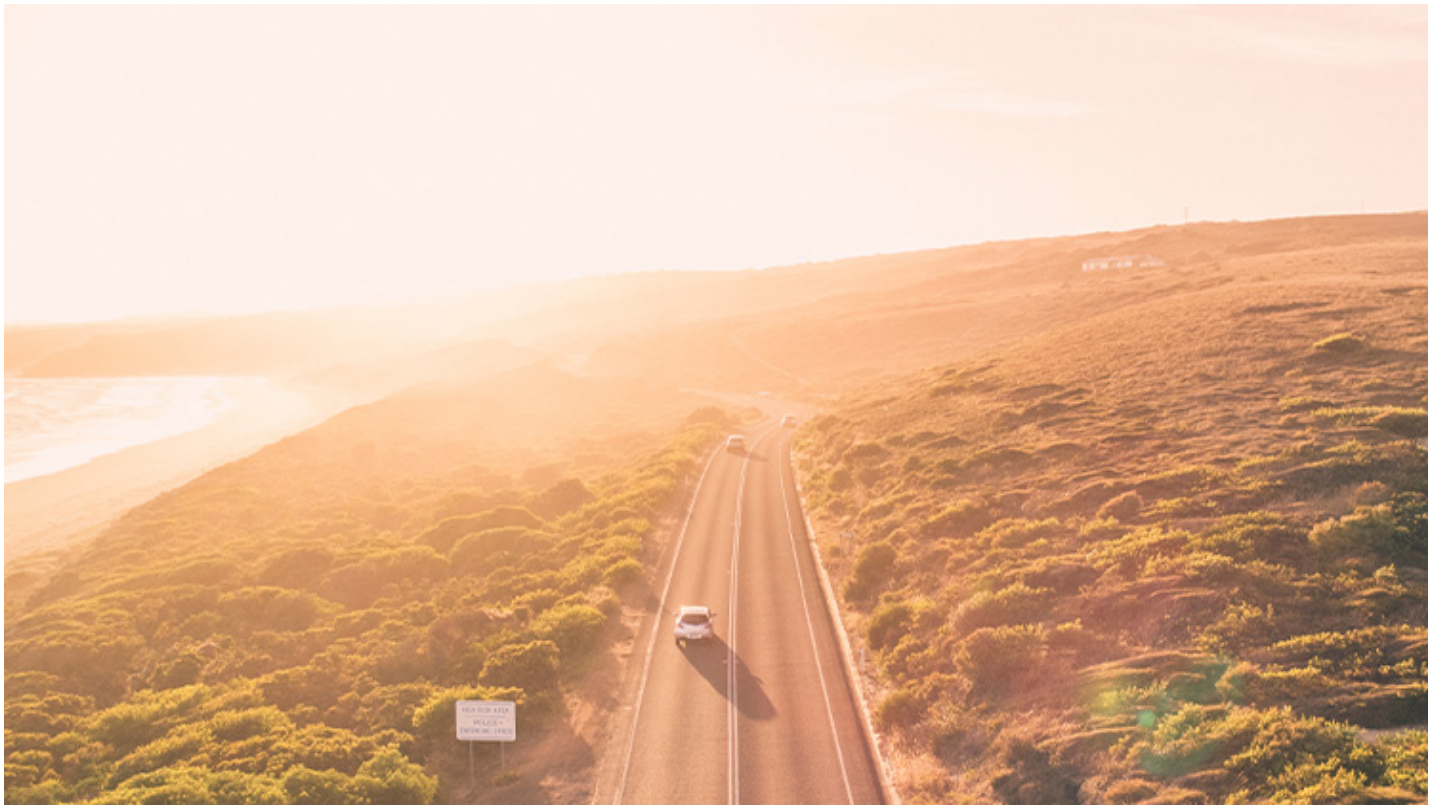
- A shifting investment landscape

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By Perpetual Asset Management
9 November 2020



It’s been a year like no other. So many adjectives have been employed to describe 2020. Weird. Crazy. Unprecedented. It’s a year that will be remembered for the challenges it’s presented, which have impacted the way we work and the way we live.

As individuals and governments have grappled with the ramifications of the global pandemic, financial markets have also been ‘crazy’. We saw a violent sell-off in equity markets in late February and March, followed by an explosive rally, particularly in technology and other growth stocks.

It is important however, that we don’t allow the global pandemic to obscure pressing challenges for investors. These challenges that are not new – indeed, they have been building for some time. This has resulted in a profound shift in the investment landscape and approaches that have worked for decades now face enormous pressure.

This indicates a different approach to investment may be warranted in the years ahead.

Challenging times require a different approach

We’re acutely aware of the problem very low term deposit rates and government bond yields have created, especially for conservative investors aiming to beat inflation. Either, one can accept very low returns, or take more risk in the hope of generating higher returns. Unfortunately, risk is not always rewarded, meaning stocks can perform quite poorly over the short term.

The challenge is to design a portfolio which can participate in the upside while protecting on the downside. To do this, rather than trying to predict the future, we aim to understand a range of probable portfolio outcomes and to construct a portfolio which can withstand extreme market events.

The result is Perpetual’s Diversified Real Return Fund, which was built to navigate change. It’s designed to enable investors to allocate to equities and credit investments when the likelihood of being rewarded for that risk is high and to manage portfolio risk through skilful portfolio construction.

We like to describe it as a sleek and powerful all-terrain investment vehicle. Precision engineered by Perpetual’s experienced multi asset team, it’s agile, nimble and packed with high-tech safety features.

We have prepared a series of short articles to help you learn more about the Fund and understand the important role it can play in your clients’ portfolios. Whether to act as a stable core, a shock absorber or a diversifying alternative, the Perpetual Diversified Real Return Fund can help you and your clients safely navigate the road ahead, curves and all.