

# PERPETUAL ETHICAL SRI FUND TURNS 20



PERPETUAL ASSET MANAGEMENT  
26/05/2022

The Perpetual Ethical SRI Fund, one of Australia’s first ESG funds recently celebrated its 20<sup>th</sup> birthday. To celebrate, we take a look back at some of the Fund’s highlights, performance and how this single launch evolved to become the present suite of dedicated ESG investment strategies that sit within Perpetual Asset Management Australia (PAMA).

April 2002 saw Mark Shuttleworth blast off as one of the first space tourists; Eminem, Shakira and Nickleback competed for number one in the charts; and Prime Minister John Howard and Japanese Prime Minister Junichirō Koizumi agreed to strengthen trade links between Australia and Japan. It also saw the launch of the Perpetual Ethical SRI Fund, one of Australia’s first ESG funds in what was then called the Ethical or Socially Responsible Investment space. To celebrate the fund’s 20-year anniversary, we take a look back at some of the Ethical SRI Funds highlights, performance and how this single launch evolved to become the present suite of dedicated ESG investment strategies that sit within Perpetual Asset Management Australia.

The Perpetual Ethical SRI Fund aims to provide investors with a quality and value-focused portfolio of predominantly Australian equities. In addition to PAMA's typical stock selection process, the fund has exclusion screens that aim to exclude companies based on their involvement in specific unethical activities and companies that score poorly on a range of socially responsible investment (SRI) factors. Nathan Hughes assumed portfolio management responsibilities for the fund in April 2019. Hughes joined PAMA in September 2010 and was co-portfolio manager of the Perpetual Wholesale Smaller Companies Fund from December 2016 to April 2019. While he is pleased with the performance of the fund under his stewardship, he notes that investing is “a marathon, not a sprint”.

**Perpetual Ethical SRI Fund performance to 30 April 2022**

	1 Year	2 Years	3 Years	5 Years	10 Year	15 Years	20 Years
Total Return (p.a.)	15.71	33.34	14.50	9.01	13.04	9.35	12.42
S&P/ASX 300 Accum. (p.a.)	15.21	26.24	10.85	9.38	10.10	5.61	8.60
Excess Return (p.a.)	0.50	7.09	3.65	-0.37	2.94	3.74	3.82
Std. Dev (Ann.)	9.01	12.23	16.88	14.31	11.98	15.67	14.27
Tracking Error (Ann.)	6.16	6.79	6.29	5.34	6.25	6.85	6.41
Reward-to-Risk	1.74	2.73	0.86	0.63	1.09	0.60	0.87
Information Ratio	0.08	1.05	0.58	-0.07	0.47	0.55	0.60

Source: Perpetual. Total returns shown for the Perpetual Ethical SRI Fund have been calculated using exit prices after taking into account all of PIML's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation and returns may differ due to different tax treatments. Past performance is not indicative of future performance.

