

WealthFocus Investment Advantage

PERPETUAL GLOBAL SHARE

December 2020

FUND FACTS

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

FUND BENEFITS

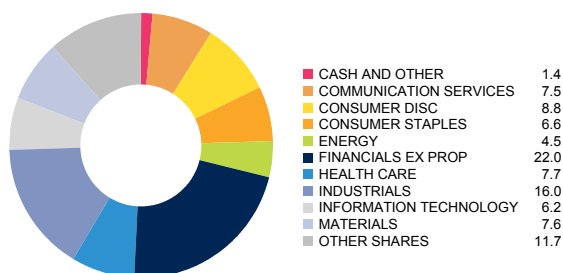
Provides investors with the potential for capital growth and income through a portfolio of global companies using Barrow Hanley's experienced investment team and disciplined investment process.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: MSCI World Net Total Return Index (\$A)
Investment Manager: Barrow, Hanley, Mewhinney & Strauss, LLC
Inception Date: May 1995
Size of Portfolio: \$55.79 million as at 31 Dec 2020
APIR: PER0038AU
Management Fee: 1.24%*
Investment style: Active, fundamental, bottom-up, value
Suggested minimum investment period: Seven years or longer

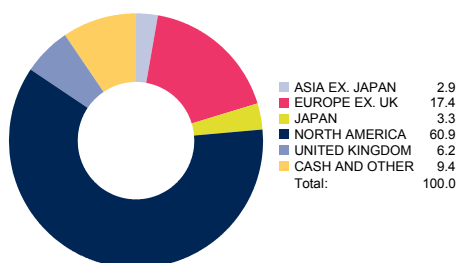
PORTFOLIO SECTORS



TOP 5 STOCK HOLDINGS

Stock Holding	% of Portfolio
Comcast Corporation Class A	3.7%
Seven & I Holdings Co., Ltd.	3.3%
Oracle Corporation	2.8%
Corteva Inc	2.5%
Linde plc	2.5%

PORTFOLIO REGIONS



NET PERFORMANCE - periods ending 31 December 2020

	Fund	Benchmark #	Excess
1 month	1.73	-0.46	+2.19
3 months	14.57	5.85	+8.72
FYTD	14.99	9.74	+5.25
1 year	4.00	5.58	-1.58
2 year p.a.	13.56	16.19	-2.63
3 year p.a.	7.44	11.04	-3.60
4 year p.a.	10.00	11.61	-1.60
5 year p.a.	8.80	10.88	-2.09
7 year p.a.	9.62	11.55	-1.93
10 year p.a.	10.75	13.14	-2.39

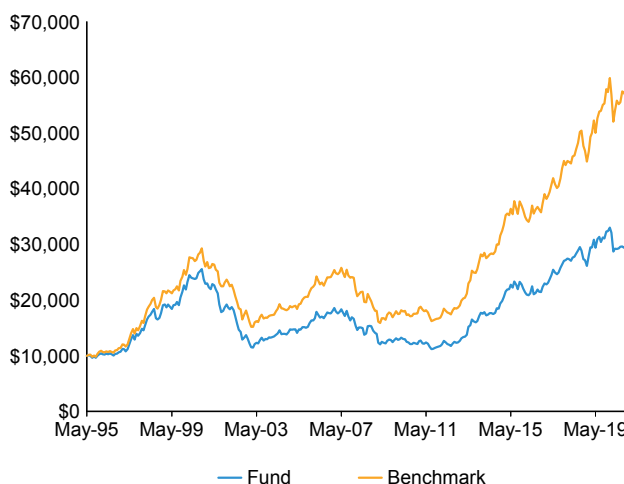
Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

PORTFOLIO FUNDAMENTALS[^]

	Portfolio	Benchmark
Price / Earnings*	15.7	20.9
Dividend Yield*	2.9%	2.5%
Price / Book	1.6	2.7
Debt / Equity	97.6%	61.2%
Return on Equity*	10.8%	13.6%

[^] 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 markets ended the December quarter stronger, with the MSCI World Net Total Return Index gaining 5.9% (in Australian dollar terms). The announcements of several better-than-expected coronavirus vaccine trial results in November, eventuating in ~9.87 million vaccines being administered across several countries in December, resulted in significant boosts to most equity markets over the quarter. The improved vaccine-driven sentiment favoured cyclical and value stocks the most, however, was marginally offset by worsening infection rates across much of Europe and the US. The S&P 500 index, however, recorded a 12.1% gain over the quarter, assisted by the passing of a US\$900b coronavirus stimulus bill by Congress following months of negotiations, and the Presidential election victory by Joe Biden, despite President Trump refusing to concede defeat, calling for recounts and Supreme Court intervention.

