

## Wholesale Funds

# PERPETUAL GLOBAL INNOVATION SHARE FUND – CLASS A

June 2019

### FUND FACTS

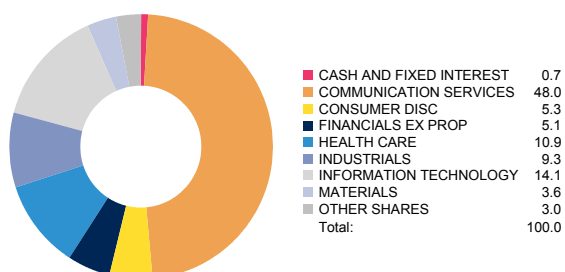
**Investment objective:** Aims to provide investors with long-term capital growth through investment in quality global shares that are benefiting from technological change and innovation.

### FUND BENEFITS

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

<b>Benchmark:</b>	MSCI AC World Net Total Return Index (AUD)
<b>Inception Date:</b>	June 2017
<b>Size of Portfolio:</b>	\$43.21 million as at 30 Jun 2019
<b>APIR:</b>	PER1547AU
<b>Management Fee:</b>	1.25%*
<b>Performance Fee:</b>	20% of outperformance*
<b>Investment style:</b>	Active, fundamental, bottom-up, value
<b>Suggested minimum investment period:</b>	Seven years or longer

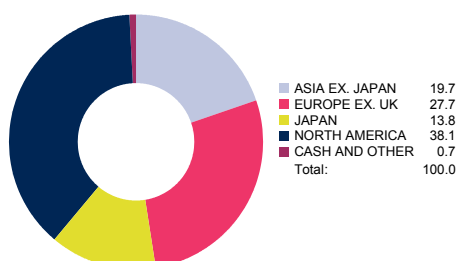
### PORTFOLIO SECTORS



### TOP 5 STOCK HOLDINGS

	% of Portfolio
Siemens AG	6.7%
Walt Disney Company	6.1%
Vivendi SA	5.7%
Alibaba Group Holding Ltd. Sponsored ADR	5.3%
Activision Blizzard, Inc.	4.9%

### PORTFOLIO REGIONS



### NET PERFORMANCE - periods ending 30 June 2019

	Fund	Benchmark	Excess
1 month	4.52	5.20	-0.68
3 months	5.43	4.88	+0.55
FYTD	9.87	11.33	-1.46
1 year	9.87	11.33	-1.46
2 year p.a.	17.79	13.13	+4.66
3 year p.a.	-	-	-
4 year p.a.	-	-	-
5 year p.a.	-	-	-
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	14.06	10.50	+3.56

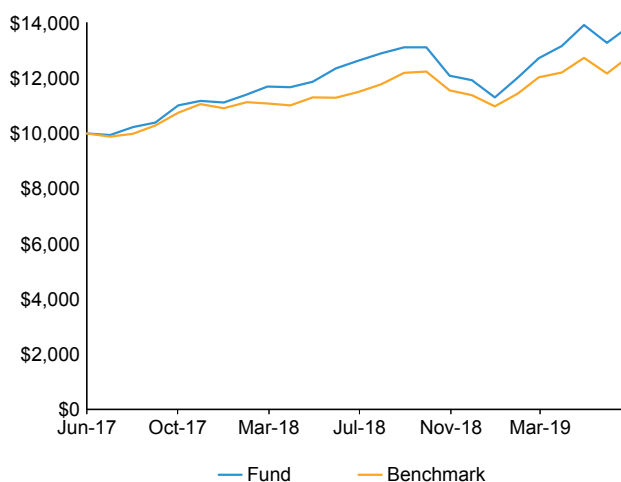
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

### PORTFOLIO FUNDAMENTALS

	Portfolio	Benchmark
Price / Earnings	18.0	15.2
Dividend Yield	2.4%	3.0%
Price / Book	2.3	2.1
Debt / Equity	30.4%	52.1%
Interest cover	25.2	12.4
Return on Equity	12.5%	14.1%

\* source Factset

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



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

## MARKET COMMENTARY

The MSCI All Country World Accumulation Index finished 4.9% higher (in Australian dollar terms) over the June Quarter. Global markets performed well on improving economic data and optimism for a US-China trade deal. Investor sentiment was boosted in the US on stronger corporate earnings releases and expectations of monetary and fiscal stimulus. Improving US jobs numbers saw the unemployment rate hold steady just above a 49-year low at 3.8%, yet expectations of interest rate cut supported the S&P 500 index in gaining 4.3% over the quarter. Positive sentiment, for global markets, however, was dampened as the International Monetary Fund cut its outlook for global growth by 0.2% to 3.3%, representing its lowest level since the financial crisis, on a bleaker outlook across most major advanced economies. Optimism for a US-China trade deal as President Trump and China's President Xi Jinping agreeing to recommence negotiations after the US suspended tariffs on an anticipated US\$300b worth of additional Chinese imports further supported markets towards the end of the quarter.

