Perpetual Private

IMPLEMENTED INTERNATIONAL SHARE PORTFOLIO

Fund Profile – 31 December 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 October 2024
Issuer	Perpetual Investment Management Limited

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

INVESTMENT OBJECTIVE

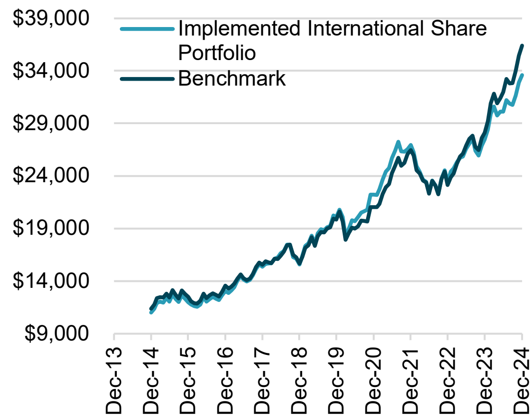
To provide investors with long-term capital growth through investment in a diversified portfolio of international shares. To outperform the stated benchmark over rolling three-year periods.

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 December 2024



Source: State Street

NET PERFORMANCE

As at December 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	2.1%	9.2%	22.3%	7.6%	10.8%	12.0%
Growth return	1.9%	8.9%	7.0%	0.2%	3.0%	6.4%
Distribution return	0.3%	0.3%	15.4%	7.4%	7.8%	5.6%
Benchmark	2.7%	10.9%	29.5%	11.2%	12.9%	12.8%
Excess Return	-0.6%	-1.7%	-7.1%	-3.6%	-2.1%	-0.8%

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

TOP 10 STOCK HOLDINGS

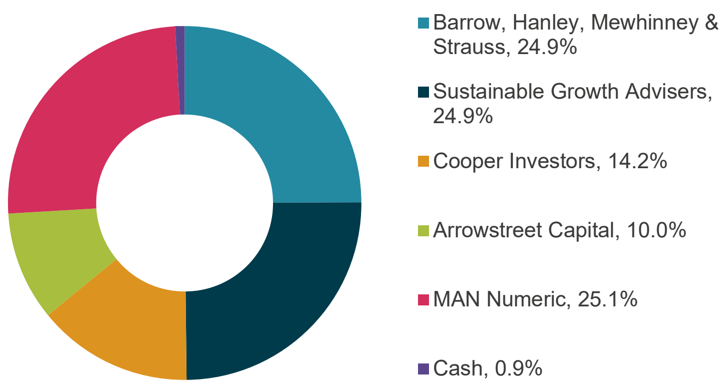
As at December 2024

STOCK	WEIGHT	COUNTRY
Microsoft Corporation	3.2%	United States
Amazon.com	3.0%	United States
Visa Inc.	2.9%	United States
Alphabet Inc.	2.5%	United States
Meta Platforms	1.9%	United States
NVIDIA Corporation	1.9%	United States
Apple Inc.	1.8%	United States
Merck & Co., Inc.	1.7%	United States
Intuit Inc.	1.7%	United States
Salesforce, Inc.	1.4%	United States
Total Top 10 Holdings %	**22.1%**	

Source: State Street, Factset

PORTFOLIO EXPOSURE BY MANAGER

As at December 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.