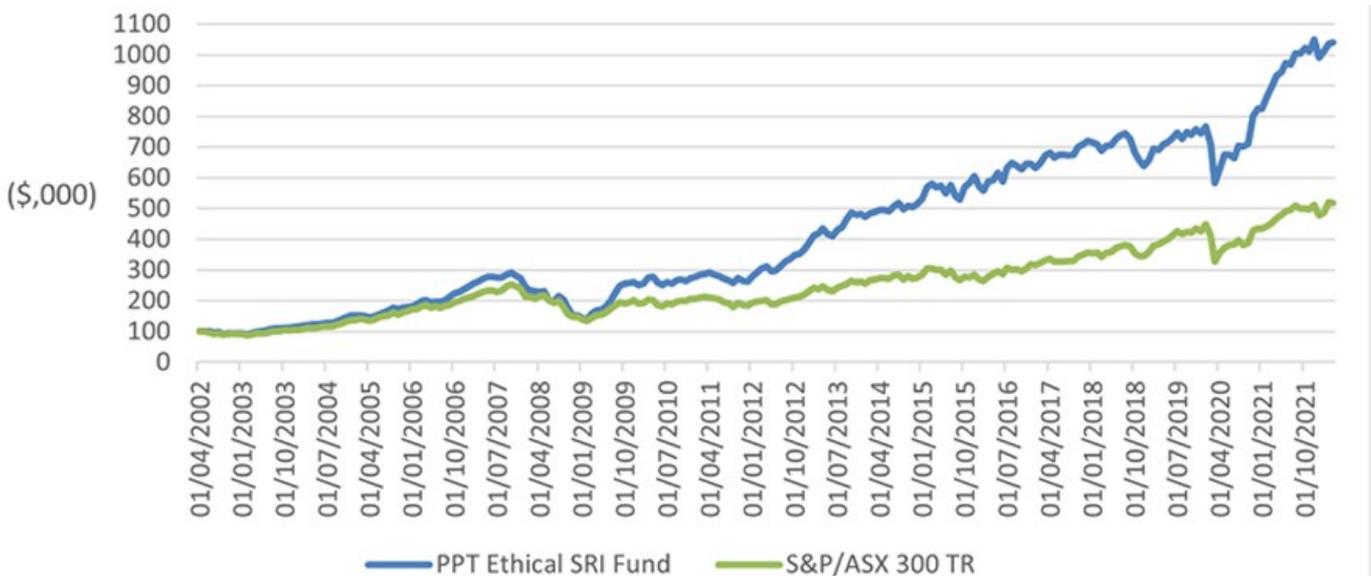
"It's only early days in my tenure as I've been running the fund for about three years now. Having said that though, I believe that the portfolio is really well-placed moving forward," he said. "Whilst we've enjoyed some great returns of late, I think there's a lot of value appeal in the fund and I expect it to provide good returns to unit holders for the foreseeable future."

### Investment process

While two decades of managing money for responsible investors has yielded plenty of insights, the Ethical SRI Fund is first and foremost an extension of Perpetual's core investment process with some additional screening and overlays on top of that. Each company must be assessed in terms of quality of business, good balance sheet, good management team, and recurring earnings before it can be included. There are two additional screens for the Ethical SRI Fund based on the activities of a business. A 5% revenue materiality threshold is applied for including things like alcohol manufacture and distribution, fossil fuel production, gaming, and tobacco. Beyond that, there is a second screen where the fund looks for positive performance across a range of ESG issues.

It's important to remember that we're not looking to penalise companies, we're looking for a net positive aggregate score. The screens remove a large percentage of market capitalisation in the benchmark ASX 300, but not necessarily a large number of stocks," explained Hughes. "The fund can also invest up to 20% of its holdings in an offshore security, which enables me to look into far broader and deeper markets and therefore there are plenty of opportunities for this product. I also think the long-term returns attest to the fact that the screens aren't too restrictive for this fund."

