Perpetual Asset Management Australia

INSTITUTIONAL UPDATE

April 2025

AUSTRALIAN EQUITIES STRATEGIES

The S&P/ASX 300 rose 3.6% in April, navigating a volatile month marked by geopolitical shocks and shifting investor sentiment. Volatility spiked early in the month following "Liberation Day" on 2 April, when the Trump Administration imposed harsher-than-expected tariffs, sparking the sharpest global equity sell-off since the COVID-19 crash. Markets struggled to price in the broad and indiscriminate nature of the tariffs, with a temporary tariff pause announced mid-month doing little to calm investor nerves. Despite the external chaos, domestic markets were buoyed by a flight to safety. Commonwealth Bank extended its strong performance (10.4%) as investors rotated into high-quality, defensive names. Gold prices continued to climb amid safe-haven demand, while oil prices slumped sharply, reflecting mounting concerns over global growth. Sector performance was mixed. Communication Services (6.4%) and Information Technology (6.3%) led gains as investors sought structural growth and defensive earnings. In contrast, Energy (-7.52%) and Materials (0.70%) lagged, hurt by falling commodity prices and weakening sentiment toward cyclicals.

Equity markets have entered a structurally more volatile regime under the Trump presidency, as geopolitical tensions escalate and policy unpredictability becomes a defining feature of the investment landscape. Initial hopes that tariff rhetoric was merely strategic posturing have faded, replaced by the realisation that protectionist measures may be both broader in scope and more disruptive in execution than previously anticipated. This uncertainty has contributed to heightened risk aversion and a more reactive market environment. In the U.S., we are seeing the early stages of a meaningful rotation out of high-momentum growth stocks, where fundamentals had often been overlooked in favour of narrative-driven price appreciation. This shift marks a healthy rebalancing, with markets beginning to reward quality, valuation discipline, and tangible earnings delivery. While elevated volatility may feel uncomfortable, we believe it is fertile ground for active management. Dislocations are already emerging, and we are capitalising on these opportunities by leaning into high-conviction positions where long-term fundamentals are being mispriced. Our portfolio remains positioned to benefit from a more rational market regime one in which investors are once again distinguishing between price and value.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Australian Share Fund	4.4	-2.3	-0.3	5.1	4.7	5.3	13.2	8.3	7.2
S&P/ASX 300 Accumulation Index	3.6	-3.7	1.1	9.5	9.3	6.8	12.1	8.5	7.7
Excess	+0.8	+1.3	-1.4	-4.4	-4.6	-1.6	+1.1	-0.2	-0.5
Perpetual Concentrated Equity Fund	4.2	-2.2	0.3	5.3	5.9	5.9	14.2	8.2	7.4
S&P/ASX 300 Accumulation Index	3.6	-3.7	1.1	9.5	9.3	6.8	12.1	8.5	7.7
Excess	+0.6	+1.5	-0.8	-4.2	-3.3	-1.0	+2.1	-0.3	-0.3
Perpetual ESG Australian Share Fund	3.7	0.1	4.2	8.8	10.9	8.7	16.3	9.6	8.9
S&P/ASX 300 Accumulation Index	3.6	-3.7	1.1	9.5	9.3	6.8	12.1	8.5	7.7
Excess	+0.1	+3.7	+3.1	-0.7	+1.7	+1.9	+4.2	+1.1	+1.2
Perpetual Pure Equity Alpha Fund – Class A	1.6	0.7	3.3	5.6	6.3	6.3	9.9	8.7	8.6
RBA Cash Rate Index	0.3	1.0	2.1	4.4	4.3	3.7	2.3	1.9	1.9
Excess	+1.2	-0.3	+1.1	+1.2	+1.9	+2.7	+7.7	+6.7	+6.7
Perpetual Share-Plus Long-Short Fund	4.3	-3.9	-0.2	4.6	7.6	7.1	14.6	9.8	9.4
S&P/ASX 300 Accumulation Index	3.6	-3.7	1.1	9.5	9.3	6.8	12.1	8.5	7.7
Excess	+0.7	-0.3	-1.3	-5.0	-1.7	+0.3	+2.5	+1.2	+1.7
Perpetual Smaller Companies Fund	1.5	-2.4	0.9	2.1	4.1	2.7	14.3	9.2	9.7
S&P/ASX Small Ordinaries Accumulation Index	1.8	-4.6	-2.0	3.7	5.5	0.3	7.7	4.4	6.3
Excess	-0.3	+2.2	+2.9	-1.7	-1.4	+2.4	+6.6	+4.8	+3.4
Perpetual Strategic Capital Fund - Class S	5.0	0.2	2.0	6.6	-	-	-	-	-
S&P/ASX 300 Accumulation Index	3.6	-3.7	1.1	9.5	-	-	-	-	-
Excess	+1.4	+3.8	+0.8	-3.0	-	-	-	-	-