The UK FTSE 100 posted a modest gain of 3.3% as Prime Minister Teresa May resigned after failing to gain support for her Brexit deal. The Euro Stoxx 50 index rose 3.6% on solid Eurozone retail spending, while the Japanese Nikkei 225 ended relatively flat, up 0.3%. Commodity-related stocks were generally stronger as iron ore strengthened on Brazilian supply issues and increasing Chinese steel demand. Gold had a solid run on expectations of US interest rate cuts amid slowing inflation and stalling global economic growth. However, oil prices were volatile in response to heightened geopolitical tension between the US and Iran, yet recovered towards the end of the quarter.

The best performing sectors for the quarter, as measured from the MSCI All Country World Accumulation Index, were Financials (+7.1%), Information Technology (+6.5%) and Industrials (+5.7%). The worst performers were Energy (+0.1%), Real Estate (+1.7%) and Health Care (+2.5%). As a whole, value stocks (+1.3%) underperformed growth stocks (+4.6%) as measured from the MSCI World Value and MSCI World Growth indices, respectively.

## PORTFOLIO COMMENTARY

The Fund's largest overweight positions include power generation systems producer Siemens AG, telecommunications provider Vivendi, and family entertainment and media enterprise Walt Disney. The Fund's largest underweight positions include Apple (not held), Amazon (not held), and Microsoft.

The overweight position in home entertainment systems developer Nintendo (+30.5%) contributed to relative performance. The stock rallied sharply on reports that Nintendo is considering teaming up with Chinese tech company Tencent to sell their flagship Switch console into the Chinese market. China has relaxed its restrictions on gaming consoles in recent years, allowing the sale of Xbox and Sony's PS4. Reports indicate that a provisional approval was received for the trial sale of Nintendo's New Super Mario Bros game.

The overweight position in video-first communications platform provider Zoom Video Communications (+20.0%) contributed to relative performance. The stock soared during its first quarter as a listed company. Investor enthusiasm and demand for the stock allowed it to trade at a premium to its IPO price after being floated on the Nasdaq during April.

The overweight position in Chinese gaming-video streaming provider Huya (-11.9%) detracted from relative performance. The stock sold-off after the company issued a new US\$327m follow-on share offering at \$24/share. Huya was placed under further pressure as one of its main competitors, Douyu, announced it had filed for an IPO with the anticipation of raising ~US\$500m of equity. The fund continues to hold the stock due to its strong future earnings-growth potential.

The overweight position in Chinese social media company YY (-16.0%) detracted from relative performance. YY's March-quarter financial results reported Non-GAAP net income attributable to controlling interest as slowing to RMB653.5m (US\$96.4 m), down from RMB730.0m year-on-year, while net revenue increased by 47.1% to RMB4,780.6m (US\$705.3 m) from RMB3,248.9m year-on-year. Operating income for the quarter also fell to RMB473.6m (US\$69.9 million) from RMB596.4m with an operating margin of 9.9% (compared to 18.4% last year). The decline was considered primarily due to a decrease in its gross margin and an increase in sales and marketing expenses related in part to the consolidation of its Bigo acquisition. The Fund has significantly increased its position in the stock over the quarter on its strong expected up-side potential.

## OUTLOOK

Market sentiment has moved from "synchronised global growth" to one of caution focused on the macroeconomic headwinds facing the domestic and global economy. Investors are concerned amongst other things by the slowing growth rates in China, geopolitical risks including the impact of trade wars and tightening central bank liquidity. These headwinds and potential risks have been very well telegraphed by the investment community and the media. The timing and severity of any potential economic downturn, if there is in fact one, is difficult to predict. Given that we are looking a little longer term than the next results we try to look through cycles when making investment decisions. What is important though is investing in companies with a robust balance sheet, strong market position and a dynamic management team with proper incentives which will put us in good stead.

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The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au) (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries).

No company in the Perpetual Group guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

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## MORE INFORMATION

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