

Perpetual Private

PERPETUAL GROWTH OPPORTUNITIES FUND

Fund Update – 30 September 2024

FUND FACTS

Benchmark:	Bloomberg Ausbond Bank Bill Index +3% p.a.
Inception Date¹:	March 2008
Size of Fund:	\$621 million
APIR:	PER0437AU
Management Fee*:	0.9% as at 30 June 2023
Buy/Sell spread:	0.05% / 0.00% as at 15 March 2023
Liquidity:	Quarterly withdrawals subject to restrictions, refer to PDS
Distribution Frequency:	Annually as at 30 June
Risk Level²:	6 – High

*Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

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 (hedge fund) 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.

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.

We continue to see a broader and deeper opportunity set in Europe and North America, particularly, in areas where we believe the downside is protected and the potential returns are commensurate with the risks.

We plan to take advantage of the broader market dislocation resulting from volatility and continued uncertainty across the globe, which have risen as a result of regulatory / legislative change, structural and valuation changes or are thematic in nature.

NET PERFORMANCE

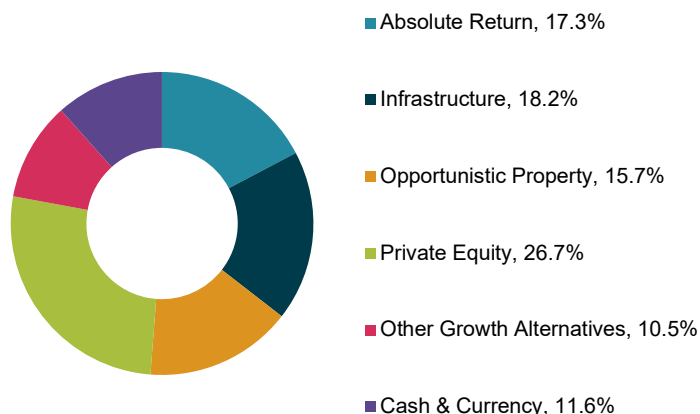
As at September 2024

NET RETURNS ³	1M%	3M%	1Y%	3Y% (p.a.)	5Y% (p.a.)	INCEPTION % (p.a.)
Total Return	-0.2%	-0.7%	-0.1%	5.0%	5.2%	6.0%
Growth Return	-0.2%	-0.7%	-1.2%	4.1%	2.7%	2.1%
Income Return	0.0%	0.0%	1.1%	1.0%	2.5%	3.9%
Benchmark	0.6%	1.9%	7.5%	5.9%	4.9%	5.8%
Excess Return	-0.8%	-2.5%	-7.7%	-0.9%	0.3%	0.2%

Source: State Street. Past performance is not indicative of future performance.

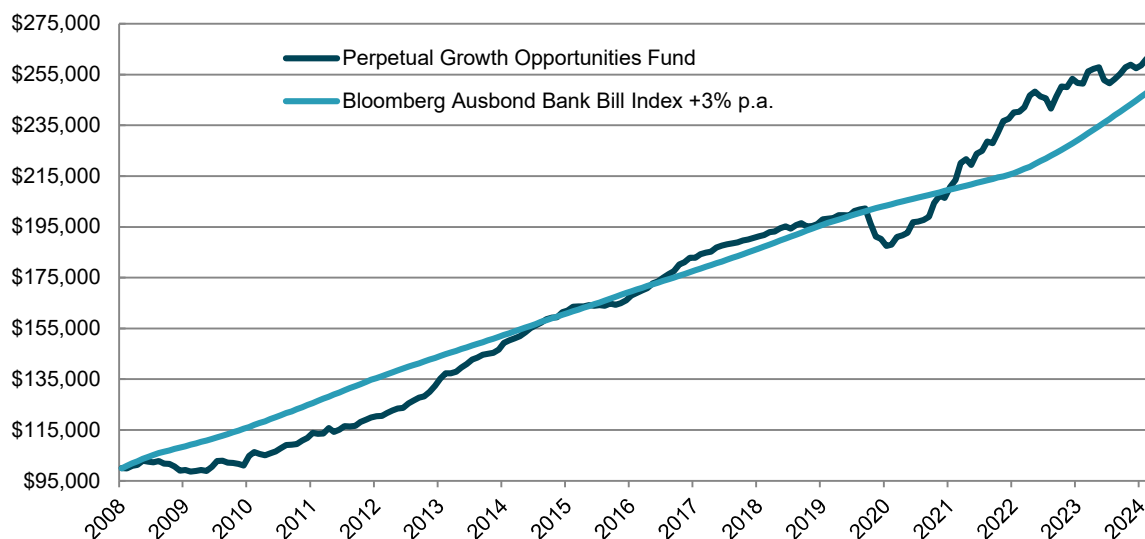
SECTOR ASSET ALLOCATION

As at September 2024



Source: State Street, PPIRT.

GROWTH OF \$100,000 SINCE INCEPTION (NET OF FEES)³



Source: State Street. Past performance is not indicative of future performance.

