Wholesale Funds

PERPETUAL WHOLESALE SPLIT GROWTH FUND

November 2018

FUND FACTS

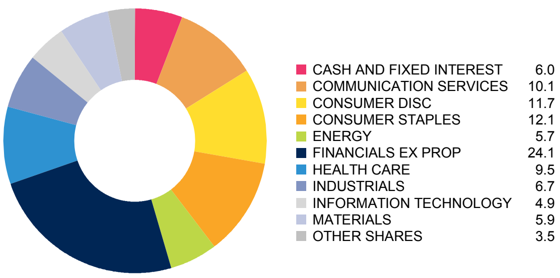
Investment objective: Aims to: provide long term capital growth through investment in a mix of international shares and quality Australian industrial shares and other securities with lower risk than 100% exposure to either asset class; and outperform a composite benchmark (before fees and taxes) comprising the S&P/ASX 300 Industrial Accumulation Index (40%) and the MSCI World ex Australia Accumulation Index (AUD) (60%)

FUND BENEFITS

Provides investors with 100% exposure to long-term growth opportunities across Australian industrial shares and international shares. The fund is run by high quality investment teams.

Benchmark: Split Trust Accum Index 60% MSCI World ex-Aust and 40% Blended Industrials
Inception Date: March 1999
Size of Portfolio: $48.78 million as at 30 Sep 2018
APIR: PER0066AU
Management Fee: 1.16%*
Investment style: Active, fundamental, disciplined, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

	% of Portfolio
Commonwealth Bank of Australia	4.2%
Woolworths Group Ltd	3.1%
Westpac Banking Corporation	2.6%
ANZ Banking Group Ltd.	2.2%
Suncorp Group Limited	2.0%
Tabcorp Holdings Limited	1.6%
National Australia Bank Limited	1.6%
Star Entertainment Group Limited	1.6%
Nasdaq, Inc.	1.5%
Nomad Foods Ltd.	1.5%

NET PERFORMANCE - periods ending 30 November 2018

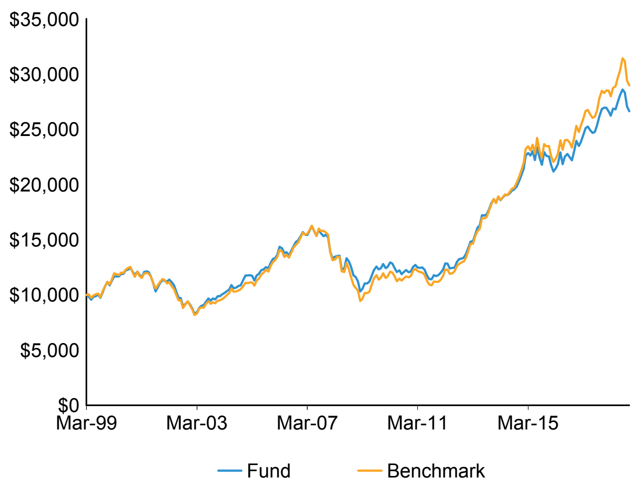
	Fund	Benchmark	Excess
1 month	-1.61	-1.52	-0.08
3 months	-6.91	-7.79	+0.88
FYTD	-3.09	-2.38	-0.71
1 year	-0.76	1.66	-2.42
2 year p.a.	7.60	9.36	-1.76
3 year p.a.	5.63	7.27	-1.64
4 year p.a.	7.05	8.82	-1.77
5 year p.a.	7.83	9.78	-1.96
7 year p.a.	12.47	14.59	-2.12
10 year p.a.	8.51	10.27	-1.75
Since incep.	5.03	5.64	-0.62

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

ASSET ALLOCATION

	Portfolio	Benchmark
Australian Equities	33.6%	40.0%
International Equities	60.4%	60.0%
Cash Equities	6.0%	0.0%
Total	100.0%	100.0%

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

Global markets finished higher over November, however, the MSCI World Accumulation Index recorded a 1.8% decline measured in Australian dollar terms, due to a stronger exchange rate. The dollar rallied against most of its major trading partners, gaining 3.3% against both the US dollar and the Euro, by 2.6% against the Chinese RMB, and by 2.3% in trade-weighted terms. Emerging markets (3.0%) outperformed developed markets (1.2%) for the first time since March. The Australian market was the worst performer of the developed markets, falling by 2.2% on the back of a heavy sell-off across commodities. European markets weakened following resistance in Brexit negotiations and on softer economic data which saw the UK FTSE 100 Index fall 2.1% and the EURO Stoxx 50 Index close 0.8% lower.

The US S&P500 gained 1.8% as mid-term elections saw the Republicans retain the Senate, though lose the House of Representatives to the Democrats, which instilled some confidence back into the market. Cooperative talks between the US and China to postpone plans of imposing more tariffs on Beijing, along with commentary from the Federal Reserve to suspend future interest rate rises, further boosted sentiment while also supporting a 4.2% rise of the MSCI China Price Index.

Global resource stocks struggled due to a difficult month for commodities. 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%. The best performing sectors for the month, as measured from the MSCI World Accumulation Index in Australian dollar terms, were Health Care (+2.3%), Real Estate (+1.5%) and Telecommunication Services (+0.9%). The worst performers were Energy (-6.4%), Information Technology (-4.8%) and Materials (-3.8%). As a whole, value stocks (+1.4%) outperformed growth stocks (+0.6%) as measured from the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The overweight position in diversified retailed Woolworths (+1.7%) contributed to relative performance. The stock climbed upon announcement that Woolworths had entered into a binding agreement to sell its 540 fuel convenience sites to British retail conglomerate EG Group for a $1.72b consideration. Terms of the sale incorporate a 15-year commercial agreement with EG that includes maintaining the existing 4-cents-a-litre fuel discounts, loyalty points scheme and supplying the petrol stations with wholesale food and groceries.

The overweight position in Chinese online retailer Alibaba Group Holding (+9.6%) contributed to relative performance. The stock rallied as the company reported a new single-day sales record during the Chinese 'Singles Day' holiday on November 11. Sales over the 24-hour period were recorded at US$30.7b, amounting to a 27% gain on last year. Talks between Beijing and Washington appeared to ease trade tensions between the two nations which also assisted the stock price over the month.

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.

The overweight position in health care, nutrition and high-tech materials producer Bayer AG (-7.6%) detracted from relative performance. The stock fell upon release of the company's third-quarter earnings results. Despite reporting solid earnings of €1.19 per share, exceeding consensus of €1.03, the outperformance was driven largely by a one-off milestone payment which when adjusted for resulted in underlying earnings across all divisions falling short of market expectations. Previous core earnings guidance was also reconfirmed at €5.70 to €5.90 per share, however this corresponded to a high single-digit percentage decrease on a currency-adjusted basis.

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.

MORE INFORMATION

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

Perpetual