WealthFocus Allocated Pension

WEALTHFOCUS PERPETUAL SMALLER COMPANIES

August 2024

FUND FACTS

Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

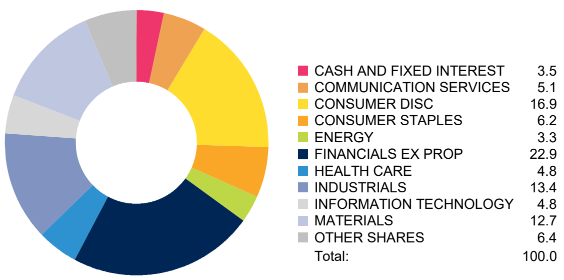
Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

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.

Benchmark:	S&P/ASX Small Ordinaries Accum. Index
Inception Date:	August 1995
Size of Portfolio:	$30.59 million as at 30 Jun 2024
APIR:	PER0008AU
Management Fee:	1.03%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Pacific Current Group Ltd	7.7%
Light & Wonder, Inc.	3.0%
Premier Investments Limited	2.9%
Graincorp Limited	2.9%
Universal Store Holdings Ltd.	2.9%

NET PERFORMANCE - periods ending 31 August 2024

	Fund	Benchmark #	Excess
1 month	-2.05	-2.02	-0.03
3 months	1.52	-0.01	+1.53
1 year	3.17	8.51	-5.33
2 year p.a.	3.47	3.58	-0.11
3 year p.a.	4.72	-2.90	+7.61
4 year p.a.	12.12	4.35	+7.77
5 year p.a.	10.64	3.89	+6.75
7 year p.a.	9.31	5.91	+3.41
10 year p.a.	9.38	5.84	+3.54

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

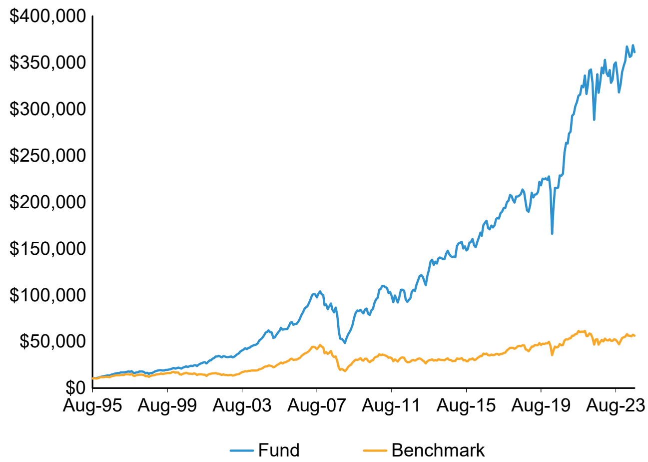
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	14.9	18.4
Dividend Yield*	4.4%	3.8%
Price / Book	1.6	1.6
Debt / Equity	22.7%	33.0%
Return on Equity*	11.4%	10.1%

^ 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

The Small Ordinaries Index delivered a relatively flat return for August, masking a tumultuous month. Early in the month, recession fears spiked in the US due to weak data, including a contraction in the Purchasing Managers' Index and disappointing payroll numbers. The Bank of Japan's decision to raise rates to their highest level since 2007 triggered a sharp sell-off in the Nikkei 225, marking its worst decline since 1987. However, the market rebounded in the second week as data, including improved services PMI and jobless claims, alleviated recession concerns. Financials were the strongest performer, rising 1.65%.

PORTFOLIO COMMENTARY

The portfolio's largest overweight positions include Pacific Current Group Ltd, Universal Store Holdings Ltd and EQT Holdings. Conversely, the portfolio's largest underweight positions include HUB24 Limited, Life360 Inc and Sandfire Resources Ltd, all of which are not held in the portfolio.

Universal Store Holdings continued to provide strong performance for the portfolio, rallying 19.24% even after rallying the month prior following their FY24 trading update and guidance. Despite largely being pre-reported, an unexpected improvement in gross margin caused the reporting season rally and highlighted the A-grade management team. The benefit of having a healthy balance sheet was also highlighted the company's net cash position of $14 million allowing management to up the final dividend to 19 cents per share taking the full year dividend to 35.5 cents per share. Universal Store Holdings remains well-managed, high-quality fashion retailer with an attractive market position. The opportunity to expand the private label offering through the Perfect Stranger and Cheap THRILLS Cycles (CTC) businesses, along with a continued store rollout, further enhance the medium-term earnings growth potential of Universal Stores. While near-term challenges exist, the company's disciplined strategy and growth prospects make it a compelling long-term portfolio holding.

