

Perpetual Investment Funds

PERPETUAL CONSERVATIVE
GROWTH FUND

September 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 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: Conservative Growth Index (Internally generated composite)

Inception Date: September 2003

APIR: PER0077AU

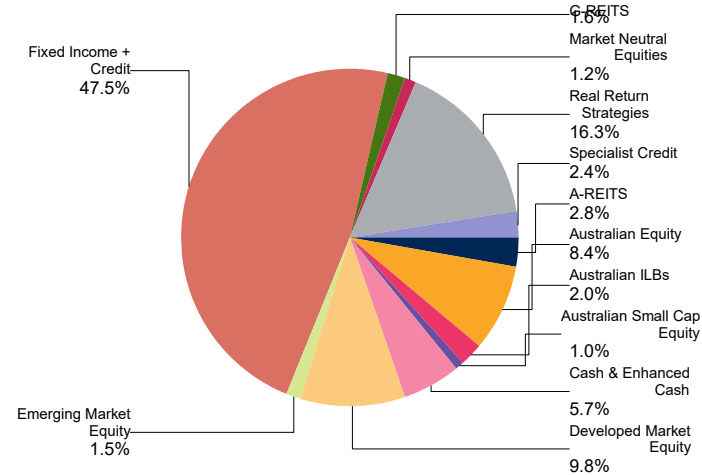
Management Fee: 0.90% p.a.

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



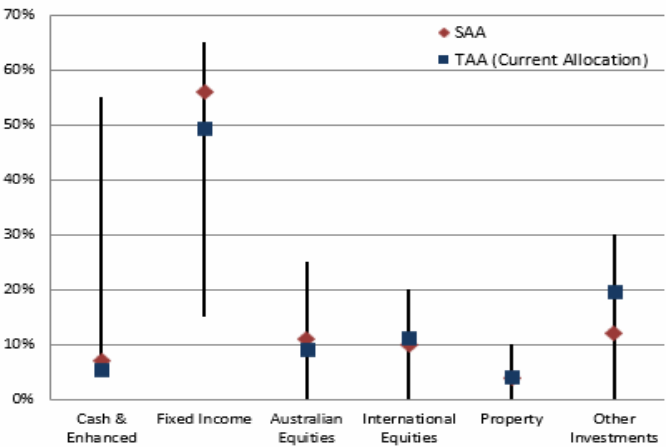
NET PERFORMANCE- periods ending 30 September 2025

	Fund	Benchmark	Excess
1 month	-0.1	0.3	-0.4
3 months	1.6	2.1	-0.6
1 year	5.8	7.2	-1.4
2 year p.a.	7.1	9.5	-2.4
3 year p.a.	5.9	8.3	-2.4
5 year p.a.	4.8	4.4	0.4
10 year p.a.	4.5	4.8	-0.3
Since incep. p.a.	5.7	5.7	0.0

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

ASSET ALLOCATIONS AND INVESTIBLE RANGES

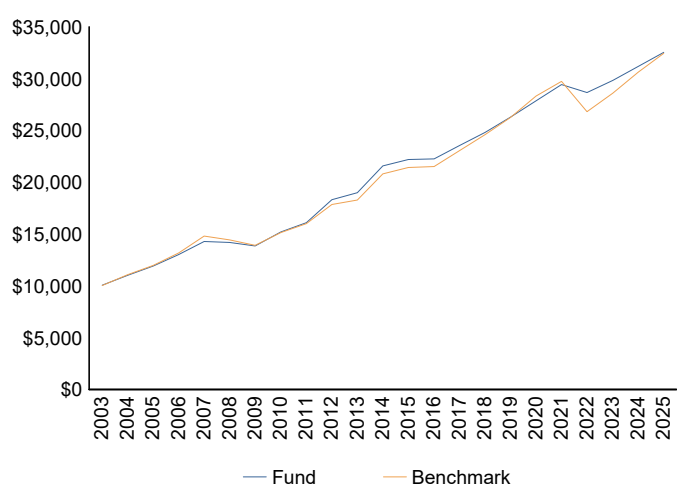
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

The September quarter saw robust returns across risk assets, supported by moderating trade tensions, stronger than anticipated corporate earnings, AI exuberance and easing monetary policy. This was in spite of softer macroeconomic data including growing signs of weakness in US labour markets.

