

Qualitative Fund Research

Perpetual Diversified Real Return Fund

22 December 2025

 RESEARCHIP Rating



RESEARCHIP

The views and opinions in this document are considered valid for one year from the date published.

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Rating Profile

Research Process Category	Factor Weight	Analyst Score	Maximum Score
Corporate & Investment Governance	15%	4.00	/ 5
Investment Philosophy & Process	20%	4.20	/ 5
People	25%	4.33	/ 5
Portfolio Construction & Implementation	15%	3.83	/ 5
Risk Management	15%	4.00	/ 5
Investment Fees	10%	4.41	/ 5
Overall Average Score		4.14	/ 5

Meet the Manager

The Perpetual Group consists of Perpetual Limited as the holding company and several subsidiary companies. Perpetual Limited is an independent and diversified financial services group providing specialised investment management, wealth advice and corporate fiduciary services to individuals, families, financial advisers and institutions. Perpetual Limited is a publicly listed company on the Australian Stock Exchange (ASX issuer code: PPT).

Perpetual Limited is structured into three business divisions:

- Perpetual Asset Management: Our multi-boutique business comprises quality investment teams across seven boutiques and brands with diversified investment capabilities across equities, cash and fixed income, multi-asset and sustainable investing, and a strong presence in key markets across the globe. Perpetual Investment Management Limited ('PIML') is a wholly owned subsidiary of Perpetual Limited. PIML is one of the Responsible Entities owned by Perpetual Limited, managing registered investment schemes that hold financial assets, including cash, securities, and interests in other managed investment schemes.
- Perpetual Private: personal wealth advisory, and
- Perpetual Corporate Trust: corporate trustee and fiduciary services.

Perpetual Limited is a publicly listed company on the Australian Stock Exchange (ASX issuer code: PPT). The share register comprises a range of institutional and retail investors.



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Key Takeouts

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. The Fund will invest in a diversified range of asset classes. The combination of assets held by the Fund at any time are those which we believe provide the greatest probability of achieving the target return over rolling five-year periods. Perpetual may adjust the Funds asset allocation to respond to changing market conditions and/or to take advantage of new opportunities.

Research IP Says

The **Perpetual Diversified Real Return Fund** has been awarded a “4 IP” rating from Research IP with a score of 4.14/5.

- Michael O’Dea is responsible for all final portfolio decisions. A distinctive aspect of his background is his experience in hedge funds, which he believes enables him to more effectively assess the risk-return profile of various strategies within a portfolio context. This perspective is informed by his understanding of the range of alternative strategies available in the market and his experience in previous roles.
- The team collectively brings substantial experience, with a significant portion of it in multi-asset investing. Many team members have worked together previously, and their average tenure at Perpetual exceeds nine years. The team remains relatively small given the scale of FUM it now manages (particularly following the addition of Pandal funds), but this is intentional—Perpetual believes a tight-knit team enables more efficient discussion and execution of decisions.
- The asset allocation framework is central to understanding the Manager’s decision-making process. The portfolio does not follow a strategic asset allocation; instead, it is structured around four key quadrants. In Research IP’s view, this is an unconventional but effective approach within the multi-asset sector.
- The Funds process is managed across four key factors. The quadrants are: Inflation Protection, Return Seeking, Diversifying Opportunities, and Downside Protection. Their relative attractiveness is continually assessed and naturally evolves throughout the market cycle.

The Fund

Fund Details	Perpetual Diversified Real Return Fund
Fund Code	APIR Code: PER0556AU
Responsible Entity / Trustee	Perpetual Investment Management Limited
Geographic Focus	Global
Sector / Asset Class	Multi Asset
Benchmark	CPI + 5.0%
Alpha Objective	Aims to target a pre-tax return of 5% per annum above inflation (before fees and taxes) and to protect capital in any given year
Minimum investment horizon	>5 years
Management Fee	0.85% p.a.
Performance Fee	<p>Performance Fee - None</p> <p><u>Class Z (performance fee option) - APIR PER6115AU</u></p> <ul style="list-style-type: none"> • Management Fee – 0.35% p.a. • Performance Fee - 10% p.a. • Hurdle –target inflation rate median published by the Reserve Bank (currently 2.5% based on a target inflation rate of 2-3% p.a.) – used as a proxy for CPI. • Net – Performance fee is calculated each business day and is based on the Fund’s performance after management fees and expenses have been deducted. • Perpetual High-Water Mark (HWM) is observed • Frequency – calculated daily, paid annually

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	Maximum cap on performance fee is 1.00%
Estimate of Total Fund Charges	0.960% (inc GST) – 12/05/2025

Using this Fund

The Fund will invest in a diversified range of asset classes. The combination of assets held by the Fund at any time are those which we believe provide the greatest probability of achieving the target return over rolling five-year periods. Perpetual may adjust the Fund's asset allocation to respond to changing market conditions and/or to take advantage of new opportunities.

