

The philosophy behind our portfolios

By Perpetual Private Insights

1 September 2019

Key insights at a glance:

How does Perpetual Private build investment portfolios?

Every client is different and their portfolio should be too. So the first step is understanding their needs as this will determine the asset mix in their portfolio. A higher return objective typically requires more equities while a more defensive portfolio may have more exposure to bonds and credit securities. Once we've established the level of return a client is looking for, the next step is to ensure the investments are adequately diversified across asset classes.

What do you look for in investment managers?

Perpetual Private uses a manager of manager approach – which means we look to combine the best experts in each asset class to build client portfolios. When I look to select an investment manager my first consideration is how well they understand the asset class in which they're investing and whether they can demonstrate genuine insight. What's their track record and length of time in the market? Other key considerations are their research and risk management processes.

What's the biggest issue for investors in the current market?

The dovish tone of central banks globally. We're now facing a situation where many government bonds and credit securities are providing negative interest rates globally. In their search for

returns, many investors are investing in higher risk assets than they usually would. It's something we talk to our clients about every day because people need to appreciate the level of risk they are taking in their portfolios.

What does Perpetual offer as alternative investments?

We see our alternatives offering as something unique in the Australian market. We can offer clients access to investment managers and strategies that are not readily available in our market, such as U.S. real estate.

Two of our fund offerings in alternatives are the Perpetual Growth Opportunities Fund and the Perpetual Income Opportunities Fund. The Perpetual Growth Opportunities Fund offers clients access to private equity, unlisted real estate, infrastructure and hedge funds. The Perpetual Income Opportunities Fund invests in a range of credit securities designed to provide consistent income for clients over the long term.

The beauty of these funds is the diversification they offer within a broader portfolio because they are uncorrelated with traditional investment markets.

What's your view on infrastructure investment?

From an investment portfolio point of view, infrastructure provides a number of unique characteristics. Infrastructure assets have monopolistic positions in their market and their cash flow is typically not as volatile as other sectors of the market. In many cases, the cash flow from infrastructure investments is linked to CPI so it grows over time to counter inflation.

Perpetual Philanthropic Services are provided by Perpetual Trustee Company Limited (PTCo), ABN 42 000 001 007, AFSL 236643. This publication has been prepared by PTCo and may contain information contributed by third parties. It contains general information only and is not intended to provide you with advice or take into account your personal objectives, financial situation or needs. The information is believed to be accurate at the time of compilation and is provided by PTCo in good faith. You should consider, with a financial adviser, who can provide you with the relevant Financial Services Guide, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage because of any reliance on this information. PTCo does not warrant the accuracy or completeness of any wording in this document which was contributed by a third party. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act. Past performance is not indicative of future performance.