WealthFocus Allocated Pension

PERPETUAL ETHICAL SRI

October 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.

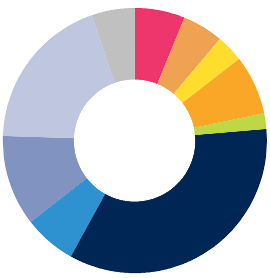
FUND BENEFITS

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: December 2003
Size of Portfolio: $11.51 million as at 30 Sep 2018
APIR: PER0146AU
Management Fee: 2.28%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



CASH AND FIXED INTEREST	6.0
COMMUNICATION SERVICES	5.0
CONSUMER DISC	3.4
CONSUMER STAPLES	7.4
ENERGY	1.8
FINANCIALS EX PROP	34.5
HEALTH CARE	6.2
INDUSTRIALS	11.0
MATERIALS	19.3
OTHER SHARES	5.2
Total:	100.0

TOP 10 STOCK HOLDINGS

	% of Portfolio
Westpac Banking Corporation	7.4%
ANZ Banking Group Ltd.	7.1%
Bega Cheese Limited	5.0%
Qube Holdings Ltd.	4.7%
National Australia Bank Limited	4.1%
Reece Limited	3.7%
Incitec Pivot Limited	3.6%
Medibank Private Ltd.	3.6%
Shire PLC	3.1%
CYBG Plc	2.7%

NET PERFORMANCE - periods ending 31 October 2018

	Fund	Benchmark #	Excess
1 month	-6.11	-6.16	+0.05
3 months	-7.88	-5.98	-1.91
FYTD	-5.92	-4.75	-1.17
1 year	-3.55	2.88	-6.43
2 year p.a.	3.10	9.20	-6.11
3 year p.a.	5.02	8.24	-3.22
4 year p.a.	6.43	5.98	+0.45
5 year p.a.	5.94	6.00	-0.06
7 year p.a.	12.80	9.06	+3.75
10 year p.a.	13.46	8.46	+5.01

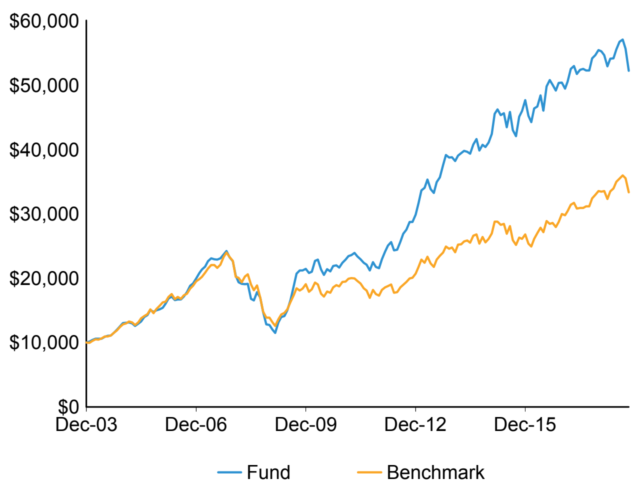
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	13.6	14.6
Dividend Yield	5.0%	4.9%
Price / Book	1.2	1.8
Debt / Equity	29.1%	34.3%
Interest cover	10.0	11.5
Return on Equity	10.7%	12.8%

* 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, fell 6.2% over the month. The sell-off was in line with a broader decline across global markets as increasing interest rates and apprehension of a slowdown in global growth took its toll on equities. Prevailing trade tensions between the US and China further incited uncertainty as the Trump Government suggested imposing tariffs on all remaining Chinese import goods if a resolution was unable to be reached. The official interest rate in Australia was left on hold at 1.5%, as expected, though the Reserve Bank of Australia cited strengthening conditions as the unemployment rate fell sharply to 5.0% from 5.3%, while employment numbers increased by 5,600 positions (yet missing consensus of a +15,000 increase). Retail sales figures released in October saw a 0.3% rise in August, led by department stores and clothes/footwear sales. Business and consumer confidence were similarly reported as improving. The latest national accounts confirmed that the Australian economy grew strongly over the past year, with GDP increasing by 3.4%.

Resource stocks were mixed over the month as oil prices slumped on concerns of reduced demand from a slowdown in global economic growth. This saw Brent and WTI crude fall 8.8% and 10.6%, respectively. Base metals weakened again in October as the London Metals Exchange index fell 4.6%. Iron Ore was an exception, gaining 9.4% on rising Chinese steel prices which led to an increase in its production. The best performing sectors for the month, as measured from the S&P/ASX 300 Accumulation Index, were Real Estate (-3.8%), Utilities (-4.0%), and Consumer Staples (-4.9%). The worst performers were Information Technology (-11.4%), Energy (-10.3%) and Consumer Discretionary (-8.3%). As a whole, industrial stocks (-6.1%) outperformed resource stocks (-6.5%) and large cap stocks (-5.4%) outperformed small cap stocks (-9.6%). Value stocks (-5.6%) outperformed growth stocks (-5.7%) 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 plumbing supplies company Reece Australia. The Fund's largest underweight positions include BHP Billiton, Commonwealth Bank of Australia, and Wesfarmers, all of which are not held in the fund.

The overweight position in biopharmaceutical company Shire Plc (+1.3%) contributed to relative performance. The stock climbed upon news that Takeda Pharmaceutical had received unconditional clearance from the Japan Fair Trade Commission for their proposed acquisition of Shire. Takeda have now received regulatory approval from authorities in the US, Brazil, and China for the proposed acquisition. The takeover, however, remains subject to shareholder approval from both companies as well as from EU regulators.

The overweight position in grain distributor GrainCorp (+4.3%) contributed to relative performance. The stock rallied over the month following the announcement of a A$94m investment to expand their Scottish malting capacity due to sector growth and customer demand. The investment will add 79,000 tonnes of annual malting capacity to the UK-based business, bringing total production to 300,000 tonnes. The project is expected to be completed in 2021 and will be funded using existing debt facilities and equity.

The overweight position in dairy producer Bega Cheese (-12.3%) detracted from relative performance. The stock ended the month lower following the completion of their $200m institutional placement (offering ~27.8m shares at a price of $7.20 per share), as well as a $50m share purchase plan (at a 10c discount of $7.10 per share). The proceeds from the capital raisings will be used to reduce debt levels following Bega's acquisition of the Koroit Facility as well as to improve their financial flexibility to take advantage of future growth opportunities.

The overweight position in banking services provider CYBG Plc (-18.0%) detracted from relative performance. The stock fell as lawyers behind the British class action against CYBG have announced the recruitment of up to 550 new claimants to the lawsuit in an attempt boost momentum into the long-running dispute. The class action relates to product disclosure issues involving ~8,300 fixed-rate business loans that were issued to CYBG customs between 2001 and 2012. Despite this headwind we believe the market is currently undervaluing the company, and as such, continue to hold the stock.

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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