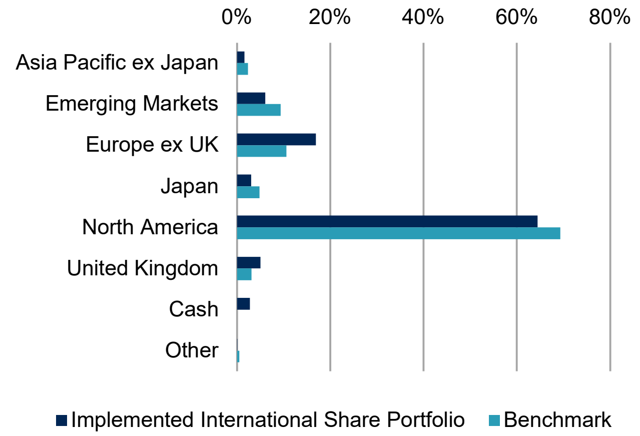
MANAGER LINE-UP AND APPROACH

As at December 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

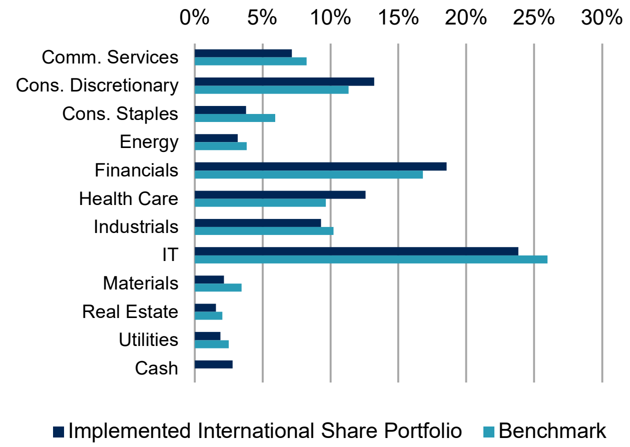
As at December 2024



Source: State Street, Factset

SECTOR EXPOSURES

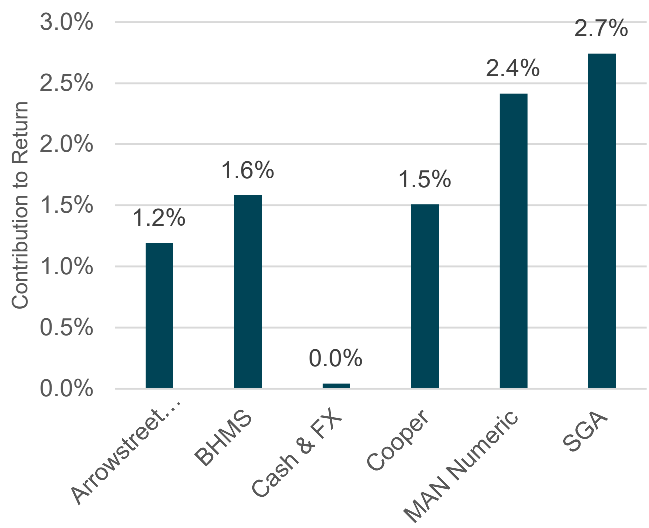
As at December 2024



Source: State Street, Factset

CONTRIBUTION BY MANAGER

Quarter to December 2024



Source: State Street

MARKET COMMENTARY

International equities, buoyed by continued US outperformance, rounded out an exceptional year (+20.2%[1]) with a respectable quarter (+1.3%[2]). Indeed, the year would have ended even more strongly, had it not been for Federal Reserve guiding interest rate expectations higher in December. That much of the economic optimism associated with President Trump's election victory had been priced into market valuations in the weeks coming into the vote, meant that US markets lost momentum coming into the end of the year. As has been the case for the past couple of years, AI linked technology companies were the primary drivers of market performance. Indeed it is instructive to examine the outcomes for the three main US share indices, whereby the technology-heavy Nasdaq market delivered 6.4% for the quarter and 29.6% for the year, whilst the more broadly spread S&P delivered 2.3% and 24.5% over the same timeframes. Trailing further behind was the Dow Jones Industrials, with a return for the quarter of just 0.5% and a relatively limp 12.9% for the year. Viewed through another lens, we can see that aside from a period of strong performance around 2022, Value as an investment style continues to meaningfully lag Growth. If we view this on a global basis, Growth outperformed value by 8%[3] (-2.1% vs +5.9%) in the December quarter, and by 14.7%[4] (13.7% vs 28.4%) for the year.

