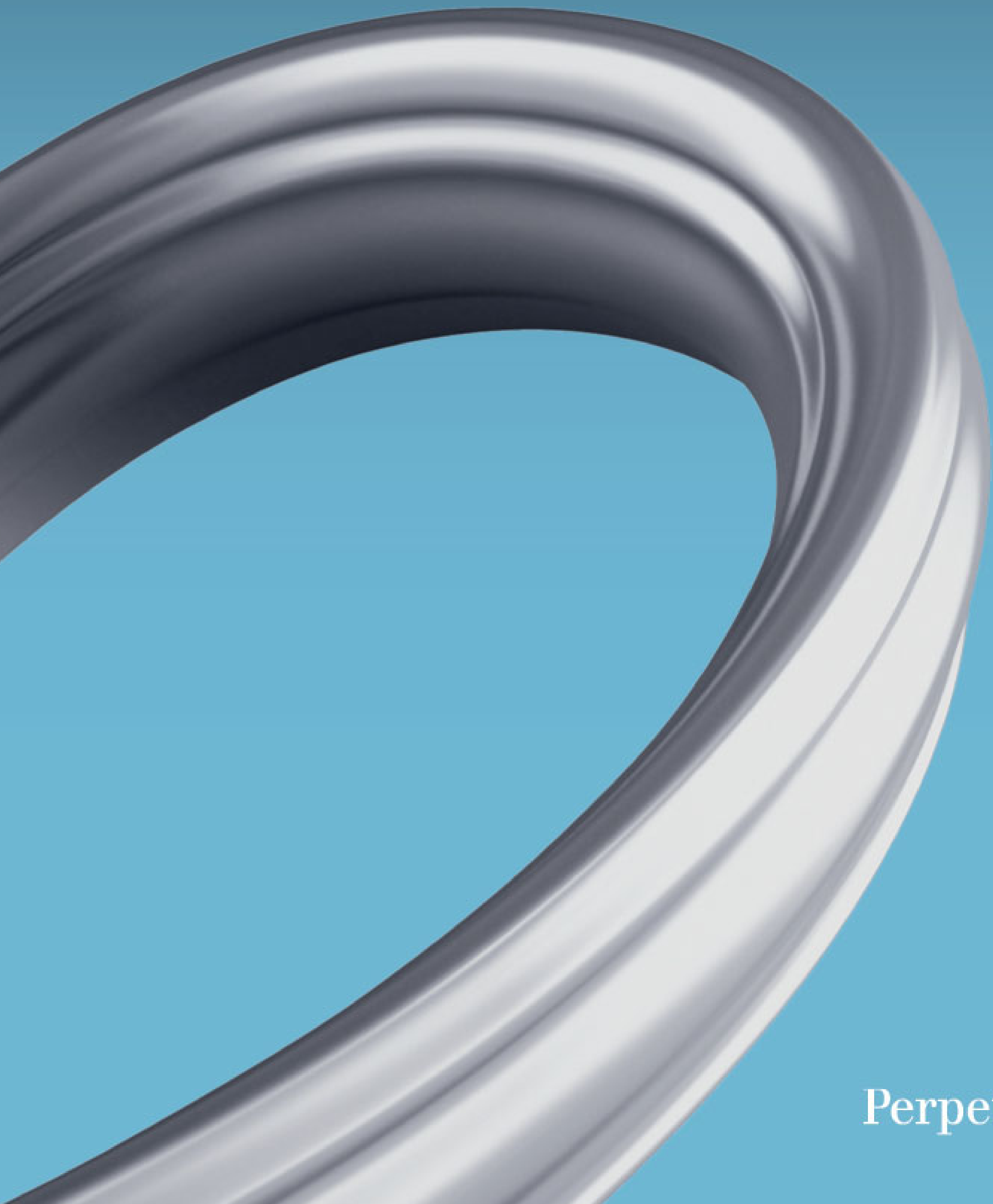
Perpetual Investments

MASTER FUND QUARTERLY REPORT

September 2018



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ACTIVE FIXED INTEREST FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Active Fixed Interest Fund	58.43	-0.46	0.61	1.21	3.77	-	-	-	-
Benchmark*		-0.42	0.54	1.36	3.72	-	-	-	-

* Bloomberg Ausbond Composite Index

PORTFOLIO COMPOSITION

CORE COMPONENT RATINGS	98.66%
Cash	3.97%
AAA	29.45%
AA	16.16%
A	27.18%
BBB	21.91%
PLUS COMPONENT BREAKDOWN	**1.34%**
BB	0.00%
B	0.00%
CCC	0.00%
CC	0.00%
C	0.00%
D	0.00%
Unrated *	1.34%

MARKET COMMENTARY

Cash bond spreads were mixed over the September quarter. The prospects of a trade war between the United States and China weighed heavily on market sentiment. These fears were tempered by robust economic data prints and strong US earnings season results.

Domestic spreads drifted wider early in the quarter, underpinned by an escalation of protectionist policies by the US administration and the associated ramifications this may have on the global economy. Positive economic activity indicators alongside robust US reporting season announcements served to temper spread widening. Fears relating to an upheaval in the Italian political system also occupied investors minds. Global bonds sold off towards quarter end, as US economic data continued to improve.

While statements alluding to protectionist policies underpinned episodes of volatility across risk assets, overarching fundamentals remained supportive of credit. Both domestic and offshore economic data prints were resilient. As the quarter progressed major bank spreads tightened in the short end while corporates were mixed. Domestic issuance far exceeded prior period equivalents, however sufficient demand in the domestic cash bond market absorbed elevated supply volumes with muted impact on broader spread levels.

Monetary policy settings remained accommodative across most major offshore economies, while any changes were well telegraphed. The Reserve Bank of Australia (RBA) maintained their ongoing dovish tone, leaving interest rates at 1.5% while indicating that current monetary conditions are appropriate and supportive of the growth objectives of the domestic economy.

PORTFOLIO COMMENTARY

The Active Fixed Interest Fund outperformed its benchmark during the quarter.

The portfolio continued to collect running income in excess of the benchmark. This contribution from positive carry was mainly associated with large portfolio exposures to non-financial corporates and banks, both domestic and offshore.

Credit spread dynamics were mixed but contributed positively to overall performance. Despite large volumes of issuance to the domestic market and continued geopolitical uncertainty, cash bond spreads were broadly resilient to these events. Banks and financials tightened modestly, particularly at shorter maturities, while spreads of corporates were mixed.

In terms of interest rate duration, the portfolio benefitted active tactical positions taken throughout the quarter. Active management in a volatile quarter where 10 year US bonds tested the three percent level added to relative performance.

Portfolio positioning was actively managed while maintaining a focus on risk and relative value in opportunities seen. In line with a positive outlook score, exposure to credit was increased and portfolio weighted average life maintained at circa 2.9 years during the month. The portfolio was selectively active in the primary market, including taking a position in the fixed rate tranche of Svenska Handelsbanken's five year Kangaroo deal.

OUTLOOK

The outlook for credit remained positively biased during the quarter. Strength in the macroeconomic outlook remains a key support for the prospect of tighter spreads. This is underpinned by the persistent positive bias observed across prominent economic indicators. Credit fundamentals in both the investment grade and high yield spaces are robust, supported by constructive global economic activity data. Broader market metrics are also supportive.

Valuation indicators are benign. While elevated swap spreads and tighter offshore high yield spreads recently resulted in a negative bias for valuations, these have normalised with much lower volatility resulting in spreads being rangebound. Relative valuations have also pared back from being negatively biased recently, while both domestic and offshore cash bonds continue to trade tight of their long-term averages in the investment grade space.

Supply and demand dynamics are modestly negative. Strength in demand served to absorb the initial elevated volumes of recent new issuance in the domestic market, with the impact on spread levels muted. These increased primary volumes also put a floor under any meaningful near-term tightening expectations. More recent demand for new issuance has become somewhat lacklustre whereas secondary demand remains robust.

Although the fundamental backdrop of a robust economic environment remains positive for credit, we remain vigilant regarding the fragility of the geopolitical landscape. Rising trade friction typically threatens to dampen global economic growth. Uncertainty around rising interest rates and the pace of unwind of quantitative easing in place is also apparent. Whilst remaining mindful of the strength in macroeconomic indicators, we continually monitor information flows that may influence market sentiment. In such situations, we retain sufficient flexibility to appropriately and actively manage portfolio risk exposures.

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AUSTRALIAN SHARE FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Australian Share Fund	1,152.73	-0.58	2.86	8.93	11.52	7.72	9.48	6.12	10.48
Benchmark*		-1.19	1.50	9.99	14.03	11.50	12.16	8.19	11.16

* S&P/ASX 300 Accumulation Index

TOP 10 STOCKS

STOCK NAME	%
Commonwealth Bank of Australia	7.87
Westpac Banking Corporation	6.23
Suncorp Group Limited	4.78
BHP Billiton Limited	4.51
Tabcorp Holdings Limited	4.17
Medibank Private Ltd.	3.92
Woolworths Group Ltd	3.91
Incitec Pivot Limited	3.50
New Hope Corporation Limited	3.28
Viva Energy Group Ltd.	3.23
TOTAL	**45.40**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Accumulation Index gaining 1.5%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks. Aged care related stocks also created a drag on the market as scrutiny for tighter regulations saw the announcement of a royal commission into the industry.

Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-1.2%) and Consumer Staples (-1.0%). As a whole, industrial stocks (+1.7) outperformed resource stocks (+0.6%) and large cap stock (+1.2%) outperformed small cap stocks (+1.1%). Value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Australian Share Fund outperformed its benchmark during the quarter.

