Perpetual Private

Perpetual

Performance report – September 2026 quarter

Perpetual Direct Australian Equities Responsible Investment Portfolio

Returns including dividends*	3 months^	1 year^	3 years^†	5 years^†
Responsible Investment model portfolio	1.0	-3.3	6.8	3.7
S&P/ASX 300 index	1.3	2.4	11.3	7.5
Excess return (model return above benchmark)	-0.3	-5.7	-4.6	-3.8

Past performance is not indicative of future performance. Performance figures show the total return of the model portfolio's stocks over the relevant periods.

*All performance figures shown are gross of ongoing advice, administration, and transaction fees unless otherwise stated. Typical fees associated with this portfolio, depending on the client type, may include: advice fee up to 1.1% p.a., administration fee up to 0.5% p.a., and transaction costs as incurred.

†Per annum, compounded.

The September quarter

Australian equities navigated a volatile September quarter characterised by whipsawing geopolitical tensions in the Middle East, Australian corporate reporting season, inflation prints, and reserve bank actions. Local markets begun the quarter strongly, on the back of renewed hopes of a ceasefire in the Iranian conflict. This rally sustained through August as corporate Australia reported a relatively solid reporting season supported by robust balance sheets, capital management initiatives and merger and acquisition (M&A) corporate activity. However, the quarter ended with a sharp, global sell off, as investors were unsettled by renewed tensions in the Middle East which lifted oil prices and raised concerns about a fresh inflation impulse. Further, global and local bond yields rose sharply, driving a 'risk off' sentiment across markets as investors grappled with the potential of higher-for-longer interest rates given stubbornly high inflation data. To that end, the RBA lifted cash rates by 25 basis points at the end of quarter to 4.60%.

Despite the volatility through the quarter, the ASX300 index posted a quarterly total return of 1.3%. The Perpetual Private Responsible Investing portfolio delivered a quarterly total return of 1.0% underperforming by 0.3% against the benchmark.

Our portfolio remains deliberately balanced, we continue to favour quality companies with durable earnings, pricing power and resilient balance sheets and remain cautious on rate-sensitive cyclicals and banks where valuations and earnings risk remain challenging.

Portfolio Manager



Daniel Nelson manages the Responsible Investment portfolio in Perpetual Private. Daniel is also the analyst responsible for research and advice on the Mining, Energy and Materials sector. Daniel joined Perpetual in 2011. He is a CFA charterholder and holds the CFA Institute Certificate in ESG Investing.

Daniel Nelson, CFA

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].

The quarter was characterised by sharp shifts in market sentiment. The period started strongly, with equity markets domestically and globally up through July, buoyed by improved sentiment on the back of renewed of hopes of a ceasefire emerging in the Iranian conflict. At the same time, enthusiasm around artificial intelligence (AI) continued to drive equity markets higher, and with it the broader technology sector rebounded strongly, resulting in an unwind of the 'SaaSpocalypse' sell-off.

This momentum continued through August as the busy FY26 reporting season proved to be slightly better than expected across the board, aided by robust company balance sheets, with capital management initiatives and or stronger dividends a common feature through the month. Furthermore, given the divergence of valuations across the market, there was a notable number of M&A announcements: private equity swooping in for beaten up value names in the Industrial sector such as Reliance Worldwide, Cleanaway Waste Management and Equity Trustees. Overall, Healthcare was the standout sector through reporting season, up more than 20%. The strong rebound followed months of declines as the most 'unloved sector' on the ASX. Unsurprisingly given ongoing noise around RBA cash rates, interest rate sensitive sectors such as Consumer Discretionary, REITS and Banks were the worst performing sectors.

Despite the solid reporting season, September was a very weak month for domestic and global equities, as renewed tensions in the Iranian Conflict lifted oil prices and reignited inflation concerns, unsettling investors. This trigged a sharp increase in bond yields, where remarkably 10 year US bond yields rose from ~4.4% to 5.3% in 6 weeks. Similarly Australian 10 year bond yields rose to ~5.4%, which is the highest level it has been for 15 years. To that end, given stubbornly high domestic inflation prints in recent months, the RBA lifted cash rates by a further 25 basis points to 4.6% at the end of September, marking its fourth rate increase this calendar year.

For our portfolios, the major sector calls have remained important. The overweight to Resources has continued to add value. Conversely, we retained an underweight to the Banks, reflecting elevated valuations, pressure from higher rates, budget-related housing uncertainty and the risk that earnings downgrades emerge as tighter financial conditions flow through to the economy.

