

Perpetual Private

PERPETUAL SELECT AUSTRALIAN SHARE FUND

December 2018

FUND FACTS

Investment objective: Long-term capital growth and income through investment in a diversified portfolio of Australian shares.

Suggested length of investment: Five years or longer.

INVESTMENT APPROACH

The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the Fund.

BENEFITS

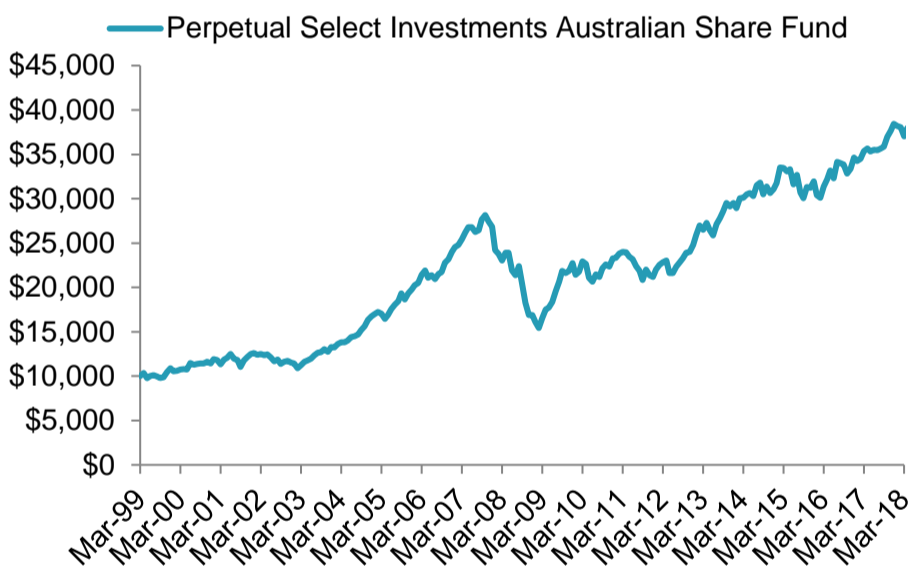
Provides investors with the potential for maximising capital growth and income, with broad market exposure.

TOTAL RETURNS % (AFTER FEES) AS AT 31 DECEMBER 2018

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Australian Share Fund	PER0255AU	-1.3	-9.3	-8.5	-6.3	4.1	4.1
Mercer Retail Trusts Australian Share (Median)		-1.3	-10.4	-9.5	-5.3	4.2	4.5
Perpetual Select Super Australian Share Fund	WDL0001AU	-1.1	-8.4	-7.4	-5.1	4.6	4.5
Mercer Personal Super Australian Share (Median)		-0.8	-8.9	-8.1	-5.1	4.5	4.1
Perpetual Select Pension Australian Share Fund	WDL0011AU	-1.3	-9.0	-7.7	-5.2	5.2	5.2
Mercer Allocated Pension Australian Share (Median)		-0.9	-9.6	-8.8	-4.8	5.5	5.0

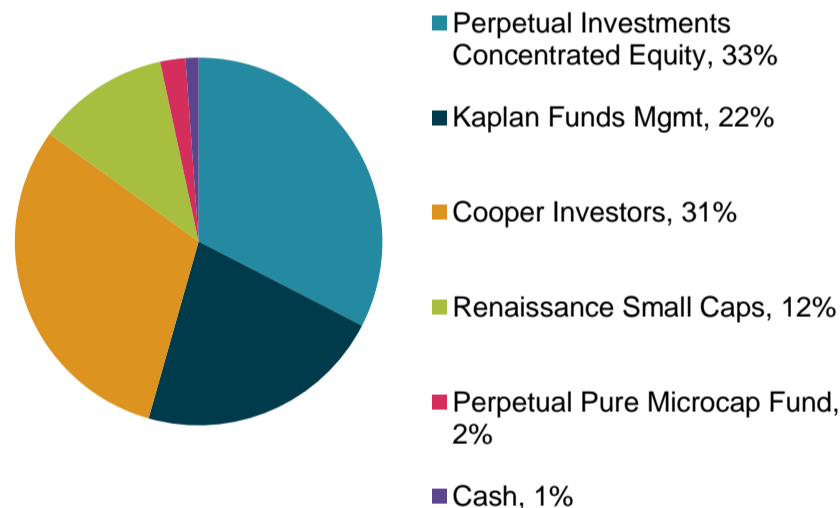
Past performance is not indicative of future performance

GROWTH OF \$10,000 SINCE INCEPTION*



*The Growth of \$10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

PORTFOLIO EXPOSURES



TOP 10 STOCK HOLDINGS	WEIGHTS (%)
Commonwealth Bank Of Australia	6.8
Bhp Group Ltd	6.0
Westpac Banking Corporation	4.4
Woolworths Group Ltd	3.2
National Australia Bank Limited	2.6
Orica Limited	2.3
Crown Resorts Limited	2.1
Australia And New Zealand Banking Group Limited	2.1
Tabcorp Holdings Limited	2.0
Csl Limited	2.0

MANAGER INVESTMENT APPROACH	
Perpetual Investments Concentrated Equity	High conviction portfolio, fundamental bottom up stock selection
Kaplan Funds Management	Low volatility and income focused portfolio, fundamental bottom up stock selection
Cooper Investors	High conviction portfolio, fundamental bottom up stock selection
Renaissance Small Caps	Diversified small company portfolio, fundamental bottom up stock selection
Perpetual Pure Microcap	High conviction micro company portfolio, fundamental bottom up stock selection

MARKET COMMENTARY

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, fell by 8.41% over the quarter after last quarters small gains. Australian equities outperformed global equities with the MSCI AC World Index falling 10.33% over the quarter. Domestically all sectors generated negative returns over the quarter with Real Estate and Utilities the best performers down 1.71% and 3.11% respectively.

