

**Perpetual Superannuation
Limited**

**PERPETUAL SELECT SUPERANNUATION FUND
ANNUAL MEMBER MEETING**

30 October 2020

Perpetual 

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If your question relates specifically to your account or insurance, we will contact you directly to discuss. Our Contact Centre is also available to assist on 1800 003 001.

GENERAL INFORMATION

This information has been prepared by Perpetual Superannuation Limited ABN 84 008 416 831 (PSL), AFSL 225246, RSE L0003315 (as trustee for Perpetual's Select Superannuation Fund ABN 51 068 260 563, RSE R1057034). 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 product disclosure statements (PDSs) for the Perpetual Select Super Plan and Pension Plan, issued by PSL, should be considered before deciding whether to acquire or hold units in the Fund. The PDSs can be obtained by calling 1800 003 001 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. Past performance is not indicative of future performance.

Net returns shown have been calculated net of any investment fees and estimated indirect costs and (for the Super Plan and MySuper) income tax of up to 15%. No allowance has been made for any investment fee rebate for Super Plan and Pension Plan members.

Gross returns shown have been calculated before any investment fees and estimated indirect costs and (for the Super Plan and MySuper) income tax of up to 15%. No allowance has been made for any investment fee rebate for Super Plan and Pension Plan members.

Janet Torney

Chair

Perpetual 

PERPETUAL SUPERANNUATION LIMITED							
GOVERNANCE FRAMEWORK							
Governance Tier	Board	Janet Torney Chair & Non Executive Director	Virginia Malley Non Executive Director	Kerry Adby Non Executive Director	Mark Smith Executive Director	Chris Green Executive Director	
	Board Committees	Audit and Risk Committee Virginia Malley (Chair) Janet Torney (NED) Kerry Adby (NED)	Investment Committee Kerry Adby (Chair) Janet Torney (NED) Mark Smith (Executive Director) Jonathan Sweeney (Independent Member)	Nominations Committee Janet Torney (Chair & NED) PSL Executive Director Paul Chasemore (Executive General Manager, People)	People & Remuneration Committee Nancy Fox (Chair & Perpetual Ltd NED) Fiona Trafford-Walker (Perpetual Ltd NED) Greg Cooper (Perpetual Ltd NED)		
		Catherine Payne Head of Office of the Superannuation Trustee					
		Key Management Personnel	Sam Mosse Chief Risk Officer		Amanda Gazal Chief Operating Officer		
			Sylvie Dimarco PSL Company Secretary		Annie Rozenauers General Manager Product		
	Gan Minithantri PSL Company Secretary		Gordon Thompson Senior Manager Superannuation and Retirement Solutions				
External Service Providers	RBC Investor Services Custodian and Fund Administrator		Tech Mahindra Member Administration		AIA Insurer		
	KPMG External Auditor Nicholas Buchanan						
Operating Tier							

OUR STRATEGY

Purpose: Enduring prosperity for the lifetime of our members

Vision: to be the trusted provider of market-leading superannuation solutions in our chosen segments

Strategic Objectives

Grow by providing market-leading solutions for the benefit of our members

Deepen our member relationships and improve our members' experience

Protect our members by delivering robust governance, compliance & risk management

Provide efficient and sustainable business operations

Your Fund as at 30 June 2020



THE NEW CYCLE – YEARNING FOR MEDIOCRITY

Matt Sherwood,
Head of Investment Strategy, Multi Asset

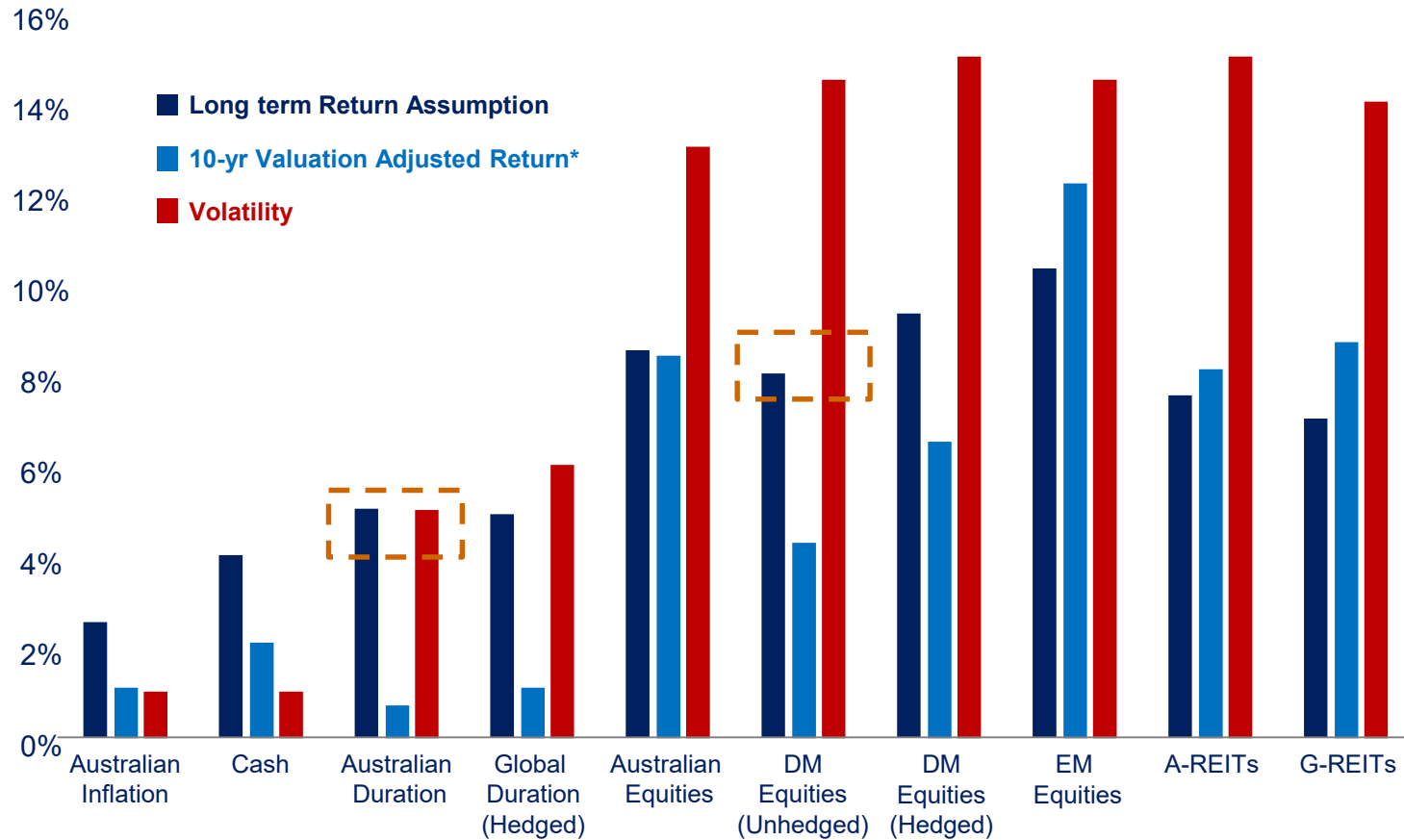
October 2020

Perpetual 



THE INVESTOR'S DILEMMA - LOWER RETURNS AND HIGHER RISK

ASSET CLASS RETURNS: LONG-TERM ASSUMPTION; VALUATION-ADJUSTED RETURNS AND VOLATILITY (%)



