

# PERPETUAL GROWTH OPPORTUNITIES FUND

Fund Update – 30 June 2019

## FUND FACTS

<b>Benchmark:</b>	Bloomberg Ausbond Bank Bill Index +3% p.a.
<b>Inception Date<sup>1</sup>:</b>	March 2008
<b>Size of Fund:</b>	\$439 million as at 31 March 2019
<b>APIR:</b>	PER0437AU
<b>ICR<sup>2</sup>:</b>	2.83% as at 30 June 2018
<b>Buy/Sell spread:</b>	0.00% / 0.00% as at 1 October 2018
<b>Liquidity:</b>	Quarterly withdrawals subject to restrictions, refer to PDS
<b>Distribution Frequency:</b>	Annually as at 30 June
<b>Risk Profile<sup>3</sup>:</b>	7 – Very High

## 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 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. These include direct private corporate and property lending and corporate balance sheet restructuring.

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.

## NET PERFORMANCE

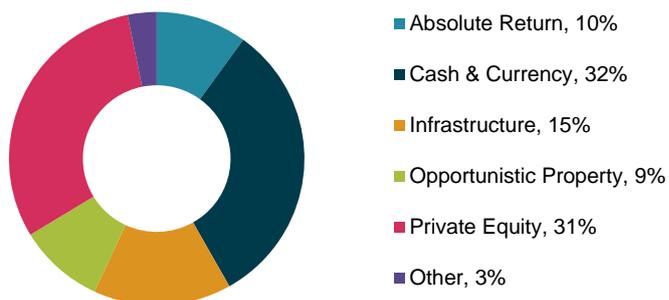
As at June 2019

NET RETURNS <sup>4</sup>	1M%	3M%	1Y%	3Y% (p.a.)	5Y% (p.a.)	INCEPTION % (p.a.)
Total Return	1.0%	1.4%	3.5%	5.6%	5.8%	6.4%
Growth Returns	-3.2%	-2.8%	-0.8%	-0.9%	0.0%	1.8%
Income Returns	4.2%	4.2%	4.3%	6.5%	5.8%	4.6%
Benchmark	0.4%	1.2%	5.0%	4.9%	5.1%	6.3%
Excess Returns	0.6%	0.3%	-1.5%	0.7%	0.7%	0.1%

Source: RBC. Past performance is not indicative of future performance.

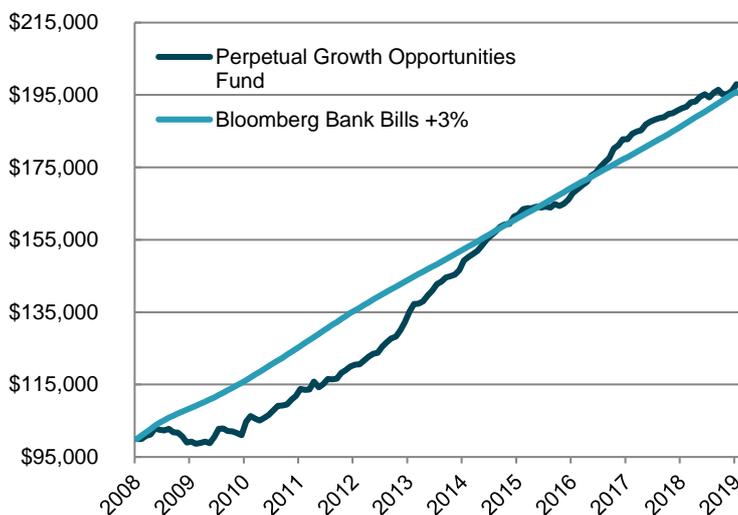
## SECTOR ASSET ALLOCATION

As at June 2019



Source: RBC, PPIRT.

## GROWTH OF \$100,000 SINCE INCEPTION (NET OF FEES)<sup>4</sup>



Source: RBC. Past performance is not indicative of future performance.

## OBSERVATIONS

The Perpetual Growth Opportunities Fund delivered investors 1.44% (net of fees) over the quarter to the end of June 2019. These results bring the 12 month return to 3.48% net of fees, which is 1.55% below the fund's benchmark of cash plus 3%.

Given the benign interest rate outlook, the listed infrastructure sector within the fund rallied again this quarter following a recovery during previous quarter. The funds exposure to Absolute return strategies generally delivered positive results during the second quarter of 2019. The Growth Opportunities Fund's investment into Invesco's Global Targeted Return Fund ('Invesco GTR') was positive over the quarter. The Growth Opportunities Fund's exposure to distressed debt and restructuring strategies was mixed over the second quarter of 2019. We opportunistically increased the exposure to distressed debt and restructuring strategies during late 2017 and early 2018 as we remain of the view that we are still in a post GFC environment where there remains an overhang of companies and sectors that will undergo restructuring due to market dislocation. As providers of capital in this market, we believe we are taking on debt like risk where the downside is protected, for equity like returns.

Activity across private equity and debt markets remains robust. Historically low interest rates and record amounts of raised capital continue to drive deal flow activity across private equity and private infrastructure. Valuations across core private infrastructure in particular are full. Additionally, we are seeing many private funds nearing the end of their investment periods and raising successor funds. This is also driving deal flow activity. As a result, we maintain a cautious approach towards private equity and private infrastructure given heightened levels of deal activity, rich valuations and heightened levels of leverage within some strategies. Our approach remains to selectively invest with managers and strategies that operate in niche markets which are relatively less competitive and well sized to provide flexibility when exiting. Following on from recent quarters, our private equity managers continue to take advantage of the buoyant market environment to realise some of their earlier vintage investments at attractive returns. Consequently, the Growth Opportunities Fund is still seeing a healthy level of capital being returned for re-investment.

## HOLDING INFORMATION

As at June 2019

TOP 5 EXPOSURES <sup>5</sup>	WEIGHT
Utility Trust of Australia	8.6%
Hamilton Lane Co-Investment Feeder Fund III	3.5%
Oaktree European Principal Fund IV	3.4%
Palisade Diversified Infrastructure Fund	3.2%
Colony Distressed Credit and Special Situations Fund IV	2.6%

CASH LEVEL & LEVERAGE	WEIGHT
Cash (AUD) <sup>6</sup>	31.7%
Leverage Ratio <sup>7</sup>	1.32
Maturity Profile: As at 30 June 2019 the Fund has no direct gearing liabilities. Liabilities are generally paid within 30 days of the invoice date.	

Source: RBC, PPIRT.

## INVESTMENT CHARACTERISTICS

As at June 2019

SECTOR	GEOGRAPHIC LOCATION		MARKET TYPE <sup>8</sup>		
	ONSHORE	OFFSHORE	LISTED	TRADED	PRIVATE
Absolute Return	0%	100%	20%	80%	0%
Infrastructure	78%	22%	15%	0%	85%
Opportunistic Property	10%	90%	0%	0%	100%
Private Equity	2%	98%	0%	0%	100%
Total	42%	58%	4%	8%	56%
FX Hedge Level	100%				

Source: RBC, PPIRT

1) Fund commenced in March 2008 and was opened to external investors in June 2009. 2) This percentage is an estimate of the ongoing fees which include all fees and expenses, including investment management performance fees as at 30 June 2018. 3) Negative annual returns expected in 4 to less than 6 years over any 20 year period. 4) 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. 5) Top 5 externally managed exposures. 6) The difference between 'Cash (AUD)' and 'Cash & Currency' (as per the sector asset allocation pie chart) represents offshore currencies held for transactional purposes. 7) 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. 8) Market type data is estimation only, provided by the Perpetual Private research team.

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#### **MORE INFORMATION**

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