Wholesale Funds

PERPETUAL WHOLESALE GLOBAL SHARE FUND CLASS A

February 2019

FUND FACTS

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

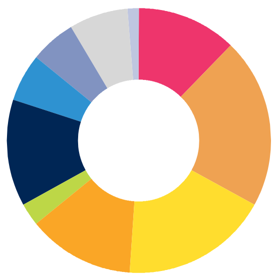
FUND BENEFITS

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)
Class A Inception: August 2014
Class W Inception: January 2011
Size of Portfolio: $245.94 million as at 31 Dec 2018
APIR: PER0733AU
Management Fee: 1.10%*
Performance Fee: 15% of outperformance*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

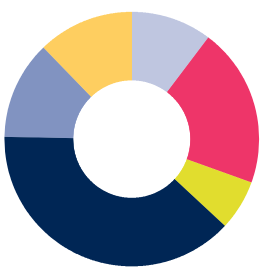
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Nomad Foods Ltd.	6.4%
Nasdaq, Inc.	3.8%
Siemens AG	3.5%
Telepizza Group SA	3.4%
Nintendo Co., Ltd.	3.4%

PORTFOLIO REGIONS



PERFORMANCE- periods ending 28 February 2019

Class A has been operating since August 2014. To give a longer term view of our performance in the Fund, the returns for Class W, which has been fully invested within the investment guidelines since January 2011, are shown. Class W has identical investments to class A. We have adjusted the return of Class W to reflect the fees applicable to Class A. Please see the disclaimer at the end for more information. [1]

	Class A	Class W [1]	Benchmark	Excess
1 month	5.12	-	5.57	-0.45
3 months	8.57	-	5.29	+3.28
FYTD	4.62	-	4.80	-0.19
1 year	8.73	-	10.00	-1.27
2 year p.a.	14.00	-	12.86	+1.14
3 year p.a.	12.99	-	12.79	+0.20
4 year p.a.	9.00	-	8.76	+0.24
5 year p.a.	-	11.72	11.53	+0.19
7 year p.a.	-	17.92	15.88	+2.03
10 year p.a.	-	-	-	-

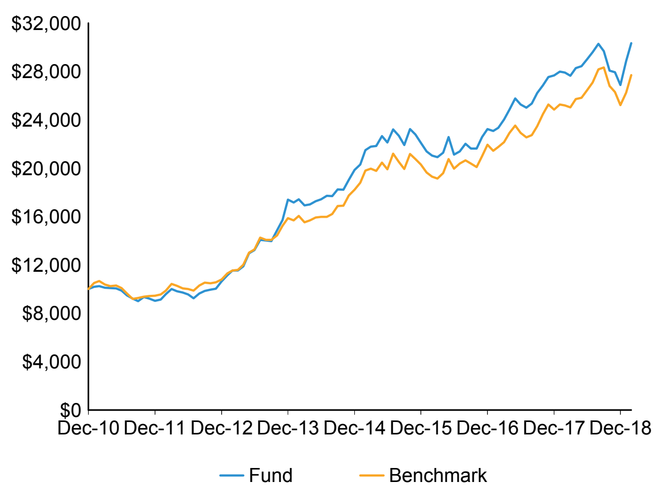
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	13.5	15.2
Dividend Yield	3.1%	3.1%
Price / Book	1.9	2.2
Debt / Equity	53.2%	54.3%
Interest cover	9.7	12.5
Return on Equity	13.3%	14.5%

* source Factset

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 5.6% higher in Australian dollar terms over the month of February. Market sentiment was assisted by positive trade talks between the US and China, as the US allowed more time for negotiations by delaying tariff increases on billions of dollars' worth of Chinese imports. Solid economic activity further contributed to the rally in the US market, with the S&P500 gaining 5.7%, despite continued political unease over the funding of a US-Mexico border wall. While economic data coming out of China was softer than expected, the SSE Composite Index (+13.8%) posted its largest monthly return in nearly 4 years on the back of expectations of Government stimulus and policy support. Economic activity indicators in Europe moderated, allowing for a strengthening in equities during February as the DJ Euro Stoxx Index rose 4.4% over the month.

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 and confirming a balanced possibility of interest rates moving either way. Further downward pressure was placed on the AUD with Chinese customs delaying the processing of Australian coal at five ports. The USD rallied against most currencies, with the exception of the UK pound which strengthened on the back of an increased likelihood of a delay to Brexit.

The best performing sectors for the month, as measured from the MSCI World Accumulation Index, were Information Technology (+9.1%), Industrials (+7.3%) and Financials (+5.6%). The worst performers were Real Estate (+2.9%), Communication Services (+3.4%) and Consumer Discretionary (+3.7%). As a whole, Value stocks (+2.6%) underperformed Growth stocks (+3.7%) 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 Ltd., securities exchange operator Nasdaq Inc., and fast food chain operator Telepizza Group. The Fund's largest underweight positions include Microsoft, Amazon, and Apple, all of which are not held in the fund.

The overweight position in IT and telecommunications holding company SoftBank Group Corp. (+20.8%) contributed to relative performance. The stock rallied after management announced their intention to repurchase 112 million shares worth ~US$5.46b in the next 11 months, representing ~10.3% of SoftBank's total outstanding shares. The announcement was made on the back of a strong earnings release which reported an increase in net income for the December quarter of more than 50%.

The overweight position in frozen foods producer Nomad Foods (+12.4%) contributed to relative performance. Nomad recorded solid December-quarter sales with revenue increasing 21% to €614.8m, exceeding consensus expectations of €588.5m, and net income of €40.8m, increasing from €27.3m over the previous year. The strong results were assisted by last year's acquisitions of frozen food brands Aunt Bessie's and Goodfella's Pizza, which boosted revenue growth by 17.3%.

The overweight position in home entertainment systems developer Nintendo (-9.8%) detracted from relative performance. The stock declined upon release of its December-quarter financial results. Nintendo reported a higher-than-estimated profit of US$1.46b (up 36% year-on-year) and upgraded software sales-forecasts from 100m units to 110m units on the back of success from their 'Super Smash Bros Ultimate' and 'Pokemon: Let's Go' titles. The stock price, however, fell as Nintendo reduced sales forecasts for the Switch console from 20m to 17m units for the year ending March 2019. The fund continues to hold the stock as we expect there to be good news flow from new game releases over the coming months.

The overweight position in fast food franchiser Dominos (-8.6%) detracted from relative performance. The stock slumped on the back of a disappointing set of financial results for the December quarter. Despite recording a rise in net income to US$111.6m, up from US$93.3m last year, and total revenue of US$1.08b, up from US$891.5m, the results failed to meet market expectations. The Fund maintains its position in the stock due to its attractive valuation and strong future-earnings capability.

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.

MORE INFORMATION

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