INVESTING FOR THE INNER EAR

PERPETUAL INVESTMENTS
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Between the two poles of investing for security (cash) and for maximum returns (shares) lies investing aimed at balancing the two. You might call it inner-ear investing.

Your inner ear is an amazing bit of anatomy. It's vital to hearing, to your ability to communicate and co-operate.

It's also essential to good balance – your ability to stand on your own two feet. For many people, it's the same with investing. Being **balanced –** steering a course between minimum risk and maximum return – is vital to financial independence.

BALANCE REQUIRED AS YOU TILT TOWARD RETIREMENT

That's particularly true for those approaching retirement. To keep growing their capital – and to help ensure a decent income in retirement, they need returns that comfortably beat inflation.

They also need to care for their capital because as you enter retirement – after decades of saving – that capital is at, or close to, its peak.

"Retirees and pre-retirees face something called sequencing risk," says Perpetual Investment Analyst, Rema Mansor. "The risk a big fall in the market causes you to lose a large chunk of retirement capital when it's at its peak. With a limited amount of time left in the workforce to replace these losses with savings, there's a reliance on markets to quickly bounce back. This is a high risk bet. All of that means losses can be harder to recover from if care is not taken at that critical point in life."

The alternative - "safe" investing in cash and bonds – may not be a realistic alternative either. Low returns (the current RBA cash rate is 2%) may condemn your capital to inflation-erosion and crimp your lifestyle over the longer term. This can be as risky (but less noticeable) as a incurring a capital loss.

SEEKING BETTER BALANCE

According to Perpetual's head of Multi Asset investing, Michael O'Dea, getting back to basics can lower volatility without sacrificing the ability to earn good returns.

"In our Diversified Real Return Fund (DRRF), we have no minimum limit on how much money we have to invest in each asset class. That means we can move decisively between asset classes to protect capital and take opportunities.

In the current low return environment – where cash rates are low and company earnings are growing modestly, the ability to invest in a wider range of assets – local and global, traditional and alternative – means we have more ways to find returns for investors.

It's that flexibility that's enabled us to beat the CPI by 5% over the past five years[1]. That's our target and the kind of performance that can make a big difference to those seeking to balance risk and return as they near retirement."

For more performance and fund information on DRRF see the **fund page**.

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[1]As of 31 October 2015, the Diversified Real Return Fund (DRRF) exceeded its targeted return of CPI+5% over a rolling five-year period. On this date, the five-year anniversary of the fund, DRRF achieved a 7.8% per annum net return, exceeding Australian CPI+5% by +0.4%