

INSTITUTIONAL UPDATE

January 2026



AUSTRALIAN EQUITIES STRATEGIES

The S&P/ASX 300 advanced 1.7% in January, extending December's momentum and approaching October's record highs with a 7.1% rally from November lows. Heightened geopolitical uncertainty, including US policy volatility around Greenland, EU tariffs, and Middle East tensions, drove sharp commodity moves. Crude oil surged on supply concerns while safe-haven demand pushed gold, silver, and copper to fresh highs. Sector performance diverged sharply: Energy (+11.1%) led on uranium miner strength and rising oil prices, while Materials (+9.4%) benefited from broad-based commodity gains. Technology (-9.1%) suffered steep losses, mirroring US Mag 7 weakness. Real Estate (-2.7%) declined as bond yields climbed ahead of the February RBA meeting. Domestically, stronger-than-expected employment data (65,200 jobs added, unemployment falling to 4.1%) and elevated Q4 inflation (trimmed-mean CPI 3.3%, above the RBA's 2-3% target) significantly raised rate hike probabilities, with markets pricing ~74% odds for February action. The RBA subsequently raised the cash rate by 0.25%.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	1.6	1.1	1.7	4.9	7.2	6.2	9.7	9.6	8.8
S&P/ASX 300 Accumulation Index	1.7	0.4	3.3	7.8	11.4	9.8	10.1	10.2	10.1
Excess	-0.1	+0.7	-1.7	-2.8	-4.2	-3.5	-0.4	-0.5	-1.3
Perpetual Concentrated Equity Fund	2.6	1.7	3.6	6.6	8.6	7.6	11.2	9.7	9.3
S&P/ASX 300 Accumulation Index	1.7	0.4	3.3	7.8	11.4	9.8	10.1	10.2	10.1
Excess	+0.9	+1.3	+0.3	-1.2	-2.8	-2.1	+1.1	-0.5	-0.8
Perpetual ESG Australian Share Fund - Class A	0.2	-1.7	-2.2	4.1	9.2	9.8	11.0	11.3	9.3
S&P/ASX 300 Accumulation Index	1.7	0.4	3.3	7.8	11.4	9.8	10.1	10.2	10.1
Excess	-1.6	-2.1	-5.5	-3.6	-2.2	0.0	+0.9	+1.2	-0.8
Perpetual Pure Equity Alpha Fund - Class A	-0.3	2.8	6.8	11.6	10.7	8.4	10.7	9.8	9.1
RBA Cash Rate Index	0.3	0.9	1.8	3.9	4.2	4.1	2.8	2.2	2.0
Excess	-0.6	+1.9	+5.0	+7.7	+6.5	+4.3	+7.9	+7.6	+7.1
Perpetual Share-Plus Long-Short Fund	0.6	1.9	5.3	8.0	10.3	8.4	13.1	12.1	10.8
S&P/ASX 300 Accumulation Index	1.7	0.4	3.3	7.8	11.4	9.8	10.1	10.2	10.1
Excess	-1.2	+1.5	+2.0	+0.2	-1.1	-1.4	+3.0	+1.9	+0.7
Perpetual Smaller Companies Fund	2.8	5.3	18.8	26.9	18.0	11.0	13.1	14.2	12.8
S&P/ASX Small Ordinaries Accumulation Index	2.7	2.7	17.3	22.8	17.4	12.1	7.5	8.7	9.5
Excess	+0.1	+2.6	+1.5	+4.1	+0.6	-1.1	+5.6	+5.4	+3.3
Perpetual Strategic Capital Fund - Class S	1.0	0.2	-1.2	6.4	7.3	-	-	-	-
S&P/ASX 300 Accumulation Index	1.7	0.4	3.3	7.8	11.4	-	-	-	-
Excess	-0.8	-0.2	-4.5	-1.4	-4.1	-	-	-	-

