

Perpetual Investment Funds

PERPETUAL BALANCED GROWTH FUND

July 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

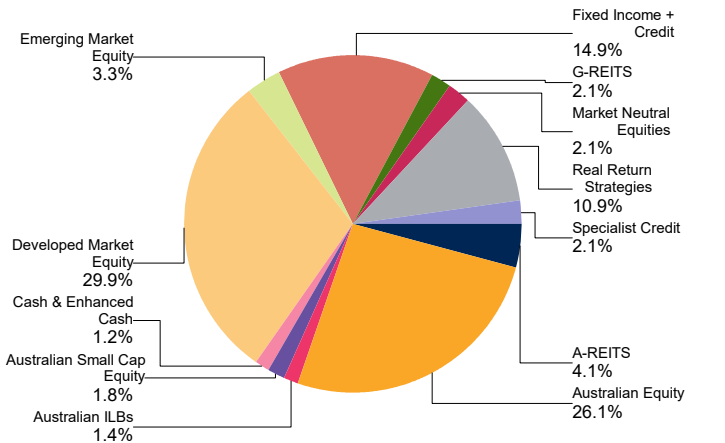
Provides investors with access to a diverse range of growth and income producing assets. Active management and asset allocation techniques are employed in order to further enhance the fund's return and manage risk.

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 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



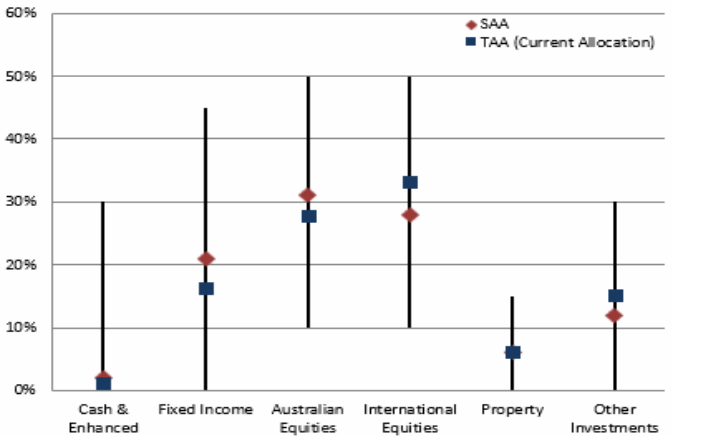
NET PERFORMANCE- periods ending 31 July 2025

	Fund	Benchmark	Excess
1 month	0.9	1.8	-0.9
3 months	4.3	7.0	-2.7
1 year	6.1	11.2	-5.1
2 year p.a.	7.3	12.1	-4.8
3 year p.a.	7.2	10.6	-3.4
5 year p.a.	9.0	9.2	-0.2
10 year p.a.	6.5	7.6	-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

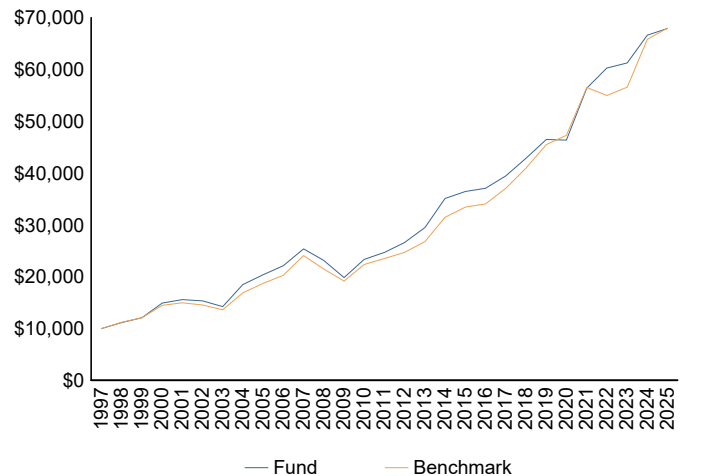
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Markets edged higher in July as investors parsed easing trade tensions, solid corporate earnings, and a cautious yet steady approach from global central banks. Softer macroeconomic data towards the end of the month tested the rally but the profit taking was not overly large.

