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Performance report – December 2025 quarter

Perpetual Direct Australian Equities Responsible Investment Portfolio

Returns including dividends§	1 months	3 months	6 months	1 year
Responsible Investment model portfolio	0.60	-0.40	3.15	9.32
S&P/ASX 300 Index	1.37	-0.89	4.05	10.66
Excess return (model return above benchmark)	-0.77	0.49	-0.90	-1.34

§ Performance figures shown represent the performance of the Portfolio run on HUB24. All performance figures shown are net of investment management fees, but before administration fees, performance-based fees and taxes. Past performance is not indicative of future performance.

Returns including dividends^	3 years†	5 years†
Responsible Investment model portfolio	10.2	8.8
S&P/ASX 300 Index	11.4	9.8
Excess return (model return above benchmark)	-1.2	-1.0

^Performance figures shown represent the performance of the Portfolio run on Perpetual Wrap. All performance figures shown are gross of ongoing advice, administration, and transaction fees unless otherwise stated. Past performance is not indicative of future performance.

†Per annum, compounded.

The data presented in these tables represents the performance of two separate instances of the same Portfolio; on different platforms, under differing fee structures. This performance data is not intended to be used as a comparison but is simply indicative of the performance of each distinct deployment of the Portfolio.

The December quarter

After a strong recovery post Donald Trump's shock tariff announcement in April 2025, the Australian stock market finished the final quarter of the calendar year on a softer note. The ASX300 index posted a total return of -0.9% in the December quarter but still managed a commendable 2025 calendar year total return of +10.7%. The Responsible Investment portfolio (RI) delivered a flat return in the quarter, outperforming the benchmark by 0.9%. For the year, the RI portfolio returned 10.4% being held back through the underperformance of CSL (-37%), and relative to the broader market by not holding any gold exposure as the metal rallied significantly in 2025 (~65%).

Australian equity returns petered out in the December quarter however, overall investor sentiment remained robust. By October, market valuations were looking lofty driven by strong global technology and artificial intelligence themes, the gold price having its best annual performance since 1979 taking the listed gold mining sector with it, and a resurgence of interest in

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Daniel holds the CFA Institute Certificate in ESG Investing.

CERTIFIED RESPONSIBLE INVESTMENT
CERTIFIED BY RIAA

The Perpetual Direct Australian Equities Responsible Investment Portfolio has been certified by the Responsible Investment Association Australasia according to the operational and disclosure practices required under the Responsible Investment Certification Program. See responsiblereturns.com.au for details[1].

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small and mid-sized companies (small-caps) which have been in a bear market for several years. When inflation came in 'hot' at 1% for the September quarter (announced in late October) this created the catalyst for a sharp (~7.5%) correction in Australian shares in November. While the market recovered around half of that fall by year end, it sparked a focus on valuation away from high growth, high PE multiple stocks and a push into late-cycle sectors such as Resources.

As it had for most of the year, macro and political issues dominated news flow and had some impact on the general trading of global markets. Saying that, the MSCI World index's growth moderated to 2.9% in the December quarter from 7% in the September quarter. Similarly, the Nasdaq (US technology stock index) moderated its growth to 2.6% in the December quarter as excitement over AI related stocks started to peak and the US interest rate cutting cycle commenced. This is relative to the hype in the September quarter around AI and the improved 'potential' for monetary easing which delivered 11.2% growth across the Nasdaq index. While markets continued to experience intermittent volatility, characterised by geo-politics and mixed economic signals which tested investor sentiment, the further 'melt-up' of gains across global markets in the December quarter was also supported by positive events such as Donald Trump's 20-point peace plan for the Gaza strip.

Beyond equity market performances in aggregate, another theme in the December quarter worth highlighting was a continuation of strong corporate news flow. This extended the period of share price volatility which we witnessed across the August reporting season through to the Annual General Meeting (AGM) season in October & November. Both positive and negative in nature, a couple of examples include a further earnings downgrade from **CSL** at its AGM (28 Nov) while on the flip side **Nick Scali** announced an increase to its FY26 earnings guidance in late December.

