

Perpetual Investments

THE PERPETUAL ETHICAL SRI FUND

The Perpetual Ethical SRI Fund is a specialist Australian equity strategy that invests in a diversified selection of ethical and socially responsible companies. Perpetual's rigorous and repeatable approach to identifying quality and value is what continues to set us apart, and this process is combined with independent screening to ensure that companies held in the Fund more closely match investors' personal social, environmental and ethical preferences. Managed by one of Australia's most experienced investment teams, the Fund has delivered strong results for investors across all market cycles.

INVESTMENT PHILOSOPHY

The Perpetual Ethical SRI Fund is an actively managed fund targeting long-term capital growth and income through investment in quality shares of ethical and socially responsible companies.

We believe that companies increasingly need to consider the ethical, environmental and social implications of their activities, and to account for the effect of consumer concerns to ensure long-term sustainability. As a result, the investment philosophy of the Fund is based on investing in quality companies that have satisfied our range of ethical and socially responsible investment criteria.

This means we do not invest in companies that derive a material proportion of their revenue from the manufacture or sale of generally ethically unacceptable products and services. Nor do we invest in companies that fail our socially responsible investing (SRI) screen.

FUND BENEFITS



SCREENING PROCESS

A strict ethical and socially responsible investment screening process ensures the Fund invests in companies that do not negatively impact society and the environment – supplemented by independent research from CAER.



A FUND FOR ETHICAL INVESTORS

Provides investors a diversified portfolio of socially responsible companies that more closely matches their personal social and ethical preferences.



INSIGHTS BY EXPERTS

Decisions made on deep and insightful in-house research and analysis from our long-standing team of experienced investment analysts, focused on delivering results.



FLEXIBILITY & BROADER OPPORTUNITIES

The Fund can invest in a broad range of companies, including those not held in the S&P/ASX 300 Index. The ability to invest in smaller companies provides another potential source of returns.

Perpetual 

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

- Australia's investment markets are only semi-efficient, and alpha can be added by identifying and investing in high quality companies trading at attractive valuations.
- We identify these companies through our own fundamental, in-depth, bottom-up research.
- More holistic investment decisions can be made by evaluating a company's performance on a range of ethical and socially responsible criteria which are, in general, not reflected in a company's financial accounts.
- We believe it is important to make investment decisions that evaluate not just what a company produces or distributes, but also how a company conducts its business.
- 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.

OUR PROCESS

The Perpetual Ethical SRI Fund uses Perpetual's proven investment process, with companies also required to pass through a strict ethical and socially responsible investment screening process to be eligible for inclusion in the Fund.

1 THE SCREENING PROCESS

Our screening process ensures we select those companies that represent the best investment quality and are appropriately priced.

A. PERPETUAL QUALITY SCREEN

Our investment process starts with our focus on quality companies that exhibit characteristics of value. To be included in Perpetual's quality universe, a company must first pass Perpetual's four quality filters.



B. ETHICAL SCREEN

Once a company has passed the quality screen and is included in Perpetual's quality universe, an ethical screen then evaluates what the company produces or distributes. Any company that does not meet the Fund's strict ethical standards is eliminated.

This includes companies that generate more than 5% of their revenue from the production or sale of generally ethically

unacceptable products and services such as alcohol, gambling, tobacco, uranium and nuclear, armaments (including weapons), fossil fuels (upstream), genetic engineering, pornography or animal cruelty (cosmetic testing).

C. SOCIALLY RESPONSIBLE INVESTMENT (SRI) SCREEN

The SRI screen is the third screening stage, and seeks to identify the best investment opportunities by scoring companies on a broader range of environmental, social and governance (ESG) issues. This evaluates how a company's business practices impact on society and the environment.

Companies can receive negative scores for poor behaviour, such as a poor approach to human rights, the environment or supply chain.

They can also receive positive scores for worthwhile activities such as the use of renewable energy, positive employee policies or charity commitment. Corporate governance issues are also considered, including ethics and corporate misconduct. We believe this approach allows us to be more innovative in where we can add value for investors as it identifies companies that have responded positively to social and ethical issues.

2 THE STOCK SELECTION PROCESS

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

Company valuations are flexible and dynamic, which means that analysts can use the valuation methodology most appropriate to the industry. Stocks are monitored daily and ratings updated regularly to reflect changing conditions.

