Perpetual Superannuation Limited

PERPETUAL SUPER WRAP ANNUAL MEMBER MEETING

30 October 2020

Submit a question

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



If your question relates specifically to your account or insurance, we will arrange for your Financial Adviser to contact you.

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 Super Wrap ABN 22 897 174 641, RSE R1074406). 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 Private Super Wrap and Perpetual Private Pension Wrap, issued by PSL, should be considered before deciding whether to acquire or hold units in the Funds. The PDSs can be obtained by calling 1800 099 265 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.

Janet Torney
Chair

Perpetual

PERPETUAL SUPERANNUATION LIMITED
GOVERNANCE FRAMEWORK

Governance Tier

Board

Janet Torney	Virginia Malley	Kerry Adby	Mark Smith	Chris Green
Chair & Non Executive Director	Non Executive Director	Non Executive Director	Executive Director	Executive Director

Board Committees

Audit and Risk Committee	Investment Committee	Nominations Committee	People & Remuneration Committee
Virginia Malley (Chair) Janet Torney (NED) Kerry Adby (NED)	Kerry Adby (Chair) Janet Torney (NED) Mark Smith (Executive Director) Jonathan Sweeney (Independent Member)	Janet Torney (Chair & NED) PSL Executive Director Paul Chasemore (Executive General Manager, People)	Nancy Fox (Chair & Perpetual Ltd NED) Fiona Trafford-Walker (Perpetual Ltd NED) Greg Cooper (Perpetual Ltd NED)

Operating Tier

Key Management Personnel

Catherine Payne
Head of Office of the Superannuation Trustee

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	Ilias Kotranakis Senior Manager Platforms and Services

