Perpetual Asset Management Australia

INSTITUTIONAL UPDATE

August 2025

AUSTRALIAN EQUITIES STRATEGIES

Australian equities advanced in August, with the ASX 200 gaining 3.16% to 9,019.45, its fifth consecutive monthly rise. The index briefly cracked the 9,000 mark for the first time on record before finishing the month just shy of that milestone. The gains came despite one of the most volatile reporting seasons in memory, where sharp swings in heavyweight stocks amplified market moves. High-profile downgrades at CSL, Woolworths, and James Hardie wiped billions from the index, while standout beats in retailers and select industrial names helped offset the gloom. Sector performance reflected these cross-currents. Materials (+9.4%) led the market, supported by diversified miners even as iron ore softened late in the month. Consumer Discretionary (+7.5%) and Staples (+2.5%) rallied on resilient retail earnings, while Real Estate (+4.7%) was buoyed by firm housing activity. Financials (+3.8%) remained a steady anchor, but Health Care (-12.9%) endured one of its sharpest reporting-season falls on record, with CSL's result triggering its steepest one-day decline since 1999. Communication Services (-7.7%) and Industrials (-4.5%) also lagged as earnings disappointed. Globally, sentiment was tested by U.S. policy developments. President Trump's renewed push for steep Federal Reserve rate cuts - and his attempts to dismiss a sitting governor - sparked concerns over central bank independence. Gold surged toward record highs, driving local producers sharply higher into month-end. While the broader market remained near all-time highs, the breadth of results underscored the risks of Australia's top-heavy index, where outsized moves in a handful of blue chips can shape overall performance. Dispersion in results underscored a market increasingly sensitive to earnings momentum and policy signals, leaving selective positioning critical heading into September.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	3.0	6.2	8.4	9.1	9.5	9.2	12.9	8.6	8.9
S&P/ASX 300 Accumulation Index	3.2	7.2	11.8	14.9	14.8	12.8	12.2	9.2	9.9
Excess	-0.2	-1.0	-3.4	-5.8	-5.3	-3.6	+0.7	-0.6	-0.9
Perpetual Concentrated Equity Fund	3.2	5.7	8.0	9.0	10.0	9.7	14.2	8.4	9.3
S&P/ASX 300 Accumulation Index	3.2	7.2	11.8	14.9	14.8	12.8	12.2	9.2	9.9
Excess	0.0	-1.4	-3.8	-5.9	-4.8	-3.1	+2.0	-0.7	-0.6
Perpetual ESG Australian Share Fund	3.4	7.2	10.0	14.9	14.0	12.9	15.9	10.2	10.5
S&P/ASX 300 Accumulation Index	3.2	7.2	11.8	14.9	14.8	12.8	12.2	9.2	9.9
Excess	+0.3	0.0	-1.9	0.0	-0.8	+0.1	+3.7	+1.1	+0.7
Perpetual Pure Equity Alpha Fund – Class A	3.7	5.2	6.6	13.7	10.4	8.3	11.7	10.0	9.1
RBA Cash Rate Index	0.3	1.0	2.0	4.2	4.3	4.0	2.5	2.1	1.9
Excess	+3.4	+4.3	+4.6	+9.5	+6.1	+4.3	+9.2	+7.9	+7.2
Perpetual Share-Plus Long-Short Fund	5.0	8.9	9.7	15.3	13.8	11.5	16.2	11.1	10.8
S&P/ASX 300 Accumulation Index	3.2	7.2	11.8	14.9	14.8	12.8	12.2	9.2	9.9
Excess	+1.9	+1.8	-2.1	+0.4	-1.0	-1.3	+4.0	+2.0	+1.0
Perpetual Smaller Companies Fund	9.6	13.2	18.4	22.8	12.7	9.6	14.5	11.5	12.3
S&P/ASX Small Ordinaries Accumulation Index	8.4	12.4	16.7	23.4	15.7	9.8	7.9	6.0	9.2
Excess	+1.2	+0.8	+1.7	-0.6	-3.0	-0.2	+6.6	+5.4	+3.1
Perpetual Strategic Capital Fund - Class S	2.6	6.9	10.8	12.9	-	-	-	-	-
S&P/ASX 300 Accumulation Index	3.2	7.2	11.8	14.9	-	-	-	-	-
Excess	-0.6	-0.3	-1.0	-2.0	-	-	-	-	-