### Ethical SRI Fund performance relative to benchmark (value of a \$100,000 investment made at inception)

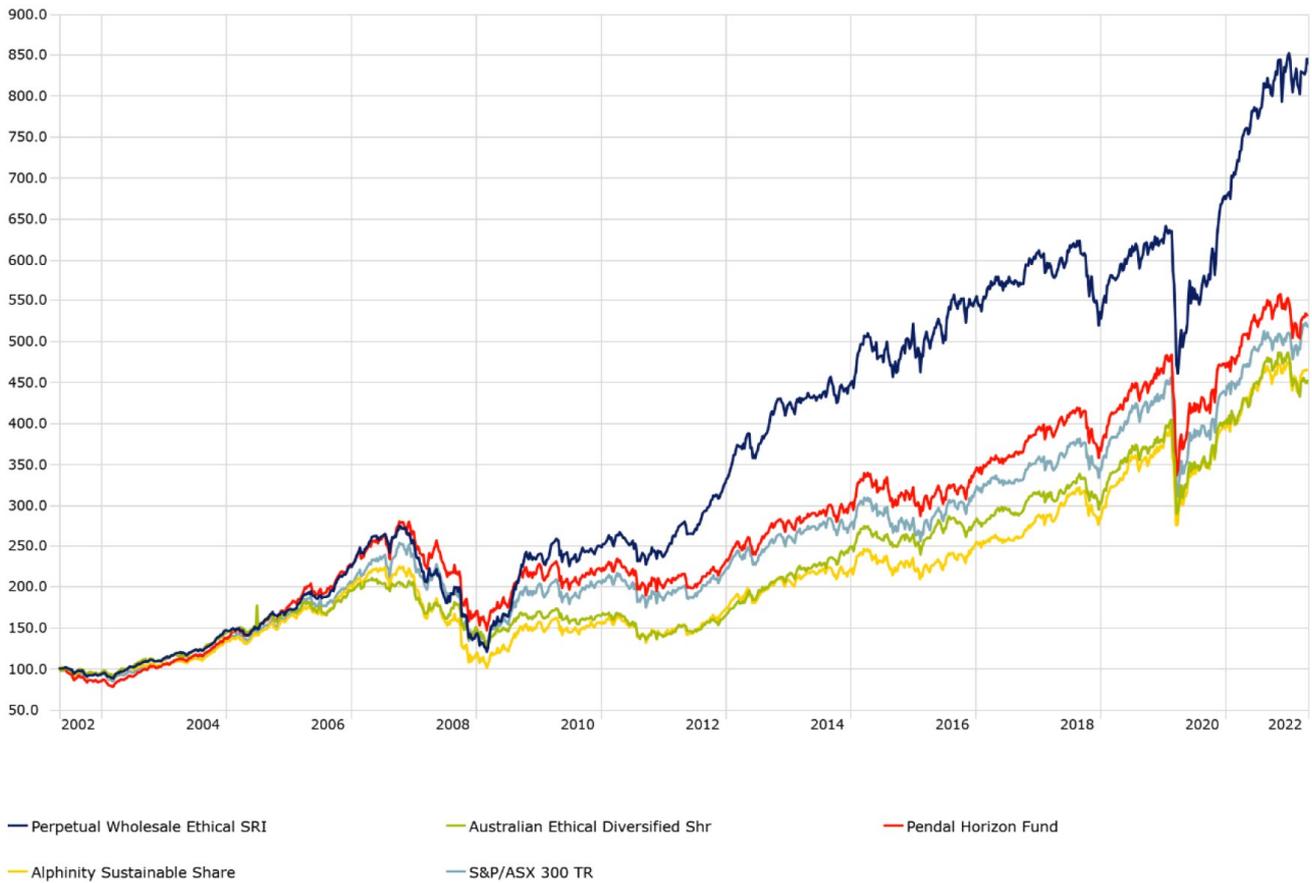


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The graphic above looks at how the Ethical SRI Fund has tracked versus its benchmark over the past 20 years, while the graphic below shows performance relative to selected competitors over the same period.

## Investment Growth

Time Period: 01/05/2002 to 30/04/2022



Source: Morningstar Direct: Presentation Studio as at 18/05/22. Past performance is not indicative of future performance.

### Ongoing commitment to ESG

We have continued to evolve the suite of dedicated ESG investment strategies within PAMA. In 2018, the Perpetual Ethical SRI Credit Fund was launched and in June 2021, we launched the Perpetual ESG Real Return Fund. These two products along with the original Ethical SRI Fund are certified by the Responsible Investment Association Australasia (RIAA). This underpins Perpetual's long-standing commitment to responsible investment, and in 2009 PAMA became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). Perpetual's Responsible Investment Framework supports the incorporation of environmental, social and corporate governance (ESG) factors into Perpetual's investment analysis and decision making, across investment strategies that cover equities, credit and fixed income, and diversified strategies.

[Find out more about the Perpetual Ethical SRI Fund.](#)