GLOBAL EQUITIES STRATEGIES

April proved no different than the first quarter as investors experienced another month full of news that started off with "Liberation Day" jolting global equity markets on April 2nd. The rapid news flow regarding U.S. tariffs following the announcement roiled markets, leading to pandemic like selloffs in equity markets around the world. In spite of the initial selloffs, global equities ended in positive territory. However, it did reverse the trend of the first quarter as growth outperformed value, especially in the U.S. Conversely, a trend that remained from earlier in the year was developed market countries and emerging markets outperforming U.S. equities. President Trump and his administration continue in disrupting the status quo, causing market volatility to spike as policy uncertainty increases. It is not surprising that in this environment, the largest country by weight, the U.S., is lagging the rest of the world. Given the large weight of the U.S. in the indices, the MSCI World and MSCI All Country World indices were both up 0.9%. Unlike last quarter, value lagged growth in the month as the MSCI World Value Index underperformed its growth counterpart by over 450 basis points (bps) in U.S. dollar terms for the month. However, outperformance for the year remains as the MSCI World Value Index is still ahead of the MSCI World Growth Index by over 800 bps year-to-date.

The persistent political changes across the globe continue to drive markets, with tariffs now topping the list. However, the long-term impacts are far from certain, as ideology will ultimately clash with political reality. The pace of change in equity markets mixed with high volatility from tariffs is a unique situation relative to previous market selloffs. In this case, all of the negative news could change overnight if President Trump changes his mind on the direction of tariffs, which is what happened when he announced a 90 day pause. While that currently appears unlikely for China, the distribution of outcomes is significantly wider than initially expected. Markets continue to expect rate cuts going forward (except in the U.S. near-term), but the pace and magnitude remain a question, especially given the political context. While the market expected more cuts, the interplay between economic strength and the labour market led the Fed to pause rate cuts. A few areas to watch in the U.S. going forward are policy initiatives, tariffs, jobs, ambitions to project power abroad, and whether the labour market, trade policy, or economy take centre stage as the Fed idles.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Barrow Hanley Emerging Markets Fund	-1.2	-1.8	2.3	8.7	5.5	-	-	-	-
MSCI Emerging Markets Net Total Return (AUD)	-1.3	-0.1	2.8	10.6	11.2	-	-	-	-
Excess	+0.1	-1.6	-0.5	-1.9	-5.8	-	-	-	-
Barrow Hanley Global Share Fund - Class A	-2.4	-0.3	6.5	15.2	14.0	14.0	16.1	12.7	11.9
MSCI World Net Total Return Index ($A)	-1.7	-6.7	3.3	13.8	17.1	15.0	14.5	12.7	11.7
Excess	-0.7	+6.4	+3.1	+1.4	-3.1	-1.0	+1.6	-0.1	+0.3

CASH & FIXED INCOME STRATEGIES

April was marked by significant volatility in global financial markets, primarily driven by the announcement of 'Liberation Day' tariffs by US President Trump. The announcement led to a surge in volatility with US equities entering correction territory and equity volatility reaching levels previously seen during the global financial crisis. Sentiment improved later in the month following the announcement of exemptions and the relief rally saw Australian equities end the month higher while US equities were down slightly.

Bond markets also experienced significant movements in April. Domestic bond yields ended the month lower and the yield curve steepened throughout the month as short end yields outperformed. The RBA left cash rates unchanged during April, acknowledging the 'continuing decline in inflation' and highlighting that noting that the labour market 'might not be quite as tight' as previously identified. Futures markets moved to price in a May rate cut and a further 75bps of cuts in the next 12 months, recognizing easing inflation concerns and global economic uncertainty. US bonds saw greater volatility with an early April rally giving way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.

