Perpetual Investment Funds

PERPETUAL CONSERVATIVE GROWTH FUND

December 2025

FUND FACTS

Investment objective: Aims to provide moderate growth over the medium term and income through investment in a diversified portfolio with an emphasis on cash and fixed income securities; and outperform a composite benchmark (before fees and taxes) reflecting its allocation to the various asset types over rolling three-year periods.

FUND BENEFITS

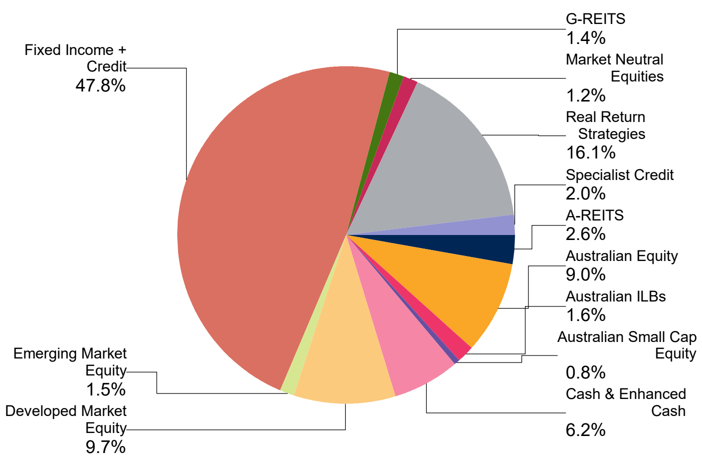
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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 consideredbefore 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: Conservative Growth Index (Internally generated composite)
Inception Date: September 2003
APIR: PER0077AU
Management Fee: 0.90% 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: Three years or longer

PORTFOLIO SECTORS



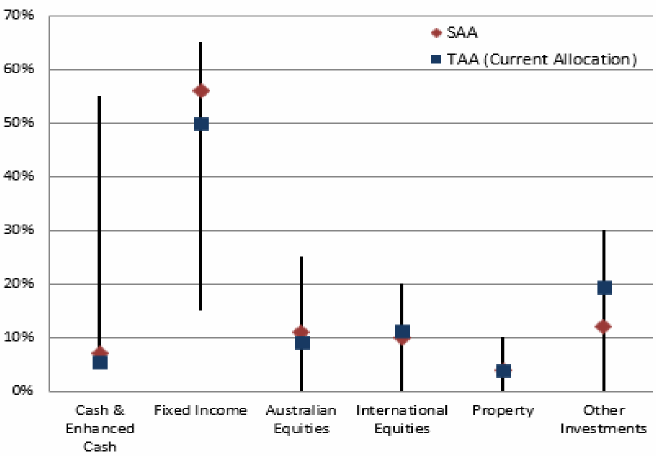
NET PERFORMANCE- periods ending 31 December 2025

	Fund	Benchmark	Excess
1 month	0.0	-0.1	0.1
3 months	0.2	-0.2	0.5
1 year	5.7	6.1	-0.4
2 year p.a.	5.9	6.9	-1.0
3 year p.a.	5.4	7.3	-2.0
5 year p.a.	4.1	3.7	0.4
10 year p.a.	4.3	4.6	-0.3
Since incep. p.a.	5.7	5.6	0.0

