

Perpetual Private

IMPLEMENTED INTERNATIONAL SHARE PORTFOLIO

Fund Profile – 30 September 2024

FUND FACTS

APIR code	PER0711AU
Inception Date	9 December 2013
Asset class	Global Equities
Investment style	Multi Manager Blend
Benchmark	MSCI AC World Index - Net Return (Unhedged in AUD)
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* (%)	0.93%
Buy/Sell spread	0.22% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

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

INVESTMENT OBJECTIVE

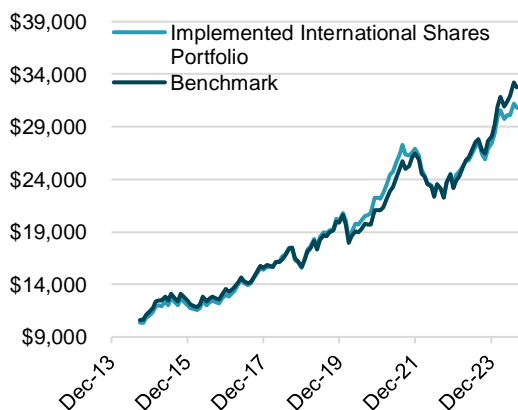
To provide investors with long-term capital growth through investment in a diversified portfolio of international shares. To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising capital growth, with broad market exposure.

GROWTH OF \$10,000 SINCE INCEPTION (NET OF FEES)

As at September 2024



Source: State Street

NET PERFORMANCE

As at September 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	-0.3%	2.1%	16.5%	5.3%	10.0%	11.3%
Growth return	-0.3%	2.1%	1.7%	-2.0%	2.2%	5.7%
Distribution return	0.0%	0.0%	14.9%	7.3%	7.8%	5.6%
Benchmark	0.1%	2.6%	22.6%	9.6%	11.6%	12.0%
Excess Return	-0.4%	-0.5%	-6.1%	-4.2%	-1.6%	-0.7%

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

TOP 10 STOCK HOLDINGS

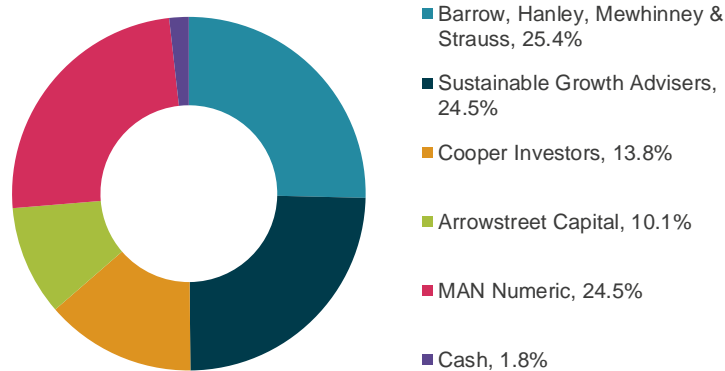
As at September 2024

STOCK	WEIGHT	COUNTRY
Microsoft Corporation	3.2%	United States
Amazon.com	2.6%	United States
Visa Inc.	2.5%	United States
Alphabet Inc.	2.0%	United States
Meta Platforms	1.8%	United States
Apple Inc.	1.6%	United States
Merck & Co., Inc.	1.5%	United States
NVIDIA Corporation	1.4%	United States
QUALCOMM Incorporated	1.4%	United States
HDFC Bank	1.4%	India
Total Top 10 Holdings %	19.4%	

Source: State Street, Factset

PORTFOLIO EXPOSURE BY MANAGER

As at September 2024



Source: State Street

INVESTMENT APPROACH

A multi-manager framework is utilised, where 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 portfolio combines managers who apply either a bottom-up fundamental stock picking or quantitative approach to security selection, have a repeatable investment process, work within appropriate risk management frameworks, operate in an aligned and stable organisational structure, and have a performance track record that is consistent with their style and approach. We believe combining these characteristics positions the portfolio to best deliver a stable outcome within a multi-manager framework.