Considered from a sectoral point of view, Consumer Discretionary was the best performer over the quarter gaining 7.7%[5], with Tesla rocketing by 54.5%, off the back of founder Elon Musk's association with the Trump victory. As was the case in our own domestic markets, Financials also enjoyed strong conditions, gaining 5.8% as interest rates remained elevated, and whilst businesses and consumers remained strong. Also enjoying the ongoing technological tailwinds, were Information and Technology, and Communication Services (includes Meta – Facebook's parent company), delivering 5.4%[6] and 6.0%[7] respectively. Tied to concerns around global growth and China's slowing demand for commodities, the Materials sector saw the worst performance for the quarter (-11.2%[8]) and year (-3.8%[9]). Meanwhile, Healthcare continued to suffer from cost pressures born out of the pandemic, receding by 9.4%[10] for the final 3 months of the year. Of course, all sectors were impacted by Jerome Powell's comments in December however, traditional income generating businesses in Real Estate (-7.3%[11]) and Utilities (-6.3%[12]) bore the brunt more firmly, as their cost of capital rose and their relative attractiveness waned.

Across Developed markets, Europe (-2.9%[13]) and the UK (-0.2%[14]) saw the most challenging conditions in the final three months of 2024. Europe continues to suffer from a structural lack of dynamism whilst facing the Ukraine/Russia war on its doorstep, whilst the UK is still searching for its economic balance post BREXIT. Similar to the US, Japanese shares delivered robust returns, producing 5.3%[15] gains for the quarter and 20.9%[16] for the year. Meanwhile, the Hang Seng in Hong Kong, enjoyed a remarkable year in spite of a decline of 4.9%[17] in the final 3 months. Indeed, its performance of 22.7% for the year in Hong Kong Dollar (HKD) terms, is enhanced when we consider that HKD significantly appreciated in 2024. In Australian dollar (AUD) terms, it produced an outstanding 35.9% in returns. Indeed, currency impacts were meaningful for global equity investments with US dollar strength adding 10.8% to AUD returns over the quarter and 9.3% over the year.

PORTFOLIO COMMENTARY

The Perpetual Implemented International Share Portfolio underperformed the MSCI All Country World Index (unhedged AUD) in the fourth quarter of 2024 on a net of fees basis. During the quarter, the AUD fell against the USD, delivering stronger outcomes to domestic investors. No changes to the manager line up were made during the quarter.

Arrowstreet Capital outperformed the MSCI ACWI (unhedged AUD) benchmark for the quarter, however, it underperformed the strategy's benchmark, being the MSCI World Small Cap Index (unhedged AUD). Against the manager's small cap benchmark, sector and stock selection was positive, while currency detracted from returns. At the sector level, overweight exposure to Financials and underweight exposure to Materials contributed to performance. Stock selection was most accretive across Industrials, Financials and Health Care. At the stock level, the main contributors were Argan Inc, Stifel Financial Corporation and Kawasaki Heavy Industrials, while the main detractors were Universal Health Services, Universal Entertainment Corporation and Mohawk Industries.

Barrow Hanley underperformed the MSCI ACWI (unhedged AUD) in the fourth quarter, with sector selection, stock selection and currency all contributing to underperformance. From a sector perspective, the main detractors were underweight positions in Information Technology, and overweight positions in Materials and Real Estate. Despite the material underweight to Information Technology, the managers stock selection within the sector was positive. Stock selection was more disappointing within Communication Services, Financials and Consumer Discretionary. The main contributors to performance were Carnival Corporation, Entergy Corporation and Sunny Optical Technology, while the main detractors were Kasikornbank Public Co. Ltd, Newmont Corporation and Sanofi.

Cooper Investors underperformed the benchmark in Q4 2024, despite delivering strong performance through December. Sector allocation was positive during the period, while stock selection and currency detracted. Overweight positions in Financials and underweight positions in Energy contributed to performance while an underweight position in Information Technology detracted. The main contributors to

