Perpetual Investment Funds

PERPETUAL BALANCED GROWTH FUND

August 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 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: Balanced Growth Index (Internally generated composite)

Inception Date: October 1997

APIR: PER0063AU

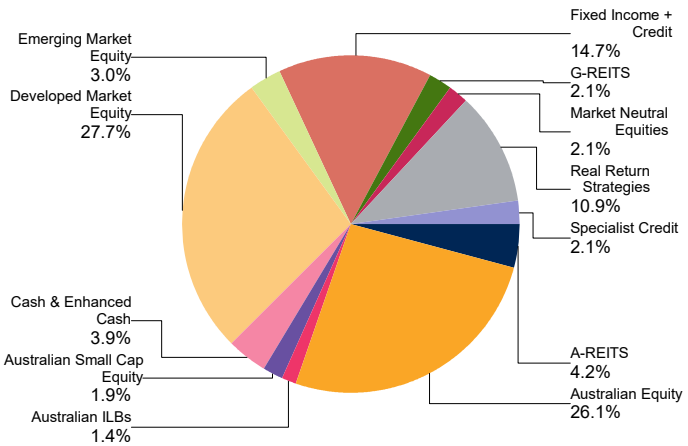
Management Fee: 1.04% p.a.

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



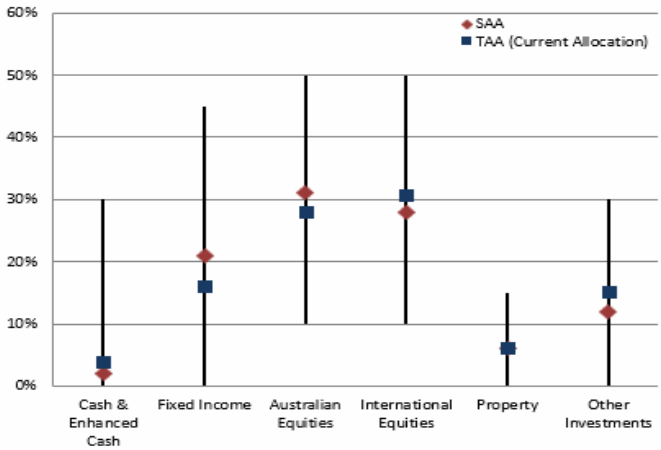
NET PERFORMANCE- periods ending 31 August 2025

	Fund	Benchmark	Excess
1 month	2.0	1.8	0.3
3 months	4.2	5.3	-1.1
1 year	8.4	12.5	-4.1
2 year p.a.	8.2	13.1	-4.9
3 year p.a.	7.6	11.8	-4.1
5 year p.a.	9.2	9.1	0.1
10 year p.a.	7.0	8.2	-1.2
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

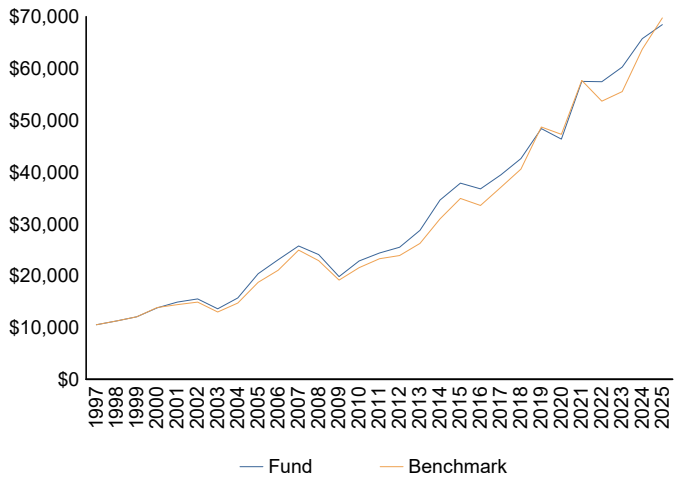
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Stronger than anticipated corporate earnings and continued monetary policy easing buoyed global financial markets through August. This was in spite of softening macroeconomic data – notably US labour print.