Investment outlook

Despite the strong rally in global equity markets over the course of calendar 2025, there remains a fair degree of uncertainty in part driven by ongoing trade tariff changes under President Trump. This persistent geopolitical risk has continued to push commodity prices higher, in particular gold, to record levels. Over the quarter, Europe and Australia penned trade deals with the US. The market is waiting on a deal between the US and China which is really the peak economic risk looking into the December quarter. Beyond these broader concerns, we expect the near-term movements in the Australian equity market will continue to be influenced by inflation data, as well as the pace of interest rate changes both domestically and globally. Domestically, the market welcomed the 25bp rate cut in August, which boosted interest rate sensitive sectors such as Consumer, REITS and small-caps.

While the global macro-economic outlook is uncertain with a broad economic slowdown likely if trade wars continue their current path, the Australian economic picture is relatively robust and somewhat insulated. We remain of the view that Australian macro-economics are in a reasonable position with strong levels of employment and inflation on the right trajectory given the RBA scope to provide support should it need to.

At a bottom-up micro-economic level, corporate Australia is well positioned with healthy balance sheets and a steady but likely improving consumer given tailwinds from recent RBA interest rate cuts. This was supported by a solid FY25 corporate reporting season, where despite rich valuation multiples (and as such high expectations into results), companies generally delivered solid earnings results and robust outlook commentary into FY26, demonstrating resilience amid heightened macroeconomic uncertainty. That said, the FY25 reporting period did go down as one of the most volatile on record (large share price moves up or down on result day), which brings about both challenges and opportunities. With this in mind, we continue to see the environment as very much a stock pickers market, an attractive setting for active bottom-up fundamental managers, such as Perpetual, to uncover opportunities and capitalise on market inefficiencies.

Portfolio strategy

We have retained a reasonable balance in our Portfolios across both defensive and cyclical style of companies, while always maintaining our philosophy of quality. This has been required to protect client portfolios from continued noise relating to global geo-politics (both positive and negative), and the uncertain direction of inflation (and thus the impacts from monetary policy).

In the December quarter, Australia's Reserve Bank (RBA) shifted its interest rate easing cycle to one of caution born from stubbornly high inflation and resulting in a likely 'holding' pattern for now. That leaves the cash rate at 3.60% after only 3 cuts of 0.25% each in 2025. The chance of the next interest rate move being 'up' is not insignificant, in our view. This shift in monetary policy direction has implications for the style of company revenue streams that we wish to be exposed to. To date, there has been a rapid shift towards 'late-cycle' sectors such as Resources which benefit from (or are more resistant to) higher inflation and interest rates. We are comfortable with our exposures to **Rio Tinto** (having initiated this position in April 2025, **South32** (which we added to in September 2025) and **IGO** (where lithium fundamentals have also turned positive independent of rates).