GLOBAL EQUITIES STRATEGIES

The month of August extended familiar themes of persistent policy uncertainty, geopolitical tensions, and rapid economic data shifts. Despite these headwinds, global equity markets continued their upward trajectory, with the MSCI World Index rising 0.94%, a notable shift from recent months, value decisively outperformed growth, driven by strength in Europe and Japan. The MSCI World Value Index surged 3.59% versus 1.73% for growth—a 186 basis point spread that expanded year-to-date value outperformance to 218 basis points. The S&P 500 underperformed other developed markets but still posted a solid 2.03% gain. North American markets demonstrated resilience amid persistent tariff uncertainty, though a weak jobs report showing only 22,000 additions versus 75,000 expected marked a pivotal moment for monetary policy. Fed Chair Powell's dovish pivot at Jackson Hole prompted markets to assign nearly 100% probability to a September rate cut, with growing speculation of a 50 basis point move. The "One Big Beautiful Bill's" benefits remain nascent, though its tax cuts and enhanced CAPEX deductions should support growth into year-end. Trade tensions persisted, notably with punitive 50% tariffs on India following continued Russian oil purchases. Emerging markets delivered mixed performance, with Latin American strength—Brasil (+10.3%), Chile (+11.2%), Colombia (+12%)—offset by Asian weakness. China rebounded strongly (+4.9%) on stimulus measures and consumption recovery, while Taiwan (-0.9%), Korea (-1.9%), and India (-3.1%) declined. European markets outperformed expectations, with continental Europe (+3.4%) and the UK (+3.7%) advancing despite fragile fundamentals. August's value outperformance delivered broader market participation, with eight of eleven MSCI World sectors beating the index. Materials led gains, while Information Technology and Industrials lagged the rotation away from growth leadership.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	1.6	13.5	16.2	29.3	13.6	-	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	-0.4	7.6	10.6	21.1	15.3	-	-	-	-
Excess	+1.9	+5.8	+5.7	+8.2	-1.7	-	-	-	-
Barrow Hanley Global Share Fund - Class A	1.4	3.9	4.5	18.0	15.2	17.6	17.2	12.6	12.2
MSCI World Net Total Return Index ($A)	0.9	6.6	5.2	19.9	19.3	20.3	15.7	13.1	12.5
Excess	+0.5	-2.7	-0.7	-1.9	-4.2	-2.7	+1.5	-0.5	-0.3

CASH & FIXED INCOME STRATEGIES

Stronger than anticipated corporate earnings and continued monetary policy easing buoyed global financial markets through August. This was in spite of softening macroeconomic data – notably US labour print.

The Reserve Bank of Australia (RBA) cut rates for the third time this year, signalling cautious optimism amid lowered GDP forecasts and steady inflation despite some component specific pricing spikes. Globally, yield curves steepened, influenced by softer than expected US labour data, dovish commentary from Fed chair Powell at the Jackson Hole symposium. US 2-year bond yields fell 33bps as market participants anticipated further interest rate cuts with a further 25bps at the mid-September FOMC meeting fully priced in by month end. The Bank of England elected to cut rates in spite of rising inflation

Domestic credit spreads narrowed over the month, benefitting from a confluence of factors including corporate earnings results, monetary policy tailwinds alongside US jobs and CPI data. August's corporate earnings season results were resilient with soft revenue growth offset by improved margin discipline. Financial and corporate spreads contracted led by infrastructure and utilities. Semi government spreads EUR denominated and kangaroo issues from French banks saw some elevated volatility reflecting political concerns as the prime Minister called for a confidence vote after failing to secure supports for a range of budget cuts.

