Perpetual Private

PERPETUAL SELECT CONSERVATIVE FUND

December 2023

FUND FACTS

Investment objective: Stable returns through investment in a diversified portfolio with an emphasis on fixed income and cash investments.

Suggested length of investment: Three years or longer

BENEFITS

Provides investors with access to a diverse range of growth and income producing assets.

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

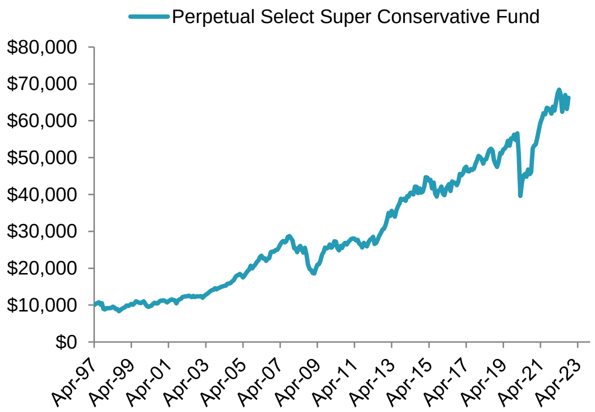
Invests into a diverse mix of assets (see 'Investment guidelines' below). Tactical asset allocation strategies may be applied. This process involves the Fund adjusting its exposure to asset classes on a regular basis within the investment guidelines. Derivatives and exchange traded funds may be used in managing each asset class.

TOTAL RETURNS % (AFTER FEES) AS AT 31 DECEMBER 2023

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Super Conservative Fund	WDL0005AU	2.6	4.1	3.4	7.5	3.0	3.8
Perpetual Select Pension Conservative Fund	WDL0015AU	2.9	4.5	3.8	8.3	3.3	4.1
Perpetual Select Conservative Composite Benchmark		3.1	5.1	4.4	9.6	4.2	5.0

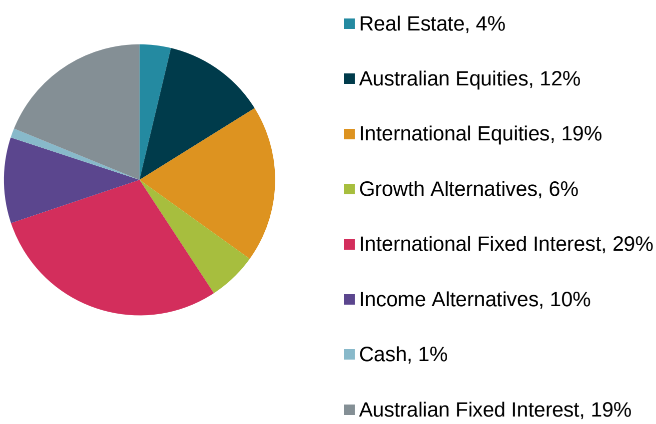
Past performance is not indicative of future performance

GROWTH OF $10,000 SINCE INCEPTION*



*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 Super Conservative Fund

INVESTMENT GUIDELINES

	BENCHMARK (%)	RANGE (%)
Cash	2	0 - 30
International Fixed Interest	29	15 - 60
Australian Fixed Interest	19	10 - 40
Income Alternatives	10	0 - 20
Australian Equities	12	5 - 20
Real Estate	4	0 - 10
International Equities	19	10 - 30
Growth Alternatives	5	0 - 10

PORTFOLIO COMMENTARY

The Perpetual Select Conservative Fund finished higher for the December quarter but underperformed its composite benchmark over the same time period. Global Fixed Income was the sole contributor to added value. While the majority of other asset classes within the fund finished in positive territory, none managed to beat their respective benchmarks, contributing to the relative underperformance of the fund.

For the quarter, Australian Equities (S&P/ASX 300 Accumulation Index) gained 8.4%, Global Equities (MSCI All Country World Index) increased 5.0% and listed Real Estate (Composite Listed Index) rose 12.8%. Australian Fixed Income (Composite Index) delivered 3.8% and Global Fixed Income (Composite Index) returned 5.4%. All returns are in AUD.

The Perpetual Select Australian Share Fund underperformed the S&P/ASX 300 benchmark, despite three out of six underlying managers outperforming. Selector, the broad-cap manager, excelled with a 2% outperformance due to sector positioning favouring Australian Healthcare and avoiding Energy. The passive UBS ASX20 strategy and DNR small-cap manager also contributed positively. However, Perpetual's broad-cap value and Cooper Investors, the large-cap core manager, significantly detracted from returns, along with Tribeca's small-cap underperformance.