External Service Providers

Macquarie Administrator	Bond Street Custodians Custodian	AIA/Zurich Insurers

KPMG External Auditor
Nicholas Buchanan

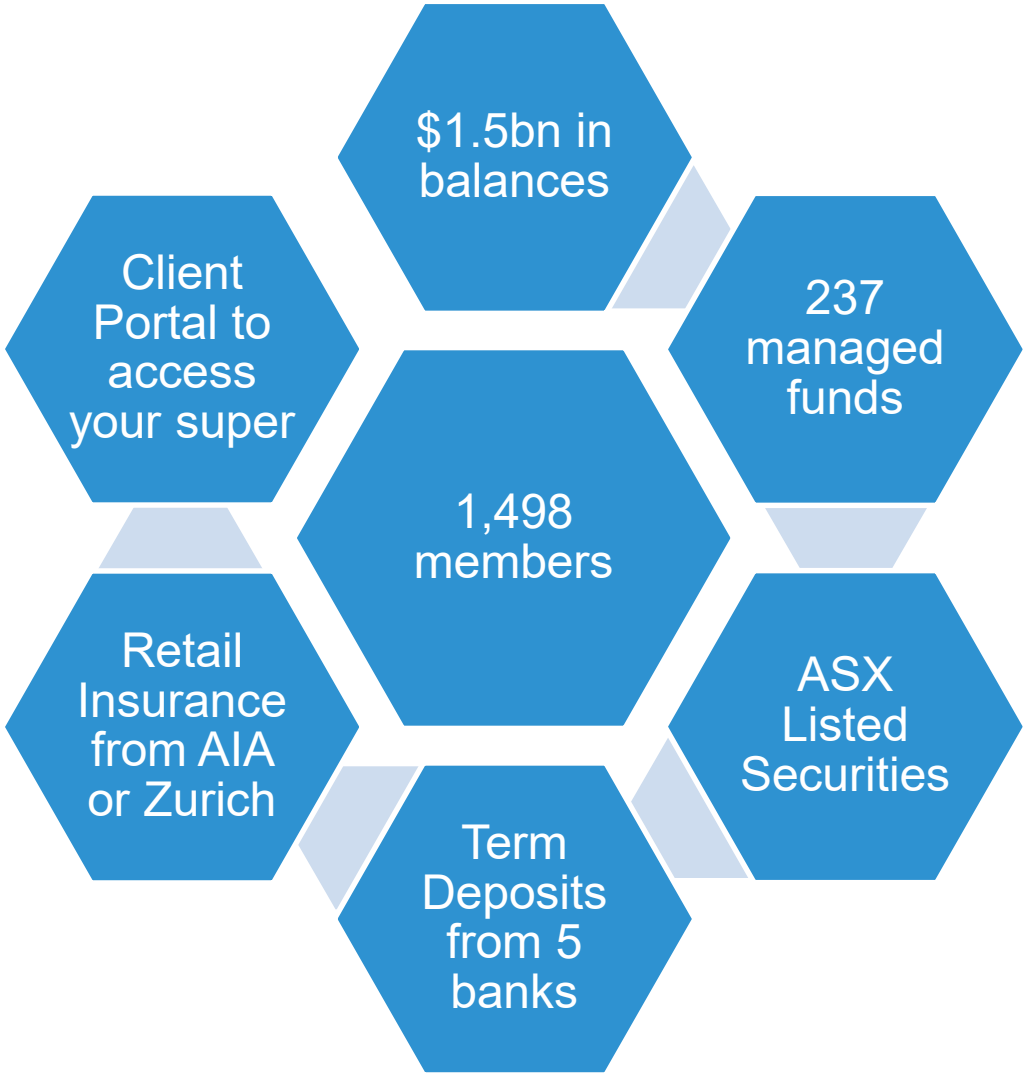
OUR STRATEGY

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

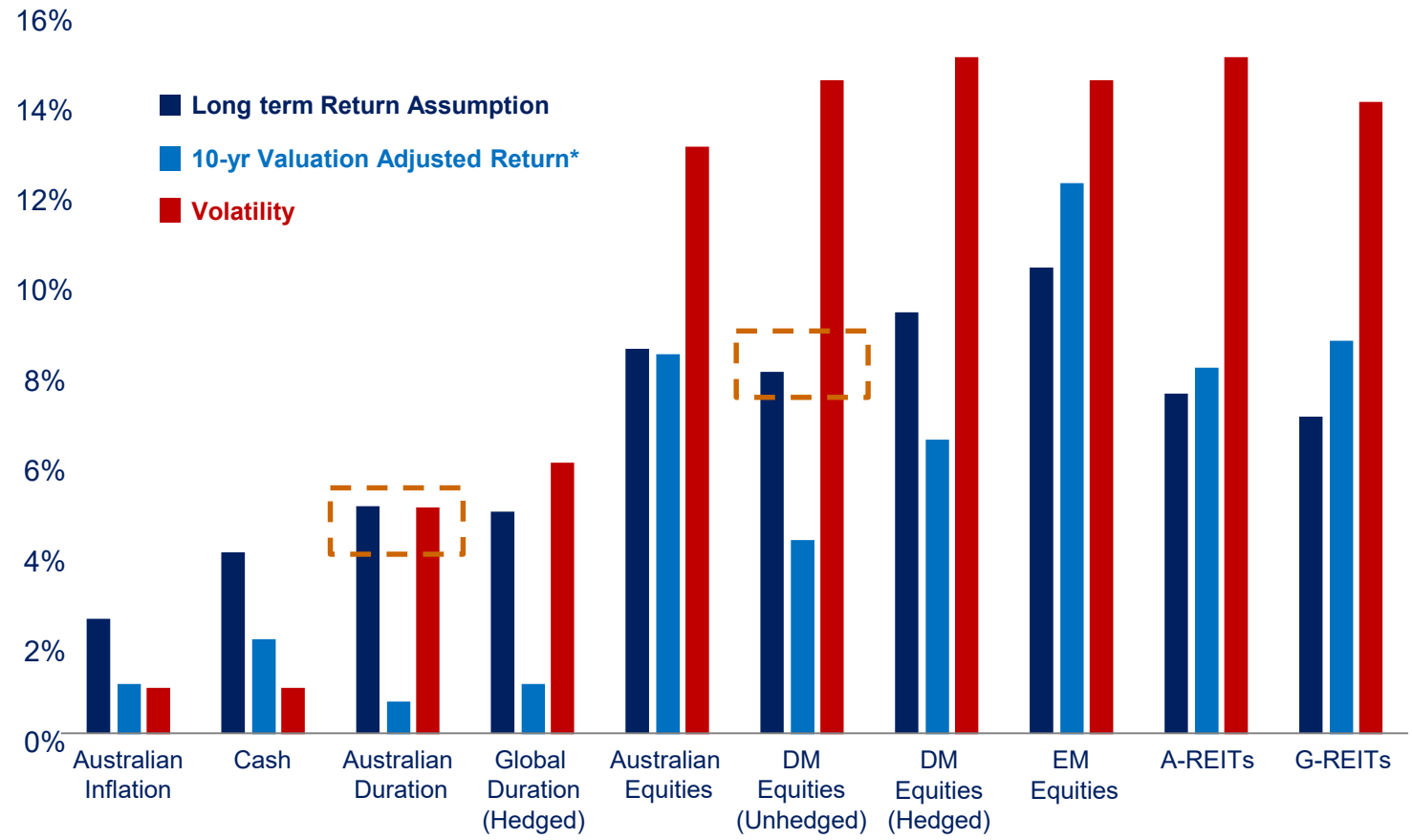
October 2020

Perpetual



THE INVESTOR'S DILEMMA - LOWER RETURNS AND HIGHER RISK

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

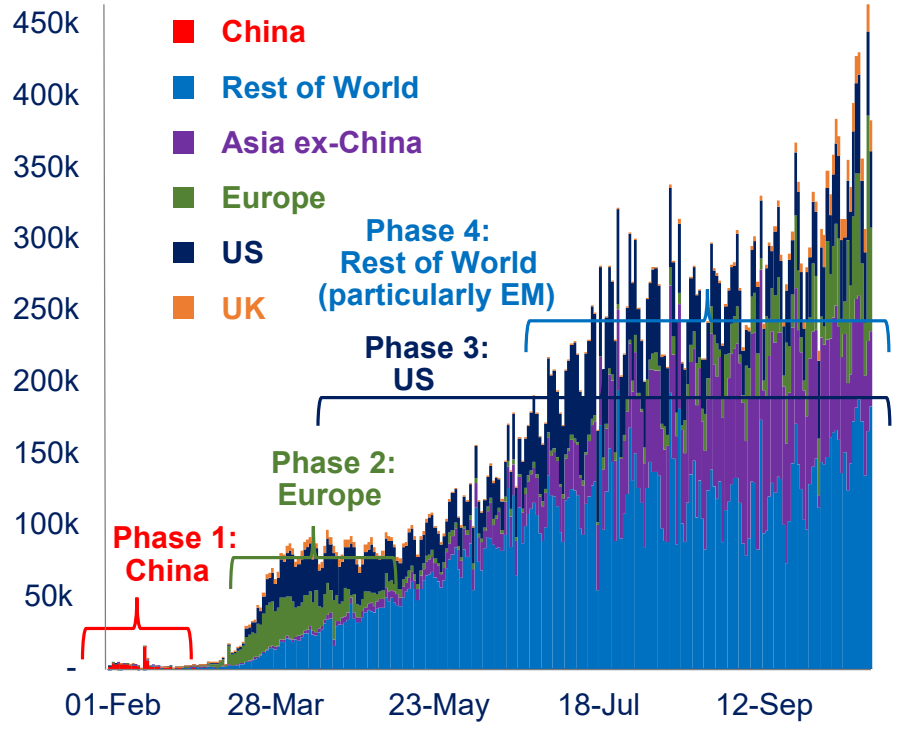


9. Source: Perpetual Investments as at 20th August 2020. * These are valuation adjusted returns and do not account for structural changes to underlying asset classes such as increased vacancy rates in office property, deterioration in corporate balance sheets, or lower nominal growth in emerging markets.

