Perpetual Private

PERPETUAL SELECT FIXED INCOME FUND

December 2025

FUND FACTS

Investment objective: Income through investment in a diversified portfolio of fixed income.

Suggested length of investment: Five years or longer

BENEFITS

Provides investors with the potential for regular income above cash returns, with lower volatility than other income strategies.

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 determining whether a fund is suited to your financial needs.

INVESTMENT APPROACH

The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager.
Derivatives are currently used by the specialist investment managers to protect against most currency movements, although this can change at any time.

TOTAL RETURNS % (AFTER FEES) AS AT 31 DECEMBER 2025

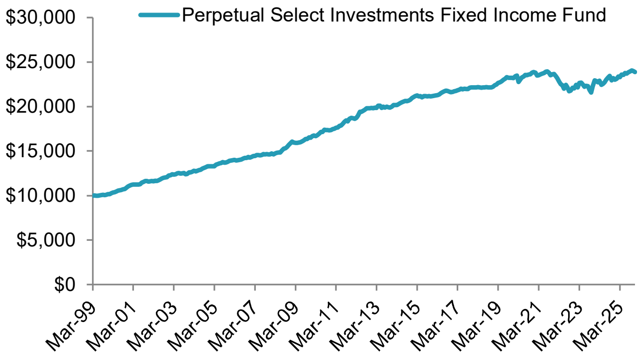
	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Fixed Income Fund	PER0252AU	-0.4	-0.2	0.6	3.8	2.8	0.0
Fixed Income Composite Benchmark#		-0.3	0.6	1.7	4.4	4.0	0.8

Past performance is not indicative of future performance

#Effective from 8th December 2025, the Fixed Income Composite benchmark comprises:
- Bloomberg Global Aggregate Bond Index (AUD Hedged) and,
- Bloomberg Ausbond Composite 0+ YR Index.

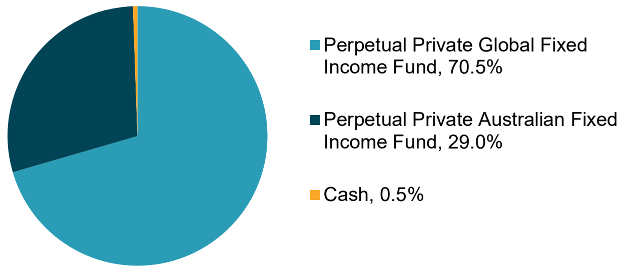
The composite benchmark reflects the Portfolio's target allocation at any time to the various asset types. Please refer to the Product Disclosure Statement for further details.

GROWTH OF $10,000 SINCE INCEPTION (AUST.)*



*The Growth of $10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

PORTFOLIO EXPOSURES^



^Portfolio exposures represent the Perpetual Select Investments Fixed Income Fund

MANAGER INVESTMENT APPROACH		
JP Morgan Global Aggregate Mandate	International Fixed Income	Global Rates, Benchmark aware
Western Asset Global Bond Mandate	International Fixed Income	Global Rates and Sector Rotation, Macro.
Alliance Bernstein Global Bond Mandate	International Fixed Income	Global Rates and Sector Rotation, Relative Value.
Macquarie True Index Australian Fixed Interest Fund	Australian Fixed Income	Australian passive core fixed income and True indexing fund.

MARKET COMMENTARY

The final quarter of 2025 saw Fixed Income markets having to contend with a dispersion of economic conditions as inflation and central bank considerations diverged across geographies. On a global basis the December quarter saw a positive, albeit muted return of 0.7% for global Fixed Income, as expectations of early 2026 interest rate cuts from the Federal Reserve ("the Fed") receded. More broadly however, global Fixed Income generated majority of its returns (4.4%) through income received over the year, with a slight tailwind provided by growing dovish expectations for the Fed's future interest rate path.

Comparing the US experience to that here locally, we note that whilst the Fed has gone from focusing primarily on stubbornly high inflation, reducing chances on further rate cuts, to a focus on signals that the labour market might be softening (with employment conditions being the second leg of the bank's 'dual mandate'). Whether this change is at all influenced by pressure from the US president, or is simply a normal balancing of priorities, remains to be seen. What we know now is that the Fed today has a dovish bias that it didn't have just six months ago. In Australia, almost the opposite has happened. With inflation remaining sticky, expectations of further cuts late in 2025 quickly diminished, to the point that in late December, markets had even started to price in a rate increase at the bank's February meeting (at the time of writing market prices are implying a 24.6% probability of an interest rate increase).