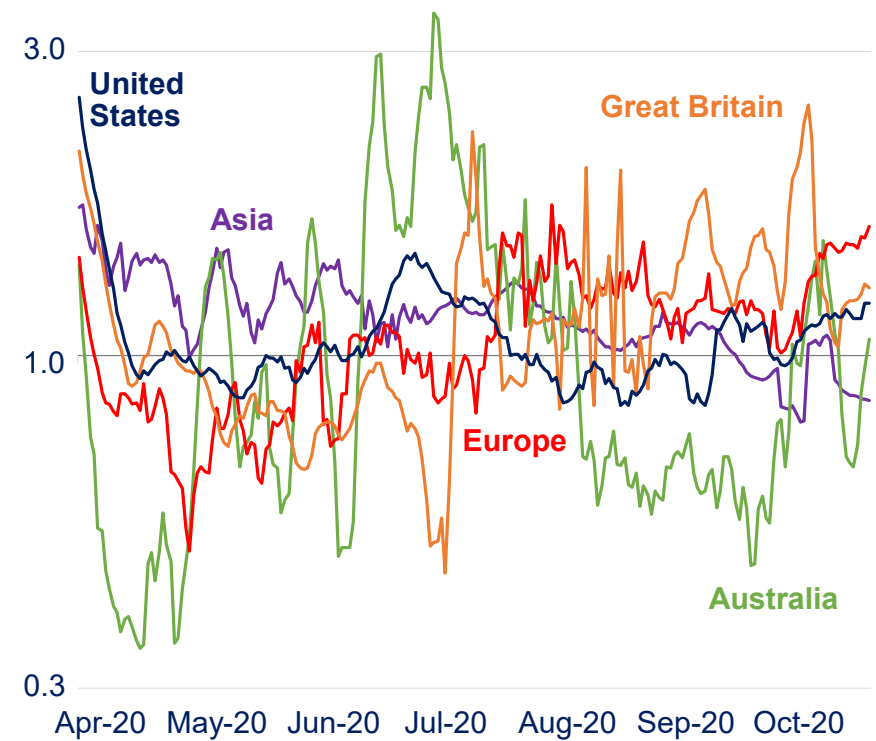
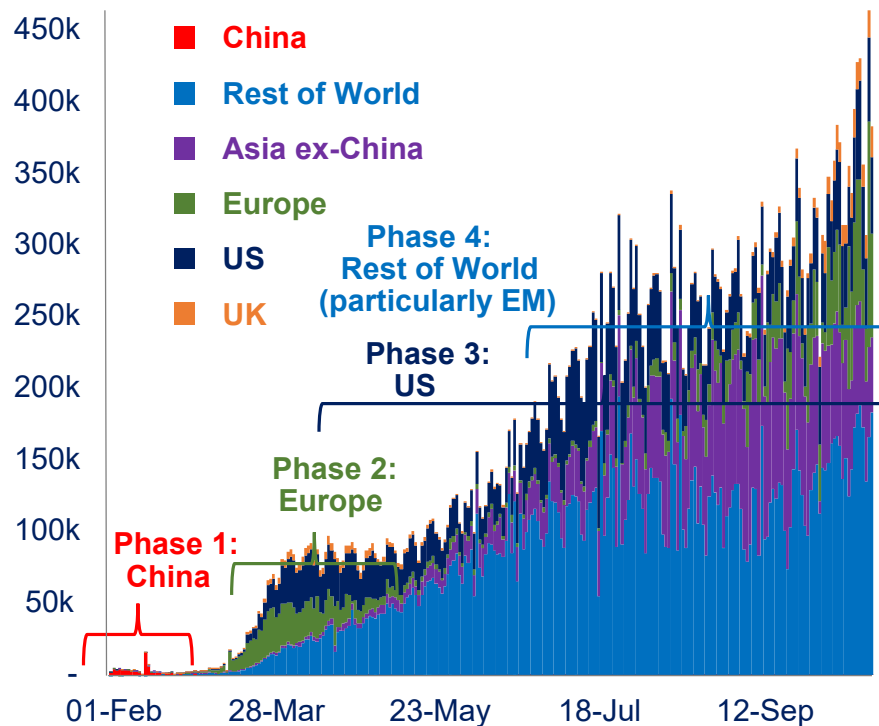
9. Source: Perpetual Investments as at 20th August 2020. * These are valuation adjusted returns and do not account for structural changes to underlying asset classes such as increased vacancy rates in office property, deterioration in corporate balance sheets, or lower nominal growth in emerging markets.

THE COV-19 PANDEMIC CAME FROM LEFT FIELD AND ITS STILL ACTIVE...

DAILY COV-19 CASES; COV-19 R-FACTOR

THE COV-19 VIRUS HAD GONE THROUGH MULTIPLE WAVES...

... AND THE VIRUS IS STILL VERY ACTIVE AND THE NORTHERN HEMISHERE WINTER IS AHEAD

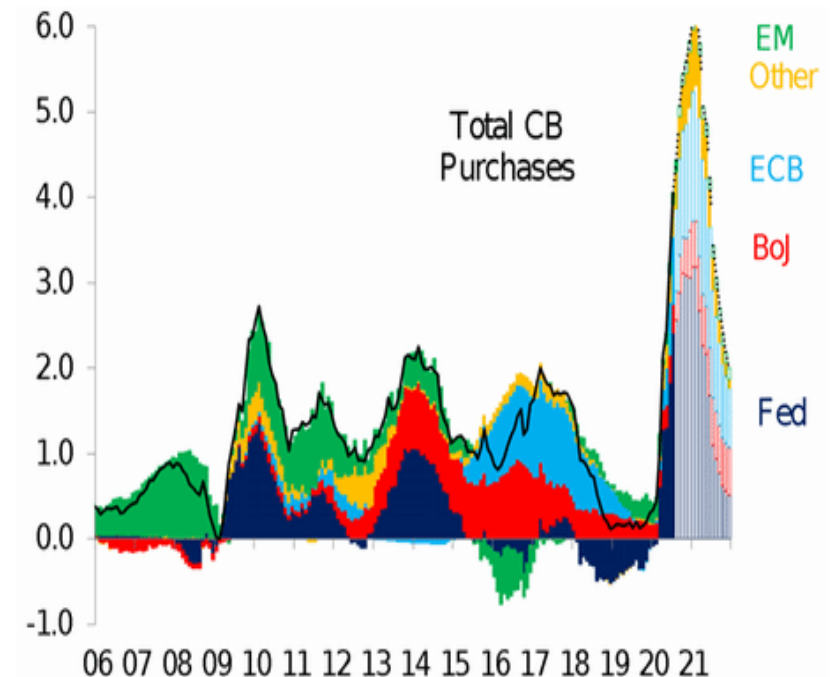
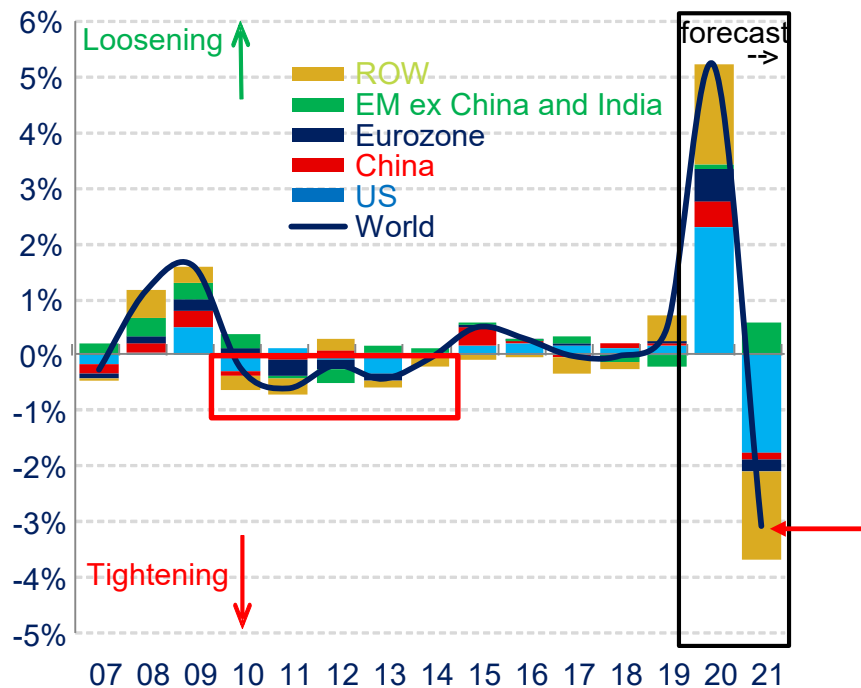


THE POLICY RESPONSE WAS RAPID AND LARGE, BUT ITS FADING

GLOBAL FISCAL IMPULSE BY SOURCE (% GDP); GLOBAL ASSET PURCHASES BY CENTRAL BANKS (USD TRILLION)