OBSERVATIONS

The September quarter presented a mixed picture for growth alternatives, with traditional asset classes continuing their rally while unlisted assets experienced more subdued performance.

Within Infrastructure, we observed softening demand, with deals taking longer to attract buyers and pricing becoming less aggressive due to the higher cost of debt. However, infrastructure's role in the portfolio remains clear; to provide consistent and stable cash flows, and inflation-hedging properties. We are comfortable with our exposure to regulated assets and grateful for their contribution during the recent inflation spike. We are actively seeking to increase our exposure to volume-linked assets with strong cash flow profiles that can deliver attractive returns in the current environment. To that end, the Growth Alternatives programme participated in its first infrastructure co-investment, which is showing early promise.

M&A activity was mixed during the quarter, with Reuters reporting that the Asia-Pacific region experienced the largest year-on-year increase, followed by Europe. In contrast, US deal activity remained subdued, influenced by the higher cost of debt and the upcoming Presidential election. Driving corporate activity is a continued desire from shareholders for simpler businesses, as well as a modest uptick in activist activity. Despite the changing market dynamics, we remain steadfast in our approach to Private Equity, giving credence to acquisition valuation multiples, costs of debt and the manager's operational capability. On the latter, sponsors appear determined to invest in their operational capability to drive operating performance. Furthermore, we are increasingly seeing dispersion across acquisition multiples for sponsored transactions across the US, Europe and Japan.

Real estate markets continued to exhibit turbulence, with transaction volumes remaining weak despite a modest pickup. Sentiment among institutional investors towards real estate allocations remains tepid. However, we anticipate that the magnitude of mark-downs will moderate throughout the remainder of 2024, potentially leading to increased deal activity later in the year and into 2025. We are particularly focused on opportunities arising from the current market dynamics. As some investors seek liquidity, we are seeing real estate funds being offered at attractive discounts to their prevailing net asset value (NAV). The breadth of our relationships with real estate managers positions us well to understand the underlying pool of assets and underwrite these opportunities to attractive valuations/entry points.

We continue to observe dispersion within equity and credit markets, as well as divergence in the macroeconomic conditions across different economies. While our credit-based exposures have performed well in recent quarters, tightening credit spreads have reduced the attractiveness of new opportunities in this space.

The evolving market dynamics, including shifts in inflation, interest rates, and economic indicators, require us to continuously reassess our outlook and portfolio positioning. During the quarter, we focused on refining our pipeline of potential investments for the coming 6-9 months, actively conducting due diligence on a number of differentiated ideas that are uncorrelated with our existing exposures.

HOLDING INFORMATION

As at September 2024

TOP 10 EXPOSURES ⁴	ASSET CLASS	WEIGHT
Utilities Trust of Australia	Infrastructure	9.1%
Angelo Gordon Mortgage Value Partners	Absolute Return	8.0%
Oaktree Real Estate Income Fund	Opportunistic Property	7.5%
Redding Ridge Holdings	Other Growth Alternatives	7.3%
Brookfield Premier Real Estate Partners Australia	Opportunistic Property	4.4%
Hamilton Lane Equity Opportunities Fund V	Private Equity	3.6%
Arrowstreet Capital Global Equity Long/Short Fund	Absolute Return	3.3%
Graham Quant Macro	Absolute Return	3.3%
KPS Special Situations Fund V	Private Equity	2.9%
Oaktree European Principal Fund IV	Private Equity	2.7%
Total Top 10 Holdings		52.1%

CASH LEVEL & LEVERAGE	WEIGHT
Cash (AUD) ⁵	6.10%
Leverage Ratio ⁶	1.32
Maturity Profile:	
As at 30 September 2024 the Fund has no direct gearing liabilities. Liabilities are generally paid within 30 days of the invoice date.	

Source: State Street, PPIRT.

INVESTMENT CHARACTERISTICS

As at September 2024

SECTOR	GEOGRAPHIC LOCATION		MARKET TYPE ⁷		
	ONSHORE	OFFSHORE	LISTED	TRADED	PRIVATE
Absolute Return	16%	84%	0%	100%	0%
Infrastructure	55%	45%	11%	0%	89%
Opportunistic Property	29%	71%	0%	0%	100%
Private Equity	0%	100%	0%	0%	100%
Other Growth Alternatives	2%	98%	0%	0%	100%
Total	20%	80%	2%	20%	78%
FX Hedge Level	60%				

Source: State Street, PPIRT

1) Fund commenced in March 2008 with performance reporting from 30 June 2008 once the fund had made an investment. The fund was opened to external investors in June 2009. 2) Negative annual returns expected in 4 to less than 6 years over any 20 year period. 3) 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. 4) Top 10 externally managed exposures. 5) The difference between 'Cash (AUD)' and 'Cash & Currency' (as per the sector asset allocation pie chart) represents offshore currencies held for transactional purposes. 6) 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. 7) Market type data is estimation only, provided by the Perpetual Private research team.

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MORE INFORMATION

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