

INSTITUTIONAL UPDATE

March 2026



AUSTRALIAN EQUITIES STRATEGIES

The S&P/ASX 300 fell sharply in March, losing 7.3%, erasing the prior three months of gains and recording the market's worst monthly performance since June 2022. The S&P/ASX 200 VIX surged over 40% as sentiment deteriorated. The conflict in Iran and associated disruption to the Strait of Hormuz drove oil prices sharply higher, stoking inflationary concerns and compounding the impact of a second RBA rate hike – lifting the cash rate to 4.10%. Sector returns were broadly negative. Energy (+19.2%) and Utilities (+4.9%) were the only meaningful bright spots, while Materials (-13.2%), Information Technology (-12.9%) and Real Estate (-11.3%) led declines. The ASX Gold Index fell 23.9%. Large caps offered relative shelter, with the ASX 20 outperforming the Small Ordinaries by 551 basis points.

With tensions escalating rapidly in the Middle East, comparisons to past crises – particularly the 1970s oil shocks – are inevitable. Like then, equity markets entered this period on elevated valuations. While the selloff has been meaningful, it still reflects a base case that avoids worst case outcomes – and valuations remain stretched. The US market, at 19.3x forward P/E, sits at a 17.3% premium to its 20 year average (around the 78th percentile). Australia, at 17.2x, appears more modest, but for a resources and financials heavy market, this still represents a 15.8% premium – near the 84th percentile. We continue to favour real business with quality balance sheets and hard assets over financial leverage and growthier names.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	-6.9	-3.2	-3.6	6.8	2.3	4.7	6.8	8.1	7.9
S&P/ASX 300 Accumulation Index	-7.3	-2.0	-2.9	11.6	7.0	9.4	8.5	8.5	9.4
Excess	+0.4	-1.1	-0.6	-4.8	-4.7	-4.7	-1.7	-0.4	-1.5
Perpetual Concentrated Equity Fund	-7.7	-3.1	-3.0	7.2	2.7	5.7	8.1	8.0	8.3
S&P/ASX 300 Accumulation Index	-7.3	-2.0	-2.9	11.6	7.0	9.4	8.5	8.5	9.4
Excess	-0.4	-1.1	-0.1	-4.4	-4.3	-3.7	-0.4	-0.6	-1.1
Perpetual ESG Australian Share Fund - Class A	-5.7	-7.1	-8.4	0.1	1.0	7.1	7.6	9.3	8.2
S&P/ASX 300 Accumulation Index	-7.3	-2.0	-2.9	11.6	7.0	9.4	8.5	8.5	9.4
Excess	+1.6	-5.0	-5.5	-11.4	-6.1	-2.4	-0.9	+0.8	-1.2
Perpetual Pure Equity Alpha Fund – Class A	0.5	-0.7	2.5	12.0	8.0	7.7	8.7	9.6	8.8
RBA Cash Rate Index	0.3	0.9	1.9	3.8	4.1	4.2	2.9	2.2	2.0
Excess	+0.2	-1.6	+0.6	+8.2	+3.9	+3.6	+5.8	+7.4	+6.8
Perpetual Share-Plus Long-Short Fund	-5.0	-3.0	-1.8	13.1	5.2	8.2	10.3	10.8	10.2
S&P/ASX 300 Accumulation Index	-7.3	-2.0	-2.9	11.6	7.0	9.4	8.5	8.5	9.4
Excess	+2.3	-1.0	+1.1	+1.5	-1.9	-1.2	+1.8	+2.3	+0.8
Perpetual Smaller Companies Fund	-10.5	-9.8	-6.5	15.7	7.2	8.0	9.1	11.3	11.0
S&P/ASX Small Ordinaries Accumulation Index	-11.0	-10.9	-9.3	13.7	5.9	8.5	4.0	5.6	7.3
Excess	+0.5	+1.0	+2.8	+2.1	+1.2	-0.5	+5.1	+5.7	+3.7
Perpetual Strategic Capital Fund - Class S	-1.6	-1.9	-2.8	8.4	3.1	-	-	-	-
S&P/ASX 300 Accumulation Index	-7.3	-2.0	-2.9	11.6	7.0	-	-	-	-
Excess	+5.7	+0.1	+0.1	-3.2	-3.9	-	-	-	-

GLOBAL EQUITIES STRATEGIES

The first quarter was defined by meaningful “under the surface” volatility despite stretches when headline index moves appeared more contained. A central driver was continuing pressure on large cap technology, especially software, amid intensifying debate around AI disruption and the payback period on major AI related capital spending, with spillovers into parts of the private credit ecosystem. At the same time, broader market and economic resilience remained a counterweight, even as U.S. Federal Reserve (Fed) expectations repriced materially, pressuring the front end of the curve and supporting a stronger U.S. dollar through the quarter. Against this backdrop, geopolitics, already elevated in January and February, accelerated sharply at the end of February with the start of a joint U.S./Israeli offensive against Iran, making the Strait of Hormuz a central macro focal point heading into March.

