

INSTITUTIONAL UPDATE

February 2026



AUSTRALIAN EQUITIES STRATEGIES

The S&P/ASX300 gained 3.9% in February, reaching new highs for a third consecutive monthly advance, leaving the market 9.7% above November lows. It was a two-speed market: large cap Materials and Financials led the charge, with the major banks delivering standout returns (CBA +16.8%, NAB +15.8%), while Technology continued its painful de-rating, now down 39.3% over six months as AI disruption fears lingered. Health Care lagged, dragged by CSL's weak earnings and abrupt CEO departure. The divergence between large and small cap was large, with the Top 20 stocks outperforming the Small Ordinaries Index by 10.5%, the largest cap since June 2013. Macro conditions tightened further, with the RBA hiking 25bp to 3.85% and flagging additional moves if inflation remains stubborn. January CPI surprised to the upside, with electricity costs surging as government rebates unwound. Labour markets stayed tight, keeping pressure on the board.

The global economic landscape in 2026 was starting to reflect a transition to broader, steady expansion. This expansion was no longer a "tech-only" story; instead, a significant sector rotation is underway. Investors have been pivoting from overextended growth stocks toward cyclical sectors - specifically Industrials, Materials, and Energy - which are benefiting from a synchronised global manufacturing uptick. This shift is also anchored by exceptional commodity strength. Copper's climb to record highs reflected this and Gold's sustained levels above US\$5,400 signal both industrial demand for the AI-driven grid build-out and a strategic hedge against persistent "higher-for-longer" yields and persistent inflation and USD debasement fears. However, the war in Iran introduces a major new uncertainty: if the conflict proves brief these trends may quickly resume, but a prolonged escalation or disruption to energy markets could materially alter the trajectory for global growth, inflation and markets.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	2.3	5.6	1.0	9.5	7.8	7.4	9.4	9.1	9.2
S&P/ASX 300 Accumulation Index	3.9	7.1	4.1	16.4	13.0	12.1	10.6	9.8	10.7
Excess	-1.6	-1.5	-3.0	-6.8	-5.2	-4.7	-1.3	-0.7	-1.5
Perpetual Concentrated Equity Fund	2.3	5.9	2.8	11.0	9.2	8.7	10.8	9.2	9.7
S&P/ASX 300 Accumulation Index	3.9	7.1	4.1	16.4	13.0	12.1	10.6	9.8	10.7
Excess	-1.5	-1.3	-1.3	-5.3	-3.7	-3.4	+0.1	-0.7	-1.0
Perpetual ESG Australian Share Fund - Class A	-1.6	-3.4	-6.9	2.4	6.1	9.1	9.7	10.2	9.4
S&P/ASX 300 Accumulation Index	3.9	7.1	4.1	16.4	13.0	12.1	10.6	9.8	10.7
Excess	-5.5	-10.6	-11.0	-14.0	-6.9	-3.1	-1.0	+0.3	-1.4
Perpetual Pure Equity Alpha Fund - Class A	-1.0	0.6	2.0	8.8	8.5	7.8	9.5	9.4	8.9
RBA Cash Rate Index	0.3	0.9	1.8	3.9	4.1	4.2	2.9	2.2	2.0
Excess	-1.3	-0.3	+0.2	+4.9	+4.3	+3.7	+6.7	+7.2	+6.8
Perpetual Share-Plus Long-Short Fund	1.6	4.9	1.8	11.7	9.5	10.0	12.4	11.2	11.1
S&P/ASX 300 Accumulation Index	3.9	7.1	4.1	16.4	13.0	12.1	10.6	9.8	10.7
Excess	-2.3	-2.3	-2.3	-4.7	-3.5	-2.1	+1.8	+1.4	+0.4
Perpetual Smaller Companies Fund	-2.0	1.4	6.2	25.7	15.9	11.7	11.7	12.7	12.6
S&P/ASX Small Ordinaries Accumulation Index	-2.6	1.5	5.4	23.0	14.9	12.5	6.6	7.3	9.1
Excess	+0.5	-0.1	+0.7	+2.6	+0.9	-0.8	+5.1	+5.4	+3.5
Perpetual Strategic Capital Fund - Class S	-1.3	-0.8	-4.9	5.4	5.7	-	-	-	-
S&P/ASX 300 Accumulation Index	3.9	7.1	4.1	16.4	13.0	-	-	-	-
Excess	-5.2	-7.9	-9.0	-11.0	-7.3	-	-	-	-