The Fund's largest overweight positions include banking, insurance and superannuation provider Suncorp Group, wagering and gaming company Tabcorp Holdings, and health insurer Medibank Private. The Fund's largest underweight positions include CSL, Macquarie Group (not held) and ANZ Bank.

Stock Contributors

The overweight position in coal miner New Hope Corporation (+32.1%) contributed to relative performance. The stock rallied on the back of its full-year financial result as the company reported statutory net profit after tax at the upper end of its guidance at A$149.5m, and revenue of $1.08b vs consensus of $1.05b. The stock was further assisted by the purchase of an additional 40% interest in Wesfarmers' Bengalla thermal coal mine joint venture for A$860m. The purchase brings New Hope's share in the mine to ~80%.

The overweight position in wagering and gaming company Tabcorp Holdings (+11.5%) contributed to relative performance. The stock finished the quarter higher on reports that Tabcorp was the lead contender to purchase the commercial operating rights of New Zealand wagering company TAB. Reports suggest that TAB, which is owned by the New Zealand Government is amenable to approve a deal.

Stock Detractors

The overweight position in diversified retailer Woolworths (-6.0%) detracted from relative performance. The stock fell upon release of the company's full-year financial results. Despite reporting a 12.5% increase in net profit to $1.72b, with total sales from continuing operations up 3.4% to $56.7b, the results underwhelmed the market. The weaker-than-expected results were attributed to softer fourth-quarter sales due to the plastic bag ban and Coles' Little Shop miniature collectables promotion. The Fund continues to hold the stock due to its leading position within its industry and its attractive investment opportunity over the medium term.

The underweight position in vaccine and biopharmaceutical company CSL (+5.1%) detracted from relative performance. The stock rallied upon release of the company's financial results, reporting a 23% gain in full-year net profit after tax of US$1.73b (exceeding their previous guided NPAT of $US1.68-1.71b), and a 30% increase in earnings to US$3.82 per share (exceeding consensus of US$3.79).

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.

BALANCED GROWTH FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Balanced Growth Fund	739.71	-0.24	2.50	5.55	8.12	7.52	7.35	6.96	9.81
Benchmark*		-0.39	2.66	7.36	11.25	9.87	9.30	8.70	10.13

* Balanced Growth Index

MARKET COMMENTARY

Following a year of outstanding synchronised growth in 2017, the global economy can be characterised by sharp divergence in 2018. Developed economies continue to perform well with economic growth above trend, even if it has slowed somewhat from the peak. The standout performer has been the US economy, which has been turbo charged by the Trump Administration's tax cuts. Economic growth was very strong at over 4% in the second quarter and appears to have only slowed marginally in the third quarter. Strong growth plus corporate tax cuts is supporting fantastic growth in company profits (25% in Q2 and forecast to be 19% in Q3) and the US share market traded to new all-time highs late in September.

The Australian economy has proved once again to be very resilient, supported by strong population growth, booming infrastructure spending and robust resource export growth. The housing market as well as the performance of the Chinese economy are key risks for the Australian economic outlook and we continue to expect that the Reserve Bank will remain sidelined for an extended period.

At the same time as developed economies are generally performing well, some emerging markets have entered full blown crises in the past quarter. In particular, the Turkish Lira and the Argentinian Peso fell by 24% and 30% respectively in the September quarter and both have halved this year against the US dollar. Both economies have significant imbalances and as liquidity conditions have tightened this year they have been very vulnerable to capital outflows. The impact has been felt across many emerging markets with economies such as Brazil, South Africa and India all exposed to varying degrees due to imbalances in their respective economies. The other notable casualty has been European banks due to their exposure to Turkish corporates in particular. We are most worried about the Turkish crisis as external debt volumes there are very large and they have a 'strong man' leader who is likely to continue to resist the required policy prescriptions. In Argentina they are trying to do the 'right thing' but whether they can take the electorate with them remains an open question.

The upshot is that the US Federal Reserve (the Fed) has increased conviction that their proposed tightening path (which has the cash rate increasing to 3%% by late next year) is correct and market pricing is being recalibrated accordingly. As a result, bond yields increased in the US and in all the major developed markets (including even Japan) over the quarter. Added to this, the quantitative tightening process continues unabated with the European Central Bank (ECB) scaling back their purchases further in early October (prior to the program ending at the end of this year) and the Fed continuing gradually to reduce the size of their balance sheet. Moreover, financial conditions are tightening in many emerging economies as central banks are forced to respond to currency weakness.

Despite the headwinds presented to the market outlook by the tightening of monetary policy, the travails in emerging markets and the trade war, the backdrop for global economic growth remains generally favourable over the next year. This should ultimately underpin equity and credit markets. But this economic and market cycle are very mature and the outlook certainly becomes more challenging in late 2019 when US fiscal policy shifts from the current highly stimulative stance to neutral.

PORTFOLIO COMMENTARY

The Balanced Growth Fund marginally underperformed its benchmark during the quarter.

Overall, the portfolio is positioned to maintain exposure in risk rallies, while buying protection when and where it is cheapest to protect against both risk off and idiosyncratic events. This reflects our view that central bank policy withdrawal and declining 12-month forward earnings growth expectations will present challenges for risk markets in the backend of 2018 and into 2019. The portfolio is marginally underweight developed market equities and emerging market equities has been reduced to moderately underweight, amid signs that China's nominal growth has further to slow.

The portfolio remains underweight duration as one of the key supports for government bonds, namely central bank asset purchases, is set to ease back. Moreover, in a synchronised global upswing the pressure will be for higher interest rates. In addition, exposure to relative value positions remains elevated including currency positioning. The Fund also has exposure to a systematic trend following strategy alongside some selective exposure to downside protection, including an Australian credit default swap which will protect the portfolio in the event of a repricing of this risk.

In terms of relative performance, stock selection within our value orientated large cap Australian equity exposures served to enhance returns realised relative to the broader domestic market. From a style perspective we remain confident in our value biased allocations. The low interest rate settings of the current investment environment previously resulted in an underappreciation of market risks, which led companies with strong balance sheets to be overlooked and little consideration given to the price paid for securities. Over the past quarter, this previously observed preference for growth over value stocks has inverted. Ultimately through the long term, fundamentals determine share prices. The discipline of investing in quality businesses at good prices and avoiding the irrational exuberance seen in some pockets of the market will serve the portfolio well looking ahead.

In terms of our global equities allocation, stock selection within Perpetual's Global Share Fund detracted from relative performance, however our underweight exposure to emerging market equities combined with positive alpha from stock selection within our selected allocation was positive for relative performance. Active currency management was also positive.

OUTLOOK

While the performance of key global economies has become more uneven, company profits are still growing which will provide ongoing support for equity and credit markets. Of course, it is also putting upward pressure on interest rates. In addition, the liquidity backdrop for markets is becoming ever more challenging as central banks begin to wind back the extreme policy settings of recent years.

Against this backdrop, we retain a cautious approach to portfolio construction. The Fund retains a diversified exposure to various equity, credit and unlisted markets. The portfolio remains underweight duration. Relative value positions are elevated including exposure to equity alpha, foreign currency positioning (exposure to a range of foreign currencies in preference to the Australian dollar including the US dollar, Japanese Yen and Emerging Market currencies) as well as a systematic trend following strategy.

To take advantage of the re-emergence of very low volatility in equity markets, the Fund owns a put option on the US equity market and a long dated Australian dollar put versus the US dollar (in addition to the foreign currency positions outlined above). Finally, the Fund also has a position in Australian sovereign credit default swap which will protect the portfolio in the event of a repricing of this risk.

CONCENTRATED EQUITY FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Concentrated Equity Fund	927.16	-1.03	1.50	8.15	11.79	10.72	10.77	7.39	11.64
Benchmark*		-1.19	1.50	9.99	14.03	11.50	12.16	8.19	11.16

* S&P/ASX 300 Accumulation Index

TOP 10 STOCKS

STOCK NAME	%
Commonwealth Bank of Australia	7.06
Tabcorp Holdings Limited	6.26
Westpac Banking Corporation	5.52
Suncorp Group Limited	4.73
Oil Search Limited	4.51
ANZ Banking Group Ltd.	4.35
BHP Billiton Limited	4.06
Woolworths Group Ltd	3.79
Viva Energy Group Ltd.	3.64
Medibank Private Ltd.	3.60
TOTAL	**47.52**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Accumulation Index gaining 1.5%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull’s loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia’s 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks.

Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-1.2%) and Consumer Staples (-1.0%). As a whole, industrial stocks (+1.7) outperformed resource stocks (+0.6%) and large cap stock (+1.2%) outperformed small cap stocks (+1.1%). Value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Concentrated Equity Fund performed in line with its benchmark during the quarter.

The Fund's largest overweight positions include, gaming services company Tabcorp Holdings, banking, insurance and superannuation provider Suncorp Group, and oil and gas producer Oil Search Ltd. The Fund's largest underweight positions include CSL (not held), National Australia Bank, and Wesfarmers (not held).

Stock Contributors

The overweight position in coal miner New Hope Corporation (+32.2%) contributed to relative performance. The stock rallied on the back of its full-year financial result as the company reported statutory net profit after tax at the upper end of its guidance at A$149.5m, and revenue of $1.08b vs consensus of $1.05b. The stock was further assisted by the purchase of an additional 40% interest in Wesfarmers' Bengalla thermal coal mine joint venture for A$860m. The purchase brings New Hope's share in the mine to ~80%.