GLOBAL EQUITIES STRATEGIES

The rally in value stocks seen outside of the U.S. in 2025 appeared stateside in earnest during the first month of 2026. Geopolitical uncertainty remains an issue for global markets, but commodity price volatility, best evidenced by the daily double-digit swings in silver prices, and questions about the sustainability of large AI CapEx investments, and the high multiples of related stocks, dominated headlines in January. Mixed with U.S. and Iranian tensions threatening global energy price stability and threatened U.S. tariffs on European partners due to disagreements surrounding Greenland, markets were more volatile, with a clear dispersion between winners and losers. Global equity markets' performance for the month was positive to start the year. The MSCI World Index rose 2.2% in January, while the MSCI All Country World Index was up 3.0%, marking another month of positive returns for developed markets in aggregate and emerging markets (EM) outperforming as in 2025. The S&P 500 underperformed developed markets; it was up 1.5% for the month as strength in value-oriented sectors was not enough to overcome challenges in growth stocks that proliferate among the highest weighted stocks. In the U.S., value outperformed growth for the month by just under 500 basis points (bps). In developed markets across the globe, value led growth again, but to a lesser degree. For the month, the MSCI World Value Index was up 4.7% versus a decline of -0.3% for the MSCI World Growth Index. Currently, the MSCI World Value Index is outperforming its Growth counterpart by ~333 basis points over the past 12 months. Outside of developed markets, EM outperformed, with the MSCI Emerging Market Index up 8.9% on strength in South America, Korea, and Turkey. The U.S. dollar (USD) pared losses experienced in the middle of the month to finish slightly lower.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	6.8	8.7	23.1	40.9	28.4	18.3	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	3.6	2.3	13.7	27.2	24.4	17.0	-	-	-
Excess	+3.2	+6.5	+9.4	+13.8	+4.1	+1.3	-	-	-
Barrow Hanley Global Share Fund - Class A	-0.1	1.7	5.6	11.0	16.8	15.0	15.5	14.0	13.3
MSCI World Net Total Return Index (\$A)	-2.7	-3.4	2.6	6.5	17.0	19.5	14.9	14.6	13.2
Excess	+2.6	+5.1	+3.0	+4.5	-0.2	-4.5	+0.6	-0.6	+0.1

CASH & FIXED INCOME STRATEGIES

Credit spreads tightened as bond yields rose during a month hallmarked by rising geopolitical risks, tariff threats, US Dollar weakness, surging Japanese bond yields, and the pricing of 2026 RBA rate hikes. While volatility was elevated, equity markets advanced, supported by earnings growth expectations and the benign economic outlook.

Bond yields rose across developed markets as resilient labour market data and economic growth saw markets continue to reappraise the probability of near-term monetary easing. Australian government bond yields rose over the month, at times underperforming global counterparts. The December inflation report was hotter than expected, headline inflation rising to 3.8% year on year. The Yield curve flattened as the policy sensitive short end rose more sharply. By month end, the early February rate hike was 70% priced in by markets with at least one further rate hike fully priced in for 2026. Offshore, the most substantial movement was in Japanese long-term bond yields which rose sharply reflecting inflation concerns arising from aggressive fiscal policy expansion.

Despite higher government bond yields, Australian investment-grade credit remained well supported, with tight spreads and strong demand from both domestic and offshore investors. Global IG spreads reached their tightest levels since 1998. Australian physical credit spreads were 6bps tighter on average led by utilities and real estate. Subordinated bank spreads performed well reflecting both the broader rally in credit and supply dynamics with no tier 2 issuance since early November.