Locally, the change in posture from the Reserve Bank of Australia (RBA), meant that bond prices fell to accommodate the potential for higher cash rates. This ate into income for the asset class, resulting in an annual return of just 3.2% for the year, after falling 1.2% in the final quarter.

Meanwhile, Credit continues to deliver handsomely for those exposed to it, with spreads remaining low and defaults scarce. The US, for instance, saw its corporate bonds deliver 0.7% for the December quarter and 6.5% for the year. Similarly, if we look at the Australian market, Credit continues to perform well, particularly if we remove duration (and therefore interest rate sensitivity), resulting in returns of 1.0% for the 3 months, and 5.0% for the year. Against this backdrop, it should be no surprise that the more risky "high yield" securities, continue to deliver outsized returns, gaining 2.2% in the quarter and a whopping 9.6% for 2025.

PORTFOLIO COMMENTARY

The Perpetual Select Fixed Income Fund underperformed its benchmark by 0.7% over the December 2025 quarter; primarily driven by the allocation overweight to Australian FI.

Macquarie True Index Australian Fixed Index Fund returned -1.2% during the quarter, broadly in line with the Bloomberg AusBond Composite 0+ Year Index. Australian government bond yields were volatile, while a material reacceleration of inflation is giving the markets cause for concern.

Western Asset Global Bond Mandate underperformed its benchmark for the period, with the portfolio returning 0.6% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of 0.7%. Over the quarter, credit selection contributed while duration positioning detracted.

Alliance Bernstein Global Plus Mandate underperformed its benchmark for the period, with the portfolio returning 0.6% versus the Bloomberg Global Aggregate Bond Index (hedged AUD) return of 0.7%. Country duration positioning was the primary detractor of performance over the quarter.

Colchester Government Bond Mandate has been terminated in Q4 2025. JP Morgan has been appointed as a mandate manager for the position replacing Colchester.

OUTLOOK

The Reserve Bank of Australia maintained policy rates steady during the December quarter as inflation edged slightly higher. Commentary from the board indicates a more cautious stance. Government bond volatility persisted and is expected to remain elevated through 2026. Analysis of domestic inflation drivers point to housing as the largest contributor, followed by food and healthcare.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2025	FY 2024	FY 2023
Growth Return %	4.2%	1.7%	1.0%
Distribution Return %	0.5%	0.3%	0.2%
Total Return %	4.7%	2.0%	1.1%

DISTRIBUTION BREAKDOWN

	FY 2025	FY 2024	FY 2023
Cents per unit	0.4528	0.2500	0.1467

PRODUCT FEATURES

	INVEST.
Inception date	Mar 99
Management/Investment Fee (p.a.)*	0.71%
Ongoing fee discount	No
Admin fee	0.00%
Buy spread	0.24%
Sell spread	0.00%
Contribution fee	0.00%
Withdrawal fee	$0
Monthly member fee	$0
Min. initial contribution	$2,000
Min. additional contribution	$0
Savings plan	Yes
Withdrawal plan	Yes
Distribution frequency	Quarterly
Contact information	1800 677 648

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

US tariffs have had minimal impact on inflation to date, though longer-term implications of trade policy remain uncertain. We anticipate diverging inflationary pressures globally, with moderate upward pressure on US inflation over the medium term. Economic growth remains positive, supported by infrastructure investment, while consumer spending, though resilient moderated during the quarter. Monetary policy uncertainty continue to drive volatility in global sovereign bond markets. Despite this, absolute yield levels remain elevated relative to historical norms, particularly compared to the pre-2022 zero-rate environment.

Credit demand from asset owners remains strong, while credit creation is subdued amid weak M&A activity and a limited issuance pipeline. Spreads are tight, but we see scope for further compression. Base rates have declined over 2025, supporting corporate credit quality and improving overall debt serviceability.

Our portfolios benefited from tactical positioning across the government bond curve and sector rotation within credit. Emerging market debt contributed positively to performance at the headline portfolio level. However with fundamentals now fully priced, we have exited the position during the quarter. We maintain a selective approach in credit, favouring shorter-dated exposures where valuations remain attractive.

[1] As measured by the Bloomberg Global Aggregate
[2] As measured by the Bloomberg AusBond Composite (0+Y) index
[3] As measured by the ICE BofA Global Corporate (AUD hedged) index
[4] As measured by the Bloomberg AusBond Credit FRN (0+Y) index
[5] As measured by the Bloomberg Global High Yield (AUD Hedged) index

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