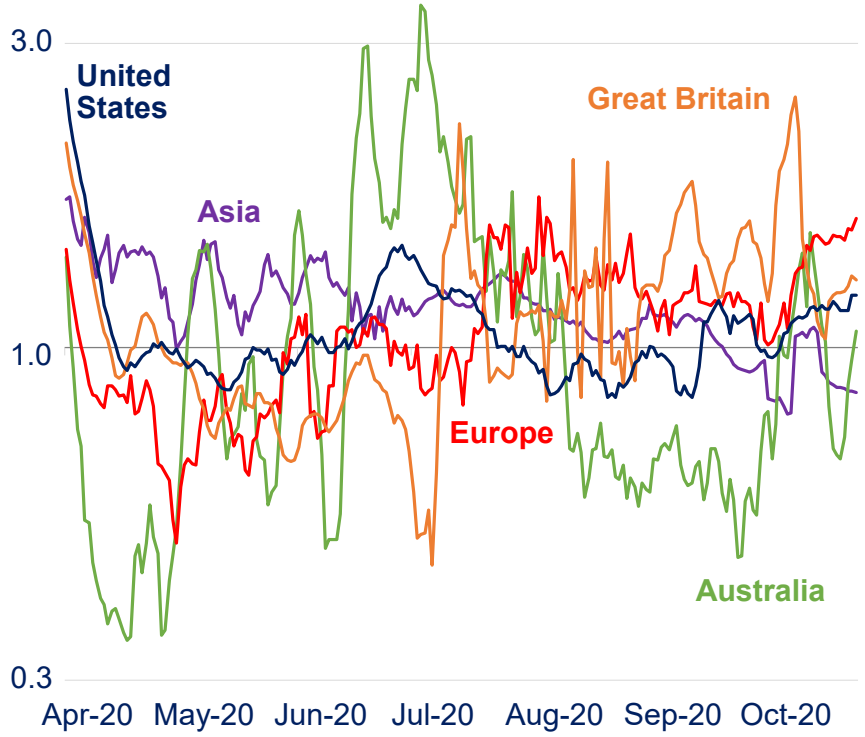
THE COV-19 PANDEMIC CAME FROM LEFT FIELD AND ITS STILL ACTIVE…

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

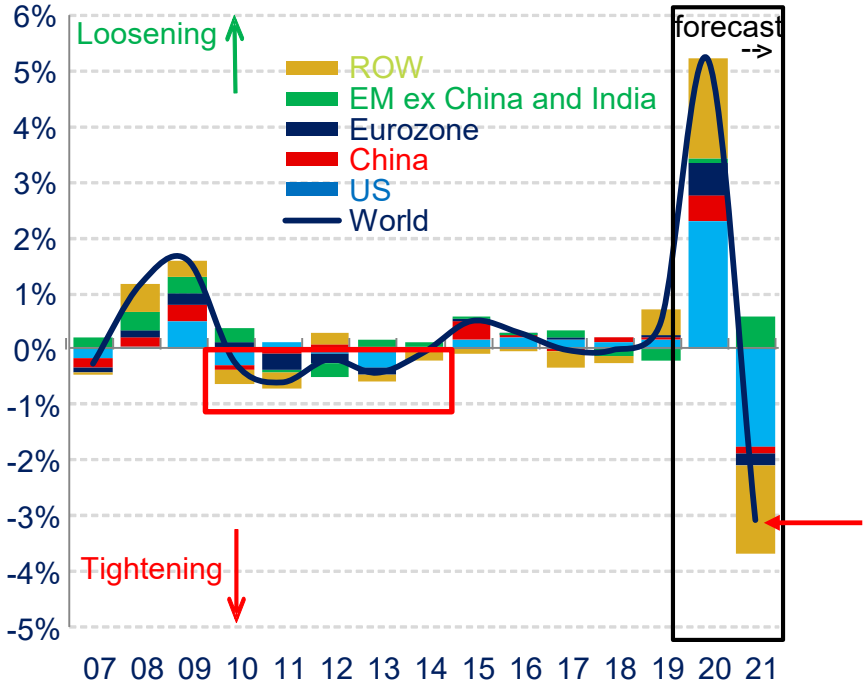


10.Source: Bloomberg as at 23rd October 2020.