THE FISCAL RESPONSE WAS LARGER THAN WHAT WAS PROVIDED IN 2008/09

... AND CENTRAL BANKS MADE A \$6 TRILLION COMMITMENT TO PROP UP MARKETS

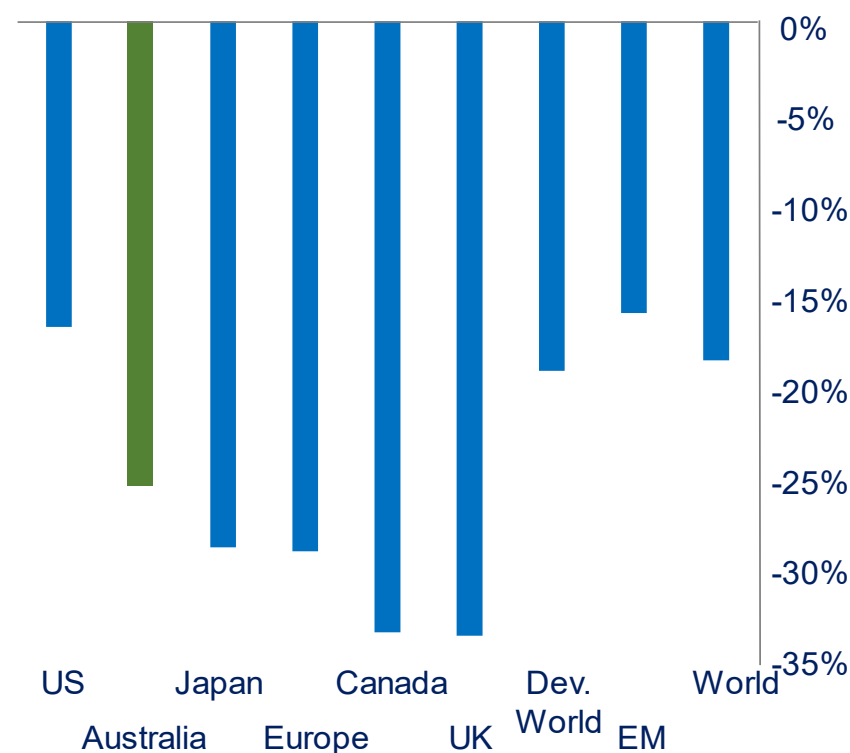
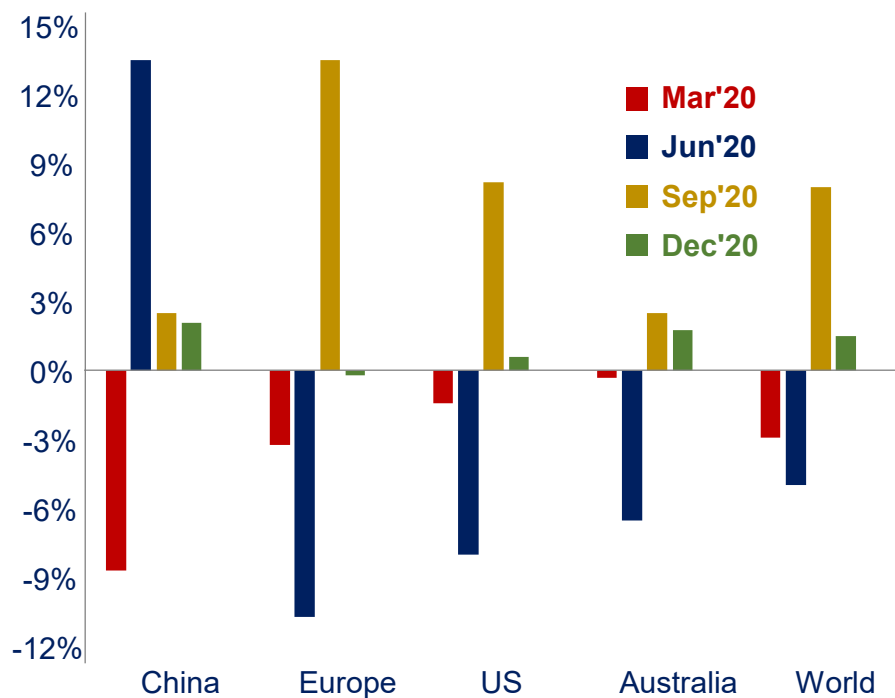


A VERY DEEP AND SHORT RECESSION, BUT CORPORATE EARNINGS ARE STILL FALLING

QUARTERLY REGIONAL ECONOMIC GROWTH (%); REGIONAL EPS GROWTH FROM POST-2018 PEAK

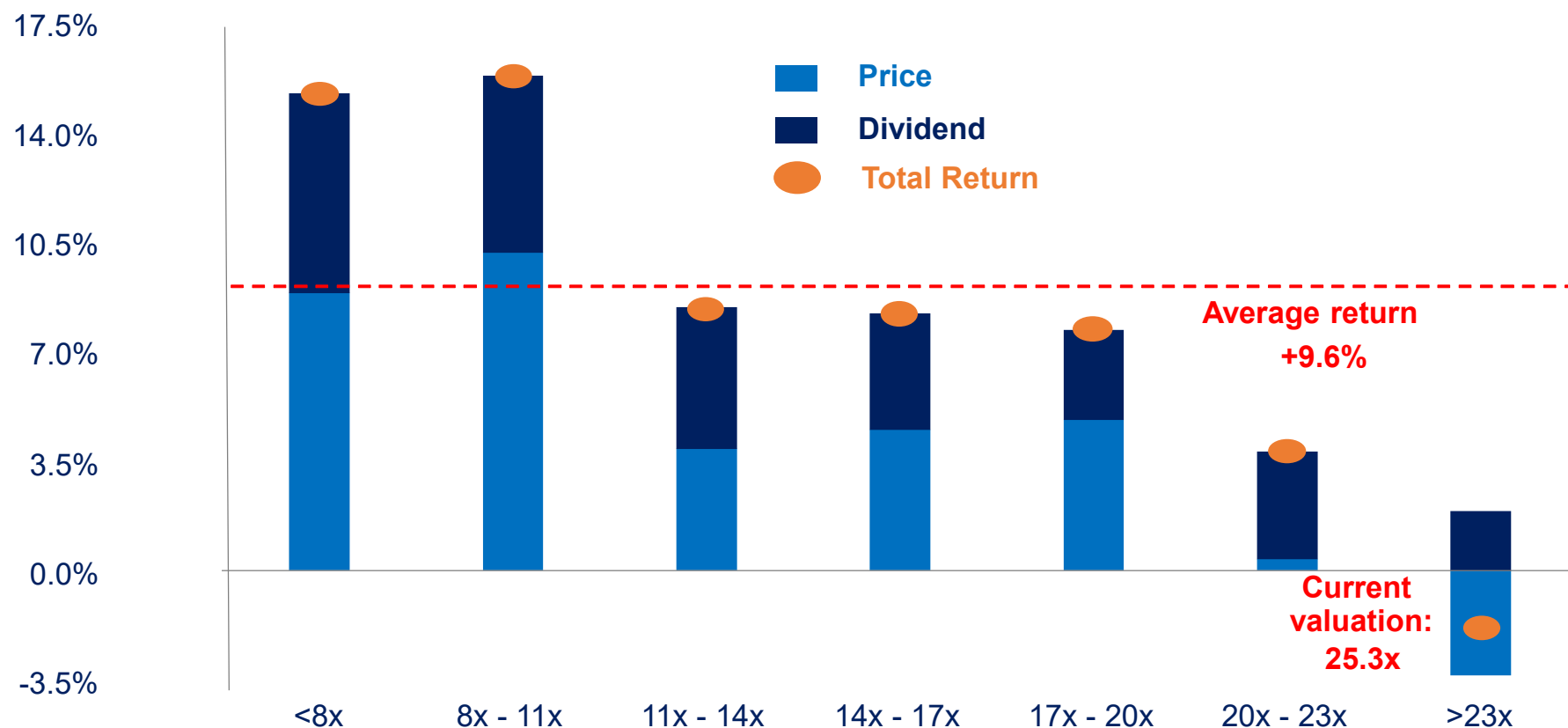
THE GLOBAL RECESSION WAS DEEP, BUT
IT WAS NOT EXTENDED ...

... ALTHOUGH THE ECONOMY HAS LIFTED,
CORPORATE EARNINGS HAVE NOT



EQUITY MARKETS ARE EXPENSIVE, BUT THERE'S A MUCH BIGGER PORTFOLIO PROBLEM

US RATIO AND SUBSEQUENT 5-YEAR RETURN (X,%)

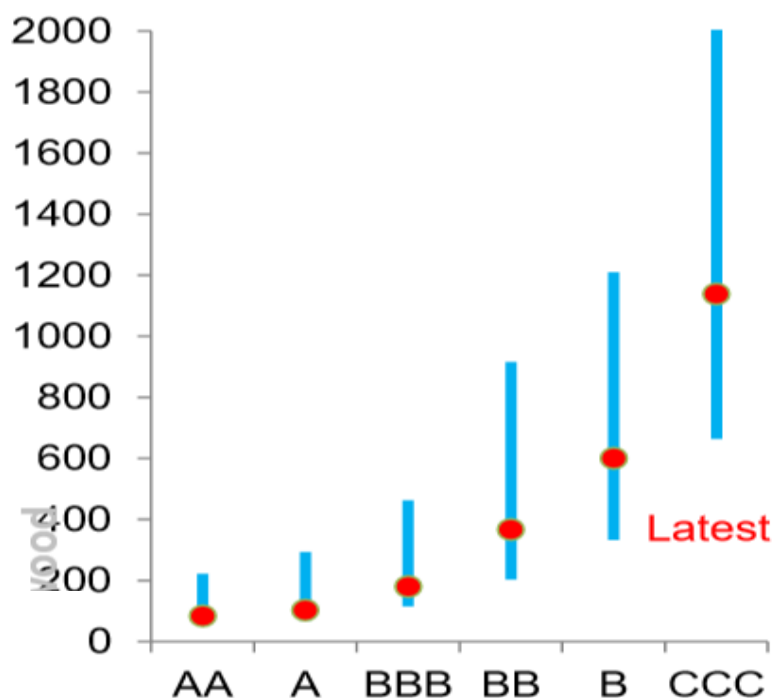


Source: Bloomberg and ASR as at 15th October 2020. * The Magnificent 5 are Microsoft, Apple, Facebook, Amazon and Google and the index is cap-weighted.

