

Four big insights from Perpetual's fund managers on our 2023 roadshow

By Perpetual Asset Management

1 April 2023



Perpetual's investment experts Vince Pezzullo, Anthony Aboud, Matt Sherwood, Vivek Prabhu and Cory Martin have spent the past few weeks travelling around Australia, speaking with advisers.

Here are some of their top insights:

Multi Asset

System-wide stresses are manageable in their current form, despite recent banking sector fears that have put global markets on edge, said Matt Sherwood, Head of Investment strategy, Multi Asset.

Sherwood favoured a conservative approach as markets absorbed the impact of changes to the cost of capital.

But there were opportunities to be had in the UK, EU and emerging markets, he said.

“All markets have their issues at the moment but valuations in these three are attractive. Our job is to build a bridge to the next bull market for clients.”

Immigration returning to pre-Covid levels would help Australia avoid recession, he said.

[Find out about Perpetual's Multi Asset funds](#)

Australian Equities

Our Head of Australian Equities Vince Pezzullo warned against “recency bias” when assessing markets.

He pointed to Atlassian’s share price as an example of the difference a few months can make.

Actual cash flow and capital allocation mattered in a rising rate world — and a return from narratives to fundamentals was a positive for the Perpetual investment philosophy, he said.

This was a key theme of the Feb-March ASX reporting season, which he described as “the revenge of the incumbents.

“The rising cost of capital is calling out concept stocks and helping well capitalised incumbents.

“Balance sheets and profits will be more important to the market going forward.”

Australia needed to prepare for a “my resource, your problem world”, however. We risk losing our natural advantage if long-term industrial decisions aren’t carefully thought through.

[Find out about Perpetual's Australian Equities funds](#)

Credit & Fixed income

The biggest withdrawal of liquidity in the history of financial markets has our Head of Fixed Income, Vivek Prabhu, rotating to quality while considering his suite of risk management tools.

Credit and fixed income markets had grappled with a sharp reduction in liquidity and tightening of financial conditions over the past year, Prabhu said.

Management of risk exposures and exploitation of idiosyncratic relative value opportunities were rewarded into 2023.

“As a result of long and variable lags of monetary policy impacts, the risk of policy errors is elevated,” Prabhu said.

“We remain well positioned to withstand liquidity stresses while also retaining the capacity to quickly take advantage of relative value opportunities presented by potential market dislocations.”

[**Find out about Perpetual's Credit and Fixed Income funds**](#)

Global Equities

The US Federal Reserve's next move on rates, the likelihood of a US recession and a hard or soft landing are common questions among investors right now.

But are they the right ones?

“These are all short-term questions that most investors do a poor job of predicting, as they are unlikely to be consistently correct,” said Cory Martin, CEO and Executive Director of Barrow Hanley, a US based asset manager, part of Perpetual Asset Management International.

Barrow Hanley prioritised its view on a company's long-term prospects rather than changes to security prices as a result of investor psychology, he said

Will the value cycle continue?

The unwinding of exuberant valuations could take a long time, said Martin.

The performance of value stocks through the business cycle showed they do best in recessions or early in the business cycle, he said.

[**Find out about Barrow Hanley's Global Equities funds**](#)

[Contact your Perpetual account manager](#)

This information has been prepared by [Perpetual Investment Management Limited \(PIML\)](#) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information is believed to be accurate at the time of compilation and is provided in good faith. This document may contain information contributed by third parties. PIML does not warrant the accuracy or completeness of any information contributed by a third party. Forward looking statements and forecasts based on information available at the time of writing and may change without notice. No assurance is given that the forecast will prove to be accurate, as future events may impact actual results and these could differ materially from those anticipated. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act.

Barrow, Hanley, Mewhinney & Strauss (Barrow Hanley) is a 75% owned subsidiary of Perpetual Limited and a related party of PIML. Perpetual Corporate Trust Limited (ABN 99 000 341 533, AFSL 392673) has appointed Barrow Hanley as its authorised representative (Representative number 001283250) under its Australian Financial Services Licence.

The product disclosure statement (PDS) for the relevant funds, issued by PIML, should be considered before deciding whether to acquire or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website 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. No allowance has been made for taxation and returns may differ due to different tax treatments. Past performance is not indicative of future performance.