In managing the Fund to meet its investment objective, the Fund may implement a considerable amount of its exposures via derivatives, and may include alternative and private market assets.

Currency is managed at the Fund level, taking into account currency exposure arising from underlying investments. Currency management is used to either hedge currency for an existing position or create an exposure to a foreign currency. Net foreign currency exposure will be limited to 50% of the gross asset value of the Fund.

Investment in illiquid assets will be limited to 18% of the net asset value of the Fund.

- The investment philosophy is a disciplined “value” approach which has been proven over many investment cycles and is central to Perpetual’s consistent and strong long-term track record.
- The investment team is highly experienced and has a complementary set of skills. We have deliberately built the team to have a mix of skills including: Multi asset portfolio management, manager research, quantitative equity, global macro hedge fund, macro-economic and financial modelling skills.
- The Manager draws on the breadth of Perpetual’s investment resources to deliver client outcomes in line with expectations. This includes our dedicated investment teams across Australian Equities, Global Equities, Fixed Income and Credit.
- The Managers approach affords an ability to manage “whole of portfolio” outcomes, focusing on opportunities instead of building the portfolio from asset classes.
- The Manager is innovative in our research, continually assessing new investment opportunities.

Factor	Target
No. of securities in universe	
No. of securities fully researched	
Typical number of holdings	15-40
Expected Portfolio Turnover	Dependant on market conditions
Typical level of cash held in the portfolio	Frictional Cash

Funds Under Management

Fund currency	Australian Dollar	As at date
Current size of the Fund (\$)	\$826,633,238	30/06/2025
Current FUM in the strategy, including mandates (\$)	\$981,243,694	30/06/2025
Current total FUM of the Manager (\$)	\$22,000,000,000	30/06/2025

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Further Information	Perpetual Diversified Real Return Fund
Fund Website Link	https://www.perpetual.com.au/funds/perpetual-diversified-real-return-fund-class-w
Strategy Microsite Link	not applicable
Fund Factsheet	https://www.perpetual.com.au/funds/perpetual-diversified-real-return-fund-class-w
Fund Report	https://www.perpetual.com.au/funds/perpetual-diversified-real-return-fund-class-w
Product Disclosure Statement	https://www.perpetual.com.au/funds/perpetual-diversified-real-return-fund-class-w/
Latest Articles / Views	https://www.perpetual.com.au/insights/

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What the Manager Says

Who holds accountability for the fund's outcomes and actions? How relevant is the work / career history of the investment team to the management of the funds?

Manager Statement:

The Diversified Real Return Fund is managed by Perpetual's Multi Asset Team led by Michael O'Dea, Head of Multi Asset. The Team consists of eight investment professionals, drawing on the strength of some of Australia's leading investment teams.

Ultimate responsibility for the Diversified Real Return Fund is with the Head of Multi Asset, Michael O'Dea. Geoff Ryan is responsible for portfolio management, trading, and implementation of the Fund's strategy. David Hudson is responsible for generating and implementing active asset allocation ideas. Matthew Sherwood's responsibilities include undertaking macroeconomic and financial market research with a strong focus on investment strategies. Russell Turner is responsible for portfolio management, assists in the ongoing development of macro-economic modelling and the asset allocation process. Rema Elias supports with daily portfolio management of funds while focussing on the development of smart beta. Ken contributes to the ongoing development of the quantitative asset allocation tools, portfolio convexity optimisation, and integrating ESG. Alan Polley is responsible for enhancing the multi-asset funds sustainable investing approach and working with Regnan.

The team is deep with a flat structure and overlapping responsibilities. As such, any absences will be covered by remaining members of the team. The team is further assisted by Investment Administration for asset allocation implementation and cash flow management.