March marked a clear regime shift versus the start of the quarter. Geopolitical escalation and disruption risk around the Strait of Hormuz translated into a sharp rise in energy prices and a broad repricing of both inflation expectations and risk assets. While headline equity benchmarks declined globally, the more important signal was the tightening in financial conditions and the renewed debate around higher for longer policy pathways, especially as markets tried to reconcile a near term inflation impulse with still resilient underlying activity. Style leadership remained consistent with the quarter's pattern. Value proved more resilient than growth as investors continued to discount premium multiples amid uncertainty around AI capex payback periods and software disruption, while energy linked exposures and businesses with pricing power held up best.

This environment underscores the importance of disciplined, bottom up investing. At Barrow Hanley, our approach focuses on identifying mispriced securities with strong fundamentals, with a particular emphasis on downside resiliency and the risk/reward dynamic across

market regimes. With dispersion elevated and policy and geopolitics driving faster shifts in sentiment, we see compelling opportunities for value oriented strategies to build exposure to strong businesses with positively skewed asymmetric return opportunities. By maintaining a long term perspective, we aim to navigate near term uncertainty and capture inefficiencies, even in markets often perceived as efficient. Thank you for your continued confidence in our process and philosophy as we position portfolios for durable performance in 2026 and beyond.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	-9.6	0.7	9.2	33.6	21.0	15.0	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	-9.5	-2.8	1.2	17.9	15.5	14.0	-	-	-
Excess	-0.1	+3.5	+8.0	+15.8	+5.5	+1.0	-	-	-
Barrow Hanley Global Share Fund - Class A	-2.1	-0.7	2.0	7.9	11.9	14.2	12.3	13.0	13.5
MSCI World Net Total Return Index (\$A)	-2.6	-6.1	-3.8	8.2	10.1	15.9	12.6	12.9	13.1
Excess	+0.4	+5.4	+5.7	-0.3	+1.8	-1.7	-0.3	+0.1	+0.4

CASH & FIXED INCOME STRATEGIES

March proved a challenging month for Australian fixed income, as geopolitical turmoil in the Middle East dominated sentiment and forced a significant repricing of the rate outlook. The US-Israel conflict with Iran effectively closed the Strait of Hormuz — a chokepoint for roughly 20% of global oil supply — sending oil prices sharply higher and reigniting stagflation concerns. The war created volatility across energy, rates, equities and credit markets as inflation was re-priced, as was central bank paths and recession risks.

Against this backdrop, the RBA delivered a 0.25% rate hike, albeit on a narrow 5-4 vote, reinforcing its view that the economy has been running above potential and that inflation remains uncomfortably elevated. The decision was framed as a response to pre-existing domestic inflationary pressures rather than the oil shock directly, though the two are difficult to disentangle. Australian government bond yields moved sharply higher across the curve. Market pricing for the end-2026 cash rate peaked near 4.8% — around 2.5 additional hikes — up sharply from February's close. With Q1 CPI due ahead of the May RBA meeting — where markets are currently pricing a 60% probability of another hike to 4.35% — volatility looks set to persist into April.

Domestic credit spread widened materially over the month reflecting uncertain economic and geopolitical conditions alongside rising concerns around the private credit sector. Higher beta sectors including subordinated major banks widened more sharply.

