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# A Closer Look: Investing in Active ETFs

Making active investing more accessible.



Trust is earned.

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## What are Exchange Traded Products?

Exchange traded products (ETPs) are traded on a stock exchange and can invest in a variety of assets including Australian or global shares, fixed income, commodities and cash.

ETPs are managed by a professional fund manager who each have their own investment strategy such as tracking an index or actively managing a portfolio.



## What is driving the growth in Exchange Traded Products (ETPs)

In recent years, there has been substantial growth in both number of, and capital invested, in ETPs. This includes passive or index tracking ETFs, active ETFs or exchange traded managed funds (ETMFs) or other types of exchange traded products.

We believe many investors don't have the time, expertise or in some cases, capital to build and manage a diversified portfolio of securities. ETPs and other investment products can provide an opportunity for investors to access these portfolios in one trade.







## Why ETPs?



### Accessibility

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Investors can buy and sell the ETPs on the stock exchange at the prevailing market price through a stockbroker, share trading account or other securities trading platform, much like the process for buying and selling shares. There is also no minimum initial investment amount, making them accessible for more investors.



### Diversification

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By delivering exposure to a basket of individual assets within an asset class, theme, sector or region.



### Liquidity

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ETPs can be bought and sold at any time and market makers seek to provide continuous liquidity in the ETP.



### Low costs

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As an investor, you gain exposure to multiple assets without the trading costs it would take for direct investment in each one.



### Transparency

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Unlike managed funds, where an investor generally will not know the price per unit they have invested at until after the transaction, ETPs are traded at live market prices on an exchange. The issuer of the ETP will generally publish the ETP's net asset value daily. Some ETPs may also publish an indicative net asset value (iNAV) every 15 seconds throughout the trading day.

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ETPs may be versatile enough to play different roles within a portfolio and may provide a core component, or complement existing investments.

ETPs can be broadly split into two types of strategies – active and passive. And while both options play a part in an investment portfolio, it is important to understand how each works before investing in them.



# Active vs Passive ETFs

For many years, the only ETFs available were passive. Passive ETFs track an index, offering investors a way to replicate the returns to overall market performance for asset classes, regions, or sectors.

The exchange traded fund universe has quickly expanded on these passive, index-based strategies and we have seen active ETFs gain popularity in recent years as more prominent mutual fund names begin to step into the space. An active approach to investing involves a fund manager choosing the assets in the fund, depending on the fund's investment strategy and the manager's view of markets and the type of fund it is. With these products, the fund manager applies a specific investment approach which is aimed to achieve a specific return and performance objective.

## What's different about Active ETFs?

The primary difference between active vs passive funds is how the fund's assets are invested and managed.



### Active

You're investing in a fund where the fund manager applies an active investment approach to achieve a specific return and risk objective.



### Passive

You're investing in a fund which typically tracks an index and the fund's portfolio is updated regularly to reflect changes in this index.

An active management approach gives investors the benefit of partnering with an experienced investment team who conduct in-depth research and analysis to identify the potential of companies.

With an Active ETF, a portfolio manager 'actively' manages a portfolio of underlying stocks with the aim of outperforming a benchmark. The manager will undertake research to determine which underlying securities the fund will hold and in what percentages dependent on the fund's investment strategy, stock valuations, industry trends and macroeconomic factors. They might target particular companies or decide to invest more or less in particular industries or regions.

Active managers may also have the flexibility to rebalance as needed to manage the overall risk of the portfolio or to take advantage of opportunities as market conditions change.

A passive index or rules-based investment approach offers an alternative to actively managed funds. A Passive ETF tracks an index or benchmark. This can be over a broad-based stock market index, a sector index, or indices comprising fixed income and credit. They can either fully replicate an index by buying all the securities that make up the index or they can buy the securities in an index that provides the most representative sample of the index based on correlations, exposure, and risk.

Active and passive ETFs share similarities in that they are both listed on an exchange and investments in them are made through purchasing units via a broker – similar as if they were buying a share. Both passive and actively managed ETFs allow investors to trade throughout the day, including short sales and buying on margin. This can also enable greater liquidity for ETFs relative to managed funds that do not trade throughout the day.

