong market. Although the company didn't release any material news, investor sentiment continues to wain around the near term outlook for Saverglass. We built an overweight position in Orora when we felt analysts' forecasts better reflected the risks associated with the controversial Saverglass acquisition. At that point, we thought prospective investors were paying fair value for both the Australasian and North American businesses but getting Saverglass at a substantial discount. Assuming the sale of the North American business completes shortly, then we believe investors will own a high-quality global packaging company, with a relatively under-gearred balance sheet, providing the Board with considerable scope to consider shareholder capital management initiatives.

## 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.

# 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 product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the 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 an investor's capital.  
Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

## MORE INFORMATION

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