

Wholesale Funds

PERPETUAL WHOLESALE BALANCED GROWTH FUND

April 2021

FUND FACTS

Investment objective: The fund aims to provide long-term capital growth and income through investment in a diversified portfolio with an emphasis on Australian and international share investments.

FUND BENEFITS

Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: Balanced Growth Index (Internally generated composite)

Inception Date: October 1997

APIR: PER0063AU

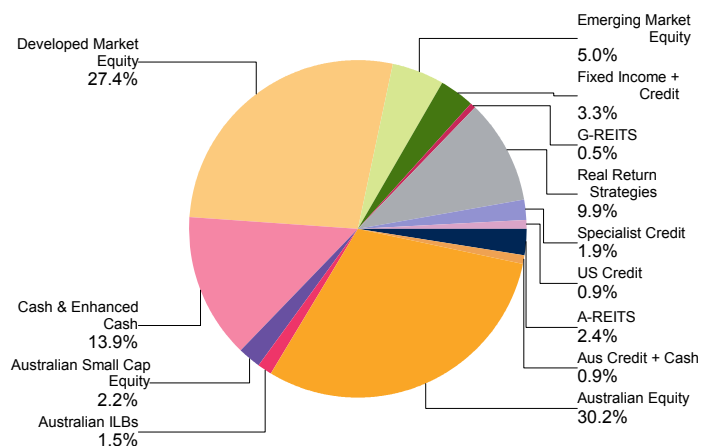
Management Fee: 1.04% p.a.

Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Investment style: Active, fundamental, disciplined, value

Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



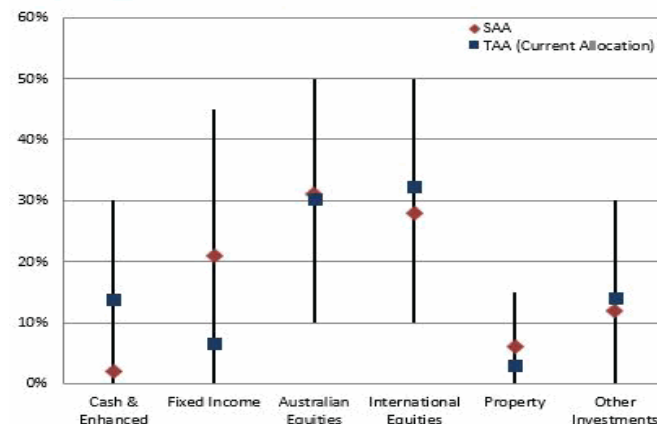
NET PERFORMANCE- periods ending 30 April 2021

	Fund	Benchmark	Excess
1 month	2.0	2.6	-0.7
3 months	8.4	5.4	3.0
FYTD	18.4	15.3	3.0
1 year	20.7	19.6	1.0
2 year p.a.	8.4	8.6	-0.1
3 year p.a.	8.1	9.0	-0.9
5 year p.a.	7.8	9.2	-1.4
10 year p.a.	8.3	8.6	-0.3
Since incep.	7.5	7.4	0.1

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

ASSET ALLOCATIONS AND INVESTIBLE RANGES

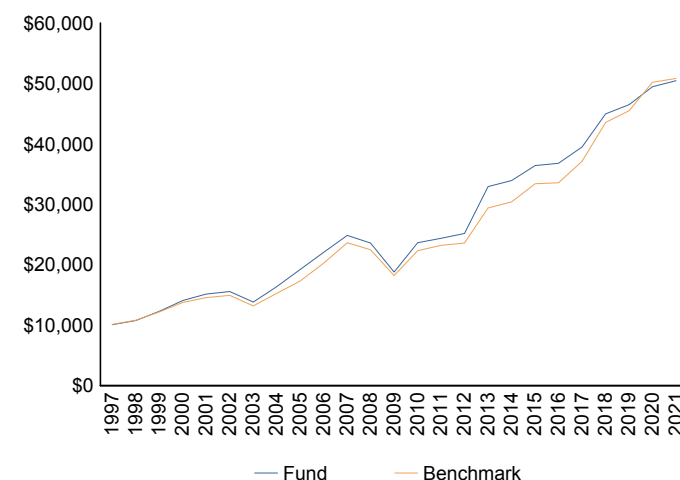
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



STRATEGIC AND TACTICAL ASSET ALLOCATIONS

The Strategic Asset Allocation (SAA) is the neutral allocation acting as an anchor for active positioning, while the Tactical Asset Allocation (TAA) process adjusts the asset allocation according to market opportunities and risks.

GROWTH OF \$10,000 SINCE INCEPTION



MARKET COMMENTARY

Financial markets performed well through April, supported by strong economic growth.

