

Perpetual Investment Funds

PERPETUAL DIVERSIFIED

REAL RETURN FUND - CLASS W

30 November 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: October 2010
Size of fund: \$589.4 million as at 30 September 2025
APIR: PER0556AU
Management Fee: 0.85% pa ^^Refer to PDS for Management Costs
Investment style: Diversified risk budgeting, active, value
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

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.

FEE OPTION

Class W is the standard fixed fee class

TOTAL RETURNS % AS AT 30 NOVEMBER 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 Diversified Real Return Fund (Gross)	0.68	1.63	4.28	8.32	5.85	5.52	6.48	Perpetual Diversified Real Return Fund	2.15	3.13
Perpetual Diversified Real Return Fund (Net)	0.61	1.41	3.84	7.40	4.95	4.63	5.58	Mercer Balanced Growth Median	6.44	7.73

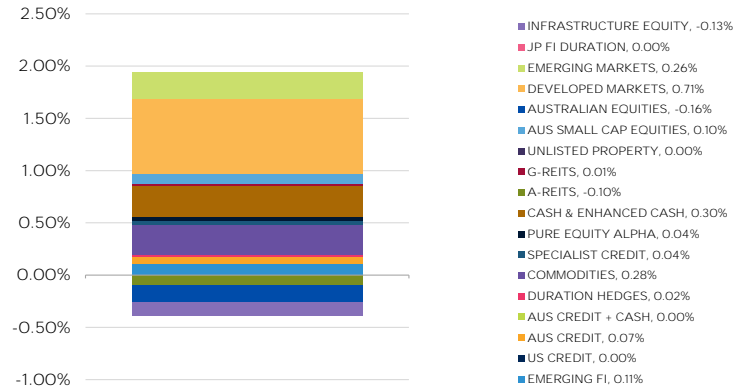
FUND OBJECTIVE OUTCOME AS AT 30 NOVEMBER 2025

Objective: Gross returns of CPI plus 5% over rolling 5 year periods

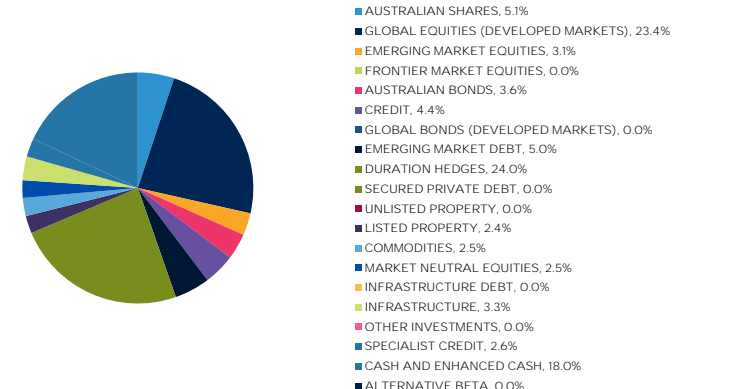
	5 YRS PA	INCEPT PA
Perpetual Diversified Real Return Fund (Gross)	5.5	6.5
CPI plus 5%	9.6	7.9

Past performance is not indicative of future performance.
From October 2025, CPI returns are based on the ABS monthly CPI series. Prior periods used the quarterly CPI series as published by the ABS.
^^ 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

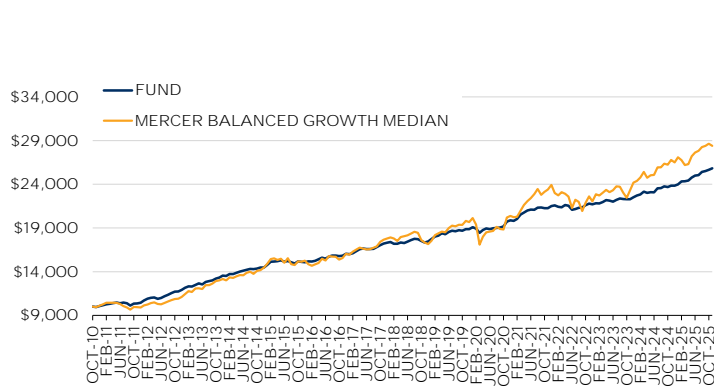
CONTRIBUTION TO 3MTH PERFORMANCE (GROSS)



PORTFOLIO SECTORS



GROWTH OF \$10,000 SINCE INCEPTION



CHANGES IN ASSET ALLOCATION (%)

