Perpetual Private

Perpetual

Performance report – September 2025 quarter

Perpetual Direct Australian Equities Responsible Investment Portfolio

Returns including dividends§	1 months	3 months	6 months	1 year
Responsible Investment model portfolio	-1.9%	3.6%	12.1%	4.9%
S&P/ASX 300 Index	-0.7%	5.0%	14.9%	10.8%
Excess return (model return above benchmark)	-1.2%	-1.4%	-2.8%	-5.9%

§ 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	12.4%	12.2%
S&P/ASX 300 Index	15.0%	12.9%
Excess return (model return above benchmark)	-2.6%	-0.7%

^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 September quarter

The Australian stock market rallied during the quarter, with the ASX300 index posting a total return of 5.0%, taking 1 year returns to 10.8%. Despite the ongoing sensitive geopolitical backdrop and the US government entering a 'shutdown' after failing to pass funding legislation in September, positive current market momentum is showing no signs of slowing down.

The Perpetual Private Responsible Investment Portfolio (RI) delivered a positive 3.6% return in the quarter, underperforming the benchmark by 1.4%. Markets have continued to climb higher, with much of the recent strong rally coming from smaller companies (small-caps). This has largely been fuelled by a robust August reporting season for small-caps, including positive trading updates aided by recent interest rate cuts which tend to have a disproportionately positive impact on small caps vis-à-vis large caps. Our investment approach, emphasising financial robustness and conservative leverage, continues to position us well to navigate ongoing market volatility.

Portfolio Manager

Daniel Nelson, CFA
Daniel holds the CFA Institute Certificate in ESG Investing.

Superior
SQM Research *

Available on HUB24

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].

Australian equity returns accelerated over the September quarter, supported by strong momentum in July and August before experiencing a softer September. Over the quarter, the ASX 300 index returned a strong 5.0%, bringing 1-year total returns to 10.8% which is well above historical annual return levels. That said, it is worth bearing in mind that small-caps have experienced a stronger run of late following a couple of years of underperformance relative to large-caps, with the ASX Small Ordinaries Accumulative Index rising 15.3% in the quarter.

Overall, the quarter got off to a strong start in July with investor sentiment buoyed by optimism around trade developments, positive US earnings and subsequent share price reactions followed the 25 basis point (bp) RBA rate cut domestically and robust FY25 reporting season in August. These gains were driven primarily by the Resources sector, in particular Gold and Lithium stocks and to a lesser extent Iron Ore, while the Consumer Discretionary sector also posted strong gains on the back of a strong FY25 reporting period and improved consumer outlook from the August cash rate cut. The key offsetting laggard in the quarter was the Healthcare sector, which was down ~10% driven by generally soft FY25 results and US Healthcare tariff noise.

Global equity markets were similarly strong over the quarter, with the MSCI World index up 8.1% and all major market indices delivering positive returns. The Nasdaq (US technology stock index) rose sharply by 11.4% as excitement over AI related stocks continued to build momentum and expectations that the US Federal Reserve would begin cutting interest rates (which it did in mid-September). That said, despite strong positive gains across major indices, markets continued to experience intermittent volatility, characterised by geopolitics, mixed economic signals testing investor sentiment and ongoing trade tensions.

Beyond equity market returns, there are some interesting underlying themes in the quarter worth highlighting. Firstly, as mentioned above, there is a clear resurgence in small-caps, with the ASX small ordinaries posting materially higher gains than large-caps over the past couple of quarters.

Precisely, the small ordinaries index, which tracks about 200 of the small to mid-cap stocks that are just outside the ASX 100 index, is up ~23% this calendar year (to 30 September), materially outperforming the ASX100 total return of 7.4%. Small-caps has underperformed for several years, and its resurgence this year has been driven by a number of factors including i) the RBA's rate cutting cycle which has a disproportionate tailwind for small-caps vis-à-vis large-caps, ii) a lower starting point valuation multiple, iii) small-caps having stronger growth outlook into FY26, and iv) the small-cap index having higher exposure to gold miners which are seeing share prices rally strongly on the back of record gold commodity prices.

The latter is a nice segue into the second theme which is the record gold price we are seeing at the moment. Gold is having its best annual performance since 1979, rallying over 45% year to date and hitting record highs above US$3,800 per ounce in September (and has since climbed higher in October). In our view, this surge has been driven by several factors, including expectations of further US rate cuts, geopolitical tensions, persistent inflation, and declining market confidence in US monetary/fiscal policy noting Gold's rise can be seen as a loss of trust in the value of the US dollar. What is fascinating though is that historically, gold has been a 'safe haven' hedge that investors turn to in a 'risk off' setting. However, this strong rally which began in back in 2024, has happened simultaneously alongside the current 3-year market rally in equities.

