WealthFocus Allocated Pension

PERPETUAL SMALLER COMPANIES

February 2019

FUND FACTS

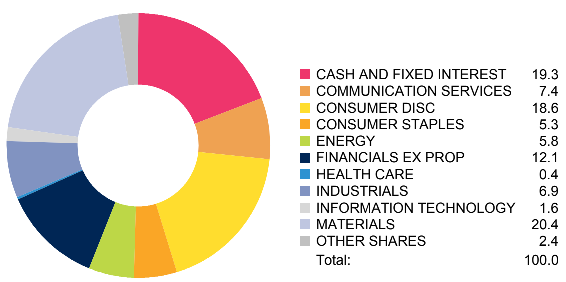
Investment objective: Aims to provide long-term capital growth and income through investment in quality Australian industrial and resource shares which, when first acquired, do not rank in the S&P/ASX 50 Index.

FUND BENEFITS

Provides investors with the potential to benefit from the growth of quality smaller or emerging companies, through active management by one of Australia's most experienced investment management teams.

Benchmark: S&P/ASX Small Ordinaries Accum. Index
Inception Date: August 1995
Size of Portfolio: $26.01 million as at 31 Dec 2018
APIR: PER0008AU
Management Fee: 1.98%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Star Entertainment Group Limited	4.8%
Brickworks Ltd	4.8%
AUB Group Limited	4.1%
NIB Holdings Ltd	3.6%
Ruralco Holdings Limited	3.5%

NET PERFORMANCE - periods ending 28 February 2019

	Fund	Benchmark #	Excess
1 month	6.97	6.78	+0.19
3 months	9.78	8.01	+1.78
FYTD	1.46	-1.65	+3.10
1 year	3.83	3.48	+0.35
2 year p.a.	9.65	11.81	-2.16
3 year p.a.	11.49	13.44	-1.95
4 year p.a.	8.27	8.93	-0.66
5 year p.a.	8.58	7.74	+0.84
7 year p.a.	10.32	4.55	+5.77
10 year p.a.	15.85	9.44	+6.41

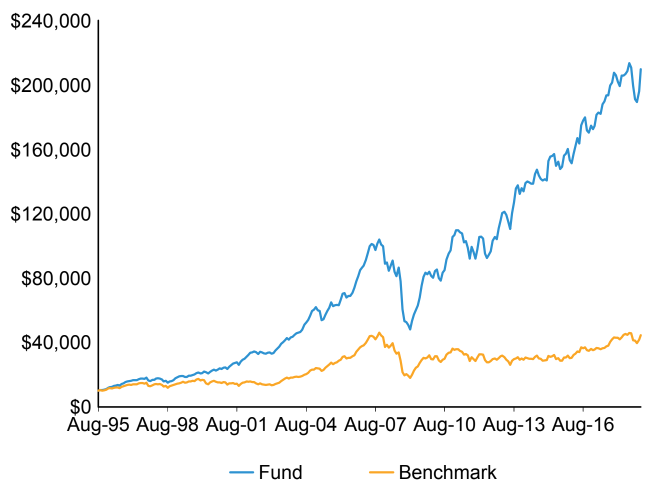
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	14.3	17.4
Dividend Yield	4.4%	3.7%
Price / Book	1.4	1.8
Debt / Equity	22.4%	29.4%
Interest cover	9.8	9.4
Return on Equity	9.4%	11.3%

* 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 Australian equity market, as measured by the S&P/ASX Small Ordinaries Accumulation Index, finished 6.8% higher over the month of February. Despite recent market setbacks, half-year corporate earnings releases surprised investors as a significant portion of Australian firms reported stronger-than-expected results. The Reserve Bank of Australia maintained the official interest rate at 1.5%, however noted an equal likelihood that the next rate move could be a decrease, after downgrading their growth outlook on the economy, citing a US-China trade war and a downturn in the property market pose significant risks to the domestic economy. Unemployment remained at its 7-year low of 5.0%, while reported job figures increased by 39,100 positions. Business conditions and confidence were also reported as nudging higher. Market sentiment was assisted as trade talks between the US and China progressed during the month, with the US allowing more time for negotiations by delaying tariff increases on billions of dollars' worth of Chinese imports.

Resource stocks were assisted as WTI and Brent crude oil gained 5.9% and 9.1% respectively, on supply cuts and inventory drawdowns. The London Metals Exchange Index gained 3.6% led by a 6.4% rally in copper. The Australian dollar fell 2.4% against the US dollar and 2.6% against the Chinese RMB during the month, as the RBA released softer than expected economic data, lowering the forecast for GDP growth. Further downward pressure was placed on the AUD with Chinese customs delaying the processing of Australian coal at five ports.

The best performing sectors for the quarter, as measured by the S&P/ASX Small Ordinaries Accumulation Index, were Energy (+14.1%), Consumer Discretionary (+13.0%) and Utilities (+12.2%). The worst performers were Consumer Staples (-2.8%), Materials (+1.6%) and Real Estate (+2.8%). As a whole, small cap industrial stocks (+7.1%) outperformed small cap resource stocks (+5.8%), and small cap value stocks (+8.0%) outperformed small cap growth stocks (+4.7%) as measured from the MSCI Australia Small Cap Value and MSCI Small Cap Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include casino operator Star Entertainment Group, insurance provider AUB Group, and building products manufacturer Brickworks. The Fund's largest underweight positions include Washington H. Soul Pattinson & Co., Altium, and Beach Energy, all of which are not held in the fund.

The overweight position in diversified agricultural company Ruralco (+47.4%) contributed to relative performance. The stock rallied sharply on the back of a ~A$469m all-cash takeover offer for 100% of the company, made by Canadian crop fertiliser giant Nutrien. Ruralco's Chairperson and Board are reported to be supportive of the $4.40 per share bid which represented a ~44% premium to its share price at the time of the offer. The acquisition is still subject to regulatory approval.

The overweight position in furniture retailer Nick Scali (+20.4%) contributed to relative performance. The stock rallied after reporting a record high half-year profit, with an 8% year-on-year increase in net profit of $25.4m. This was driven by a 10.3% increase in sales revenue to $141.1m and a 0.2% increase in gross margin. The sales growth was cited as being attributed to a successful store rollout strategy with three new stores opening across Queensland and a second store in New Zealand.

Not holding software developer Altium (+32.3%) detracted from relative performance. The company reported a 24% revenue increase to $US78.1m, and a 58% increase in net profit to $US23.4m (exceeding consensus expectations of US$19.6m), led largely by strong sales growth in China.

The overweight position in dairy producer Bega Cheese (-6.1%) detracted from relative performance. A disappointing first-half financial result, along with the announcement of the immediately closure of Bega's cheddar and mozzarella cheese manufacturing facility in Coburg (leading to subsequent redundancies) resulted in a fall in the stock price. Bega reported a 17.4% fall in normalised EBITDA to $57.9m and a 48.3% decline in normalised half-year profit to $18.9m, despite revenue increasing 6% to $649.2m. The fund continues to hold the stock as we believe it is well placed to deliver ongoing earnings growth as Bega integrates its recently acquired Koroit processing facility.

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 Small Ordinaries Accumulation Index. From 1/4/2000 to current the benchmark is S&P/ASX Small Ordinaries Accumulation Index.

MORE INFORMATION

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