Perpetual Private

PERPETUAL GROWTH OPPORTUNITIES FUND

Fund Update – 31 March 2024

FUND FACTS

Benchmark:	Bloomberg Ausbond Bank Bill Index +3% p.a.
Inception Date[1]:	March 2008
Size of Fund:	$619 million
APIR:	PER0437AU
Management Fee*:	0.9% as at 30 June 2023
Buy/Sell spread:	0.05% / 0.00% as at 15 March 2023
Liquidity:	Quarterly withdrawals subject to restrictions, refer to PDS
Distribution Frequency:	Annually as at 30 June
Risk Level[2]:	6 – High

**Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.*

INVESTMENT OBJECTIVE

To provide long-term capital growth through investment in a diversified portfolio of private equity funds, infrastructure funds, opportunistic property funds, absolute return funds and other investments consistent with the fund's investment approach.

To outperform the Bloomberg Ausbond Bank Bill Index over rolling five-to-seven-year periods by 3% per annum.

STRATEGY

Build a diversified portfolio that includes infrastructure, private equity, opportunistic property, and absolute return (hedge fund) investments.

Subject our investment opportunities to detailed research, screening them for expected return, risk, downside protection properties and portfolio fit.

Select the highest ranked investment managers that have passed our Quality Filters.

MARKET OPPORTUNITY

The opportunity set remains particularly strong for providers of private equity and debt capital.

The current portfolio will aim to take advantage of the short-term market dislocation in Europe and the USA, particularly, in areas where we believe the downside is protected and the potential returns are commensurate with the risks.

We plan to take advantage of the broader market dislocation resulting from volatility and continued uncertainty across the globe, applying the same principles of downside protection.

We continue to see a broader and deeper opportunity set in Europe and North America, particularly, in areas where we believe the downside is protected and the potential returns are commensurate with the risks.

We plan to take advantage of the broader market dislocation resulting from volatility and continued uncertainty across the globe, which have risen as a result of regulatory / legislative change, structural and valuation changes or are thematic in nature.

NET PERFORMANCE

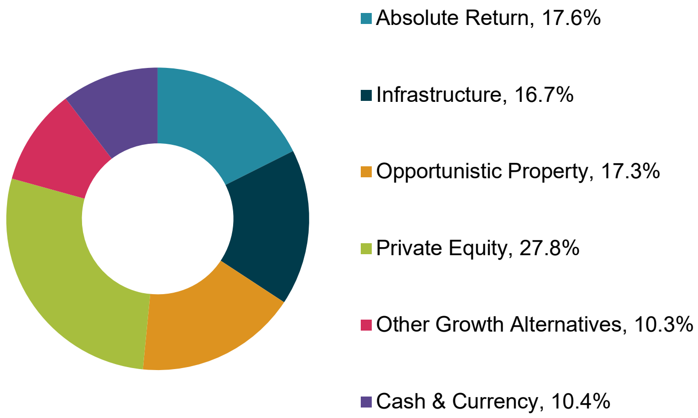
As at March 2024

NET RETURNS[3]	1M%	3M%	1Y%	3Y% (p.a.)	5Y% (p.a.)	INCEPTION % (p.a.)
Total Return	1.0%	2.5%	3.0%	8.1%	5.7%	6.2%
Growth Return	1.0%	2.5%	1.3%	4.3%	2.6%	2.3%
Income Return	0.0%	0.0%	1.7%	3.8%	3.1%	3.9%
Benchmark	0.6%	1.8%	7.3%	5.1%	4.6%	5.8%
Excess Return	0.4%	0.7%	-4.3%	2.9%	1.2%	0.4%

Source: State Street. Past performance is not indicative of future performance.

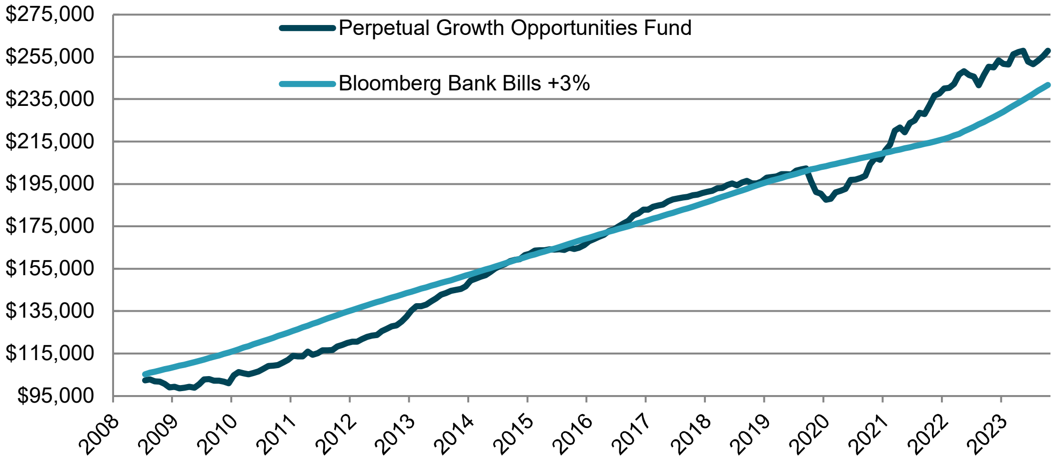
SECTOR ASSET ALLOCATION

As at March 2024



Source: State Street, PPIRT.

GROWTH OF $100,000 SINCE INCEPTION (NET OF FEES)[3]



Source: State Street. Past performance is not indicative of future performance.

