

INSTITUTIONAL UPDATE

May 2026



AUSTRALIAN EQUITIES STRATEGIES

Australian equities edged higher in May, with the S&P/ASX300 advancing +1.25% against a backdrop of geopolitical uncertainty and a pivotal domestic policy shift. The federal budget introduced significant changes to capital gains tax and negative gearing arrangements from July 2027, generating sector rotation and weighing on bank sentiment. Global markets continued to track developments in the Middle East, with oil price volatility an uncertain outlook a dominant driver of equity moves. On the macro side, the RBA raised the cash rate 25 basis points to 4.35%, citing persistent inflation pressures amplified by elevated oil prices. April employment data disappointed, with the unemployment rate rising to 4.5%, while headline CPI eased to 4.2% – aided by the government's fuel excise cut – though trimmed mean inflation ticked higher to 3.4%, keeping rate expectations unsettled through month end.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	2.3	-2.7	2.7	4.4	5.8	6.4	6.4	8.1	7.8
S&P/ASX 300 Accumulation Index	1.2	-4.0	2.8	7.0	10.1	11.0	7.9	8.4	9.1
Excess	+1.1	+1.3	-0.1	-2.6	-4.3	-4.6	-1.5	-0.3	-1.2
Perpetual Concentrated Equity Fund	1.8	-4.2	1.4	4.1	6.0	7.1	7.6	8.0	8.3
S&P/ASX 300 Accumulation Index	1.2	-4.0	2.8	7.0	10.1	11.0	7.9	8.4	9.1
Excess	+0.6	-0.2	-1.4	-2.9	-4.1	-3.9	-0.3	-0.4	-0.8
Perpetual ESG Australian Share Fund - Class A	0.9	-4.0	-7.3	-4.3	4.6	7.4	6.9	9.1	7.9
S&P/ASX 300 Accumulation Index	1.2	-4.0	2.8	7.0	10.1	11.0	7.9	8.4	9.1
Excess	-0.4	0.0	-10.1	-11.3	-5.4	-3.6	-1.1	+0.6	-1.2
Perpetual Pure Equity Alpha Fund - Class A	0.4	1.5	2.1	9.0	7.9	8.0	8.8	9.8	9.0
RBA Cash Rate Index	0.4	1.0	2.0	3.9	4.1	4.2	3.1	2.3	2.1
Excess	+0.1	+0.4	+0.1	+5.1	+3.7	+3.8	+5.7	+7.5	+7.0
Perpetual Share-Plus Long-Short Fund	1.5	-1.6	3.1	9.1	7.9	10.0	10.2	10.7	10.3
S&P/ASX 300 Accumulation Index	1.2	-4.0	2.8	7.0	10.1	11.0	7.9	8.4	9.1
Excess	+0.2	+2.4	+0.3	+2.1	-2.2	-0.9	+2.3	+2.3	+1.2
Perpetual Smaller Companies Fund	3.1	-5.2	-3.9	14.0	12.0	10.9	8.8	11.9	10.9
S&P/ASX Small Ordinaries Accumulation Index	2.0	-6.1	-4.7	11.2	10.5	10.6	4.0	6.0	7.1
Excess	+1.0	+1.0	+0.8	+2.7	+1.5	+0.2	+4.8	+5.9	+3.8
Perpetual Strategic Capital Fund - Class S	2.5	2.2	1.4	3.9	6.8	-	-	-	-
S&P/ASX 300 Accumulation Index	1.2	-4.0	2.8	7.0	10.1	-	-	-	-
Excess	+1.3	+6.2	-1.4	-3.2	-3.2	-	-	-	-

