

Perpetual Investment Funds

PERPETUAL BALANCED GROWTH FUND

July 2026

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

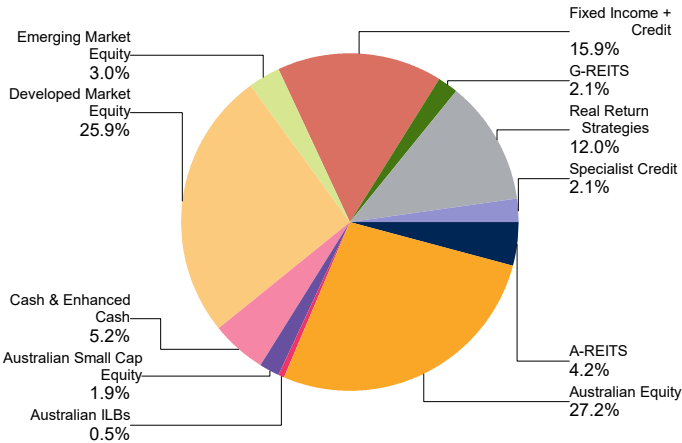
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether 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



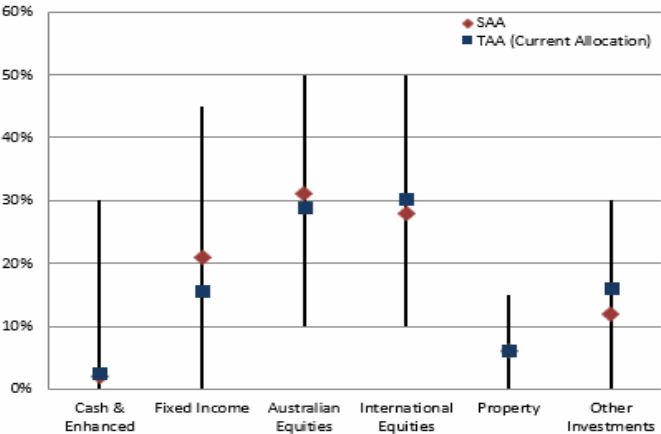
NET PERFORMANCE- periods ending 31 July 2026

	Fund	Benchmark	Excess
1 month	1.1	0.4	0.7
3 months	4.8	4.2	0.5
1 year	7.8	7.5	0.3
2 year p.a.	6.9	9.2	-2.3
3 year p.a.	7.4	10.5	-3.0
5 year p.a.	6.2	6.7	-0.4
10 year p.a.	7.0	8.0	-1.0
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

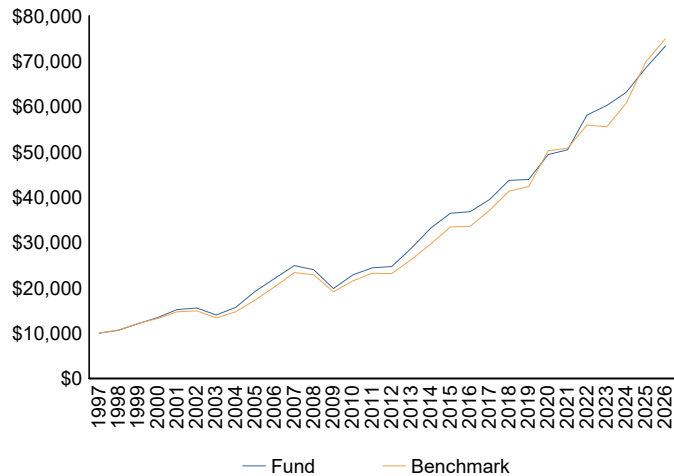
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Global equity and bond markets saw increased volatility during July, reflecting resurgent hostilities in the Middle East. Energy-driven inflation drove expectations of further central bank tightening by central banks. Equity markets saw shifting market leadership as AI capex and return on investment came under increasing scrutiny and AI supply chain companies declined after a period of very strong performance.

- US equities were mixed, with the S&P 500 equal-weighted index (+1.0%) outperforming the cap-weighted index (-0.1%) as investors rotated out of the year's AI winners and into cheaper cyclical, value-oriented areas, including energy and financials.
- Japanese equities were the weakest of the major developed markets with the Nikkei 225 (-8.1%), giving back some of the year's exceptional gains as a correction in semiconductor and AI-linked names spread across Asia.
- European equities marginally outperformed the broader market (+0.6% vs +0.2%) as stronger-than-expected Q2 corporate earnings and a firmer economic backdrop were offset by a hawkish ECB tone.
- UK equities were the standout among major developed markets, with the FTSE All-Share Index (+3.7%) helped by the index's higher weighting to energy and financials, even as UK 10-year gilt yields rose 29bps over the month to 5.05%.
- Australian shares were resilient with the ASX 300 (+2.1%) marking a fourth consecutive monthly gain and touching a five-month high late in the month, supported by resources, technology and healthcare even as bank performance was more subdued.
- Emerging market and broader Asian equities were volatile and, on balance, weaker over the month, with semiconductor-driven markets, including the Korean KOSPI (-23.6%) and Taiwan TAIEX (-5.9%), among the hardest hit as AI supply chain concerns spread beyond the US.
- Crude oil prices surged +23.6% as Middle East hostilities reignited following the collapse of diplomatic efforts.
- Government bond yields rose broadly across major markets. US bond yields rose and the curve steepened as the US 10-year Treasury yield increased 27bps while the 2-year rose a more modest 12bps. The Australian 10-year rose a smaller 21bps to 4.93%, as markets priced a higher probability of further policy tightening.

