Perpetual Investment Funds

PERPETUAL CONSERVATIVE GROWTH FUND

December 2024

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

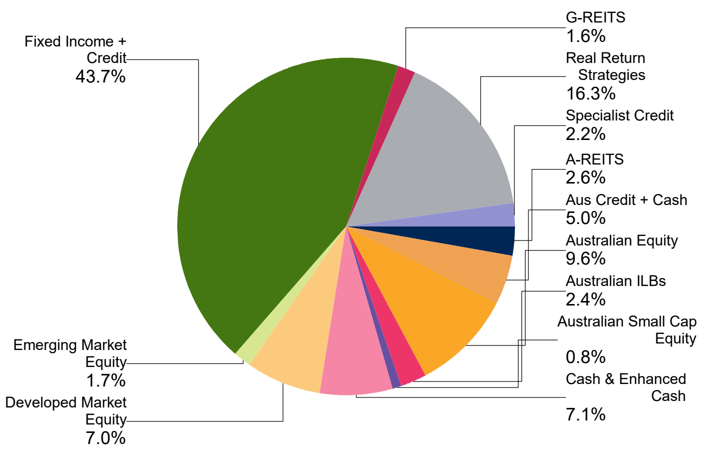
All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be consideredbefore deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether 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



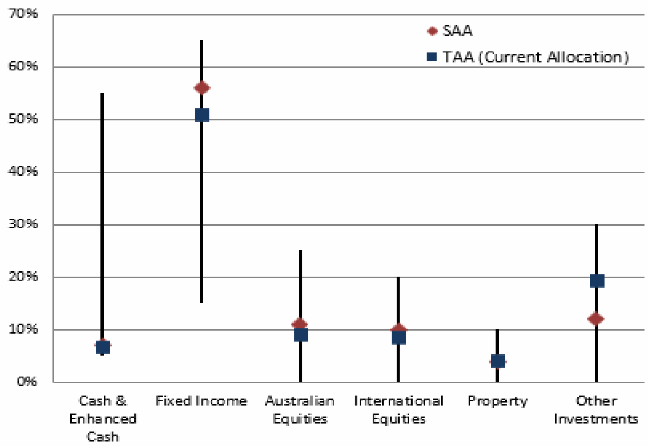
NET PERFORMANCE- periods ending 31 December 2024

	Fund	Benchmark	Excess
1 month	-0.1	-0.1	0.0
3 months	0.3	0.8	-0.4
1 year	6.1	7.7	-1.6
2 year p.a.	5.2	8.0	-2.8
3 year p.a.	2.8	2.5	0.3
5 year p.a.	3.7	3.2	0.5
10 year p.a.	4.1	4.4	-0.3
Since incep.	5.7	5.6	0.1

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

ASSET ALLOCATIONS AND INVESTIBLE RANGES

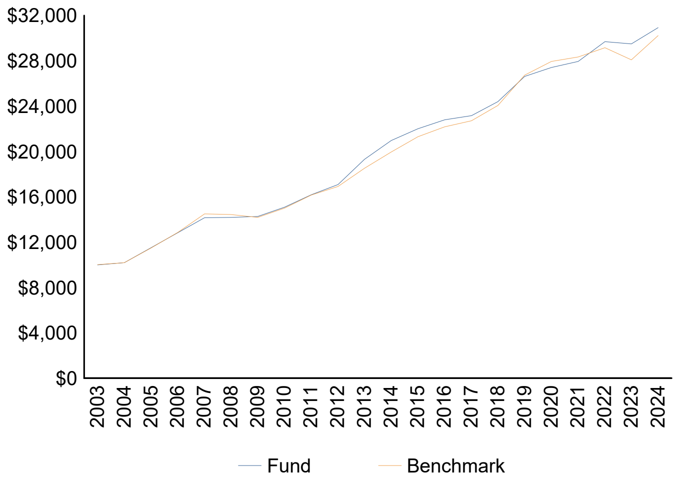
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

Financial markets saw elevated volatility during the December quarter as markets parsed the results of the US presidential election, moderating monetary policy easing expectations alongside political and fiscal concerns in Europe.
- Developed market equities (+2.0%) rose, marking the close of a robust year for risk assets. US equities (+2.4%) rose, responding positively to the results of the US presidential elections and expectations for corporate profit growth under a second Trump administration. A strong November bookended by negative months, reflecting some pressure as expectations for US monetary policy moderated.
- European equities (-1.8%) were mixed with German stocks rallying (+3.0%) despite political uncertainty while French equities (-3.2%) fell on sovereign debt concerns. Ongoing political instability and the anticipated impact of US trade policy exacerbated persistent growth concerns in the world's largest trading bloc.
- UK Stocks (-0.2%) trailed the broader developed market. Domestically focused sectors fell on the weakening macro outlook. UK stocks were also impacted by rising long-term bond yields reflecting inflation expectations and concerns over the new government's fiscal policies in the budget published in October.
- The ASX 300 (-0.8%) declined, impacted by rising bond yields alongside the potential ramifications for Chinese commodity demand from proposed US tariffs.
- Japan equities (+5.4%) led developed markets, rebounding from their 3rd quarter decline and benefitting from the weakened yen improving the earnings outlook for exporters.
- Emerging Markets (-4.2%) fell throughout the quarter. The rising US dollar provided a significant headwind. Trump's election victory and associated trade policy weighed on emerging market equities, particularly China (-7.0%).
- Global bond markets saw elevated volatility throughout the quarter with 10 year yields rising across Australia (+39bps), the US (+79bps) the UK (+57bps) and Germany (+24bps).

