

Perpetual Investments

# THE PERPETUAL DIVERSIFIED REAL RETURN FUND



**The Perpetual Diversified Real Return Fund is a multi asset strategy designed for investors looking for a smoother investment journey without sacrificing returns.**

**With a reassuring focus on growing and protecting investors' wealth, the Fund combines a diverse set of investment opportunities and unparalleled funds management expertise.**

## A POWERFUL AND PRECISE ALL-TERRAIN INVESTMENT VEHICLE

The Perpetual Diversified Real Return Fund (the Fund) seeks to achieve a return of inflation plus 5% per annum (CPI +5% p.a.) over rolling five year periods, before fees and taxes.

The Fund also seeks to achieve this return target at low levels of volatility over the long term, while still benefiting from capital growth in rising markets by taking a whole of portfolio approach to managing risk.

The Fund invests in a diversified portfolio of investments across a range

of geographies, sectors, strategies and sources of returns that can be difficult for investors to access directly.

This can range from more 'traditional' domestic and global equities, Australian and global bonds, and cash; to 'real' assets, such as unlisted property and infrastructure; to more unconventional opportunities, such as infrastructure debt, frontier markets and commodity strategies.

Every investment is selected based on its ability to help meet the Fund's investment objective using our four

quadrant approach to portfolio construction. We also look for a collection of distinctly unrelated investment opportunities.

Future investment returns are primarily driven by the price you pay today, so valuations are critical. Perpetual's disciplined and proven approach to identifying high-quality, attractively-valued investment opportunities for our investors – irrespective of the security or asset class – is what has set us apart for generations.

Highly recommended by Lonsec  
Recommended by Zenith



Perpetual

## FUND BENEFITS



### REAL PERFORMANCE AND SAFETY

Because the Fund is focused on reducing uncertain investment outcomes, you can expect a smoother and more regular sequence of returns. Unlike many other diversified funds, the Fund can completely exit an asset class if the level of risk does not align with our focus on managing downside risk.



### SPECIALIST EXPERTISE

A highly active asset allocation approach requires skill, experience and discipline. Perpetual's Multi Asset Team is highly experienced, with a complementary set of skills, including multi asset portfolio management, manager research, consulting, macroeconomic and quantitative modelling skills, with an average of 21 years' experience across the team.



### FLEXIBILITY ACROSS THE RANGE

The Fund offers genuine diversification across a broad set of investments, including non-traditional, difficult-to-access strategies. By focusing on utilising a broad set of investment opportunities we aim to help protect investors' returns against inflation or extreme market events.



### ADAPT TO CHANGE QUICKLY

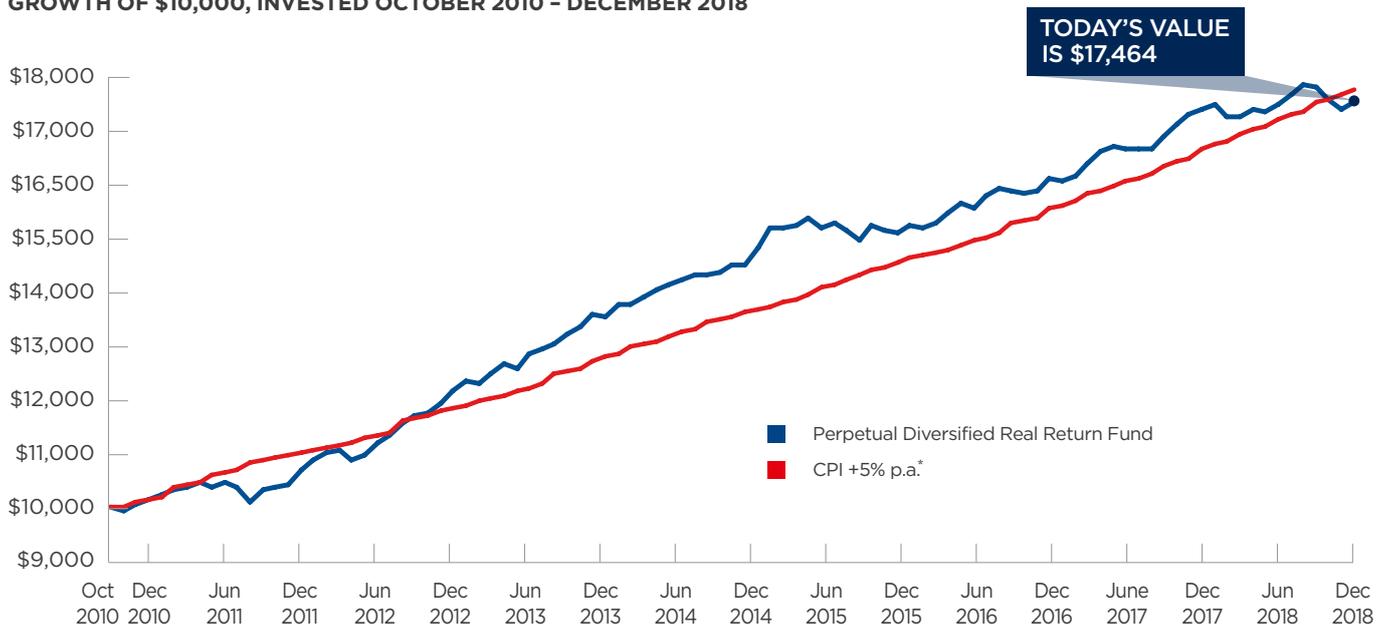
Accelerate when the market moves, or deftly navigate challenging terrains. Our asset allocation changes, not only to capture the best returns, but also to minimise risk for investors. Perpetual has a 20 year track record of employing an active asset allocation approach.