The UK FTSE 100 index similarly rose 10.9% on the back of positive vaccine news and rollout, overshadowing swelling coronavirus cases after a more transmissible variant of the virus was discovered to have caused up to 70% of new cases in England, forcing the country into stricter lockdowns in the lead-up to Christmas. UK Equities further benefited after a Brexit deal was finally reached between the UK and the EU on 24 December, resulting in numerous trade and travel regulatory changes coming into effect on 31 December. European stocks similarly strengthened, with the DJ Euro Stoxx 50 index delivering an 11.1% gain over the quarter after shrugging off second-wave concerns. Asian markets followed suit, with Japan rallying the hardest out of the developed markets as the Nikkei 225 index rose 18.4%. The Hong Kong Hang Seng gained 16.2%, while the MSCI China price index finished the quarter 10.6% higher despite weakening in December.

The best performing sectors for the month, as measured from the MSCI All Country World Net Total Return Index, were Energy (+17.7%), financials (+15.2%), and Consumer Discretionary (+7.9%). The worst performers were Consumer Staples (-1.2%), Health Care (-0.8%), and Real Estate (+0.9%). As a whole, value stocks (+13.5%) outperformed growth stocks (+10.9%), as measured by the MSCI World Value and MSCI World Growth indices, respectively.

PORTFOLIO COMMENTARY

The Fund's largest overweight positions video, internet, and phone service provider Comcast Corporation, and convenience store operator Seven & I Holdings Co, and corporate information technology products and services provider Oracle Corporation. The Fund's largest underweight positions include Microsoft, Amazon, and Apple, all of which are not held in the fund.

The overweight position in SeaWorld Entertainment (+48.7%) contributed to relative performance. Although the pandemic is still weighing on theme park attendance, the stock outperformed over the quarter as visitation continues to improve sequentially. Equally if not more importantly, pricing and better merchandising efforts are driving per guest spending (both in parks and for admissions) meaningfully higher. This increased spending comes at incremental margins more than double the company average. As earnings recover in 2021-22 with better attendance and margins in excess of pre-pandemic levels, shares should continue to outperform.

The overweight position in Advance Auto Parts (-4.6%) detracted from relative performance. The stock underperformed despite reporting continued strong growth (+10% same-store sales, +33% YOY EBIT growth). This growth has come despite professional garages, which comprise 60% of AAP's customer base, continuing to face headwinds and closures as the pandemic persists. As those headwinds lift in 2021, we believe sales growth will accelerate in the company's professional business and margin expansion, which is being driven by company-specific initiatives, will further accelerate.

The overweight position in home improvement products retailer Lowe's Companies (-9.9%) detracted from relative performance. The stock underperformed in the December quarter as stocks of companies more negatively impacted by the pandemic saw better performance toward the calendar year-end. The business, however, continues to grow its top line rapidly, gain market share from disadvantaged competitor operations, expand EBIT margins, generate copious free cash flow, and repurchase large quantities of stock. This is all happening with shares currently trading at a multiple below the market and at one of the lowest relative valuations versus the broader market in many years.

OUTLOOK

Trying to predict the direction and magnitude of moves in the overall market is an impossible task. 2020 was a vivid example of this, as the pandemic is estimated to have contracted global economies, yet many broad indexes finished the year at all-time highs. For this reason, we stay fully invested and do not try to time the market. Instead, we focus on individual companies using the same value process we have always employed, resulting in a value portfolio whose characteristics are largely unchanging regardless of whether growth or value is leading the market. This is especially important in a time where valuations are at all-time highs. As a value investor, we are keenly aware that this has been driven principally by strong performance in large cap growth stocks. We recognise that when this valuation gap closes, as it did in the early 2000s, value stocks will be poised to provide strong excess returns relative to the broad market. Further, a sustained value cycle is typically accompanied by improving economic growth, which should logically follow the pandemic-induced contraction we witnessed in 2020, especially considering the record amounts of monetary stimulus by governments and the world's central banks. Value stocks also benefit from expectations of higher inflation and interest rates. The longstanding consensus view that both will remain "lower for longer" is now being called into question. We feel strongly that the relative performance of active value is poised to offer very competitive results over the next several years.

Management of this Fund: 09/09/2020 Barrow, Hanley, Mewhinney & Strauss, LLC, from 31/01/2015 to 08/09/2020 Perpetual Investment Management Limited, from 15/8/2011 to 30/01/2015 Wellington Management as sub-adviser, from 18/3/2005 to 14/8/2011 PI Investment Management Limited, from 21/4/1997 to 17/3/2005 Fidelity International Limited as sub-adviser.

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. 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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MORE INFORMATION

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