Wholesale Funds

PERPETUAL WHOLESALE GLOBAL SHARE FUND CLASS A

September 2020

FUND FACTS

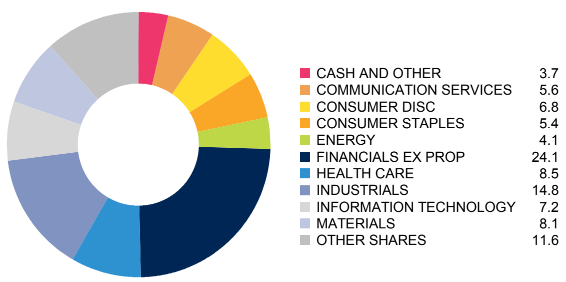
Investment objective: Aims to provide investors with long-term capital growth through investment in quality global shares.

FUND BENEFITS

Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

Benchmark:	MSCI World Net Total Return Index ($A)
Investment Manager:	Barrow, Hanley, Mewhinney & Strauss, LLC
Inception Date:	August 2014
Size of Portfolio:	$229.85 million as at 30 Sep 2020
APIR:	PER0733AU
Management Fee:	0.99%*
Investment style:	Active, fundamental, bottom-up, value
Suggested minimum investment period:	Seven years or longer

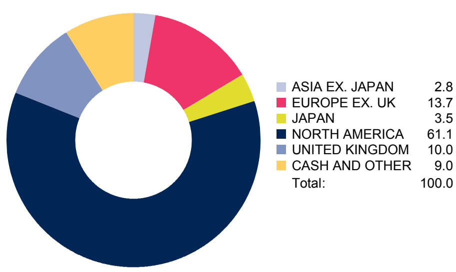
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

	% of Portfolio
Linde plc	4.2%
Comcast Corporation Class A	4.0%
Seven & I Holdings Co., Ltd.	3.5%
Berkshire Hathaway Inc. Class B	3.3%
Oracle Corporation	3.2%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 30 September 2020

Class A has been operating since August 2014. In September 2020, Barrow Hanley, Mewhinney & Strauss, LLC commenced as Investment Manager of the Fund.

	Fund	Benchmark	Excess
1 month	-0.66	-0.38	-0.28
3 months	0.60	3.67	-3.07
FYTD	0.60	3.67	-3.07
1 year	-4.95	3.89	-8.84
2 year p.a.	1.79	6.53	-4.74
3 year p.a.	5.45	11.04	-5.59
4 year p.a.	9.20	12.08	-2.88
5 year p.a.	7.00	10.02	-3.03
7 year p.a.	-	-	-
10 year p.a.	-	-	-
Since incep.	9.45	11.84	-2.39

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

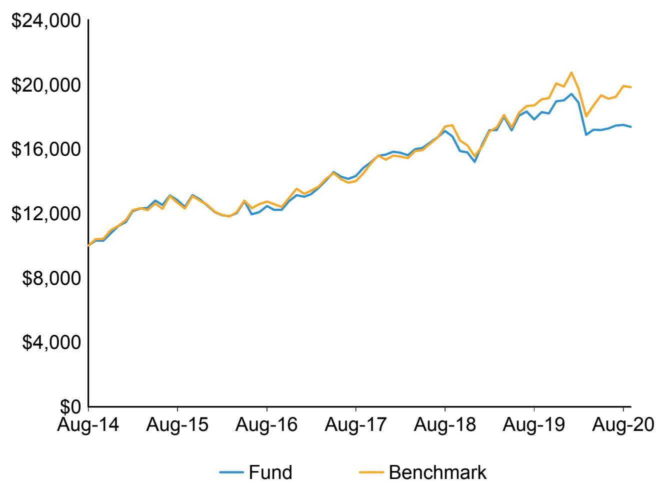
PORTFOLIO FUNDAMENTALS^

	Portfolio	Benchmark
Price / Earnings*	15.1	20.2
Dividend Yield*	3.4%	2.7%
Price / Book	1.3	2.4
Debt / Equity	77.2%	60.8%
Return on Equity*	9.5%	12.6%

^ Portfolio Fundamentals are compiled using our methodology and provided only for the purpose of illustrating the Fund's investment style in action. These figures are forecast estimates, calculated based on consensus broker estimates where available, and should not be relied upon. Dividend Yield is a dividend forecast of underlying securities for the portfolio and does not reflect the distributions to be determined for the fund.

* Forward looking 12-month estimate.

GROWTH OF $10,000 SINCE INCEPTION



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

MARKET COMMENTARY

Global equity markets strengthen over the September-quarter as the MSCI World Net Total Return Index gained +3.7% (in Australian dollar terms). Optimism over the development of a coronavirus vaccine and declining global infection rates boosted market sentiment early in the quarter while the benefits of fiscal and central bank stimulus measures took effect in supporting the recovery of global economic activity. Concerns of a second wave of infections and plateauing economic activity late in the quarter, however, halted market confidence as most developed markets slowed in September, returning some of their earlier gains.

