

THE PERPETUAL PURE MICROCAP FUND – CLASS A

June 2016



Our Fund only invests in profitable, well-capitalised and well-managed businesses. By conducting our own in depth, bottom up analysis we seek the best opportunities for our investors. Many of these companies often have little or no research published on them, which leads to them being overlooked and/or mispriced. As investors, we look to capitalise on these market inefficiencies. It is worth noting that our Fund will not speculate in unprofitable businesses.

PERFORMANCE SUMMARY (AFTER FEES) AS AT 31 MAY 2016

	1 MONTH %	3 MONTHS %	6 MONTHS %	1 YR %	2 YR %	SINCE INCEPTION % PA*
Perpetual Pure Microcap Fund – Class A	6.1%	21.2%	26.4%	37.7%	34.1%	36.3%
S&P/ASX Small Ordinaries Accumulation Index	4.1%	13.1%	12.6%	6.9%	7.3%	5.1%

*Inception date: 2 September 2013

SHAVER SHOP. The Microcap Fund will be participating in the IPO of Shaver Shop which is scheduled to commence trading on 1st July. Shaver Shop was founded in 1986 and comprises a network of 100 stores across Australia and New Zealand, specialising in the sale of Personal Care appliances.

We are attracted to Shaver Shop's strong competitive position, impressive track record of earnings growth and sound balance sheet. The business has a strong competitive position within the Personal Care appliances market with 25% market share. Shaver Shop stocks all major brands in the Hair Removal segment including Philips, Remington, Braun and Wahl. Significantly, Shaver Shop accounts for a large proportion of these brands' sales in Australia and is therefore critical to suppliers' distribution strategies in the region. This is demonstrated by the fact that Shaver Shop has access to exclusive product, further cementing their competitive advantage.

Under current management Shaver Shop has recorded impressive earnings growth over the last four years, driven by franchise store buybacks, new store openings and positive like-for-like (LFL) sales growth. As testament to the success of Shaver Shop's retail model, LFL sales growth has averaged 7.5% p.a. and sales per square metre is \$21,000, around twice the average of other speciality retailers. We believe that the FY17 prospectus forecasts are conservative given they assume 2.5% LFL growth and modest store rollout.

Shaver Shop will have minimal debt at listing which provides capacity to facilitate continued growth in the store network. Management have identified an additional 45 potential sites for Shaver Shop stores. Further, we expect Shaver Shop to continue their strategy of buying back franchise stores. In recent years management have been able to generate attractive returns on capital of around 30% when buying back franchise stores and opening new stores.

This newsletter 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 PDS for the Perpetual Pure Microcap Fund – Class A 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 Group means 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 Pure Microcap Fund - Class A 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.

MORE INFORMATION

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email investments@perpetual.com.au

www.perpetual.com.au