	3 MTHS	6 MTHS	1 YR
Australian Shares	-0.1	0.1	0.0
Global Equities (Developed Markets)	0.3	-0.4	1.2
Emerging Market Equities	0.1	0.0	-0.1
Frontier Market Equities	0.0	0.0	0.0
Australian Bonds	0.0	-0.3	-0.4
Credit	0.0	0.1	0.4
Global Bonds (Developed Markets)	0.0	0.0	0.0
Emerging Market Debt	0.1	0.1	0.4
Duration Hedges	0.4	-1.4	1.5
Secured Private Debt	0.0	0.0	0.0
Unlisted Property	0.0	0.0	0.0
Listed Property	-0.1	0.0	-0.2
Commodities	0.1	0.0	-0.1
Market Neutral Equities	0.0	0.1	0.0
Infrastructure Debt	0.0	0.0	0.0
Infrastructure	-0.2	-0.3	0.1
Other Investments	0.0	0.0	0.0
Specialist Credit	0.0	0.1	0.0
Cash and Enhanced Cash	-0.6	1.9	-2.9
Alternative Beta	0.0	0.0	0.0

FUND PERFORMANCE

The Diversified Real Return Fund returned 0.7% (gross) in November. Over the past year, the Fund has returned 8.3% (gross) and over the past 5 years the Fund has returned 5.5% (gross) per annum compared with the objective of 9.6% (CPI plus 5%*) over rolling 5 years. Since inception (in 2010) the Fund has returned 6.5% (gross) per annum compared with the objective of 7.9% (CPI plus 5%*).

Global Equity stock selection was the key contributing factor for performance during November. Concern surrounding US tech share valuations saw value sectors and securities outperform which led to positive alpha across the Fund's Value, Deep Value, UK Equity Income and Emerging Markets smart beta strategies. Domestic equity stock selection was also constructive across large and small cap exposures despite the decline in Australian equities. Elsewhere, the Fund's exposure to a diversified metals basket continued to contribute to returns as gold extended its rally.

In contrast, allocation to domestic real estate investment trusts detracted from performance reflecting pressure from rising bond yields and the rising prospect for 2026 RBA rate hikes. Explicit downside protection positions also detracted as US equities ended the month marginally higher. The elevated market volatility observed throughout November highlighted the value of cost-effective downside protection and positive convexity provided by equity put options as volatility rises, even though they marginally detracted from performance over the month.

*All groups CPI measured and published by the ABS as at 30 September 2025

MARKET COMMENTARY

Financial markets saw elevated volatility throughout November with sharemarkets declining sharply early in the month before partially recovering by month end. Volatility was underpinned by rising concerns around the massive AI capital expenditures and when investors might see returns in addition to uncertainty around whether central banks can continue lowering interest rates as inflation remains sticky above their target ranges.

- Developed market equities (+0.2%) rose marginally after selling off early in the month, in line with the S&P 500 (+0.2%). Much of the first half of the month saw a sell-off as concerns around tech valuations, and AI capex outweighed robust third quarter earnings season results. This thematic was observable in the relative outperformance of value sectors and stocks with the Russell 1000 Value index rising (+2.5%) while the growth benchmark sold off (-1.9%).
- UK Equities (+0.4%) marginally outperformed the broader MSCI developed markets index, supported by declining gilt yields and a depreciating pound which supported the large cap globally focused names in the FTSE 100.
- Similarly, European shares (+0.2%) recorded a modest advance supported by corporate earnings results among the financial and IT sectors which helped offset a flat month in the French market (0.0%) and losses in Germany (-0.4%).
- In contrast, the ASX 300 (-2.6%) fell as markets parsed higher than expected inflation and jobs data and revised expectations around the path of the RBA's monetary policy.
- Surprisingly, Japanese stocks were mixed with the Topix index up +1.4% whereas the Nikkei 225 fell (-4.1%) as investors in that index became increasingly concerned around increased talk of a major fiscal spending program by new PM Takaichi and its impact on Japanese bond yields given already high inflation, a hiking BoJ and very high Japanese government debt which saw the latter index giveback a modest portion of its post Mar-25 gains.
- Emerging Market equities (-1.6%) declined, in spite of the declining US dollar as China and tech heavy indices in South Korea and Taiwan gave back recent gains as the technology sector stumbled in line with their US peers during November.
- Bond markets were mixed, with US 10-year yields rallying (-6bps) while similarly long Australian yields (+22bps) sold off as investors reappraised RBA policy expectations, which resulted in wider spreads.

