WealthFocus Investment Advantage

PERPETUAL GLOBAL SHARE

December 2018

FUND FACTS

Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares

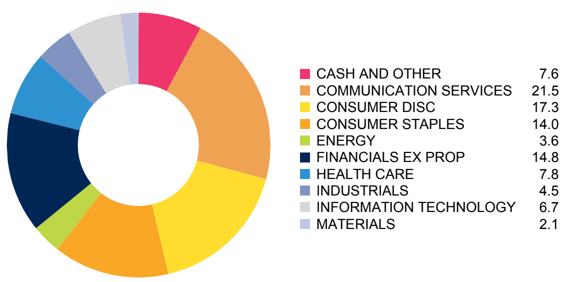
FUND BENEFITS

Provides investors with the potential for capital growth through a portfolio of global companies using Perpetual's unique investment process which has been tried and proven over the best part of 50 years.

We use a bottom-up stock selection approach to investing, where the decision to buy or sell is based on fundamental quality and valuation.

Benchmark: MSCI World Net Total Return ($A)
Inception Date: May 1995
Size of Portfolio: $49.94 million as at 31 Dec 2018
APIR: PER0038AU
Management Fee: 2.05%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

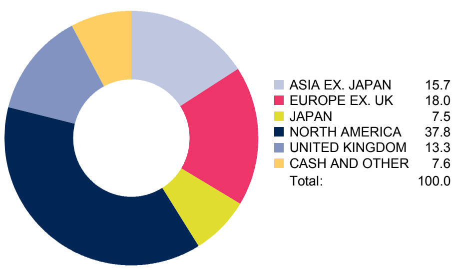
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Nomad Foods Ltd.	6.1%
Nintendo Co., Ltd.	4.4%
Nasdaq, Inc.	3.7%
Mondelez International, Inc. Class A	3.7%
Bayer AG	3.4%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 December 2018

	Fund	Benchmark #	Excess
1 month	-3.90	-4.16	+0.26
3 months	-9.65	-11.01	+1.36
FYTD	-7.79	-4.60	-3.19
1 year	-3.83	1.42	-5.25
2 year p.a.	6.55	7.20	-0.65
3 year p.a.	5.73	7.48	-1.75
4 year p.a.	7.12	8.47	-1.35
5 year p.a.	8.08	9.75	-1.67
7 year p.a.	12.24	15.18	-2.94
10 year p.a.	6.34	9.54	-3.20

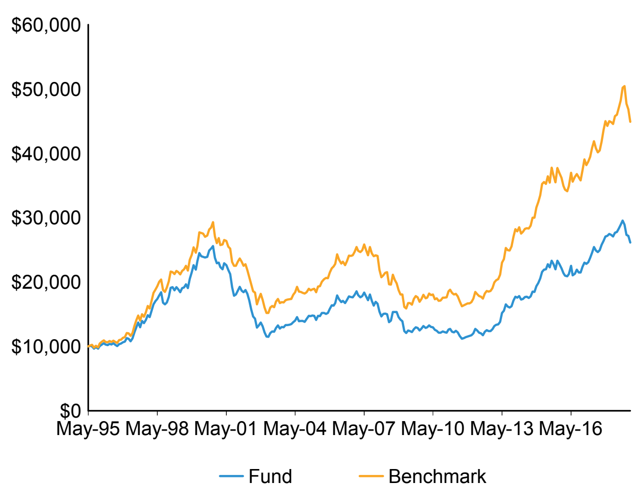
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	11.6	13.5
Dividend Yield	3.3%	3.4%
Price / Book	1.6	2.0
Debt / Equity	59.1%	56.4%
Interest cover	9.3	12.9
Return on Equity	14.0%	15.1%

* source Factset

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

MARKET COMMENTARY

The MSCI World Accumulation index fell 11.0% in Australian dollar terms over the December quarter as equity markets stumbled on concerns of a slowdown in economic growth, ongoing trade tensions, and Brexit uncertainty. The sell-off was cushioned by a weakening Australian dollar which reached a two-year low during the quarter, losing 2.4% against the USD, 1.2% against the Euro, and 2.5% against the Chinese RMB. Negotiations with the US to postpone plans of imposing more tariffs on Beijing initially assisted in regaining investor confidence, however scepticisms of the agreement towards the end of the quarter led to a further decline in sentiment and contributed to a 13.5% fall in the US S&P500 index. The lack of support surrounding of Theresa May's proposed Brexit deal led to a postponed parliamentary vote, inciting further volatility across European markets which saw the UK FTSE100 and EURO Stoxx 50 indices decline 9.6% and 11.7%, respectively. Weaker economic activity and a decline in corporate earnings from Chinese industrial companies led to the MSCI China index closing 10.7% lower.

