Perpetual Investment Funds

PERPETUAL DIVERSIFIED REAL RETURN

30 April 2025

FUND FACTS

Investment objective: Aims to target a pre-tax return of 5% per annum above inflation (before fees and taxes) over rolling five-year periods, while minimising downside risk over rolling two-year periods.

Management Fee 1.10% pa*^
Suggested minimum investment period: Five years or longer
*Refer to PDS for Management Costs.
^Management Fee for Super and Pension is 0.85%.

FUND BENEFITS

True alignment to investors real return objectives; Diversification of risk; Active management of the Asset Allocation; Access to an increased amount of investment opportunities

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.

TOTAL RETURNS % (AFTER FEES) AS AT 30 APRIL 2025

PERFORMANCE	APIR	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	7 YRS PA	10 YRS PA
Perp. WealthFocus Allocated Pension	PER0741AU	0.18	1.55	2.56	5.03	3.20	4.36	3.78	-
Perp. WealthFocus Investment Advantage	PER0739AU	0.18	1.54	2.54	4.92	3.00	4.15	3.56	3.2
Perp. WealthFocus Super	PER0742AU	0.17	1.36	2.30	4.53	2.82	3.90	3.38	3.1

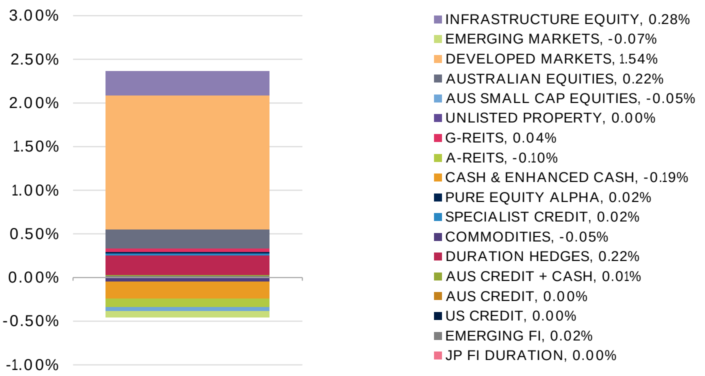
FUND OBJECTIVE OUTCOME AS AT 30 APRIL 2025

Objective: Gross returns of CPI plus 5% over rolling 5 year periods

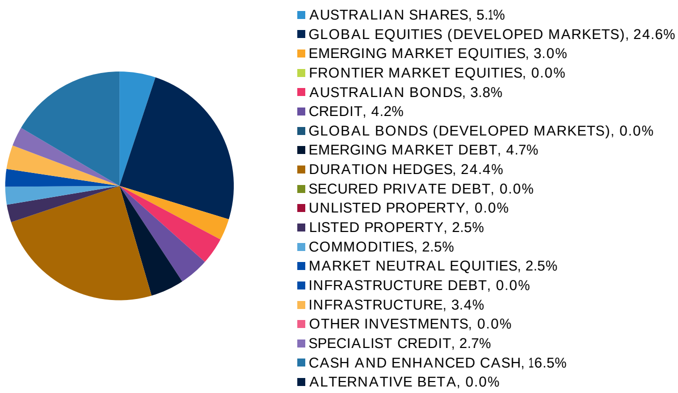
	5 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross)	5.4	6.3
CPI plus 5%	9.12	7.86

Past performance is not indicative of future performance.
^^ Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS
* Volatility and Mercer Balanced Growth Median data is lagged by 1 month

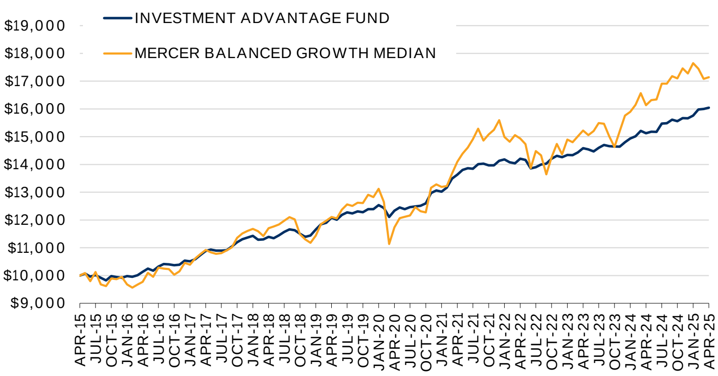
CONTRIBUTION TO 3MTH PERFORMANCE (GROSS)



