

# WEALTHFOCUS PERPETUAL GLOBAL ALLOCATION ALPHA

March 2025

## FUND FACTS

**Investment objective:** Aims to provide long-term capital growth and outperform the MSCI World ex Australia Net Total Return Index (AUD) with lower risk (before fees and taxes) over rolling three-year periods.

## FUND BENEFITS

Provides investors with long-term growth opportunities across global equities. The fund is run by high quality investment 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:** MSCI World Ex Australia Net Total Return Index (AUD) - since 1st October 2022

**Inception Date:** November 2008

**Size of Portfolio:** \$18.51 million as at 31 Dec 2024

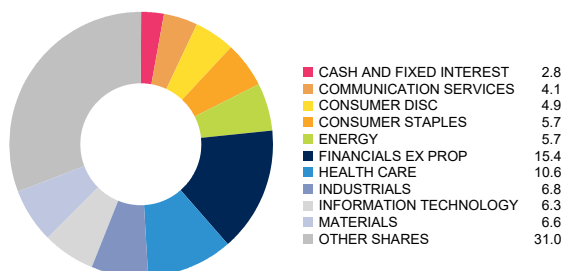
**APIR:** PER0496AU

**Management Fee:** 0.80%\*

**Investment style:** Active, fundamental, disciplined, value

**Suggested minimum investment period:** Five years or longer

## PORTFOLIO SECTORS



## TOP 10 STOCK HOLDINGS

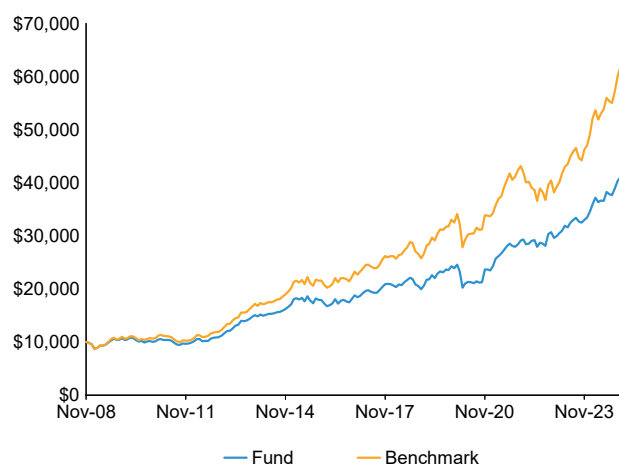
	% of Portfolio
Sanofi	1.3%
Merck & Co., Inc.	1.1%
Bank of Nova Scotia	0.9%
Exxon Mobil Corporation	0.8%
Microsoft Corporation	0.7%
AbbVie, Inc.	0.7%
National Grid PLC	0.7%
Verizon Communications Inc.	0.7%
AT&T Inc	0.7%
Elevance Health, Inc.	0.7%

## PERFORMANCE- periods ending 31 March 2025

	Fund	Historical <sup>1</sup> Performance	Benchmark	Excess
1 month	-1.93	-	-4.67	+2.74
3 months	1.50	-	-2.41	+3.91
1 year	11.83	-	12.25	-0.42
2 year p.a.	16.02	-	20.20	-4.18
3 year p.a.	-	13.44	14.43	-0.98
4 year p.a.	-	12.81	13.88	-1.07
5 year p.a.	-	15.52	16.69	-1.17
7 year p.a.	-	10.77	12.94	-2.17
10 year p.a.	-	8.60	10.84	-2.23

<sup>1</sup>Effective 1 October 2022 the Fund Investment strategy has changed; including the investment objective, investment approach and benchmark of the Fund. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

## GROWTH OF \$10,000 SINCE INCEPTION



## MARKET COMMENTARY

Looking back, the first quarter of 2025 was the third worst start to the year for the S&P 500 since the Global Financial Crisis 15 years ago. What began optimistically ended with uncertainty—as market euphoria over deregulation and lower taxes promised by the incoming Trump administration was swiftly swept aside by widespread concerns over austerity, inflation, and tariffs. For the broad U.S. market, this marked a sharp reversal for the Magnificent 7, which dragged down the S&P 500 index given the high concentration in those names and leading to a new nickname entering investors' lexicon, the "Lag 7". The first quarter saw six consecutive weekly declines for the group of seven while six out of the seven underperformed the broader S&P 500 in the quarter. Given the magnitude of the runup leading to stretched valuations coming into this year, this unwind could still be in its early days. The resulting benefits to broader stocks and their far more reasonable valuations is an important reminder of the benefits of diversification and active management, as 62% of the S&P 500 stocks posted better returns than the index. While recent announcements in April have diverted investors' attention, the other material performance shift occurred in Europe, which outperformed the United States by more than 1000 basis points (bps) as measured by MSCI Europe's 10.6% return relative to the S&P 500's -4.3% return.