Credit spreads ended April wider following a month of increased volatility and uncertainty in global markets. The Australian iTraxx index traded in a wide range, selling off in the first half of the month before moderating to end 5 bps wider at month end. Cash spreads also widened over the month with higher beta segments – including subordinated and high yield credit moving sharply wider in the wake of the liberation day tariff announcements. Semi-government and supranational spreads were more resilient, with semi's ending the month marginally tighter.

Primary market activity was materially reduced in April as uncertainty following the US Tariff announcements and associated volatility gave way to holiday shortened weeks in the second half of the month. A small number of securitisation, government adjacent and short dated deals priced during April with the only corporate issuance of note being a 7-year $600M fixed rate bond from Sydney Airport.

The credit outlook remains challenging with negative readings throughout the Month. The outlook score initially turned Negative in early March well in advance of the volatility observed in early April.

Valuation indicators improved marginally to neutral. Elevated volatility saw investment grade indicators shift with US IG improving to positive before moderating in late April while Australia investment grade are wide of recent levels and are offering attractive relative value AU swap spreads remain very tight

The growth outlook is marginally negative. Macroeconomic growth indicators are negative, led by the worsening outlook for US growth, potentially exacerbated by the restrictive tariff regime.

Supply and demand indicators improved during the month while remaining marginally negative. The volume of upcoming maturities is elevated, however market demand has softened and the pipeline for upcoming deals has increased, weighing on the outlook.

Technical indicators remain negative with intermediary positioning worsening over the month while US credit, equity and equity volatility indicators all remain in negative territory.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual High Grade Floating Rate Fund	0.1	1.0	2.4	5.7	6.3	5.3	3.8	3.4	3.3
Bloomberg AusBond Bank Bill Index	0.4	1.0	2.2	4.5	4.3	3.7	2.2	2.0	2.0
Excess	-0.2	0.0	+0.3	+1.3	+1.9	+1.6	+1.6	+1.4	+1.3
Perpetual Credit Income Fund	-0.3	0.4	2.4	6.2	8.1	6.5	5.5	4.4	4.5
Bloomberg AusBond Bank Bill Index	0.4	1.0	2.2	4.5	4.3	3.7	2.2	2.0	2.0
Excess	-0.7	-0.7	+0.2	+1.8	+3.7	+2.9	+3.3	+2.4	+2.4
Perpetual Active Fixed Interest Fund	1.6	2.8	5.0	8.4	4.9	4.2	1.1	2.8	3.1
Bloomberg AusBond Composite Index	1.7	2.8	4.7	7.1	3.1	2.8	-0.2	1.9	2.1
Excess	-0.1	0.0	+0.3	+1.3	+1.8	+1.4	+1.3	+0.9	+1.0
Perpetual ESG Credit Income Fund- Class A	-0.4	0.3	2.4	6.5	8.0	6.9	5.7	-	-
Bloomberg AusBond Bank Bill Index	0.4	1.0	2.2	4.5	4.3	3.7	2.2	-	-
Excess	-0.7	-0.7	+0.2	+2.1	+3.6	+3.2	+3.5	-	-
Perpetual Pure Credit Alpha Fund - Class W	-0.1	0.8	2.8	7.3	9.0	7.6	7.3	5.6	5.9
RBA Cash Rate Index	0.3	1.0	2.1	4.4	4.3	3.7	2.3	1.9	1.9
Excess	-0.4	-0.2	+0.7	+3.0	+4.6	+3.9	+5.1	+3.7	+4.0

MULTI-ASSET STRATEGIES

US President Trump's 'Liberation Day' Tariff announcements were the key factor influencing markets during April. Volatility among equities, bonds, credit and commodities spiked in early April before moderating over the remainder of the month.