Technology stocks were battered on signs of a slowdown in revenue growth while the US Federal Reserve's latest guidance on interest rates also adversely impacted growth stocks. Resource stocks were mixed over the quarter with energy stocks losing ground as oil prices slumped on concerns of reduced demand from a slowdown in global economic growth and from increased OPEC supply. This saw crude oil fall 40.6% from its peak reached in October. Base metals weakened as the London Metals Exchange index fell 6.5%, however, iron ore gained 5.1% on rising Chinese steel prices. The gold miners witnessed a strong quarter as gold rallied 7.5% on the back of risk-off selling across equity markets.

The best performing sectors for the quarter, as measured by the MSCI World Accumulation Index, were Utilities (+3.2%), Real Estate (-2.0%) and Communication Services (-4.2%). The worst performers were Energy (-19.3%), Information Technology (-15.4%) and Industrials (-13.9%). As a whole, value stocks (-11.5%) outperformed growth stocks (-15.4%) as measured by the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include frozen foods producer Nomad Foods Ltd., video game and console developer Nintendo, and US exchange operator Nasdaq Inc. The Fund's largest underweight positions include Microsoft, Amazon and Apple, all of which are not held in the fund.

The overweight position in fast food chain operator Telepizza Group SA (+47.1%) contributed to relative performance. The stock spiked upon announcement that U.S. private equity giant Kohlberg Kravis Roberts & Co LP, who owns 26.3% of Telepizza, has initiated a €431.7m tender offer to acquire the remaining majority interest in the company at a price of €6.0 per share, and subsequently delist the company. The deal remains subject to closing conditions and regulatory approval.

Not holding tech giant Apple (-28.0%) contributed to relative performance. Despite reporting a solid quarterly financial result, Apple's forward earnings projections significantly disappointed investor expectations. March-quarter revenue for 2019 was guided as ranging between US$89b to US$93b, representing a significant year-on-year decline in growth of between ~1% to 5%. Management also announced that the company will no longer provide unit-sales data for its iPhone, iPad, and Mac segments, which was interpreted by the market as hiding unfavourable sales trends.

The overweight position in IT and telecommunications holding company SoftBank Group Corp. (-32.2%) detracted from relative performance. A disappointing IPO price for SoftBank's mobile business spinoff led to a sell-off in the stock during the quarter. The US$23.5b IPO, which represented Japan's largest-ever IPO, fell 14.53% during its first day of trading as investors were apprehensive following SoftBank's recent major mobile network service outage, and concerns from their exposure to Chinese hardware producer Huawei following Chinese spying allegations. The Fund continues to hold SoftBank as the stock continues to trade at a significant discount to its sum-of-the-parts valuation.

The overweight position in home entertainment developer Nintendo (-24.7%) detracted from relative performance. The stock finished lower following weaker-than-expected sales from Nintendo's newly released Switch console. Reports suggest that sales are likely to miss Nintendo's 38-million-unit sales target for the period ending March 2019 by almost 3million units. The stock further sold-off on the back of a sales-guidance downgrade by Nvidia, the company which supplies microchips for the Switch. The Fund continues to hold the stock as we expect there to be good news flow from new game releases over the next few months.

OUTLOOK

A period of historically low interest rates across the globe has led to a repricing of risk and a subsequent inflation of asset values across many markets. With trillions of dollars of bonds now trading at low yields, future shifts in official interest rates have the potential to heavily impact asset valuations, leading market participants to remain focused on central bank policy. In addition, ongoing shifts in the global political landscape continue to nourish uncertainty across markets and deliver periods of heightened volatility. The portfolio remains invested in quality businesses with strong balance sheets trading at reasonable valuations and retain a cash buffer to deploy into opportunities as they arise.

Management of this Fund: 31/01/2015 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.
The benchmark for the Fund prior to 31/1/2015 was the MSCI World ex Australia Accumulation Index. Returns shown reflect the Fund's benchmark during the period

MORE INFORMATION

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

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