The overweight position in wagering and gaming company Tabcorp Holdings (+11.5%) contributed to relative performance. The stock finished the quarter higher on reports that Tabcorp was the lead contender to purchase the commercial operating rights of New Zealand wagering company TAB. Reports suggest that TAB, which is owned by the New Zealand Government is amenable to approve a deal.

Stock Detractors

The overweight position in agricultural crop-protection producer Nufarm Ltd. (-24.4%) detracted from relative performance. The release of an earnings downgrade by the company during the quarter led to a sharp fall in the stock price. Nufarm reported FY2018 EBIT guidance from Australian and New Zealand operations of $5m-$10m, down from A$51.6m in the 2017 fiscal year. The shortfall was attributed to record-low autumn rainfall across Australia, leading to poor crop production and subsequently lower demand for crop-production products. We continue to hold Nufarm due to its strong management team and attractive industry position.

The overweight position in diversified retailer Woolworths (-6.0%) detracted from relative performance. The stock fell upon release of the company's full-year financial results. Despite reporting a 12.5% increase in net profit to $1.72b, with total sales from continuing operations up 3.4% to $56.7b, the results underwhelmed the market. The weaker-than-expected results were attributed to softer fourth-quarter sales due to the plastic bag ban and Coles' Little Shop miniature collectables promotion. The Fund continues to hold the stock due to its leading position within its industry and its attractive investment opportunity over the medium term.

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.

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CONSERVATIVE GROWTH FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Conservative Growth Fund	353.35	-0.19	1.39	3.03	4.99	4.38	4.54	4.85	6.56
Benchmark*		-0.33	1.44	3.86	6.57	5.09	5.39	5.72	6.46

* Conservative Growth Index

MARKET COMMENTARY

Following a year of outstanding synchronised growth in 2017, the global economy can be characterised by sharp divergence in 2018. Developed economies continue to perform well with economic growth above trend, even if it has slowed somewhat from the peak. The standout performer has been the US economy, which has been turbo charged by the Trump Administration's tax cuts. Economic growth was very strong at over 4% in the second quarter and appears to have only slowed marginally in the third quarter. Strong growth plus corporate tax cuts is supporting fantastic growth in company profits (25% in Q2 and forecast to be 19% in Q3) and the US share market traded to new all-time highs late in September.

The Australian economy has proved once again to be very resilient, supported by strong population growth, booming infrastructure spending and robust resource export growth. The housing market as well as the performance of the Chinese economy are key risks for the Australian economic outlook and we continue to expect that the Reserve Bank will remain sidelined for an extended period.

At the same time as developed economies are generally performing well, some emerging markets have entered full blown crises in the past quarter. In particular, the Turkish Lira and the Argentinian Peso fell by 24% and 30% respectively in the September quarter and both have halved this year against the US dollar. Both economies have significant imbalances and as liquidity conditions have tightened this year they have been very vulnerable to capital outflows. The impact has been felt across many emerging markets with economies such as Brazil, South Africa and India all exposed to varying degrees due to imbalances in their respective economies. The other notable casualty has been European banks due to their exposure to Turkish corporates in particular. We are most worried about the Turkish crisis as external debt volumes there are very large and they have a 'strong man' leader who is likely to continue to resist the required policy prescriptions. In Argentina they are trying to do the 'right thing' but whether they can take the electorate with them remains an open question.

The upshot is that the US Federal Reserve (the Fed) has increased conviction that their proposed tightening path (which has the cash rate increasing to 3%% by late next year) is correct and market pricing is being recalibrated accordingly. As a result, bond yields increased in the US and in all the major developed markets (including even Japan) over the quarter. Added to this, the quantitative tightening process continues unabated with the European Central Bank (ECB) scaling back their purchases further in early October (prior to the program ending at the end of this year) and the Fed continuing gradually to reduce the size of their balance sheet. Moreover, financial conditions are tightening in many emerging economies as central banks are forced to respond to currency weakness.

Despite the headwinds presented to the market outlook by the tightening of monetary policy, the travails in emerging markets and the trade war, the backdrop for global economic growth remains generally favourable over the next year. This should ultimately underpin equity and credit markets. But this economic and market cycle are very mature and the outlook certainly becomes more challenging in late 2019 when US fiscal policy shifts from the current highly stimulative stance to neutral.

PORTFOLIO COMMENTARY

The Conservative Growth Fund marginally underperformed its benchmark during the quarter.

Overall, the portfolio is positioned to maintain exposure in risk rallies, while buying protection when and where it is cheapest to protect against both risk off and idiosyncratic events. This reflects our view that central bank policy withdrawal and declining 12-month forward earnings growth expectations will present challenges for risk markets in the backend of 2018 and into 2019. The portfolio is marginally underweight developed market equities and emerging market equities has been reduced to moderately underweight, amid signs that China's nominal growth has further to slow.

The portfolio remains underweight duration as one of the key supports for government bonds, namely central bank asset purchases, is set to ease back. Moreover, in a synchronised global upswing the pressure will be for higher interest rates. In addition, exposure to relative value positions remains elevated including currency positioning. The Fund also has exposure to a systematic trend following strategy alongside some selective exposure to downside protection, including an Australian credit default swap which will protect the portfolio in the event of a repricing of this risk.

In terms of relative performance, stock selection within our value orientated large cap Australian equity exposures served to enhance returns realised relative to the broader domestic market. From a style perspective we remain confident in our value biased allocations. The low interest rate settings of the current investment environment previously resulted in an underappreciation of market risks, which led companies with strong balance sheets to be overlooked and little consideration given to the price paid for securities. Over the past quarter, this previously observed preference for growth over value stocks has inverted. Ultimately through the long term, fundamentals determine share prices. The discipline of investing in quality businesses at good prices and avoiding the irrational exuberance seen in some pockets of the market will serve the portfolio well looking ahead.

In terms of our global equities allocation, stock selection within Perpetual's Global Share Fund detracted from relative performance, however our underweight exposure to emerging market equities combined with positive alpha from stock selection within our selected allocation was positive for relative performance. Active currency management was also positive.

OUTLOOK

While the performance of key global economies has become more uneven, company profits are still growing which will provide ongoing support for equity and credit markets. Of course, it is also putting upward pressure on interest rates. In addition, the liquidity backdrop for markets is becoming ever more challenging as central banks begin to wind back the extreme policy settings of recent years.

Against this backdrop, we retain a cautious approach to portfolio construction. The Fund retains a diversified exposure to various equity, credit and unlisted markets. The portfolio remains underweight duration. Relative value positions are elevated including exposure to equity alpha, foreign currency positioning (exposure to a range of foreign currencies in preference to the Australian dollar including the US dollar, Japanese Yen and Emerging Market currencies) as well as a systematic trend following strategy.

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DIVERSIFIED GROWTH FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Diversified Growth Fund	123.65	-0.22	2.01	4.39	6.71	6.08	6.01	5.95	8.30
Benchmark*		-0.37	2.04	5.56	8.94	7.60	7.48	7.40	8.52

* Moderate Growth Index

MARKET COMMENTARY

Following a year of outstanding synchronised growth in 2017, the global economy can be characterised by sharp divergence in 2018. Developed economies continue to perform well with economic growth above trend, even if it has slowed somewhat from the peak. The standout performer has been the US economy, which has been turbo charged by the Trump Administration's tax cuts. Economic growth was very strong at over 4% in the second quarter and appears to have only slowed marginally in the third quarter. Strong growth plus corporate tax cuts is supporting fantastic growth in company profits (25% in Q2 and forecast to be 19% in Q3) and the US share market traded to new all-time highs late in September.

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The upshot is that the US Federal Reserve (the Fed) has increased conviction that their proposed tightening path (which has the cash rate increasing to 3%% by late next year) is correct and market pricing is being recalibrated accordingly. As a result, bond yields increased in the US and in all the major developed markets (including even Japan) over the quarter. Added to this, the quantitative tightening process continues unabated with the European Central Bank (ECB) scaling back their purchases further in early October (prior to the program ending at the end of this year) and the Fed continuing gradually to reduce the size of their balance sheet. Moreover, financial conditions are tightening in many emerging economies as central banks are forced to respond to currency weakness.

Despite the headwinds presented to the market outlook by the tightening of monetary policy, the travails in emerging markets and the trade war, the backdrop for global economic growth remains generally favourable over the next year. This should ultimately underpin equity and credit markets. But this economic and market cycle are very mature and the outlook certainly becomes more challenging in late 2019 when US fiscal policy shifts from the current highly stimulative stance to neutral.

PORTFOLIO COMMENTARY

The Diversified Growth Fund marginally underperformed its benchmark during the quarter.

Overall, the portfolio is positioned to maintain exposure in risk rallies, while buying protection when and where it is cheapest to protect against both risk off and idiosyncratic events. This reflects our view that central bank policy withdrawal and declining 12-month forward earnings growth expectations will present challenges for risk markets in the backend of 2018 and into 2019. The portfolio is marginally underweight developed market equities and emerging market equities has been reduced to moderately underweight, amid signs that China's nominal growth has further to slow.

The portfolio remains underweight duration as one of the key supports for government bonds, namely central bank asset purchases, is set to ease back. Moreover, in a synchronised global upswing the pressure will be for higher interest rates. In addition, exposure to relative value positions remains elevated including currency positioning. The Fund also has exposure to a systematic trend following strategy alongside some selective exposure to downside protection, including an Australian credit default swap which will protect the portfolio in the event of a repricing of this risk.

