Perpetual Asset Management Australia

INSTITUTIONAL UPDATE

October 2026

AUSTRALIAN EQUITIES STRATEGIES

The Australian equity market made modest progress in October, with the S&P/ASX 300 Accumulation Index returning 1.1% in a choppy month shaped by AGM trading updates, guidance revisions and quarterly production reports from miners against a backdrop of falling metals prices. Takeover activity was also a feature, including proposals for Cleanaway and Challenger, while the scrapping of Firmus's planned IPO weighed on data centre and AI infrastructure-linked names. Utilities (+9.3%) led sector gains, followed by Financials (+6.9%), as the major banks rebounded despite housing market weakness, supported by rotation out of Resources. Health Care (+5.6%) and Consumer Discretionary (+3.6%) also outperformed. Materials (–8.1%) was the clear laggard, entering bear market territory more than 20% below the August peak. Lithium stocks were among the weakest, with Vulcan Energy, Liontown, Pilbara Minerals, Elevra and IGO each falling more than 20%.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	1.9	1.3	7.3	5.6	5.7	10.3	6.3	8.2	8.3
S&P/ASX 300 Accumulation Index	1.1	0.3	4.3	3.1	7.8	13.2	7.7	8.0	9.3
Excess	+0.8	+1.1	+3.0	+2.5	-2.0	-2.9	-1.3	+0.2	-1.1
Perpetual Concentrated Equity Fund	1.9	1.8	8.3	6.0	6.7	10.8	8.0	8.2	9.0
S&P/ASX 300 Accumulation Index	1.1	0.3	4.3	3.1	7.8	13.2	7.7	8.0	9.3
Excess	+0.8	+1.5	+4.0	+2.9	-1.0	-2.4	+0.4	+0.2	-0.4
Perpetual ESG Australian Share Fund - Class A	2.3	4.5	14.5	5.4	7.8	13.2	7.9	10.5	9.0
S&P/ASX 300 Accumulation Index	1.1	0.3	4.3	3.1	7.8	13.2	7.7	8.0	9.3
Excess	+1.2	+4.2	+10.2	+2.3	+0.1	0.0	+0.2	+2.5	-0.3
Perpetual Pure Equity Alpha Fund – Class A	2.2	3.6	2.1	5.0	8.1	8.9	8.0	10.0	9.0
RBA Cash Rate Index	0.4	1.1	2.2	4.2	4.1	4.2	3.4	2.5	2.2
Excess	+1.8	+2.4	-0.2	+0.8	+4.0	+4.6	+4.6	+7.5	+6.8
Perpetual Share-Plus Long-Short Fund	2.8	2.5	4.4	4.7	7.4	12.2	9.7	10.4	10.5
S&P/ASX 300 Accumulation Index	1.1	0.3	4.3	3.1	7.8	13.2	7.7	8.0	9.3
Excess	+1.7	+2.2	+0.1	+1.6	-0.4	-1.0	+2.0	+2.4	+1.2
Perpetual Smaller Companies Fund	-1.7	0.7	2.9	-2.4	10.3	12.0	6.6	10.6	10.5
S&P/ASX Small Ordinaries Accumulation Index	-6.4	-3.9	-6.9	-14.4	2.6	10.0	0.6	4.1	5.9
Excess	+4.7	+4.6	+9.9	+12.0	+7.8	+2.0	+6.0	+6.6	+4.6
Perpetual Strategic Capital Fund - Class S	0.8	3.3	10.2	8.6	8.4	11.0	-	-	-
S&P/ASX 300 Accumulation Index	1.1	0.3	4.3	3.1	7.8	13.2	-	-	-
Excess	-0.3	+3.1	+5.9	+5.5	+0.6	-2.2	-	-	-

GLOBAL EQUITIES STRATEGIES

Global equities edged lower in October, but the index level masked one of the sharpest rotations of the year. The AI trade came under heavy pressure as the debate shifted from demand to financing, while energy, defensives and a broad swath of the market moved higher. Technology moved from shelter to source of weakness. Early scrutiny of frontier-model demand gave way to concerns about how the buildout will be funded, as credit stress at CoreWeave and Meta's signal that its capital needs could reach the hundreds of billions drove an eight-session losing streak in semiconductors. The market is increasingly questioning not whether AI demand exists, but whether the companies spending on it can earn an adequate return on that investment.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	-10.3	-5.7	6.9	23.9	29.3	22.8	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	-9.1	-5.6	1.2	6.1	16.5	18.1	-	-	-
Excess	-1.2	-0.1	+5.7	+17.8	+12.8	+4.8	-	-	-
Barrow Hanley Global Share Fund - Class A	1.8	1.3	8.5	12.7	14.6	16.4	12.9	13.8	14.3
MSCI World Net Total Return Index ($A)	-1.9	0.4	7.2	4.3	12.9	18.1	11.9	13.1	13.8
Excess	+3.7	+0.9	+1.3	+8.4	+1.7	-1.7	+0.9	+0.7	+0.4

CASH & FIXED INCOME STRATEGIES

Credit markets weakened in October as investors reassessed the sustainability of debt-funded AI investment and higher sovereign yields reduced risk appetite. The RBA's October Financial Stability Review identified stretched asset valuations, rising leverage and increasingly opaque long-term debt financing for AI investment as important global vulnerabilities. Technology and AI-exposed issuers came under pressure as investors focused more closely on the prospective returns from elevated capital expenditure. Government bonds rallied from early-month highs as risk sentiment softened, although volatility remained elevated and sovereign fiscal concerns continued to weigh on parts of Europe, particularly France.