Research IP Opinion:

The investment team, both individually and collectively, has strong quantitative expertise. This capability has been essential for O'Dea, as the fund's strategy relies on a quantitative foundation complemented by qualitative insights.

O'Dea holds responsibility for all final portfolio decisions. A key strength of his background is his experience in hedge funds, which he believes enables him to more effectively assess risk and return across various strategies within a portfolio context. His insights are informed by a deep understanding of the alternative strategies currently available in the market and by his experience in previous investment roles.

The team has experienced several changes following the March 2024 merger of the Perpetual and Pental Multi Asset teams, with some of the former Pental team moving across to the Perpetual team. David Hudson has reduced his time commitment to the equivalent of one day per week as he transitions towards retirement. Rita Bodrina has departed due to personal circumstances, and her role has not been replaced. Allan Polley continues with the business and has integrated seamlessly, becoming a valuable contributor to the team's efforts. Despite these personnel changes, the Manager retains significant overall experience, especially within multi-asset investing. The team remains intentionally lean relative to the funds under management—particularly following the addition of the Pental funds in 2024—with the belief that a smaller, focused team supports more efficient discussion and decision-making.

Research IP considers the March 2024 changes, and those that followed, to be meaningful yet carefully planned and well executed. The Perpetual products themselves remain largely unchanged, and the team continues to be well resourced compared with peers.

Polley's role in sustainability, utilising the Regnan resources, has been pivotal in achieving RIAA Certification for the Pental Multi Asset Funds. This initiative was delivered swiftly and aligns with O'Dea's preference for decisive, forward-moving action.

Overall, the merger appears to have been smooth and additive, enhancing the team's intellectual capital through the contributions of its new members.

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Has the CIO/ PM / Investment Team personally invested in the Fund? Do they have the same fee / cost structure as other investors?

Manager Statement:

Michael O'Dea is directly invested in the Fund and is paying the same fees as other investors.

Perpetual Asset Management, Australia has a staff Co-Investment Policy In place that provides for nominated investment professionals to invest up to 100% of their annual deferred STI award in a notional investment in an eligible Perpetual Fund (the remaining balance is received in Perpetual shares through a Perpetual employee share plan). Each investment team must invest in a Fund from their team. Most of the eligible Perpetual Multi Asset team co-invest in the Fund via deferred incentives or their superannuation.

Research IP Opinion:

Alignment of interests between the Manager and investors is essential for the effective long-term management of any investment portfolio. Research IP views this as a critical element of investor alignment.

The fact that O'Dea and most of the multi-asset team have meaningful 'skin in the game' is a positive indicator for investors. Their personal investment provides a direct incentive to remain closely engaged with portfolio positioning and the implications for client outcomes on an after-fee basis.

Additionally, the short-term incentive plan further reinforces alignment within the broader investment team, requiring team members to invest in a fund managed by their own group.

What are the reasons for investing in this fund?

Manager Statement:

We don't believe there is a "one size fits all" approach to portfolio construction. Arguably, low-cost passive investing (and rebalancing to SAA) is most suitable for a long-term investor in the accumulation phase with time to recover from bear markets. In contrast, active asset allocation (with a focus on risk mitigation) and active stock selection is more suitable for balancing sequencing and longevity risks in the de-cumulation phase.

In order to generate returns above expected inflation, investors need to be able to allocate to risk when it is likely to be rewarded (i.e., change their asset allocation) and manage risk through skilful portfolio construction. The problem is that not many model portfolios are set up to do that. The Diversified Real Return Fund offers investors an opportunity to take responsibility for aligning their investment objective with sensible portfolio construction and risk management.

Real return funds are designed to provide investors with a higher certainty of achieving a real return objective with a lower level of risk and sensitivity to extreme market events.

Merits of investing:

- The Multi asset team is highly experienced team and has a complementary set of skills. The team is focused exclusively on multi asset investing,
- The team draws on the breadth of Perpetual's internal investment capability,
- The team is innovative in research and continually assessing new investment opportunities and has consistently demonstrated that Perpetual is at the cutting edge of research,
- Access a wider range of assets: The Fund can invest in some harder to access investment opportunities, such as unlisted property, infrastructure, frontier markets and commodities strategies; as well as traditional assets,
- Lower volatility means more regular returns: by managing portfolios in a more holistic and flexible way, where the mix of exposures can respond quickly to changing market conditions, may assist in providing a more regular profile of returns for investors,
- Perpetual's multi asset team is based in Australia, meaning that investors can benefit from direct access and transfer of investment knowledge.