In terms of relative performance, stock selection within our value orientated large cap Australian equity exposures served to enhance returns realised relative to the broader domestic market. From a style perspective we remain confident in our value biased allocations. The low interest rate settings of the current investment environment previously resulted in an underappreciation of market risks, which led companies with strong balance sheets to be overlooked and little consideration given to the price paid for securities. Over the past quarter, this previously observed preference for growth over value stocks has inverted. Ultimately through the long term, fundamentals determine share prices. The discipline of investing in quality businesses at good prices and avoiding the irrational exuberance seen in some pockets of the market will serve the portfolio well looking ahead.

In terms of our global equities allocation, stock selection within Perpetual's Global Share Fund detracted from relative performance, however our underweight exposure to emerging market equities combined with positive alpha from stock selection within our selected allocation was positive for relative performance. Active currency management was also positive.

OUTLOOK

While the performance of key global economies has become more uneven, company profits are still growing which will provide ongoing support for equity and credit markets. Of course, it is also putting upward pressure on interest rates. In addition, the liquidity backdrop for markets is becoming ever more challenging as central banks begin to wind back the extreme policy settings of recent years.

Against this backdrop, we retain a cautious approach to portfolio construction. The Fund retains a diversified exposure to various equity, credit and unlisted markets. The portfolio remains underweight duration. Relative value positions are elevated including exposure to equity alpha, foreign currency positioning (exposure to a range of foreign currencies in preference to the Australian dollar including the US dollar, Japanese Yen and Emerging Market currencies) as well as a systematic trend following strategy.

To take advantage of the re-emergence of very low volatility in equity markets, the Fund owns a put option on the US equity market and a long dated Australian dollar put versus the US dollar (in addition to the foreign currency positions outlined above). Finally, the Fund also has a position in Australian sovereign credit default swap which will protect the portfolio in the event of a repricing of this risk.

Perpetual

DIVERSIFIED INCOME FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Diversified Income Fund	1,260.10	0.25	0.94	1.18	3.14	4.05	4.02	3.96	4.79
Benchmark*		0.16	0.52	1.01	1.87	1.82	1.94	2.19	2.62

* Bloomberg AusBond Bank Bill Index

PORTFOLIO COMPOSITION

CORE COMPONENT RATINGS	91.62%
Cash	9.76%
AAA	18.64%
AA	5.12%
A	16.18%
BBB	41.92%
PLUS COMPONENT BREAKDOWN	**8.38%**
BB	6.23%
B	-0.66%
CCC	-0.20%
CC	0.00%
C	-0.04%
D	0.00%
Unrated *	3.04%

MARKET COMMENTARY

Cash bond spreads were mixed over the September quarter. The prospects of a trade war between the United States and China weighed heavily on market sentiment. These fears were tempered by robust economic data prints and strong US earnings season results.

Domestic spreads drifted wider early in the quarter, underpinned by an escalation of protectionist policies by the US administration and the associated ramifications this may have on the global economy. Positive economic activity indicators alongside robust US reporting season announcements served to temper spread widening. Fears relating to an upheaval in the Italian political system also occupied investors minds. Global bonds sold off towards quarter end, as US economic data continued to improve.

While statements alluding to protectionist policies underpinned episodes of volatility across risk assets, overarching fundamentals remained supportive of credit. Both domestic and offshore economic data prints were resilient. As the quarter progressed major bank spreads tightened in the short end while corporates were mixed. Domestic issuance far exceeded prior period equivalents, however sufficient demand in the domestic cash bond market absorbed elevated supply volumes with muted impact on broader spread levels.

PORTFOLIO COMMENTARY

The Diversified Income Fund outperformed its benchmark during the quarter.

The portfolio continued to collect running income in excess of the benchmark across all corporate and collateralised sectors. This contribution from positive carry was mainly associated with portfolio exposure to corporates and the significant exposure to domestic and offshore banks and financials. The recent increase in short term reference rates has boosted the running yield of the portfolio.

Credit spread dynamics were mixed but contributed positively to overall performance. Despite large volumes of issuance to the domestic market and continued geopolitical uncertainty, cash bond spreads were broadly resilient to these events. Banks and financials tightened modestly, particularly at shorter maturities, while spreads of corporates were mixed.

Portfolio positioning was actively managed. In line with a positive credit score, portfolio exposure to credit was increased with a preference for securities higher up both the credit ratings and capital structure assumed. Portfolio weighted average life has been marginally lengthened and cash continues to be deployed to opportunities viewed as appropriate from a risk-reward perspective.

The portfolio was active in the primary market, including taking a position in the floating rate tranche of NAB's five year domestic deal at three month BBSW +93bps. The portfolio was also active in the securitised primary market, including buying a higher rated tranche of the 'Liberty Series 2018-3' A$750m RMBS transaction. Alongside this, secondary market purchases included attractive relative value opportunities observed in banks, financials and corporates – both domestic and offshore.

OUTLOOK

The outlook for credit remained positively biased during the quarter. Strength in the macroeconomic outlook remains a key support for the prospect of tighter spreads. This is underpinned by the persistent positive bias observed across prominent economic indicators. Credit fundamentals in both the investment grade and high yield spaces are robust, supported by constructive global economic activity data. Broader market metrics are also supportive.

Valuation indicators are benign. While elevated swap spreads and tighter offshore high yield spreads recently resulted in a negative bias for valuations, these have normalised with much lower volatility resulting in spreads being rangebound. Relative valuations have also pared back from being negatively biased recently, while both domestic and offshore cash bonds continue to trade tight of their long-term averages in the investment grade space.

Supply and demand dynamics are modestly negative. Strength in demand served to absorb the initial elevated volumes of recent new issuance in the domestic market, with the impact on spread levels muted. These increased primary volumes also put a floor under any meaningful near-term tightening expectations. More recent demand for new issuance has become somewhat lacklustre whereas secondary demand remains robust.

Although the fundamental backdrop of a robust economic environment remains positive for credit, we remain vigilant regarding the fragility of the geopolitical landscape. Rising trade friction typically threatens to dampen global economic growth. Uncertainty around rising interest rates and the pace of unwind of quantitative easing in place is also apparent. Whilst remaining mindful of the strength in macroeconomic indicators, we continually monitor information flows that may influence market sentiment. In such situations, we retain sufficient flexibility to appropriately and actively manage portfolio risk exposures.

Perpetual

DIVERSIFIED REAL RETURN FUND CLASS W

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Diversified Real Return Fund Class W	413.84	-0.30	1.42	2.55	4.46	4.87	4.96	5.49	7.40
Benchmark*		N/A	0.00	0.36	1.44	1.63	1.52	1.67	1.79

* The Diversified Real Return Fund is constructed without reference to any benchmark. CPI is for comparison purposes only.

MARKET COMMENTARY

Following a year of outstanding synchronised growth in 2017, the global economy can be characterised by sharp divergence in 2018. Developed economies continue to perform well with economic growth above trend, even if it has slowed somewhat from the peak. The standout performer has been the US economy, which has been turbo charged by the Trump Administration's tax cuts. Economic growth was very strong at over 4% in the second quarter and appears to have only slowed marginally in the third quarter. Strong growth plus corporate tax cuts is supporting fantastic growth in company profits (25% in Q2 and forecast to be 19% in Q3) and the US share market traded to new all-time highs late in September.

The Australian economy has proved once again to be very resilient, supported by strong population growth, booming infrastructure spending and robust resource export growth. The housing market as well as the performance of the Chinese economy are key risks for the Australian economic outlook and we continue to expect that the Reserve Bank will remain sidelined for an extended period.

At the same time as developed economies are generally performing well, some emerging markets have entered full blown crises in the past quarter. The impact has been felt across many emerging markets with economies such as Brazil, South Africa and India all exposed to varying degrees due to imbalances in their respective economies. In addition, the Chinese economy has slowed as the crack down on the shadow banking sector is biting. The Chinese authorities continue to ease other arms of policy in response, but to no avail at this stage.

The upshot is that the US Federal Reserve (the Fed) has increased conviction that their proposed tightening path (which has the cash rate increasing to 3%% by late next year) is correct and market pricing is being recalibrated accordingly. As a result, bond yields increased in the US and in all the major developed markets (including even Japan) over the quarter. Added to this, the quantitative tightening process continues unabated with the European Central Bank (ECB) scaling back their purchases further in early October (prior to the program ending at the end of this year) and the Fed continuing gradually to reduce the size of their balance sheet. Moreover, financial conditions are tightening in many emerging economies as central banks are forced to respond to currency weakness.

There were also bearish developments on the growing trade war between the US and China. The situation is made more fraught by the growing strategic rivalry between the two countries as China challenges the long standing US hegemony. Despite the headwinds presented to the market outlook by the tightening of monetary policy, the travails in emerging markets and the trade war, the backdrop for global economic growth remains generally favourable over the next year. This should ultimately underpin equity and credit markets. But this economic and market cycle are very mature and the outlook certainly becomes more challenging in late 2019 when US fiscal policy shifts from the current highly stimulative stance to neutral.

PORTFOLIO COMMENTARY

The Diversified Real Return Fund is constructed without reference to any benchmark. CPI is used for comparison purposes only.