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

ASSET ALLOCATIONS AND INVESTIBLE RANGES

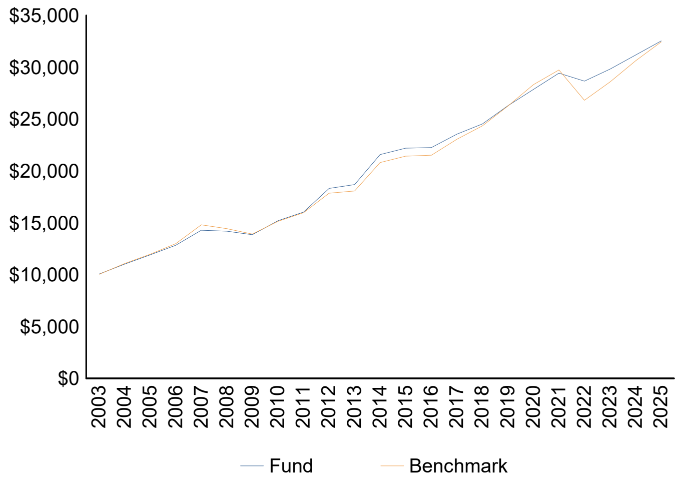
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Global equities resumed their rally in the second half of the quarter following elevated volatility in October in response to more trade tensions and the US government shutdown and rising concerns surrounding US AI stocks in early November. Similarly, bond markets were more volatile than the recent past as participants attempted to price the path of central bank policy and the data vacuum associated with the US government shutdown raised uncertainty about the quality and timing of inflation and labour market data.

- Global shares (+3.4%) extended their rally in the December quarter despite increasing concerns surrounding US tech valuations and the sustainability and ROI of AI related capex. This culminated in value stocks (+3.8%) recovering some of their recent underperformance to growth stocks (+1.1%) which also saw US stocks (+2.7%) underperformed the broader market.

- Japanese equities (+8.8%) led the pace of gains in regional sharemarkets as pro-growth government policies and corporate governance reforms reinforced the positive sentiment from a depreciating Yen, improving corporate performance and rising investment flows.

- UK equities (+6.9%) also outperformed led by large cap multinationals supported by declining Gilt yields and a depreciation in Sterling which supported the globally focused names in the FTSE 100.

- European equities (+5.2%) were also among the quarterly performance leaders as strong earnings surprises in key sectors, particularly technology (including semiconductor equipment and industrial tech), financials and healthcare, lifted sentiment across regional indices.

- In contrast, Australian Shares (-0.9%) underperformed as higher than expected inflation forced markets to revise expectations around the path of the RBA's monetary policy, which weighed on major banks and other financial stocks. This decline was partially offset by advances in the resource market as numerous commodities hit fresh record highs in the wake of strong metals demand from the AI investment boom

- Meanwhile, Emerging markets (+5.7%) outperformed developed markets as the depreciating US Dollar, and attractive valuations boosted investor's appetite for cheaper priced tech exposures in the region, especially in Taiwan and South Korea.

- Elsewhere, US bond markets saw elevated volatility over the quarter as investors became more uncertain about the near-term path for US Fed policy. The US yield curve steepened driven by a -13 bps decline in 2-year yields whereas 10 year yields gave back earlier price gains in December.

- In contrast, Australian 10-year bond yields (+45 bps) moved higher in response to rising domestic inflation which sparked an increasingly hawkish monetary policy outlook.

- Gold (+14.2%) continued its rally, closing out a very strong year for precious metals.

Uncertainty surrounding the path of monetary policy – exacerbated by the absence of key economic data as a result of the US government shutdown – was a key consideration for investors throughout the December quarter. The US Federal Reserve elected to cut rates in October and December reflecting the moderation in hiring this year which has seen the U3 unemployment rate tick up to a fresh 4 year high of 4.5% for November, even though wages growth (3.8%) continues to outpace headline inflation at (2.7% year on year in November). The Fed also announced plans to halt quantitative tightening by December, reflecting credit market liquidity concerns and speculation intensified around President Trump's eventual Fed chair pick, with economic advisor Kevin Hassett emerging as a front-runner although things here could rapidly change.

The December quarter also saw a weakening shift in sentiment toward AI with broad optimism giving way to increased scrutiny of capital expenditure, the likely payoff period and what sort of returns investors might expect. Meanwhile, corporate earnings results outperformed downbeat expectations in the third quarter reporting season with 85% of firms outperforming consensus, but the market reaction to results were somewhat muted reflecting how much good news was already priced in for revenue growth, EPS growth, margins and overall guidance. While AI technology itself is transformative, we see some parallels to the first tech boom and are wary of the business of providing AI services will meet the egregious profit expectations which are baked into forward looking valuations, and we look for opportunities outside this cohort.

