WealthFocus Investment Advantage

PERPETUAL INDUSTRIAL SHARE

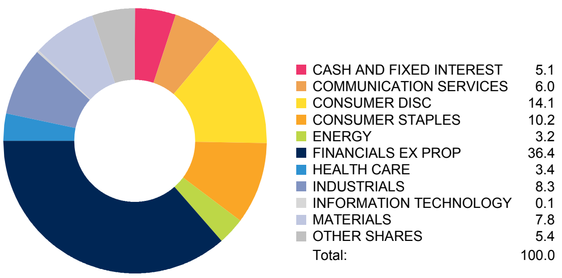
April 2019

FUND FACTS

Investment objective: Aims to provide long-term capital growth and regular income through investment in quality industrial shares. The fund aims to outperform the S&P/ASX 300 Industrials Accumulation Index (before fees and taxes) over rolling three-year periods.

Benchmark:	S&P/ASX 300 Industrial Accum. Index
Inception Date:	May 1995
Size of Portfolio:	$553.77 million as at 31 Mar 2019
APIR:	PER0028AU
Management Fee:	1.98%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Commonwealth Bank of Australia	10.1%
Woolworths Group Ltd	8.4%
Westpac Banking Corporation	6.5%
Suncorp Group Limited	5.7%
ANZ Banking Group Ltd.	4.7%
Tabcorp Holdings Limited	4.6%
Star Entertainment Group Limited	4.0%
Medibank Private Ltd.	3.9%
Unibail-Rodamco-Westfield	3.4%
National Australia Bank Limited	3.3%

NET PERFORMANCE - periods ending 30 April 2019

	Fund	Benchmark #	Excess
1 month	3.29	3.78	-0.49
3 months	7.41	10.23	-2.82
FYTD	0.73	5.39	-4.66
1 year	2.94	9.67	-6.73
2 year p.a.	1.22	5.21	-3.99
3 year p.a.	5.29	9.06	-3.77
4 year p.a.	2.24	6.06	-3.82
5 year p.a.	4.17	7.92	-3.76
7 year p.a.	8.97	12.10	-3.12
10 year p.a.	9.48	11.99	-2.50

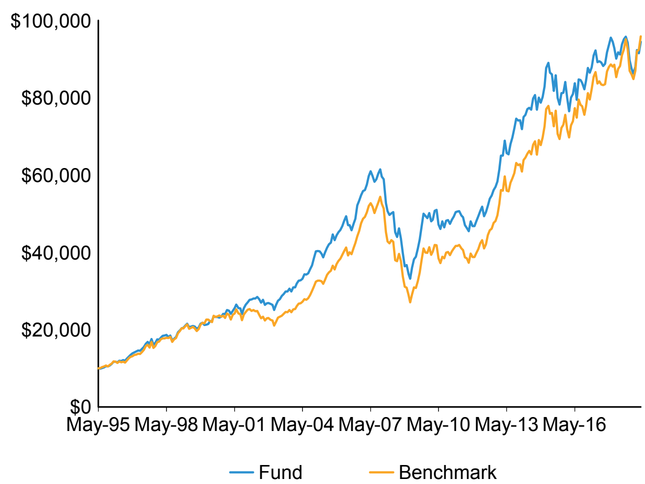
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	14.5	16.9
Dividend Yield	5.7%	4.5%
Price / Book	1.1	2.0
Debt / Equity	47.3%	56.2%
Interest cover	6.5	8.1
Return on Equity	10.4%	12.3%

* source Factset

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 S&P/ASX 300 Industrials Accumulation Index ended 3.8% higher over the month of April. The market finished stronger despite softer-than-expected economic data releases. Headline inflation was flat over the March quarter, while the annual inflation rate dropped from 1.8% in the December quarter to 1.3%, leading to heightened speculation of an interest rate cut by the Reserve Bank as soon as May. The equity market reacted positively to the speculation, while short-term Australian government bonds saw a sharp rise as yields fell by ~19-20 basis points. The jobs market added 25.7k positions in March, exceeding an expected 15k increase, however, the unemployment rated nudged slightly higher to an expected 5.0% from 4.9% in February. The Reserve Bank was cautious over the growth outlook, noting that downside risks to the global economy had increased. Market data also indicated a continuation of a housing market slowdown, while business conditions reached a multi-year low.