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Research IP Opinion:

The Manager has the flexibility to allocate across a broad and well-diversified range of assets, which is crucial in a multi-asset strategy. Importantly, investors gain access to alternative assets that can be difficult to access individually due to high costs or minimum investment requirements. The Manager determines the ongoing level of this exposure, aligning it with the Fund's overall risk/return objectives.

Risk allocation is a central focus of the investment process, with particular attention paid to tail risks. This aligns with one of the Fund's core objectives—downside protection. A strong emphasis on managing sequencing risk benefits investors by reducing the impact that the timing of negative returns can have on long-term outcomes, especially when withdrawals are being made. Large, prolonged drawdowns can be difficult to recover from and become increasingly problematic later in life.

Given the Fund's focus on navigating the full market cycle, investors should adopt a long-term investment horizon. The Manager actively considers how the risk/return characteristics of securities evolve throughout the economic cycle, which can lead to views that differ meaningfully from those of other managers or the broader market. As a result, the Fund's country and sector exposures may vary significantly from those of traditional balanced funds.

The Manager aims to smooth the long-term return profile. Investors may experience fewer drawdowns relative to a conventional balanced strategy, though this also means reduced upside potential. Over extended periods (10 years or more), the Fund has exhibited considerably lower volatility than peers.

Research IP notes that investors benefit from access to investment strategies and structures that are typically not available to retail investors, enhancing available alpha sources and portfolio diversification.

What are key criteria for the buying and selling decisions of the Fund?

Manager Statement:

The Diversified Real Return Fund is constructed with breadth and flexibility in mind to meet its investment objective. It employs a wider investment universe whilst overcoming the typical shortcomings of incorporating non-traditional exposures such as high fees, lack of transparency, and misaligned objectives.

Alongside those investments that fall inside the conventional asset classes of stocks, bonds and cash, the Fund's investment universe includes alternatives such as, emerging market debt, market neutral equities, active foreign currency, commodities (e.g. gold), and unlisted Australian property.

Through the multi asset research program, proposed changes to the investment universe over time are possible, where these changes are consistent with the investment objective and risk tolerance of the Fund.

The Multi Asset Team uses a consistent asset allocation framework and risk budgeting approach to evaluate opportunities across different traditional and non-traditional asset classes, to carefully assess downside risk, transparency, prudent use of leverage, liquidity and net of fee expected returns.

The Multi Asset Team has significant experience using bought options to manage the risk of the portfolio – which can be an important tool for dealing with extreme market events (fat tails). We are continually assessing new investment opportunities and have consistently demonstrated that Perpetual is at the cutting edge of research, without compromising our prudent approach to investing.

We invest in securities/assets that achieve our desired characteristics. We can invest in;

- Perpetual Funds
- Externally managed funds
- ETFs
- Exchange traded and over-the-counter derivatives
- Direct securities

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We consider the cost/benefit of various implementation options. The cost of each option can vary over time, so we remain flexible and respond to changes in market conditions. Costs may vary due to:

- Regulation and bank balance sheet availability
Credit risk and market sentiment
- Flows, competition and product innovation

Research IP Opinion:

The asset allocation framework is a central component of the Manager's decision-making process. Although the framework remains relatively stable, it differs from traditional strategic asset allocation approaches. Instead, the portfolio is structured around four defined quadrants, which anchor the overall investment process. Research IP notes that this is an uncommon methodology within the multi-asset universe, and Perpetual has developed an effective and disciplined process around it.

The four quadrants are:

- Inflation protection
- Return seeking
- Diversifying opportunities
- Downside protection

The relative attractiveness of each quadrant is assessed continuously and naturally shifts throughout the economic cycle.

The Manager demonstrates strong awareness of macroeconomic and market dynamics—such as inflation—and has broad flexibility in allocating assets. This allows the portfolio to be reoriented toward exposures that may offset potential increases in discount rates.

Convexity also plays an important role in the investment process. While convexity traditionally describes how a bond's duration changes as interest rates move, the Manager extends this concept to equity exposures, particularly dividend-paying stocks, which can behave similarly to higher-paying bonds.

