

Perpetual Investment Funds

PERPETUAL CONSERVATIVE GROWTH FUND

November 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 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: Conservative Growth Index (Internally generated composite)

Inception Date: September 2003

APIR: PER0077AU

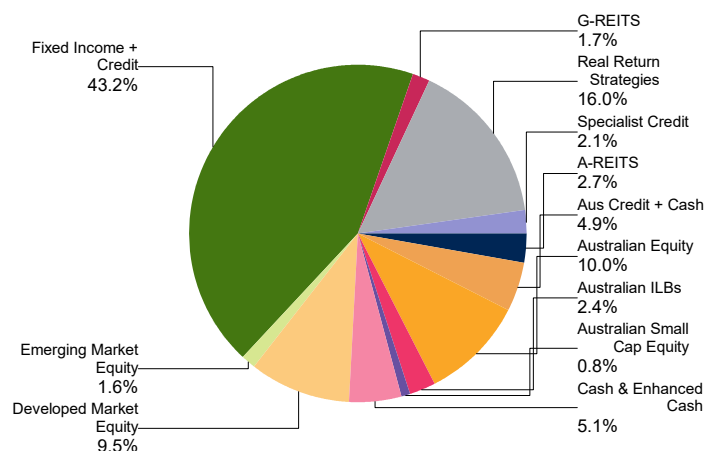
Management Fee: 0.90% p.a.

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



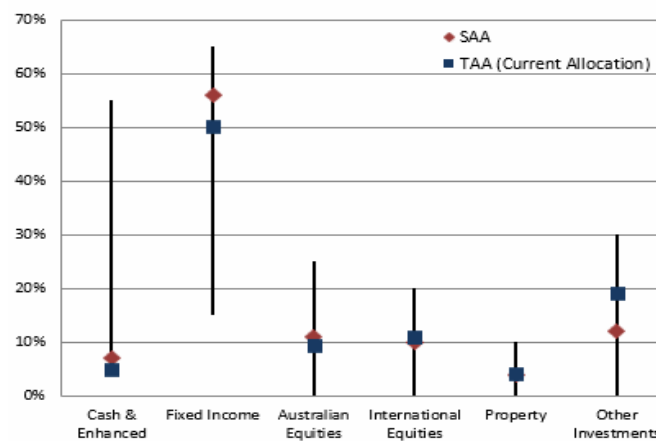
NET PERFORMANCE- periods ending 30 November 2024

	Fund	Benchmark	Excess
1 month	1.4	1.8	-0.5
3 months	1.1	1.8	-0.7
1 year	8.7	11.2	-2.5
2 year p.a.	4.6	6.8	-2.2
3 year p.a.	3.2	2.8	0.4
5 year p.a.	3.5	3.0	0.5
10 year p.a.	4.2	4.5	-0.4
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

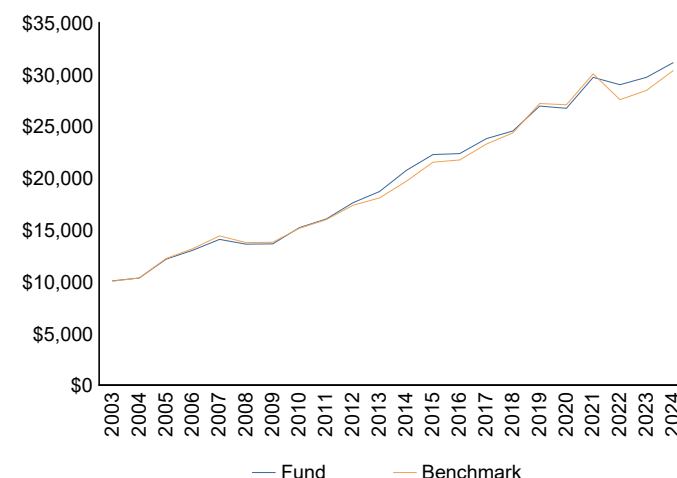
FUND TACTICAL AND STRATEGIC ALLOCATIONS INCLUDING ALLOWABLE MAXIMUM AND MINIMUM RANGES



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

The results of the US presidential election were the key development during November alongside political and fiscal concerns in Europe.

- Developed markets equities (+4.9%) rallied led by a strong month from the US (+5.9%). US equities responded positively to the results of the US presidential elections and expectations for corporate profit growth under a second Trump administration. Performance was led by the financial sector reflecting the incoming administration's mandate for deregulation.

