Perpetual Investment Funds

PERPETUAL GLOBAL ALLOCATION ALPHA FUND

September 2026

FUND FACTS

Investment objective: Aims to provide long-term capital growth and outperform the MSCI World ex Australia Net Total Return Index (AUD) with lower risk (before fees and taxes) over rolling three-year periods.

FUND BENEFITS

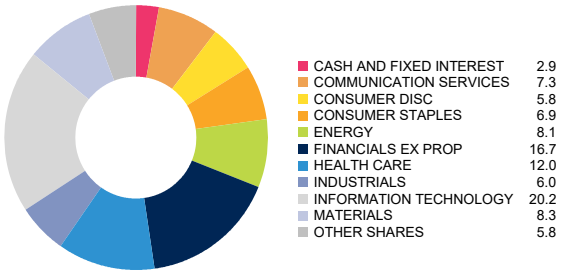
Provides investors with long-term growth opportunities across global equities. The fund is run by high quality investment teams.

FUND RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

Benchmark: MSCI World Ex Australia Net Total Return Index (AUD) - since 1st October 2022
Inception Date: March 1999
Size of Portfolio: $405.72 million as at 30 Jun 2026
APIR: PER0066AU
Management Fee: 0.55%*
Investment style: Active, fundamental, disciplined, value
Suggested minimum investment period: Five years or longer

PORTFOLIO SECTORS



TOP 10 STOCK HOLDINGS

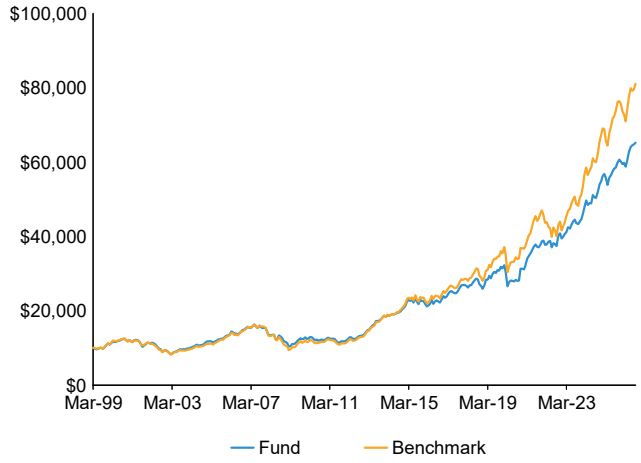
	% of Portfolio
NVIDIA Corporation	2.9%
Apple Inc.	2.8%
Alphabet Inc.	2.5%
Microsoft Corporation	2.3%
Amazon.com, Inc.	1.4%
Broadcom Inc.	1.4%
Chevron Corporation	1.2%
Exxonmobil Holdings Corporation	1.0%
Hewlett Packard Enterprise Co.	1.0%

PERFORMANCE- periods ending 30 September 2026

	Fund	Historical[1] Performance	Benchmark	Excess
1 month	0.79	-	1.85	-1.06
3 months	1.83	-	1.45	+0.37
1 year	11.53	-	9.87	+1.66
2 year p.a.	13.83	-	16.27	-2.44
3 year p.a.	14.44	-	18.54	-4.10
4 year p.a.	14.95	-	19.31	-4.36
5 year p.a.	-	11.86	12.91	-1.05
7 year p.a.	-	11.24	12.96	-1.72
10 year p.a.	-	11.25	13.04	-1.79

[1]Effective 1 October 2022 the Fund Investment strategy has changed; including the investment objective, investment approach and benchmark of the Fund. Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

GROWTH OF $10,000 SINCE INCEPTION



*Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

MARKET COMMENTARY

The September quarter was marked by renewed geopolitical and inflation tensions, as the breakdown of US-Iran diplomacy pushed Brent crude back above US$100 per barrel and central banks across the developed world resumed tightening. Global bond markets sold off sharply, with long-dated yields reaching multi-decade highs amid higher energy prices, heavy sovereign issuance and record debt-financed AI investment. Equity markets nonetheless proved resilient, with exceptionally strong corporate earnings allowing several indices to reach record highs in August and early September, before rising yields, higher oil prices and a stronger US dollar weighed on most markets late in the quarter. Beneath the surface, market leadership swung sharply — from a broadening rotation into value and cyclicals in July to a renewed narrowing around AI-related technology late in the period.