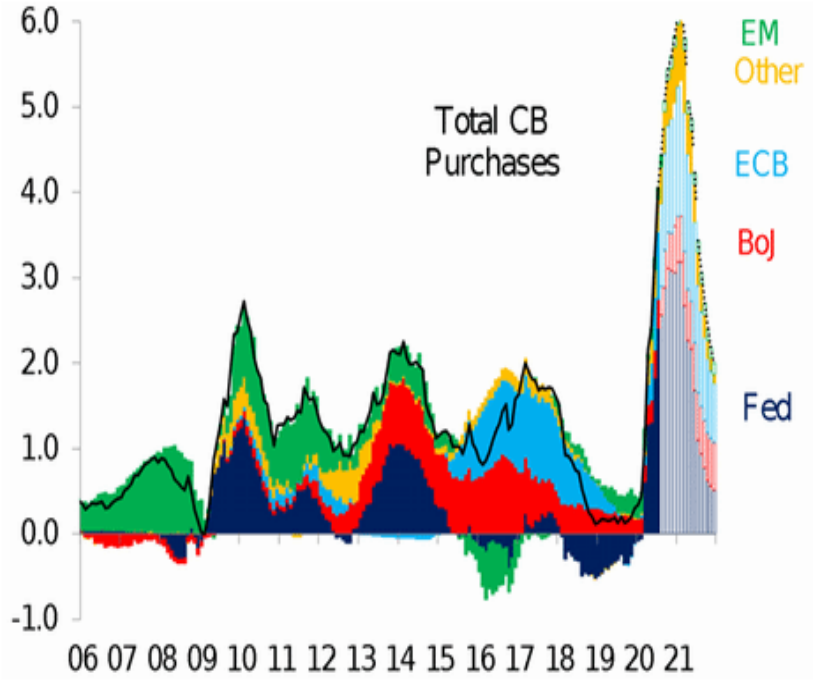
THE POLICY RESPONSE WAS RAPID AND LARGE, BUT ITS FADING

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

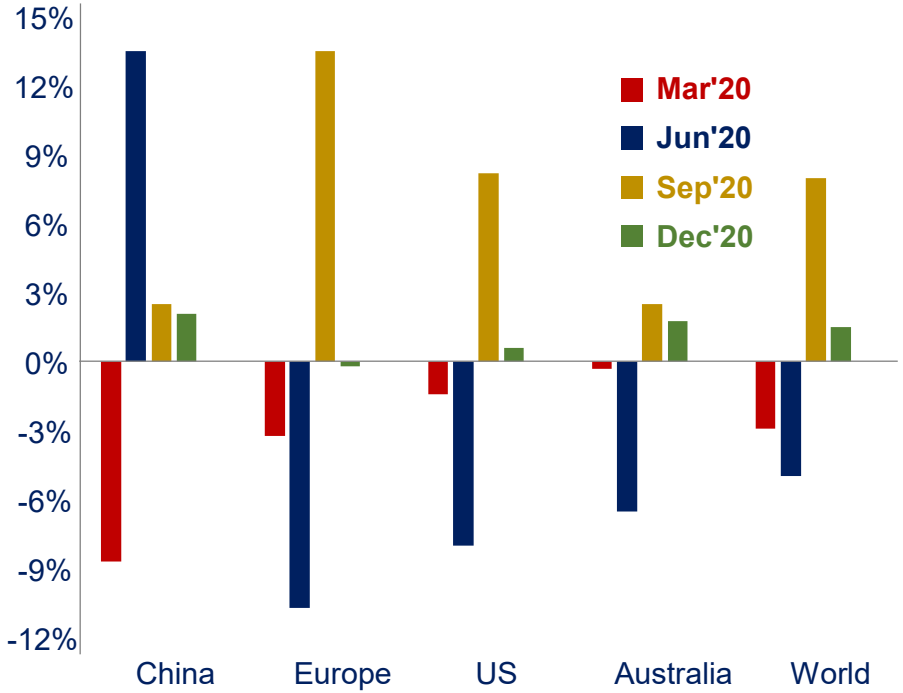


11. Source: UBS Limited as at 9th September 2020.

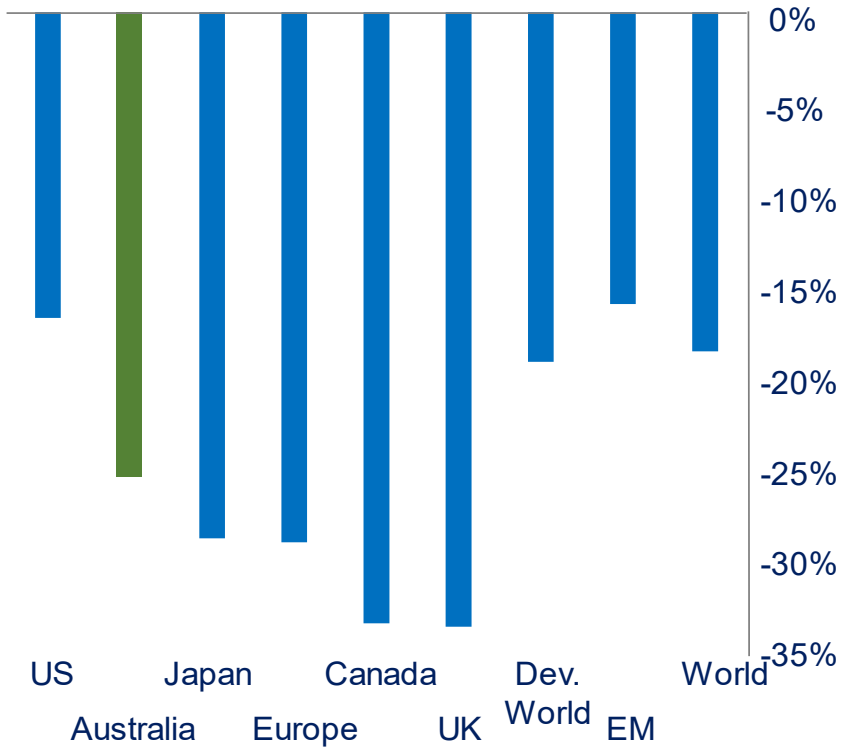
A VERY DEEP AND SHORT RECESSION, BUT CORPORATE EARNINGS ARE STILL FALLING

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



12. Source: Perpetual Investments and UBS Australia Limited as at 23rd October 2020.

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