OBSERVATIONS

Traditional asset classes continued to rally through Q1 2024, while unlisted asset classes continued to exhibit more modest movements. In local currency terms contributors were Private Equity, Infrastructure, Other Growth Alternatives, Hedge Funds. Opportunistic Property detracted over the quarter. The falling AUD also contributed to returns.

Demand for Infrastructure has begun to soften, evidenced by a number of transactions seeing price guides revised downwards, while investment managers report fund raising for long duration interest rate sensitive assets has been weaker. That said, infrastructure's role in the portfolio remains clear; to provide consistent and stable cash flows, and 'inflation hedging' properties. We are comfortably with our exposure to regulated assets and grateful for their contribution during the recent inflation spike. In the current sanguine macroeconomic environment, we are actively looking to increase exposure to volume-linked assets, with strong cash flow profiles which are able to deliver returns through the current environment.

Within corporate markets, mergers & acquisitions activity has begun to pick up, with several themes evident. Most notably, 'natural resources' companies, who are flush with cash following commodity price strength and leading the deal activity. Corporates are also driving an increasing proportion of aggregate deal flow as private equity sponsors remain on the side lines (relatively speaking). Driving corporate activity is continued desire from shareholders for simpler businesses, as well as a modest tick up in activist activity. Of the private equity sponsor activity, a material proportion has been 'take privates', where a sponsor de-lists a public company. Despite the changing market dynamics, we remain steadfast in our approach to Private Equity, giving credence to acquisition valuation multiples, costs of debt and the manager's operational capability. On the latter, we continue to see sponsors invest in their operational capability to drive operating performance. Finally, given the strength of the rally in listed equities over the last six months, we expect valuations to lift into H1 2024 given the strength in tradable comps.

Sector and geographical dispersion remains elevated within Real Estate markets. Our focus remains on the nexus between availability of capital and valuations. Transaction volumes remain weak, both domestically and in our preferred offshore markets. Furthermore, of the limited transaction volume we are seeing, cap rates are continuing to trend lower from current marks. We do expect the magnitude of mark downs to moderate in 2024, which should support deal activity later in the year and into 2025. Much has been written about the current issues facing the office sector, however we believe the next test will be whether Industrial assets valuations can be supported as the cost of debt increases. Any weakening may provide a more attractive entry point. Looking forward, we are focused on whether there are opportunities in markets which had been early sufferers from 're-pricing' (e.g. Western Europe), although we don't expect to make any near term allocations.

Changing market dynamics (inflation, path and pace of interest rates, softening across certain economic indicators) warrants continuous reassessment of our thinking, outlook and subsequently, portfolio positioning. We continue to see dispersion within equity and credit markets, as well as divergence in the macroeconomic regime facing many economies globally. As such, we made two new hedge fund allocations during the quarter across Global Macro and Long / Short Equity, which were funded by reducing our allocation to Global Asset Allocation strategies.

HOLDING INFORMATION

As at March 2024

TOP 10 EXPOSURES[4]	ASSET CLASS	WEIGHT
Utilities Trust of Australia	Infrastructure	8.8%
Oaktree Real Estate Income Fund	Opportunistic Property	8.5%
Angelo Gordon Mortgage Value Partners	Absolute Return	8.4%
Redding Ridge Holdings	Other Growth Alternatives	6.8%
Brookfield Premier Real Estate Partners Australia	Opportunistic Property	5.1%
Arrowstreet Capital Global Equity Long/Short Fund	Absolute Return	3.4%
Hamilton Lane Equity Opportunities Fund V	Private Equity	3.4%
Graham Quant Macro	Absolute Return	3.2%
Oaktree European Principal Fund IV	Private Equity	2.7%
Ruffer Total Return International Fund - Australia	Absolute Return	2.6%
Total Top 10 Holdings		**52.8%**

CASH LEVEL & LEVERAGE	WEIGHT
Cash (AUD)[5]	7.08%
Leverage Ratio[6]	1.32
Maturity Profile: As at 31 March 2024 the Fund has no direct gearing liabilities. Liabilities are generally paid within 30 days of the invoice date.	

Source: State Street, PPIRT.

INVESTMENT CHARACTERISTICS

As at March 2024

SECTOR	GEOGRAPHIC LOCATION		MARKET TYPE[7]		
	ONSHORE	OFFSHORE	LISTED	TRADED	PRIVATE
Absolute Return	15%	85%	0%	85%	0%
Infrastructure	52%	48%	12%	0%	88%
Opportunistic Property	30%	70%	0%	0%	100%
Private Equity	0%	100%	0%	0%	100%
Other Growth Alternatives	3%	97%	0%	0%	100%
Total	19%	81%	2%	17%	78%
FX Hedge Level	56%				

Source: State Street, PPIRT

1) Fund commenced in March 2008 with performance reporting from 30 June 2008 once the fund had made an investment. The fund was opened to external investors in June 2009. 2) Negative annual returns expected in 4 to less than 6 years over any 20 year period. 3) Total returns have been calculated using exit prices after taking into account Perpetual's ongoing fees and assuming reinvestment of distributions (where applicable). No allowance has been made for contribution fees, withdrawal fees or taxation. 4) Top 10 externally managed exposures. 5) The difference between 'Cash (AUD)' and 'Cash & Currency' (as per the sector asset allocation pie chart) represents offshore currencies held for transactional purposes. 6) The leverage ratio is provided as required by ASIC Regulatory Guide 240. Please note that this is look-through leverage of the Fund based on the leverage of the underlying absolute return managers. The Fund itself will not borrow or apply gearing in the ordinary course of business. 7) Market type data is estimation only, provided by the Perpetual Private research team.

MORE INFORMATION

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