The Perpetual Select International Share Fund underperformed the MSCI All Country World Index. While markets rallied, the fund underweighted outperforming sectors like Information Technology and Real Estate, while overweighting weaker performers like Consumer Staples and Healthcare. Additionally, underweighting North America and holding a neutral allocation to Japan, both strong performers, hindered results.

The Select Real Estate Fund underperformed its benchmark. Resolution Capital, the portfolio's sole exposure to Global REITs outperformed its benchmark over the quarter net of fees. Relative outperformance came from an exposure to a non-benchmark holding, American Tower Corporation and from an overweight exposure to self-storage positions in Europe and the U.K. An overweight to U.S. residential including Equity Residential and Invitation Homes and having no exposure to Simon Property Group (Retail), detracted from relative performance. Renaissance Asset Management, the Australian REIT exposure, outperformed with overweight positions in Unibail and GDI Property Group. Cash, however, significantly detracted from returns in a strong market.

The Perpetual Private Global Fixed Income Fund outperformed the benchmark, with all managers contributing positively. Western Asset's long duration positions, Alliance Bernstein's currency and yield curve positioning, and Colchester's emerging market exposure were key drivers.

The Perpetual Select Australian Fixed Income Fund returned 3.7% during the quarter, marginally underperforming the Bloomberg AusBond Composite 0+ Year Index which returned 3.8%. Australian government bond yields decreased over the period as the market re-adjusted their inflation and interest rate expectations.

Perpetual's Defensive Alternatives Pool Fund returned 0.85% for the December quarter, underperforming the Bank Bill +2% benchmark return of 1.56%. Corporate Strategies was the weakest performer during the period with special situations, leveraged loans and private debt contributing to the losses. Assets backed strategies also lost value. The Fund is also currently overweight cash which detracted from returns in a strong market.

Perpetual's Growth Alternatives Pool Fund underperformed its hurdle rate benchmark. While Other Growth Alternatives, Hedge Funds, and Infrastructure contributed positively, Private Equity and Opportunistic Property detracted, and the rising AUD hindered returns.

RETURNS BREAKDOWN (Super)

	FY 2023	FY 2022	FY 2021
Growth Return %	-4.9%	9.6%	-0.2%
Distribution Return %	0.0%	0.0%	0.0%
Total Return %	-4.9%	9.6%	-0.2%

PRODUCT FEATURES

	SUPER	PENSION
Inception date	Jul 92	Jul 92
Investment Fee (p.a.)*	0.62%	0.62%
Ongoing fee discount	Yes	Yes
Admin fee	0.10%	0.10%
Buy spread	0.18%	0.18%
Sell spread	0.00%	0.00%
Contribution fee	0.00%	0.00%
Withdrawal fee	$0.00	$0.00
Monthly member fee	$0.00	$0.00
Min. initial contribution	$3,000	$20,000
Min. additional contribution	$0	$0
Savings plan	Yes	No
Withdrawal plan	No	No
Distribution frequency	N/A	N/A
Contact information	1800 003 001	

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

OUTLOOK

The recent rally in Australian equities reflects hopes of peak interest rates and potential cuts later this year. However, economic realities paint a more cautious picture. Past tightening cycles show lagged effects on consumer spending, and inflation remains above the RBA's target, potentially raising investor concerns alongside ongoing geopolitical tensions. Similarly, global equities continue to be steered by macroeconomic forces, with interest rates and inflation taking centre stage. Despite recent market strength, global economic uncertainty persists, and current valuations exceed post-Global Financial Crisis averages. Any faltering confidence in anticipated rate cuts could trigger dips, creating opportunities for bottom-up, fundamental investors to enter at more attractive valuations.

Both bond and credit markets remain sensitive to central bank actions and economic data, likely maintaining volatility in the near future. While inflation may have peaked, it may linger above central bank targets for longer than anticipated, potentially making bonds a valuable hedge against downside risks. High-yield defaults are likely to rise as economic activity slows, but our view on investment grade credit remains neutral with high base rates and reasonable spreads, though our preference leans towards shorter maturities.

Volatile bond markets are likely to continue dictating direction for REITs, with asset valuations expected to decline further in 2024. Regional returns will hinge on developments like China's property market and potential changes in Japan's monetary policy. While sector dispersion is expected to persist based on rate sensitivity and rental growth slowdown, "quality" assets, particularly those with strong ESG scores, are likely to be rewarded.

Navigating the investment landscape in 2024 requires acknowledging the inherent uncertainties while seeking opportunities. By focusing on quality assets, maintaining a globally diversified portfolio, and staying informed about evolving economic and geopolitical developments, investors can position themselves to weather potential challenges and capture potential returns. Remember, caution is warranted, but well-considered and informed actions can be rewarded in uncertain times.