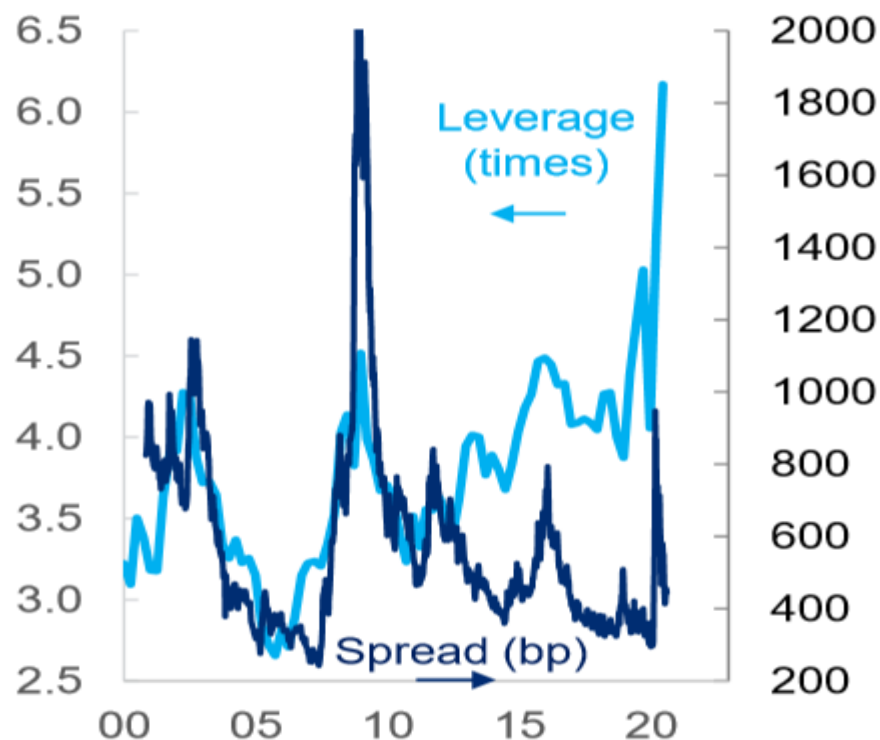
CREDIT RETURNS AREN'T ALIGNED TO RISK, BUT THERE'S A BIGGER PORTFOLIO PROBLEM

SPREAD BY CREDIT RATING (BPTS); US HIGH YIELD SPREAD (EX-ENERGY) VS CORPORATE LEVERAGE (BPTS, X)

LOW QUALITY CREDIT SPREADS MAKE SENSE
RELATIVE TO THEIR HIGH QUALITY PEERS...

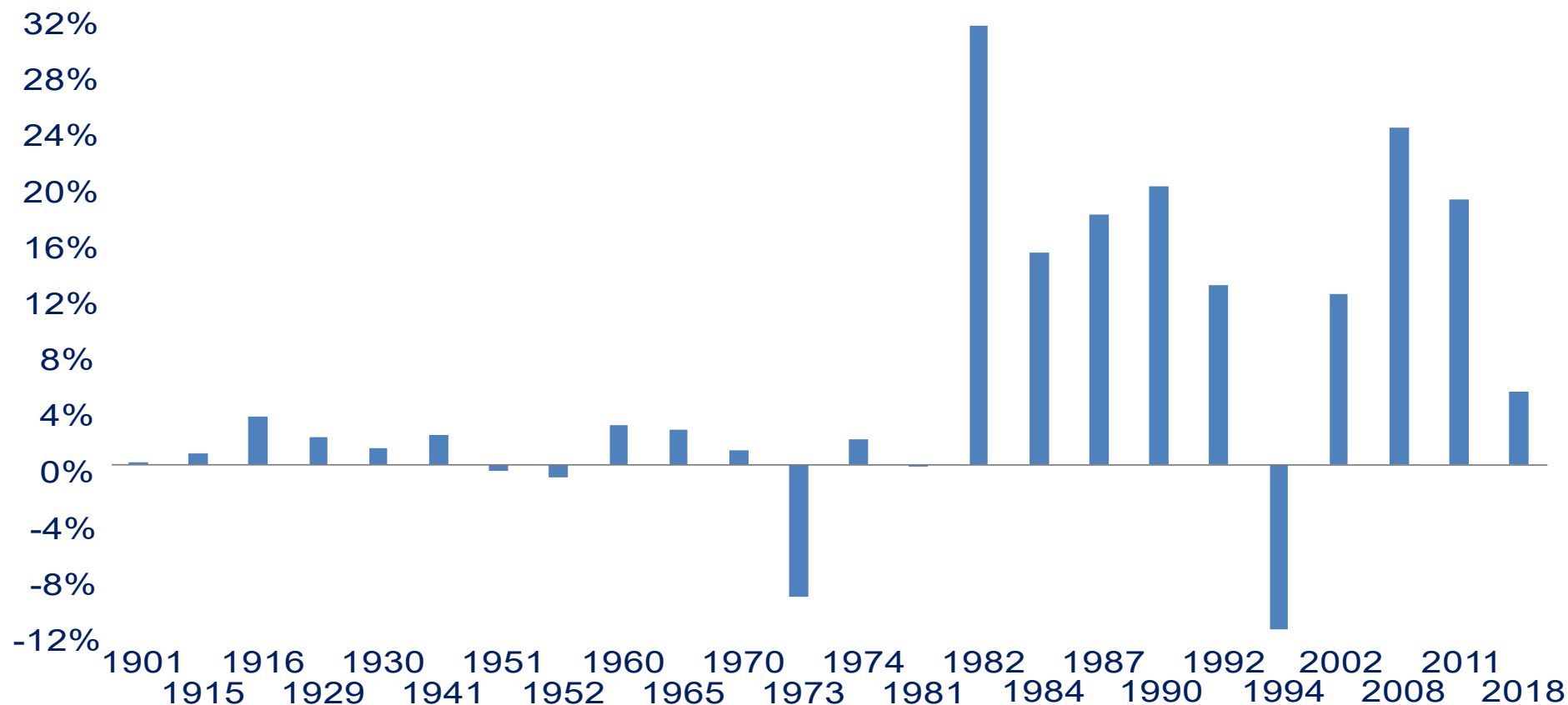


... BUT THEY DON'T COMPENSATE INVESTORS FOR
THE 7-YEAR LEVERAGE BUILD-UP



RECORD LOW BOND YIELDS HAVE SERIOUS IMPLICATIONS FOR PORTFOLIOS

AUSTRALIAN DURATION RETURNS IN NEGATIVE EQUITY YEARS (%)



SOME FINAL WORDS

- If a vaccine is not found, the recovery will flatten out quickly:
 - policy has peaked and doesn't create growth;
 - the largest growth risks are rising case numbers or a policy mistake.

- Current valuations are a real problem for retirees;
 - equity markets are fully valued - dividends will dominate total returns;
 - credit markets are priced for a benign default cycle; and
 - record low bond yields mean investors need more portfolio diversifiers.

- Investors face a dilemma - lower returns and higher volatility;
 - The only way to manage this challenge is through better asset allocation;
 - only hold risk when its likely to be rewarded; and
 - realign your costs with returns, but don't sacrifice diversification.

Investors have two choices – hope policy makers will continue to bailout markets, or take ownership and build a more robust portfolio

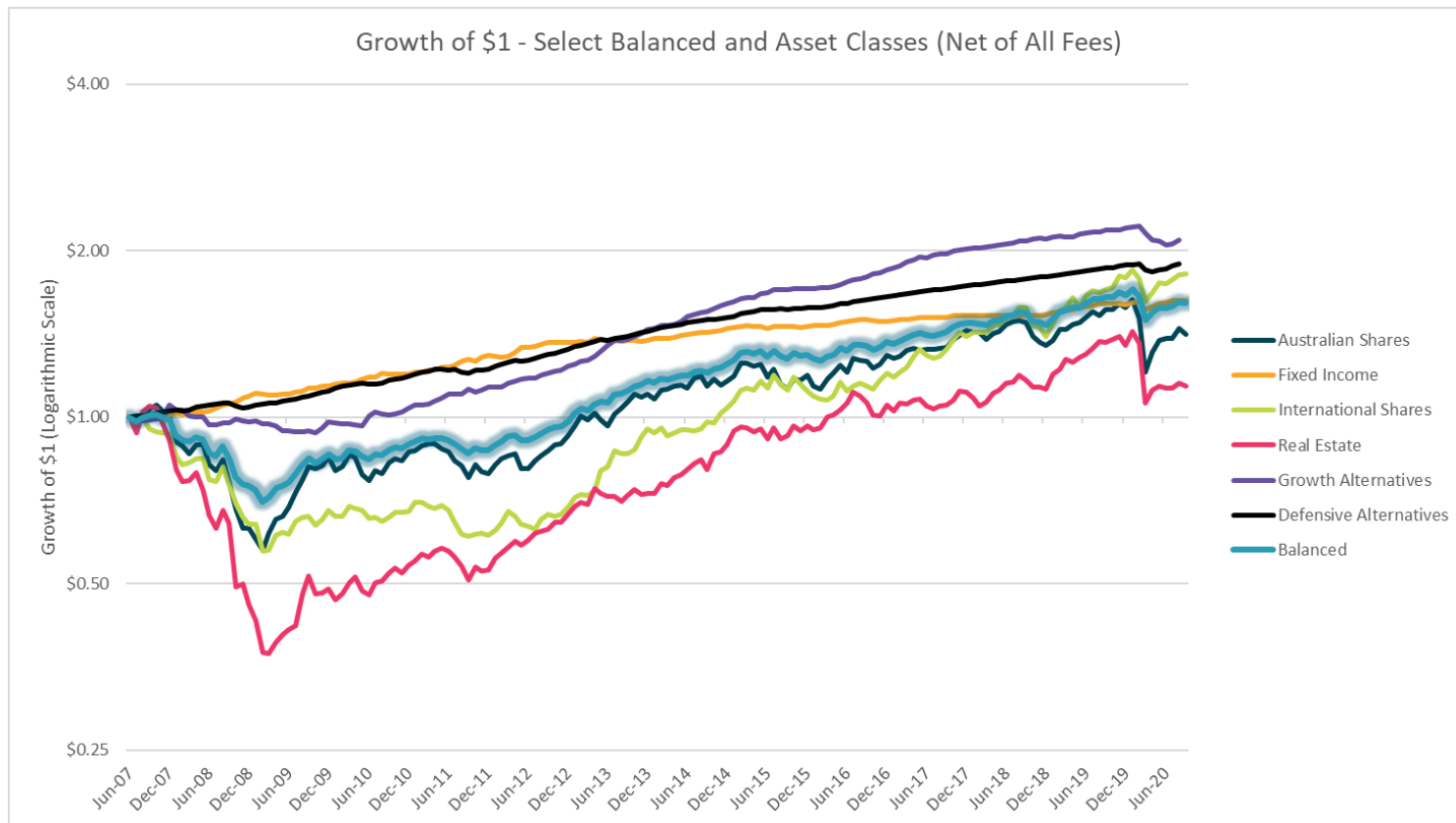
Kyle Lidbury
Head of Investment Research