GLOBAL EQUITIES STRATEGIES

The rotation into value stocks that accelerated in January continued through February, albeit with greater regional divergence. While geopolitical uncertainty remained a consistent backdrop, February introduced another wave of instability: escalating US-Iran tensions, culminating in joint US-Israeli strikes on Iran beginning February 28. Because these events unfolded after global equity markets had closed for the month, the most significant oil price reaction—Brent and West Texas Intermediate crude both briefly rising into the low \$90s at the time of this writing—occurred in early March rather than impacting February month end pricing. Still, the prospect of a prolonged conflict and potential disruptions to the Strait of Hormuz added a new geopolitical risk premium heading into March. In the U.S., growth stocks lagged meaningfully, weighed down by weaker performance among the highest multiple names. Value again outperformed growth across most major regions, with the MSCI All Country World Value Index up 3.3% versus a decline of -0.9% for its Growth counterpart. The S&P 500 declined -0.8% in February, reflecting both softness in large cap growth and a rotation toward value oriented and cyclically exposed sectors. As markets transitioned into March, investors faced a more complex macro environment: persistent questions around global growth, elevated factor dispersion, and a rapidly evolving geopolitical landscape amplified by the Iran conflict's potential impact on global energy supply routes.

February broadly extended January's improving breadth and factor rotation: value continued to lead and participation widened beyond

mega cap technology, even as style and sector dispersion remained elevated. Monetary policy is still a modest tailwind—major European central banks left rates unchanged—while disinflation progress and stable liquidity conditions support a constructive backdrop for earnings and cash flow compounding. At the same time, we expect higher near term volatility: the war in Iran escalated at month end, with the larger move in oil unfolding after markets closed for February—a development that could add an energy “risk premium” and briefly challenge sentiment as March begins. Against this mix, our outlook remains balanced but positive: cyclical areas tied to industrial activity and energy security should continue to find support, while defensives with pricing power can help buffer drawdowns. Emerging markets remain a strong opportunity set—helped by pockets of policy stability and firmer commodities—though country and style differentiation remains. In our view, active management is well positioned to navigate the ongoing rotation, capitalize on valuation gaps created by volatility, and manage around the concentration risks inherent in the market as leadership continues to broaden and evolve.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	4.3	13.4	26.5	47.0	27.5	20.0	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	3.7	8.8	18.4	30.9	22.8	19.3	-	-	-
Excess	+0.6	+4.5	+8.1	+16.2	+4.7	+0.7	-	-	-
Barrow Hanley Global Share Fund - Class A	1.5	1.9	5.6	10.4	15.4	15.1	14.4	13.4	13.6
MSCI World Net Total Return Index (\$A)	-1.0	-4.5	0.7	5.9	13.2	18.4	14.3	13.5	13.3
Excess	+2.5	+6.3	+5.0	+4.5	+2.2	-3.3	+0.1	-0.1	+0.3

CASH & FIXED INCOME STRATEGIES

Credit spreads softened and equities saw elevated volatility as markets priced rising geopolitical tensions, concerns around private credit markets, US trade policy uncertainty and the impact of agentic AI disruption. Escalating tensions in the Middle East in the second half of the month saw oil prices rise sharply contributing to inflationary pressure. A US supreme court ruling overturning the Trump administration’s tariffs executed under the International Emergency Economic Powers Act was seen as supportive for growth and precipitated a rally in risk assets after fiscal concerns initially saw US bonds selloff.

Domestic bond yields rallied in February reflecting the broader risk-off sentiment, improving labour market data and in spite of persistently elevated headline inflation. The RBA raised the cash rate by 25bps to 3.85% in February, citing stronger than expected private demand and mounting capacity pressures as inflation accelerated into the second half of 2025. Headline inflation lifted to 3.6% however long-term breakeven inflation levels moved lower implying that the current elevated inflation is viewed as a short-term trend. Labour market conditions remained resilient, with unemployment steady at 4.1% and wages growth tracking expectations. At month end, another 0.25% rate hike was fully priced in for the first half of 2026.

Domestic credit spreads were mixed with spreads widening modestly in aggregate over the month. Domestic regional and major banks widened while offshore banks performed better, supported by robust corporate earnings results. Tier-2 domestic banks spreads underperformed as record volumes of subordinated and additional tier-1 hybrid issuance were ingested while secondary markets were busy with a spike in switching activity. In the US, investment-grade and high-yield spreads widened from their 10-year lows while private credit and liquidity mismatch concerns were highlighted by a prominent US manager halting redemptions for their retail fund.