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.

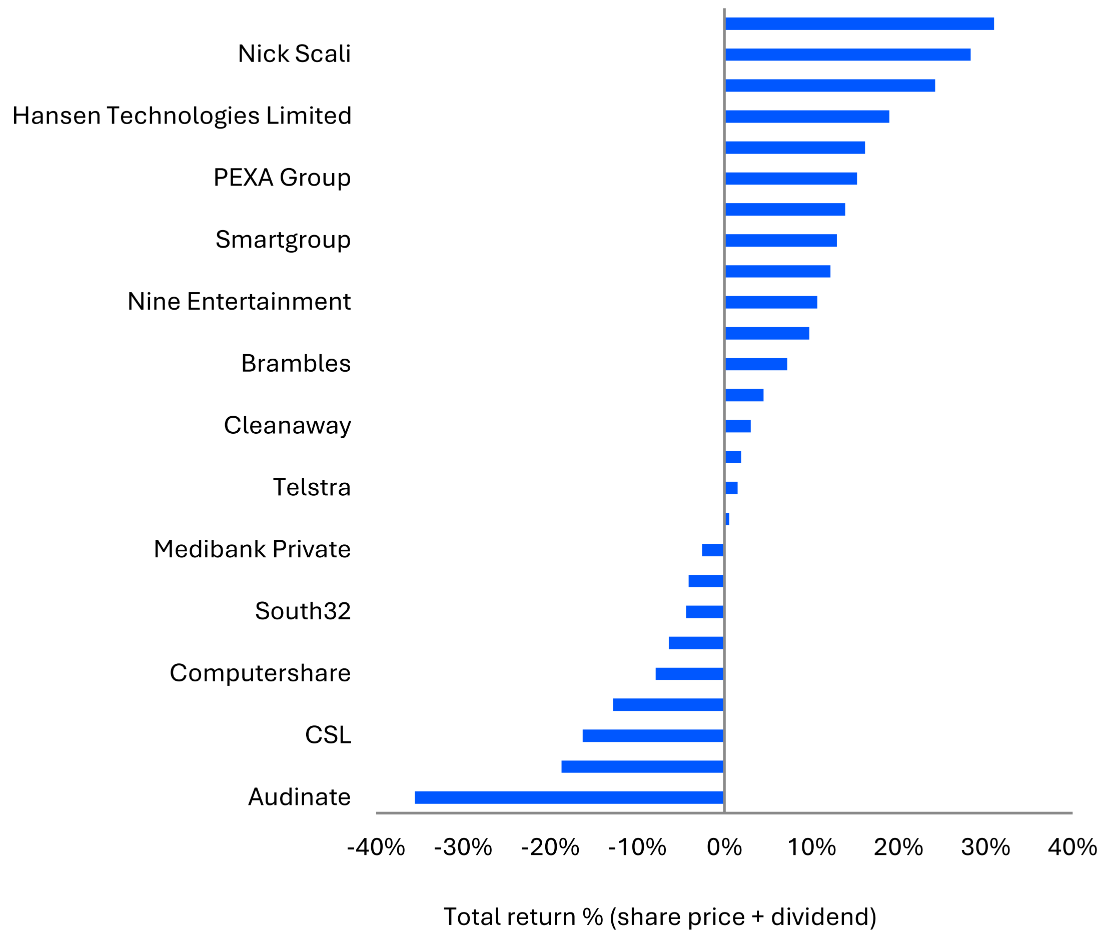
Portfolio strategy

Given the significant volatility through April, we observed some opportunities to invest in high quality names at more reasonable valuations, or to reset portfolio positions. The changes we made over the quarter took advantage of some of these mispriced stocks/opportunities and positioned the portfolio for where we see better medium-term relative value or more optimal portfolio risk setting.

In the June quarter, we have made a number of changes designed to reposition the portfolio following some significant share price volatility. The key changes including exiting **Suncorp** post its strong share price rally and redeploying this into a new position in **Woolworths Group** which provides the portfolio with quality defensive characteristics at a reasonable valuation. We have also trimmed positions across **Brambles, ResMed, Telstra, ANZ Banking Group,** and **National Australia Bank**, and used these proceeds to enter new positions in **Rio Tinto** and **Cochlear**. Finally, we have exited our position in **Webjet**, using proceeds to re-enter into **Nine Entertainment** as its valuation now looks attractive.

