

Wholesale Funds

PERPETUAL WHOLESAL AUSTRALIAN SHARE FUND

November 2018

FUND FACTS

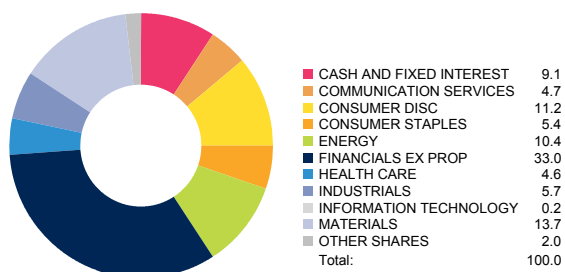
Investment objective: Aims to provide long-term capital growth and income through investment in quality shares.

FUND BENEFITS

Provides investors with the potential for maximising capital growth and income, with broad market exposure, through active management by one of Australia's most experienced investment management teams.

Benchmark: S&P/ASX 300 Accum. Index
Inception Date: February 1997
Size of Portfolio: \$1,152.73 million as at 30 Sep 2018
APIR: PER0049AU
Management Fee: 0.99%*
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	9.7%
Westpac Banking Corporation	6.3%
Suncorp Group Limited	5.8%
Woolworths Group Ltd	4.6%
Tabcorp Holdings Limited	4.2%
Medibank Private Ltd.	4.0%
BHP Group Limited	3.8%
Telstra Corporation Limited	3.8%
Star Entertainment Group Limited	3.7%
Viva Energy Group Ltd.	3.7%

NET PERFORMANCE - periods ending 30 November 2018

	Fund	Benchmark #	Excess
1 month	-3.64	-2.18	-1.47
3 months	-9.30	-9.29	-0.01
FYTD	-6.16	-6.82	+0.66
1 year	-3.76	-1.03	-2.73
2 year p.a.	3.32	6.53	-3.20
3 year p.a.	4.30	7.69	-3.39
4 year p.a.	3.73	6.27	-2.54
5 year p.a.	3.47	5.82	-2.35
7 year p.a.	8.61	9.26	-0.65
10 year p.a.	9.58	8.92	+0.65
Since incep.	9.92	8.25	+1.67

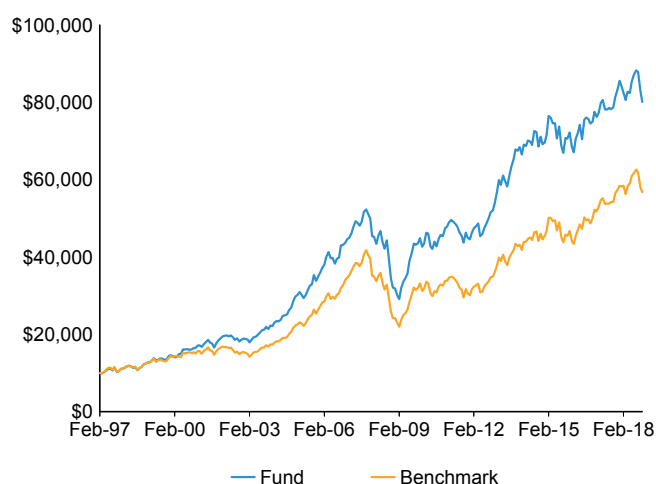
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	13.2	14.4
Dividend Yield	5.6%	5.1%
Price / Book	1.3	1.8
Debt / Equity	36.4%	35.8%
Interest cover	9.0	11.3
Return on Equity	11.6%	12.9%

* 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 Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, continued its decline over November, ending 2.2% lower. The sell-off was driven largely by a decline in resource stocks, which struggled on the back of a slump in commodity prices. Both Brent and WTI crude declined over 20% due to a loosening of US sanctions on Iran, and increased production from OPEC and Russia, which saw an increase in global oil supplies. Coal prices also suffered, falling 3.3%, while iron ore dropped 13.4% on reduced demand from Chinese steelmakers. Base metals, however, ended higher with the London Metals Exchange Index gaining 1.9%.

In economic news, employment figures reported a 32,800 gain in positions over October while the participation rate also rose conservatively to maintain the unemployment rate at its six-year low of 5.0%. Consumer confidence rose, however business confidence fell slightly. The Reserve Bank of Australia kept the official interest rate on hold at 1.5% yet signalled that employment and inflation targets may be reached sooner than expected. Retail sales figures were stagnant, with clothing and footwear being the greatest drag, falling 1.2%. The Australian dollar rallied against most of its major trading partners, gaining 3.3% against both the US dollar and the Euro and by 2.3% in trade-weighted terms.

The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Financials (+1.4%), Information Technology (+1.0%) and Industrials (-0.6%). The worst performers were Energy (-10.7%), Materials (-4.7%) and Health Care (-4.0%). As a whole, industrial stocks (-1.1%) outperformed resource stocks (-6.6%) and large cap stocks (-2.0%) underperformed small cap stocks (-0.4%). Value stocks (+0.3%) outperformed growth stocks (-4.8%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include health insurer Medibank Private, banking, insurance and superannuation provider Suncorp Group, and wagering and gaming company Tabcorp Holdings. The Fund's largest underweight positions include CSL, BHP Billiton and ANZ bank.

Not holding property and infrastructure developer Lendlease Group (-28.1%) contributed to relative performance. The stock fell after the company announced that it is likely to report a \$350 after-tax write-down for the first-half of FY2019 resulting from financial underperformance across their Australian Engineering and Services Business. The underperformance was attributed to a decline in productivity for a small number of their projects, wet weather, access issues and from an increase in remedial work.

The underweight position in biopharmaceutical company CSL (-5.6%) contributed to relative performance. The stock underperformed the benchmark on the back of a \$250m block sale trade, despite the absence of any trading updates by the company. Market apprehensions surrounding growth stocks and bearishness sentiment over the outlook of the stock further attributed to the sell-off over the month, despite the company recently reaffirmed guidance for FY2019 profit growth of between 10-14%.

The overweight position in building materials manufacturer Fletcher Building (-19.7%) detracted from relative performance. The stock fell upon an earnings update at the company's AGM, downgrading first-half earnings due to emerging challenges in the Australian property market. FY19 Guidance was reported at NZ\$630-680m (missing consensus of NZ\$693.7m), attributed to an outage at their Golden Bay Cement plant, the slowdown in the residential housing market and from a reduction in land development earnings.

The overweight position in health insurer Medibank Private (-13.3%) detracted from relative performance. The stock sold off after the company advised that their tender for renewal of their Australian Defence Force (Garrison Health Services) contract was unsuccessful. The operating profit from the contract in FY18 was reported at approximately \$30m, and exit costs are expected to be in the order of \$5m over the second half of FY2019. We continue to hold Medibank based on its attractive balance sheet, defensive revenue stream and high barriers to entry.

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 which has left 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 Australian share market remains challenging for investors; with only modest revenue growth forecasts and cost-out opportunities becoming exhausted. We remain cautious – particularly given where valuations are currently at, relative to history. However, there are always opportunities to own high-quality companies trading below fair value; we continue to actively and prudently seek these out.

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

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries).

No company in the Perpetual Group guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) 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 contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

MORE INFORMATION

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