Although the team's diverse experience fosters robust discussion and debate, all final portfolio decisions are made by O'Dea. The portfolio is not managed by committee; responsibility and accountability sit squarely together.

What are the key drivers of the Fund's performance?

Manager Statement:

The primary drivers of return over a full market cycle include:

- A diversified mix of traditional market exposures (equities, credit, property etc.)
- Asset allocation alpha
- Stock selection alpha
- Relative value opportunities between markets and in FX, and
- Alternative risk premia

In managing the Diversified Real Return Fund, we believe it is important to separate what you can know from that which is unknowable.

We know the following:

- The investment objective is inflation plus 5% over rolling 5-year periods while controlling
- downside risk -- the investment process is built around that objective.
- The price you pay is the largest determinant of future returns. By being disciplined about
- not overpaying it helps to remove negative convexity from the portfolio.

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- However, we also know that value, by itself, is a poor timing signal. The economic cycle, changes in liquidity (policy responses) and market sentiment/momentum are used to complement value as a timing signal.
- Convexity management to protect portfolio left tail events and benefit from the volatility of markets is not alpha per se, but there is skill in the implementation of the strategy.
 - Cross asset class hedging
 - Optimising cost versus reliability (basis risk) and convexity
 - Managing the journey – locking in profits

Research IP Opinion:

According to the *Fundamental Law of Active Management* (Richard Grinold and Ronald Kahn, 1989), the success of active portfolio management depends heavily on a balance between the quality of skill (depth) and the breadth of opportunities in which that skill can be applied. Managers should strive to enhance both to deliver superior outcomes. In Research IP's view, Perpetual has made meaningful progress in expanding its breadth of opportunity.

The Manager has a wide range of levers available to help drive returns towards the Fund's objective. These levers span many asset types and are influenced by the point in the market cycle and, importantly, by the Manager's assessment of potential scenarios.

Unlike a traditional balanced fund, the Manager can allocate to a variety of assets typically classified as 'alternatives' to support return generation. These may include unlisted property, active foreign exchange positions, commodities, or emerging market debt. The breadth of the asset allocation ranges provides flexibility to utilise a diverse set of instruments.

Equity allocation has historically been an important driver of returns, with a notable value tilt. However, as the market cycle matures, the Manager is less inclined to rely on equities as the primary source of performance. The Fund maintains a substantial allocation to alternatives and remains attentive to duration risk in the event of rising yields. Having said that, the Manager retains conviction in the fund's tilt to defensive equities which they currently believe offer better value than US credit.

The Manager's focus on downside protection and flexible asset allocation also contributes to return generation. By actively seeking the most appropriate areas to deploy risk, the Manager aims to position the portfolio to recover effectively from market declines.

What are the risks / adverse outcomes that could arise from investing in this Fund?

Manager Statement:

Our approach to avoid negative convexity and build in positive convexity is repeatable:

- It exploits a key bias of many market participants to generate income by embracing negative convexity. This bias shows no signs of abating.
- It is the common philosophy underpinning each key member of the team and has been used in different guises throughout each of our careers.
- Embedding humility into the process and a focus on margin of safety when it comes to expectations of future outcomes.
- Have a framework to make an informed judgement when it comes to cost, convexity and reliability of strategies managing left-tail risks.

The two key risks of our approach are:

1. Lack of participation in a bull market may lead to peer relative underperformance. Clients could switch to investments that delivered higher historical returns at the wrong point in the cycle.
2. Not having sufficient portfolio protection in place during a bear market. This could be due to a combination of portfolio protection being too expensive to hold, at a time when a left tail event occurs.

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While you can never completely rule out luck, you can improve the distribution of outcomes by focusing on what you do know being disciplined around price paid and employing a variety of strategies to manage left tail risks.

Research IP Opinion:

Given the diverse nature of the fund and the underlying investments, overall downside risk is limited. The main risk is one of not meeting the fund's objective.

The Manager has a strong focus on downside protection, with this in mind there may be periods where the portfolio's ability to generate returns consistent with its performance objective may be limited, while the manager focuses on protecting capital. Effectively balancing these risks over the investment horizon will be critical to achieving the CPI + 5% return goal.