The US S&P500 managed an 8.0% gain on the back of solid June-quarter corporate earnings and strengthening economic activity (including a rebound in employment data) despite election uncertainty and the inability for Congress to agree on a phase 4 coronavirus stimulus package. China saw a continuation of its strong recovery with the MSCI China Price index gaining 11.2%, encouraged by strengthening manufacturing data while shrugging off ongoing trade-deal tensions with the US. The Japanese market also saw modest gains with the Nikkei 225 index finishing the quarter 4.0% higher.

European economic activity indicators remained weak over the quarter, however, showed signs of improvement as EU leaders reached a deal on a €750b stimulus package. A surge of infections forced European economies back into lockdown to combat a second wave, contributing to a 1.3% decline in the Euro Stoxx 50 Index. The German DAX Index also fell 1.4%. Increased risk sentiment in the UK following uncertainty over Brexit trade-deal negotiations similarly saw the UK FTSE 100 finish 1.5% lower.

The best performing sectors for the quarter, as measured from the MSCI World Accumulation Index, were Consumer Discretionary (+11.4%), Information Technology (+7.4%), and Materials (+7.3%). The worst performers were Energy (-19.3%), Financials (-2.2%) and Real Estate (-1.9%). As a whole, value stocks (+2.0%) underperformed growth stocks (+10.3%) as measured from the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions include industrial gasses producer Linde PLC, video, internet, and phone service provider Comcast Corporation, and convenience store operator Seven & I Holdings Co. The Fund's largest underweight positions include Microsoft, Amazon, and Apple, all of which are not held in the fund.

The overweight position in cargo handling solutions provider Cargotec Corp (+30.8%) contributed to relative performance. The stock rallied on a stronger-than-expected June-quarter financial result, reporting EBIT of €43.4m (vs consensus €2.7m) on revenue of €756.0m (vs consensus €667.4m). Despite omitting its 2020 full calendar-year guidance, management noted that its delivery capability and supply chain continues to improve while its productivity improvements will support profitability into the future.
The overweight position in health care services provider HCA Healthcare (+23.4%) contributed to relative performance. The stock rose following a solid June-quarter financial result, reporting EBITDA of US$2.67B (vs consensus of US$1.07b), and EPS of US$3.16 (vs consensus of -US$0.20) with revenue of US$11.07b (vs consensus US$10.09b). Management noted that the better-than-expected results were driven by cost-cutting initiatives and rebounding admissions, as well as support from federal government stimulus initiatives.

The overweight position in financial and administration services provider Equinity Group (-24.6%) detracted from relative performance. The stock fell after the company reported a revenue decline of 11.7% for the first half of 2020, attributed to interest-rate cuts, dividend suspensions, and project delays resulting from the pandemic. Adjusted EBITDA was recorded at £41.5m with an EBITDA margin of 17.1% for the first half (vs. 22.1% in the first half of 2019), reflecting a lower level of higher-margin projects and reduced interest income. Despite the disappointing result we continue to hold the stock as believe it is well-positioned for a strong recovery once the operating environment normalises post-pandemic.
Not holding technology company Apple (+22.1%) detracted from relative performance. The stock rose on the back of its record-breaking June-quarter earnings report, posting Q3 revenue of $US59.7b, exceeding consensus of $US52.3b and up from $US53.8b over the past comparative period. Apple's earnings of $US2.58 per share also exceeded consensus of $US2.07 and rose from $US2.18 from last year. Positive sales growth was reported across all its geographic locations as well as from across all product segments, including a 2% rise in iPhone revenue to $US26.4b. We don't hold the stock as we see other opportunities in the technology sector that are more attractively priced.

OUTLOOK

Within equity markets, near-zero interest rates, or even negative interest rates, clearly favour growth stocks, for which any cash flows and earnings payout may be well into the future. Meanwhile, the value investor waits for the traditional value cycle tailwinds such as higher interest rates, inflation, and better economic growth – all of which seem ever elusive. These investors were issued a warning in early September when the highest-flying growth stocks re-rated downward meaningfully in just a few weeks. While the sell-off was not surprising to us, it should serve as a reminder for all investors of just how quickly sentiment can change and should also highlight the fragility of these popular stocks. Extreme valuations ultimately require extreme imagination, and with interest rates and inflation at multi-decade lows, the hint of a minor tick up in either was enough to create a significant tilt in favour of value during September. Our long history of value investing through many cycles gives us confidence that the rewards of a value cycle go to the disciplined (and sometimes long-suffering) value manager that employs an active approach. If we look at other periods of significant dislocations and the subsequent shift in performance, such as the bursting of the tech bubble, the Global Financial Crisis, or the 1987 crash, we note that value factors outperformed.

[1] The Perpetual Global Share Fund- Class A has been operating since August 2014. Barrow Hanley, Mewhinney & Strauss, LLC commenced as Investment Manager of the Fund on 9 September 2020. Prior to this, the Investment Manager was Perpetual Investment Management Limited.The return shown for Class A in the Total Return table & the Growth of $10,000 chart has been calculated using the performance of the A Class less the Management Fee and any historical Performance Fees, effective 1 October 2020 the performance fee of the Fund was removed. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL No 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

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