PORTFOLIO SECTORS



GROWTH OF $10,000 SINCE INCEPTION



CHANGES IN ASSET ALLOCATION (%)

	3 MTHS	6 MTHS	1 YR
Australian Shares	0.3	-0.2	-0.9
Global Equities (Developed Markets)	1.9	1.6	17.4
Emerging Market Equities	-0.1	-0.1	-0.2
Frontier Market Equities	0.0	0.0	0.0
Australian Bonds	-0.3	0.0	0.0
Credit	0.1	0.3	0.8
Global Bonds (Developed Markets)	0.0	0.0	0.0
Emerging Market Debt	0.0	0.3	0.9
Duration Hedges	0.9	1.0	-13.1
Secured Private Debt	0.0	0.0	0.0
Unlisted Property	0.0	0.0	0.0
Listed Property	0.0	0.0	0.2
Commodities	-0.5	-0.2	-0.1
Market Neutral Equities	0.1	-0.1	0.3
Infrastructure Debt	0.0	0.0	0.0
Infrastructure	0.3	0.1	3.4
Other Investments	0.0	0.0	0.0
Specialist Credit	0.1	-0.3	0.1
Cash and Enhanced Cash	-2.6	-2.2	-8.8
Alternative Beta	0.0	0.0	0.0

FUND PERFORMANCE

The Diversified Real Return Fund returned 0.3% (gross) in April. Over the past year, the Fund has returned 6.1% (gross) and over the past 5 years the Fund has returned 5.4% (gross) per annum compared with the objective of 9.1% (CPI plus 5%*) over rolling 5 years. Since inception (in 2010) the Fund has returned 6.4% (gross) per annum compared with the objective of 7.9% (CPI plus 5%*).

The Fund continues to generate positive performance through challenging conditions, benefitting from defensive positioning, low exposure to equity beta and bias towards quality and value.

Allocation to domestic equities was constructive in a month where Australian equities outperformed the broader developed market. Equity stock selection was constructive among the Fund's domestic equity, UK Equity Income, global deep value and emerging markets strategies. Emerging market exposure benefited from underweight allocation to China as Chinese shares underperformed emerging market peers reflecting the escalation of tariffs between the US and Beijing. Domestic and global real estate investment trust exposures also contributed to performance, as did equity alternatives with the fund's allocation to long/short Australian equities and sustainable listed infrastructure performing well.

Cross asset hedges also recorded price gains with the Fund's call options on the GBP against the US dollar, USD versus the Hong Kong Dollar and the Chinese Yuan and put option on the USD against the Japanese Yen all generated positive returns.

Similarly, allocation to 2-year US government bonds was constructive, benefitting from falling bond yields and the steepening US yield curve, and this was partially offset by a call option on a very long-term US government bond index detracting during the month. The position was added in early April as yields rallied before uncertainty around demand for US treasuries saw yields sell off.

Likewise, global equity stock selection within the Barrow Hanley Global Share fund and the Economic Diversification global equity strategy detracted marginally as did the Fund's US dollar exposure.

*All groups CPI measured and published by the ABS as at 31 March 2025

MARKET COMMENTARY

US President Trump's 'Liberation Day' Tariff announcements were the key factor influencing markets during April. Volatility among equities, bonds, credit and commodities spiked in early April before moderating over the remainder of the month.

- Developed market equities (-0.3%) declined led by US stocks (-0.7%) as risk exposures sold off sharply in early April before rallying over the second half of the month. The decline in growth sectors began in February and March, which enabled these companies to outperform in April as energy, materials and financials sectors recorded among the largest sector declines for the month.
- Australian Equities (+3.6%) shook off a tariff related selloff in the first week to rally strongly over the month in response to the US's 90-day tariff pause and signs that the domestic economy was improving, albeit slowly.
- European shares were mixed with Germany (+1.5%) performing well as the new government proposed a major rise in government spending, whereas France (-2.0%) declined given rising political instability.
- Meanwhile, UK equities (-0.7%) were weaker as the services sector contracted for the first time in 18 months, but domestic focused midcaps outperformed the more global focused FTSE 100.
- Emerging markets (-0.2%), were also lower weighed down by China (-4.5%) as markets priced escalating tariff announcements.
- US bonds saw elevated volatility with an early April rally giving way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.
- Gold (+6.0%) reached a new all-time high as investors looked to safety as volatility spiked.