Additionally, while there is key-person risk associated with O'Dea, this is mitigated by two factors: (1) a well-structured portfolio construction framework and implementation process, and (2) a highly experienced investment team whose overlapping responsibilities and smaller-team structure support cohesion and continuity.

What is the justification for the fees and costs that are charged?

Manager Statement:

Please refer to the [Perpetual Investment Funds PDS](#) – page 39 for fees and costs explanations.

The total ongoing annual fees and costs for each Fund comprises of Management fees and costs, performance fees (if any) and Transaction costs. Management costs

We receive management fees for managing your investments in the Fund which includes providing administration and custodian services for further details on management fees. Fees are reviewed annually, and we compare our fees with key competitors.

Management costs may be charged directly to a Fund and/or incurred indirectly in underlying funds. Management costs may include:

- operating expenses incurred in the proper performance of our duties and obligations relating to the management and administration of the Funds;
- other indirect management costs, which may be incurred from investing in derivatives in the fund or an underlying fund, and costs from underlying funds, e.g., management fees and expense recoveries of the underlying fund.

Research IP Opinion:

Research IP considers the Manager to be transparent on fees, with clear and comprehensive disclosure in the PDS.

Research IP highlights the distinct fee structures for Class W and Class Z. The Class Z performance fee is well designed, particularly when viewed alongside the lower base management fee (0.35%) and the annual performance fee cap of 1.00%. Nonetheless, such a structure involves a trade-off between maximising upside potential and preserving investor capital.

The buy/sell spread is appropriate given the active nature of the strategy and the associated transaction costs as investors enter or exit the Fund.

Research IP notes that the management fees for both Class W and Class Z sit in the lower half of the peer group of balanced diversified funds, making them reasonably competitive.

Research IP also notes that the performance fee hurdle is set at the median target inflation rate (currently 2.5%), used as a proxy for CPI. However, CPI has been materially higher than this for several years. The Fund's target alpha of 5.00%

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p.a. is not added to the hurdle, resulting in a relatively low performance threshold. This is partially offset by the 1.00% performance fee cap, which is both uncommon and favourable for investors.

Describe the governance processes for managing organisational and investment decisions.

Manager Statement:

Perpetual uses Charles River as its investment management system and compliance monitoring tool across all asset classes. Portfolio risk is monitored by the entire investment team using Charles River for pre-trade compliance for listed securities, and our proprietary risk budgeting model.

The portfolio manager uses both an internal risk budgeting model and an external risk model (FactSet Multi Asset Class Risk Model) to measure the alignment of the risk exposures of mandates as closely as possible given the objectives and investment restrictions.

Perpetual has a dedicated Compliance team which sits within the Chief Risk Office. Perpetual's Chief Risk Officer is responsible for Perpetual's enterprise risk management approach towards the efficient and effective governance of Significant risks, including compliance risk. The Group Compliance and Risk Teams are operationally independent teams that have direct and unfettered access to the Perpetual Investment Management Limited (PIML) Board and Compliance Committee.

In addition, our investment compliance and investment administration teams as well as our custodian, ensure the portfolio remains within its stated investment limits. The Investment Governance Forum (IGF) also monitors and oversees the investment decisions on a monthly basis and is responsible for risk oversight. The IGF can instruct the portfolio management team to reduce undesired risks if it so decided.

Research IP Opinion:

Perpetual has transitioned from ThinkFolio to Charles River, reducing the amount of double-handling and manual data entry within its portfolio management systems. This change should lower the likelihood of errors and minimise unnecessary duplication and validation. Research IP considers these steps to streamline processes and reduce operational risk both logical and important.

Decision-making at the portfolio level is supported by a blend of qualitative debate and predictive data presented through the team's market dashboard. The 90-plus-page pack is reviewed at weekly investment team meetings. This iterative process enables the Manager to track how data evolves over time and evaluate its implications for the return and risk characteristics of portfolio assets.

The team documents the rationale for portfolio positions, with minutes taken during discussions. O'Dea makes the final decisions and retains overall accountability for the portfolio.

The proprietary risk model developed by the Manager is advantageous due to its deep familiarity within the team, who built it themselves. It allows clear separation of alpha from beta within the portfolio. This is supplemented by FactSet's risk attribution model, which together provide valuable feedback loops.

