

Perpetual Investment Funds

PERPETUAL BALANCED GROWTH FUND

June 2025

FUND FACTS

**Investment objective:** The fund aims to provide long-term capital growth and income through investment in a diversified portfolio with an emphasis on Australian and international share investments.

FUND BENEFITS

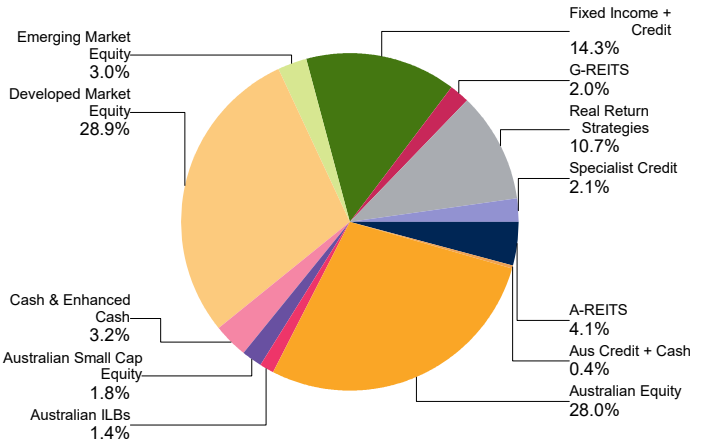
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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 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.

- Benchmark:** Balanced Growth Index (Internally generated composite)
- Inception Date:** October 1997
- APIR:** PER0063AU
- Management Fee:** 1.04% 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:** Five years or longer

PORTFOLIO SECTORS



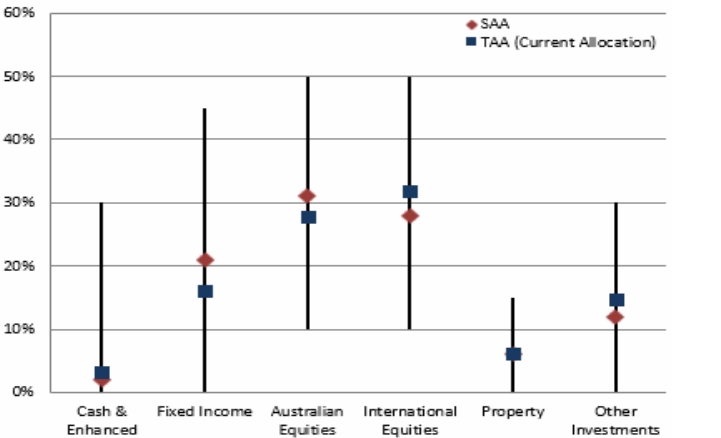
NET PERFORMANCE- periods ending 30 June 2025

	Fund	Benchmark	Excess
1 month	1.2	1.7	-0.5
3 months	4.3	6.6	-2.3
1 year	8.4	12.6	-4.2
2 year p.a.	7.5	12.3	-4.7
3 year p.a.	7.6	11.9	-4.3
5 year p.a.	8.7	9.0	-0.3
10 year p.a.	6.6	7.7	-1.1
Since incep. p.a.	7.3	7.4	-0.1

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

ASSET ALLOCATIONS AND INVESTIBLE RANGES

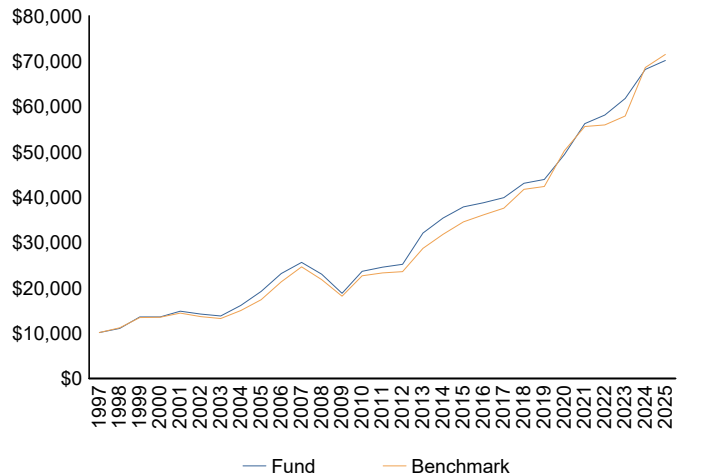
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Financial markets recovered from initial volatility in the wake of President Trump levying larger tariffs than the market was expecting, but when the US leader announced a 90-day moratorium markets stabilised and then rallied as tariffs on China were scaled back. This gave the market strong momentum which enabled it to shake off concerns around the US fiscal outlook and a sharp rise in geopolitical tensions in the Middle East, and to rally strongly over the remainder of the quarter.

