

23 September 2024

Perpetual Investment Management Limited
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Dear Investor

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IMPORTANT CHANGES TO THE PERPETUAL CHARITABLE ENDOWMENT FUND

Perpetual Investment Management Limited ABN 18 000 866 535 (**'Responsible Entity'** or **'RE'**) is writing to notify you of some important changes to your investment in the Perpetual Charitable Endowment Fund (**'the Fund'**), expected to be on or around 30 October 2024 (**'Effective Date'**). A new Product Disclosure Statement for the Fund (**'PDS'**) incorporating these changes will be issued on or around the Effective Date.

The Fund implements different investment management strategies across asset classes by investing in several underlying funds which utilise specialist investment managers. These managers are described in the Specialist Investment Manager Flyer, a disclosure document incorporated by reference to the Fund's PDS.

Proposed changes

Update to investment return objective

The investment return objective in section 5 of the PDS will be updated as follows:

Previous investment return objective	New investment return objective
<ul style="list-style-type: none"> • Provide consistent income tax exempt investors such as charitable trusts with: <ul style="list-style-type: none"> ○ a consistent income and long-term capital growth through an investment in a diversified portfolio with an emphasis on Australian shares ○ a total return (including income distributions³) of CPI +4.0% per annum before fees and after the effect of franking credits over rolling 15-year periods ○ income distributions³ of 4.0% per annum before fees and after the effect of franking credits • outperform (before fees), over rolling 3-year periods⁴, a composite benchmark reflecting target allocations at any time to the various asset types. 	<ul style="list-style-type: none"> • Provide income tax exempt investors such as charitable endowments and foundations with: <ul style="list-style-type: none"> ○ income and long-term capital growth through an investment in a diversified portfolio with an emphasis on Australian shares ○ a total return (including income distributions³) of CPI +4.0% per annum before fees and after the effect of franking credits over rolling 15-year periods ○ income distributions³ including the benefit of any franking credits • outperform (before fees), over rolling 3-year periods⁴, a composite benchmark reflecting target allocations at any time to the various asset types.

Update to investment approach

The RE has reviewed the current investment approach and determined that:

- the Fund will no longer invest directly (as is currently the case for some Diversified Alternatives) but will invest indirectly via investments in underlying funds; and
- for existing asset classes other than Diversified Alternatives, it will incorporate responsible investment considerations in its selection of underlying funds. The fund will be aiming to invest in underlying funds which continue to prioritise investment performance whilst incorporating consideration of environmental, social (including labour standards), governance and ethical (ESG) factors in its' or its' specialist investment manager's investment process.

More information on this investment approach will be provided in the reissued PDS and incorporated disclosure documents.

Update to Disclosure Documents

The PDS for the Fund will be reissued and it will incorporate the proposed changes set out in this letter. Documents incorporated by reference will also be updated including a substantial update to the Specialist Investment Manager Flyer including a range of different underlying funds. This is expected to occur on or around 30 October 2024.

Reasons for proposed changes

The investment strategy of the Fund is regularly reviewed, aiming to ensure that the Fund's expected risk-adjusted return remains optimal and meets the investment return objectives. The RE recognises the importance of prioritising the consistent achievement of the investment return objectives of the Fund. It also seeks to create aligned objectives and structure for the Fund with the target market of the Fund as a whole.

In addition to the total return objective, one of the current investment return objectives of the Fund is to aim for income distributions (excluding any amount considered to be capital) of 4.0% per annum before fees and after the effect of franking credits (**Income Distribution Objective**).

The most recent review of the investment strategy identified that the Income Distribution Objective may reduce the opportunities for the Fund to maximise the frequency of achieving its total return objective. Review of the target investors for this Fund indicates that both income and capital may be applied to annual distributions by investors towards their charitable purpose.

Given the ability of endowment and foundation investors to apply realised gains to their charitable purpose, the RE considers that removal of the Income Distribution Objective for the Fund is a suitable compromise for the opportunity to improve performance and the likelihood of meeting or exceeding the total return objective on an annual basis and to improve long-term investment returns. The Fund retains the objective of including regular income payments to investors as part of the total return.

The change of investment approach to invest in underlying funds, managed by PIML or other specialist investment managers, that incorporate consideration of ESG factors in their or their specialist investment manager's investment process improves alignment with the charitable and social good investment goals of the charitable endowment and foundation investors. The Responsible Entity continues to prioritise investment performance ahead of additional considerations under this investment approach.

Further detail on the underlying funds and the specialist investment managers will be available in an updated specialist investment manager flyer, incorporated by reference to the PDS and available on the Fund's website on or around 30 October 2024.

Impact to fees & costs

The management fee payable to the RE will remain at the current rate of 1.05%pa (excluding estimated management costs) following the proposed changes. The management fee will continue to be calculated on the daily Net Asset Value of the Fund.

It is not expected that the indirect costs for the ongoing implementation of the Fund's investment activities will differ significantly from the current investments of the Fund.

What this means for you

The proposed changes are expected to come into effect on or around 30 October 2024 and no specific action is required by investors in the Fund as a result.

You should consult your financial adviser/trust manager and independent tax adviser if you have concerns regarding the impact these proposed changes may have on the suitability of the Fund to your specific investment circumstances.

More information

For more information about the Fund refer to perpetual.com.au/funds/perpetual-charitable-endowment-fund website under 'Resources'. If you would like to discuss details of your investment or have any questions, please contact your financial adviser or contact Perpetual on 1800 022 033 or email investments@perpetual.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A Balsamo', written in a cursive style.

Adam Balsamo

Head of Product and Marketing, Perpetual Private