After a challenging period, Healius made a positive contribution to performance during reporting season, with the stock rising 10.60%. The company is showing signs of recovery under new management following a stretch of underperformance. Operational improvements in both Pathology and Imaging led to higher EBIT in the second half, resulting in a beat on expectations. This aligns with our earlier view that sustainable pathology margins would exceed consensus estimates. Looking ahead, we see further upside from the potential rationalisation of Healius' portfolio, including the sale of Lumus Imaging at a favourable price, possible capital returns, and topline growing stronger in FY 2025.

Servcorp made a significant contribution to the portfolio's performance during the August reporting season, with the stock rising 10.53% following a positive shareholder update. The company delivered a strong operating result, marked by solid free cash flow and a net profit before tax well ahead of the previous comparable period. Its strong balance sheet, with a cash balance representing around 25% of its market capitalisation, adds further appeal to investors. Servcorp remains attractively priced and offers additional value potential through the possible separation and listing of the Servcorp Middle East Group, a process that is progressing as planned.

After a period of strong performance, A2 Milk detracted from results in August, with the stock declining by -21.93%. Despite this, it has still outperformed the broader market by 8.21% over the year. The company's results met both its guidance and consensus expectations and showed that A2 navigated the China label product transition well. However, concerns arose regarding a production disruption at its key supplier, Synlait, which provides 90% of A2 Milk's infant formula and holds critical licenses for importing these products into China. This triggered a significant sell-off due to concerns that A2 will miss sales into the crucial 2H CY24 which is expected to see a pick-up in births post-Covid. Although the production and supply chain issue appear to have been largely resolved at the time of writing, the stock price remains depressed. Nonetheless, we remain optimistic about A2 Milk, given its strong balance sheet, ongoing expansion into tier 2 and 3 cities in China, as well as it's entry into the U.S., all of which present substantial growth opportunities.

EQT detracted from performance over the month as the stock fell 13.4%. EQT continues to face cost pressures from regulatory changes, which weighed on its performance in 2H24. Revenues came in lower than expected, largely due to smaller revenue margins on growth from existing clients and onboarding larger new clients. Ongoing tech investments are adding to expenses, with further spending planned in FY25. These challenges have led to a more cautious outlook, with earnings expectations adjusted downward for the next few years. Despite this, EQT remains a high quality business with new client acquisitions providing some positive momentum.

Whitehaven Coal Limited detracted from performance during August as the stock fell -13.34%. One of the key highlights of the result was the announced sale of 30% of its Blackwater asset for US$1.08 billion to Nippon Steel and JFE Steel. This deal significantly reduces the company's leverage, offering more flexibility for capital management over the next few years and initially drove a 6% rally in the share price. Offsetting this was the higher than expected cost guidance for FY25 and lower than expected production guidance for the NSW assets, Qld volume guidance was in-line, and fall in the metallurgical coal price that is now the key earnings driver for the company, in conjunction with the thermal coal price. Management's FY25 guidance was impacted by higher unit costs and conservative estimates for coal sales, leading to a large drop in forecasted earnings for FY25. While there is unfortunately a near-term impact to earnings, part of the driver of higher costs is increased stripping to de-risk delivering increased production in the future, which will also drive lower operating costs. Management's ability to deliver this increased production and lower costs in FY26+ will be closely watched by the market, along with the return of excess cash to shareholders on top of the dividend payout of 50% of thermal coal earnings.

OUTLOOK

Despite markets recovering from the August turbulence, confidence remains fragile. Early September saw another decline in US stocks, particularly in the tech sector. After reaching $130 on August 19, Nvidia's share price dropped to $106 in early September, driven by weak manufacturing PMI data and a decrease in job openings, fuelling concerns about a slowing US economy. In Australia, GDP growth for the second quarter of 2024 was a mere 0.2%, marking the slowest expansion since the early 1990s, excluding the COVID period. GDP per capita fell for the sixth consecutive quarter. The economy has been propped up only by increased government spending and high migration rates, while consumers grapple with persistent inflation and elevated interest rates. Despite these challenges, markets remain near all-time highs, underscoring the need for continued vigilance.

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

MORE INFORMATION

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