- European equities (-0.3%) were mixed with German stocks rallying (+2.9%) despite political uncertainty while French equities (-1.5%) fell on sovereign debt concerns. UK equities (+2.6%) rose but trailed the broader developed market.

- Australian equities (+3.7%) rose to new record highs during November notwithstanding the continued malaise of the Australian economy. The market was swept higher by the generally positive global sentiment towards equities.

- Asian markets fell with Japan (-2.2%) Hong Kong (-4.2%) Taiwan (-2.4%) and China (-4.1%) all posting declines. Chinese equities weighed on emerging market performance, which reacted to expected changes in US trade policy and the appreciating US Dollar.

- Bond markets retraced following their recent selloff. Investors had to weigh the US Federal Reserve (Fed)'s rate cut against the prospect of higher short term inflation under Trump's proposed trade policies. European bonds were supported by flagging economic growth prospects leading to expectations of further monetary easing from the European central bank.

November saw the global growth outlook for the US continue to diverge from the rest of the world. The resolution of the US election, including the Republican clean sweep across legislative and executive branches, is expected to be positive for the growth outlook. Accommodative taxation policies and a decreased regulatory burden has helped firm market expectations of a soft landing supported by resilient employment, strong corporate earnings growth and a vibrant consumer. With valuations well above fair value, however, much of the good news is already priced in. While equities might not have much remaining headroom, the increasing likelihood of a soft landing provides optionality to the Fed to slow or pause monetary policy easing to have a better chance of inflation sustainably toward target.

The Federal Reserve (Fed) lowered interest rates by 25 basis points to a range of 4.50%-4.75%, citing easing labour market conditions and still-elevated inflation. Core CPI rose by 3.3% year on year, inconsistent with the Fed's 2% target. The upcoming months will likely see the Fed closely monitoring inflation and labour market conditions while considering whether additional rate cuts are necessary to sustain growth. Trump's planned tariffs have sparked fears of higher inflation, but we suspect this is likely to be modest, and should not impact growth too much, nor weigh on Fed policy debates. Our key concern with the incoming administration remains the fiscal deficit (6.4% of GDP) which is at a level commensurate with recessions and is expected to expand via tax cuts. We remain cognisant of the unsustainable path of fiscal policy and its potential impact on bond markets, with flow-on effects to equity market valuations.

Outside the US, the economic outlook is challenging in several regions. In Europe, the composite PMI dropped to a 10-month low, signalling contraction across both services and manufacturing. On the positive side, the European Central Bank (ECB) is expected to continue its accommodative stance, likely reducing interest rates further in December. Nonetheless, the region's weak economic data and political instability, including the collapse of the German coalition government and increasing concerns about French debt, suggest a challenging environment for growth. In the UK, economic data showed signs of weakness, with the services PMI falling to its lowest level since November 2023 and unemployment climbing to 4.3%.

Emerging markets struggled in November, pressured by rising concerns over the potential impact of US tariff increases alongside the strengthening US dollar. China's economic outlook in particular remains fraught. US trade policy, property sector overhang, sustained deflation, high debt and weak private sector confidence are ongoing challenges facing the outlook for China.

Meanwhile, the Australian economy has struggled in the wake of higher inflation and sustained elevated interest rates which have sparked six consecutive quarters of contracting GDP growth per capita. This is despite the support of strong population growth and fiscal expansion. Australia's economy is projected to grow at a subdued pace in 2025, driven by several factors including softening labour market conditions, and constrained household consumption.

Stock selection alpha was the most substantial determinant of relative performance over the month. Global equity stock selection alpha was negative as speculative assets (including the Information Technology sector where the fund is underweight) rallied. Similarly, the Fund's preference towards ex-US markets detracted as US equities outperformed the broader developed market. Similarly, underweight exposure to the two best performing domestic sector – financials and IT – also detracted from performance. The Fund is close to benchmark weight across Australian and global equities. The Fund's equity allocations are focused on stock selection alpha opportunities among high quality companies with strong balance sheets and highly resilient operating models.

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's underweight allocation to fixed income was constructive during the month. 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.

The Fund's defensive posture is bolstered by its elevated exposure to cash. The Fund maintains a significant foreign exchange exposure, diversified across a number of developed and emerging market currencies. USD and emerging market currency exposures performed well throughout October as US bond yields climbed. These cash holdings also give investors a good running yield and provides significant optionality as it enables us to quickly allocate capital to take advantage of mispricing in the event of a market selloff.

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. The Fund's overweight allocation to sources of uncorrelated returns detracted from relative performance during a month where risk assets appreciated.

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.

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