Investment Update

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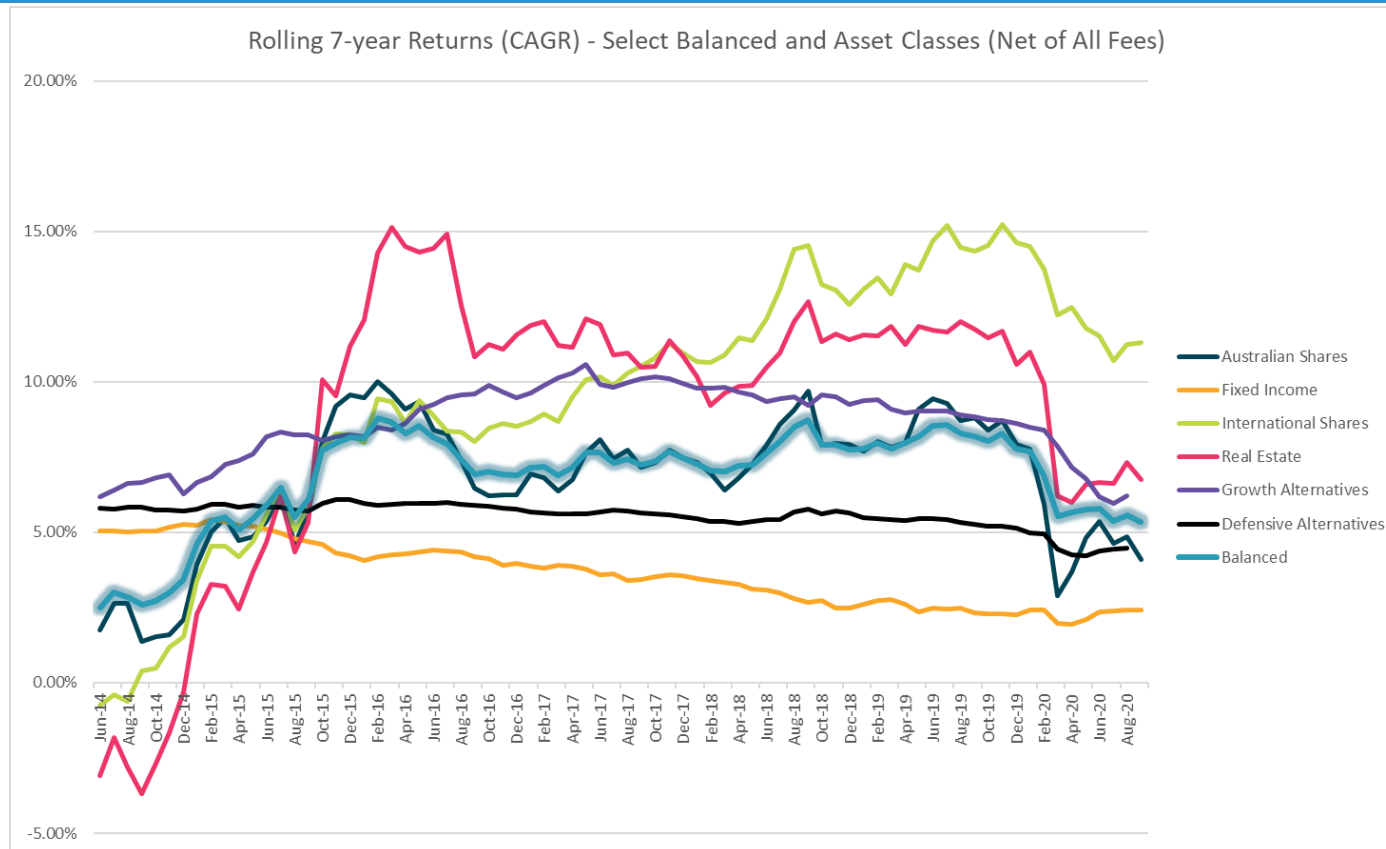
SELECT BALANCED VS ASSET CLASSES

Growth of \$1, Net of Fees before rebates



SELECT BALANCED VS ASSET CLASSES

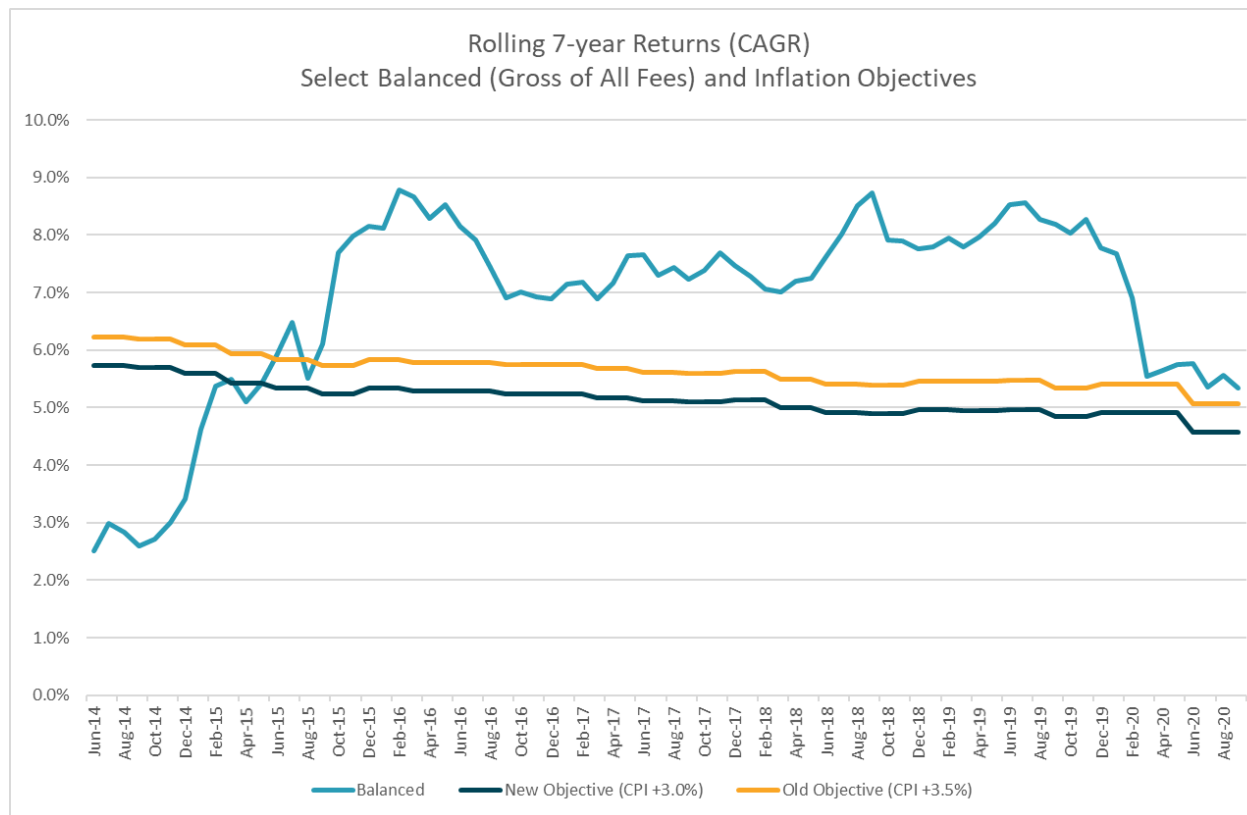
Rolling 7-year Returns (CAGR)