The Fund retains exposure to a diversified range of growth assets. The Fund's exposure to growth assets remains diversified across asset classes and markets. Alongside this, the Fund retains a high allocation to diversifying opportunities reflecting the combination of generally expensive valuations for growth assets (limiting the opportunities in return seeking) and attractive relative value opportunities. A feature of this cycle has been the cheapness of options across asset classes as investors continue to search for any yield pick-up in an extraordinarily low interest rate environment. Even after the surge in equity volatility in February (following the spectacular demise of a product which systematically sold volatility), equity volatility quickly fell again and short dated put options continue to provide attractive insurance against a significant market correction. The Fund has re-established a position in these options. The Fund has a position in Australian sovereign credit default swap which will protect the portfolio in the event of a repricing of this risk. And the Fund has maintained a modest duration position in Australian government bonds as it has become clearer that the Reserve Bank of Australia is a long way from tightening monetary policy. Inflation pressures are finally beginning to stir, and we continue to expect some further modest increases in global inflation over coming quarters. But inflation is expected to remain well contained. Nonetheless, the Fund retains an exposure to a basket of energy and agricultural commodities which tend to perform well in a rising inflation environment. In addition, the Fund's vulnerability to higher interest rates is quite limited (due to very low exposure to global government bonds and interest rate sensitive growth assets). Other inflation hedges in the portfolio are indirect (from exposures in industrial property and equities).

The major contributors to performance in the quarter included exposure to developed market equities. Stock selection within our value orientated large cap Australian equity exposures served to enhance returns realised relative to the broader domestic market. Allocations to other internally managed equity exposures including Perpetual's Global Share Fund were also positive, in addition to our value biased US equity exposure. Active management of currency options favouring the US dollar added to returns, which included taking some profits (but maintaining an exposure) to a put option on the Australian dollar.

OUTLOOK

While the performance of key global economies has become more uneven, company profits are still growing which will provide ongoing support for equity and credit markets. Of course, it is also putting upward pressure on interest rates. In addition, the liquidity backdrop for markets is becoming ever more challenging as central banks begin to wind back the extreme policy settings of recent years.

Against this backdrop, we retain a cautious approach to portfolio construction with continued high cash weightings. The Fund retains a diversified exposure to various equity, credit and unlisted markets. As a counter balance to high cash weightings, relative value positions are elevated including exposure to equity alpha, foreign currency positioning (exposure to a range of foreign currencies in preference to the Australian dollar including the US dollar, Japanese Yen and a range of emerging market currencies) a long position in Australian bonds versus US bonds as well as a systematic trend following strategy.

To take advantage of the re-emergence of very low volatility in equity markets, the Fund owns a put option on the US equity market and a long dated Australian dollar put versus the US dollar (in addition to the foreign currency positions outlined above). Finally, the Fund also has a position in Australian sovereign credit default swap which will protect the portfolio in the event of a repricing of this risk.

DYNAMIC FIXED INCOME FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Dynamic Fixed Income Fund	15.70	-0.01	0.73	0.99	2.72	3.31	3.40	3.93	4.83
Benchmark*		-0.13	0.53	1.19	2.80	1.65	2.40	3.24	3.65

* 50% Bloomberg AusBond Composite Index / 50% Bloomberg AusBond Bank Bill Index

PORTFOLIO COMPOSITION

CORE COMPONENT RATINGS	93.40%
Cash	13.62%
AAA	21.31%
AA	9.04%
A	19.14%
BBB	30.30%
PLUS COMPONENT BREAKDOWN	**6.60%**
BB	3.08%
B	0.25%
CCC	0.00%
CC	0.00%
C	0.00%
D	0.00%
Unrated	3.27%

MARKET COMMENTARY

Cash bond spreads were mixed over the September quarter. The prospects of a trade war between the United States and China weighed heavily on market sentiment. These fears were tempered by robust economic data prints and strong US earnings season results.

Domestic spreads drifted wider early in the quarter, underpinned by an escalation of protectionist policies by the US administration and the associated ramifications this may have on the global economy. Positive economic activity indicators alongside robust US reporting season announcements served to temper spread widening. Fears relating to an upheaval in the Italian political system also occupied investors minds. Global bonds sold off towards quarter end, as US economic data continued to improve.

While statements alluding to protectionist policies underpinned episodes of volatility across risk assets, overarching fundamentals remained supportive of credit. Both domestic and offshore economic data prints were resilient. As the quarter progressed major bank spreads tightened in the short end while corporates were mixed. Domestic issuance far exceeded prior period equivalents, however sufficient demand in the domestic cash bond market absorbed elevated supply volumes with muted impact on broader spread levels.

Monetary policy settings remained accommodative across most major offshore economies, while any changes were well telegraphed. The Reserve Bank of Australia (RBA) maintained their ongoing dovish tone, leaving interest rates at 1.5% while indicating that current monetary conditions are appropriate and supportive of the growth objectives of the domestic economy.

PORTFOLIO COMMENTARY

The Dynamic Fixed Income Fund outperformed its benchmark during the quarter.

The portfolio collected strong running income across all corporate and collateralised sectors, primarily associated with large portfolio exposures to corporates alongside banks and financials, both domestic and offshore. The recent increase in short term reference rates has boosted the running yield of the portfolio.

Credit spread dynamics were mixed but contributed positively to overall performance. Despite large volumes of issuance to the domestic market and continued geopolitical uncertainty, cash bond spreads were broadly resilient to these events. Banks and financials tightened modestly, particularly at shorter maturities, while spreads of corporates were mixed.

Portfolio duration was actively managed over the period in line with signalling from our proprietary tactical asset allocation model. This is used to determine valuation, economic cycle and technical indicators, with appropriate duration positioning based on the cumulative result of each of these signals. While valuations have remained negative, cycle and technical indicators were more volatile. As such, portfolio duration ended the period broadly in line with the strategic target duration of two years.

OUTLOOK

The outlook for credit remained positively biased during the quarter. Strength in the macroeconomic outlook remains a key support for the prospect of tighter spreads. This is underpinned by the persistent positive bias observed across prominent economic indicators. Credit fundamentals in both the investment grade and high yield spaces are robust, supported by constructive global economic activity data. Broader market metrics are also supportive.

Valuation indicators are benign. While elevated swap spreads and tighter offshore high yield spreads recently resulted in a negative bias for valuations, these have normalised with much lower volatility resulting in spreads being rangebound. Relative valuations have also pared back from being negatively biased recently, while both domestic and offshore cash bonds continue to trade tight of their long-term averages in the investment grade space.

Supply and demand dynamics are modestly negative. Strength in demand served to absorb the initial elevated volumes of recent new issuance in the domestic market, with the impact on spread levels muted. These increased primary volumes also put a floor under any meaningful near-term tightening expectations. More recent demand for new issuance has become somewhat lacklustre whereas secondary demand remains robust.

Although the fundamental backdrop of a robust economic environment remains positive for credit, we remain vigilant regarding the fragility of the geopolitical landscape. Rising trade friction typically threatens to dampen global economic growth. Uncertainty around rising interest rates and the pace of unwind of quantitative easing in place is also apparent. Whilst remaining mindful of the strength in macroeconomic indicators, we continually monitor information flows that may influence market sentiment. In such situations, we retain sufficient flexibility to appropriately and actively manage portfolio risk exposures.

ETHICAL SRI FUND

Perpetual

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Ethical SRI Fund	1,289.85	-2.44	-0.22	5.05	6.52	5.49	9.81	8.15	14.71
Benchmark*		-1.19	1.50	9.99	14.03	11.50	12.16	8.19	11.16

* S&P/ASX 300 Accumulation Index

TOP 10 STOCKS

STOCK NAME	%
Westpac Banking Corporation	7.47
ANZ Banking Group Ltd.	7.46
Shire PLC	5.67
Qube Holdings Ltd.	4.81
Bega Cheese Limited	4.78
National Australia Bank Limited	4.69
Reece Limited	3.76
Incitec Pivot Limited	3.58
AGL Energy Limited	3.55
Medibank Private Ltd.	3.46
TOTAL	**49.23**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Accumulation Index gaining 1.5%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks.

Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-1.2%) and Consumer Staples (-1.0%). As a whole, industrial stocks (+1.7) outperformed resource stocks (+0.6%) and large cap stock (+1.2%) outperformed small cap stocks (+1.1%). Value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Ethical SRI Fund significantly underperformed its benchmark during the quarter.

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, biopharmaceutical company Shire Plc., and logistics company Qube Holdings. The fund's largest underweight positions include BHP Billiton (not held), CSL and Commonwealth Bank of Australia (not held).

Stock Contributors

The overweight position in logistics company Qube Holdings (+15.3%) contributed to relative performance. The stock climbed over the quarter upon reports that the company had recommenced negotiations with rail freight operator Aurizon, over the purchase of their Queensland intermodal freight business which was initially rejected earlier in the year. Qube submitted a revised bid for the assets in anticipation of anti-competitive regulations prohibiting the sale of the assets to other interested parties.

The overweight position in biopharmaceutical company Shire Plc (+9.4%) contributed to relative performance. The stock finished the quarter higher after being granted marketing authorisation in the EU for its Veyvondi treatment that is used for adults with Von Willebrand disease. The stock was further boosted after Shire filed a lawsuit against CSL alleging that CSL's Haegarda treatment infringed upon one of their patents. Shire is seeking a sales injunction and royalty compensation from CSL in regards the infringement.

Stock Detractors

The overweight position in plumbing supplies company Reece Ltd. (-10.4%) detracted from relative performance. The stock sold off during the quarter on the back of a weaker than expected full year financial results. Revenue was reported at $2.69b vs consensus of $2.62b, and EBITDA of A$378.0m (missing consensus expectations of A$381.2m). despite the results, Reece stated that activity levels are above long-term averages for both dwelling approvals and non-residential commencements. The fund continues to hold the stock as Reece remains a high-quality business with consistent and sustainable earnings growth.