The RBA did not meet in October, but inflation data and official commentary reinforced the risk of further tightening. The September CPI rose 0.8% over the month and 4.3% over the year, while trimmed mean inflation increased to 3.6%, confirming that price pressures remained broad-based and above the RBA's target. Domestic activity continued to soften, with housing conditions weakening and unemployment rising, but capacity pressures and higher fuel prices remained important inflation risks. Shortly after month end, the RBA increased the cash rate by 0.25% to 4.85%, citing elevated inflation, higher energy prices and stronger-than-expected investment, including data centre-related spending.

Credit spreads widened in October, led by hybrid and subordinated securities and issuers exposed to AI infrastructure financing Domestically, spreads drifted wider as elevated issuance added to dealer inventories and investors became increasingly price-sensitive. Securitised spreads were resilient during October although supply fatigue emerged towards the end of the month reflecting persistent elevated supply and a heavy pipeline of activity

Primary markets became more subdued in October, reflecting the approaching major-bank reporting season, weaker risk sentiment, macroeconomic uncertainty and bond-market volatility. The exception was securitisation markets with volumes continuing to track toward a record year.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.4	1.3	2.8	5.1	5.4	5.8	4.7	3.9	3.7
Bloomberg AusBond Bank Bill Index	0.4	1.1	2.2	4.1	4.1	4.2	3.4	2.5	2.3
Excess	0.0	+0.2	+0.5	+0.9	+1.3	+1.6	+1.3	+1.4	+1.4
Perpetual Credit Income Fund	0.3	1.2	3.3	6.2	6.5	7.6	5.9	5.1	5.0
Bloomberg AusBond Bank Bill Index	0.4	1.1	2.2	4.1	4.1	4.2	3.4	2.5	2.3
Excess	-0.1	+0.1	+1.1	+2.1	+2.4	+3.4	+2.5	+2.6	+2.7
Perpetual Active Fixed Interest Fund	1.2	0.0	2.5	0.8	4.3	5.9	2.0	1.4	2.8
Bloomberg AusBond Composite Index	1.2	0.1	2.2	0.4	3.4	4.6	1.0	0.5	1.8
Excess	+0.1	0.0	+0.2	+0.4	+0.9	+1.3	+1.0	+1.0	+1.0
Perpetual ESG Credit Income Fund- Class A	0.3	1.2	3.3	6.0	6.7	7.8	6.1	5.3	-
Bloomberg AusBond Bank Bill Index	0.4	1.1	2.2	4.1	4.1	4.2	3.4	2.5	-
Excess	-0.1	+0.1	+1.1	+1.8	+2.6	+3.6	+2.7	+2.8	-
Perpetual Pure Credit Alpha Fund - Class W	0.3	1.3	3.3	6.5	6.9	7.9	6.8	6.1	6.0
RBA Cash Rate Index	0.4	1.1	2.2	4.2	4.1	4.2	3.4	2.5	2.2
Excess	-0.1	+0.1	+1.0	+2.3	+2.8	+3.7	+3.4	+3.5	+3.8

MULTI-ASSET STRATEGIES

October was marked by a rotation out of crowded AI-related positioning and into value, defensive and energy sectors, alongside the first meaningful government bond rally in many months.
- Global equities (MSCI World -0.8%) and US equities (S&P 500 -0.9%) declined, but the headline masked a rotation beneath the surface. The MSCI World Value index rose +2.7% while the MSCI World Growth index fell -4.2%, and the equal-weighted S&P 500 (+5.0%) outperformed the cap-weighted index by almost six percentage points. Energy (+12.5%), consumer staples (+10.7%), health care (+9.8%) and utilities (+8.2%) led the advances, while IT (-6.9%) and communication services (-13.5%) lagged, with mega-cap technology stocks among the largest detractors.
- Japanese equities fell (TOPIX -3.5%) as semiconductor and AI supply-chain stocks sold off and the Bank of Japan signalled further tightening ahead.
- European equities also declined (Euro Stoxx 50 -2.1%), led by the banks as higher bond yields in France and Italy heightened sovereign risk concerns.
- UK equities were among the strongest major markets (FTSE 100 +1.3%), supported by a large weighting to energy and defensive sectors and limited exposure to the AI theme.
- Australian shares also outperformed their global peers, with the S&P/ASX 300 (+1.1%) rising as banks, utilities and health care led and investors rotated out of resources.
- Emerging markets (MSCI EM -7.4%) sold off heavily, with losses concentrated in technology-heavy Korea (-16.3%) and Taiwan (-5.7%). Chinese equities (MSCI China -7.2%) declined on weak domestic demand and intensifying competition, and Brazil (Bovespa -9.9%) reversed sharply after President Lula's unexpected run-off victory.
- Government bonds rallied strongly as investors sought diversification, reversing part of the third quarter's sell-off, with the notable exception of France, where the 10-year yield breached 5% for the first time since 2002.
- Commodities were mixed. Oil rose to a six-month high, following tanker attacks, Houthi strikes on Saudi infrastructure and reports of possible US strikes on Iran. Elsewhere, precious metals declined reflecting elevated real yields.