Investment outlook

Stuck in the middle is an apt description of the Australian equities market. The domestic market has been trading sideways in a relatively narrow range for the last 5 quarters, since the June 2025 quarter's recovery that followed the President Trump's "Liberation Day" tariff announcement. Our index finished September firmly in the middle of this range, see Figure 1.

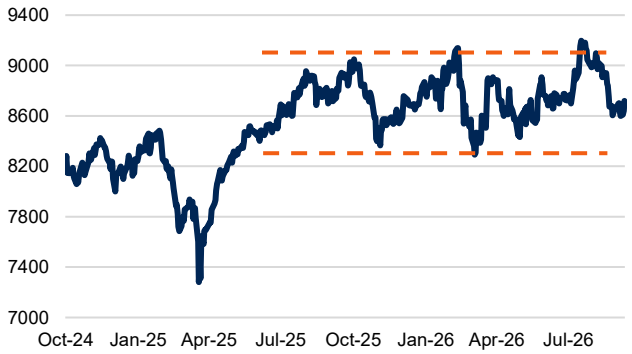
This middling position reflects the solid financial position of much of Corporate Australia, which was on display through August's Reporting Season, but an increasingly tepid earnings growth outlook driven by three dominant macroeconomic concerns: wars, inflation and interest rates. Given a middle of the range starting point, the short-term market direction is binary and data, mostly inflation, dependent. Higher, near-term inflation prints will increase the chances of more interest rates rises and could rapidly result in a pullback of the market, or could see the market back at the bottom of its recent range. Conversely, softer inflation prints could lead the market back to the top of the range, leaving the market finely balanced on new data prints. Absent a surprise event, we do not see the bounds of the recent range being meaningfully tested while current risks continue to linger.

At a portfolio level, we continue to favour companies with resilient demand, pricing power, strong cash generation and balance-sheet flexibility. We remain selective in Resources, favouring higher-quality exposures where the earnings outlook is supported by structural demand rather than purely spot-price momentum, and where a genuine all-in sustaining cost advantage exists. We remain cautious on Banks and interest-rate-sensitive cyclicals where valuations leave limited room for disappointment, and we continue to review underperforming holdings where the investment thesis or earnings visibility has deteriorated.

From a bottom-up level, corporate Australia appears well positioned overall, supported by generally healthy balance sheets and, in many cases, conservative capital structures. This provides

a buffer in a more volatile macro environment and supports continued investment, working-capital management and selective strategic opportunities.

Figure 1: ASX300 Index



Source: FactSet

Portfolio strategy

Our strategy remains centred on maintaining a balanced, high-conviction portfolio capable of participating in earnings-led market upside while protecting capital if macro volatility returns. Over the past year, the portfolio has benefited from positioning around the two largest sectors in the Australian market: an overweight to Materials and an underweight to Banks. This positioning has been deliberate. Resources have been supported by late-cycle dynamics, higher inflation, commodity demand and, increasingly, the AI infrastructure theme. While

