WealthFocus Investment Advantage

WEALTHFOCUS PERPETUAL CONSERVATIVE GROWTH

July 2024

FUND FACTS

Investment objective: Aims to provide moderate growth over the medium term and income through investment in a diversified portfolio with an emphasis on cash and fixed income securities; and outperform a composite benchmark (before fees and taxes) reflecting its allocation to the various asset types over rolling three-year periods.

FUND BENEFITS

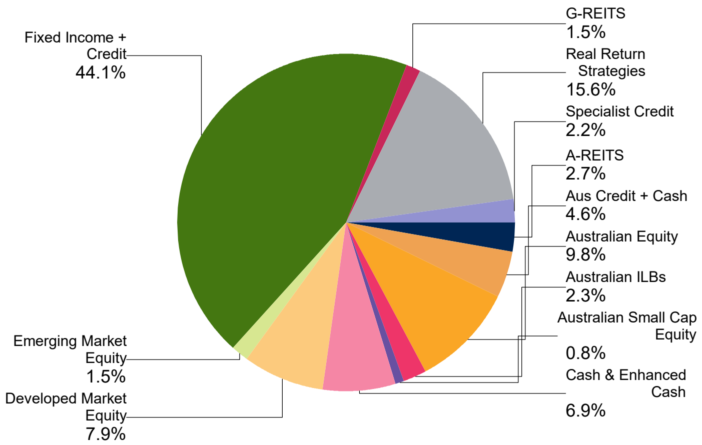
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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 consideredbefore 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: Conservative Growth Index (Internally generated composite)
Inception Date: July 1995
APIR: PER0030AU
Management Fee: 0.90% p.a.
Investment style: Active, fundamental, disciplined, value
Suggested minimum investment period: Three years or longer

PORTFOLIO SECTORS



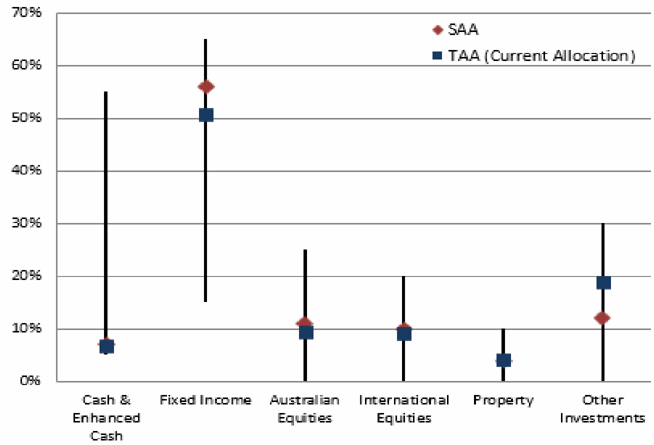
NET PERFORMANCE- periods ending 31 July 2024

	Fund	Benchmark	Excess
1 month	2.2	2.1	0.1
3 months	2.8	3.8	-0.9
FYTD	2.2	2.1	0.1
1 year	6.6	8.3	-1.7
2 year p.a.	4.6	5.7	-1.1
3 year p.a.	2.7	1.7	1.0
5 year p.a.	3.2	2.9	0.3
10 year p.a.	3.6	4.5	-0.9

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

ASSET ALLOCATIONS AND INVESTIBLE RANGES

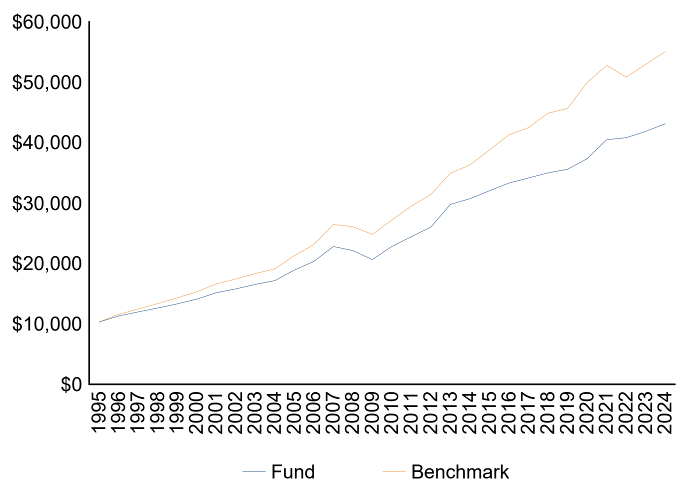
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



STRATEGIC AND TACTICAL ASSET ALLOCATIONS

The Strategic Asset Allocation (SAA) is the neutral allocation acting as an anchor for active positioning, while the Tactical Asset Allocation (TAA) process adjusts the asset allocation according to market opportunities and risks.

GROWTH OF $10,000 SINCE INCEPTION



MARKET COMMENTARY

Financial markets consolidated during July with global equities ending the month higher while bond yields fell. Volatility was elevated reflecting a number of key economic and political developments.