October saw a material change in market leadership as mega-cap technology stocks were impacted by concerns around AI capex. Since the US market peaked on 6 October, the ten largest AI-related stocks materially underperformed the remaining 490 stocks in the S&P 500 (-12.0%, -0.6% respectively) which remained resilient. While corporate earnings results were strong in aggregate, investors reacted poorly to hyperscaler results that paired record capital expenditure with slowing monetisation. With hyperscaler free cash flow set to turn deeply negative in 2027, the build-out increasingly depends on external capital, and stress in the debt of more leveraged 'neocloud' providers was an early warning sign. Corrections of this magnitude in the AI space have been common since late 2022 (seven in total) and this one has so far been orderly and confined to AI-related names. The signals we are watching are lower capex guidance, wider spreads on AI-related debt and private credit, and downward revisions to semiconductor earnings.

The concerns around AI-related stocks unfolded against a resilient macro backdrop. US third-quarter GDP grew at a 3.4% annualised pace, with private domestic final sales up 5.0% annualised, and euro area GDP grew +1.6% annualised over the quarter despite the energy shock, tighter financial conditions and political turbulence in France. French bonds sold off further, pushing the spread to German Bunds to its widest since the 2011-12 eurozone crisis, as social unrest, a divided parliament and the approaching 2027 election weighed on the

fiscal outlook.

Meanwhile, the US Federal Reserve held the federal funds target range at 3.75–4.0% in a 10-2 vote with both dissenters favouring a hike, upgraded its description of activity to 'strong' and retained a tightening bias. Fed Chair Warsh's comments that the economy is not overheating and that tighter financial conditions and improving productivity are having the desired effect saw markets trim the number of hikes priced for 2027. Our view remains that the roughly 50bps of 2027 Fed hikes priced by markets look too hawkish given US wage growth of around 3% and productivity growth above 2%, which leaves the US as the only major economy capable of returning core inflation to target without an extended period of sub-trend growth. The ECB held its deposit rate at 2.50% but openly debated a hike and is widely expected to tighten in December, while the Bank of Japan held at 1.25% and lifted its inflation forecast.

Domestically, inflation pressures continued to build. The September quarter trimmed mean CPI rose +1.0% over the quarter and +3.7% over the year, materially stronger than the Reserve Bank of Australia (RBA) had forecast, with headline inflation running above +4%. The RBA left the cash rate at 4.60% through October before lifting it by 25bps to 4.85% on 3 November, an 18-year high and the fifth hike of 2026. The RBA now expects trimmed mean inflation to remain above 3% for the coming year and not to return to the top of the target band until late 2027, citing higher fuel prices and tighter capacity. Unit labour costs are broadly in line with core inflation while productivity growth is weak, suggesting that further hikes may be necessary, or an extended period of sub-trend growth.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	1.4	0.8	5.8	6.5	8.2	9.9	7.1	8.1	8.2
Balanced Growth Index	0.1	-0.2	4.0	3.5	8.3	12.5	6.7	7.2	8.1
Excess	+1.3	+1.0	+1.8	+3.1	-0.1	-2.7	+0.4	+0.9	+0.1
Perpetual Diversified Growth Fund	1.4	0.6	4.9	5.3	7.3	8.6	5.9	6.4	6.8
Moderate Growth Index	0.3	-0.1	3.4	2.8	6.9	10.2	5.2	5.4	6.4
Excess	+1.0	+0.7	+1.5	+2.5	+0.4	-1.7	+0.7	+1.0	+0.4
Perpetual Diversified Real Return Fund - Class W	1.3	0.6	4.1	7.0	7.7	7.2	5.3	5.6	5.7
Australian CPI +5% (Target Objective) *							9.7	8.9	
Perpetual ESG Real Return Fund	0.3	0.9	4.9	4.7	6.2	6.2	3.1		
Australian CPI +5% (Target Objective) *							9.7		

Total returns shown have been calculated using gross performance and assuming reinvestment of distributions. No allowance has been made for fees or taxation. Past performance is not indicative of future performance. Due to rounding, the reported excess return may not precisely equal the difference between the reported Fund and Benchmark returns.

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* Due to CPI data being released by the Australian Bureau of Statistics later in the month after quarter end, CPI figures reported are lagged by one month.