Primary market issuance remained very strong in February. Subordinated bank issuance was prominent with Westpac (\$1.5B), Credit Agricole (\$1B), ANZ (\$1B), Macquarie (\$1.25B) & CBA (\$1.85 including a 20-year fixed rate bullet). This was supplemented by a new hybrid deal from UBS (\$1B) and senior issuance from Westpac (\$5.5B across multiple transactions), Credit Agricole (\$1.25B), DBS Bank (\$2B) & ING (\$2.25B).

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.3	1.2	2.5	5.4	5.9	6.0	4.2	3.8	3.6
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.2	4.1	2.8	2.2	2.1
Excess	+0.1	+0.3	+0.7	+1.5	+1.7	+1.9	+1.4	+1.5	+1.5
Perpetual Credit Income Fund	0.4	1.5	3.0	5.8	6.9	7.6	5.3	5.0	4.9
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.2	4.1	2.8	2.2	2.1
Excess	+0.1	+0.6	+1.2	+1.9	+2.8	+3.5	+2.5	+2.8	+2.8
Perpetual Active Fixed Interest Fund	0.9	0.7	0.4	4.3	5.1	5.2	1.6	2.3	3.0
Bloomberg AusBond Composite Index	0.9	0.5	0.0	3.1	3.7	3.6	0.6	1.3	1.9
Excess	0.0	+0.2	+0.4	+1.1	+1.5	+1.6	+1.0	+1.1	+1.1
Perpetual ESG Credit Income Fund- Class A	0.4	1.4	3.0	6.4	7.4	7.8	5.6	5.1	-
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.2	4.1	2.8	2.2	-
Excess	+0.1	+0.5	+1.2	+2.5	+3.3	+3.7	+2.8	+2.9	-
Perpetual Pure Credit Alpha Fund - Class W	0.5	1.9	3.7	6.9	7.9	8.5	6.6	6.1	6.3
RBA Cash Rate Index	0.3	0.9	1.8	3.9	4.1	4.2	2.9	2.2	2.0
Excess	+0.3	+1.0	+1.9	+3.1	+3.8	+4.3	+3.7	+3.9	+4.3

MULTI-ASSET STRATEGIES

Equities saw elevated volatility and credit spreads softened as markets priced rising geopolitical tensions, concerns around private credit markets, US trade policy uncertainty and the impact of agentic AI disruption.

- Global shares (+1.0%) ended the month higher with the broadening of investment returns seen in January continuing as Ex-US, small caps and value stocks and sectors outperformed their respective US, large cap and growth peers.

- US equities (-0.8%) underperformed the broader global market led by weakness in software and broader tech names as markets continued to price the disruptive impact of agentic AI on traditional enterprise software business models.

- European equities (+4.3%) advanced, benefiting from strengthening leading macro indicators and the ongoing rotation from US shares. The ECB remained on hold, with President Lagarde repeating the view that inflation is “in a good place”.
- UK equities (+7.0%) advanced strongly to a fresh record high as global investors rotated into healthcare and financials, basic materials, utilities and telecommunications. The Bank of England remained on hold but the latest inflation reading showed continued disinflation which saw market expectations for 2026 rate cuts firmed.
- Japanese equities (+10.4%) again led the pace of gains in developed markets reflecting anticipated pro-growth policies following the landslide victory of the LDP in the February election.
- Emerging market equities (+5.0%) outperformed developed markets, led by index heavyweights Korea and Taiwan.
- Australian Shares (+3.9%) performed strongly, in response to a fairly solid reporting season which sparked upgrades from analysts.
- Global bond yields fell over the month reflecting the broader risk-off tone as geopolitical tensions mounted. Australia 10-year yields rallied 15 bps while US 10-year yields fell 20bps and the curve flattened.

Geopolitical issues remained a key concern for markets over the month with escalating tensions between the US, Israel and Iran culminating in strikes commencing on the 28th of February. Hostilities commenced after markets had closed for the month however the action precipitated significant volatility in equity bond and commodity markets in early March. The team continues to monitor the situation in the region which remains fluid. The potential ramifications for the global economy are material with oil prices reacting to reduced activity in the Straits of Hormuz. Elevated oil prices have implications for headline inflation via energy prices, and to core inflation through transportation costs which every business endures.