Geopolitics remained the key focus for markets in July. Diplomatic efforts between the US and Iran broke down mid-month, following the collapse of the earlier ceasefire framework and a failed round of talks. Hostilities escalated sharply in the back half of the month. Oil prices, which had fallen sharply in early July on hopes of a durable settlement, reversed just as sharply once talks collapsed. While supply disruptions in the Middle East warrant a persistent geopolitical risk premium, limited pass-through to consumers and resilient business activity should allow most central banks to remain patient, with only modest additional policy tightening likely in Australia, Japan, the UK and Europe unless the oil price sustains above US\$100 per barrel for an extended period. Even in an increasingly unlikely scenario where the US and Iran reach a settlement, a full normalisation of shipping is expected to take months given the backlog of vessels and the need to clear naval mines and rebuild energy infrastructure.

US corporate earnings results were buoyant. With over 60% of S&P 500 companies having reported by month-end, 86% of reporters posted positive earnings surprises and 77% beat on revenue, with +27% QA EPS growth recorded outside the strong results from Alphabet and Amazon as they monetised investments in tech plays such as Anthropic and SpaceX. More importantly, profit growth has been very broad based, with eight of 11 sectors producing double-digit EPS growth.

Away from the US, European and Japanese reporting seasons were also tracking ahead of expectations with very strong broad-based results. Alongside positive earnings surprises, the economic

outlook has improved somewhat and business sentiment has largely shrugged off rising Middle East tensions. Purchasing Managers' Indices improved across almost every sector and region. The global economic outlook remains constructive, with tech investment set to provide a meaningful boost, which should help cushion any pullback in consumer spending from higher oil prices.

While central banks were on hold in July ex-Bank of Korea, there was a hawkish shift to policy rate path expectations. The Federal Reserve held its target range at 3.50%–3.75%, though three members dissented in favour of an immediate hike, citing persistent inflation and a resilient economy. The European Central Bank held its deposit rate at 2.25% following June's hike, continuing to monitor the energy shock's inflationary pass-through, with strong hints of a September increase. The Bank of England held Bank Rate at 3.75% in a 6-3 vote, with three members again backing a hike to 4.00%. The Bank of Japan held rates steady but kept the door open to further normalisation. Meanwhile, yen weakness prompted direct intervention while concerns around fiscal policy put upward pressure on bond yields. The Reserve Bank of Australia did not meet in July but a softer-than-expected Q2 CPI print moderated expectations for an August increase. Headline consumer price index (CPI) eased to 3.8% y/y, while the Trimmed Mean inflation was steady at 3.6% y/y.

The month's defining market debate was the shift from rewarding AI infrastructure build-out to scrutinising the return on that capital. There was renewed concern about whether hyperscalers are building compute capacity ahead of near-term demand, echoing the early-2000s fibre-optic build-out. This triggered a sharp, broad-based de-rating of AI-exposed technology and semiconductor names in the US and Asia, even as end-user companies applying AI more broadly continued to report strong results. Consequently, market leadership broadened, with cyclical, value and dividend-oriented segments outperforming after an extended period of AI-driven concentration. The question is no longer whether AI will transform the economy, but which participants will capture the economic value. We continue to have concerns around the quality and expected returns from the trillions of dollars being committed to AI capital expenditure, and we look for opportunities outside this cohort.

Stock selection among global equities was the key contributing factor to outperformance over the month. Shifting market leadership and the broadening of investment returns positively impacted the Fund's allocation to the Barrow Hanley Global Share Fund (which has a strong value bias) alongside dividend weighted equity strategy (both held via the Perpetual global allocation alpha fund). The Fund continues to target less expensive parts of the global sharemarket in addition to providing greater sector and regional diversification relative to increasingly concentrated market weighted indices.

While emerging markets underperformed, stock selection within the Fund's allocation was constructive. Underweight exposure to AI supply chain names, including SK Hynix and Samsung, performed well as semiconductor stocks sold off.

Elevated P/E ratios and market concentration, alongside the preponderance of valuation-agnostic passive funds, have made regional equity markets increasingly vulnerable to unforeseen events. On a cyclically adjusted 10-year basis, US equities sit among the most expensive readings in market history, and roughly 30% of the S&P 500 is now tied to the AI theme.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of the global equity and credit markets, and we have zero exposure to private markets given their liquidity and valuation risks, where a left-tail event could spark vulnerabilities and contagion. The Fund complements this with option protection where it has been attractively priced to

implement. This includes cost-effective, layered S&P 500 put structures that risk only a low single-digit basis-point premium while delivering asymmetric protection across shallow, moderate and deep drawdown scenarios without requiring precise market timing.

The Fund's fixed income exposure is primarily focused on 10-year Australian government bonds alongside domestic credit and a small allocation to inflation linked bonds.

The Fund's position in the Perpetual Diversified Real Return Fund continues to deliver low volatility absolute returns while retaining a relatively low correlation to equity markets.

OUTLOOK

The outlook for markets is finely balanced with constructive economic and corporate earnings growth offset by geopolitical uncertainty and inflation risks. Valuations among global share markets remain elevated. Meanwhile, with government bonds offering less reliable diversification, risk management remains paramount. The Fund retains multiple embedded risk protections and sources of portfolio convexity. We continue to carefully manage the Fund's exposure to global equities and maintain diversity in regional and sector allocations.

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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The product disclosure statement (PDS) for the Fund, issued by PIML, should be considered before deciding whether to acquire, dispose, or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.

Total returns shown for the Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.

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