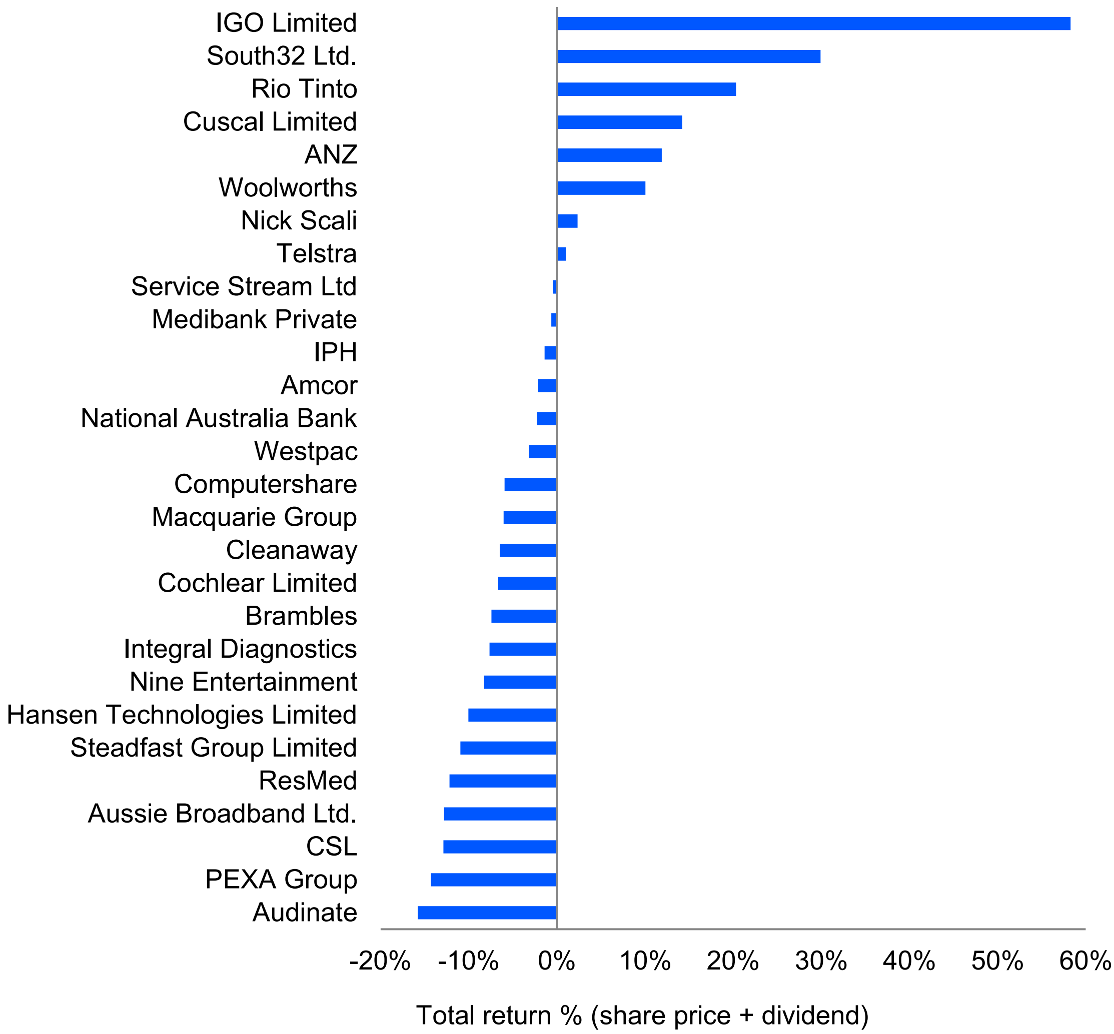
While being reasonably well balanced to face these ongoing fickle market winds, we nonetheless made some significant changes to the RI portfolio in the December quarter. These changes related to valuation drivers and risk positioning. Regarding valuation we took some profit in **Brambles** after a significant lift in its share price in 2025 (30%+) and placed those proceeds into a cheaper 'defensive' alternative, **Amcor**, reducing stock specific risk as well. We also reintroduced **Westpac Bank** into the portfolio following the final removal of regulatory penalties. To fund this, we reduced our positions in **ANZ Bank** and **NAB** which have both performed well over 2 years.

Due to a resurgence of interest in small-cap companies (driven partly by lower interest rates), the Direct Equity team have moved to beef up our exposure to ex-100 index stocks. In November we added **Service Stream (SSM)** to the portfolio and several other smaller companies are being investigated for potential inclusion.

Please ask for our Company Introductions from your Advisor to find out more around the investment case for portfolio inclusion.

We remain focused on finding long-term growth stories driven by the quality criteria that lie at the heart of our investment philosophy. Sustainable profitability, dominant market positions, conservative balance sheets and experienced management teams remain vital to the kind of medium-term outperformance that we are seeking to deliver. We continue to maintain concentrated portfolios of high conviction positions that reflect our best ideas at all times.