- Japanese Equities (+4.1%) led the pace of gains in developed markets, extending its rally from its early-April 2025 low on the back of resilient corporate earnings, a weaker Yen and supportive Q2 growth and inflation prints.
- The ASX 300 (+3.2%) advanced on the back of a reasonable local earnings season which kept investor sentiment intact, another rate cut by the RBA, rising commodity prices and rising consumer confidence.
- US equities (+2.0%) continued to strengthen despite concerns around weaker-than-expected jobs data, tariffs and their impact on inflation. Markets were supported by dovish commentary from Fed chair Powell's speech at Jackson Hole Economic Symposium which strengthened expectations of lower rates at the next FOMC meeting in September.
- Value sectors and stocks outperformed as the Information Technology sector lost momentum on the back of an MIT report that highlighted the low success rate of corporate projects to implement generative AI.
- UK shares (+1.2%) benefitted from another 25bps rate cut from the Bank of England however above expectation inflation print limits the likelihood of further near-term rate cuts.
- European shares (+0.7%) continued to trail the broader developed market with declines in Germany (-0.7%) and France (-0.9%) where political instability weighted on performance as French prime minister Bayrou called for a vote of no confidence after struggling to gain support for budget cuts.
- Outside of developed markets, Emerging markets (+1.6%) rose, led by Latin American markets and China (+4.2%) reflecting the softening US dollar, the positive effect of recently announced stimulus and capital rotation out of the US. In contrast, lower energy prices weighed on the equity performance of Middle Eastern markets.
- Bond markets were mixed with domestic 10-year bonds rising very marginally (+2bps) while the US yield curve steepened sharply as 2-year yields fell 33 bps, which added to performance.

The US non-farm payrolls was the key economic data moving markets. The report was soft for July (+73k vs expectations of +105k) but May and June gains were revised down heavily by a collective -258k, the sharpest downward revision outside the pandemic period since the 1970s. This changed the narrative about the US labour market and sparked concerns about recession. In contrast, US second quarter GDP was revised up by +0.3% to +3.3%QA. While the US equity market seems complacent about risk, we remain cautious about the outlook and there will be a growth payback from the front running of US tariffs in H1'25 which supported growth which is likely to leave growth at quiet an anaemic level over the remainder of 2025. While we are yet to see the full inflation impact, real consumer spending growth has already slowed, and could soften further as the erosion of real spending power will intensify when tariffs are passed onto end-consumers. While risks of a synchronised global recession have declined, we anticipate 2025 global GDP growth to be around a 10-year low excluding the pandemic.

The dovish tone of monetary policy commentary from Jackson Hole tempered some of the concerns arising from the jobs report with Chair Powell noting that a weakening labour market could justify a shift in policy, which amplified market conviction that further rate cuts were imminent. A cut at the upcoming mid-September FOMC meeting is fully priced in, but the key for the markets is guidance of what's likely beyond this decision. While August saw renewed concerns around the independence of the Fed following the firing of Governor Lisa Cook (shortly after the dismissal of the head of the Bureau of Labour Statistics) we continue to view the risks here as low as the FOMC is a committee not an autocracy.

As markets parsed labour and GDP revisions in August, US trade policy was less prominent than recent periods with fewer trade deal announcements. Elevated reciprocal tariffs were levied against a small number of trade partners in August including a 50% tariff on India to dissuade the purchase of Russian oil. There is some conjecture around the legality of the Trump administration's use of emergency powers to enact the liberation day tariffs, as the US Court of Appeals for the Federal Circuit ruling that the International Emergency Economic Powers Act does not permit the executive from enacting tariffs. The tariffs will remain in place until October, but there are numerous alternative paths for the tariffs to be enacted and viewed as legal by the courts including an appeal to the US Supreme Court.

Meanwhile, the outlook for European growth in FY26 remains marginally above trend with most of the growth backloaded. Turmoil in the Frech parliament rattled markets during August, as the Prime Minster called for a vote of no confidence after failing to garner support for budget cuts. While equity valuations are less eye watering in Europe relative to the US and Australia – they remain expensive relative to history (78th percentile relative to the last 20 years).

The RBA resumed its gradual easing path at its August meeting contributing to improved consumer sentiment. Data suggests that the Australian economy has cyclically improved but the longer-term trend outlook looks tepid with households not spending 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. The Federal government embarked on a stakeholder discussion group to improve sluggish productivity which morphed into thoughts on taxation, intergenerational equity and the impact of AI.

Stock selection within global equities was the key contributing factor to outperformance over the month. The Fund's bias towards value and quality contributed strongly with the Fund's dividend focused smart beta global equity strategy performing well as US tech lagged and value sectors outperformed.

Markets are facing challenges in the near term (softening growth and rising risk to US core inflation) 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 nearly all regions, while elevated market concentration and the preponderance of value-agnostic passive funds have made regional equity markets increasingly vulnerable to unexpected news. The past decade and a half 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.

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 S&P 500 put spreads, a call spread on the VIX, call options on the GBP against the US dollar, and a USD call option versus the Hong Kong Dollar.

Underweight allocation to fixed income was constructive as bond yields rose marginally. 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. In addition, the Fund's cautious asset allocation is supported by a notable cash allocation, which provides solid income and significant optionality as valuations become more attractive.

The Fund maintains its position in the Perpetual Diversified Real Return Fund 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, average corporate performance, and heightened uncertainty about how much additional policy support the RBA can provide represents a challenging backdrop for local investors. Meanwhile, government bonds are offering less reliable diversification in the face of rising government debt and a likely to rise in US inflation in coming months. 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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