- US equities (+5.4%) rose on robust first quarter earnings results and promising growth indicators.
- European markets were mixed with the UK (+4.1%) and France (+3.6%) performing strongly while Germany (+0.9%) lagged somewhat.
- Performance in Asian markets was led by Taiwan (+7.0%) while Korea (+2.8%) and Hong Kong (+1.3%) also posted gains. Japan (-1.3%) was an outlier in the major developed markets, with a small fall in April.
- Australian equities (+3.6%) continued to rally, supported by rising iron ore prices and expectations of an ongoing economic recovery.
- Credit spreads tightened and long-term government bond yields fell modestly after the substantial increase in the March quarter.

The positive macroeconomic outlook outweighed ongoing concerns about the COVID pandemic. Global COVID-19 cases spiked due to a significant surge of the virus in India. By contrast, in Europe and the US, the number of new cases continues to fall and restrictions were relaxed supporting economic growth. The tragic situation in India has, however, raised concerns about new mutations of the virus and created more supply chain pressure on the global vaccine rollout.

Global growth in 2021 is set to be the strongest since the 1970s as social mobility restrictions ease, monetary and fiscal stimulus remains potent and consumers start to run down elevated savings. And the economic outlook continued to improve over the month with explosive growth either underway (in the US) or in prospect (in Europe) later this year.

The outlook for growth in the major developed economies this year is underpinned by the massive fiscal expansion observed over the past year. The new US Administration has been very active in this area and in April President Biden announced the details of the infrastructure spending plan. Their US\$2 trillion package targeting job growth would be funded by corporate tax reforms. Market reaction to the proposal was mixed with initial exuberance dampened somewhat by concerns regarding the proposed corporate tax increases. The infrastructure proposal follows closely on the heels of the 'American Rescue Plan' in March. The impact of this latter plan is likely to peak in the current quarter with another big boost in consumer spending likely.

In Australia, fiscal policy has been progressively wound back with the end of the JobKeeper program. Judging by the most recent labour market data, the economy appears to be resilient in part helped by an effective response to the COVID crisis and by yet another stunning surge in commodity prices. Moreover, the Treasurer has said that the upcoming federal budget would continue to support economic recovery without any "sharp pivots toward austerity".

Meanwhile, monetary policy remains on 'tilt' settings globally led by the US Federal Reserve's (the Fed) policy of zero rates supported by a massive quantitative easing program. During their April meeting, chairman Powell noted the improving labour market outlook but quashed talk of tapering, reasserting the high bar required for policy changes.

The Reserve Bank of Australia also remains similarly steadfast in its pursuit of inflation and employment goals before changing monetary policy settings. Inflation in the March quarter in

Australia was below expectations, further supporting our belief that policy rates will remain on hold for an extended period. These extraordinary monetary policy conditions continue to be extremely supportive for equity and credit markets as liquidity remains abundant and the discount rate used to value equity markets remains incredibly low.

Global equities were further supported in April by rapidly recovering corporate earnings. US first quarter earnings results were strong with many companies beating consensus expectations. The robust performance was headlined by a number of the US tech conglomerates including Apple, Facebook and Alphabet. The combination of resurgent earnings and a small fall in long term yields ensured that the recent rotation from growth to value stocks retraced somewhat in April.

At this stage of the economic cycle (ie growth recovery at the same time as central banks are committed to keeping interest rates low) the yield curve usually steepens significantly as long-term interest rates rise while short term interest rates are anchored. The beginning of this process was observed in February as long-term yields sold off, fuelling the rotation in equity markets from growth to value as discount rates increased. We expect the current conditions of continued massive fiscal support in the US and rising bond yields will continue to be supportive for value stocks.

OUTLOOK

The global economy is currently positioned for an extremely strong recovery in 2021. The extraordinary monetary and fiscal policy response to the COVID-19 crisis has been very successful in minimising the damage of a massive shock to the global economy. The policy response has also had a pervasive impact on the valuation and outlook for many key markets. The massive monetary expansion led by the US Federal Reserve has limited the attractiveness of defensive assets including government bonds and the US dollar (which has fallen significantly over the past year). In addition, credit markets are distorted with spreads much tighter than would be indicated by the state of the economy and the risk of default. Finally, extraordinarily low interest rates are intensifying the hunt for yield and contributing to very expensive equity valuations. In this climate the fund remains well positioned to benefit from the improving macro outlook, while maintaining a defensive profile through its value and quality biases in equity exposures and allocation to sources of uncorrelated returns.

The Balanced Growth Fund gains its exposure to Australian Shares by investing in an underlying Australian Share Fund/s which primarily invests in Australian listed or soon to be listed shares but may have up to 20% exposure to stocks outside Australia. The investment guidelines showing the Fund's maximum investment in international shares do not include this potential additional exposure. Short positions may be part of the underlying Australian Share Fund's strategy. Currency hedges may be used from time to time.

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