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

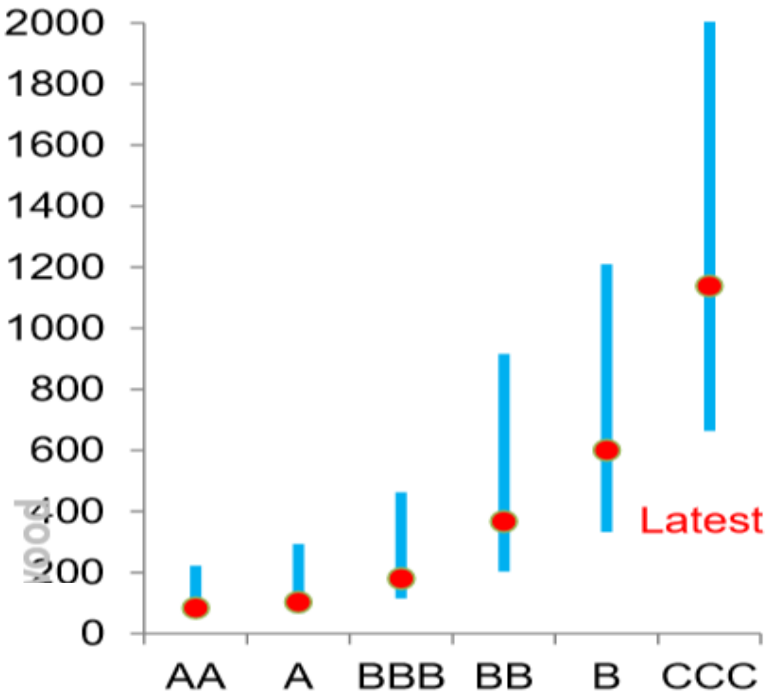


Source: Bloomberg and ASR as at 15th October 2020. * The Magnificent 5 are Microsoft, Apple, Facebook, Amazon and Google and the index is cap-weighted.

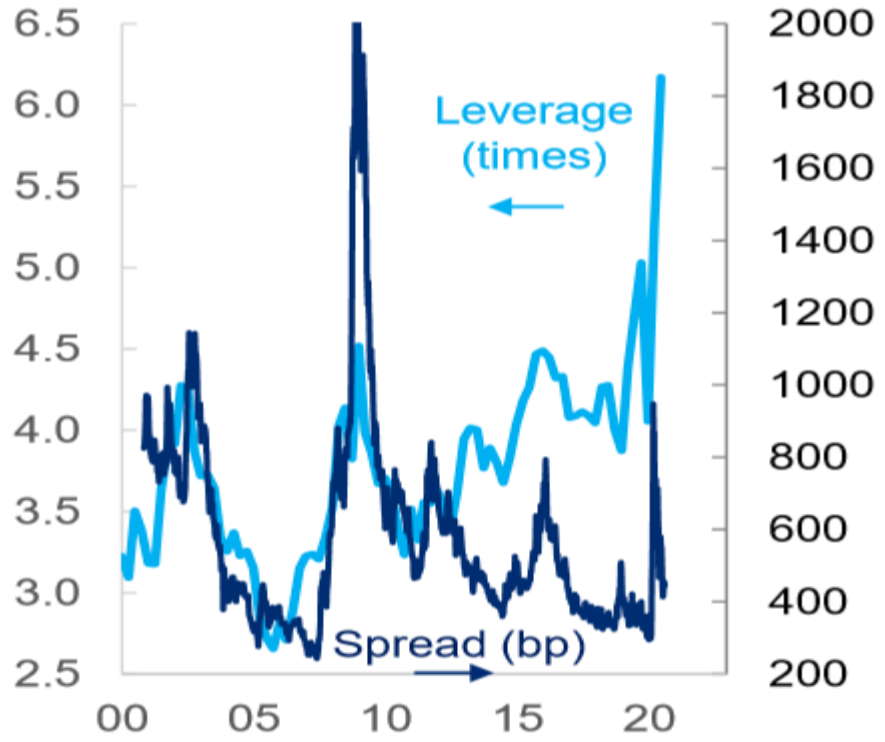
CREDIT RETURNS AREN'T ALIGNED TO RISK, BUT THERE'S A BIGGER PORTFOLIO PROBLEM

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…



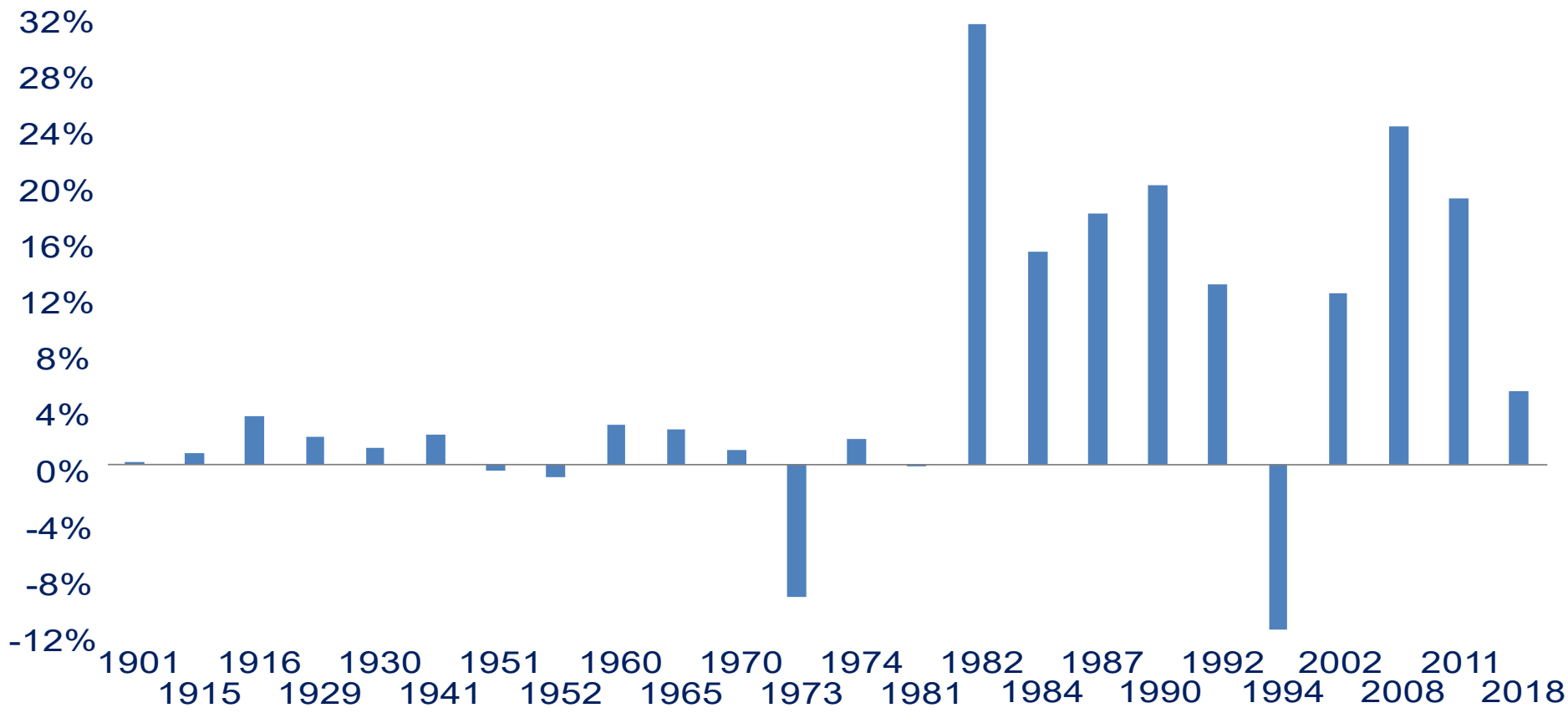
… BUT THEY DON'T COMPENSATE INVESTORS FOR THE 7-YEAR LEVERAGE BUILD-UP



Source: Citigroup at 8th September 2020.