The Implemented International Share Portfolio combines managers who operate across all industry sectors and geographic regions, including both developed and emerging markets. All managers within the portfolio play a specific role, despite individually managing appropriately diversified portfolios. The portfolio is diversified in a range of ways, including by market capitalisation (small, mid, and large cap), investment style (value, growth, quality or a combination). The overarching characteristic of the managers within the portfolio is a modest bias towards 'quality', embodying our 'protect and grow' investment philosophy. Excluding the Global Small Cap manager, each manager runs relatively high conviction portfolios. Our more concentrated managers manage portfolios of between 20 and 45 securities, while more diversified managers typically manage portfolios of between 50 and 70 securities. The portfolio blends the above-mentioned group of managers, targeting a portfolio that combines investment styles, market capitalisation biases, and other characteristics in a way that complements each other, and should over time deliver a well-balanced, consistent performance outcome. The end result is the creation of a portfolio that aims to have an overall volatility below that of the broader benchmark, while exhibiting a modest level of tracking error.

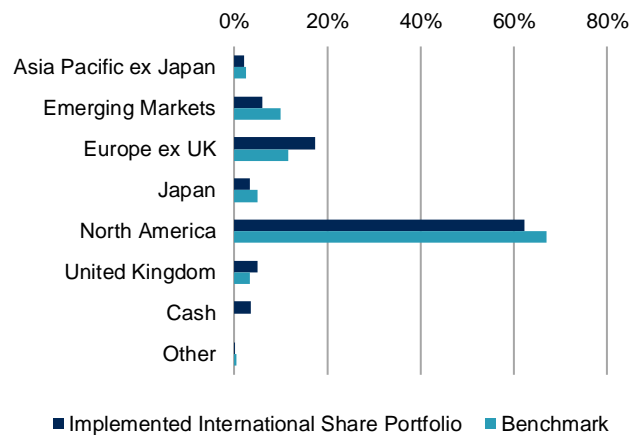
MANAGER LINE-UP AND APPROACH

As at September 2024

MANAGER	APPROACH
Barrow, Hanley, Mewhinney & Strauss	Diversified portfolio, mid-large cap value
MAN Numeric	Concentrated portfolio, quantitative global large to mega cap
Cooper Investors	Concentrated portfolio, mid to large cap quality
Sustainable Growth Advisers	Concentrated portfolio, mid to large cap growth
Arrowstreet Capital	Quantitative core global small cap

REGION EXPOSURES

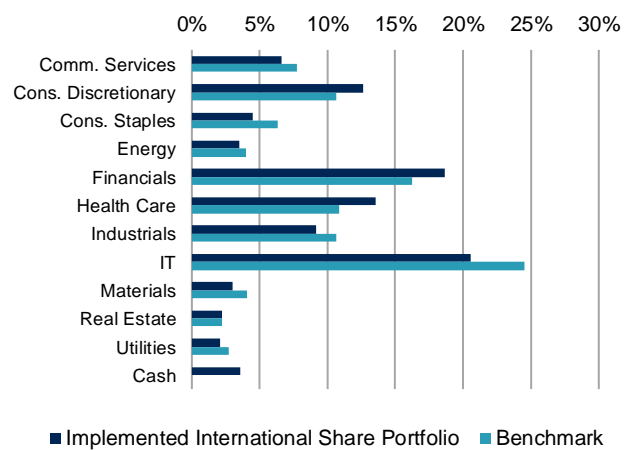
As at September 2024



Source: State Street, Factset

SECTOR EXPOSURES

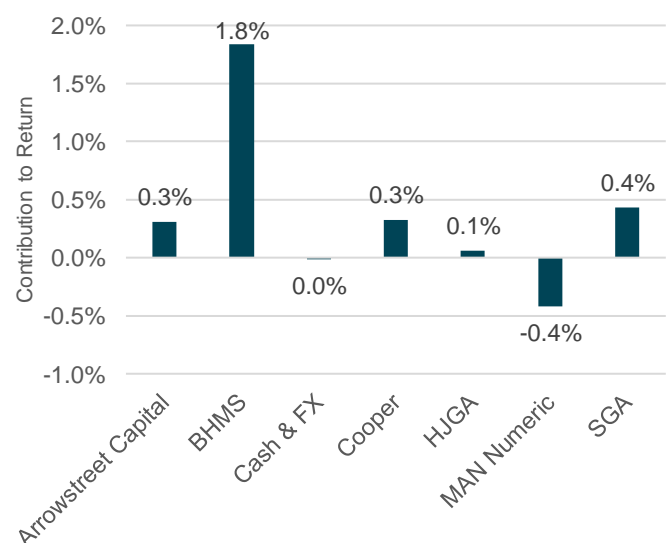
As at September 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to September 2024