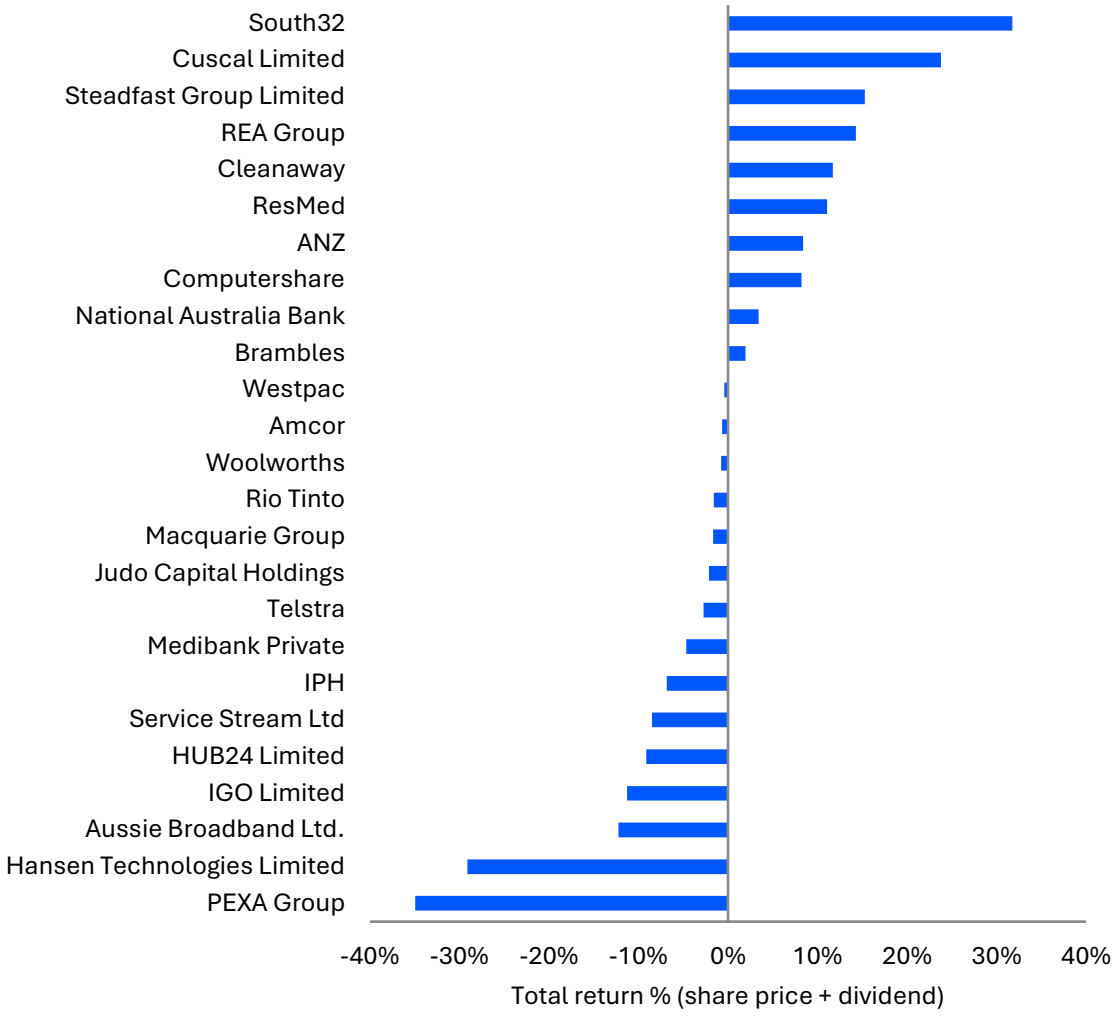
Banks have faced pressure from elevated valuations, a slowing housing-market backdrop and the risk that higher rates translate into earnings downgrades. Indeed, our underweight view on the banks paid dividends in the period, with our nil exposure to **Commonwealth Bank of Australia** contributing strongly to alpha as the share price fell 7% given its stretched valuation multiple and benign outlook.

Other key contributors to the RI portfolio over the quarter included **Steadfast** which was up 15% driven by the announcement of a reconfirmed intention to proceed with the takeover of the group by a private equity consortium. **Cuscal Limited** which was up 24% on the back of a strong FY26 financial result where earnings beat expectations and forward-looking guidance was upgraded by management. Furthermore, it was also announced that the stock will be added to the S&P ASX 300 index. Notwithstanding the significant rally in the share price since we participated in the IPO at $2.50 a share, we still see a lot of upside ahead for the company and so it remains a high conviction position in our portfolio.

Following the August reporting season, we took the opportunity to introduce **HUB24** to the portfolio, as value emerged in the share price despite it reporting a strong recent FY26 result which gave us more confidence in its medium- and long-term outlook. HUB24 has several high-quality traits as part of its investment thesis. In simple terms it has a sustainable, high-growth, and recurring revenue stream with a long runway of market depth opportunity. Furthermore, we also topped up portfolio positions (**Aussie Broadband**, **IPH Limited** and **Judo Bank**) where valuation became more attractive despite no change to our underlying investment thesis. These positions were funded from our exit of **Medibank Private**. While we continue to regard Medibank as a high-quality business with a defensive earnings profile, we believe the current share price more fully reflected these qualities and as such believe there is relative upside elsewhere in other ideas. We also trimmed our position in **Steadfast** and **Cuscal Limited** given its strong recent share price outperformance.

Overall, the portfolio has held up well in a challenging environment for active managers particularly given the headwinds facing quality exposures. We will continue to adapt portfolio settings to the market environment, but not at the expense of our investment philosophy: owning a concentrated portfolio of quality businesses where we have conviction of long-term earnings power (sustainable profitability), strong market positions, a robust balance sheet, and an experienced management team.