RECORD LOW BOND YIELDS HAVE SERIOUS IMPLICATIONS FOR PORTFOLIOS

AUSTRALIAN DURATION RETURNS IN NEGATIVE EQUITY YEARS (%)



15. Source: Citigroup as at 3rd September 2020.

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

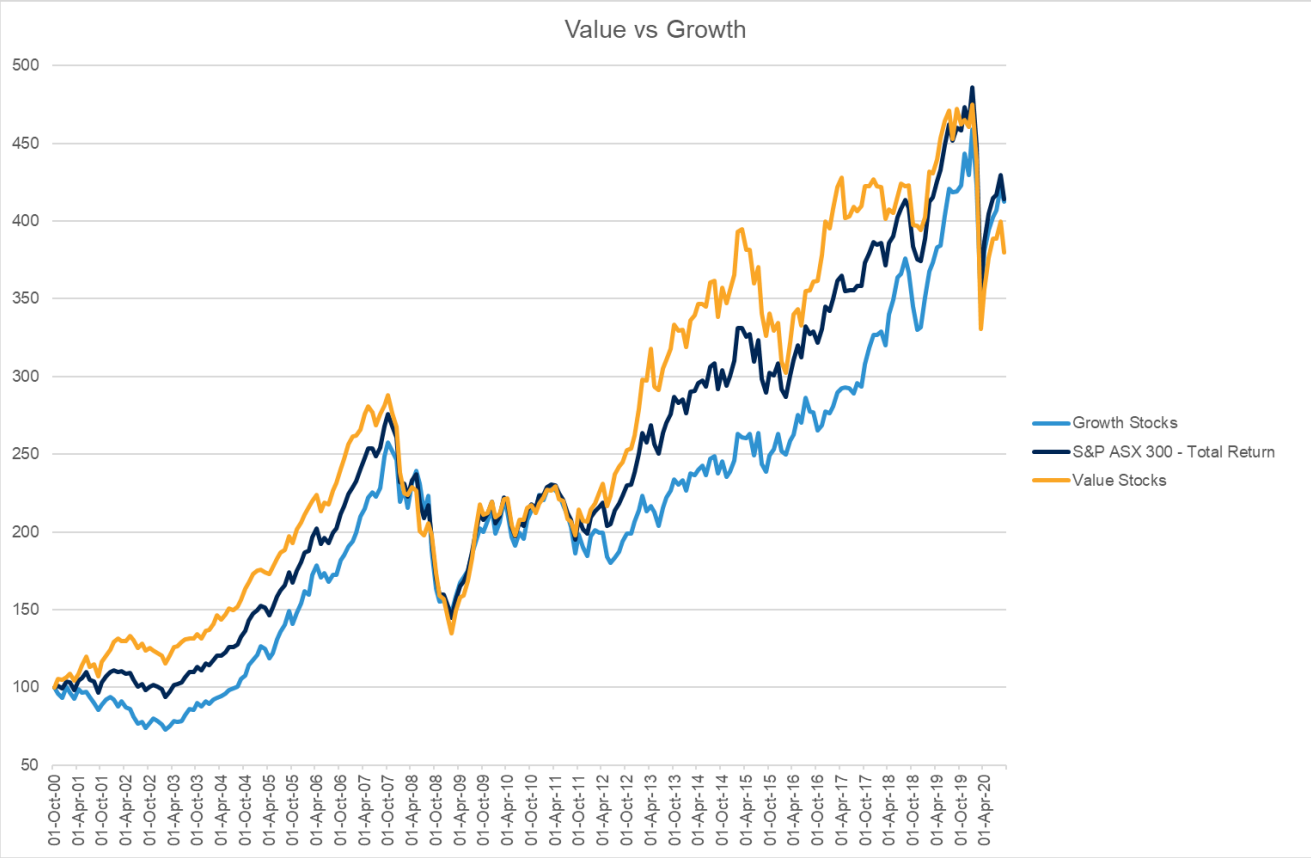
Head of Investment Research

Investment Update

Perpetual

AUSTRALIAN EQUITIES

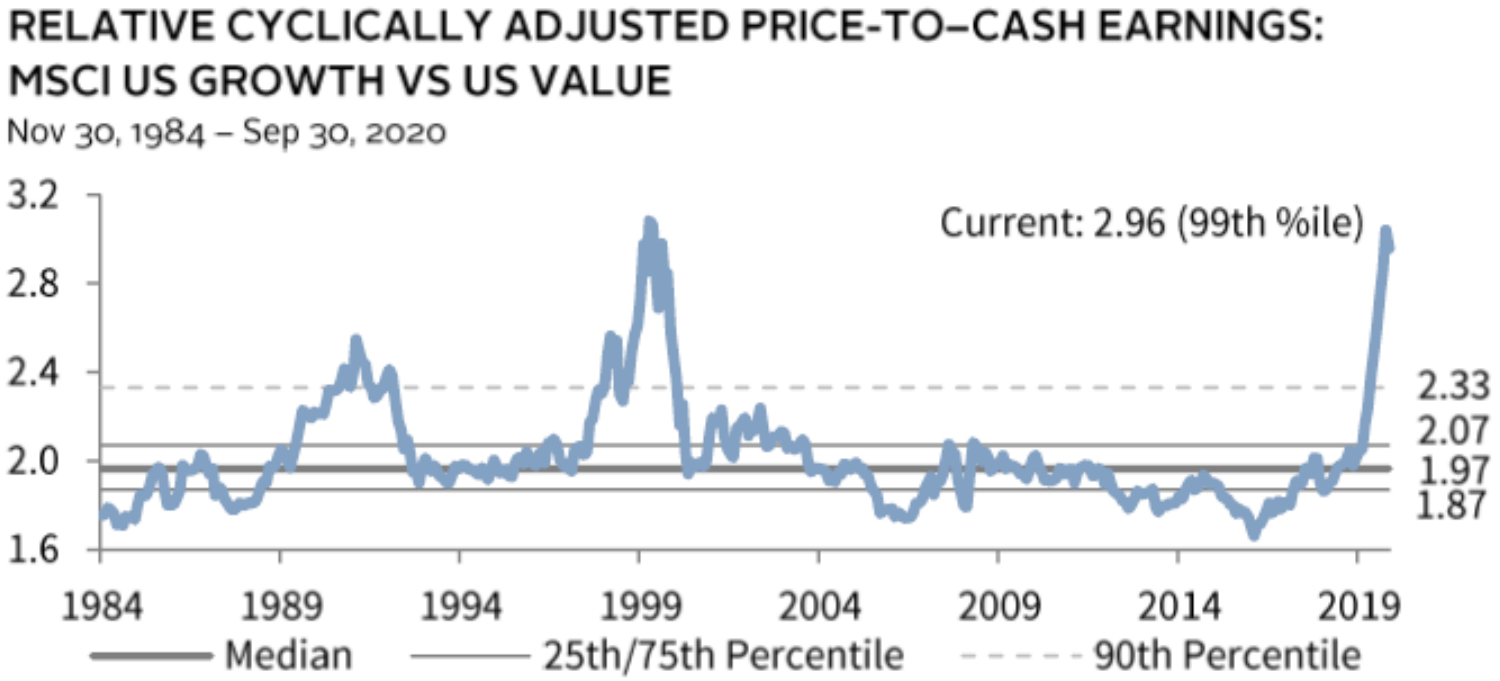
Value vs Growth



Source: Factset, Perpetual

INTERNATIONAL EQUITIES

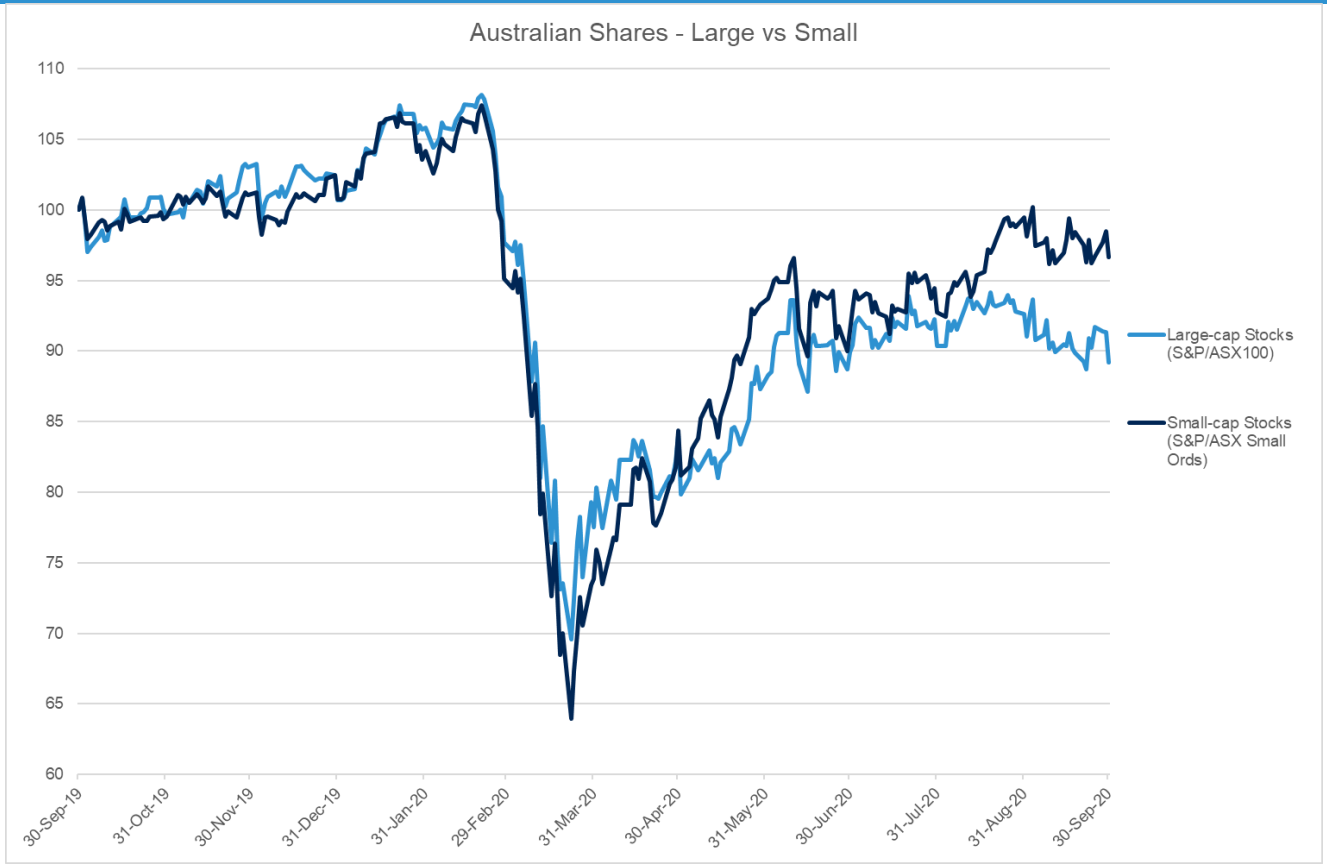
Growth vs Value



Source: Perpetual

AUSTRALIAN EQUITIES

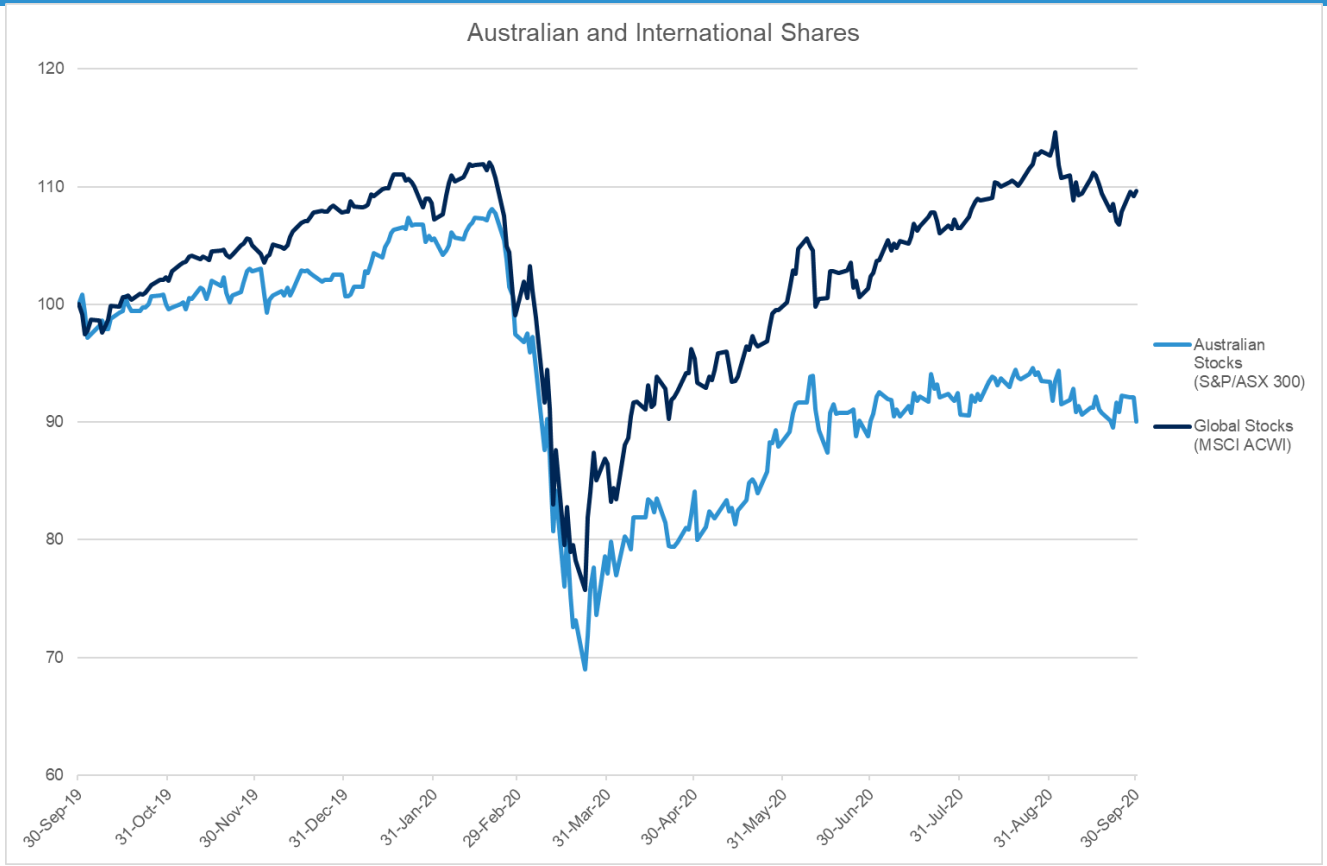
Large-caps vs Small-caps



Source: Factset, Perpetual

EQUITIES

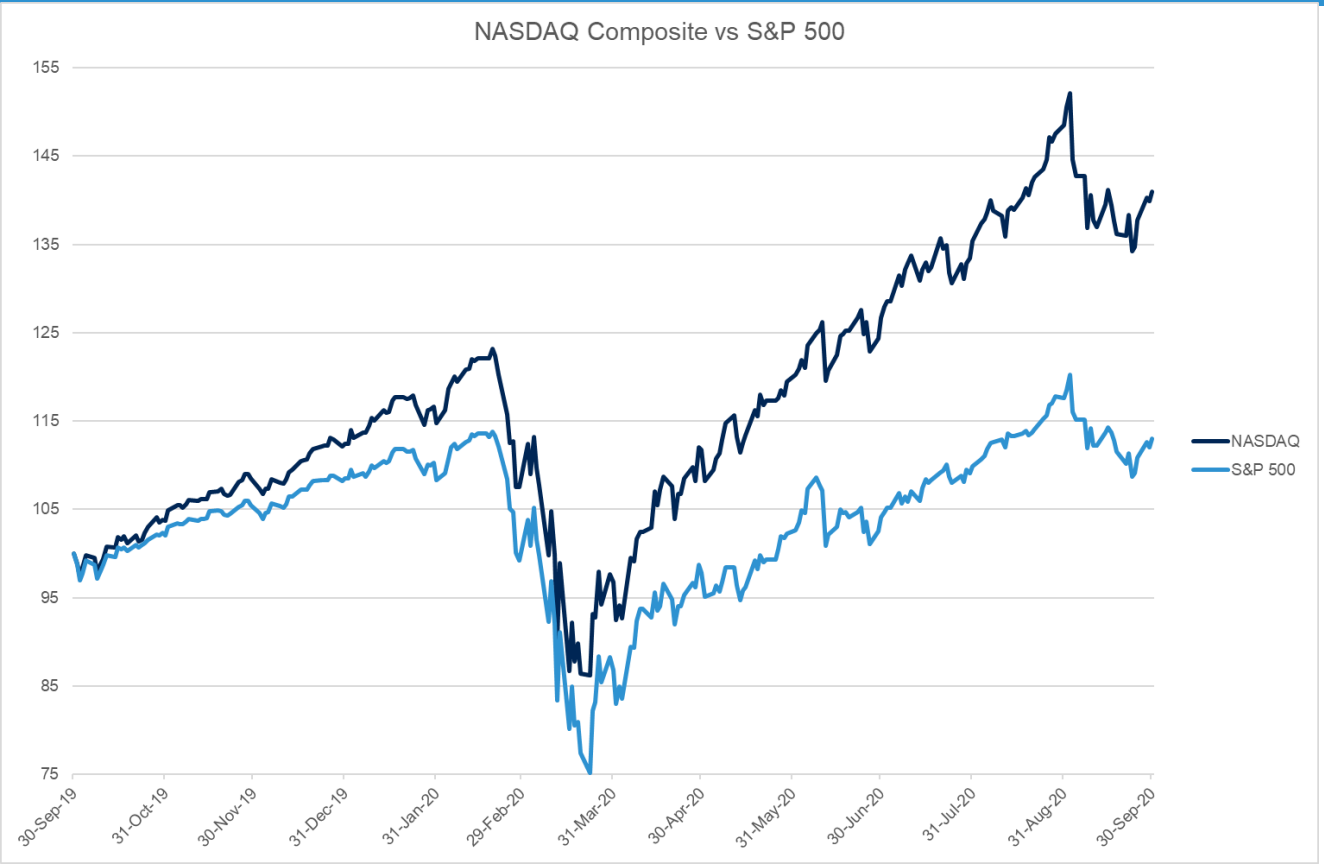
Australian vs International



Source: Factset, Perpetual

INTERNATIONAL EQUITIES

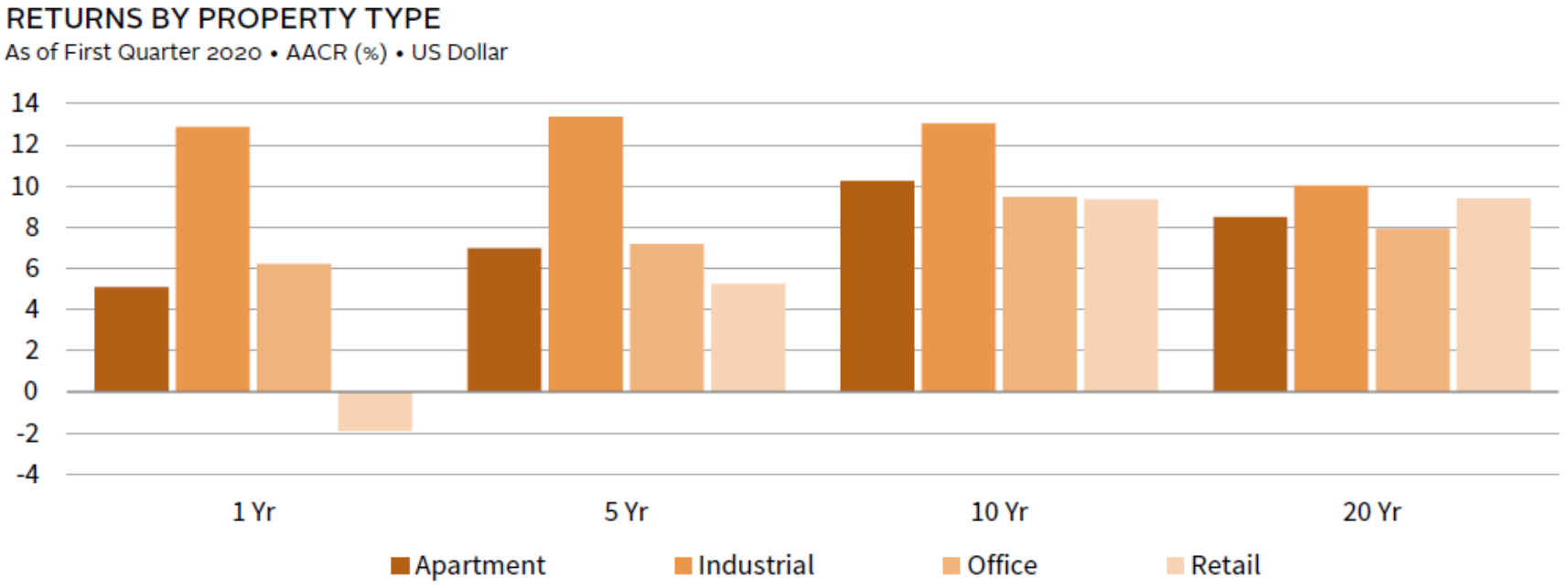
Tech vs Everything else



Source: Factset, Perpetual

PROPERTY HAS ALSO SEEN DIVERGENCE

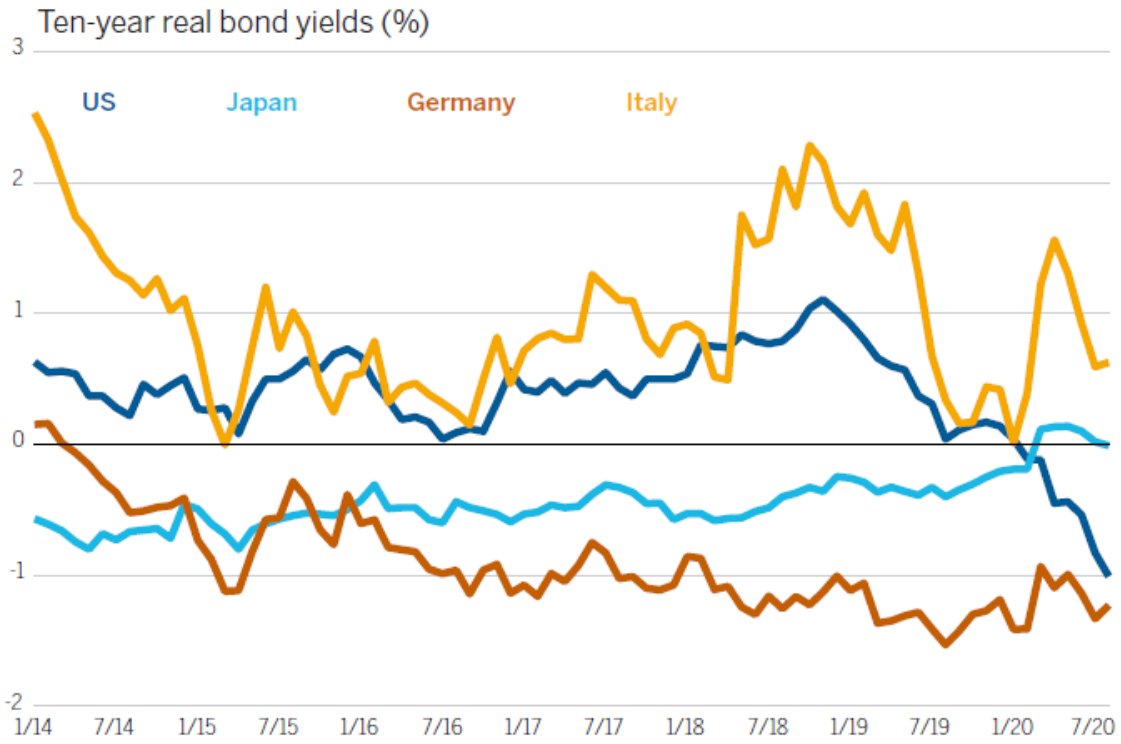