The overweight position in dairy producer Bega Cheese (-7.4%) detracted from relative performance. The stock fell following the completion of a A$200m institutional placement at $7.20 per share, with a further $50m to be raised from existing shareholders via a share purchase plan. The funds are to be used to reduce the company's debt that was raised for the purchase of Saputo Dairy Australia's dairy processing facility in Koroit. The fund continues to hold the stock as we believe the company is currently trading at a discount to its fair value.

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.

GEARED AUSTRALIAN SHARE FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Geared Australian Share Fund	596.47	-1.63	6.20	21.00	24.80	15.10	17.86	8.72	18.43
Benchmark*		-1.19	1.50	9.99	14.03	11.50	12.16	8.19	11.16

* S&P/ASX 300 Accumulation Index

TOP 10 STOCKS

STOCK NAME	%
Commonwealth Bank of Australia	8.65
Westpac Banking Corporation	6.84
Suncorp Group Limited	5.27
BHP Billiton Limited	4.98
Tabcorp Holdings Limited	4.59
Woolworths Group Ltd	4.31
Medibank Private Ltd.	4.30
Incitec Pivot Limited	3.85
New Hope Corporation Limited	3.62
Viva Energy Group Ltd.	3.55
TOTAL	**49.96**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Accumulation Index gaining 1.5%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks.

Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-1.2%) and Consumer Staples (-1.0%). As a whole, industrial stocks (+1.7) outperformed resource stocks (+0.6%) and large cap stock (+1.2%) outperformed small cap stocks (+1.1%). Value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Geared Australian Fund significantly outperformed its benchmark during the quarter.

The Fund's largest overweight positions include banking and financial services provider Commonwealth Bank of Australia, and banking, insurance and superannuation provider Suncorp Group, and wagering and gaming company Tabcorp Holdings. The Fund's largest underweight positions include CSL, Macquarie Group (not held) and Transurban Group (not held).

Stock Contributors

The overweight position in coal miner New Hope Corporation (+32.1%) contributed to relative performance. The stock rallied on the back of its full-year financial result as the company reported statutory net profit after tax at the upper end of its guidance at A$149.5m, and revenue of $1.08b vs consensus of $1.05b. The stock was further assisted by the purchase of an additional 40% interest in Wesfarmers' Bengalla thermal coal mine joint venture for A$860m. The purchase brings New Hope's share in the mine to ~80%.

The overweight position in wagering and gaming company Tabcorp Holdings (+11.5%) contributed to relative performance. The stock finished the quarter higher on reports that Tabcorp was the lead contender to purchase the commercial operating rights of New Zealand wagering company TAB. Reports suggest that TAB, which is owned by the New Zealand Government is amenable to approve a deal.

Stock Detractors

The overweight position in diversified retailer Woolworths (-6.0%) detracted from relative performance. The stock fell upon release of the company's full-year financial results. Despite reporting a 12.5% increase in net profit to $1.72b, with total sales from continuing operations up 3.4% to $56.7b, the results underwhelmed the market. The weaker-than-expected results were attributed to softer fourth-quarter sales due to the plastic bag ban and Coles' Little Shop miniature collectables promotion. The Fund continues to hold the stock due to its leading position within its industry and its attractive investment opportunity over the medium term.

The overweight position in construction and building materials company Fletcher Building Ltd. (-6.1%) detracted from relative performance. The stock fell on the back of softer-than-expected full-year financial results. Despite revenue increasing 3% year-on-year to NZ$764m, EBIT fell 13% to NZ$132m, with a net earnings loss of NZ$60m. The weaker results were attributed to impairment charges from the consolidation of Fletcher's Australian operations and from cost increases relating to their commercial construction unit. The fund continues to hold the stock as we believe the streamlining of the business will see significant upside realised over time.

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 has 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.

Perpetual

GLOBAL SHARE FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Global Share	266.71	-2.00	2.32	7.38	13.16	17.14	10.62	-	-
Benchmark*		0.51	7.20	13.22	20.63	17.91	12.42	-	-

* MSCI World Net Total Return ($A)

TOP 5 STOCKS

STOCK NAME	COUNTRY	%
Nomad Foods Ltd.	United Kingdom	4.90
Nintendo Co., Ltd.	Japan	3.94
Mondelez International, Inc. Class A	United States	3.90
Bayer AG	Germany	3.89
China Life Insurance Co. Ltd. Class H	China	3.88
TOTAL		**20.51**

MARKET COMMENTARY

Global markets as a whole finished higher over the September quarter as the MSCI World Accumulation index gained 7.2% 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 World Accumulation Index, were Health Care (+13.9%), Information Technology (+10.4%) and Industrials (+8.4%). The worst performers were Real Estate (+1.1%), Materials (+1.6%) and Energy (+2.9%). 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 Global Share Fund significantly underperformed its benchmark during the quarter.

The Fund's largest overweight positions include frozen foods producer Nomad Foods Ltd., health and life insurer China Life Insurance Co. Ltd, and video game and console developer Nintendo. The Fund's largest underweight positions include Microsoft, Amazon and Apple, all of which are not held in the fund.

Stock Contributors

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 electronic payment and transaction provider Euronet Worldwide (+22.1%) contributed to relative performance. The stock rose on the back of the company's June-quarter financial results. Total revenue of US$622m for the quarter exceeded consensus of $619m, driven by higher money transfer revenue, though partly offset by lower Epay revenue. Earnings per share were in line with consensus at US$1.32, assisted by the higher revenue and operating profit. Third-quarter earnings per share guidance of US$2.10 also exceeded expectations of US$1.99.

Stock Detractors

The overweight position in Chinese social-media platform YY Inc. (-25.1%) 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.

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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 and retain a cash buffer to deploy into opportunities as they arise.

GLOBAL SHARE FUND HEDGED

Perpetual

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Global Share Fd Hedged	19.63	-1.78	1.02	3.80	6.04	14.57	-	-	-
Benchmark*		0.79	5.50	9.46	12.90	16.10	-	-	-

* MSCI World Net Total Return Index hedged to AUD

TOP 5 STOCKS

STOCK NAME	COUNTRY	%
Nomad Foods Ltd.	United Kingdom	4.82
Nintendo Co., Ltd.	Japan	3.88
Mondelez International, Inc. Class A	United States	3.83
Bayer AG	Germany	3.82
China Life Insurance Co. Ltd. Class H	China	3.81
TOTAL		**20.16**

MARKET COMMENTARY

Global markets as a whole finished higher over the September quarter as the MSCI World Accumulation index gained 7.2% 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.

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PORTFOLIO COMMENTARY

The Global Share Fund Hedged significantly underperformed its benchmark during the quarter.

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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.

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 and retain a cash buffer to deploy into opportunities as they arise.

Perpetual

HIGH GRADE TREASURY FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale High Grade Treasury Fund	240.32	0.21	0.69	1.26	2.59	2.91	2.97	3.32	3.99
Benchmark*		0.16	0.52	1.01	1.87	1.82	1.94	2.19	2.62

* Bloomberg AusBond Bank Bill Index

PORTFOLIO COMPOSITION

RATINGS	100%
Cash	10.44%
AAA	33.56%
AA	15.17%
A	20.35%
BBB	20.48%

MARKET COMMENTARY

Cash bond spreads were mixed over the September quarter. The prospects of a trade war between the United States and China weighed heavily on market sentiment. These fears were tempered by robust economic data prints and strong US earnings season results.

Domestic spreads drifted wider early in the quarter, underpinned by an escalation of protectionist policies by the US administration and the associated ramifications this may have on the global economy. Positive economic activity indicators alongside robust US reporting season announcements served to temper spread widening. Fears relating to an upheaval in the Italian political system also occupied investors minds. Global bonds sold off towards quarter end, as US economic data continued to improve.

While statements alluding to protectionist policies underpinned episodes of volatility across risk assets, overarching fundamentals remained supportive of credit. Both domestic and offshore economic data prints were resilient. As the quarter progressed major bank spreads tightened in the short end while corporates were mixed. Domestic issuance far exceeded prior period equivalents, however sufficient demand in the domestic cash bond market absorbed elevated supply volumes with muted impact on broader spread levels.

Monetary policy settings remained accommodative across most major offshore economies, while any changes were well telegraphed. The Reserve Bank of Australia (RBA) maintained their ongoing dovish tone, leaving interest rates at 1.5% while indicating that current monetary conditions are appropriate and supportive of the growth objectives of the domestic economy.

PORTFOLIO COMMENTARY

The High Grade Treasury Fund outperformed its benchmark during the quarter.

The portfolio collected running income in excess of the benchmark across all corporate and collateralised sectors. This strong contribution from positive carry was primarily associated with material portfolio exposures to domestic and offshore banks securities alongside securitised and asset backed structured products. Positive carry served to insulate the fund from spread widening observed in a number of sectors over the course of the quarter.

Credit spread dynamics were mixed and detracted modestly from performance. Despite large volumes of issuance to the domestic market and continued geopolitical uncertainty, cash bond spreads were broadly resilient to these events. Banks and financials tightened modestly, particularly at shorter maturities, while spreads of corporates were mixed.

In terms of positioning, sector allocation was actively managed over the month. Exposure to domestic banks was reduced and offshore banks increased. The portfolio was active in the primary market including taking a position in the floating rate tranche of Svenska Handelsbanken's five-year Kangaroo deal. Attractive relative valuation opportunities were also sought out in the secondary market, with purchases including a priced position in the senior tranche of a securitised product. The running yield at month end was approximately 2.9% with the spread measured at 1.0% above the benchmark.