- Developed market (MSCI World +1.8%) and US equities (S&P 500 +2.3%) rose modestly over the quarter as strong earnings growth outweighed higher bond yields.
- Value, cyclicals and the equal-weighted S&P 500 outperformed in July as investors rotated out of AI supply chain names, but AI-related technology reasserted itself in September, when bond yields rose as numerous central banks tightened rates which left Information Technology and Communication Services as the only sectors to advance.
- Japanese equities were volatile, with the Nikkei 225 (-4.1%) falling in July as the semiconductor correction spread across Asia, before recovering in August and September supported by strong earnings growth, accelerating buybacks and ongoing governance reforms.
- Emerging markets were dominated by the AI semiconductor cycle. The Korean KOSPI 200 index (-20. 9%) experienced heavy losses (albeit after an +84% rise in Q2'26 but the Taiwanese TAIEX (+4.9%) recovered after an initial price decline in July . Chinese equities (MSCI China +3.0%) gave up a portion of their recent gains in September, weighed down by soft retail sales, fixed investment and property activity.
- European equities (Euro Stoxx 50 -0.7%) lagged as a hawkish ECB resumed hiking and investors questioned the earnings outlook with both monetary policy and higher oil prices set to weigh on activity. UK equities held up better, with the FTSE 100 (+ 1.8%) supported by its greater exposure to energy and commodity-related sectors and stronger dividend support.
- Australian shares (+1.3%) rose in July and August before falling in September as rising bond yields and the RBA's fourth rate hike of 2026 weighed on rate-sensitive sectors, while the Australian dollar weakened substantially against the US dollar as markets priced in an increasingly aggressive Fed hiking cycle, although this remains data dependant.
- Global bond markets endured a challenging quarter. US 2-year yields rose 72bps to around 4.89% as the Fed delivered its first hike since 2023 and the dots noted two more hikes in 2027 beyond what was guided in June. Meanwhile, the US 10-year yield rose around 80bps to above 5. 3%, its highest level in almost a quarter of a century. The Australian 10-year yield followed the global uplift and closed the quarter at 5.35 %, its highest level since 2011 as investors fretted over Australia's poor productivity record over the past decade, and UK 30-year gilt yields approached 6% for the first time since 1998.
- Commodities had a very strong quarter, led by oil (+42.0%) given developments in the Middle East, copper (+ 6.9%) in response to rising AI data centre build outs and gold (+3.8%) where quarterly capital growth was front loaded.

Geopolitics re-emerged as a central driver of markets. The June memorandum of understanding between the United States and Iran unravelled in July after a failed round of talks, and intermittent hostilities resumed. Oil prices eased through the first half of August on hopes of a durable agreement to reopen shipping through the Strait of Hormuz, before reversing sharply as direct exchanges of fire resumed late in the month. In September the conflict widened into a broader fight over the region's energy and transport infrastructure, with Houthi attacks on Saudi targets and the postponement of Hormuz negotiations. Our base case is one of continued low-grade attrition — persistent tit-for-tat strikes with Hormuz flows well below normal levels — which suggests oil prices remain elevated, while a direct naval clash or attempted closure of the Strait is a more likely tail outcome than a negotiated stand-down.

Central banks shifted decisively towards tightening, with +0.25% hikes implemented by the US Fed, ECB, RBA, Bank of Japan and two hikes by the RBNZ. The US Federal Reserve delivered its first rate increase since 2023 in September, lifting the target range by 25bps to 3.75%–4.00%, after Chair Warsh's Jackson Hole address emphasised the committee's discomfort with inflation running persistently above target. The ECB raised its deposit rate by 25bps to 2.50%, the Bank of Japan lifted its policy rate to 1.25%, its highest level in more than three decades and the RBA unanimously raised the cash rate for a fourth time this year by 25bps to 4.60 %to its highest level since 2011. With headline CPI rising to 4.0% y /y in August and the trimmed mean steady at 3.6% y/y, the Board has left the door open to a further increase in November, following the release of the September quarter CPI. In contrast, the Bank of England held rates at 3.75% in a split 6-3 vote.

The broader macro backdrop remains remarkably resilient despite higher energy prices and bond yields at long-term highs. September flash PMIs pointed to the strongest global activity in around four years, with the US composite PMI reaching 58.4—its highest level since 2021—and the euro area composite reaching a 41-month high, as growth broadened beyond technology and AI investment. US June quarter GDP was revised up to an above-trend 2.2% annualised rate, while September quarter growth was tracking at around 3.5%. This resilience was further reflected in a wealth of upward earnings revisions - US economy-wide corporate profits rose 23% y/y in the June quarter national accounts, with margins near an 80-year high. Europe's improving momentum—supported by rising credit growth, a falling savings rate and German fiscal easing—has strengthened the region's earnings outlook.

