

Perpetual Investment Funds

PERPETUAL

ESG REAL RETURN FUND

31 October 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.

Inception date: May 2021
Size of fund: \$40.6 million as at 30 September 2025
APIR: PER0761AU
Management Fee: 0.85% pa ^^^Refer to PDS for Management Costs
Investment style: Diversified risk budgeting, active, value, ESG
Suggested minimum investment period: Five years or longer

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; ESG integration through Perpetual and Trillium Funds.

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 % AS AT 31 OCTOBER 2025

PERFORMANCE	1 MTH	3 MTHS	6 MTHS	1 YR	3 YRS PA	5 YRS PA	INCEPT PA	VOLATILITY^	3 YRS PA	INCEPT PA
Perpetual ESG Real Return Fund (Gross)	0.47	1.42	4.93	7.63	4.80	-	3.04	Perpetual ESG Real Return Fund	-	-
Perpetual ESG Real Return Fund (Net)	0.39	1.20	4.49	6.73	3.91	-	2.17	Mercer Balanced Growth Median	6.65	7.70

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

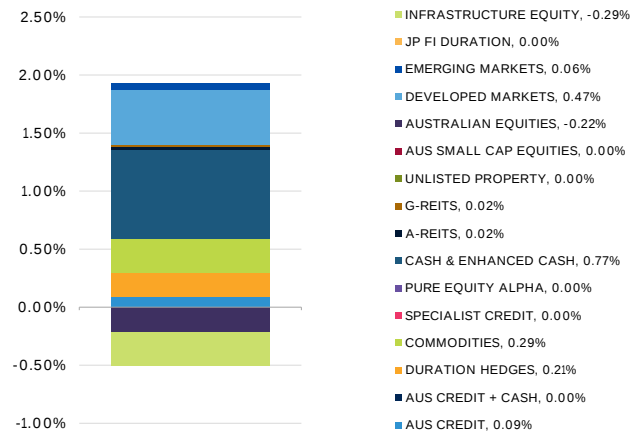
CHANGES IN ASSET ALLOCATION (%)

	CURRENT	3 MTHS	6 MTHS	1 YR
Cash	15.8%	-2.0%	-1.2%	-6.3%
Fixed Income & Credit	40.2%	0.5%	-0.1%	3.0%
Australian Equities	5.1%	0.3%	-0.2%	0.1%
International Equities	29.0%	0.8%	2.1%	3.7%
Commodities	3.0%	0.6%	0.3%	0.0%
Property	2.3%	0.1%	0.1%	0.0%
Other Investments	4.5%	-0.3%	-0.3%	-0.5%

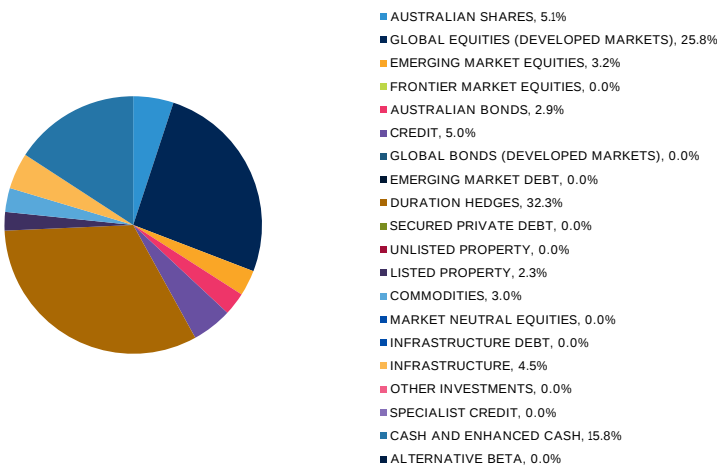
ESG APPROACH

As a real return fund, the Fund applies a dynamic asset allocation approach, which is designed to allow the portfolio manager the greatest flexibility to achieve the fund’s objective. There is no universal, consistent approach to ESG across every asset class in the Fund due to practical and fundamental issues of investing in each asset class. The Fund’s approach to ESG screening will vary across asset classes and by investment strategy within each asset class where applicable. Please refer to the Perpetual Investment Funds PDS for further information.

3MTH CONTRIBUTION TO RETURN (GROSS)



PORTFOLIO SECTORS



FUND PERFORMANCE

The ESG Real Return Fund returned 0.4% (net) in October. Over the past 12 months, the Fund has returned 6.7% (net).

Global equity exposures contributed to performance over the month as developed markets stocks rallied reflecting moderating US inflation and positive earnings growth. Emerging market exposures were also constructive, alongside allocation to the JO Hambro UK Equity Income strategy. Stock selection was marginally positive for performance across global and domestic equities. The Fund's exposure to a diversified metals basket benefitted from the ongoing rally in gold.