OUTLOOK

The outlook for credit remained positively biased during the quarter. Strength in the macroeconomic outlook remains a key support for the prospect of tighter spreads. This is underpinned by the persistent positive bias observed across prominent economic indicators. Credit fundamentals in both the investment grade and high yield spaces are robust, supported by constructive global economic activity data. Broader market metrics are also supportive.

Valuation indicators are benign. While elevated swap spreads and tighter offshore high yield spreads recently resulted in a negative bias for valuations, these have normalised with much lower volatility resulting in spreads being rangebound. Relative valuations have also pared back from being negatively biased recently, while both domestic and offshore cash bonds continue to trade tight of their long-term averages in the investment grade space.

Supply and demand dynamics are modestly negative. Strength in demand served to absorb the initial elevated volumes of recent new issuance in the domestic market, with the impact on spread levels muted. These increased primary volumes also put a floor under any meaningful near-term tightening expectations. More recent demand for new issuance has become somewhat lacklustre whereas secondary demand remains robust.

Although the fundamental backdrop of a robust economic environment remains positive for credit, we remain vigilant regarding the fragility of the geopolitical landscape. Rising trade friction typically threatens to dampen global economic growth. Uncertainty around rising interest rates and the pace of unwind of quantitative easing in place is also apparent. Whilst remaining mindful of the strength in macroeconomic indicators, we continually monitor information flows that may influence market sentiment. In such situations, we retain sufficient flexibility to appropriately and actively manage portfolio risk exposures.

INDUSTRIAL SHARE FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Industrial Share Fund	1,955.19	-1.57	0.72	5.13	7.18	7.08	7.50	6.69	12.17
Benchmark*		-2.70	1.74	8.46	10.84	9.10	10.15	8.88	13.89

* S&P/ASX 300 Industrial Accumulation Index

TOP 10 STOCKS

STOCK NAME	%
Commonwealth Bank of Australia	9.89
Woolworths Group Ltd	7.45
Westpac Banking Corporation	6.61
ANZ Banking Group Ltd.	5.38
Suncorp Group Limited	4.77
Star Entertainment Group Limited	4.50
National Australia Bank Limited	4.41
Tabcorp Holdings Limited	4.36
Shire PLC	3.70
Medibank Private Ltd.	2.98
TOTAL	**54.05**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Industrials Accumulation Index gaining 1.7%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks. Aged care related stocks also created a drag on the market as scrutiny for tighter regulations saw the announcement of a royal commission into the industry.

The best performing sectors for the month, as measured from the S&P/ASX 300 Industrials Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-3.0%) and Consumer Staples (-1.0%). As a whole, large cap industrial stocks (+1.5%) underperformed small cap industrial stocks (+3.4%) and value stock (+1.4%) outperformed growth stocks as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Industrial Share Fund underperformed its benchmark during the quarter.

The Fund's largest overweight positions include diversified retailer Woolworths, casino operator Star Entertainment Group, and biopharmaceutical company Shire Plc. The Fund's largest underweight positions include CSL, Wesfarmers (not held) and Macquarie Group (not held).

Stock Contributors

The overweight position in intellectual property and patent firm IPH Ltd. (+38.0%) contributed to relative performance. The stock rallied following the sale of their Filing Analytics Citation Eagle business to CPA Global for A$10m. The sale is expected to generate a profit of $2m with the proceeds to be used to reduce existing debt. The market also reacted positively to IPH's full-year earnings release, which reported a 21% year-on-year increase in revenue to $226m, underlying net profit after tax of $51.9m (in line with consensus of $51.8m) and a 2.3% increase in their FY18 total dividend to 22.5c per share.

The overweight position in wagering and gaming company Tabcorp Holdings (+11.5%) contributed to relative performance. The stock finished the quarter higher on reports that Tabcorp was the lead contender to purchase the commercial operating rights of New Zealand wagering company TAB. Reports suggest that TAB, which is owned by the New Zealand Government is amenable to approve a deal.

Stock Detractors

The overweight position in diversified retailer Woolworths (-6.0%) detracted from relative performance. The stock fell upon release of the company's full-year financial results. Despite reporting a 12.5% increase in net profit to $1.72b, with total sales from continuing operations up 3.4% to $56.7b, the results underwhelmed the market. The weaker-than-expected results were attributed to softer fourth-quarter sales due to the plastic bag ban and Coles' Little Shop miniature collectables promotion. The Fund continues to hold the stock due to its leading position within its industry and its attractive investment opportunity over the medium term.

The overweight position in plumbing supplies company Reece Ltd. (-10.5%) detracted from relative performance. The stock sold off during the quarter on the back of a weaker than expected full year financial results. Revenue was reported at $2.69b vs consensus of $2.62b, and EBITDA of A$378.0m (missing consensus expectations of A$381.2m). despite the results, Reece stated that activity levels are above long-term averages for both dwelling approvals and non-residential commencements. The fund continues to hold the stock as Reece remains a high-quality business with consistent and sustainable earnings growth.

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.

Perpetual

INTERNATIONAL SHARE FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale International Share	127.19	-2.01	2.24	7.32	13.03	17.17	10.58	13.60	15.49
Benchmark*		0.51	7.20	13.22	20.63	17.91	12.42	15.16	17.45

* MSCI World Net Total Return ($A). 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.

TOP 10 STOCKS

STOCK NAME	COUNTRY	%
Nomad Foods Ltd.	United Kingdom	4.89
Nintendo Co., Ltd.	Japan	3.93
Mondelez International, Inc. Class A	United States	3.89
Bayer AG	Germany	3.88
China Life Insurance Co. Ltd. Class H	China	3.86
TOTAL		**20.45**

MARKET COMMENTARY

Global markets as a whole finished higher over the September quarter as the MSCI World Accumulation index gained 7.2% 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.

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PORTFOLIO COMMENTARY

The International Share Fund significantly underperformed its benchmark during the quarter.

The Fund's largest overweight positions include frozen foods producer Nomad Foods Ltd., health and life insurer China Life Insurance Co. Ltd, and video game and console developer Nintendo. The Fund's largest underweight positions include Microsoft, Amazon and Apple, all of which are not held in the fund.

Stock Contributors

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SHARE-PLUS LONG-SHORT FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale SHARE-PLUS Long-Short Fund	1,359.97	-0.17	-0.41	5.28	10.06	9.91	9.49	9.02	13.71
Benchmark*		-1.19	1.50	9.99	14.03	11.50	12.16	8.19	11.16

* S&P/ASX 300 Accumulation Index

TOP 5 STOCKS

STOCK NAME	%
Commonwealth Bank of Australia	8.96
Tabcorp Holdings Limited	6.46
Woolworths Group Ltd	4.87
Oil Search Limited	4.82
New Hope Corporation Limited	4.49
TOTAL	**29.60**

MARKET COMMENTARY

The Australian equity market finished higher over the September quarter with the S&P/ASX 300 Accumulation Index gaining 1.5%. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Twenty-nine percent of reporting companies exceeded their earnings expectations while about twenty-eight percent came in below guidance. Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks. Aged care related stocks also created a drag on the market as scrutiny for tighter regulations saw the announcement of a royal commission into the industry.

Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

The best performing sectors for the month, as measured by the S&P/ASX 300 Accumulation Index, were Telecommunication Services (+25.2%), Information Technology (+9.7%) and Health Care (+4.6%). The worst performers were Utilities (-3.9%), Materials (-1.2%) and Consumer Staples (-1.0%). As a whole, industrial stocks (+1.7) outperformed resource stocks (+0.6%) and large cap stock (+1.2%) outperformed small cap stocks (+1.1%). Value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured from the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The SHARE-PLUS Long-Short Fund underperformed its benchmark during the quarter.

The Fund's largest overweight positions include wagering and gaming company Tabcorp Holdings, coal miner New Hope Corporation, and oil and gas producer Oil Search Ltd. The Fund's largest underweight positions include BHP Billiton, CSL and National Australia Bank. The largest short positions are in selected stocks within the Industrials and Consumer Staples sector.

Stock Contributors

The overweight position in coal miner New Hope Corporation (+32.1%) contributed to relative performance. The stock rallied on the back of its full-year financial result as the company reported statutory net profit after tax at the upper end of its guidance at A$149.5m, and revenue of $1.08b vs consensus of $1.05b. The stock was further assisted by the purchase of an additional 40% interest in Wesfarmers' Bengalla thermal coal mine joint venture for A$860m. The purchase brings New Hope's share in the mine to ~80%.

The overweight position in wagering and gaming company Tabcorp Holdings (+11.5%) contributed to relative performance. The stock finished the quarter higher on reports that Tabcorp was the lead contender to purchase the commercial operating rights of New Zealand wagering company TAB. Reports suggest that TAB, which is owned by the New Zealand Government is amenable to approve a deal.

Stock Detractors

The overweight position in vehicle dealership and logistics company Automotive Holdings Group (-20.1%) detracted from relative performance. The stock fell upon the announcement that Chinese-based HNA International had terminated its A$400m agreement to purchase the company's refrigerated logistics business due to potential liquidity issues faced by HNA. We believe the stock continues to be an attractive investment due to industry consolidation and the normalisation of dealer margins from current historical lows.