On the currency front the AUD depreciated over the quarter by falling 2.70% against the USD, continuing on from the September quarter's 2.07% depreciation. On the commodity and energy front, iron ore rallied by 15% YoY while crude oil was dramatically weaker with Brent crude falling by 34.96%. Copper fell by 5.71% over the quarter, while gold fell reversed course from last quarter and rallied by 7.11%.

On the economic front, the RBA continued to leave rates at 1.50% acknowledging the continued strength of global growth, low unemployment in developed economies and continued low inflation. The RBA did take note of the slowdown in Chinese growth along with the potential for continued trade tensions to adversely impacting global growth.

The Australian economy is performing well with GDP growth expected to average around 3.5% until 2020 before slowing as resource export growth decreases. The labour market remains positive with unemployment at a 6 year low of 5% while inflation remains low and stable at 1.9% (CPI). Business conditions remain positive with non-mining investment expected to increase. Long term government spending on infrastructure and resource export growth continues to support the economy while household consumption remains a point of concern. House hold prices across capital cities have declined while household debt remains high and house hold income growth remains low.

PORTFOLIO COMMENTARY

The Perpetual Select Australian Share Fund / Implemented Australian Share Portfolio underperformed its benchmark during the December quarter.

Cooper Investors underperformed the benchmark over the quarter generating a return of -9.22%. Contributors to performance were driven by Transurban, Woolworths and Orica however the detractors from performance were Clydesdale Bank, Lendlease and Boral.

Kaplan Funds Management had a stronger quarter relative to the index generating a return of -1.12% against a -8.24% index return. At the sector level, property trusts, utilities and buy-write strategies outperformed the benchmark while utilities finished the quarter inline with the index.

Perpetual Concentrated Equity underperformed relative to the benchmark. The overweight position in Grain Corp and underweight position in Lendlease contributed positively to returns whilst the overweight positions in Oil Search and CYBG Plc and underweight holding in BHP Limited detracted from returns.

Renaissance Smaller Companies underperformed the benchmark over the December quarter falling 18.4% against the S&P/ASX Small Ordinaries Accumulation Index fall of 13.7%. Contributing to relative performance over the quarter was the overweight holdings in gold miners Regis Resources and Alacer Gold along with the underweight holding in energy company Beach Energy. While the overweight positions in traffic services provider GTN Ltd, mining and infrastructure services provider RCR Tomlinson and waste disposal company Bingo Industries detracted from performance.

Perpetual Pure Micro Cap Fund underperformed the benchmark over the December quarter falling by 18.5% again the S&P/ASX Small Ordinaries Accumulation Index fall of 13.7%. Considering the poor quarterly performance contributors to outperformance were minimal while retailer National Tyre & Wheel, wealth manager Pacific Current Group and casino operator Donaco International led the negative contribution for the quarter.

There were no manager additions or terminations to the Perpetual Select Australian Shares Fund/Implemented Portfolio during the quarter. We remain comfortable with our manager selection.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2018	FY 2017	FY 2016
Growth Return %	5.2%	7.5%	0.2%
Distribution Return %	5.7%	2.4%	2.1%
Total Return %	11.0%	9.9%	2.3%

DISTRIBUTION BREAKDOWN

	FY 2018	FY 2017	FY 2016
Cents per unit	6.8473	1.5276	3.1329
Franking FSC %	26.5%	70.8%	153.2%
Income	26.8%	84.4%	94.0%
Capital	73.2%	15.6%	6.0%

PRODUCT FEATURES

	SUPER	PENSION	INVEST.
Inception date	Dec 94	Dec 94	Mar 99
Estimated Mgmt Cost	2.23%	2.21%	2.05%
Ongoing fee discount	Yes	Yes	Yes
Buy spread	0.30%	0.30%	0.30%
Sell spread	0.00%	0.00%	0.00%
Contribution fee	0.00%	0.00%	0.00%
Withdrawal fee	\$51.25	\$51.25	\$0.00
Monthly member fee	\$10.09	\$10.09	\$0
Min. initial contribution	\$3,000	\$3,000	\$0
Min. additional contribution	\$0	\$0	\$0
Savings plan	Yes	No	Yes
Withdrawal plan	No	No	Yes
Distribution frequency	NA	NA	Qtrly
Contact information	1800 003 001		

OUTLOOK

Global equity markets weakened into the year end with most global exchanges detracting by more than 10% as the threat of trade wars, tariffs and other geopolitical events like Brexit wrangled markets. Losses were broad based across market sectors with energy, IT, industrials and consumer discretionary stocks some of the hardest hit.

Despite the losses on equity markets the US economy remain strong with low unemployment and strong GDP growth highlights. However the future outlook is increasingly uncertain with continued trade tensions and tariffs, the stimulatory effect of the tax cuts subsiding, Democratic Party control of the House of Representative post the mid-term elections along with rising interest rates and USD all variables that could have a material impact to future economic growth.

As highlighted last quarter the current bull market in US equities is now the longest on record which has enabled growth stocks to revalue much higher despite the losses seen in the December quarter. Our belief remains that that over the long-term, stock fundamentals drive returns as investors seek the security of companies with strong balance sheets and sustainable earnings, particularly in volatile markets or in times of uncertainty or economic duress.

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