Figure 2: Responsible Investment model portfolio total return for the September 2026 quarter



Source: FactSet, September 2026. Past performance is not indicative of future performance.

Aussie Broadband: No worries, mate

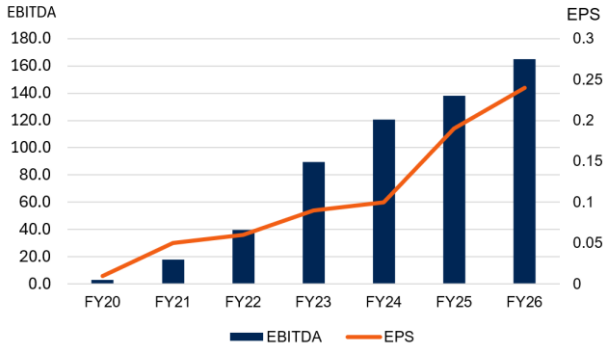
Aussie Broadband (ABB), whilst still a 'small cap' company which we hold in both the Wealth Accumulator (WA) and Responsible Investing (RI) portfolios is now firmly Australia's third largest NBN provider with 12.1% market share. This has been achieved on the back of strong organic market share gains in recent years as well as accretive bolt on acquisitions. FY26 in particular was a very strong year, given ABB started the year with ~8% market share. It is now third only behind large household NBN names in Telstra and TPG Telecom.

Aussie Broadband recently reported its FY26 result which, in our view, was a good set of numbers, demonstrating strong top line growth of 9.2% year over year (yoy) and operating leverage driving underlying earnings (EBITDA) growth of 19.6%. Furthermore, the final dividend came in above expectations, and an on-market share buyback of up to $115m was announced by the Board. Coupled with strong cash flow conversion and robust FY27 guidance implying 27% EBITDA growth yoy, ABB in our view reported a very good overall result amongst our portfolio stocks.

With this in mind, we were surprised to see weakness in its share price in the weeks subsequent to its FY26 result. This created an opportunity for us to top up our existing position in late September in what we believe is a compelling investment idea. What has driven the share price lower in recent months has been negative sentiment around the sector due to fears competitive intensity between the NBN providers is increasing. We see this as an overreaction by the market and given there has been no change to ABB's earnings growth profile, its price-to-earnings multiple has derated from ~16x in August to less than 12x now. It is important to note that ABB's long run historical multiple has been around 20x. Put another way, the fundamentals of the business have not changed, in fact it is likely seeing an acceleration in the coming years as the company is guiding to >30% earnings per share growth (EPS) to FY28, and yet investors can buy shares at a reasonable discount to where it was trading not long ago.

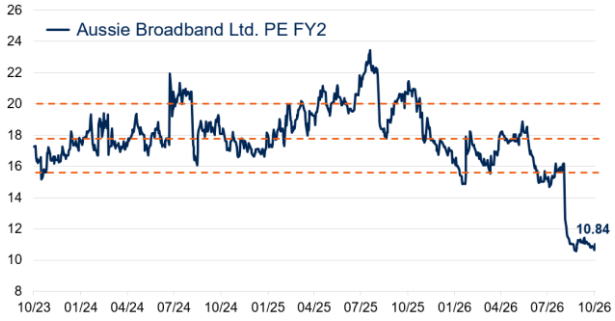
Overall, we believe the market has been too 'short term' focussed and forgotten about the strong fundamentals that ABB has delivered and is guiding to over the medium term. This is a company which has delivered >25% EPS growth over recent years and is guiding to >30% EPS growth in out to FY28. These growth rates are materially above the average ASX market levels and yet the stock trades on ~12x which is a materially discount to the market multiple of ~18x. Coupled with a strong balance sheet and an ongoing active share buyback where the Board have bought back over 40% of its $115m program since it commenced on 7th of September, signals that there is compelling value in ABB shares.

Figure 3: ABB EBITDA and EPS



Source: Company Data

Figure 4: ABB Forward Price to earnings multiple chart



Source: FactSet

Top 5 high-conviction holdings – as at 05/10/2026

Model portfolio stock	Relative weight‡ %	Holding weight %	Sector
Computershare Limited (CPU)	+4.5	5.3	Non-bank Financials
Cleanaway (CWY)	+4.5	4.7	Industrials
Macquarie Group (MQG)	+4.4	7.6	Non-bank Financials
Steadfast Group Limited (SDF)	+4.4	4.6	Non-bank Financials
ResMed Inc. (RMD)	+4.2	4.9	Health Care

‡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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