- Developed markets (+9.7%) staged a rapid recovery from a sharp selloff in early April. Equity gains were led by US stocks (+10.9%) where robust corporate earnings results and renewed investor confidence saw US large cap tech strongly outperform the broader market. Accordingly, growth sectors and securities outperformed value with the Russell 1000 Growth returning +17.8% over the quarter well in excess of the value index (+3.8%).

- European equities advanced (+3.2%) despite trailing the broader developed market, led by Germany (+7.9%). European stocks were supported by increased defence spending – agreed to at the June Nato summit – and successive rate cuts as the ECB continued its easing cycle.

- Japanese equities performed very strongly despite the rally in the Yen, with the Nikkei 225 returning +13.9%. Rising dividends and share buybacks as a result of ongoing corporate governance reforms were very well received.

- Emerging markets (+8.1%) rallied strongly as the US Dollar weakened. The market rise was impressive as Chinese equity market performance (+2.6%) which is the largest component MSCI EM index, underperformed of its regional peers as tariff uncertainty weighed on sentiment.

- US bonds saw elevated volatility over the quarter reflecting concerns around sovereign credit quality. Australian (-22bps) UK (-18bps) and German (-10bps) 10-year bond yields all rallied as the global central bank easing cycle progressed. However, with the Fed on hold and US inflation showing little sign of tariff impact (so far) meant the US 10Y treasury yields (+2 bpts) did not participate in the regional decline. There was considerable commentary around the rise in the US term premia associated with the soon-to-be-enacted FY26 US Federal Government funding bill, but this increase was evident in numerous regions, and did therefore did not explain the US bond underperformance.
- Gold (+5.3%) reached a new all-time high in April as investors looked to safety as volatility spiked, and although prices declined as risk sentiment improved, the price of bullion remained near peak levels.

In early April, the immediate aftermath of the 'Liberation Day' announcements saw the VIX index spike to a level last seen during the Covid selloff. US equities corrected before a relief rally over the second half of April and equity performance was characterized by large intraday moves. Markets continued to recover throughout May and June, supported by the announcement of a trade agreement between the US and China which significantly reduced tariffs on most Chinese imports from 145% to 30%, and China reducing its tariffs on US imports from 125% to 10%.

While the pause eased near term growth fears in both economies, macro data were mixed amid signs that the pace of the 5Yr expansion in moderating. First quarter US GDP growth declined -0.2% which was the weakest reading since the first quarter of 2022, underpinned by the front running of tariffs by business which sparked a surge in US imports. While US domestic demand growth also slowed to a 9-quarter low of +1.9%, it remained above trend. While markets have been unsettled by the trade war, President Trump has shown a willingness to respond to market pressures and now seems to be focused on trade deals which benefit the US and would improve the growth outlook. However, few of these are yet to be agreed to and signed with the end of the

90-day pause period looming.

Elsewhere, rising fiscal sustainability concerns were attributed to US bonds marking time while their regional peers declined during the quarter. The Trump administration's reconciliation bill narrowly passed the House of Representatives in May and US bond markets reacted poorly with the yield curve steepening as investors demanded a greater compensation for term risk. We have for some time been concerned around the path of US fiscal policy with the congressional budget office projecting a US\$1.9T deficit representing 6.5% of GDP. While the tax cuts included in the 'Big Beautiful Bill' were expected to be offset by tariff revenue, this was undercut by the administration's willingness to pause or reduce tariffs in response to market movements and the uncertainty around the legality of the tariffs. A further risk to US bonds is the Trump administration's increasingly combative relationship with the Federal Reserve and the President's demand for further easing. We consider the risks here low as Trump's influence over the voting committee is next to nothing.