- Global Equities (+7.6%) rallied, buoyed by US stocks (+8.1%). US equities recovered well from elevated volatility around the release of July non-farm payrolls and navigated elevated bond market volatility in September. Growth sectors and securities materially outperformed value, supported by falling discount rates and AI optimism.
- Australian Shares (+5.0%) rallied, while underperforming the broader developed market. Australian shares declined in September as higher than expected inflation and Q2 GDP reduced the likelihood of further near-term rate cuts.
- UK equities (+7.5%) rallied with large cap multinational stocks benefitting from the improved global economic outlook despite ongoing domestic inflation challenges.
- European equities (+4.6%) lagged the broader developed markets with German shares (-0.1%) declining.
- Emerging markets (+12.5%) performed well, led by China (+19.8%) benefitting from the softening US dollar and easing trade tensions including concessions around AI chips.
- Bond markets were mixed over the quarter. US bond yields rallied and the yield curve flattened over the quarter as investors priced in further rate cuts from the Fed. UK bonds yields rose reflecting sticky inflation and fiscal concerns.
- Gold (+16.4%) extended its rally, reaching another record high in September, reflecting geopolitical and economic uncertainty and the softening US dollar.

The anticipation of near-term US rate cuts was a tailwind for markets throughout the third quarter. The US Federal Reserve (Fed) reduced rates in September – its first cut since 2024 – as attention shifted from inflation risks to growth concerns. Non-farm payrolls rose just 22k in August and the unemployment rate climbed to 4.3%. Alongside soft July and August reports, May and June gains were revised down heavily by a collective -258k, the sharpest downward revision outside the pandemic period since the 1970s. In contrast, consumer spending showed resilience with US retail sale increasing 0.6% in August and 0.6% in July after a subsequent revision. A portion of the retail sales strength was attributable to inflation, which remains elevated. Headline CPI rose 0.4% in August and core inflation (3.1% y/y) remains stubbornly above the Fed's target range. Forward-looking indicators are well balanced with the ISM manufacturing PMI marginally below 50 (contraction) while the services PMI reached 52 (expansion) in August before declining in September. The Fed's dot plot implies two further rate cuts are anticipated by year end, however the spread suggests a lack of consensus among governors. As such there remains some uncertainty to the policy outlook and we feel that while US rates will continue to come down, there will be fewer cuts in this cycle than the market is anticipating.

US trade policy remained a key consideration with the US announcing new deals with several major partners including Japan, the EU and South Korea during the quarter. Negotiations between the US and China were extended and the US softened restrictions on exporting AI chips to China. While the US equity market seems complacent about risks, we remain cautious about the outlook and there will be a growth payback from the front running of US tariffs in the first half of 2025 which supported growth but 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 could soften as the erosion of real spending power will intensify as 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.

Despite the uncertain conditions for international commerce,

second quarter company profit results were robust. More than 80% of S&P 500 companies exceeded consensus expectations. A weaker US dollar was supportive for exporters alongside frontloading inventories and rising AI related capex. Firms are also managing their cost base well with high margins despite 4 years of rising real wages growth which provides some additional ballast to the outlook. The combination of strong balance sheets, high margins and slightly better than normal profit growth, gives firms a better foundation to handle near term shocks from the impact of tariffs.

The RBA resumed its gradual easing path at its August meeting before holding in September, accompanied by increasingly hawkish commentary. 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.

China's economy has thus far shown resilience to higher tariffs, with second quarter GDP (+5.2% YoY) beating consensus expectations reflecting growth in exports and manufacturing activity. Policy support and easing trade tensions supported the Chinese industry while there was optimism that the broader domestic economy could be strengthened by anti-involution policies. The ongoing tariff negotiations between the US and China remain a focus with broad ramifications including for the Australian economy and resources sectors.

Meanwhile, the outlook for European growth in FY26 remains marginally above trend with most of the growth backloaded. Turmoil in the French parliament rattled markets during August, as the Prime Minister 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).

Japan also saw political uncertainty following the upper house election defeat of the Liberal Democrat party and resignation of Prime minister Ishiba. The resignation may have ramifications for the path of monetary policy and the independence of the Bank of Japan with frontrunner Sanae Takaichi expected to apply pressure to keep policy settings accommodative. Hawkish signals from the BoJ at its September meeting put further upward pressure on Japanese government bond yields.

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, we believe 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 among domestic and global equities detracted from performance. The Fund's quality and value bias within global equities (attributable to investments in the Barrow Hanley Global Share Fund and dividend focused Economic Diversification Global Equity strategy) was not rewarded as growth stocks materially outperformed value on the back of expanded AI infrastructure investments and partnerships among mega cap technology firms.

Global equity puts also detracted over the quarter as equities pushed higher.

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.

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 over the September quarter.

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 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.

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