## HOW DOES PERPETUAL'S DIVERSIFIED REAL RETURN FUND FIT INTO A BALANCED PORTFOLIO?

The Perpetual Diversified Real Return Fund is designed for investors seeking a more regular profile of returns, providing protection against inflation and volatility without having to sacrifice growth. With a greater diversity of investment opportunities, the Fund can suit investors with a little or a lot to invest.

The chart below shows an investment of \$10,000 in the Fund since its inception in October 2010. Today, it would be worth almost \$17,500 while reducing the uncertainty of investment outcomes and helping protect returns against inflation.

### GROWTH OF \$10,000, INVESTED OCTOBER 2010 - DECEMBER 2018



Source: Perpetual, Bloomberg. Data as at December 2018. Past performance is not indicative of future performance.

\* Over rolling five year periods, before fees and taxes, as at December 2018.

## OUR ROBUST AND PROVEN INVESTMENT PROCESS

### 1 INVESTMENT OBJECTIVE

The Fund does not have a fixed strategic asset allocation. Instead, the entire investment process is constructed from the bottom up to achieve the CPI + 5% p.a.\* investment objective with low levels of volatility.

### 3 INVESTMENT FRAMEWORK

While there is no strategic asset allocation benchmark, the Fund invests in a diverse universe of attractively valued opportunities and permits a broad asset allocation range to ensure we can best implement our ideas. Importantly, the Fund does not have to hold any investments or asset classes where we believe the level of return is insufficient to compensate investors for the amount of risk.

### 5 RISK MANAGEMENT

Risk management is embedded at every stage of the process:

1. A proprietary risk budgeting model is employed to ensure the Fund contains the appropriate level of risk for investors as well as to understand the different types of risk in the portfolio at any point.
2. Macroeconomic risks and opportunities are then overlaid, to ensure the portfolio is not clustered around risk associated with any one key theme.
3. Finally, the portfolio is stress tested, which involves the creation of extreme stress scenarios to ascertain the impact to the Fund of extreme price changes in the market.

### 2 INVESTMENT UNIVERSE

The Fund employs an expansive investment universe and can allocate to investments across the full spectrum of available sources of return, including:

- Equities – country, sector, style and size
- Fixed income – country, duration and credit
- Property/infrastructure – listed and unlisted
- Commodity strategies
- Currency – developed and emerging markets
- Unlisted investments are permissible up to a limit of 20%, and
- Derivatives.

### 4 PORTFOLIO CONSTRUCTION

The Fund is constructed using a four-quadrant approach:

1. Inflation protection – protection against inflation
2. Return seeking – achieve a 5% p.a. return target above inflation over rolling five year periods, before fees and taxes
3. Diversifying opportunities – investments which have very low correlations to equities
4. Downside protection – unlike ‘return seeking’ investments, portfolio protection is designed to do well when markets fall.

\* Over rolling five year periods, before fees and taxes.



