Wholesale Funds

PERPETUAL WHOLESALE ETHICAL SRI FUND

November 2018

FUND FACTS

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

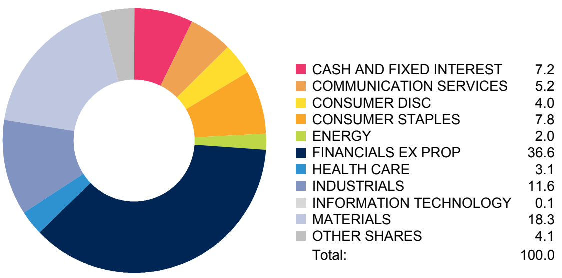
FUND BENEFITS

We seek to invest in quality companies that have satisfied our range of ethical and socially responsible investment criteria.

Perpetual is also a signatory to the United Nations-supported Principles for Responsible Investing (PRI), and in relation to this fund, use research from external specialists to analyse socially responsible practices of companies listed on the Australian and overseas exchanges.

Benchmark:	S&P/ASX 300 Accum. Index
Inception Date:	April 2002
Size of Portfolio:	$1,289.85 million as at 30 Sep 2018
APIR:	PER0116AU
Management Fee:	1.18%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Westpac Banking Corporation	8.3%
ANZ Banking Group Ltd.	7.7%
Qube Holdings Ltd.	5.5%
Bega Cheese Limited	5.4%
National Australia Bank Limited	4.5%
Incitec Pivot Limited	3.7%
Medibank Private Ltd.	3.4%
Reece Limited	3.3%
Bluescope Steel Limited	3.2%
Suncorp Group Limited	3.0%

NET PERFORMANCE - periods ending 30 November 2018

	Fund	Benchmark #	Excess
1 month	-3.98	-2.18	-1.80
3 months	-12.06	-9.29	-2.76
FYTD	-10.06	-6.82	-3.24
1 year	-8.42	-1.03	-7.38
2 year p.a.	-0.27	6.53	-6.79
3 year p.a.	2.88	7.69	-4.82
4 year p.a.	5.54	6.27	-0.73
5 year p.a.	5.24	5.82	-0.58
7 year p.a.	12.57	9.26	+3.31
10 year p.a.	14.38	8.92	+5.46
Since incep.	10.73	7.71	+3.02

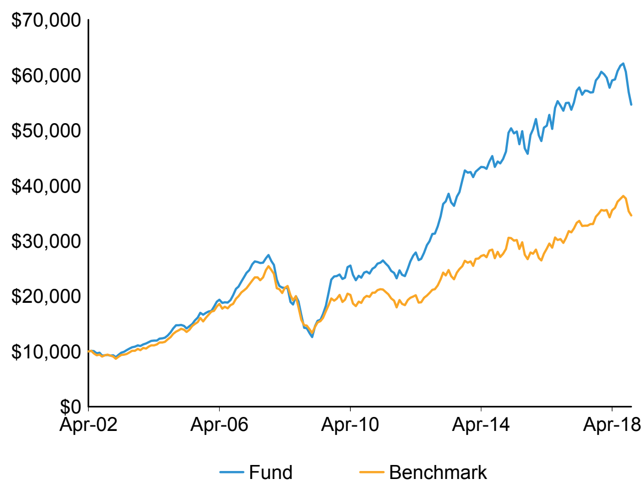
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	13.1	14.4
Dividend Yield	5.3%	5.1%
Price / Book	1.1	1.8
Debt / Equity	27.4%	35.8%
Interest cover	9.1	11.3
Return on Equity	9.9%	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

A feature of this Fund is that it has strict ethical and socially responsible (SRI) criteria and therefore a screened investment universe. The Fund's largest overweight positions include dairy producer Bega Cheese Ltd., logistics company Qube Holdings, and commercial explosives and fertilizer manufacturer Incitec Pivot. The Fund's largest underweight positions include BHP Group (not held), Commonwealth Bank of Australia (not held), and CSL.

The overweight position in transportation and infrastructure company Qube Holdings (+9.0%) contributed to relative performance. The stock finished higher following a positive earnings outlook presented at their AGM as management indicated expectations of a solid increase in NPATA and a return to EPS growth. The stock was further boosted on news that NSW Ports will be investing $120m into expanding their rail infrastructure at Port Botany, allowing for greater connection between Qube's Moorebank terminal and the port docks.

Not holding oil and gas producer Woodside Petroleum (-10.9%) contributed to relative performance. Despite reporting a positive quarterly trading update during October, the stock price tumbled on falling oil prices. Increased global oil supply following a US decision to loosen sanctions on Iran oil imports for several countries, along with OPEC and Russia's decision to boost supply led to a decline in crude oil prices. Both Brent and WTI crude oil lost over 20% during the month.

The overweight position in engineering firm RCR Tomlinson (-100%) detracted from relative performance. The loss in value came as the company unexpectedly went into voluntary administration, as a result of failure to secure additional funding to complete their solar farm projects. This was despite a capital raising completed in August to address cost overruns and to provide additional working capital in excess of anticipated requirements.

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 have 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.

MORE INFORMATION

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