

Perpetual Investments

# THE PERPETUAL INDUSTRIAL SHARE FUND

The Perpetual Industrial Share Fund has moved with the times, yet stood the test of time. Through a period spanning the 1987 stock market crash, the 1990 recession, the Iraq and Afghanistan wars and the global financial crisis, the Fund has delivered a 13.8% annualised return – for over 40 years.<sup>1</sup>

## FUND BENEFITS



### ENVIABLE TRACK RECORD

Strong performance across market volatility and different cycles – the Fund has delivered a 13.8% annualised return for over 40 years.<sup>1</sup>



### EXPERT INVESTMENT MANAGEMENT

The Fund is managed by one of Australia's largest and most experienced equity teams, with an average of 15 years of investment management experience and an average of 7 years at Perpetual.



### BEST IDEAS PORTFOLIOS

Our rigorous screening process has helped to create a high quality portfolio, designed for investors seeking strong, long-term returns from an industrial share portfolio that has traditionally delivered high levels of franked dividends and strong capital growth.



### TRUE TO LABEL

Unique, true to label value investment style – proven for over 50 years in Australian equities.

## INVESTMENT PHILOSOPHY

The Perpetual Industrial Share Fund is an actively managed and high quality fund targeting long-term capital growth and income through investing in Australian industrial shares. The Fund typically holds between 30 and 80 stocks.

Our disciplined approach to identifying quality and value is what has set us apart since the establishment of the Fund.

We seek to identify Australia's best industrial companies – where investors can be rewarded with an increase in the share price – and also companies that have the potential to pay out good levels of income to investors over the long term.

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## INVESTMENT PROCESS

CHART 1: OUR PROVEN INVESTMENT PROCESS



### PERPETUAL'S INVESTMENT PHILOSOPHY IS BASED ON THESE KEY PRINCIPLES:

- Australian investment markets are only semi-efficient.
- Alpha (i.e. returns above index) can be added by identifying and investing in high quality companies trading at attractive prices.
- We identify these companies through our own fundamental, in-depth, bottom-up research.
- Our view is to hold positions for the long term, as long as the quality of the business remains unchanged and the price remains attractive.

### EXPERIENCED AND HIGHLY REGARDED INVESTMENT TEAM

When you invest in the Fund, you are accessing one of Australia's largest and most experienced team of analysts, dealers and portfolio managers. The Fund is jointly managed by two of Perpetual's most experienced portfolio managers, with over 40 years of combined investment management experience.

### 1 THE SCREENING PROCESS

As **Chart 1** above shows, our investment process starts with our focus on quality industrial Australian companies that exhibit value characteristics.

To make it into Perpetual's investment universe, a company must first pass Perpetual's four quality filters:



### 2 THE STOCK SELECTION PROCESS

Perpetual's team of analysts conduct in-depth analysis of stocks within the investment universe to determine a rating for each stock – ranging from a 'buy' to a 'sell'.

Company valuations are flexible and dynamic, which means analysts can use the valuation metric most appropriate to the industry. Ratings are updated regularly to reflect changing conditions.

### 3 PORTFOLIO CONSTRUCTION PROCESS

The Fund's two portfolio managers are each responsible for constructing the portfolio. They seek to include within their portfolios undervalued companies with sustainable dividends and the ability to grow those dividends over the long term.

Risk management is an integral part of the process – both at the individual stock level and through strict portfolio construction constraints and guidelines.

## ONE OF AUSTRALIA'S BEST STOCK PICKERS

We believe that our stock-picking success lies in the rigour of our process. Our investment team conducts more than 1,000 company visits each year to talk face-to-face with management of the businesses we invest your clients' money into.

We use our experience, insight and skills to uncover the companies with the greatest long-term return potential, while always focusing on downside risk.

## A SMOOTHER RIDE FOR INVESTORS

The Fund is **true to label** – we stick to our investment principles regardless of the prevailing market conditions.

Our 'industrials only' mandate means that we invest only in quality Australian companies in sectors such as banking, telecommunications, tourism, building and engineering – we cannot invest in resource stocks, which are typically more volatile.

## HOW DOES THE FUND FIT INTO A WELL-BALANCED PORTFOLIO?

The Perpetual Industrial Share Fund has an enviable track record of delivering positive annual returns to investors in 15 of the past 20 years. Our investment process is proven across all market cycles.

It is suited to the core role in any Australia share portfolio and suits investors with a little or a lot to invest,