Strong quarterly earnings results – notably from Nvidia – did not dissuade rising concerns around valuations and return on investment among mega cap US tech giants. Sentiment toward AI shifted from broad optimism to increased scrutiny of capital expenditure the likely payoff period and what sort of returns investors might expect. Although a high 80% of companies beat downbeat expectations in the Q3-25 US reporting season, market reactions to results were somewhat muted reflecting how much good news was already priced with respect to revenue growth, EPS growth, margins and overall guidance. While AI technology itself is transformative, we see some parallels to the first tech boom and are wary of the business of providing AI services will meet the egregious profit expectations which are baked into forward looking valuations.

There was uncertainty around the path of US monetary policy throughout November as the government shutdown delayed (in the case of October inflation print, indefinitely) economic data and Chair Powell stated that cuts were not a “done deal”. Odds of a December Federal Reserve rate cut rose above 80% by month end following dovish commentary from key Fed officials citing labour market concerns. While September non-farm payrolls (+119,000) showed resilience, the unemployment rate ticked up. Wage growth remained strong, up 3.8% year-over-year, outpacing inflation at 3.0%. A combination of wage growth, back pay for federal workers and seasonal factors is expected to support consumer spending as the US turns into the New Year, and numerous growth supports risks inflation being stickier at a higher level.

Softer inflation and labour-market data in the UK saw increased expectations of Bank of England rate cuts. The November Budget was better-than-feared, with greater-than-expected fiscal headroom and lower projected gilt issuance helping to stabilise market sentiment. Meanwhile, European activity indicators remained in expansionary territory with a composite PMI of 52.4 marking eleven consecutive months of growth and a level which suggests GDP will accelerate in 2026. Germany's economic troubles deepened, with Q3 GDP confirmed flat quarter-on-quarter with private consumption declining, but large-scale fiscal stimulus in 2026 is set to improve output, but the private sector looks subdued, at best. Equity markets in Europe continue to trade below US and Australian valuations but remain expensive relative to long-term averages, but 12MF EPS growth is around +11% which is lofty and will require a private sector recovery to be met.

In Australia, November was marked by a significant shift in bond market sentiment as stubbornly high inflation forced investors to abandon expectations of near-term rate cuts. The new monthly CPI report showed higher than expected inflation (3.8% y/y). This, combined with robust October employment data (42,000 new full-time jobs and a drop in unemployment to 4.3%), led markets to abandoning the timeline for any rate cuts and factoring in risks of a rate hike in 2026, which sparked a selloff in domestic bonds. Household spending showed continuing improvement +1.3%M and +5.6%Y in Oct-25 which, combined with increasing government spending, solid wage growth (+3.4%Y) and weak productivity, could place further upward pressure on inflation.

Meanwhile, elevated valuations, a lacklustre longer term domestic economic outlook and heightened uncertainty about how much additional policy support the RBA will provide represents a challenging backdrop for local investors. Meanwhile, government bonds are offering less reliable diversification and are signalling a less certain 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 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 Global Deep Value and UK Equity Income strategies, targeting undervalued companies overlooked by passive flows. These firms offer strong fundamentals and free cashflows that meet the investment objective, avoiding reliance on valuation expansion. In scenarios where market performance broadens beyond the "Magnificent 7" stocks, the Fund's diversified, and value style—previously a headwind against concentrated momentum-driven equity indices—should drive performance, even in a sideways market. The Fund also maintains its allocation to Sustainable Listed Investment Companies trading at significant discounts to NAV, generating robust cash flows aligned with the investment objective.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of equity and credit markets. The Fund avoids private markets due to illiquidity and overvaluation risks, especially late in the cycle, where a left tail event could spark vulnerabilities. The Fund complements this with option protection where it has been attractively priced to implement. These include cost-effective S&P 500 put options, risking only premiums if markets rise, while protecting against downturns without predicting timing. The Fund also maintains a USD call option versus the Hong Kong Dollar which provides cheap protection against geopolitical risks.

The Fund's defensive posture is supplemented by fixed income exposures which are centred on the short end of the US yield curve. US 2-year bonds offer an attractive running yield and stability in crises compared to long-end bonds driven by growth and inflation expectations.

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

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