GLOBAL EQUITIES STRATEGIES

May extended the powerful risk-on environment that re-emerged in April, with global equities advancing further as investors continued to lean into earnings strength, resilient economic signals and, notably, persistent momentum in AI-linked sectors. What began in April as a sharp re-acceleration in growth and technology leadership carried through into May, with semiconductors and AI infrastructure beneficiaries again leading markets and, in many cases, posting outsized gains. The strength was both global and substantial. Outside the U.S., returns were positive but more mixed. Underneath the headline gains, May reinforced a key theme: equity markets remained highly responsive to forward-looking growth narratives rather than near-term macro uncertainty. While inflation concerns, policy uncertainty, and geopolitical developments remained present, these factors were again overshadowed by continued confidence in earnings durability and the scale of capital investment tied to AI.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	21.3	23.9	40.5	77.8	42.4	27.3	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	9.6	8.3	17.9	38.0	27.0	20.8	-	-	-
Excess	+11.7	+15.6	+22.6	+39.8	+15.5	+6.5	-	-	-
Barrow Hanley Global Share Fund - Class A	2.0	2.6	4.5	12.7	14.6	15.4	12.2	13.8	13.1
MSCI World Net Total Return Index (\$A)	4.5	6.3	1.5	14.0	15.8	17.7	13.6	14.3	13.2
Excess	-2.5	-3.7	+3.0	-1.4	-1.2	-2.3	-1.4	-0.5	-0.1

CASH & FIXED INCOME STRATEGIES

May proved a volatile month for global fixed income and credit markets, shaped by Middle Eastern geopolitics, elevated energy prices, and the question of how long central banks can hold their nerve against inflation. Risk assets including global equities pushed higher while credit spreads traded in a tight range.

The RBA delivered a widely anticipated third consecutive 25 basis point hike at its 5 May meeting, taking the cash rate back to 4.35%. April

employment declined by 18,600 jobs — against expectations for modest growth — pushing the unemployment rate up to 4.5%, above the RBA's own year-end forecast of 4.3%. The April monthly CPI indicator then showed headline inflation moderating from 4.6% to 4.2% annually, 0.2 percentage points below consensus, helped by a 7% fall in automotive fuel and a 20% drop in urban transport fares following government intervention. Together, the weaker labour market and softer inflation data saw markets wind back pricing for further near-term tightening. By Month end, rate hike expectations had fallen from two further hikes to less than one. Australian government bond yields fell over the month with the curve steepening as the front end led the rally.

Domestic credit spreads were resilient throughout May with the ITraxx Australia CDS index narrowing slightly while trading in a relatively tight range over the month. Major bank senior and regional covered bonds performed well. Corporate and nonbank financial hybrids and tier 2 subordinated bank debt remain well supported. Primary market demand is increasingly discerning with longer dated issues less liquid and energy price sensitive sectors softening slightly. US spreads performed well with IG and HY spreads tightening reflecting the broader risk on sentiment as markets anticipated a resolution to the US Iran conflict and resumption of transit through the strait of Hormuz.

Primary market activity was elevated in May with a number of deals across senior, tier 2 and additional tier 1 tranches pricing as issuance accelerated following bank earnings releases. ANZ (\$5B senior), Westpac (\$3B Senior) and NAB (\$2.5B Senior and \$1B Tier 2) printed deals following half year results. May saw an increase in kangaroo issuance as narrow spreads and resilient demand for AUD paper attracted offshore banks and non-financial corporates.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.5	1.2	2.4	5.3	5.6	6.0	4.3	3.8	3.6
Bloomberg AusBond Bank Bill Index	0.3	1.0	1.9	3.8	4.1	4.2	3.0	2.3	2.2
Excess	+0.2	+0.2	+0.5	+1.6	+1.5	+1.9	+1.3	+1.5	+1.5
Perpetual Credit Income Fund	0.6	1.8	3.3	7.1	6.6	7.8	5.5	5.1	4.9
Bloomberg AusBond Bank Bill Index	0.3	1.0	1.9	3.8	4.1	4.2	3.0	2.3	2.2
Excess	+0.3	+0.8	+1.4	+3.3	+2.5	+3.6	+2.4	+2.8	+2.7
Perpetual Active Fixed Interest Fund	1.7	0.2	0.9	2.2	5.2	4.5	1.3	1.7	2.8
Bloomberg AusBond Composite Index	1.6	0.2	0.7	1.3	4.0	3.0	0.3	0.7	1.8
Excess	+0.1	0.0	+0.2	+0.9	+1.1	+1.6	+1.0	+1.0	+1.0
Perpetual ESG Credit Income Fund- Class A	0.6	1.6	3.1	7.0	6.9	7.9	5.7	5.2	-
Bloomberg AusBond Bank Bill Index	0.3	1.0	1.9	3.8	4.1	4.2	3.0	2.3	-
Excess	+0.3	+0.6	+1.2	+3.2	+2.8	+3.7	+2.7	+2.9	-
Perpetual Pure Credit Alpha Fund - Class W	0.6	1.4	3.4	7.5	7.3	8.5	6.6	6.0	6.1
RBA Cash Rate Index	0.4	1.0	2.0	3.9	4.1	4.2	3.1	2.3	2.1
Excess	+0.2	+0.4	+1.4	+3.6	+3.2	+4.3	+3.5	+3.7	+4.0

