

Wholesale Funds

PERPETUAL GLOBAL INNOVATION SHARE FUND – CLASS A

September 2018

FUND FACTS

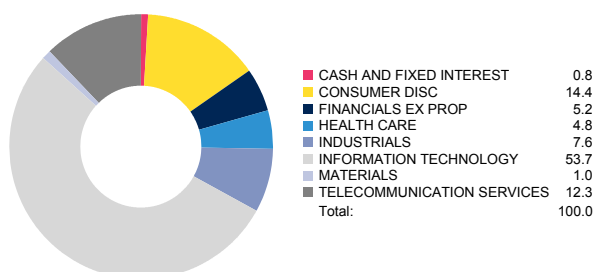
Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares that are benefiting from technological change and innovation.

FUND BENEFITS

Perpetual employs a bottom-up stock selection approach to investing, where the decision to buy or sell securities uses a fundamental process based on quality and value.

Benchmark:	MSCI AC World Net Total Return Index (AUD)
Inception Date:	June 2017
Size of Portfolio:	\$36.77 million as at 30 Sep 2018
APIR:	PER1547AU
Management Fee:	1.25%*
Performance Fee:	20% of outperformance*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

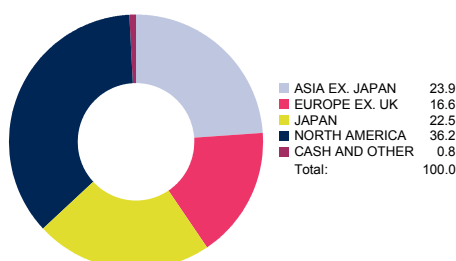
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Nintendo Co., Ltd.	8.1%
Verizon Communications Inc.	5.7%
Alibaba Group Holding Ltd. Sponsored ADR	5.6%
SoftBank Group Corp.	5.3%
Vivendi SA	5.1%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 September 2018

	Fund	Benchmark	Excess
1 month	0.00	0.39	-0.38
3 months	3.89	6.48	-2.59
FYTD	3.89	6.48	-2.59
1 year	26.29	19.04	+7.25
2 year p.a.	-	-	-
3 year p.a.	-	-	-
4 year p.a.	-	-	-
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	17.74	13.02	+4.73

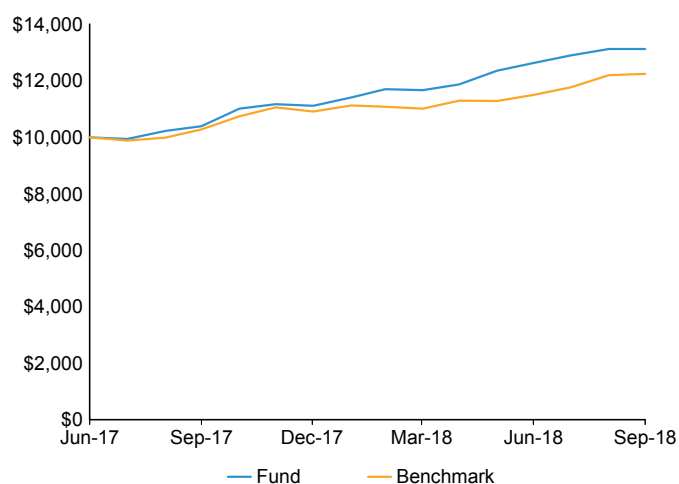
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	16.1	14.9
Dividend Yield	2.3%	2.9%
Price / Book	2.5	2.2
Debt / Equity	43.4%	48.7%
Interest cover	19.8	13.5
Return on Equity	15.8%	14.9%

* 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

Global markets as a whole finished higher over the September quarter as the MSCI All Country World Accumulation index gained 6.5% in Australian dollar terms. Emerging markets underperformed developed markets month-on-month for the second straight quarter as Turkey struggled through a financial crisis and China battled with trade-war concerns which saw the Shanghai Stock Exchange Composite index fall 10.1%. The UK was the standout performer with the FTSE 100 index gaining 9.6%. The Australian equity market nudged higher with the S&P/ASX 300 Accumulation Index gaining 1.5%. The US continued its record-long bull market, assisted by solid half-year corporate earnings releases and strengthening jobs growth. The Federal Reserve raised interest rates by 0.25% to a target of 2.00-2.25% as US economic activity indicators remained strong, allowing the S&P 500 to finish 7.7% ahead in Australian dollar terms.

Commodity prices were mixed over the quarter. Base metals weakened as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices and crude oil (+5.9%) continued to rise on supply concerns surrounding US sanctions against Iran and OPEC failing to loosen supply constraints. Coking coal was flat over the quarter (down 0.5%) as the introduction of unofficial restrictions on coal imports by China reversed earlier gains. Continued trade tensions between the US and China resulted in an all-out trade war as they went tit-for-tat with retaliatory tariffs upon one another. The International Monetary Fund retained its global growth forecast of 3.9% for the year, though cautioned that trade action could hinder global economic recovery. The Australian dollar finished relatively weaker against most of its major trading partners, falling 2.4% against the US dollar, by 1.8% against the Euro and by 0.6% in trade weighted terms, though gained 1.5% against the Chinese RMB.

The best performing sectors for the month, as measured by the MSCI All Country World Accumulation Index, were Health Care (+13.2%), Information Technology (+8.3%) and Industrials (+8.2%). The worst performers were Real Estate (+0.5%), Materials (+2.4%) and Utilities (+2.7%). As a whole, value stocks (+3.8%) underperformed growth stocks (+5.9%) as measured by the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include home entertainment developer Nintendo, wireless communications products and services provider Verizon Communications Inc, and e-commerce company Alibaba Group. The Fund's largest underweight positions include Amazon, Apple and JPMorgan Chase & Co., all of which are not held in the fund.

The overweight position in IT and telecommunications holding company SoftBank Group Corp. (+43.5%) contributed to relative performance. The stock gained ground on the back of a positive first-quarter financial results. Operating profit exceeded consensus expectations due to their strong performance from the SoftBank Vision Fund and a one-off profit of around ¥161.3b relating to the sale of their Arm's Chinese business. The stock was further assisted over the quarter by the announcement that Softbank had agreed to form a strategic partnership with Toyota to establish a new mobility services joint venture.

The overweight position in video game and console developer Nintendo (+14.3%) contributed to relative performance. The stock finished the quarter higher on the back of updated details surrounding the launch of their new gaming platform, the Nintendo Switch, along with the line-up of games that will be released over the coming holiday season. The increased hype from the anticipated success of the product boosted market sentiment for Nintendo stock.

The overweight position in health care, nutrition and high-tech materials producer Bayer AG (-17.6%) detracted from relative performance. The stock tumbled after a Californian court awarded US\$289m in damages to a man claiming he had developed non-Hodgkin's lymphoma following years of using Bayer's top-selling weed killer product, Roundup. The stock fell 11.3% on the day of the verdict. Despite this temporary setback, we still believe there is long-run value to be realised from holding the stock.

The overweight position in Chinese social-media platform YY Inc. (-23.9%) detracted from relative performance. Despite reporting solid quarterly financial results, with revenue climbing 44.6% year-on-year to CNY3.78b (attributed to a 21% growth in mobile live-streaming paying users), the stock fell as third quarter revenue guidance of CNY3.89b-4.02b failed to meet market expectations and consensus of CNY4.04b. The fund continues to hold YY due to its large capacity for an increased paying-customer base and subsequent attractive future earnings-growth potential.

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, leading 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 portfolio remains invested in quality businesses with strong balance sheets trading at reasonable valuations.

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