Softer UK inflation and labour market data clear the path for the Bank of England to lower official rates by -0.25% to 3.75% in December, with the market pricing more support in coming months. This precipitated a rally in UK Gilt yields which combined with a depreciation in Sterling lifted UK equity prices to fresh record highs. Meanwhile, the November Budget was better-than-feared, with greater-than-expected fiscal headroom and lower projected gilt issuance helping to stabilise market sentiment.

The outlook for continental Europe is mixed. Composite PMIs are in expansionary territory suggesting GDP growth will accelerate in 2026. Germany is facing more immediate growth challenges with Q3 GDP confirmed flat for the quarter as private consumption declined -0.3% given weaker outlays on services such as hospitality and catering, and other discretionary categories. Large scale fiscal stimulus is anticipated for 2026; however private sector remains subdued at best. Equity markets in Europe continue to trade below US and Australian valuations but remain expensive relative to long-term averages.

In Australia, November was marked by a significant shift in bond market sentiment as rebound in headline and trimmed mean inflation forced investors to abandon expectations of near-term rate cuts and to price in hikes in the first half of 2026. The new monthly CPI report showed higher than expected inflation which combined with robust October employment data (42,000 new full-time jobs and a drop in unemployment to 4.3%) sparked a selloff in domestic bonds which persisted into December.

Domestic discretionary household spending showed continuing improvement 6.3% year on year in November which, combined with increasing government spending, solid wage growth (+3.4%) and weak productivity, could place further upward pressure on inflation. The data suggests that the Australian economy has cyclically improved, but the longer-term trend outlook looks tepid with modest real wages growth and a cautious corporate sector limiting any sustained rebound in per capita GDP growth which has contracted for 8 of the past 10 quarters.

Markets are facing challenges in the near term (softening growth, very strong 2026 EPS expectations and a likely pause by the US Fed) and long term (investors living in a '4% world' given high valuations and likely having priced in years of productivity improvement). Valuations are expensive relative to history in most regions and elevated market concentration, and the preponderance of value-agnostic passive funds, have made regional equity markets increasingly vulnerable to unexpected news.

The Fund is close to benchmark weight in equities with a marginal underweight in Australian stocks. All equity exposures remain focused on stock selection alpha opportunities and exposure to equity beta remains carefully managed.

Stock selection among domestic and global equities were the key contributing factor to performance over the quarter. Fund's value focused global equity allocation performed strongly relative to benchmark, as more questions were asked about valuations and rates of return of forthcoming AI infrastructure investment. Emerging market stock selection was also rewarded with the Fund's underweight exposure to China performing well as Chinese equities declined while Korean and Taiwanese stocks performed very strongly.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of equity and credit markets and complementing this with option protection where it has been attractively priced to implement. These include an S&P 500 put spread and a USD call option versus the Hong Kong Dollar. As global equities continued to advance over the quarter, the Fund's explicit downside protection positions marginally detracted even though there was elevated market volatility during the quarter which highlighted the value of cost-effective downside protection and the positive convexity provided by equity put options as volatility rises.

The Fund remains slightly below benchmark weight in fixed income, with the exposure primarily focused on 10-year Australian government bonds alongside domestic credit and a small allocation to inflation linked bonds.

The Fund maintains its position in the Diversified Real Return Fund which continues to deliver low volatility absolute returns while retaining a relatively low correlation to equity markets.

OUTLOOK

Elevated valuations, a lacklustre longer term domestic economic outlook and rising risks of RBA rate hikes in 2026 is a challenging backdrop for local investors. Meanwhile, government bonds are offering less reliable diversification and are signalling a less certain path for inflation. We continue to carefully manage the Fund's exposure to global equities and maintain diversity in regional and sector allocations.

The Conservative 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.

MORE INFORMATION

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