Primary market issuance paused briefly following the commencement of strikes in Iran before resuming albeit at a lower volume than previous months. Securitisation activity dominated deal flow, contributing to pressure on spreads as the market digested robust volumes in an uncertain economic climate.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.2	1.0	2.2	5.1	5.7	6.0	4.2	3.7	3.6
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.1	4.1	2.9	2.3	2.1
Excess	-0.1	+0.1	+0.4	+1.3	+1.6	+1.9	+1.3	+1.5	+1.5
Perpetual Credit Income Fund	-0.1	0.9	2.2	5.6	6.4	7.5	5.2	4.9	4.8
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.1	4.1	2.9	2.3	2.1
Excess	-0.4	0.0	+0.4	+1.8	+2.3	+3.4	+2.3	+2.6	+2.7
Perpetual Active Fixed Interest Fund	-1.6	-0.3	-1.4	2.5	3.6	3.7	1.2	1.8	2.8
Bloomberg AusBond Composite Index	-1.4	-0.3	-1.5	1.5	2.4	2.1	0.2	0.8	1.8
Excess	-0.1	0.0	+0.1	+1.0	+1.3	+1.6	+1.0	+1.0	+1.1
Perpetual ESG Credit Income Fund- Class A	-0.1	0.9	2.1	6.1	6.9	7.7	5.5	5.0	-
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.8	3.8	4.1	4.1	2.9	2.3	-
Excess	-0.4	0.0	+0.3	+2.3	+2.8	+3.5	+2.6	+2.8	-
Perpetual Pure Credit Alpha Fund - Class W	0.1	1.4	3.0	6.8	7.5	8.5	6.5	6.0	6.2
RBA Cash Rate Index	0.3	0.9	1.9	3.8	4.1	4.2	2.9	2.2	2.0
Excess	-0.2	+0.5	+1.2	+2.9	+3.4	+4.4	+3.6	+3.8	+4.1

MULTI-ASSET STRATEGIES

The dominant theme for markets was the Middle East conflict, which sent oil prices surging and shifted investor focus firmly toward inflation, growth and monetary policy risks with equities and bonds selling off in tandem. The early months of the quarter also saw a broadening of investment market returns as large cap US tech and software providers faced increased scrutiny. After US military strikes began, several crowded trades began to reverse including gold and emerging market equities sold off and the US dollar strengthened on safe-haven flows.

- Global shares (-3.2%) declined in the March quarter as markets reacted sharply to the commencement of strikes in Iran and the US market (-4.3%) underperformed given its rich starting valuation and high sensitivity to rising bond yields.
- The March quarter saw a broadening of investment market returns with the MSCI World Value (+1.8%) outperforming the growth index (-8.0%) as markets repriced expectations for software companies in the face of disruption from agentic AI.
- Japanese equities (+3.6%) remained positive, reflecting Yen weakness and anticipated pro-growth policies following the landslide victory of the LDP in the February election.
- UK equities (+3.4%) were also resilient as the FTSE100 composition is largely defensive and this tailwind was supported by a depreciating Sterling which increased the attractiveness of dividends, 55% of which are paid in USD.
- Emerging markets (+2.1%) advanced, supported by strong performance from technology hardware driven markets Taiwan and Korea alongside energy sensitive economies, while Chinese equities declined reflecting global growth concerns.
- Australian shares (-2.0%) declined while outperforming the broader developed market as investors fretted over elevated valuations and the impact of slowing growth being amplified by higher oil prices and recent rate hikes (with the risk of more). While Australia is a net

energy exporter, the composition of these exports is skewed to coal and LNG. Reliance on offshore oil means that the supply shock remains a threat to economic activity.

- Short and long-duration global bond yields rose in March as investors priced a potential stagflationary environment where growth slows, inflation rises, monetary policy tightens to combat higher prices, and fiscal policy is used to address growth concerns.

- Commodity markets were dominated by the sharp increase and elevated volatility of energy prices in March. Precious metals continued their advance in January and February before declining in March as investors raised liquidity, and the rally in the USD reversed capital flows.

Geopolitical uncertainty was the key focus for markets throughout the March quarter, culminating in the commencement of US & Israeli strikes on Iran and the closure of the strait of Hormuz. Earlier in the quarter, the US's capture of Venezuelan President Maduro, increased US tensions with NATO allies over Greenland, and civil unrest in Iran shaped market sentiment. While the Middle East situation remains highly fluid, market sentiment and economic risks are currently centred on traffic of oil tankers and the impact of damage to energy infrastructure in the region. The key driver is not how high energy prices go, but rather where they stay, but prices sustained over \$120 per barrel for an extended period would be expected to trigger a material decline in consensus global growth and a rise in global inflation expectations. The inflation rise would be much stronger in headline price gauges than the core inflation basket which is what central bank's target and history indicates that the price increase here is about one-quarter of the rise recorded in the headline index. The US Federal Reserve is well placed to be able to wait and see given the continued disinflationary process currently underway in the services sector, whereas their Australian, European and UK counterparts have fewer degrees of freedom, and their most recent guidance was clearly hawkish.