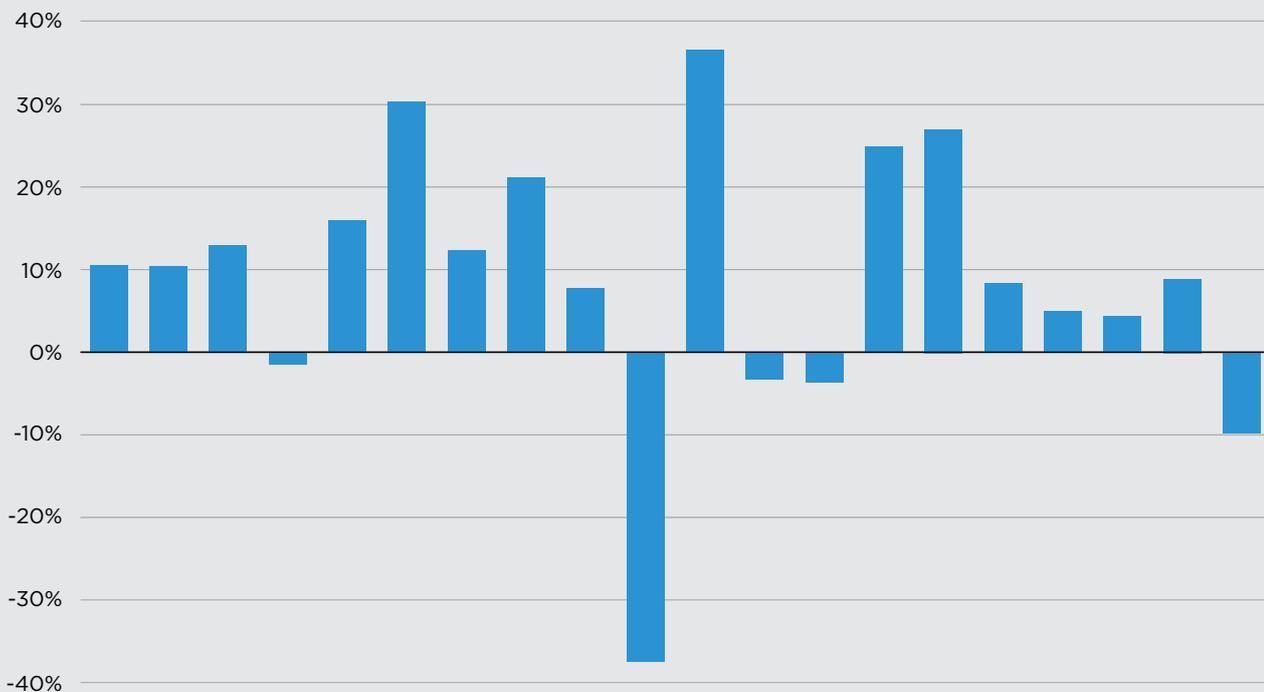
older or younger. **Chart 3** overleaf shows an investment of \$10,000 in the Fund in December 1976 would today be worth \$2,309,865 – well ahead of the \$1,321,396 returned by the market.

This has historically meant that we have been able to protect our investors' capital on the downside and has provided a smoother ride for investors.

The Fund continues to prove that hard work, a rigorous investment process and an experienced investment team can deliver, year in and year out.

### CHART 2: A TRACK RECORD OF CONSISTENT RETURNS

The Perpetual Industrial Share Fund: 20 years of annual returns to 31 December 2018

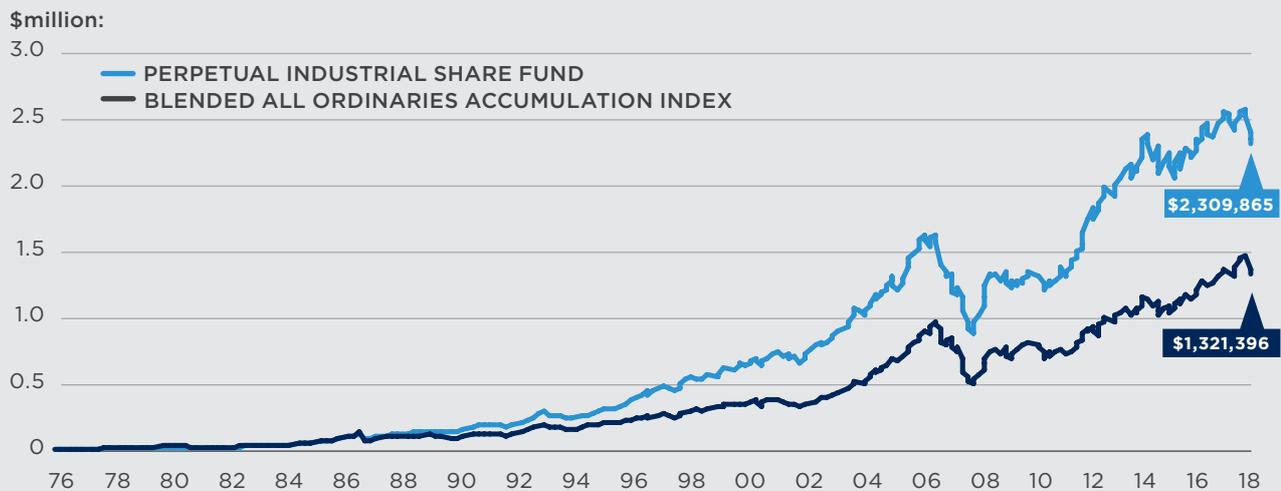


Total returns for Perpetual's WealthFocus Investments Industrial Share Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

Source: Perpetual.

### CHART 3: PERPETUAL INDUSTRIAL SHARE FUND VS ALL ORDINARIES ACCUMULATION INDEX

\$10,000 invested December 1976 – December 2018



Note: Return has been calculated from December 1976 to June 2018 for Perpetual's WealthFocus Investments Industrial Share Fund, using the first audited figures available. Total returns 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. The current benchmark for the Perpetual Industrial Share Fund is the S&P/ASX 300 Industrials Accumulation Index. As the Industrials Index series is not available prior to 1979, the S&P/ASX All Ordinaries Accumulation Index has been used for reference purposes.

Source: Perpetual and FactSet.

**For more information and the latest updates on the Perpetual Industrial Share Fund, visit [perpetual.com.au](http://perpetual.com.au) or contact the team at Perpetual on 1800 062 725.**

1 Returns for Perpetual's WealthFocus Investments Industrial Share Fund have been calculated from inception date of 31 December 1976 to 30 June 2018. Returns are net of fees with distributions reinvested. Past performance is not indicative of future performance. No allowance has been made for taxation.

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#### MORE INFORMATION

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