### RISK MANAGEMENT IS NOT AN AFTERTHOUGHT

Our single-minded approach to delivering the return objective with minimal risk is at the heart of every investment decision. Accordingly, we don't judge our performance relative to a benchmark or our competitors. Our focus, day in and day out, is on helping our investors achieve positive investment returns, at lower levels of volatility.

## DYNAMIC ASSET ALLOCATION EXPERTISE

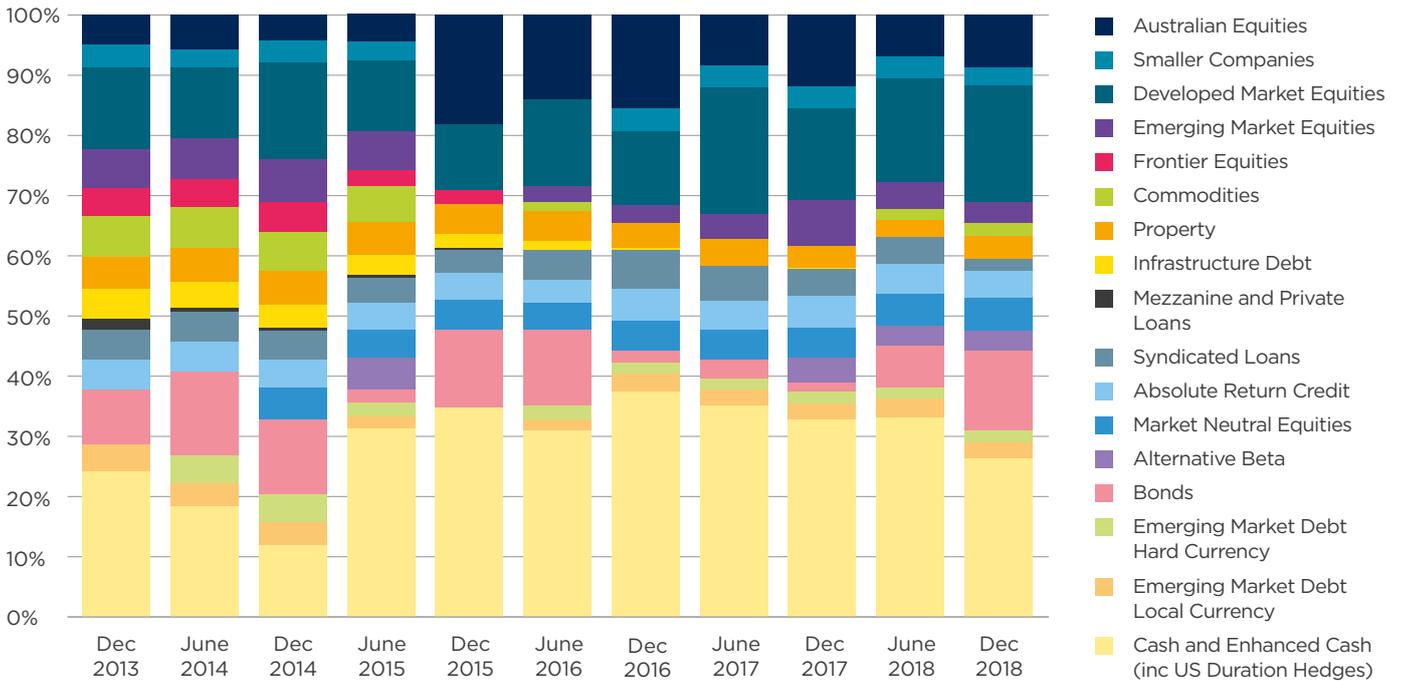
While proprietary models and analytics are important to any active asset allocation process, it is the skill, judgement and experience of the investment team that is critical in capturing the best investment opportunities at the right time.

Within the Fund, we do not seek to equally allocate to all asset classes or investment types.

Instead, we have the flexibility to dramatically shift the Fund's investment exposures to capture the best opportunities – wherever they are found.

The Fund can completely exit an asset class if the level of risk does not align with our focus on lower volatility, efficiently reducing the uncertainty of investment outcomes and protecting returns against inflation over time.

## OUR DYNAMIC ASSET ALLOCATION IN ACTION



Source: Perpetual, Data as at December 2018.

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The product disclosure statement (PDS) for the Perpetual Diversified Real Return Fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au).

No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Total returns shown for the Perpetual Diversified Real Return Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

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