Primary market issuance volumes were strong to start the year with wide variety of issuer diversity. Elevated volumes reflected supportive conditions for issuers with spreads near all-time tights, light dealer inventories and attractive pricing relative to offshore credit. Commonwealth bank issued \$5B in senior debt across 3 and 5 year tranches while Banco Santander (\$1B) and Rabobank (\$1.25B) issued 5-year senior paper. Non-financial corporate issuance accelerated towards month end with AusNet Services issuing a \$1.1B hybrid deal while Aroundtown (\$600M) and MTR corporation (\$2B) issued kangaroo bonds reflecting the accommodative conditions for AUD issuers.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.5	1.2	2.7	5.5	6.0	6.1	4.1	3.8	3.6
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.9	4.2	4.1	2.8	2.2	2.1
Excess	+0.2	+0.3	+0.8	+1.6	+1.8	+2.0	+1.4	+1.5	+1.5
Perpetual Credit Income Fund	0.6	1.3	3.2	6.0	7.1	7.8	5.4	5.0	4.9
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.9	4.2	4.1	2.8	2.2	2.1
Excess	+0.3	+0.4	+1.4	+2.1	+3.0	+3.7	+2.6	+2.8	+2.7
Perpetual Active Fixed Interest Fund	0.3	-1.1	0.1	4.4	4.6	4.6	0.8	2.3	3.0
Bloomberg AusBond Composite Index	0.2	-1.3	-0.5	3.2	3.1	2.9	-0.3	1.3	1.9
Excess	+0.1	+0.2	+0.6	+1.2	+1.6	+1.7	+1.1	+1.1	+1.1
Perpetual ESG Credit Income Fund- Class A	0.6	1.2	3.0	6.6	7.6	7.9	5.7	5.1	-
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.9	4.2	4.1	2.8	2.2	-
Excess	+0.3	+0.3	+1.2	+2.7	+3.4	+3.8	+2.9	+2.9	-
Perpetual Pure Credit Alpha Fund - Class W	0.8	1.7	3.7	7.1	8.1	8.6	6.6	6.1	6.2
RBA Cash Rate Index	0.3	0.9	1.8	3.9	4.2	4.1	2.8	2.2	2.0
Excess	+0.5	+0.8	+1.9	+3.2	+4.0	+4.5	+3.8	+3.9	+4.2

MULTI-ASSET STRATEGIES

Equities performed and bond yields rose during a month hallmarked by rising geopolitical risks, tariff threats, US Dollar weakness, surging Japanese bond yields, and the pricing of 2026 RBA rate hikes.

- Global shares (+1.7%) ended the month higher although the key narrative was the broadening of equity market returns with small caps, value and ex-US markets outperforming, extending the rotation which commenced in 2025.

- US equities (+1.5%) trailed the broader developed market and experienced elevated volatility after renewed US tariff threats in mid-January, but prices recovered losses with a strong rally in the last week of the month.

- Japanese equities (+4.6%) led the pace of gains in developed markets as the rising risk of expansionary fiscal policy from the Japanese election spending spree would support domestic demand and corporate EPS growth.

- UK equities (+3.0%) outperformed the global index as the rotation away from highly valued US tech sectors sparked increased demand for traditional cyclical sectors which the UK market has an abundance of.

- European equities (+2.8%) outperformed as earnings expectation rose in line with solid economic data. In addition, European defence stocks rallied strongly on rising geopolitical tensions between the US and the rest of NATO over Greenland, which consolidated recent gains from increase government defence spending.

- Emerging markets (+8.8%) performed very strongly, supported by a weaker US dollar, ongoing strength in AI related technology which is trading on a much lower multiple within the region.

- Australian Shares (1.7%) performed in line with the global index with price increases led by resources stocks which benefited from rising commodity prices.

- Global bond yields rose on aggregate reflecting fiscal concerns and changing monetary policy expectations. The US curve steepened as 10-year bond yields rose 9bps whereas the domestic curve flattened as the policy sensitive 2-year tenor sold off sharply (+15bps) as rising inflation sparked pricing for near term rate hikes by the RBA.

- Precious metals including gold (+13.0%) extended their strong rally, notwithstanding a sharp decline in the final week of January, as the continued depreciation of the USD sparked rising demand for other safe havens.

Geopolitical volatility was notable with the US's capture of the Venezuelan President, increased US tensions with NATO allies over Greenland, and civil unrest in Iran, and continued to shape market sentiment throughout the month. President Trump introduced plans to impose a 25% tariff on the UK and seven European nations as leverage to gain their backing for his proposal to acquire Greenland. In response, the European Parliament paused the ratification of a previously negotiated trade agreement with the US, effectively delaying the reduction of tariffs on American imports. Adding to the tension, a Danish pension fund—despite being only a minute holder—announced it would sell its US Treasury positions, citing concerns about the long term fiscal sustainability of the United States. Although diplomatic pressures eased somewhat following discussions at Davos, the episode reinforced the extent to which the US administration views tariffs as a strategic tool in negotiations. Risks associated with further tariffs is tempered however by the impending midterm elections where affordability is likely to remain a key focus for voters.