Outside the US, the growth outlook remains clouded by ongoing uncertainty surrounding international trade. The European Growth Commission cut its growth forecasts in response to the Trump administrations tariff regimes and the European Central Bank cut rates twice during the quarter, and President Lagarde's suggested to the market that the end to the easing cycle was coming. We maintain that European growth is likely to contract in the second quarter in the wake of a large trade drag (the reverse of which boosted growth in the first quarter to +2.5%) and is set to remain below-trend over the remainder of 2025.

Geopolitical risks were heightened towards the end of the June quarter as a surprise series of airstrikes by Israel against numerous Iranian nuclear sites, combined with US intervention on 22 June, sparked a temporary rise in the global oil price. The impact here was minimal as prices were low to begin with, only rose up to the post-2022 average and the strikes were over in less than two weeks. Accordingly, geopolitical risks have subsequently dissipated, and oil prices have receded. While heightened aggression in the Middle East remains a concern, we believe it is unlikely to have any material market effect.

Elsewhere, the Australian economy looks flat with households not spending recently large tax cuts, businesses remaining cautious about any material rise in investment and per capita GDP growth in negative territory for 8 of the past 9 quarters. Irrespective, the economy has remained in expansion territory due to large population growth and significant fiscal expansion – which is expected to continue following the May federal election. Meanwhile, the RBA reduced the target cash rate 25bps to 3.85% in mid-May, the second of this easing cycle, with commentary increasingly dovish including discussion around a 50bps cut. By quarter end, futures markets had priced in a more than 90% chance of a further 25bps cut at the July meeting, but we were sceptical as the Bank typically likes to view the quarter inflation print before changing rates, which implied that an August cut is more likely. While the impact of US tariffs – most notably via Chinese demand – is clouding the outlook, market sentiment is upbeat with the economy expected to grow at a faster pace in 2025 driven by increased government spending, tax cuts, and lower interest rates. Despite these potential growth tailwinds, we sense that the Australian economy is likely to stay in the slow lane given the lack of economic reform.

We have observed a volatile first half of 2025, reflecting likely disruption to international trade regimes and growth concerns. Valuations remain expensive relative to history in many regions, and elevated market concentration and the preponderance of passive investment continue to contribute to heightened sensitivity of equity markets. We remain concerned about the long-term return expectations for equities given high starting valuations and the dominance of US equities in global benchmarks. The past decade of US exceptionalism - culminating

in the extraordinary run of the Magnificent 7 tech stocks - has underpinned very strong global equity returns. The stellar gains in US equities and their leading tech firms, represents a bring forward of investment returns, rather than a new steady state of ongoing out-performance. 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 alpha within the Barrow Hanley Global Share Fund and the Economic Diversification Global Equity fund (a dividend focused smart beta strategy) was the key determinant of underperformance over the quarter as growth sectors and securities strongly outperformed value. Australian equity stock selection also detracted from performance as underweight allocation to financials – including CBA – impacted relative performance. Global equity puts also detracted throughout May and June as the relief rally continued.

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 put options on the S&P 500, call options on the GBP against the US dollar, USD calls versus the Hong Kong Dollar and a put option on the USD against the Japanese Yen.

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. The Fund's overweight allocation to sources of uncorrelated returns detracted from performance as equities rallied strongly through May and June.

## OUTLOOK

The macroeconomic outlook and the uncertain path of inflation and monetary policy given changes to US trade policy represent a challenging backdrop for all investors. We anticipate lower returns and elevated volatility from market cap benchmarks, reflecting high starting valuations and increasing concentration of capital gains in benchmark indices. Meanwhile, government bonds are offering less reliable diversification in the face of rising government debt, and the risk of elevated and sustained above-target core inflation. We continue to carefully manage our exposure to equity market beta and our allocations remain focused on quality companies trading on low valuations, offering solid dividend yields, and good prospects for undertaking buy-backs.

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The Balanced 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.

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## MORE INFORMATION

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