The US Federal reserve kept interest rates steady at their January and March FOMC meetings and maintained their one rate cut outlook in 2026. However, the FOMC January meeting minutes (released in February) signalled a more hawkish tilt, with several policymakers indicating that further rate increases may be warranted if inflation does not ease. This was prior to the spike in oil prices as a result of the conflict in Iran. The shift reflects internal forecasts showing unemployment falling below its long run sustainable level by year end while inflation remains above the Federal Reserve's 2% target. Elsewhere, the Bank of Japan also signalled that they are more concerned about inflation risks as opposed to growth risks arising from rising energy costs, and this suggests that rates will be tightened possibly in the June quarter.

The bear case for risk markets would be if oil prices were to remain elevated for the remainder of the year, thereby threatening the duration of the business cycle. However, 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 two 1970s oil shocks saw oil prices at least doubled with high prices persisting for over a year, but the global economy is today less oil price sensitive than it was 50 years ago.

While events in the Middle East dominated headlines and market sentiment during March, there were also material developments on the US trade policy front during the quarter. The US Supreme Court ruled against the use of the International Economic Emergency Powers Act to justify the April 2025 "liberation day" tariffs. The decision has potential fiscal implications with reduced receipts and ~US\$175 billion in duties potentially subject to refunds contingent on litigation. While the administration has used Section 122 to reinstate a 10% across the board tariff for 150 days, the Supreme Court's ruling has complicated the Trump administration trade policy strategy, although several avenues remain open for the Administration to implement import taxes.

The March quarter also saw increased stress in US private credit markets reflecting rising concerns around loan quality and liquidity terms. A private credit manager was forced to change redemption terms on one of its retail funds prompting a wider run on private credit funds, and a selloff in listed managers. Meanwhile in the UK a specialist property finance lender MFS entered administration amid allegations of fraud with creditors and administrators citing double pledging of assets as collateral to secure financing. This highlights liquidity and transparency risks within the industry and raises questions about poorly vetted security in other parts of the ecosystem. Contagion risk exists between private credit markets and the regulated banking sector, as poor collateral means banks are potentially levered in their private credit exposure. The Fund currently has no exposure to illiquid assets including private credit. While illiquids can provide diversification when return drivers are truly distinct, private markets are currently characterised by heavy capital inflows, elevated valuations, high transaction and implementation costs, and low visibility and transparency.

Meanwhile, concerns around software as a service (SAAS) exposures in private credit were also reflected in equity markets where a dichotomy emerged between strong performing supply chain and hardware companies and weakening SAAS and platform names. Market weakness during January and February reflected a shift in leadership as expectations for long duration themes such as digital transformation and AI were reassessed after years of strong price gains, prompting capital to rotate toward companies, sectors and markets with more reasonable valuations and which are under-owned and have beatable EPS expectations. Notwithstanding a rebound for large cap tech stocks in March, we continue to have concerns around the quality and expected rates of return from the trillions of dollar currently being pledged for capital expenditure in the AI sector, considering the sector is characterised by broad competition. While AI technology itself is transformative, we see some parallels to the first tech boom and question how AI service companies will be able to meet the egregious profit expectations which are baked into forward looking valuations. We look for opportunities outside this cohort.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	-4.3	-1.9	-0.7	6.8	5.0	6.8	6.9	7.7	7.8
Balanced Growth Index	-4.7	-2.7	-2.4	8.4	6.7	9.2	6.8	7.2	7.9
Excess	+0.4	+0.8	+1.7	-1.7	-1.7	-2.4	+0.1	+0.4	0.0
Perpetual Diversified Growth Fund	-3.4	-1.4	-0.6	5.8	4.7	5.8	5.5	6.2	6.5
Moderate Growth Index	-3.7	-2.0	-2.0	6.5	5.6	7.3	5.1	5.5	6.2
Excess	+0.3	+0.6	+1.4	-0.7	-0.9	-1.5	+0.5	+0.7	+0.3
Perpetual Diversified Real Return Fund - Class W	-2.2	0.0	2.0	6.9	6.0	5.8	4.8	5.3	5.5
Australian CPI +5% (Target Objective)							9.5	8.7	
Perpetual ESG Real Return Fund	-2.7	-2.6	-1.4	3.7	4.0	3.7			
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.