The overweight position in retirement village operator Aveo (-16.9%) detracted from relative performance. The stock fell sharply upon the announcement of a royal commission into the aged care industry by prime minister Scott Morrison. The commission will focus on the quality of care provided in residential and home aged-care to seniors and young Australians with disabilities. The announcement comes after increased scrutiny for tighter regulations across the industry. The fund continues to hold the stock as we believe it is now trading at a significant discount to its fair value.

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 has 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.

SMALLER COMPANIES FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Smaller Companies	929.52	-1.19	1.65	5.69	8.69	8.07	12.05	8.98	12.29
Benchmark*		-0.35	1.10	8.86	20.32	11.31	16.97	8.75	6.96

* S&P/ASX Small Ordinaries Accumulation Index

TOP 5 STOCKS

STOCK NAME	%
Brickworks Ltd	5.44
Mineral Resources Limited	4.88
HT&E Ltd	3.82
Bega Cheese Limited	3.47
New Hope Corporation Limited	3.38
TOTAL	**20.99**

MARKET COMMENTARY

The S&P/ASX Small Ordinaries Accumulation Index rose 1.1% over the September quarter. Full-year corporate earnings were reported at the beginning of the quarter as internationally-focussed stocks stood out on the back of strengthening global economic conditions. Commodity prices were mixed over the quarter. Base metals struggled as the London Metals Exchange Index fell 6.5%. Iron ore, however, rallied 7.3% on rising Chinese steel prices. Crude oil 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.

Malcolm Turnbull's loss of party support led to heightened risk sentiment although this was short lived as a leadership spill saw Scott Morrison being appointed Australia's 30th Prime Minster. Continued dry weather conditions and a broader realisation of the severity of the drought on the east coast further constrained agricultural stocks. The Reserve Bank of Australia kept the official cash rate on hold at its record low of 1.5%, maintaining a neutral stance on monetary policy with no change to forward guidance and remaining upbeat with respect to global and domestic economic conditions. Second-quarter GDP climbed 0.9%, and by 3.4% year-on-year, demonstrating the highest year-on-year growth since the third quarter of 2012. The greatest contributors to growth came from household consumption, government spending and net exports.

The best performing sectors for the month, as measured by the S&P/ASX Small Ordinaries Accumulation Index, were Energy (+18.3%), Information Technology (+16.8%) and Health Care (+7.9%). The worst performers were Materials (-15.6%), Consumer Staples (-6.7%) and Utilities (-2.2%). As a whole, small cap industrial stocks (+3.4%) outperformed small cap resource stocks (-6.7%), and value stocks (+2.2%) outperformed growth stocks (+0.9%) as measured by the MSCI Australia Value and MSCI Australia Growth indices, respectively.

PORTFOLIO COMMENTARY

The Smaller Companies Fund outperformed its benchmark during the quarter.

The Fund's largest overweight positions include building products manufacturer Brickworks Ltd., mining services company Mineral Resources Ltd., and Australia and New Zealand media and online publishing company HT&E Ltd. The Fund's largest underweight positions include WorleyParsons Ltd. (not held), Altium (not held) and Washington Soul Pattinson & Co.

Stock Contributors

The overweight position in coal miner New Hope Corporation (+32.1%) contributed to relative performance. The stock rallied on the back of its full-year financial result as the company reported statutory net profit after tax at the upper end of its guidance at A$149.5m, and revenue of $1.08b vs consensus of $1.05b. The stock was further assisted by the purchase of an additional 40% interest in Wesfarmers' Bengalla thermal coal mine joint venture for A$860m. The purchase brings New Hope's share in the mine to ~80%.

The overweight position in Australia and New Zealand media and online publishing company HT&E (+20.7%) contributed to relative performance. The stock rose following the release of strong half-year financial results, reporting revenue from continuing operations of $137m (up 10%), group EBITDA up 28% to $30.4m, and net profit after tax from continuing operations of $13.5m (up from $8.6m on the prior year). The stock price further benefitted during the quarter from the ACCC approval of oOh! Media's proposed acquisition of their Adshel business as well as JCDecaux's purchase of HT&E's APN Outdoor business.

Stock Detractors

The overweight position in integrated infrastructure and engineering company RCR Tomlinson (-52.4%) detracted from relative performance. The stock fell sharply upon release of a disappointing full-year financial result. Despite generating a 58% rise in revenue to $2.0b, underlying EBIT was recorded at -$4.2m and NPAT at -$16.1m. The loss was mainly attributed to $57m of impairment charges relating to cost overruns at RCR's Daydream and Hayman solar farms. A heavily discounted debt capital raising was also announced to overcome the write-down, which was further taken adversely by the market. The fund continues to hold the stock due to its current favourable valuation.

Not holding payment solutions developer Afterpay Touch Group Ltd. (+92.0%) detracted from relative performance. The stock rallied following a trading update by the company, reporting June quarter underlying sales of A$736m, up 171% year-on-year and up 39% quarter-on-quarter. Full FY2018 sales were also reported as increasing 289% on FY2017 to A$2.18b. The sales growth was largely attributed to the significant increase in retailers and service providers signing up to the Afterpay service.

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.

SPLIT GROWTH FUND

September 2018

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Split Growth Fund	48.78	-0.96	3.10	8.03	11.71	12.31	9.15	10.35	13.88
Benchmark*		-0.75	5.09	11.35	16.78	14.48	11.61	12.81	16.25

* Split Growth Benchmark

TOP 10 STOCKS

STOCK NAME	COUNTRY	%
Commonwealth Bank of Australia	Australia	3.86
Woolworths Group Ltd	Australia	2.91
Westpac Banking Corporation	Australia	2.58
ANZ Banking Group Ltd.	Australia	2.10
Suncorp Group Limited	Australia	1.86
Star Entertainment Group Limited	Australia	1.76
National Australia Bank Limited	Australia	1.72
Tabcorp Holdings Limited	Australia	1.70
Shire PLC	United Kingdom	1.49
Nomad Foods Ltd.	United Kingdom	1.46
TOTAL		**21.44**

MARKET COMMENTARY

Global markets ended the quarter higher, closing 5.6% higher in Australia dollar terms, as measured from the MSCI World total return index. Emerging markets (-4.3%) underperformed the developed markets, dragged down by China, as the Shanghai Stock Exchange Composite Index fell 10.1% following trade concerns with the US. The US market outperformed with the S&P 500 rising 3.4%, boosted by US corporate earnings announcements with ~80% exceeding analyst expectations. On-again, off-again talks of import tariffs between the US and their major trading partners amounted to increased market uncertainty and reignited fears of a global trade war. By quarter-end, the US had announced its US$34b worth of Chinese goods to be subject to trade tariffs. China responded saying they would retaliate with tariffs of equal value on US goods (particularly food products) while the European Union imposed tariffs on $US3.4b worth of US products. Early losses in Europe, spurred by heightened political risk throughout Italy and Spain we recouped by the end of the quarter as the Euro Stoxx 50 Index finished 1.0% higher.

Resource stocks rallied on stronger commodity prices. The S&P GSCI Commodities index returned 7.6% and iron ore climbed 9.3%. Global energy stocks were the standout performers as Brent and WTI crude oil gained 12.2% and 14.3% respectively, boosted by supply-side concerns involving trade tensions and disruption in the Middle East as the US imposed tougher sanctions on Iran after pulling out of their nuclear deal. Coal similarly rallied, gaining 18.7%.

The Australian dollar gained ground against most major currencies over the quarter assisted by higher commodity prices, up 1.5% on the Chinese RMB, and up 1.6% and 2.3% against the Euro and British pound, respectively. The AUD, however, fell by 3.6% against the US dollar which rallied on upon tightening monetary policy and solid economic data.

The best performing sectors for the month, as measured by the MSCI World Accumulation Index, were Energy (+17.0%), Information Technology (+9.9%) and Consumer Staples (+8.0%). The worst performers were Financials (-0.6%), Telecommunications (+0.8%) and Industrials (+1.5%).

PORTFOLIO COMMENTARY

The Split Growth Fund underperformed its benchmark during the quarter.

Stock Contributors

The overweight position in diversified retailer Woolworths (+16.1%) contributed to relative performance. The stock price climbed over the quarter on momentum from several analyst upgrades to the company following the release of solid trading results. Woolworths reported third-quarter total continued operational sales of $14.24b vs $13.66b from the previous year, and comparable growth of +3.6% year-on-year.

The overweight position in frozen foods producer Nomad Foods (+26.6%) contributed to relative performance. The company announced that it had entered into an agreement to acquire leading UK frozen foods producer, Aunt Bessie's Ltd., from William Jackson & Son Ltd. for ~ €240m with the intention of further developing their UK portfolio. The acquisition is expected to be funded with debt and cash on hand and is anticipated to be completed during the third quarter of 2018, subject to necessary regulatory approvals.

Stock Detractors

The underweight position in vaccine and biopharmaceutical company CSL (+23.9%) detracted from relative performance. The stock rose after the company provided its full-year FY2018 earnings guidance, reporting net profit after tax of $1.67-$1.71b, an upgrade (at constant currency) on its prior guidance of $1.55-$1.60b, and exceeding consensus expectations of $1.64b. The upgrade was based on a shift in CSL's sales mix to higher-margin products as well as better-than-expected sales of their Idelvion and Haegarda treatments.

The overweight position in online marketplace platform, eBay Inc. (-6.5%), detracted from relative performance. The stock underperformed upon a US Supreme court ruling reversing a 1992 precedent which will now allow states to collect sales taxes on online purchases. The fund continues to hold the stock as the portfolio manager believes the company is on track to improve its core user experience, which is expected to drive further acceleration in growth.

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 and retain a cash buffer to deploy into opportunities as they arise.