The contribution of the ESG premia was negative over the month as ESG indices underperformed broad market equivalents. Allocation to sustainable listed infrastructure LICs detracted over the month. We continue to see value in these names which are trading at a healthy discount to NTA. The Fund's explicit downside protection also marginally detracted as equities rallied.

MARKET COMMENTARY

Global equities extended their rally in October, reflecting positive US corporate earnings growth and easing US inflation. The month saw elevated volatility as markets navigated rising – and later easing – US China trade tensions, a US government shutdown and increasingly hawkish rhetoric from the Fed.

- Developed market equities (+2.6%) rose, marginally outpacing the S&P 500 (+2.3%). Growth stocks sectors extended their outperformance over value fuelled by investor enthusiasm for AI, rising AI related capex guidance and robust revenue growth for cloud providers including Microsoft, Alphabet and Amazon.
- The ASX 300 (+0.4%) trailed the broader developed market, as above expectation inflation dimmed expectations of further RBA rate cuts.
- Japanese stocks (+16.7%) surged in yen terms reflecting optimism surrounding new prime minister Sanae Takaichi's pro-growth platform including targeted infrastructure investment, elevated defence spending and tax cuts.
- UK shares (+4.1%) rallied alongside gilt yields, in response to a dovish shift from Bank of England and anticipation of 2026 rate cuts, reflecting softer inflation data and growth expectations.
- European stocks (+2.5%) saw a modest gain led by value sectors and stocks. Turmoil in the French government persisted in October and the region continues to grapple with soft growth even as inflation has moderated.
- Emerging Market equities (+4.6%) rallied, led by Korea and Taiwan. China (-3.9%) declined, giving back a portion of recent gains. The negative sentiment surrounding US China trade relations over the majority of the month weighed on market performance before Trump and Xi reached a deal in the last week of October.
- Bond markets were mixed, led by UK 10-year bond yields (-27bps) which rallied strongly. US private and high yield credit markets saw elevated volatility following the bankruptcies of automotive parts company First Brands group and auto loan specialist Tricolor Holdings.

US tariff policy remained in focus during October with President Trump announcing additional levies of 100% on imports from China and new export controls on software early in the month. This precipitated the largest single day selloff in US equities since April. By the end of month, sentiment had improved with Presidents Trump and Xi meeting in Korea and agreeing to a one-year trade truce including a slight rollback of US tariffs on Chinese goods as well as China resuming purchase of US soybeans and suspending export controls on rare earth minerals. While the US equity market seems complacent about risk arising from US trade policy, we remain cautious about the outlook.

The Impact of tariffs on inflation has thus far been muted with US CPI continuing to print below expectations. September CPI (+3.0% y/y) eased, with moderating rents and easing services inflation offsetting a sharp increase in gasoline prices. The Fed delivered its second consecutive rate 25bps rate cut in late October. Commentary from Fed Chair Powell took a more hawkish tone however, emphasizing that a December rate cut was "not a foregone conclusion". Futures markets moved to remove almost 50bps of anticipated 2026 cuts in reaction. The Fed also announced plans to halt quantitative tightening by December, reflecting credit market liquidity concerns.

In the UK, inflation surprised to the downside (+3.8% y/y versus expectations of 4.0% y/y), easing pressure on the Bank of England (BoE) and precipitating a rally in bond yields as investors brought forward expectations for 2026 rate cuts. Fiscal risks remain a key concern however with the upcoming November budget anticipated to include tax increases to address the deficit and appease bond market vigilantes. The European Central Bank (ECB) maintained its policy rate at 2.0% for a third consecutive meeting, signalling continued caution as inflation trends downward. Economic growth remains weak with GDP expanding just 0.2% in the third quarter and the 2026 outlook growth remains modest with most growth backloaded. Equity markets in Europe continue to trade below US and Australian valuations but remain expensive relative to long-term averages.

Domestically, labour market data pointed to cooling momentum. The unemployment rate rose unexpectedly to 4.5%, up from 4.3%, as workforce participation increased. Trimmed mean inflation, meanwhile, surprised on the upside (+3.0% y/y), largely driven by housing construction costs and reduced energy subsidies. Bond yields and equities initially rallied on expectations of additional easing, but sentiment turned cautious following softer late-month inflation data. By month-end, futures markets had priced in one final rate cut by mid-2026. 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 10 quarters.

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 an uncertain path for inflation. 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

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. We continue to carefully manage the Fund's exposure to global equity beta and maintain diversity in regional and sector allocations within the Fund's Return Seeking quadrant. The Fund retains exposure to the Trillium Global Sustainable Opportunities Fund alongside 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 the Perpetual ESG Australian Share Fund.

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.

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. These securities also have low vulnerability to temporary rises in US inflation from US trade policy.

In addition, the Fund's cautious asset allocation is supported by a notable cash allocation, which provides solid income and significant optionality if valuations become more attractive.

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MORE INFORMATION

Investor Services 1800 022 033

Email PerpetualUTqueries@cm.mpms.mufig.com

www.perpetual.com.au

