

# WealthFocus Allocated Pension

## PERPETUAL GLOBAL SHARE

August 2019

### FUND FACTS

**Investment objective:** Aims to provide investors with long-term capital growth through investment in quality global shares

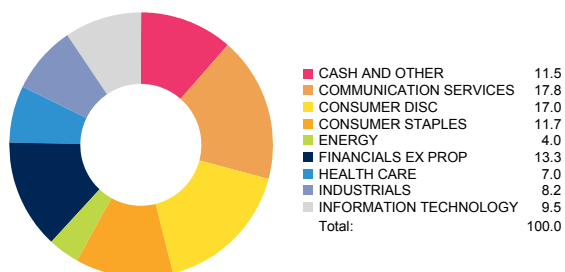
### FUND BENEFITS

Provides investors with the potential for capital growth through a portfolio of global companies using Perpetual's unique investment process which has been tried and proven over the best part of 50 years.

We use a bottom-up stock selection approach to investing, where the decision to buy or sell is based on fundamental quality and valuation.

**Benchmark:** MSCI World Net Total Return (\$A)  
**Inception Date:** May 2002  
**Size of Portfolio:** \$5.58 million as at 30 Jun 2019  
**APIR:** PER0130AU  
**Management Fee:** 2.05%\*  
**Investment style:** Active, fundamental, bottom-up, value  
**Suggested minimum investment period:** Seven years or longer

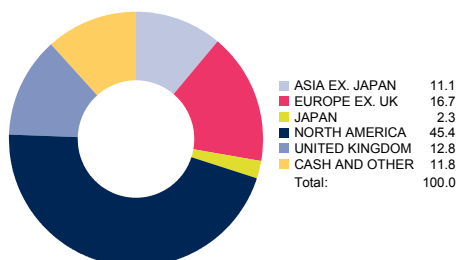
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Nomad Foods Ltd.	6.3%
Alibaba Group Holding Ltd. Sponsored ADR	4.0%
Tapestry, Inc.	3.9%
Verizon Communications Inc.	3.6%
Berkshire Hathaway Inc. Class B	3.5%

### PORTFOLIO REGIONS

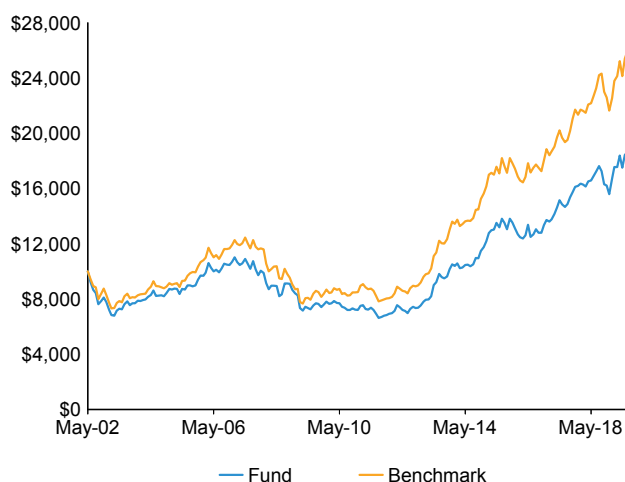


### NET PERFORMANCE - periods ending 31 August 2019

	Fund	Benchmark #	Excess
1 month	-2.79	0.21	-2.99
3 months	3.58	7.90	-4.33
FYTD	-1.58	2.53	-4.11
1 year	2.93	7.62	-4.69
2 year p.a.	10.47	15.54	-5.07
3 year p.a.	11.61	13.69	-2.09
4 year p.a.	7.65	10.28	-2.63
5 year p.a.	11.52	13.44	-1.92
7 year p.a.	13.94	16.81	-2.87
10 year p.a.	8.97	11.74	-2.77

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

### GROWTH OF \$10,000 SINCE INCEPTION



\*Information on Management Costs (including estimated indirect costs) and a full description of the Fund's performance fee is set out in the Fund's PDS.

## MARKET COMMENTARY

The MSCI World Accumulation Index finished slightly higher over the month of August, gaining 0.2% (in Australian dollar terms) attributed to a weaker exchange rate. Global equities were spurred by heightened volatility from international markets as fresh escalations of US-China trade tensions, rising geopolitical uncertainty, and concerns of a global recession deflated market sentiment. The risk-off selling was initially triggered by the announcement of an additional 10% tariff on the remaining US\$300b worth of Chinese imports from 1 September by President Trump, leading China to hit back with levies on \$US75b of US goods. The US retaliated by increasing tariffs to 15% and announcing an increase from 25% to 30% for the remaining \$US250b worth of Chinese imports. Recessionary fears were further exacerbated upon the temporary inversion of the US Government bond yield curve (a leading indicator of the past seven recessions), leaving the US S&P 500 1.8% lower.

