

# PERPETUAL SHARE-PLUS LONG-SHORT

November 2024

## FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and income through investment in quality shares and taking short positions predominantly in selected Australian shares.

## FUND BENEFITS

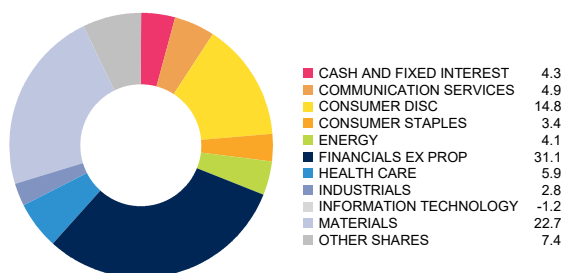
Offers broad market exposure with the potential for higher returns through the use of shorting (taking short positions) within a risk-controlled environment, and actively managed by one of Australia's most experienced investment management teams.

## 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 2003
<b>Size of Portfolio:</b>	\$27.96 million as at 30 Sep 2024
<b>APIR:</b>	PER0224AU
<b>Management Fee:</b>	0.98%*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Five years or longer

## PORTFOLIO SECTORS



## TOP 5 STOCK HOLDINGS

	% of Portfolio
BHP Group Ltd	9.8%
Commonwealth Bank of Australia	6.7%
Flutter Entertainment Plc	5.8%
Goodman Group	5.6%
Westpac Banking Corporation	5.3%

## MARKET EXPOSURE

	% of Portfolio
Long	114.7%
Short	-19.1%
Net	95.7%

## NET PERFORMANCE - periods ending 30 November 2024

	Fund	Benchmark #	Excess
1 month	4.32	3.68	+0.64
3 months	6.81	5.48	+1.32
1 year	21.33	23.22	-1.89
2 year p.a.	8.47	11.63	-3.16
3 year p.a.	12.45	9.12	+3.33
4 year p.a.	13.10	10.81	+2.30
5 year p.a.	10.45	8.20	+2.25
7 year p.a.	8.95	9.19	-0.23
10 year p.a.	8.59	9.08	-0.48

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

## GEOGRAPHIC LOCATION

The underlying fund holds no single international asset representing more than 10% of the underlying fund's net asset value.

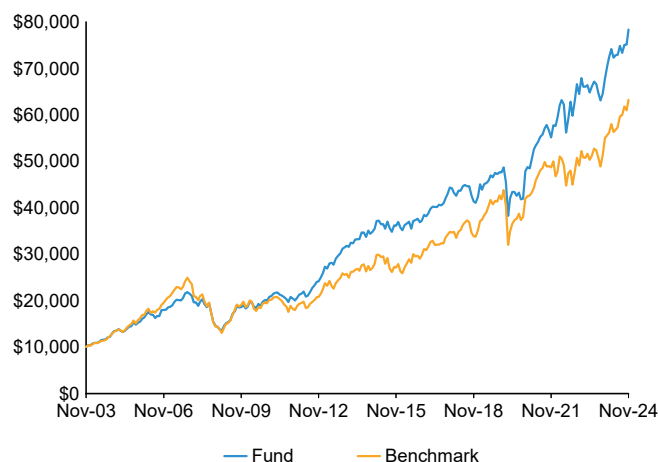
## PORTFOLIO FUNDAMENTALS<sup>^</sup>

	Portfolio	Benchmark
Price / Earnings*	18.8	18.8
Dividend Yield*	3.1%	3.5%
Price / Book	2.3	2.3
Debt / Equity	29.4%	36.4%
Return on Equity*	12.8%	12.8%

<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



## MARKET COMMENTARY

The election of Donald Trump fuelled a strong rally in equities throughout November, with the S&P/ASX 300 Accumulation Index delivering a total return of 3.68%. The technology sector led the charge, posting a remarkable 10.18% gain. Financials were the largest contributor to the market's performance, rising 6.95% and accounting for 2.29% of the overall 3.68% return, driven primarily by a stellar 11.09% increase in Commonwealth Bank of Australia (CBA) shares. In contrast, Materials (-2.81%) and Energy (-0.66%) were the only sectors to decline, as markets weighed the potential impact of tariffs and persistent deflationary pressures in China. Meanwhile, Westpac and NAB surveys indicated improving consumer and business confidence in Australia, despite weaker-than-expected employment data and the Reserve Bank of Australia's ongoing concern over elevated underlying inflation, which continued to rule out the possibility of a rate cut.

## PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Flutter Entertainment Plc, HMC Capital Limited and Goodman Group. Conversely, the portfolio's largest underweight positions include Commonwealth Bank of Australia, CSL Limited and Woodside Energy Group Ltd (not held).

Sigma Healthcare was both the strongest performing stock to index returns and the portfolio returns over November (+47.5%) after the ACCC announced it did not oppose the Sigma Healthcare Limited and CW Group Holdings Limited merger creating a new listed retail giant. The acquisition creates a larger high-quality company which operates in a favourable oligopolistic wholesale market and has an industry leading distribution network. We believe that the quality of the combined business will improve as the group moves to become an integrated wholesaler as well as a pharmacy franchisor with dominant market share and a pipeline of pharmacists to continue to expand their franchise network. We have admired Chemist Warehouse for a long time and believe that it is probably the best franchisor/retailer in Australia. Chemist Warehouse brings with it a high-quality management team to be installed into the new combined board through founders Mario Verrocchi and Jack Gance as well as further long-term synergies to be realised by the group.

BlueScope Steel Limited contributed to performance in November (+8.9%) as the company reaffirmed guidance and the valuation disparity between itself and its US peers became obvious following last month's weakness. 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.

Despite appreciating during the month, Premier Investments lagged the broader market resulting in it detracting from relative performance in November. This marks a period of very strong performance for the stock which has greatly outperformed an already strong market over the past 12 months. The upside in the business has been further exacerbated by the combination of Myer and Premier's Apparel Brands business comprising Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti. This could be materially beneficial for both businesses as additional quality sales are incorporated under a cheaper rental format and with strong retail management expertise. Although future outcomes remain uncertain, they are expected to reflect Premier's commitment to maintaining its high-quality standing in the market.

The overweight position in Iluka Resources detracted to performance over November as the stock continued to de-rate as investors waited for news on the government negotiations for the rare earths refinery. This came after a substantial rise post PBOC announcing stimulus to revive the Chinese economy leading to broad based gains amongst resource companies. The stimulus measures, though substantial, have been deemed by the market to likely not be enough and hence much of this has reversed. 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. The next catalyst for the company is the update on the funding for the increased capex of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than \$1 billion from the federal government that has a \$200 million overrun facility.

## OUTLOOK

Markets continue to respond positively to the economic policies anticipated under a Trump presidency, which center on tax cuts, deregulation, deficit reduction, and increased energy production. However, tariffs remain a key area of uncertainty. Early indications suggest that President-Elect Trump views tariffs more as a negotiating tactic than as a firm policy stance. The critical challenge will be how China reacts to U.S. pressure to stimulate its domestic economy more aggressively or to intervene in key industries to achieve a more balanced trade relationship with the United States—an issue with significant implications for the resources sector. Despite the historical undervaluation of resources, investors continue to favor defensive assets, often irrespective of price. We continue to leverage our multi decade experience and remain true to label providing our investors with exposure to the highest quality companies trading at attractive valuations which we believe will drive outperformance as markets revert to fundamentals.

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The performance fee is equal to 13.98% of daily outperformance over the hurdle rate of return. The current hurdle rate is the S&P/ASX 300 Accumulation Index + 2%pa. Performance fees are accrued daily however will only be paid in the event that the Fund's return over the performance fee calculation period is positive and the performance fee accrual is positive. For further information on the calculation of the performance fee please consult the Fund's PDS.

# 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.

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## MORE INFORMATION

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