With the resolution of the US election and the Republican party sweeping both the legislative and executive branches, market expectations for US growth have remained positive. Accommodative tax policies and a reduced regulatory burden are expected to support a soft economic landing, underpinned by resilient employment, strong corporate earnings growth, and a vibrant consumer. Growth, employment and inflation data continue to imply that US rates have been considerably less restrictive that the Fed anticipated. The strength of services sector labour data in particular, provides a challenge for the Fed as service sectors is where wages growth and core inflation have the strongest correlation, and it's also where productivity is the hardest to move higher through innovation.

The Federal Reserve lowered interest rates by 25 basis points in both November and December. However, the Fed's December meeting triggered a stock market sell-off after the release of the new dot plot, which showed a median forecast of only two additional rate cuts in 2025. While this aligned with market expectations, the tone from the Fed was more hawkish, indicating that the committee was reconsidering the "extent and timing" of further cuts.

While concerns over President Trump's proposed tariffs have unsettled markets and saw bond yields climb in the December quarter, we believe the impact on growth will be modest and unlikely to significantly influence Fed policy. Our primary concern remains the unsustainable fiscal deficit, which stands at 6.4% of GDP and is set to widen through tax cuts. This raises concerns about the long-term trajectory of fiscal policy and its potential impact on bond markets and equity valuations.

Europe continues to struggle with weak economic data and political instability, including the collapse of the German coalition government and growing concerns about French debt. Composite PMI fell to a 10-month low in November before the December print showed improvement with the service sector returning to expansionary territory. The ECB cut rates by 25 basis points in October and December and signalled more cuts in 2025 amid ongoing growth struggles. In the UK, signs of economic weakness emerged, with the services PMI hitting its lowest level since November 2023 and unemployment rising to 4.3%.

Emerging markets struggled throughout the December quarter, pressured by rising concerns over the potential impact of US tariff increases alongside the strengthening US dollar. China's economic outlook remains fraught. A lack of further detail relating to the policy stimulus measures announced in September, together with investor concerns relating to the implications of proposed Trump trade tariffs on Chinese exports compounded the existing property sector overhang, sustained deflation, high debt and weak private sector confidence.

The Australian economy continues to struggle with higher inflation and elevated interest rates, leading to six consecutive quarters of contracting GDP growth per capita. Economic growth in 2025 is expected to remain subdued, driven by softening labour market conditions and constrained household consumption. The Reserve Bank of Australia held the cash rate at 4.35% in December, signalling confidence that inflation is moving towards target and acknowledging a more-than-expected easing in wage growth. Third-quarter GDP growth was weak at 0.3% quarter-on-quarter, with private investment and consumption showing little growth. The labour market remains firm, with unemployment at a record low of 3.9%.

Equity stock selection was the most significant determinant of relative performance during the December quarter. The continued underperformance of value relative to growth impact both Australian and global equity allocations. The Fund is slightly underweight Australian equities and close to benchmark in global equity exposures. Allocation to global equities was increased marginally during the quarter with the Manger electing to deploy a portion of the Fund's cash allocation. Equity exposures remain focused on stock selection alpha opportunities among high quality companies with strong balance sheets and highly resilient operating models. Notwithstanding the extended rally in growth stocks, we expect the Fund's quality and value biases to outperform the broad index given their more conservative valuation and higher earnings resilience.

The Fund retains explicit downside protection in the form of S&P 500 puts and a call option on the USD versus the Hong Kong Dollar (which is a low-cost downside protection for tail risks around China) and a put option on the USD against the Japanese Yen.

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. Domestic 10-year bonds rose over the quarter and the Fund's fixed income allocation detracted from relative performance.

The Fund's defensive posture is bolstered by its slightly elevated exposure to cash. The Fund maintains a significant foreign exchange exposure, diversified across a number of developed and emerging market currencies. The Fund's a cash allocation provides a healthy running yield and their remains significant optionality in holding cash.

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.

OUTLOOK

The challenging economic outlook for ex-US markets and the uncertain path of inflation and monetary policy provide a difficult environment for investors to negotiate. Elevated equity valuations are underpinned by expectations of a soft landing for the global economy and supportive central bank action on policy rates. With so much good news already priced in, we maintain some caution. We continue to carefully manage our exposure to equity market beta and our allocations remain focused on quality companies trading on low valuations, offering solid dividend yields, and good prospects for undertaking buy-backs.

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.

MORE INFORMATION

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