- US equities (+2.2%) reached new all-time highs, rallying on easing trade concerns and supportive earnings results. Growth sectors and securities, led by large cap technology substantially outperformed value. This was led by the technology sector, which strengthened on positive second quarter earnings results and easing of trade restrictions around exporting chips to China.
- Australian Shares (+2.4%) were supported by moderating inflation print and improving US China trade negotiations.
- UK shares (+4.2%) performed strongly led by large cap stocks including pharmaceutical, energy and consumer staple names as investors overlooked a higher-than-expected June CPI print (core inflation rose to 3.7%Y) which could trigger concerns on the amount of easing the BoE could undertake in 2025.
- Emerging markets (+3.1%) performed well, led by China (+4.6%) despite headwinds from a strengthening US dollar. Chinese stocks benefitted from ongoing progress in trade negotiations and concessions around AI chips.
- Japanese equities (+1.4%) moved into positive year-to-date returns as exporters benefited from a favourable trade deal with the US while the House of Councillors election result was supportive also.
- European shares (+0.3%) rose despite trailing the broader developed market. The EU's trade deal with the US did not ease concerns around growth and sparked declines in equities and bond yields.

US trade policy remained a key consideration throughout July with the US announcing new deals with several major partners including Japan, the EU and South Korea. While the progress was well received by markets – notably among cyclical sectors including resources – the deal announcements are vague and key negotiations with China remain outstanding. While markets continue to react well to temporary measures such as tariff pauses, we remain concerned about impact on US corporates and/or US consumers which is likely to leave growth quiet anaemic in H2'25. 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 intensify as tariff increases are passed onto end-consumers.

Despite the uncertain conditions for international commerce, second quarter company profit results were robust. With over two-thirds of S&P 500 constituents having reported by month end, 81% exceeded consensus expectations. 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 US Federal Reserve (The Fed) kept interest rates unchanged, alongside the Bank of Canada, European Central Bank, Reserve Bank of Australia (RBA), and Reserve Bank of New Zealand. The Fed was on hold despite two dissenting opinions advocating for an easing. There are a number of key data expected prior to the Fed's September meeting including two payrolls and CPI reports. Core inflation rose 0.2% month-on-month, pushing the annual rate to +2.9%Y, while headline inflation climbed 0.3% for the month and 2.7% over the year—both figures still above the Fed's 2% target.

The RBA was the only surprise, keeping the target cash rate unchanged despite futures markets pricing in a greater than 90% chance of a cut by month end. The rationale cited labour market tightness and trimmed mean inflation (2.9% YoY) only just re-entering the target band (2-3%). Australian employment softened late in the month, cementing expectations for an August

cut with two subsequent cuts priced in over the remainder of 2025 at July month end. More policy support is needed as the Australian economy looks flat 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 economy has only remained in expansion thanks to population growth and fiscal expansion).

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. The shape of Chinese exports has transformed with weaker US exports offset by stronger exports to the rest of the world as goods were diverted to other countries with more favourable trade regimes. The ongoing tariff negotiations between the US and China remain a focus with broad ramifications including for the Australian economy and resources sectors.

Stock selection among domestic and global equities was the most substantial determinant of relative performance over the month. The Fund's quality and value biases detracted from performance as growth sectors and securities outperformed on the back of robust corporate earnings results among large cap US tech. Emerging market exposures were constructive as emerging markets – led by China – outperformed developed markets.

We have observed a volatile start to the year reflecting disruption to international trade regimes and growth concerns. Valuations remain expensive relative to history in many regions, and elevated market concentration and the preponderance of passive investment continue to contribute to heightened sensitivity of equity markets. We remain concerned about the long-term return expectations for equities given these high starting valuations and the dominance of US equities in global benchmarks. The past decade of US exceptionalism - culminating in the extraordinary run of the Magnificent 7 tech stocks - has created 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 put options on the S&P 500, call options on the GBP against the US dollar and USD calls versus the Hong Kong Dollar.

Underweight allocation to fixed income was marginally constructive as equities outperformed and bond yields rose. 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

The macroeconomic outlook weak corporate performance, the unclear path for inflation and monetary policy represent a challenging backdrop for local investors. We anticipate modest returns and elevated volatility from market cap benchmarks reflecting high starting valuations and the subdued macro backdrop but government bonds are offering less reliable diversification in the face of rising government debt. 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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