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 September 2025 quarter



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

Stock in spotlight

Aussie Broadband (ABB)

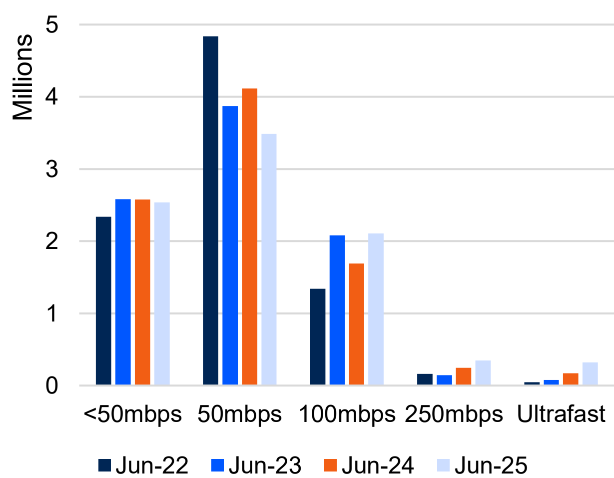
A new company which we have invested in during the quarter and are very excited about is Aussie Broadband (ABB). Despite having a relatively short corporate history (founded in 2003 and listed on ASX in 2020), ABB is a well-established, profitable business and has grown to now become Australia's fifth largest telco. The business delivers over $1.1b in revenues and is targeting to generate over $200m in underlying earnings by FY28. It is a great example of a home-grown success story, with its original founders still part of the business with skin in the game. Since the roll out of NBN co in 2020, ABB has consistently won market share from the incumbent providers (Telstra, Optus etc) and to that end now has 8.4% share of the NBN market as at June 2025.

ABB operates in a defensive industry given how essential internet/NBN access is to most households and corporates. The industry is going through both secular and structural growth, noting that the government owned NBN co is tasked with improving NBN household penetration in Australia as well as moving everyone towards higher speed plans.

All of which are tailwinds for 'challenger' brands like ABB as these government initiatives create further awareness around higher speed tier plans and customer churn. ABB stands to benefit from this given it has an outsized market share position across higher speed tiers.

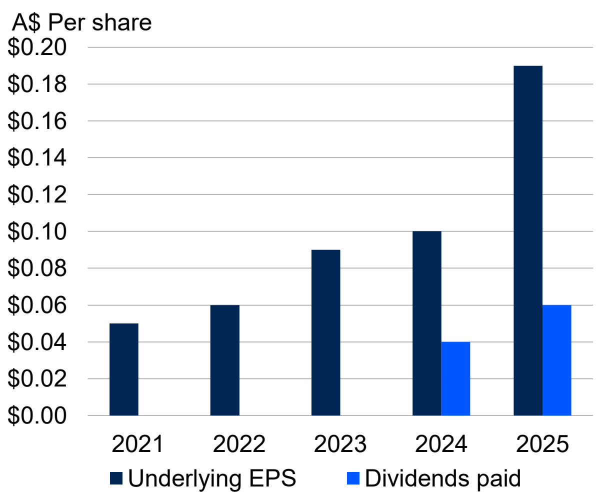
We view ABB as a very high-quality challenger telco which is leveraged to both secular and structural growth over the medium term. While ABB has delivered >30% compounded EPS growth since listing in 2020, we believe the coming years could see a further step up in these impressive growth rates given various industry tailwinds. With a strong management team and a robust balance sheet (and an active buyback), ABB trades on a very reasonable price to earnings multiple. While ABB shares have performed nicely since we initiated a position in our portfolio, we see this as a multi-year story given the significant churn opportunity over the coming years from low speed NBN plans to high speed.

Figure 2: Bulk of NBN plans in Aus are still 'low speed' (50mbps and below)



Source: NBNco

Figure 3: ABB earnings & dividend history



Source: Company

Top 5 high-conviction holdings – as at 17/10/2025

Model portfolio stock	Relative weight‡ %	Holding weight %	Sector
PEXA Group (PXA)	+5.0	5.1	Communications & Technology
National Australia Bank (NAB)	+4.8	9.5	Banks
ANZ Banking Group (ANZ)	+4.6	8.5	Banks
Brambles (BXB)	+4.1	5.3	Industrials
Cuscal (CCL)	+4.1	0.0	Non-bank Financials

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

More information

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