Source: Perpetual

SELECT BALANCED VS OBJECTIVE

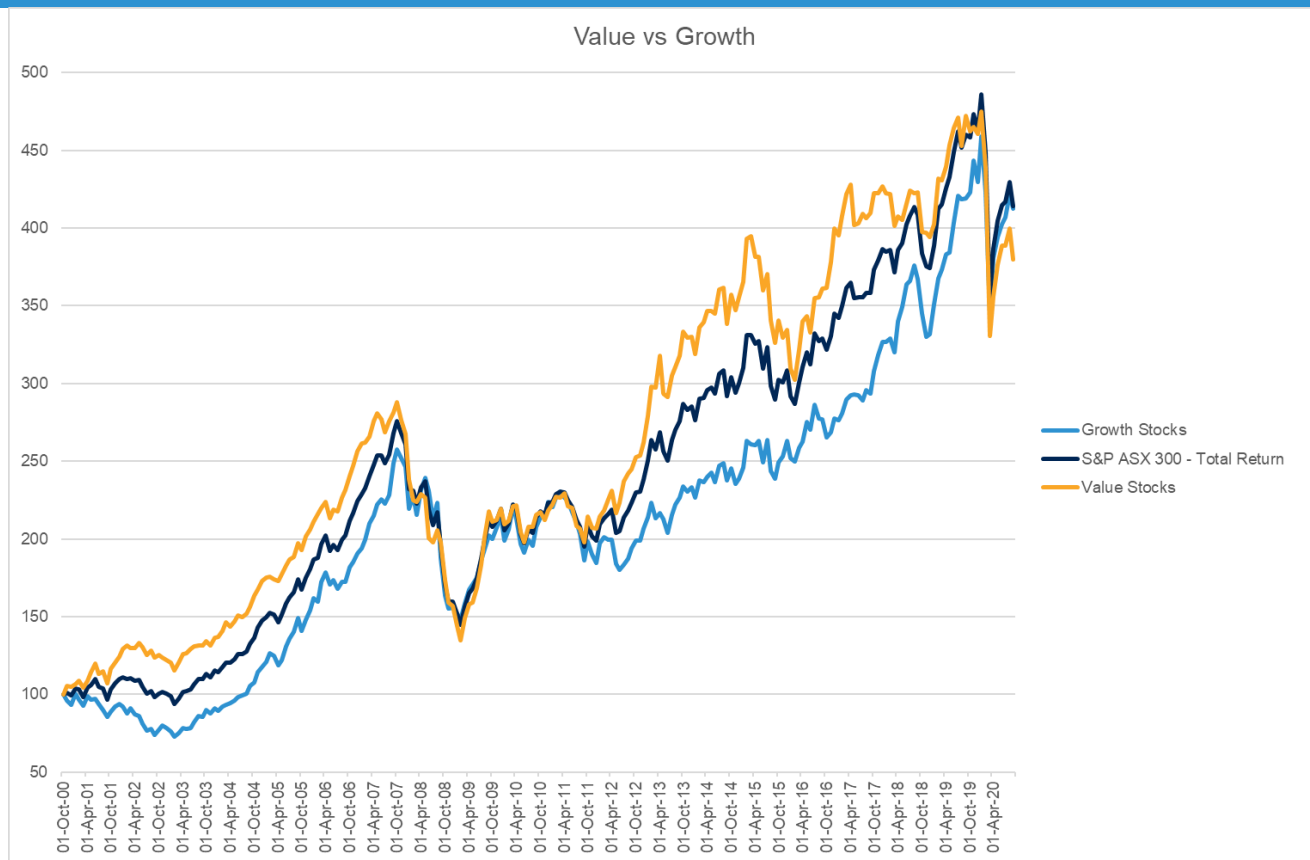
Gross returns vs CPI + 3%, CPI + 3.5%



Source: Perpetual

AUSTRALIAN EQUITIES

Value vs Growth



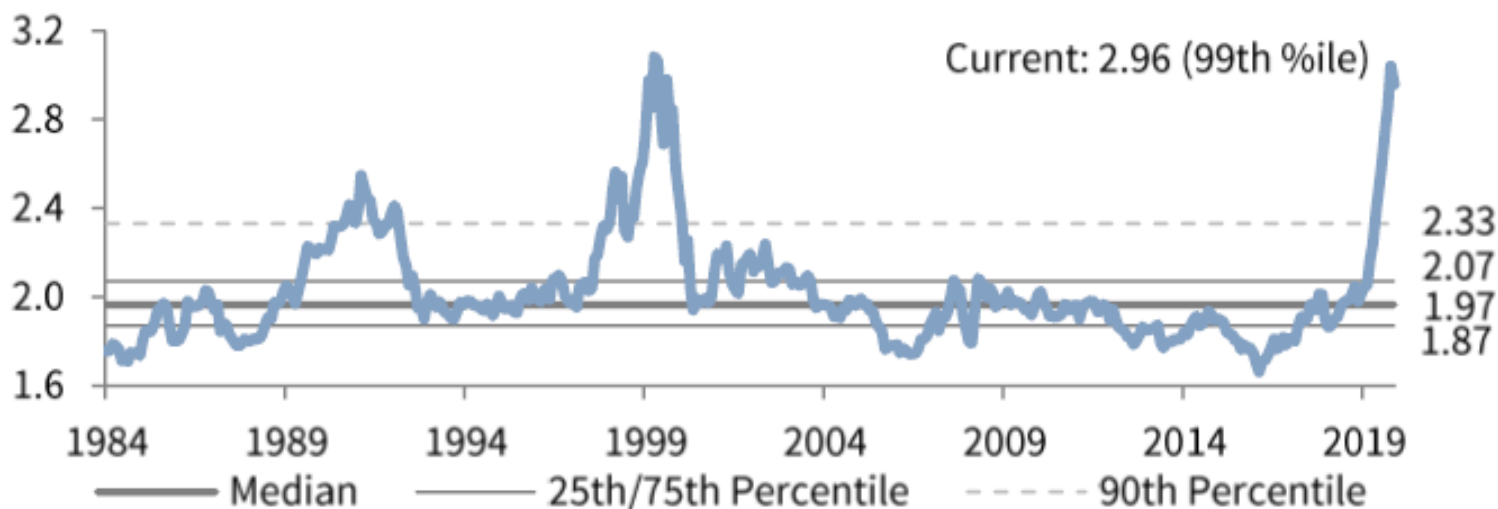
Source: Factset, Perpetual

INTERNATIONAL EQUITIES

Growth vs Value

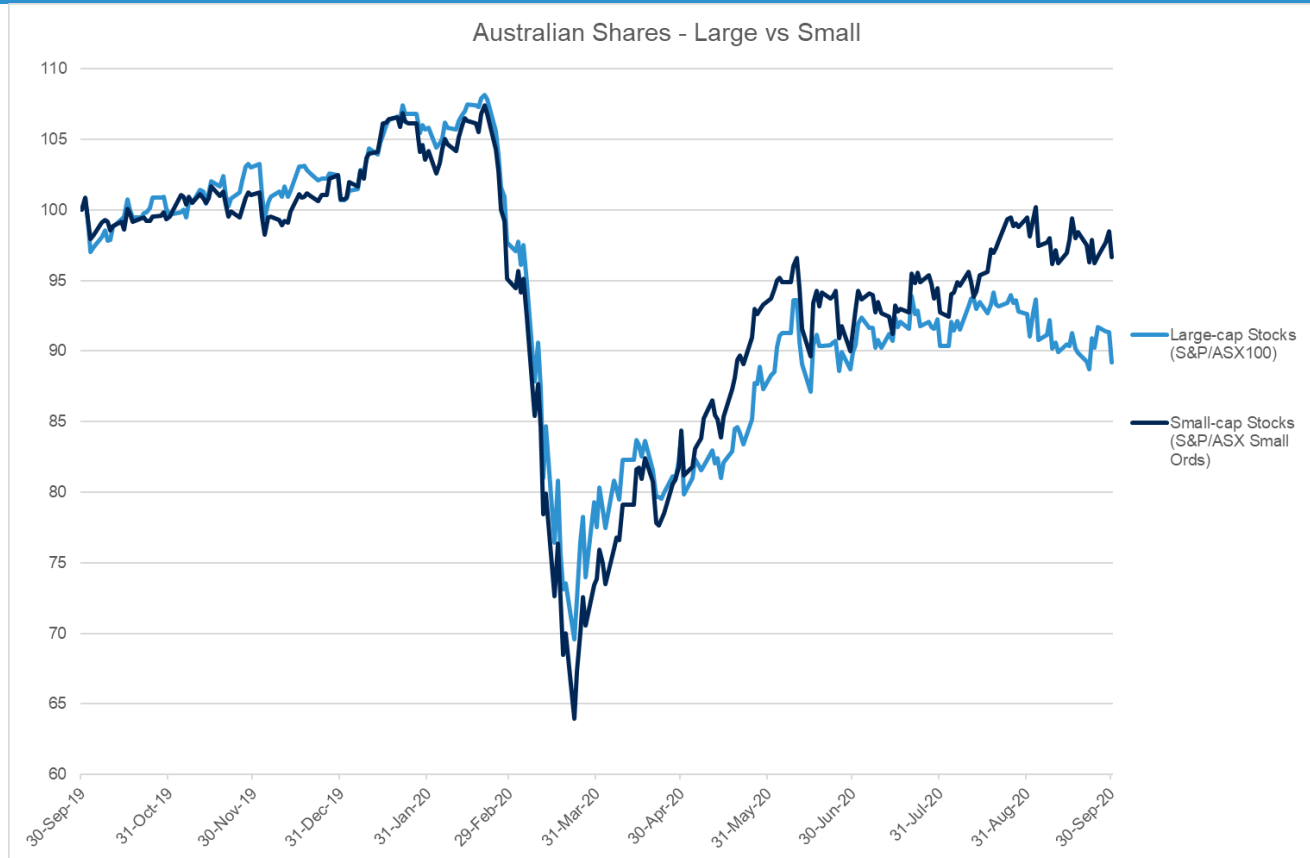
RELATIVE CYCLICALLY ADJUSTED PRICE-TO-CASH EARNINGS: MSCI US GROWTH VS US VALUE

Nov 30, 1984 – Sep 30, 2020



AUSTRALIAN EQUITIES

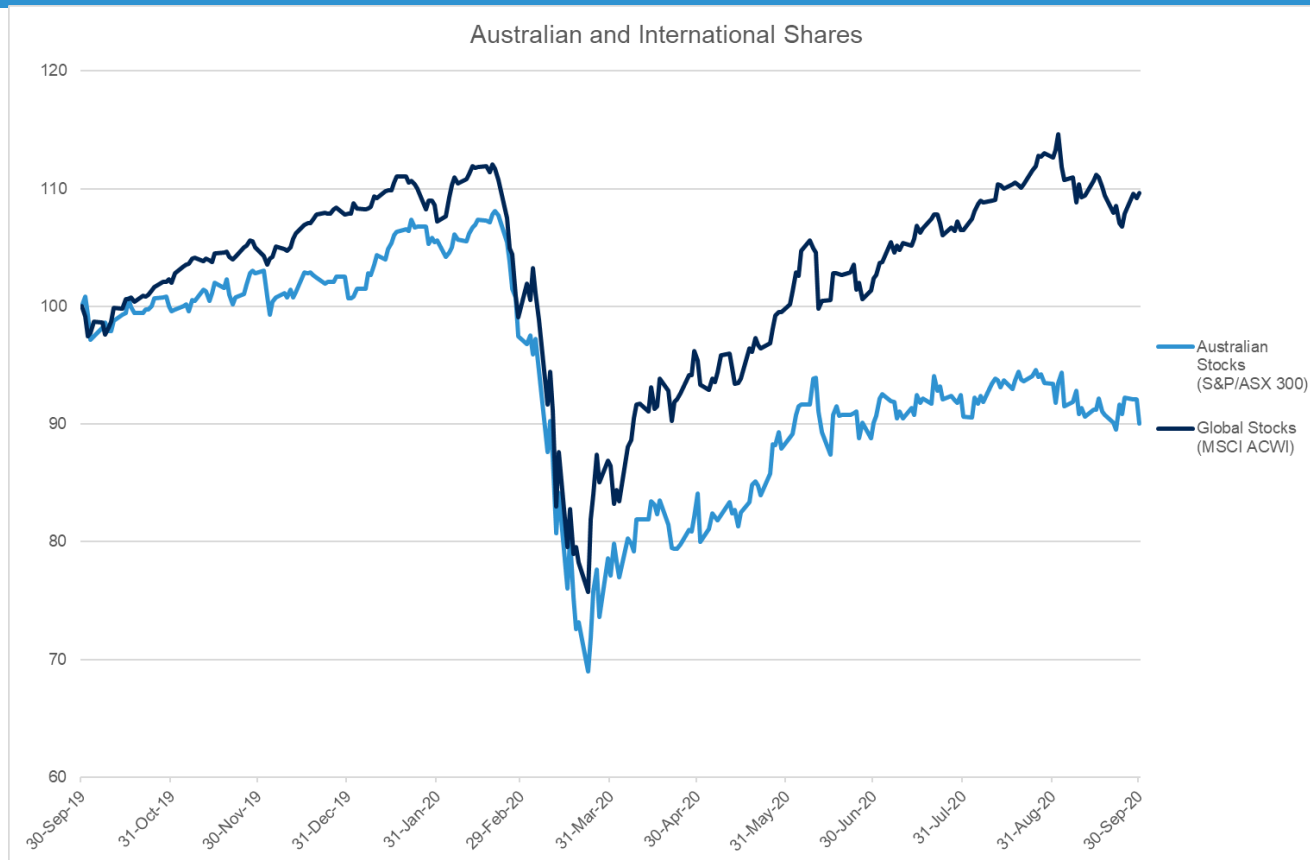
Large-caps vs Small-caps



Source: Factset, Perpetual

EQUITIES

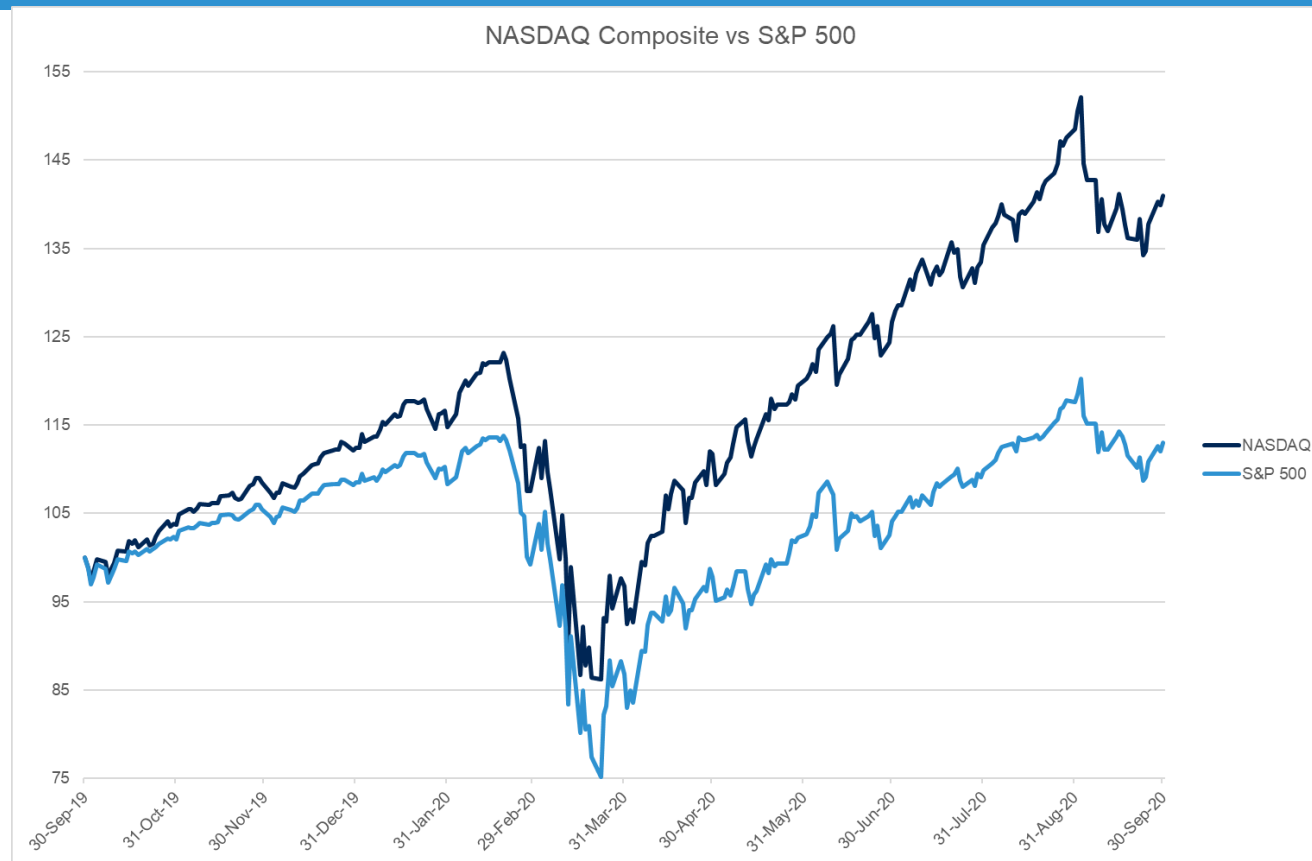
Australian vs International



Source: Factset, Perpetual

INTERNATIONAL EQUITIES

Tech vs Everything else



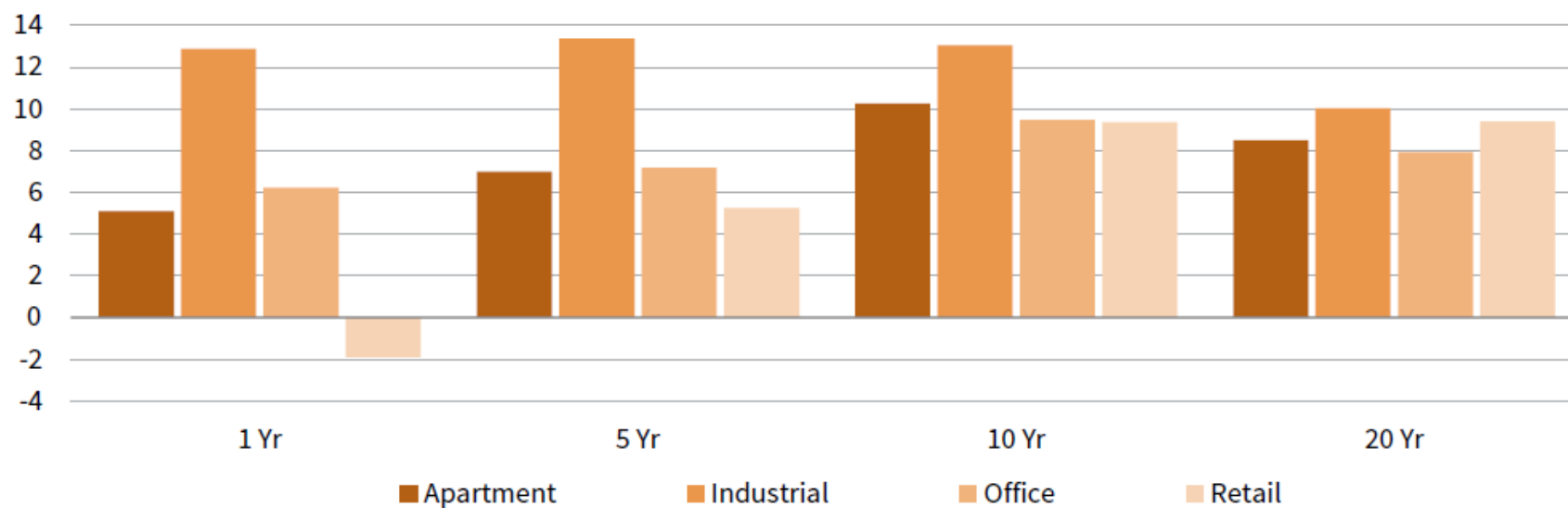
Source: Factset, Perpetual

PROPERTY HAS ALSO SEEN DIVERGENCE

The Amazon effect, the COVID effect

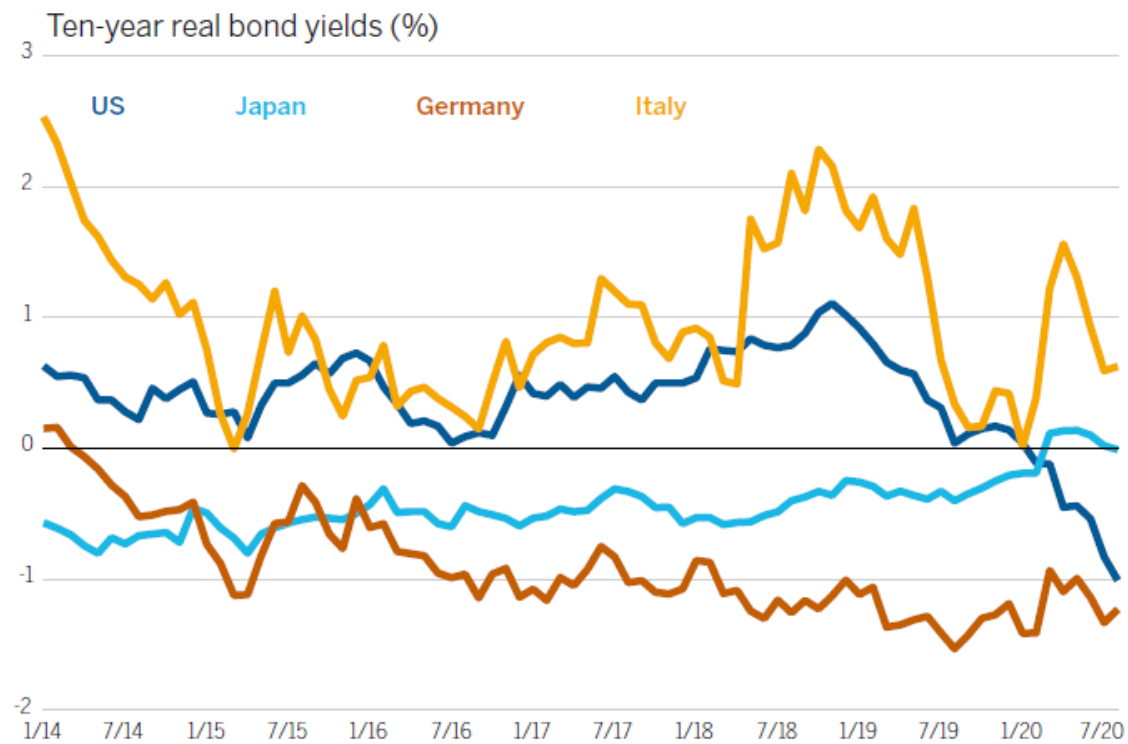
RETURNS BY PROPERTY TYPE

As of First Quarter 2020 • AACR (%) • US Dollar



BONDS – REAL YIELDS

'TINA' gets real



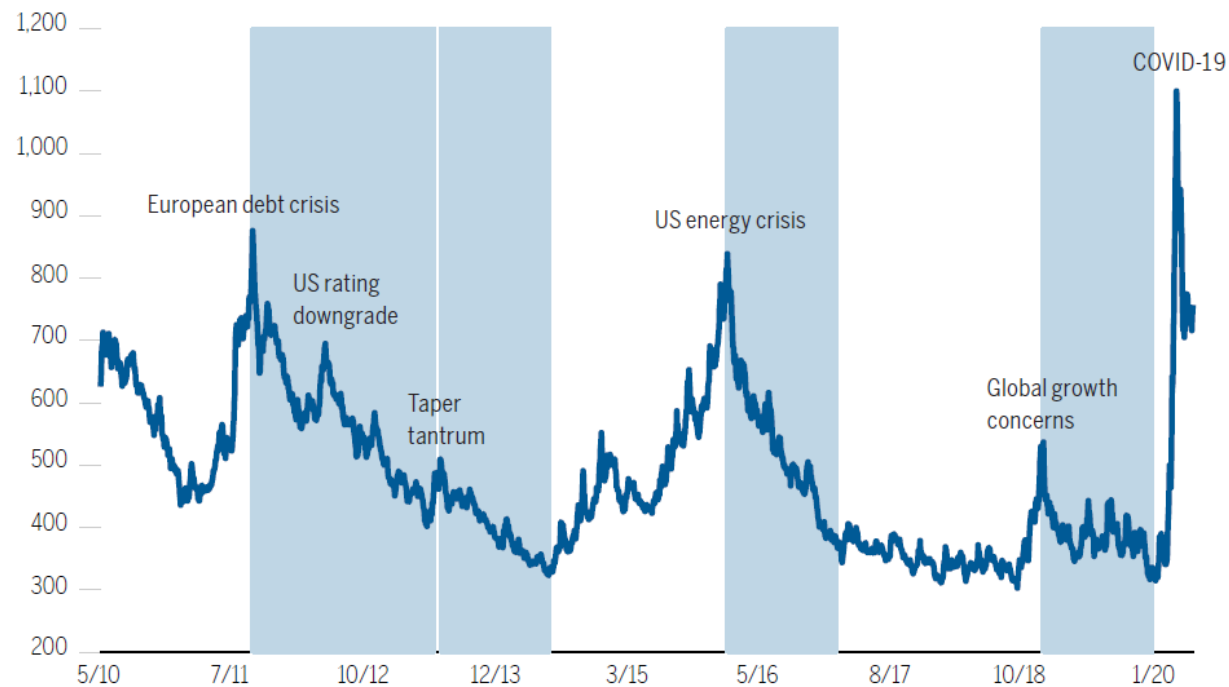
Source: Wellington Management

CREDIT OFFERS SOME REWARD

But not without risk