Source: State Street

MARKET COMMENTARY

The September quarter saw continued gains for International shares, with the MSCI All Country World Index (ACWI) gaining a healthy 2.6% in Australian dollar terms. Indeed, the ACWI has now rounded out a 12 month return of 22.6%¹, despite a backdrop of high interest rates and under-pressure consumers. Nvidia, the leading edge of the A.I. thematic, actually lost value during the quarter; albeit a shy 1.7% having gained an impressive 36% in the three months prior. Indeed, one element of market behaviour which appears to have begun emerging across the quarter, is a rotation away from the businesses that have led markets for the past 18 months, and towards more income generating and cyclical sectors, who are more likely to benefit from monetary easing. The one exception to this, is the energy complex which, despite the most heightened levels of conflict in the middle east in the past 50 years, has seen oil prices fall 16.9% in the period.

Aligned with this sense of a rotation across markets and away from the narrow, tech lead rally of the past couple of years, is the relative outperformance of smaller companies ('small caps') versus their larger counterparts. Traditionally seen as higher risk and higher reward, small caps have notably lagged over recent years, particularly during the recent rise of the 'Magnificent 7'. However, the September quarter saw small caps deliver a gain of 4.7%², a healthy 2.1%³ higher than the broad market. Smaller company valuations continue to enjoy a relatively wide discount and are likely to benefit comparatively from lower interest rates.

With the U.S. Federal Reserve having held interest rates at 5.25-5.50% since July 2023, September 18th saw the first cut, a larger than expected 0.50%. As such, it is unsurprising that traditional income generating sectors, Utilities⁴ and Real Estate⁵, became the market leaders over the quarter, gaining 12.2% and 12.4% respectively. It is notable that the next best sectors, Financials and Industrials, enjoyed roughly half that return, returning a strong but much lower 6.5% (Financials⁶) and 6.1% (Industrials⁷). At the tail end of performance, Energy⁸, suffering from continued weakness in the oil price, lost 5.8%, whilst Information Technology⁹ suffered its first negative quarter in the past 12 months giving up 2.7%.

These tentative early signs of a 'changing of the guard' in global stock markets can most simply be viewed through the style lens of Value¹⁰ vs Growth¹¹. With Growth assets having clearly led the way over the past year (27.9% vs 18.3%), the quarter saw Value delivering 5.5% in gains whilst Growth, slipped back 0.4%.

PORTFOLIO COMMENTARY

The Perpetual Implemented International Share Portfolio underperformed the MSCI All Country World Index (unhedged AUD) in the third quarter of 2024 on a net of fees

basis. Currency detracted from most funds' returns given the Australian dollar rose 3.9% against the US dollar.

Arrowstreet Capital outperformed the MSCI ACWI (unhedged AUD) benchmark for the quarter, however, it underperformed its secondary benchmark, the MSCI World Small Cap Index (unhedged AUD). Against the Small Cap benchmark, geographic allocation, sector allocation, and stock selection all detracted from returns. An overweight allocation to Japan and an underweight allocation to North America also detracted. At a sector level, Consumer Discretionary and Information Technology were the biggest detractors. On a stock level, the main contributors were Amkor Technology (semiconductor producer), Imabari Shipbuilding Co., and Light & Wonder (gaming company).

Barrow Hanley significantly outperformed the MSCI ACWI (unhedged AUD) in the third quarter, driven by strong stock selection across most sectors and regions. While an overweight to Energy detracted from performance, underweighting Information Technology and overweighting Consumer Staples, Real Estate, and Utilities contributed positively. Excellent stock picks in the US and China were particularly impactful, with European and Japanese holdings also adding to strong relative returns. Overweight positions in Humana (health insurance) and Merck & Co. (pharmaceuticals) detracted from returns, while non-benchmark holding Kasikornbank Public Co. Ltd (Thai bank) was very additive. Not holding Microsoft throughout the quarter was also accretive to performance.