The Federal Reserve kept interest rates steady in January, noting economic activity had strengthened to a “solid” pace while inflation remained “somewhat elevated.” Inflation improvement was slow, with December CPI at 2.7% amid persistent services inflation ex-housing. The broader US economy stayed resilient: unemployment edged down to 4.4%, core inflation was unchanged, yet consumer confidence weakened and pending home sales fell sharply. Late in January, President Trump nominated Kevin Warsh to lead the Federal Reserve which precipitated a sharp reversal in the previously relentless rise of safe haven precious metals, and the US Dollar bounced as markets were constructive about the prospect of a Warsh-led US Fed. While he has more recently argued for lower rates during his last stint at the Fed, he spoke publicly about his desire to shrink the Fed balance sheet as it was distorting asset prices.

Alongside the broadening of global equity market performance, January saw a bifurcation of performance within the tech sector where supply chain companies including semi-conductor stocks strongly outperformed AI and SAAS names. We continue to have concerns around the sustainability of capital expenditure in the AI sector. So far, the cash burn for Open-AI is \$140 billion, greater than any single loss during the GFC. At the same time, the business model for model developers has limitations broad-based competition is likely to culminate in a contestable, mediocre margin business with ongoing demands for improving computing power. 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. We look for opportunities outside this cohort.

Outside the US, the focus was Japan, where long-term bonds had their worst start to a year since 1994 due to rising fiscal and persistent inflation concerns. PM Takaichi hopes to address inflation by reducing food and energy taxes, which in concert with BOJ tightening and the declining Yen, further adds to debt concerns. Equities continue to be buoyed by the expansionary fiscal agenda and the rally intensified after parliament was dissolved ahead of an early February snap election.

Europe saw improved macroeconomic data during January with the Eurozone CPI falling to 1.9% in December – its first sub 2% reading in eight months – and the regional composite Purchasing Managers' Index (PMI) remained in expansion territory at 51.3. Meanwhile, Dec-25 German growth exceeded expectations, resulting in +0.4%Y growth in 2025 after two years of recession. Large scale fiscal stimulus is anticipated for 2026; however the private sector remains subdued at best. Equity markets in Europe continue to trade below US and Australian valuations but have elevated 12MF PEs when compared with its long-term average.

Australia's trimmed mean inflation rose only +0.2%M in December but gained +0.9%Q over the quarter which was well in excess of the RBA's forecast which combined with an unexpected drop in unemployment to 4.1%, saw markets shift towards expecting a -0.25% RBA hike in February. Employment grew just 1.1% in 2025—below population growth and well down from 2024—though a lower participation rate has kept unemployment contained. While recent spending data has improved, the medium-term outlook looks tepid with zero real wages growth for the next few years, and a cautious corporate sector.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	1.0	1.1	4.1	8.2	8.9	7.9	8.9	8.7	8.3
Balanced Growth Index	0.4	-0.5	3.2	7.6	11.2	10.6	8.1	8.5	8.4
Excess	+0.6	+1.6	+1.0	+0.6	-2.3	-2.7	+0.8	+0.2	-0.1
Perpetual Diversified Growth Fund	0.8	0.6	3.2	7.4	7.7	6.7	6.9	7.0	6.8
Moderate Growth Index	0.4	-0.6	2.2	6.4	8.9	8.4	5.9	6.5	6.6
Excess	+0.5	+1.2	+0.9	+1.0	-1.2	-1.7	+1.1	+0.5	+0.2
Perpetual Diversified Real Return Fund - Class W	1.2	2.6	5.0	9.8	7.6	6.4	5.8	5.8	5.7
Australian CPI +5% (Target Objective)							9.5	8.6	
Perpetual ESG Real Return Fund	0.0	0.8	2.2	6.9	6.3	4.8			
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.