The Amazon effect, the COVID effect



Source: Cambridge Associates

BONDS – REAL YIELDS

‘TINA’ gets real



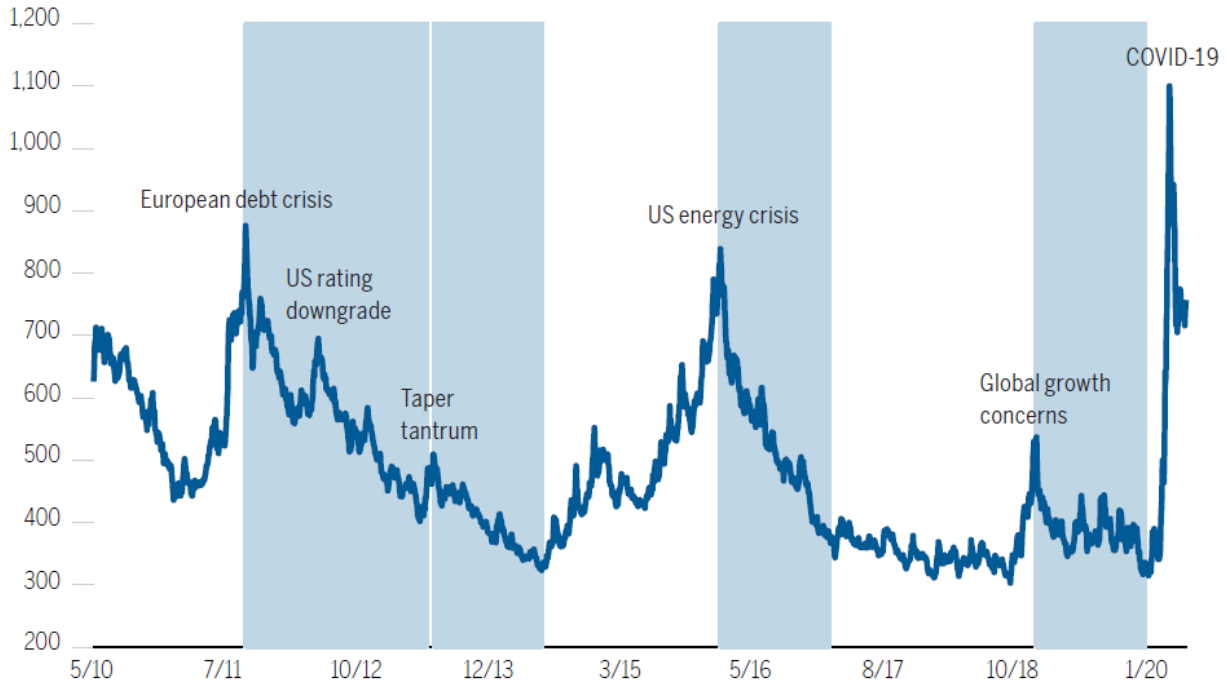
Source: Wellington Management

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

Client Portal

SIMPLE AND INTUITIVE
The Client Portal is simple and intuitive. You can even tailor your landing page to see key information at a glance.

REALTIME DATA
Portfolio value data is updated in real time giving you up-to-date view of your investment portfolio.

TRACK YOUR SUPER
You can keep a track of cash or investment transactions, portfolio values and access market data. You can also manage your corporate actions.

MANAGE YOUR SUPER
We have added features to help manage your super more efficiently including the ability to add to super, submit a notice of tax deduction and update your beneficiaries.

Investor Call Centre

THERE TO HELP YOU
Will help answer your questions including helping you navigate the Client Portal.



Adviser Portal

FUNTIONALITY TO MANAGE YOUR SUPER
Adviser tools to manage your contributions, pension payments, income, investments and other superannuation obligations.

BROAD RANGE OF INVESTMENTS
A broad range of investments are offered which enable your adviser to build a diversified investment portfolio for you in order to help achieve your retirement goals.

TOOLS TO MONITOR YOUR SUPER
Adviser reporting, data, reminders/alerts, investment updates and other information which helps your adviser monitor your super.

Adviser Call Centre

THERE TO HELP YOUR ADVISER
The Adviser Call Centre helps support your adviser by answering key questions on your account, process transactions and responding to complicated queries.

Members' questions and answers

Perpetual

Submit a question

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



If your question relates specifically to your account or insurance, we will arrange for your Financial Adviser to contact you.