Perpetual maintains a clear, effective, and transparent Risk Management Framework across the business.

Describe how the Manager implements ESG, Corporate Sustainability policies and engagement.

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Manager Statement:

Listed Equities – Active

When deciding whether to buy, retain or sell an investment, PAMA's investment managers consider those ESG risks that are relevant and material to the prospects of the investment. Our approach is detailed in PAMA's Responsible Investment (RI) Policy.

Listed Equities – Passive and Smart Beta

No ESG integration applies to these strategies.

Domestic Credit

Consistent with our RI Policy, we consider material ESG factors as part of our bottom-up credit analysis. We view ESG factors the same as other risk factors and evaluate their materiality on our investment rationale.

Other Asset Classes

Where we outsource to external managers, we do consider aspects of ESG in our due diligence process. However, our ability to integrate ESG into these asset classes may be limited due to the use of externally managed pooled vehicles and the absence of well-developed ESG integration standards in certain asset classes such as global credit, infrastructure and unlisted assets. We do, however, consider country/market (geography) allocation risk issues, such as the governance (i.e. an ESG) risk in investing in emerging or frontier markets.

Tactical Asset Allocation (TAA)

Integrating ESG concepts (which tend to be long-term) into TAA decision-making (which is normally medium-term) is very difficult. Implementation issues (for example via derivatives) are typically via market cap indices.

Research IP Opinion:

Perpetual has incorporated ESG considerations into its investment process for more than a decade. ESG integration is most relevant to the actively listed equity holdings, where the Manager draws on several external ESG research providers and tools to inform decision-making.

Perpetual's proxy voting record is publicly available on its website, and voting decisions are applied consistently across all equity holdings within its various portfolios. However, these voting practices do not directly extend to multi-asset funds such as this one.

ESG factors are also incorporated into the assessment of domestic credit investments as part of the Manager's risk evaluation.

ESG integration across other asset classes is more limited and less standardised, reducing its overall applicability.

Perpetual's ESG approach centres on materiality and long-term investment assessment, aligning with its value-driven philosophy and focus on risk management. No negative screens are applied to the portfolio.

Research IP notes that with the merger of the Pandal business, the team now has access to the resources of Regnan. The team also runs an ESG version of this strategy (Perpetual ESG Real Return Fund), which has specific exclusions and screens applied.

How does the ownership of the Manager and the compensation of the investment team align with the investors' interests?

Manager Statement:

Structure of asset manager incentive schemes

- Remuneration arrangements for more senior asset managers are typically structured to recognise and reward growth and retention of revenue or manageable profit of the strategies they support. In some instances, this results in an agreed revenue or pre-bonus profit-sharing rate between Perpetual and the asset manager or team.
- Incentive arrangements within certain boutiques are funded based on the financial performance of the boutique. In some instances, adjustments are also made for investment performance, growth goals and other strategic focus areas (including risk overlays).
- For research roles and analysts, individual performance is generally assessed with reference to stock recommendations, attribution to performance, and ultimate investment performance against agreed investment targets, measured over a range of time horizons.
- Some funds attract performance fees. In the event an investment strategy exceeds a predetermined performance hurdle for a specific fund over the measurement period (generally over either a 6 or 12-month period) a performance fee is paid by the client. In some instances, the performance fee is shared between the asset management team and Perpetual.

Deferral/LTI arrangements

- Generally, asset managers have a portion of their variable remuneration awarded as either deferred short term incentives (STI) or long-term incentives (LTI) each year. This cycle of rolling awards ensures retention arrangements are in place and avoids cliff vesting events.
- For most asset managers, deferred incentives can be invested into either Company equity or units in funds that they are responsible for, further aligning asset managers to client outcomes and shareholder interests.

Research IP Opinion:

There is an effective balance of incentives that helps align the interests of investors with those of the portfolio manager and investment team.

While staff ownership within Perpetual supports alignment between the business and its investors, Research IP considers the more meaningful factor for investors to be the product's performance and the extent to which investment team remuneration is linked to that outcome. In this regard, having 75% of remuneration tied to performance is a positive feature. The use of deferred incentives is also appropriate given the Fund's long-term investment horizon and may help support team stability over time.