Active management is designed to seek outperformance of a benchmark and can play an important role in building a diversified portfolio for your clients. But finding the right active fund manager for your portfolios is crucial.

# Perpetual: a proven portfolio manager

Our selection of Active ETFs (also referred to as exchange traded managed funds) offers investors access to Perpetual's proven investment philosophy and approach. Each Active ETF is managed by one of our experienced investment managers who will leverage the full resources of our large analyst teams.



## Why invest with Perpetual?

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Perpetual has been managing investment portfolios since 1966 and has some of Australia's most experienced and specialist investment managers.

As one of Australia's longest serving and most trusted investment managers, our longstanding commitment is to deliver superior outcomes over the long-term for our clients. Our disciplined approach of identifying high-quality, attractively valued investment opportunities, has been tested and proven for 50+ years.

We actively manage the investments of our clients, based on fundamental research and analysis. To augment this process, we constantly invest in the quality and depth of our team. Today we have a dedicated and highly regarded team, with extensive investment management experience.



## Our approach to active investing

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Perpetual's long-standing investment philosophy and active investment management style has been based on identifying quality investments that we believe are undervalued, while managing risk. This discipline and focus enable us to capture the upside potential in our portfolios - once the mispricing is recognised by the market - while limiting the downside risks.

We take an active investment approach to managing portfolios. Our research is thorough, proprietary and a critical driver of our investment decisions. This research is combined with the skill, judgement and expertise of our investment professionals in constructing and managing portfolios.



## Our team

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Our team of investment professionals serve our clients by actively managing Perpetual's investment portfolios with a focus on fundamental research and analysis of quality, value and risk. Our expertise spans equities, credit and fixed income, and multi-asset capabilities. Our portfolio managers and analysts bring their experience, skill and judgement to investing and today, we have one of the most highly regarded investment teams in Australia. The depth and breadth of our team enables it to find investment opportunities where others may not.

We have recently expanded our offering, by providing further access and exposure to international markets through Barrow Hanley Global Investors, a leader in global value investing, and Trillium Asset Management, an industry pioneer in ESG investing and shareholder advocacy. Both firms are recognised globally as market leaders and bring enhanced scale through a multi-boutique approach. With the introduction of these two investment managers, we can further extend our range of market leading solutions to clients globally.





## Getting started – How to invest?

### 1. Do your research

- You should read the PDS before making any decision on how to invest in the ETMF.
- Learn more about the ETMF by visiting the fund manager's website.

For example, visit [perpetual.com.au/etmf](https://perpetual.com.au/etmf) for more information about Perpetual's ETMFs.

### 2. Contact or access your ASX stockbroker (full service or online) to place a buy order for the ETMF.



## More information

Perpetual offers investors a broad range of investment options across Australian and global shares, multi asset, credit and fixed income, and ESG funds. To learn more about Perpetual's ETMFs, please visit [perpetual.com.au/etmf](https://perpetual.com.au/etmf)



## What are the risks?

All investments carry risk and different strategies may carry different levels of risk.

All investments are subject to risk which means the value of investments may rise or fall, which means that you may receive back less than your original investment or you may not receive income over a given time frame. The relevant product disclosure statement for the ETMFs should be considered before deciding whether to acquire or hold units in that ETMF. Your financial adviser can assist you in determining whether an ETMF is suited to your financial needs.

The information in this brochure has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 as the issuer of units in each of the Perpetual ESG Australian Share Fund (Managed Fund) and Barrow Hanley Global Share Fund (Managed Fund) (Active ETFs). 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.

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The product disclosure statement (including any supplementary product disclosure statement) (PDS) for the Active ETFs should be considered before deciding whether to acquire or hold units in the Active ETFs. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](https://www.perpetual.com.au).

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## Find out more

Adviser Services 1800 062 725

Investor Services 1800 022 033

[Investments@perpetual.com.au](mailto:Investments@perpetual.com.au)

[perpetual.com.au](https://perpetual.com.au)

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