3 THE PORTFOLIO CONSTRUCTION PROCESS

The Fund typically holds between 30 and 80 companies that have passed all of the screening stages. We regularly review companies in the Fund to determine whether they continue to pass the ethical SRI screening process.

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

INDEPENDENT ADVICE ON ETHICAL AND SRI MATTERS

We believe socially responsible investment research requires specialist skills. Perpetual uses specialist analysis from the independent research organisation CAER in the ethical and SRI filters.

MOTIVATED TO FIND MORE INNOVATIVE OPPORTUNITIES

The Perpetual Ethical SRI Fund can invest in a broad range of companies, including companies not held in the S&P/ASX 300 Index. The Fund has the benefit of moving into or out of small and large cap stocks depending on relative opportunities and is focused on investing in the best opportunities, and usually finds these away from the mainstream and away from companies that are heavily represented in market indexes.

THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT

As one of Australia’s oldest, largest and highly regarded investment managers, we understand that our obligations to our clients include the responsible investment of their money to preserve and build wealth over the long term. On 21 October 2009, Perpetual Investments signed up to the United Nations Supported Principles for Responsible Investment (PRI). Becoming a signatory to PRI recognises the growing social

and political expectation that the companies we invest in conduct themselves responsibly and sustainably. If companies do not meet these expectations, investment returns may be compromised through increased reputational, litigation and regulatory risks, and missed business opportunities. Our commitment to PRI acknowledges that, as a company and as an industry, we must continue to improve our understanding of how ESG factors impact investment returns for individual assets and across the economy.

CHART 1: OUR PROVEN INVESTMENT PROCESS

PERPETUAL QUALITY UNIVERSE

ETHICAL SCREEN

Less than 5% of a company’s revenue from:

Alcohol	The manufacture or sale of alcohol.
Gambling	The operation of gambling facilities or the manufacture or supply of gambling products.
Tobacco	The manufacture or sale of tobacco.
Uranium and nuclear	Turnover from nuclear power generation and sale, nuclear parts or services, or uranium mining.
Military/ armaments	Military-related turnover, e.g. weapons, transport sold to the military.
Fossil fuels (upstream)	Fossil fuels include coal, oil or gas, including natural gas and peat. Upstream involvement is exploration or production only.
Genetic engineering	Production or development of genetically modified organisms (GMOs) for the purpose of human consumption or for industrial uses.
Pornography	Pornography and adult entertainment services.
Animal cruelty (cosmetic testing)	Production of cosmetic products tested on animals.

POSITIVE OR NEUTRAL SCORE

NEGATIVE SCORE

✘ EXCLUDED

SRI SCREEN

Performance/involvement across areas such as:



POSITIVE OR NEUTRAL SCORE

NEGATIVE SCORE

✘ EXCLUDED

ETHICAL UNIVERSE

CHART 2: GROWTH OF \$10,000 FROM INCEPTION IN APRIL 2002



Source: Perpetual Data as at 31 December 2018. 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 taxation. Past performance is not indicative of future performance.

HOW DOES PERPETUAL’S ETHICAL SRI FUND FIT INTO A WELL-BALANCED PORTFOLIO?

The Perpetual Ethical SRI Fund is designed for investors who seek to generate strong returns through investing in high-quality, ethical and socially responsible companies. It has the flexibility

to suit a core or satellite role in an Australian share portfolio. The Fund’s small to mid-cap bias could complement an existing Australian equity portfolio that is concentrated in large cap holdings.

Recommended by Lonsec and Zenith



This brochure has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 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. The product disclosure statement (PDS) for the Perpetual Ethical SRI Fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor’s capital. Total returns shown for the Perpetual Ethical SRI 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.

The Lonsec Rating (assigned May 2018) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561, AFSL 421445. The Rating is a ‘class service’ (as defined in the Financial Advisers Act 2008 (NZ)) or is limited to ‘General Advice’ (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). In New Zealand it must only be provided to ‘wholesale clients’ (as defined in the Financial Advisers Act 2008 (NZ)). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Perpetual Investment Management Limited product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec’s Ratings methodology, please refer to our website at: <http://www.beyond.lonsec.com.au/intelligence/lonsec-ratings>

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) (“Zenith”) rating (assigned June 2018) referred to in this document is limited to “General Advice” (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s).

Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith’s methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines> 2827_0219

MORE INFORMATION

Adviser Services 1800 062 725
 Investor Services 1800 022 033
 Email investments@perpetual.com.au
www.perpetual.com.au

