

PERPETUAL DIRECT EQUITY ALPHA PORTFOLIO

QUARTERLY REPORT



31 DECEMBER 2018

The Perpetual Direct Equity Alpha Model Portfolio is available through the Mason Stevens Managed Account Service.

MARKET AND PORTFOLIO REVIEW

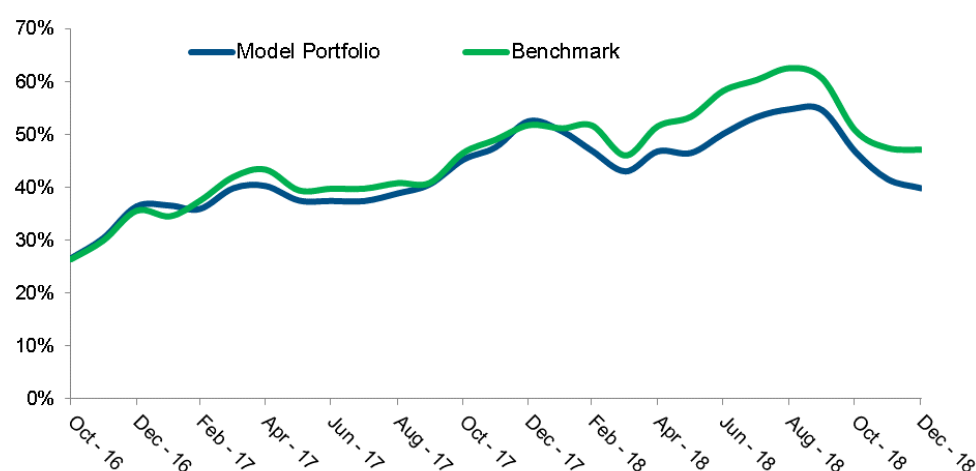
The Direct Equity Alpha strategy underperformed the S&P/ASX300 Index over the quarter generating -9.5% vs 8.4%. This has been a difficult year for value investors. Whilst the S&P/ASX300 Index fell -3.1% for the year the average Australian Large Cap Value returned just -7.9%. Disaggregation of style returns is even more acute. The MSCI Australia Large Cap Value index generated a return of -8.2% vs +7.7% for growth growths, a remarkable 15.8% difference. This remained a remarkable gap given all the recent volatility which still does not appear to have dislodged growth record run.

We will continue to do what we have always done; seek out the best quality stocks trading at reasonable valuations that generate the best long-term returns for investors. Whilst our shorter-term performance has been challenged, this has helped generate significant alpha, with lower risk than the S&P/ASX300, in the longer term. The strategy continues to be benchmark agnostic and seeks alpha across the market cap spectrum.

PERFORMANCE SUMMARY¹

Period	Model Portfolio	Benchmark	+/- Return
1 month	-1.20%	-0.23%	-0.98%
3 months	-9.53%	-8.41%	-1.13%
1 year	-8.30%	-3.06%	-5.24%
Annualised return since inception (pa)	6.31%	7.31%	-1.00%

Performance Since Inception



Top Five Holdings

Security	%
Cash	14.2
Tabcorp Holdings Limited (TAH)	9.3
Commonwealth Bank of Australia (CBA)	6.7
Westpac Banking Corp (WBC)	6.2
Event Hospitality and Entertainment Ltd (EVT)	4.6

¹ The Portfolio's benchmark is the S&P/ASX 300 Accumulation Index. Past performance is not a reliable indicator of future performance and may not be achieved in the future. All information provided in this Report is correct at the date of this report. Returns are calculated net of management, administration, custody and transaction fees, and assume the reinvestment of all income (but not franking credits). Inception date of the Portfolio is 9 July 2013. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, inflows and outflows, other fees and any customisations. Please refer to the relevant Investment Mandate for full information on product specifics, including all fees and costs.

INVESTMENT OBJECTIVE & STRATEGY

The Perpetual Direct Equity Alpha Portfolio (Model Portfolio) provides access to Perpetual's proven bottom-up stock selection approach to investing as a standalone strategy available only in a managed account structure.

The objective of the Model Portfolio is to provide investors with long-term capital growth and income through an investment in quality Australian shares.

Perpetual Investments' investment style is first and foremost based on bottom-up fundamental analysis. This approach firstly selects stocks based on company specific fundamentals, and then by the relative attractiveness of their value. The outcome of this investment process is that Perpetual Investments' share portfolios demonstrate 'value' characteristics. Stocks are bought only if they have passed rigid stock selection criteria and are deemed to be quality companies, and then only if they are found to be attractive on a valuation basis.

KEY FEATURES

FEATURE	DETAIL
Investment universe	Securities listed on any recognised Australian exchange, or due to be listed in the next six months, and cash.
Benchmark	S&P/ASX 300 Accumulation Index
Number of investments	10-25
Rebalancing	Program Adviser discretion
Min Investment	\$25,000
Suggested timeframe	5 years

FEES (INCLUDING GST)

FEATURE	DETAIL
Management fee	0.80% p.a. calculated daily and charged monthly in arrears.
Transaction costs	0.33% of the value of the transaction.
Administration, custody and account service fees.	Please refer to the current Investment Mandate available from your Financial Adviser or Mason Stevens.

Further information about the Portfolio, including fees and costs, is outlined in the Perpetual Direct Equity Alpha Model Portfolio Investment Mandate.

PORTFOLIO MANAGEMENT

Mason Stevens Limited, as the Managed Discretionary Account Provider, will administer and implement the Model Portfolio on the instructions of Perpetual Investment Management Limited as the Program Adviser.

ABOUT PERPETUAL

Perpetual Investments is one of Australia's leading investment managers. By employing some of the industry's best investment specialists and applying a proven investment philosophy, Perpetual Investments has been able to help generations of Australians manage their wealth.

The Model Portfolio is managed by Vince Pezzullo, who also manages 50% of the Perpetual Industrial Share Fund.

ABOUT MASON STEVENS

Mason Stevens provides a multi-asset and multi-currency investment administration and managed account service to help produce tailored investment outcomes for Advisers and their clients.

Clients benefit from efficient portfolio administration, secure online access to their investments, as well as comprehensive reporting.

CONTACT INFORMATION

Investors

Please speak to your adviser

Advisers

Call 1300 988 878 or email
info@masonstevens.com.au
www.masonstevens.com.au