Cooper Investors underperformed the benchmark in Q3 2024. Stock selection was additive to returns, but sector and geographic allocation detracted from relative performance. An underweight allocation to North America detracted from returns, outweighing positive contributions from positions in Japan and Europe. From a sector standpoint, Consumer Staples and Industrials were large detractors, but Information Technology was a positive contributor. Regarding stock selection, an overweight allocation to Alphabet (Google) hurt in a quarter where regulators threatened to break up the large tech giant. In addition, Rentokil Initial (business services) also detracted, but Yum China Holdings and the LSE Group were additive to returns.

Hardman Johnston was terminated early in the quarter.

SGA slightly underperformed the benchmark in Q3 2024. Sector allocation detracted from returns, but security selection was additive. An underweight exposure to Japanese securities was accretive to returns. An underweight allocation to Energy was additive to relative returns; however, an underweight allocation to the cyclical and interest rate sensitive sectors, Materials and Real Estate, respectively, detracted. An overweight allocation to Information Technology also detracted from returns. From a security selection standpoint, overweights in Danish drug manufacturer Novo Nordisk and Australian tech company

¹ In AUD terms

² As measured by the MSCI All Country World Small Cap index

³ As measured by the MSCI All Country World index

⁴ As measured by the MSCI AC World Utilities index

⁵ As measured by the MSCI AC World Real Estate index

⁶ As measured by the MSCI AC World Financials index

⁷ As measured by the MSCI AC World Industrials index

⁸ As measured by the MSCI AC World Energy index

⁹ As measured by the MSCI AC World Information Technology index

¹⁰ As measured by the MSCI World Index Value index

¹¹ As measured by the MSCI World Index Growth index

Atlassian detracted. Overweights in index provider MSCI Inc and CP All Public Company (Thai retailer) were additive.

Man Numeric was appointed last quarter to manage a portfolio of large and mega-cap stocks on behalf of unitholders. The strategy underperformed the benchmark in Q3 2024. Both sector and security selection detracted from relative performance, while geographic allocation was additive. From a regional perspective, overweights to Europe and an underweight allocation to Japan were accretive to returns. From a sector perspective, an overweight allocation to Information Technology and Energy detracted from returns. From a stock selection perspective, overweight positions in chip-maker ASML, Applied Materials, and Qualcomm detracted from returns, while overweight positions in Roche Holding (Swiss pharmaceuticals) and Nike were additive.

OUTLOOK

As alluded to above, Q3 2024 appears to have delivered a 'regime change' of sorts with equity market leadership shifting away from 'growth' stocks, and towards 'value' stocks. Furthermore, and despite it being short-lived, we saw small caps show signs of life at certain junctures.

Despite the shift, the market appears to be wedded to the 'soft landing' narrative. This, at least partially explains the higher price-to-earnings ratios evident in markets at the moment, even as the macroeconomic data continues to be mixed. As at the time of writing, markets appear to be pricing several 'hard and fast' interest rate cuts by the US Federal Reserve. Given the Fed's noted shift towards the state of the labour market, and recent strong labour market data, we think the market is pricing more rate cuts than are likely to eventuate (if the current trend remains intact).

Given these dynamics, we are focused on the nexus between valuations and revenue/earnings outcomes. As markets extend their rally, we consider corporates' 'margin for error' in terms of revenue and earnings outcomes to narrow markedly. Misses are likely to see the trend of sharp drawdowns on specific stocks continue. We believe that avoiding names where this risk is elevated will be key to delivering strong outcomes.

As it relates to the mega cap names, during the quarter we saw the US Department of Justice launched an anti-trust case against Google for monopolistic behaviour in online search, and subpoenaed Nvidia looking to ascertain whether the company had engaged in anti-competitive behaviour as it relates to its position within the AI

ecosystem. We'll be watching these developments with interest.

Last quarter we spoke about the opportunities we saw outside the large and mega-cap part of the market, which had been left behind in the rally over the last 12 months. This quarter we saw strong positive movements from those sectors that are considered interest rate sensitive (REITs and Utilities) and those that are more linked to the macroeconomic cycle (Industrials and Materials). We still see value in these sectors, and should the expected 'soft landing' eventuate, it would be reasonable to expect an upswing in the profit cycle for these sectors, supporting a further rally. European stocks, and small caps remain relatively cheaper compared to US and large-cap stocks, respectively. A broadening of the current rally and a 'soft landing' should support these exposures.

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