[1] As measured by the MSCI All Country World index in USD terms
[2] As measured by the MSCI All Country World index in USD terms
[3] As measured by the MSCI World Index Value - Net Return index in USD terms
[4] As measured by the MSCI World Index Growth – Net Return index in USD terms
[5] As measured by the MSCI AC World - Consumer Discretionary - Net Return index in USD terms
[6] As measured by the MSCI AC World - Information Technology - Net Return index in USD terms
[7] As measured by the MSCI AC World - Communication Services - Net Return index in USD terms
[8] As measured by the MSCI AC World - Materials - Net Return index in USD terms
[9] As measured by the MSCI AC World - Materials - Net Return index in USD terms
[10] As measured by the MSCI AC World - Health Care - Net Return index in USD terms
[11] As measured by the MSCI AC World / Real Estate -SEC - Net Return index in USD terms
[12] As measured by the MSCI AC World - Utilities - Net Return index in USD terms
[13] As measured by the MSCI Europe - Net Return index in EUR terms
[14] As measured by the FTSE 100 - Net Return index in GBP terms
[15] As measured by the Nikkei 225 Stock Average - Net Return index in JPY terms
[16] As measured by the Nikkei 225 Stock Average - Net Return index in JPY terms
[17] As measured by the Hang Seng Index - Net Return index in HKD terms

performance were Booking Holdings Inc., Visa Inc., and Sony Group, while CDW Corporation, L'Oreal SA and Eurofins Scientific detracted from performance.

Man Numeric underperformed the benchmark in Q4 2024, despite delivering strong performance through December. Stock selection detracted from performance, while sector allocation was additive during the quarter. An overweight position in Information Technology was the main contributor and the sector level, supported by underweight positions in Consumer Staples and Materials. The largest detractor was an overweight position in Health Care. At the stock level, the main contributors to performance were Salesforce, Honeywell International and Alphabet. The main detractors were Applied Materials, Nike and Roche Holdings.

SGA performed in line with the benchmark in Q4 2024. During the quarter, sector allocation contributed to returns, while stock selection detracted. Overweight positions in Information Technology, Financial and Consumer Discretionary contributed to performance, as did underweights in Materials, Consumer Staples and Industrials. Stock selection detracted within Industrials, Health Care and Consumer Staples. At the stock level, the main contributors were Atlassian Corp., Amazon and Visa, while positions in Novo Nordisk, ICON and Alcon all detracted.

OUTLOOK

The most notable news during the quarter was the (re)election of Donald Trump as the next President of the USA. With it came much speculation around what his policies and approach could mean for global growth, inflation, the path of interest rates and subsequently equity markets.

Following the shift we saw across markets in Q3 2024, we were optimistic that a 'regime change' for equity market leadership was only 'moments' away from being realised. Unfortunately, the status quo resumed in Q4 2024, with 'growth' and 'sentiment' factors / styles leading the way over the period. After a short breather, large and mega cap stock outshone their smaller and mid cap names.

A cursory glance across equity markets is unlikely to clearly reveal the dispersion we are seeing across geographies, sectors, styles and segments, however a deeper dive clearly demonstrates 'shifting sands' over rather short horizons. To us, this may be a sign that equity markets lack a clear direction, despite a reasonably robust macroeconomic environment. Following the rally over the last 24 months, valuations are significantly higher than they have been for some time, and as we move through 2025, we expect markets to be laser focused on whether revenue / earnings support current valuations. The first test of this is underway as we prepare this commentary, with earnings season for most US companies taking place through January and February 2025. Given these dynamics, we are focused on the nexus between valuations and revenue/earnings outcomes. As markets extend the 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.

From a cross-asset perspective, we wouldn't be surprised if equity markets started paying greater attention to bond markets and yields, at least in the near term. Through the course of H2 2024 markets priced a significant number of rate cuts through 2024, and 2025. As we suggested last quarter, the number and magnitude of aggregate rate cuts this cutting cycle is likely to be less than initially anticipated for several reasons (macroeconomic environment, fiscal policy expectations, etc.). Initially, markets took a rather nonchalant attitude to the risk around the expected path of interest rates, however we expect that to change as the spread between bond yields and earnings yield on equities widens.

We watch with interest as to how markets evolve and react over the course of 2025. Despite a return to previous programming in Q4 2024, we remain optimistic that 2025 will see a broadening of the equity market rally, supporting exposures which have been unloved for some time and offer attractive relative value. We watch with interest as to how markets evolve and react over the course of 2025. Despite a return to previous programming in Q4 2024, we remain optimistic that 2025 will see a broadening of the equity market rally, supporting exposures which have been unloved for some time and offer attractive relative value.

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