The AI investment theme remained a key source of both market leadership and market volatility. Rising bond yields are becoming increasingly consequential for the AI investment cycle, as hyperscalers fund a growing share of their capital expenditure through debt, with US hyperscalers issuing more than US$250 billion of long-term bonds in 2026 alone. The five largest hyperscalers are collectively expected to spend $5.6 trillion on AI infrastructure through to 2030 which will see them produce negative free cashflow for one of the few times this century, with the forecast 2028 recovery predicated on AI monetisation scaling faster than capital expenditure. Structurally higher bond yields raise both the hurdle rate for these projects and the cost of external financing needed to bridge the gap. The question is no longer whether AI will transform the economy, but which participants will capture the economic value. We remain concerned about the quality of, and expected returns from, the trillions of dollars being committed, and continue to look for better valued opportunities outside this cohort.

Domestically, the Australian economy is increasingly two-paced. National dwelling values fell 3.7% over the September quarter, and the four rate hikes since February have cut households' borrowing capacity. The collapse of Sydney developer Bathla Group has stalled around 2,000 homes under construction and put a further 13,000 in the pipeline at risk. Meanwhile, an AI-driven data-centre investment cycle (~$110 billion over four years) is arriving with capacity pressures still present and construction constraints binding in Queensland and Western Australia. As in the 2010–12 mining boom, this reinforces the case for a higher-for-longer cash rate. Outside resources, Australia is also a laggard in the global earnings cycle, reflecting weak productivity growth, an exhausted leverage cycle and a smaller boost from Chinese fiscal impulse than in past commodity booms.

PORTFOLIO COMMENTARY

Hewlett Packard Enterprise Company positively contributed to relative performance during the month after quarterly results beat expectations and management raised its longer-term outlook. Revenue grew 34% to $12.2 billion, and record gross margins helped earnings per share reach $1.11, well ahead of the $0.93 consensus. Management raised its fiscal 2027 targets for revenue, earnings growth and free cash flow, while the AI backlog rose to a record $7.6 billion, much of it from sovereign and enterprise customers. Leverage fell below target more than a year ahead of plan, which brings forward the company 's commitment to return most of its free cash flow to shareholders.

B3 S.A. Brasil, Bolsa, Balcão positively contributed to relative performance during the month as Brazilian equities rallied on improving prospects for a market-friendly election outcome. A Flávio Bolsonaro victory is seen as offering a credible path to addressing Brazil 's heavy government debt, which could lower the country's high interest rates. As the country's sole exchange operator, B3 stands to benefit most directly if lower rates draw local investors out of fixed income and into equities. Recent results were in line with expectations, with equities revenue up 23% year over year and strong growth in capital

markets and data analytics.

LPL Financial Holdings Inc. detracted from relative performance during the month as fears that AI could disintermediate financial services spread across retail brokers and wealth managers. The selloff followed the rapid adoption of Meta 's Muse personal AI agent, which raised concern that consumers could use AI agents to move idle cash in search of higher yields. LPL is less exposed than retail platforms because it serves clients through financial advisors who already have a fiduciary duty to optimize cash, and client cash is only about 2% of assets. Even so, the market made little distinction between platforms, and a large advisor team departure at a peer added to concern that new technology is lowering the cost of advice.

GE HealthCare Technologies Inc. detracted from relative performance during the month as input cost inflation tied to the U. S.-Iran conflict renewed investor concern about near-term margins. Management expects about $250 million inflation this year from memory chips, oil, freight and other components, which cut adjusted operating margin by roughly 120 basis points last quarter. Pricing and cost actions take time to catch up, and ongoing execution problems in the patient care segment added to the pressure. Even so, orders are strong and the company has a record $23.9 billion backlog, and at about 13 times earnings the shares trade at a steep discount to large-cap medtech peers, a valuation that already reflects a bearish outcome.

OUTLOOK

Elevated P/E ratios and market concentration, alongside the preponderance of valuation-agnostic passive funds, have made regional equity markets increasingly vulnerable to unforeseen events. On a cyclically adjusted 10-year basis, US equities sit among the most expensive readings in market history (a CAPE of around 41x), and roughly 30% of the S&P 500 is now tied to the AI theme. With bond yields rising, the US equity risk premium relative to the nominal 10-year Treasury yield has turned negative for the first time in 24 years, leaving little margin for error. Encouragingly, earnings growth is broadening beyond the US, with 12MF World ex-US EPS growth approaching a five-year high with Europe and the UK expected to deliver a second consecutive year of double-digit EPS growth. All equity exposures remain focused on stock selection alpha opportunities and exposure to equity beta remains carefully managed.

We continue to manage downside risks by maintaining little or no exposure to the most expensive parts of the global equity market. The Fund complements this with option protection where it has been attractively priced to implement. This includes cost-effective, layered S &P 500 put structures that risk only a low single-digit basis-point premium while delivering asymmetric protection across shallow, moderate and deep drawdown scenarios without requiring precise market timing.

Cash levels have not been calculated on a look-through basis. The underlying investments of the fund will also have a proportion of their assets invested in liquid assets.
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Total returns shown for the Fund have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance.
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