Primary market issuance volumes were elevated in August, keeping year to date aggregate volumes well above trend. Demand was healthy affording issuers the opportunity to test unorthodox deal structures including ANZ Banking Group's ($1.5B) fixed rate tier 2 subordinated deal which included a 20-year bullet. Kangaroo issuance was elevated with PSP Capital ($1.5B), Credit Agricole ($1.5B), Vonovia ($850M), New York Life ($650M) and HSBC Holdings ($1.75B) coming to market during August. The volume of issuance and strength of demand reflects the maturity of the local market as well as supportive technicals. In the domestic space, CBA's landmark $5B senior unsecured transaction built a record order book across 3 and 5-year tranches.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.5	1.6	2.8	5.9	6.3	6.0	4.0	3.6	3.5
Bloomberg AusBond Bank Bill Index	0.3	0.9	2.0	4.3	4.3	4.0	2.5	2.1	2.1
Excess	+0.2	+0.6	+0.8	+1.6	+1.9	+2.0	+1.5	+1.5	+1.4
Perpetual Credit Income Fund	0.5	2.1	2.6	6.8	8.1	7.7	5.4	4.7	4.7
Bloomberg AusBond Bank Bill Index	0.3	0.9	2.0	4.3	4.3	4.0	2.5	2.1	2.1
Excess	+0.2	+1.1	+0.6	+2.5	+3.8	+3.7	+2.9	+2.6	+2.6
Perpetual Active Fixed Interest Fund	0.6	1.6	3.9	5.9	6.6	5.6	1.2	2.7	3.2
Bloomberg AusBond Composite Index	0.3	1.0	3.1	4.3	4.7	3.7	0.0	1.7	2.1
Excess	+0.2	+0.5	+0.8	+1.5	+1.8	+1.8	+1.2	+1.0	+1.0
Perpetual ESG Credit Income Fund- Class A	0.4	2.3	3.3	7.7	8.5	8.2	5.7	4.9	-
Bloomberg AusBond Bank Bill Index	0.3	0.9	2.0	4.3	4.3	4.0	2.5	2.1	-
Excess	+0.1	+1.3	+1.3	+3.5	+4.2	+4.2	+3.2	+2.8	-
Perpetual Pure Credit Alpha Fund - Class W	0.6	2.3	3.1	7.4	8.7	8.6	6.8	5.9	6.0
RBA Cash Rate Index	0.3	1.0	2.0	4.2	4.3	4.0	2.5	2.1	1.9
Excess	+0.3	+1.3	+1.1	+3.2	+4.4	+4.6	+4.3	+3.8	+4.1

MULTI-ASSET STRATEGIES

Stronger than anticipated corporate earnings and continued monetary policy easing buoyed global financial markets through August. This was in spite of softening macroeconomic data – notably US labour print.

- Japanese Equities (+4.1%) led the pace of gains in developed markets, extending its rally from its early-April 2025 low on the back of resilient corporate earnings, a weaker Yen and supportive Q2 growth and inflation prints.

- The ASX 300 (+3.2%) advanced on the back of a reasonable local earnings season which kept investor sentiment intact, another rate cut by the RBA, rising commodity prices and rising consumer confidence.

- US equities (+2.0%) continued to strengthen despite concerns around weaker-than-expected jobs data, tariffs and their impact on inflation. Markets were supported by dovish commentary from Fed chair Powell's speech at Jackson Hole Economic Symposium which strengthened expectations of lower rates at the next FOMC meeting in September.

- Value sectors and stocks outperformed as the Information Technology sector lost momentum on the back of an MIT report that highlighted the low success rate of corporate projects to implement generative AI.

- UK shares (+1.2%) benefitted from another 25bps rate cut from the Bank of England however above expectation inflation print limits the likelihood of further near-term rate cuts.

- European shares (+0.7%) continued to trail the broader developed market with declines in Germany (-0.7%) and France (-0.9%) where political instability weighted on performance as French prime minister Bayrou called for a vote of no confidence after struggling to gain support for budget cuts.

- Outside of developed markets, Emerging markets (+1.6%) rose, led by Latin American markets and China (+4.2%) reflecting the softening US dollar, the positive effect of recently announced stimulus and capital rotation out of the US. In contrast, lower energy prices weighed on the equity performance of Middle Eastern markets.

- Bond markets were mixed with domestic 10-year bonds rising very marginally (+2bps) while the US yield curve steepened sharply as 2-year yields fell 33 bps, which added to performance.