Crises have been frequent since GFC and may present opportunities

Option-adjusted spread (OAS, in bps)



Source: Wellington Management

IMPLICATIONS FOR PORTFOLIOS

Lower Returns, Higher Risk, Longer Time Horizons

- Despite short-term deflation, cash and bonds will be challenged to deliver real returns
- Bonds still provide protection, however more expensive than ever
- Credit looks more attractive, but increases portfolio risk
- Property: location, location, location...and sector, and asset, and leverage
- Bubbles emerging in equities, however near term support remains
- Valuation divergence at all time highs, an active approach is 'less risky'
- The future is more uncertain than usual, which creates volatility
- Uncertainty can create opportunity...particularly in inefficient markets

Annie Rozenauers
Head of Product

Member Services

Perpetual 

Member Services

56,958 phone calls over the year,
66.4% answered in 30 seconds

36,110 emails over the year, 92%
answered in 48 hours

Customer service scores of 8.85/10
for phone interactions

Customer service scores of 7.94/10
for email interactions

MyPerpetual

FIVE NEW FEATURES TO CHECK OUT



1 NEW LOOK AND FEEL

myPerpetual has an intuitive layout and clearer navigation. You will have a graphical representation of your portfolio and simpler ways to transact.



2 A SMARTER DASHBOARD

At a glance, the myPerpetual dashboard clearly lays out all the important information you need including portfolio value, recent transactions and current investments.



3 REAL TIME DATA

A new data feed means you can see the most up-to-date portfolio values available. More transactions will be automated meaning faster processing times.



4 TWO-FACTOR AUTHENTICATION

For stronger security, your adviser will need to complete an extra identification step to view your account. Email and SMS notifications to confirm we've received the transaction requests submitted digitally from you and your adviser.



5 MOBILE FRIENDLY

myPerpetual is designed to be accessed through any device – mobile, laptop or tablet – so you can keep track of your investments, wherever you are.

Members' questions and answers

Submit a question

Click the 'Ask a question' link at the top right of your screen



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