Research IP believes that aligning the interests of the investment team, clients, and the firm can deliver several important benefits, including:

- When managers have "skin in the game", they are more likely to rigorously assess investment opportunities and closely monitor fund performance. This promotes prudent risk-taking and long-term value creation.
- Ownership of the firm's shares and funds fosters a partnership mindset among managers, clients, and shareholders, reinforcing shared objectives.
- Managers become accountable not only to external investors but also to themselves, strengthening commitment and responsible decision-making.
- Managers who invest in their own strategies typically adopt a long-term perspective, favouring sustainable growth over short-term gains.
- Alignment can support responsible investment behaviour, including consideration of ESG factors, recognising that decisions affect financial outcomes as well as broader social and environmental impacts.

Comment on assets under management, fund flow and capacity.

Manager Statement:

Overall FUM in the strategy was \$981.2 million as at 30 June 2025. Please refer to the FUM & Fees tab in the Quant Template for historical FUM and flow figures.

The Perpetual Multi Asset team is responsible for the following Perpetual strategies:

- Diversified Real Return
- ESG Real Return
- Balanced Growth
- Conservative Growth
- Diversified Growth
- Global Allocation Alpha

Following the Coming together of the Pandal and Perpetual Multi Asset teams in March 2024, the Tam also manages the following Pandal Strategies;

- Sustainable Balanced Fund
- Sustainable Conservative Fund
- Sustainable International Share Fund
- Active Conservative Fund
- Active Moderate Fund
- Active Balanced Fund
- Active Growth Fund
- Active High Growth Fund
- Multi Asset Target Return Fund
- Risk Parity Fund

We believe it is quite difficult to accurately calculate a hard capacity limit in dollar terms for any of our strategies. We regularly undertake a thorough review of capacity and can confirm ample capacity across all investment strategies.

Research IP Opinion:

Research IP notes there has been a drop in the Funds FUM, due to an asset allocation change by a single client. The FUM has reduced from \$1,200m down to \$981.2m. It is unlikely the Fund will encounter capacity issues given the current FUM of the overall strategy or the types and size of the underlying assets.

The types of assets and ways to access these are broad which is a positive. These include:

- Internal Funds
- Externally managed funds
- ETFs
- Exchange traded and over-the-counter (OTC) derivatives
- Direct securities

Year	Fund FUM	Gross Inflows	Gross Outflows	Net Flows	Strategy FUM
30/06/2025 (YTD)	\$583,265,339	\$34,469,368	-\$88,346,463	-\$53,877,095	\$981,243,695
31/12/2024	\$608,474,230	\$85,015,757	-\$299,815,161	-\$214,799,405	\$1,022,637,110
31/12/2023	\$798,458,049	\$146,345,016	-\$205,645,948	-\$59,300,932	\$1,244,025,992
31/12/2022	\$834,379,334	\$310,984,298	-\$174,782,511	\$136,201,787	\$1,242,511,947
31/12/2021	\$697,481,398	\$310,335,829	-\$186,522,390	\$123,813,439	\$990,315,628
31/12/2020	\$632,747,448	\$249,728,751	-\$146,900,814	\$102,827,937	\$721,526,355
31/12/2019	\$520,269,494	\$170,013,363	-\$93,426,633	\$76,586,731	\$623,093,796

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Research IP is a specialist investment research provider which is used and trusted by investors & financial advisers for investment, KiwiSaver, Superannuation and other Pension schemes throughout the Asia Pacific region.

Research IP has grown its team and footprint by utilising the specialist skills of its analysts which include;

- ❖ data scientists,
- ❖ equity, bond and alternative asset specialists
- ❖ portfolio managers
- ❖ asset allocation analysts
- ❖ and ratings specialists.

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By leveraging the skills of specialists, Research IP is able to provide innovative and tailored financial services solutions to the marketplace. Client focused outcomes are underpinned by the belief that the role of business model innovation and accelerating technological change opens up new possibilities, to put client interests at the centre of the financial services industry focus. We have strong philosophical alignment with John Hagel's work on the possibilities for "Disruption by Trusted Advisors" and John Kay's views in "Other People's Money: Masters of the Universe or Servants of the People".

Research IP delivers high quality quantitative and qualitative fund research to financial advisers and the broader financial services industry. Research IP works with a number of expert providers to source this data. Quantitative data is supplied by a variety of sources, including directly from the Fund Manager, while qualitative research is provided by Research IP.

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