The US non-farm payrolls was the key economic data moving markets. The report was soft for July (+73k vs expectations of +105k) but May and June gains were revised down heavily by a collective -258k, the sharpest downward revision outside the pandemic period since the 1970s. This changed the narrative about the US labour market and sparked concerns about recession. In contrast, US second quarter GDP was revised up by +0.3% to +3.3%QA. While the US equity market seems complacent about risk, we remain cautious about the outlook and there will be a growth payback from the front running of US tariffs in H1'25 which supported growth which is likely to leave growth at quiet an anaemic level over the remainder of 2025. While we are yet to see the full inflation impact, real consumer spending growth has already slowed, and could soften further as the erosion of real spending power will intensify when tariffs are passed onto end-consumers. While risks of a synchronised global recession have declined, we anticipate 2025 global GDP growth to be around a 10-year low excluding the pandemic.

The dovish tone of monetary policy commentary from Jackson Hole tempered some of the concerns arising from the jobs report with Chair Powell noting that a weakening labour market could justify a shift in policy, which amplified market conviction that further rate cuts were imminent. A cut at the upcoming mid-September FOMC meeting is fully priced in, but the key for the markets is guidance of what's likely beyond this decision. While August saw renewed concerns around the independence of the Fed following the firing of Governor Lisa Cook (shortly after the dismissal of the head of the Bureau of Labour Statistics) we continue to view the risks here as low as the FOMC is a committee not an autocracy.

As markets parsed labour and GDP revisions in August, US trade policy was less prominent than recent periods with fewer trade deal announcements. Elevated reciprocal tariffs were levied against a small number of trade partners in August including a 50% tariff on India to dissuade the purchase of Russian oil. There is some conjecture around the legality of the Trump administration's use of emergency powers to enact the liberation day tariffs, as the US Court of Appeals for the Federal Circuit ruling that the International Emergency Economic Powers Act does not permit the executive from enacting tariffs. The tariffs will remain in place until October, but there are numerous alternative paths for the tariffs to be enacted and viewed as legal by the courts including an appeal to the US Supreme Court.

Meanwhile, the outlook for European growth in FY26 remains marginally above trend with most of the growth backloaded. Turmoil in the Frech parliament rattled markets during August, as the Prime Minster called for a vote of no confidence after failing to garner support for budget cuts. While equity valuations are less eye watering in Europe relative to the US and Australia – they remain expensive relative to history (78th percentile relative to the last 20 years).

The RBA resumed its gradual easing path at its August meeting contributing to improved consumer sentiment. Data suggests that the Australian economy has cyclically improved but the longer-term trend outlook looks tepid with households not spending tax cuts, businesses remaining cautious about any material rise in investment and per capita GDP growth in negative territory for 8 of the past 9 quarters. The Federal government embarked on a stakeholder discussion group to improve sluggish productivity which morphed into thoughts on taxation, intergenerational equity and the impact of AI.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	2.1	4.5	5.9	9.5	9.3	8.8	10.3	8.1	8.1
Balanced Growth Index	1.8	5.3	7.5	12.5	13.1	11.8	9.1	7.8	8.2
Excess	+0.3	-0.9	-1.6	-3.0	-3.8	-3.0	+1.2	+0.3	-0.1
Perpetual Diversified Growth Fund	1.6	3.6	5.3	8.5	8.2	7.5	7.9	6.7	6.7
Moderate Growth Index	1.4	4.1	6.2	10.2	10.7	9.5	6.6	6.1	6.5
Excess	+0.3	-0.5	-0.9	-1.6	-2.4	-2.0	+1.3	+0.5	+0.2
Perpetual Diversified Real Return Fund - Class W	1.4	2.6	4.5	7.9	6.6	6.1	6.0	5.3	5.4
Australian CPI +5% (Target Objective)							9.6	8.4	
Perpetual ESG Real Return Fund	0.9	2.2	4.5	7.2	5.7	4.6			
Australian CPI +5% (Target Objective)							-	-	

MORE INFORMATION

Kate Hillyar
Institutional Sales Director, Institutional Sales
P: +61 (0)2 9229 3243
kate.hillyar@perpetual.com.au

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.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 for Institutional Investors only. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.
No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital.

* 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.