The Federal Budget released by the Morrison government unveiled a $302b package of tax cuts to be rolled out over the next decade, with an expectation of achieving a budget surplus for the first time in 12 years. The Australian dollar finished flat on trade-weighted terms over the month, however, lost 0.7% against both the USD and British pound.

The best performing sectors for the month, as measured from the S&P/ASX 300 Industrials Accumulation Index, were Information Technology (+7.4%), Consumer Staples (+7.3%) and Materials (+6.3%). The worst performers were Real Estate (-1.7%), Utilities (-0.5%) and Energy (+1.5%). As a whole, large cap industrial stocks (+3.5%) underperformed small cap industrial stocks (+6.3%) and value stocks (+1.8%) underperformed growth stocks (+2.5%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include diversified retailer Woolworths, wagering and gaming company Tabcorp Holding, and banking, insurance and superannuation provider Suncorp Group. The Fund's largest underweight positions include CSL, Wesfarmers (not held), and Macquarie Group (not held).

The overweight position in vehicle dealership and logistics company Automotive Holdings Group (+37.1%) contributed to relative performance. The stock rallied following a $1.8b all-share takeover offer for the company by rival AP Eagers, who owns an existing 28.8% stake in the company. AP Eagers intends to offer one share for every 3.8 AHG shares, noting that the combined group will have enhanced brand portfolio diversification. The AGH board stated that the offer was "highly conditional" and advised its shareholders to take no action.

The overweight position in casino operator Crown Resorts (+15.5%) contributed to relative performance. The stock rallied following the announcement of a US$7.1b non-binding preliminary takeover offer from Wynn Resorts for an implied value of $14.75 per share in cash and shares. Despite Wynn later in the month terminating discussions concerning all transaction with Crown, the stock maintained a significant portion of its initial rally triggered by the deal.

The overweight position in banking, insurance, and superannuation provider Suncorp Group (-3.1%) detracted from relative performance. Suncorp reduced their fixed-rate mortgages by 45 basis points to 3.49% in a move to compete with Commonwealth Bank and Westpac who recently cut fixed-term rates amidst a cooling housing market and an increasingly competitive landscape. The fund maintains its position in the stock as Suncorp continues to trade at an attractive valuation in comparison to its competitors.

The overweight position in petroleum producer Viva Energy Group (-9.8%) detracted from relative performance. The stock fell abruptly following a $35m downgrade to the company's earnings on the back of the recent rise in global oil prices, which is likely to adversely impact retail fuel margins. Management stated that despite the current challenging trading environment, the company remains focussed on implementing strategies to improve retail price competitiveness and boosting sales volumes.

OUTLOOK

Market sentiment has moved from "synchronised global growth" to one of caution focused on the macroeconomic headwinds facing both the global and domestic economy. Globally, investors are concerned amongst other things by the slowing growth rates in China, geopolitical risks including the impact of trade wars and tightening central bank liquidity. Domestically, the economy and consumer are facing additional headwinds from falling property prices, a significant East Coast drought and ongoing elevated utility costs. These headwinds and potential risks have been very well telegraphed by the investment community and Australian media. The timing and severity of any potential downturn in the economy, if there is in fact one, is difficult to predict. Given that we are looking a little longer term than the next results we try to look through cycles when making investment decisions. What is important though is investing in companies with a robust balance sheet, strong market position and a dynamic management team with proper incentives which will put us in good stead.

Benchmark prior to 1/4/2000 was the ASX All Industrials Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX 300 Industrials Accumulation Index.

MORE INFORMATION

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

Perpetual