## PORTFOLIO COMMENTARY

Defence holdings Rheinmetall AG and BAE Systems plc outperformed very strongly in the first quarter as expectations for growth in European defence spending continue to go higher. President Trump and his new administration continue to exert more pressure than expected on Europe to spend more on its own defence. The discussion is moving from getting European NATO spending to 2% of GDP to at least 3% with Trump talking about a need for 5%. Following the CDU win in the German elections, the Bundestag also approved an exemption for defence spending from the debt break. That paves the way for sustainably higher spending as Germany rebuilds its defence capabilities.

Newmont Corporation positively contributed to relative performance during the quarter due to several key factors. The company reported better-than-expected Q4 earnings, driven by a significant increase in gold production and prices, which led to a surge in its stock price. Gold prices began the quarter at \$2,639 per ounce and ended at \$3,157 per ounce, reflecting a strong market environment. Additionally, Newmont completed the sale of several operations, generating \$1.7 billion in after-tax cash proceeds, as part of its strategic portfolio optimisation as the company continues to execute on its plan to fund buybacks and reduce debt levels through the sale of higher cost mines. The stock trades at a below market multiple of 13.7x forward earnings with a dividend yield of 2.1% as Newmont remains one of the lowest cost producers in the market.

Microchip Technology Incorporated detracted from relative performance during the quarter due to elevated inventory throughout the channel and underutilization charges weighing on orders and gross margins. The company, which designs and manufactures microcontrollers and analog semiconductors, reported a 42% yearover-year and 12% quarter-over-quarter decline in revenue. The gross margin was 55.4%, while the operating margin stood at 20.5%. Earnings per share came in at \$0.20, missing the consensus estimate of \$0.29. Inventory levels at customers, channel partners, and downstream partners have not yet bottomed out, contributing to the company's challenges. Despite proactive measures to manage fixed costs and inventory, the March quarter outlook missed expectations. As the semiconductor cycle turns, Microchip is well positioned to participate in the rebound and the stock has a dividend yield of 3.8%.

Avantor, Inc. detracted from relative performance during the quarter as excitement around a bioprocessing recovery was met with cautious guidance by the company and peers. In addition, concerns around NIH funding cuts weighed on Avantor despite <5% exposure to the U.S. academic market. Avantor is a vertically integrated supplier to the global life sciences and applied materials industries. While there remains skepticism around the cadence of a short-term recovery in industry volumes, the worst of de-stocking is likely behind us. Sales and earnings are poised to re-accelerate, and the company is well positioned to benefit from longer term secular growth in bioprocessing volumes. The company has several idiosyncratic drivers including a \$300M cost-cutting plan that should lead to material earnings growth and margin expansion in the years to come. In addition, after a recent divestiture, we expect that Avantor will bring down net leverage <3x in the coming quarters. Looking forward, Avantor remains attractive trading at less than 13x normalized earnings against low expectations, despite its superior earnings growth profile.

## OUTLOOK

Looking ahead, markets are grappling with an unusually high degree of uncertainty. If the past five years have taught investors anything, it's how to navigate through volatility and rapid change. Lessons from the COVID-19 era are once again relevant, as managers contend with daily swings and shifting sentiment. The much-anticipated "Liberation Day" has brought more questions than answers, with a 90-day pause across most countries reflecting hesitation rather than clarity. Tariffs targeting major U.S. trading partners appear more severe than expected, reinforcing a reset at lower baselines. Rising tensions between the U.S. and China have stirred fears of a broader trade war, shaking investor confidence and increasing the risk of a global recession. Growth forecasts in the U.S. have softened, and inflation remains uncertain—caught between elevated input costs and declining consumer and corporate demand. Markets hoping for a swift Fed response may need to be patient. Chairman Powell's call for restraint as developments unfold has done little to ease nerves. Meanwhile, the unwind of the long-standing momentum trade is beginning. Indices like the S&P 500 remain concentrated in growth stocks and the "Mag 7," a dynamic that will take time to normalize. As this shift plays out, value-oriented areas—especially cyclical names—look increasingly well-positioned for the road ahead.

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Cash levels have not been calculated on a look-through basis. The underlying investments of the fund will also have a proportion of their assets invested in liquid assets. The publication has been prepared and issued by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL No 234426, as promoter for the Perpetual WealthFocus Superannuation Fund. The information contained in this document is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information contained in this document is in addition to and does not form part of the product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund. The PDS for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by Equity Trustees Superannuation Limited (ETSL) ABN 50 055 641 757, AFSL 229757, RSE L0001458, should be considered before deciding whether to acquire or hold units. The PDS and Target Market Determination can be obtained by calling 1800 011 022 or visiting [www.perpetual.com.au](http://www.perpetual.com.au). Neither PIML, ETSL nor any of their related parties guarantee 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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