The European market was hampered on news of the retirement of the Italian Prime Minister after a push for a vote of no confidence, which saw the Euro Stoxx index to decline 1.3%, while the UK FTSE 100 fell 5.0% on Brexit deal concerns. The Argentina market declined ~48% in a day, on a large loss in primary elections by the conservative Government. Weaker Chinese economic data, with retail and industrial production numbers failing to meet expectations, on top of increased trade-war risk, saw the MSCI China Price index decline 4.2%.

Global Resource stocks came under pressure as commodity prices softened over August, impacted mostly by iron ore which fell on improved supply out of Brazil, decreased trade-war related demand, and a weakening Chinese currency. Coal prices similarly softened on slower Chinese manufacturing activity. Nickel and gold, however, bucked the trend, ending higher on the global economic uncertainty and prospects of US interest rate cuts.

The best performing sectors for the month, as measured by the MSCI World Accumulation Index, were Utilities (+5.6%), Real Estate (+4.9%) and Consumer Staples (+4.2%). The worst performers were Energy (-5.2%), Financials (-3.0%) and Materials (-1.8%). As a whole, value stocks (-3.3%) underperformed growth stocks (-1.0%) as measured by the MSCI World Value and MSCI World Growth indices, respectively.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include frozen foods producer Nomad Foods, luxury accessories retailer Tapestry, and Chinese multinational e-commerce conglomerate Alibaba Group Holding. The Fund's largest underweight positions include Microsoft, Amazon, and Apple, all of which are not held in the fund.

The overweight position in wireless communication products and services provider Verizon Communications (+7.6%) contributed to relative performance. The stock gained ground over the month following the release of a stronger-than-expected set of June-quarter financial results. Earnings of US\$1.23 per share exceeded consensus expectations and increased from US\$1.20 per share from the prior year while gaining 2.5% quarter-on-quarter, despite revenue decreasing to \$32.07b from \$32.20b over the past comparative period.

The overweight position in Chinese online retailer Alibaba Group Holding (+3.5%) contributed to relative performance. The stock finished August higher on the release of a solid set of June-quarter financial results. Performance exceeded consensus expectations with total revenue of RMB114.9b (US\$16.7b), gaining 42% year-on-year, while adjusted EBITDA increased 34% to RMB39.2b (US\$5.7b). The solid results were attributed to continued core business growth through an increase in new users and robust consumption activity, as well as through extending its position in its less developed areas.

The overweight position in power generation systems producer Siemens AG (-7.0%) detracted from relative performance. The stock weakened following the release of the company's June-quarter financial results. The company saw its net profit fall to EUR1.03b from EUR1.11b in the prior year, partly due to higher severance charges as global economic challenges and trade tensions on Germany's export-dependent economy impeded its industrial business units. The Fund continues to hold the stock due to the strong sustained growth of its assets despite current temporary headwinds.

The overweight position in Chinese social-media platform YY Inc. (-8.9%) detracted from relative performance. The stock fell on a weaker-than-expected June-quarter financial result. Despite reporting a 67% year-on-year gain in revenue to CNY6.3b, its gross profit margin missed consensus expectations and fell ~5% to 33.7%. Earnings of CNY5.14 per share also fell 63% year-on-year, attributed to a lower operating margin of 0.5% (vs consensus of 1.9%). Despite the softer results, the fund continues to hold YY due to its high capacity for a larger paying-customer base and subsequent attractive earnings-growth potential.

## OUTLOOK

Market sentiment has moved from "synchronised global growth" to one of caution focused on the macroeconomic headwinds facing the domestic and global economy. 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. These headwinds and potential risks have been very well telegraphed by the investment community and the media. The timing and severity of any potential economic downturn, 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.

Management of this Fund: 31/01/2015 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.

# The benchmark for the Fund prior to 31/1/2015 was the MSCI World ex Australia Accumulation Index. Returns shown reflect the Fund's benchmark during the period

The publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535 AFSL No 234426 and issued by Perpetual Superannuation Limited (PSL) ABN 84 008 416 831 AFSL No 225246 RSEL No L0003315. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The product disclosure statement (PDS) for the Perpetual WealthFocus Superannuation Fund ABN 41 772 007 500, issued by PSL, should be considered before deciding whether to acquire or hold units in the fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

Total returns shown for the Perpetual WealthFocus Superannuation Fund 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 taxation. Past performance is not indicative of future performance.

## MORE INFORMATION

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