- Developed market equities (+1.3%) rose during July, and there was a notable rotation towards value oriented sectors and securities, and typically defensive markets were well supported.
- Australian equities (+4.0%) recorded its strongest monthly rise this year and led the pace of regional sharemarkets gains as falling bond yields and easing inflation concerns were constructive, with subdued expectations for the upcoming reporting season providing corporates with potentially a low estimate to beat.
- UK stocks (+2.5%) also outperformed, supported by highly attractive valuations and improving economic expectations given a decisive result in the UK election early in the month. Meanwhile, a continued downdraft in headline and core inflation is providing the room for the Bank of England to potentially begin their easing cycle when the policy group meets in early August.
- US equities (+1.2%) performed in line with the broader developed market as tech heavy sectors including information technology consumer discretionary were weighed down by some underperformance by the so called Magnificent Seven, despite some robust earnings results. Small caps also outperformed during the month in response to modest positioning in this area of the market.
- European equities closed lower (-0.3%) as economic data disappointed and several ECB speakers expressed uncertainty about the number of rate cuts which had been factored into market prices for 2024.
- Japan equities (-1.2%) underperformed in response to a strengthening Yen after the Bank of Japan raised official interest rates for only the second time in 17 years. The hike was expected but guidance explicitly signalled further tightening would occur if economic and inflation developments are consistent with the July outlook.
- Emerging market equities (0.7%) rose but trailed the performance of developed markets, as waning economic prospects in China (-1.3%) weighed on sentiment.
- Domestic bond yields fell in most maturities in most markets as falling core inflation trends, improved the prospect that central banks can begin their respective easing cycles. 10-year Australian yields declined -19bps whereas 10-year US yields fell -32bps.

US markets balanced a slowing economic growth outlook with increased expectations of near term central bank easing. Markets reacted well to softer than expected CPI early in July which strengthened expectations that the Fed would commence rate cutting soon. This was supported by continued softening growth data, culminating in a well below expectation employment print in the first few days of August. By month end, (and further solidified after the non-farm payrolls miss) markets had priced in a first Fed rate cut in September with expectations for almost four cuts brought forward into 2024.

The domestic economy remains a key battleground for the 2024 presidential election which saw a seismic shift during July as President Biden withdrew from the race, endorsing Vice President Harris whose strong early polling suggests the contest might be closer than had previously been assumed. The result of the election will be a crucial issue for markets given how reliant US economic growth has been on elevated fiscal expenditure in the years following the COVID-19 pandemic, with the FY24 fiscal deficit likely to be -6.5% of GDP which is highly expansionary and aligned with levels seen during previous economic downturns.

Meanwhile, European growth was steady at +0.3% in the June quarter of 2024 despite Germany posting a marginal contraction. The ECB held rates in place during July with Governor Lagarde stating that the decision on a further cut in September was data dependent. Leading activity indicators including the flash composite European PMI declined to stall speed in July, signalling that the economic recovery is lacking propulsion.

Elsewhere, the UK economy continued to strengthen from a low base, with the S&P UK Manufacturing PMI rising to a two year high of 52.1, which combined with the services gauge (52.5) suggests the UK economy should continue to expand in H2'23.

It remains hard to see a significant global growth acceleration this year, as the fiscal impulse is negative, restrictive monetary policy remains a headwind, credit growth is anaemic and employment growth is slowing. While trend growth is supportive for equities, a soft-landing with numerous rate cuts in both 2024 and 25 have already been priced into market expectations which increases the vulnerability to downside surprises from earnings, geopolitical shocks and any re-pricing in global fixed interest markets of central bank expectation.

Stock selection alpha among global equities was the most significant contributor to relative return during the month as value markets, sectors and stocks outperformed their growth peers. The Fund is close to benchmark weight across Australian and global equities. All equity exposures retain their long-standing quality and value bias which we expect to outperform the broad index given their more conservative valuation and higher earnings resilience.

The Fund remains marginally underweight fixed income. During the month, the Fund's exposure to Australian 10-year yields benefitted as bonds rallied.

The Fund's defensive posture is bolstered by its elevated exposure to cash. The Fund maintains a significant foreign exchange exposure, diversified across a number of developed and emerging market currencies. The sharp rise in central bank overnight rates since March 2022 has increased the yield on cash-type investments and their remains significant optionality in holding cash.

The Fund maintains its position in the Diversified Real Return Fund which continues to deliver low volatility absolute returns while retaining a relatively low correlation to equity markets.

OUTLOOK

Slowing US growth, the uncertain path of inflation and central bank policy alongside high starting valuations provide a challenging environment for markets to negotiate. Equity market performance has been very strong thus far in 2024 with elevated valuations underpinned by expectations of a soft landing for the global economy and supportive central bank action on policy rates. With so much good news already priced in, we maintain caution and our equity exposure remain primarily in high quality markets which have more attractive valuations and where earnings growth expectations have the potential to rise once the economy finds a stronger base.

MORE INFORMATION
Adviser Services 1800 062 725
Investor Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au