The philosophy behind our portfolios

By Perpetual Private Insights

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Key insights at a glance:

How does Perpetual Private build investment portfolios?

Every client is different and their portfolio should be too. So the first step is understanding their needs as this will determine the asset mix in their portfolio. A higher return objective typically requires more equities while a more defensive portfolio may have more exposure to bonds and credit securities. Once we've established the level of return a client is looking for, the next step is to ensure the investments are adequately diversified across asset classes.

What do you look for in investment managers?

Perpetual Private uses a manager of manager approach – which means we look to combine the best experts in each asset class to build client portfolios. When I look to select an investment manager my first consideration is how well they understand the asset class in which they're investing and whether they can demonstrate genuine insight. What's their track record and length of time in the market? Other key considerations are their research and risk management processes.

What's the biggest issue for investors in the current market?

The dovish tone of central banks globally. We're now facing a situation where many government bonds and credit securities are providing negative interest rates globally. In their search for returns, many investors are investing in higher risk assets than they usually would. It's something we talk to our clients about every day because people need to appreciate the level of risk they are taking in their portfolios.

What does Perpetual offer as alternative investments?

We see our alternatives offering as something unique in the Australian market. We can offer clients access to investment managers and strategies that are not readily available in our market, such as U.S. real estate.

Two of our fund offerings in alternatives are the Perpetual Growth Opportunities Fund and the Perpetual Income Opportunities Fund. The Perpetual Growth Opportunities Fund offers clients access to private equity, unlisted real estate, infrastructure and hedge funds. The Perpetual Income Opportunities Fund invests in a range of credit securities designed to provide consistent income for clients over the long term.

The beauty of these funds is the diversification they offer within a broader portfolio because they are uncorrelated with traditional investment markets.

What's your view on infrastructure investment?

From an investment portfolio point of view, infrastructure provides a number of unique characteristics. Infrastructure assets have monopolistic positions in their market and their cash flow is typically not as volatile as other sectors of the market. In many cases, the cash flow from infrastructure investments is linked to CPI so it grows over time to counter inflation.

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