MULTI-ASSET STRATEGIES

Global equity markets extended their gains in May. The AI-driven rally continued, while bond markets remained volatile as investors weighed the inflationary consequences of the Middle East conflict. Sentiment was negative in the first half of the month, as investors focused on the inflationary impact of higher oil prices, but the pessimism gave way to a strong risk-on tone in the second half reflecting positive geopolitical headlines and hopes that a ceasefire could be agreed to. Government bond yields, which have become closely tied to the oil price, fell as crude retreated, and global equities proved remarkably resilient to the macro backdrop.

- Global developed-market shares rose (+4.7%), led once again by the US, where the S&P 500 (+5.3%) and the Nasdaq (+8.4%) rallied strongly, underpinned by continued strength in AI and the broader technology supply chain. Notably, equity-market volatility remained low despite the uncertain geopolitical context.
- Japanese equities were among the strongest of the developed markets (+11.9%), supported by a weaker yen, robust AI-related demand and growing expectations of fiscal easing. Japan's market has now risen 32.7% since the start of the year which is double the performance of the US tech sector.
- European equities advanced (+3.7%) as easing trade tensions, improving economic sentiment and resilient corporate earnings boosted investor confidence and encouraged a rotation into cyclical sectors. These tailwinds outweighed the conformation from the European Central Bank that rates would likely be hiked at its June meeting given the sharp rise in European inflation over recent months.
- UK equities were again the clear laggard among major markets (+0.7%), as their high weighting of traditional defensive sectors such as energy, consumer staples and healthcare provided few avenues to benefit from the global rally in technology and other growth-oriented sectors.
- Australian shares (+1.3%) also underperformed their developed market peers. Resources led the market on the back of higher iron ore and copper prices, while the banks weighed on the index amid concerns that proposed changes to capital gains tax and negative gearing could pressure an already-softening housing market.
- Emerging markets again outperformed (+9.7%) powered by extraordinary gains in Taiwan and South Korea, where the global semiconductor and AI capital-expenditure boom continued to drive earnings upgrades and capital inflows. Chinese equities were a notable exception, with Hong Kong and mainland indices declining.
- Commodities ended lower overall, dragged down by oil (-16.9%) and gold (-2.1%), even as industrial metals such as copper (+7.8%) rallied.
- Global bond yields saw elevated volatility over the month with 10-year Australian (-23bps), UK (-20bps) & German (-10bps) yields falling. US 10-year yields (+5bps) rose marginally while the curve flattened, and the policy sensitive 2-year tenor (+13bps) increased a bit more as

markets priced out rate cut and partially priced in rate hikes by end-2026.

