

Quarterly performance report

Perpetual Direct Equity Alpha Managed Portfolio

30 September 2019

The Perpetual Direct Equity Alpha Managed Portfolio is a Managed Discretionary Account (MDA), also sometimes referred to as a Separately Managed Account (SMA).

Performance as at 30 September 2019 ¹					Top five holdings		%
	1 mth (%)	3 mths (%)	1 yr (%)	Annualised return since inception (%pa)			
Portfolio	2.07	2.58	4.25	7.96	CASH	Cash	18.3%
Benchmark	1.91	2.55	12.57	9.99	CBA	Commonwealth Bank	9.5%
+/- return	0.16	0.03	-8.31	-2.03	WBC	Westpac Banking Corp	7.6%
					MPL	Medibank Private Ltd	4.8%
					TAH	TABCORP Holdings Ltd	4.3%

Portfolio and market returns

September was a reminder how quickly things can change.

A brief rotation to value stocks, away from growth/momentum, was caused by a spike in bond yields and optimism over the trade war amongst other things. When a correction is on, the rotation is usually sustained for a much longer period.

A sudden spike in bond yields sent the growth/momentum trade into sharp reversal and value stocks rallied.

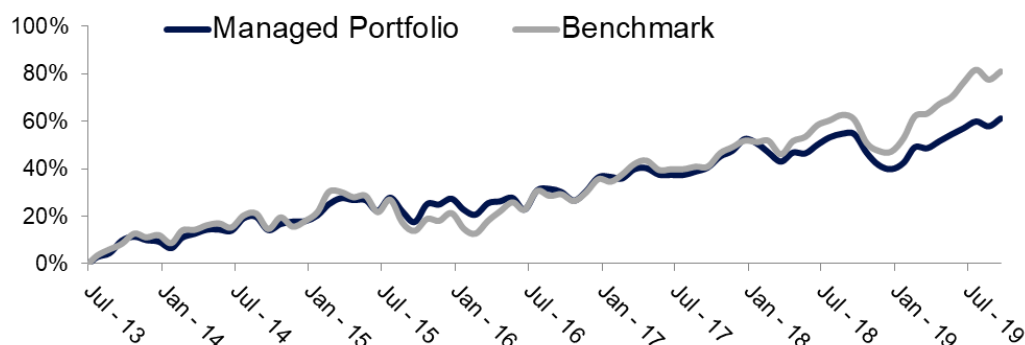
As we noted last quarter, we are surprised how sanguine the market remains – richly priced – despite numerous icebergs floating around in the form of Brexit, the trade war, HK, the middle east, impeachment and so on.

The Fed had to inject emergency cash to stop a liquidity crisis in the repo market.

WeWork's purported valuation fell from \$47 billion to \$10 billion (and then the IPO was withdrawn) in a matter of weeks. This highlights the risks of sudden declines in the valuation of overinflated companies – even in the much-vaunted private markets.

We will continue to do what we have always done, seek out the best quality stocks, with healthy balance sheets, trading at reasonable valuation for investors. Whilst our shorter-term performance has been challenged, our process has generated significant alpha, with lower risk than the S&P/ASX300, in the longer term. Avoiding the risky names is as important as owning the best quality names at this point in the cycle. The strategy continues to be benchmark agnostic and seeks alpha across the market.

Performance since inception¹



¹ The Portfolio's benchmark is S&P/ASX 300 Accumulation. 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 Managed 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 Managed 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.

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 Managed 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

Investors

Please speak
to your adviser

Key features

Investment universe	Securities listed on or due to be listed within the next six months on any recognised Australian exchange 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)

Management fee	0.80% pa calculated daily and charged monthly in arrears.
Transactions costs	0.33% of the value of each transaction.
Administration, custody and account service fee	Please refer to the current Investment Mandate available from your financial adviser or Mason Stevens.

Portfolio management

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

More information

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

Advisers

T 1300 988 878
E info@masonstevens.com.au
W masonstevens.com.au

This information has been prepared by Mason Stevens Limited (ABN 91141 447 207, AFSL 351578) (Mason Stevens) as the Managed Discretionary Account (MDA) Provider. Any content provided in this report is for the purpose of providing general advice and information only. It does not take into account yours or your client's personal objectives, financial situation and needs. Please seek specific advice before making a decision in relation to any investment. The information is provided in good faith and we do not make any representation or warranty as to its accuracy, reliability or completeness. To the extent permissible by law, we do not accept any responsibility for any error, omission, indirect or consequential loss or damages (whether arising in contract, tort, negligence or otherwise, in any case whether foreseeable or not). Any information contained in this report is subject to change without prior notice by Mason Stevens and Mason Stevens is not obliged to update any information. References made to any third party or their data is based on information that Mason Stevens believes to be true and accurate as at the date of this report but without independent verification.