

Perpetual Private

PERPETUAL SELECT CASH FUND

June 2024

FUND FACTS

Investment objective: Capital stability through investments in deposits, money market and fixed income securities.

BENEFITS

Provides investors with a relatively consistent rate of return through regular interest payments, generally in line with short-term interest rates. In addition, the fund is widely considered a low risk investment option.

TOTAL RETURNS % (AFTER FEES) AS AT 30 JUNE 2024

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Super Cash Fund	WDL0004AU	0.3	0.9	1.9	3.7	2.0	1.2
Perpetual Select Pension Cash Fund	WDL0014AU	0.4	1.1	2.2	4.4	2.4	1.4
Bloomberg AusBond Bank Bill Index		0.4	1.1	2.2	4.4	2.4	1.6

Past performance is not indicative of future performance

MARKET COMMENTARY

In the lead up to the end of Q2 2024, the cash rate in Australia has been maintained by the Reserve Bank of Australia (RBA) at 4.35%, a position that hasn't moved since it was raised from 4.1% in November 2023. Whilst inflation has fallen substantially since its peak in 2022, its pace of decline hasn't fallen in line with the RBA's acceptable range to start cutting rates. This is primarily due to excess demand and consumer confidence surprising to the upside causing inflation to remain 'sticky'. Inflation expectations have fluctuated over the three months but have settled higher than last quarter at 4.4% which will likely give the RBA some further cause for concern as the path forward has become less clear. Governor Michelle Bullock said in the latest meeting of the board that "earlier on, when [we] were raising rates, it was quite obvious what we had to do. It's not so obvious now."

PORTFOLIO COMMENTARY

The Perpetual Select Cash Fund invests in the Perpetual Cash Management Trust. The strategy's performance remains consistent with the RBA Cash Rate benchmark, which stayed unchanged throughout the quarter and is currently yielding 4.35%. With inflation persisting above the target range, particularly within the services sector, the possibility of another rate hike in the second half of this year is looking more likely, with the RBA set to keep rates elevated until inflation firmly returns within their target range.

OUTLOOK

In meeting minutes released by the RBA in June, the board adopted a more hawkish position than previous months, with Ms. Bullock commenting that "the evidence on inflation is that it is telling us that demand is still a bit too strong." Previously the RBA had signaled that the next rate change would more likely be down than up, and this has been our inclination up until this point.

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

PRODUCT FEATURES

	SUPER	PENSION
Inception date	Jul 92	Jul 92
Investment Fee (p.a.)*	0.00%	0.00%
Admin fee	0.10%	0.10%
Buy spread	0.00%	0.00%
Sell spread	0.00%	0.00%
Contribution fee	0.00%	0.00%
Withdrawal fee	0.00%	0.00%
Monthly member fee	0.00%	0.00%
Min. initial contribution	\$3,000	\$20,000
Min. additional contribution	\$0.00	\$0.00
Savings plan	Yes	No
Withdrawal plan	No	No
Distribution frequency	N/A	N/A
Contact information	1800 022 033	

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

This now appears to be less material as expectations for interest rate cuts have been pushed out to next year. We are now seeing the market price in a rate hike in the September meeting, with the June CPI print being a vital data point in determining which direction the RBA will move. Ms. Bullock has made it clear that this information will help inform board of whether the uptick in inflation to 3.6% in April was a true reflection of inflationary pressures. This is not to say that a rate hike is now the most likely outcome, only that the RBA has stated clearly that they intend to keep rates high until inflation comes firmly back within control.

At this point in time, peers such as the US Federal Reserve are expected to start cutting rates at least once before the end of the year as data suggests that inflation is on track to meet its 2% goal. Minutes from the most recent Fed meetings echo this sentiment with the committee using language which indicates that they will begin cutting rates only when inflation is firmly under control. Elsewhere, services price inflation has generally come in softer than expected, with countries such as Canada and Sweden already beginning to cut rates.

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MORE INFORMATION

Adviser Services 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