The bear case for risk markets would be if oil prices were to rise sharply and remain elevated for the remainder of the year, thereby threatening the duration of the business cycle. The two 1970s oil shocks saw oil prices at least doubled with high prices persisting for over a year, but the global economy is today less oil price sensitive than it was 50 years ago. In the past 75 years, there have been 22 episodes of rising geopolitical tensions sparking elevated share market volatility, but in the 1/6/12 months post these occurrences, the S&P 500 has on average risen +2%/+6%/+8%, with only four episodes seeing greater than -10% losses and two-thirds of the episodes recording positive returns over the ensuing 12 months.

Though overshadowed by geopolitical developments by month end, February saw a key development in path of US trade policy. The US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the April 2025 “liberation day” tariffs. The decision has potential fiscal implications with reduced receipts and ~US\$175 billion in duties potentially subject to refunds contingent on litigation. While the administration has used Section 122 to reinstitute a 10% across the board tariff for 150 days, the Supreme Court’s ruling has complicated the Trump administration trade policy strategy, although several avenues remain open for the Administration to implement import taxes.

Meanwhile, the February FOMC minutes signalled a more hawkish tilt, with some policymakers indicating that further rate increases may be warranted if inflation does not ease. This shift reflects internal forecasts showing unemployment falling below its long-run sustainable level by year-end while inflation remains above the Federal Reserve’s 2% target.

February was witnessed rising concerns around loan quality in private credit markets. A US private credit manager was forced to change redemption terms on one of its retail funds highlighting the risks of liquidity mismatches and potential conflicts of interest arising from internal valuations. The initial spike in redemptions reflected rising concerns around SAAS (Software as a service) lending in the face of disruption from agentic AI. The event sparked a selloff in high yield credit and share price declines for listed managers. Meanwhile in the UK a specialist property finance lender MFS entered administration amid allegations of fraud with creditors and administrators citing double pledging of assets as collateral to secure financing. This highlights a systemic stress point within the industry and raises questions about poorly vetted security in other parts of the ecosystem. Contagion risk exists between private credit markets and the regulated banking sector, as poor collateral means banks are potentially levered in their private credit exposure. While illiquids can provide genuine diversification when return drivers are truly distinct, private markets are currently characterised by heavy capital inflows, elevated valuations, high transaction and implementation costs, and low visibility and transparency.

Equity markets were not immune from the anticipated impact of agentic AI. Market weakness during a volatile month reflected a shift in leadership as expectations for long-duration themes such as digital transformation and AI were reassessed after years of strong price gains, prompting capital to rotate toward companies, sectors and markets with more reasonable valuations and which are under-owned and have beatable EPS expectations. Technology remained a key laggard, with investors becoming more selective about which business models will genuinely benefit from AI. Higher-valued software and platform stocks underperformed, while hardware and semiconductor firms fared better, highlighting a preference for companies enabling AI adoption rather than those reliant on distant or uncertain benefits. 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.

Elsewhere, the RBA became only the second major central bank to raise rates this cycle, lifting the cash rate by 25 basis points at its February meeting. While further hikes have already been priced in for May in the line the Banks detailed forecasts contained in the Quarterly Statement of Monetary Policy, subsequent communication highlighted some uncertainty around the next policy move, but the impact of rising oil prices is set to add to the domestic inflation challenge. Economic data released over the month was mixed after a strong January, with declines in building approvals offset by an improvement in household spending. While the economy has improved growth momentum, the medium-term outlook remains tepid with zero real wages growth for the next few years, and an increasingly cautious corporate sector.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	1.4	2.9	3.4	9.5	8.8	8.5	8.7	8.4	8.5
Balanced Growth Index	1.7	2.4	3.1	10.8	10.9	11.6	8.4	8.2	8.6
Excess	-0.3	+0.5	+0.3	-1.2	-2.1	-3.1	+0.3	+0.2	-0.2
Perpetual Diversified Growth Fund	1.2	2.3	2.8	8.2	7.8	7.3	7.0	6.9	6.9
Moderate Growth Index	1.4	1.8	2.3	8.6	8.9	9.3	6.3	6.3	6.8
Excess	-0.2	+0.5	+0.5	-0.4	-1.1	-2.0	+0.7	+0.6	+0.2
Perpetual Diversified Real Return Fund - Class W	1.1	3.1	4.7	9.4	7.9	6.9	5.8	5.7	5.8
Australian CPI +5% (Target Objective)							9.5	8.6	
Perpetual ESG Real Return Fund	0.0	0.4	1.4	5.9	5.9	4.7			
Australian CPI +5% (Target Objective)							-	-	

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.

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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.