Figure 1: Responsible Investment model portfolio total return for the December 2025 quarter



Source: FactSet, December 2025. Past performance is not indicative of future performance. Holdings based on the Perpetual Wrap portfolio.

A Lithium Spring

As 2025 waned the global lithium market came back to life with prices rebounding sharply. Spodumene (the hardrock lithium mineral mined in Australia by IGO, Pilbara, Mineral Resources, Liontown and others) began the December quarter at US$800/t and rose 75% to ~US$1,400/t by the end of the year (Figure 2), taking equities prices with it (Figure 3). And the momentum has continued, by mid-January the price had topped US$2,000/t[1]. Fundamentals have driven this price recovery as consistently high demand growth caught up with and now exceeds supply. Remembering that it was substantial growth in supply that brought the price down in 2023. The lithium winter is over.

Figure 2: Spodumene Prices

Source: Jefferies, Bloomberg, 1 January 2025 – 1 January 2026. Past performance is not indicative of future performance.

Figure 3: ASX Lithium Equity Performance (2 years indexed)

Source: IRESS. Past performance is not indicative of future performance.

A Lithium Spring

Simplistically, the over-supply that occurred in 2023 has been worked through with demand now caught up to supply. In fact, demand is now outstripping supply with inventories of the commodity in China tightening, falling ~25% through the back half of 2025. EV demand has proven to be more resilient in the face of uncertainty from North America while demand from the stationary storage (ESS) market sector (grid- and home-scale batteries) has been a positive surprise. The ESS sector grew ~60% in 2025 and now constitutes a substantial (~25%) share of the battery market. Constructive fiscal policy announcements in China should keep battery demand strong into 2026. Finally on the supply side, China cancelled 27 lithium-related mining licenses in December which will reduce the industry's ability to rapidly respond to this buoyant demand profile.

IGO is our preferred Lithium investment

We first invested in IGO in 2023, topping up the position several times across the journey. Our last purchase was in the March quarter of 2025 when it was trading around $4.00 per share and we have enjoyed significant outperformance from it in the last year. Our initial investment thesis and continued holding of the company was due to our conviction in:

1. the medium- and long-term outlook for lithium
2. the economics of IGO's Greenbushes spodumene mine, which is the largest, longest-life, highest-grade and lowest-cost spodumene mine globally with excellent expansion options, and
3. IGO's strong balance sheet

In hindsight we entered the stock too early, but we were active in our holding and were able to add to our investment at rock-bottom prices. We are now enjoying the fruits of that conviction with IGO trading above $9.00 at the time of writing. We believe we are at the beginning of a new lithium bull market and expect it to run throughout 2026 given the positive demand/supply dynamics. We retain our conviction in our investment in IGO, expecting further capital growth and a return to potentially substantial dividends.

[1]Jefferies, China Spodumene Li_2O 6% min CIF and China Spodumene Concentrate CIF Index price data, USD/mt, Jan 2026.

Top 5 high-conviction holdings – as at 09/01/2026

Model portfolio stock	Relative weight‡ %	Holding weight %	Sector
IGO Limited (IGO)	+5.6	5.8	Metals & Mining
PEXA Group (PXA)	+4.4	4.5	Communications & Technology
South32 Ltd. (S32)	+3.8	4.4	Metals & Mining
Cuscal Limited (CCL)	+3.8	3.8	Non-bank Financials
Cleanaway (CWY)	+3.5	3.7	Industrials

‡Reflects portfolio manager conviction. Represents the percentage held above the stock's weight in the ASX 300 index. Weights based on Perpetual Wrap portfolio.

[1]The Responsible Investment Certification Program provides general advice only and does not take into account any person's objectives, financial situation, or needs. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Because of this, you should consider your own objectives, financial situation and needs and also consider the terms of any product disclosure document before making an investment decision. Certifications are current for 24 months and subject to change at any time.

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