Geopolitics remained a key focus during May, with the Iran war driving sentiment. By month-end, optimism that a deal was close saw Brent crude fall around 19% to approximately US\$92 per barrel, its lowest level since mid-April. Even so, crude remains roughly 50% higher than where it started the year, and the risk premium embedded in the oil price has reset higher. With global oil inventories being drawn down each day and demand expected to rise over the Northern Hemisphere summer, there remains upside risk to the oil price should the Strait of Hormuz remain closed. Importantly, even if a deal is reached, restoring oil flows is expected to take several months to reach 80% of pre-war levels and around a year to fully normalise given the damage to infrastructure, meaning the inflationary impulse from energy is likely to linger. It is important to note, however, that the bar for an oil spike threatening the business cycle is high, given the development of large services industries, the world's reduced energy intensity, the strong state of global corporate balance sheets, and more diversified energy supply across regions and energy types.

The prospect of higher oil prices for longer has made central banks more wary of persistent inflation. The US Federal Reserve remained on hold, with the minutes of its May meeting read as hawkish; markets finally contemplated the possibility of a rate increase in late 2026 or early 2027 under Chair Kevin Warsh. Meanwhile, the European Central Bank is expected to raise rates at its June meeting, with some members arguing that policymakers can no longer “look through” the energy shock. Elsewhere, the Bank of Japan maintained a hawkish tone, and Japanese bond yields continued to rise, reflecting the combination of imported energy inflation and a reassessment of fiscal sustainability given Japan's large stockpile of debt and the government's desire to increase spending and lower taxes.

In Australia, the Reserve Bank raised the cash rate by 25 basis points to 4.35% in an 8-to-1 vote — a notably firmer split than the 5-to-4 decision in March — fully unwinding the prior year's easing cycle. The Governor signalled that the Board may now pause to assess how the conflict develops, and markets expect rates to be held in June with perhaps one further hike late in the year. The April monthly CPI indicator provided some relief, rising +4.2% year-on-year (softer than feared), though trimmed-mean inflation at +3.4% remains too high for the RBA, which projects a peak of 3.8% in the June quarter. Activity data was softer: the unemployment rate rose to 4.5% as employment fell, household spending declined 1.1% over the month, and the housing market weakened further, with prices falling in Sydney (-0.9%M) and Melbourne (-0.8%M) as proposed budget changes to capital gains tax and negative gearing adding to the uncertainty. Against a backdrop of weakening consumer and business confidence, the RBA will be balancing the risk of higher inflation against downside risks to growth and the labour market. While the economy has shown improved growth momentum in recent quarters, the medium-term outlook remains tepid, with zero real wages growth expected over the next few years and an increasingly cautious corporate sector as the impact of previous (and upcoming) rate hikes slowly filters through the economy.

Even as equity markets rallied strongly, market leadership remained narrow and growth-oriented, with the Russell 1000 Growth (+7.6%) again outpacing the value index (+3.3%) as investor appetite for companies leveraged to the AI investment cycle persisted, whether they made profits or not. Index concentration continued to build, with a small number of mega-cap names driving the bulk of returns. We continue to look for opportunities in companies and sectors with more reasonable valuations, strong balance sheets, and earnings that are beatable against modest consensus expectations, particularly where the AI-driven capital expenditure cycle may benefit industries beyond the technology sector itself.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	2.7	0.8	3.7	8.9	8.5	8.5	7.2	8.2	8.0
Balanced Growth Index	2.5	0.8	3.2	9.5	10.6	11.1	7.2	7.9	8.0
Excess	+0.1	-0.0	+0.5	-0.6	-2.2	-2.7	0.0	+0.3	-0.1
Perpetual Diversified Growth Fund	2.3	0.7	3.0	7.2	7.5	7.2	5.8	6.5	6.6
Moderate Growth Index	2.2	0.7	2.6	7.3	8.8	8.9	5.4	5.9	6.3
Excess	+0.1	-0.0	+0.4	-0.0	-1.2	-1.6	+0.4	+0.6	+0.2
Perpetual Diversified Real Return Fund - Class W	1.0	0.1	3.2	7.6	7.4	6.4	4.9	5.5	5.5
Australian CPI +5% (Target Objective)*							9.5	8.7	
Perpetual ESG Real Return Fund	1.4	0.4	0.7	4.0	6.0	4.6			
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.