The 'Liberation Day' tariff announcement included a minimum flat 10% tariff being imposed on all countries, with higher import taxes inserted on sectors such as steel and aluminium, and taxes on strategically important sectors such as pharmaceuticals and microchips yet to be determined and announced. After some product related exemptions on items such as smartphones, Chinese goods imported into the US are subject to circa 97% taxes. whereas Australia – by virtue of our trade deficit with the US – was only levied a 10% tariff.

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 the month and equity performance was characterized by large intraday moves. The moves in the bond market were also significant. US ten-year bond yields fell below 4% as risk appetite deteriorated in early April. The rally gave way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.

Further compounding the volatility in US markets were rising recession concerns – GDP contracted 0.3% in the March quarter on the back of surging imports – and fears around the ongoing independence of the US Federal Reserve. 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, these are yet to be agreed to and signed. Another concern is the unsustainable path US fiscal policy is on with the deficit of -6.4% of GDP despite a fully employed economy, and this is set to widen as President Trump implements his election agenda which, in turn, raises concerns about the long-term trajectory of US government debt.

Year-to-date, European equities have outperformed all major markets, while GDP for the region grew +0.4%Q in the first quarter. The European Central Bank cut interest rates by 25 basis points (bps) and said the outlook for growth had deteriorated given the US tariff announcement. While the path to normalization of trade policy is uncertain ECB President Lagarde said of tariffs, 'probably it's going to be disinflationary more than inflationary' anticipating Chinese goods surpluses. European forward indicators are finely balanced with PMIs marginally in expansionary territory. It is likely that European growth will remain positive this year but show no significant improvement compared to 2024.

The Australian economy has faced challenges due to higher inflation and sustained elevated interest rates, leading to seven consecutive quarters of contracting GDP growth per capita. However, the economy has remained in expansion territory due to large population growth and significant fiscal expansion. The RBA left cash rates unchanged during April, acknowledging the 'continuing decline in inflation' and highlighting that noting that the labour market 'might not be quite as tight' as previously identified. Futures markets moved to price in a May rate cut and a further 75bps of cuts in the next 12 months, recognizing easing inflation concerns and global economic uncertainty. While the impact of US tariffs – most notably via Chinese demand – is clouding the outlook, the economy is projected to grow at a faster pace in 2025, driven by increased government spending, tax cuts, and lower interest rates.

The macroeconomic outlook and the uncertain path of inflation and monetary policy given changes to US trade policy represent a challenging backdrop for investors. We anticipate lower returns and elevated volatility from market cap benchmark as a result of high starting valuations and increasing concentration. Meanwhile bonds are offering less reliable diversification in the face of potential stagflation. As always, our focus remains on identifying investments that can generate returns of CPI plus 5% per annum over a five-year horizon while maintaining an asset allocation that ensures that no individual position or cluster of positions will risk the medium-term investment objective.

CURRENT POSITIONING

We have observed a volatile start to the year as disruption to international trade regimes and growth concerns collided with rich valuations, to spark a correction in numerous equity markets. Valuations remain stretched however, and alongside elevated market concentration and the preponderance of passive investment continue to contribute to elevated sensitivity of equity markets. The underperformance of US equities and crucially, large cap tech names reinforced the risks of momentum-based passive strategies in an increasingly concentrated market and the importance of diversity in regional and sector allocations within the return seeking quadrant. The Fund retains exposure to value and deep value global equities, UK equities (which continue to offer solid dividend income and buybacks as well as potential for some valuation re-rating) alongside allocation to Australian value and strategic capital strategies.

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's defensive posture is supplemented by fixed income exposures which are centred on the short end of the US yield curve reflecting its attractive running yield and its higher sensitivity to any further easing of official interest rates by the US Fed. During the month the Fund also added a call option on a very long dated US government bond index as yields and the price of bond options had not reacted with the same ferocity as other markets.

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.

MORE INFORMATION

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