- Developed market equities (-0.3%) declined led by US stocks (-0.7%) as risk exposures sold off sharply in early April before rallying over the second half of the month. The decline in growth sectors began in February and March, which enabled these companies to outperform in April as energy, materials and financials sectors recorded among the largest sector declines for the month.
- Australian Equities (+3.6%) shook off a tariff related selloff in the first week to rally strongly over the month in response to the US's 90-day tariff pause and signs that the domestic economy was improving, albeit slowly.
- European shares were mixed with Germany (+1.5%) performing well as the new government proposed a major rise in government spending, whereas France (-2.0%) declined given rising political instability.
- Meanwhile, UK equities (-0.7%) were weaker as the services sector contracted for the first time in 18 months, but domestic focused midcaps outperformed the more global focused FTSE 100.
- Emerging markets (-0.2%), were also lower weighed down by China (-4.5%) as markets priced escalating tariff announcements.
- US bonds saw elevated volatility with an early April rally giving way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.
- Gold (+6.0%) reached a new all-time high as investors looked to safety as volatility spiked.

The 'Liberation Day' tariff announcement included a minimum flat 10% tariff being imposed on all countries, with higher import taxes inserted on sectors such as steel and aluminium, and taxes on strategically important sectors such as pharmaceuticals and microchips yet to be determined and announced. After some product related exemptions on items such as smartphones, Chinese goods imported into the US are subject to circa 97% taxes. whereas Australia – by virtue of our trade deficit with the US – was only levied a 10% tariff.

The immediate aftermath of the 'Liberation Day' announcements saw the VIX index spike to a level last seen during the Covid selloff. US equities corrected before a relief rally over the second half of the month and equity performance was characterized by large intraday moves. The moves in the bond market were also significant. US ten-year bond yields fell below 4% as risk appetite deteriorated in early April. The rally gave way to a sharp spike in long term bond yields driven by technical factors and concerns around demand for treasuries, before rallying again to end the month lower.

Further compounding the volatility in US markets were rising recession concerns – GDP contracted 0.3% in the March quarter on the back of surging imports – and fears around the ongoing independence of the US Federal Reserve. While markets have been unsettled by the trade war, President Trump has shown a willingness to respond to market pressures and now seems to be focused on trade deals which benefit the US and would improve the growth outlook. However, these are yet to be agreed to and signed. Another concern is the unsustainable path US fiscal policy is on with the deficit of -6.4% of GDP despite a fully employed economy, and this is set to widen as President Trump implements his election agenda which, in turn, raises concerns about the long-term trajectory of US government debt.

Year-to-date, European equities have outperformed all major markets, while GDP for the region grew +0.4%Q in the first quarter. The European Central Bank cut interest rates by 25 basis points (bps) and said the outlook for growth had deteriorated given the US tariff announcement. While the path to normalization of trade policy is uncertain ECB President Lagarde said of tariffs, 'probably it's going to be disinflationary more than inflationary' anticipating Chinese goods surpluses. European forward indicators are finely balanced with PMIs marginally in expansionary territory. It is likely that European growth will remain positive this year but show no significant improvement compared to 2024.

The Australian economy has faced challenges due to higher inflation and sustained elevated interest rates, leading to seven consecutive quarters of contracting GDP growth per capita. However, the economy has remained in expansion territory due to large population growth and significant fiscal expansion. The RBA left cash rates unchanged during April, acknowledging the 'continuing decline in inflation' and highlighting that noting that the labour market 'might not be quite as tight' as previously identified. Futures markets moved to price in a May rate cut and a further 75bps of cuts in the next 12 months, recognizing easing inflation concerns and global economic uncertainty. While the impact of US tariffs – most notably via Chinese demand – is clouding the outlook, the economy is projected to grow at a faster pace in 2025, driven by increased government spending, tax cuts, and lower interest rates.

Gross Performance	1M%	3M%	6M%	1Y%	2Y%	3Y%	5Y%	7Y%	10Y%
Perpetual Balanced Growth Fund	1.0	-0.6	2.1	6.4	6.4	5.8	9.5	7.7	7.1
Balanced Growth Index	1.4	-2.5	2.2	9.8	9.6	7.3	8.7	7.3	7.0
Excess	-0.4	+1.9	-0.1	-3.3	-3.3	-1.6	+0.8	+0.4	+0.1
Perpetual Diversified Growth Fund	1.1	0.2	2.7	6.5	5.6	5.0	7.3	6.4	5.9
Moderate Growth Index	1.4	-1.1	2.7	8.9	7.8	6.1	6.3	5.8	5.7
Excess	-0.4	+1.3	0.0	-2.4	-2.2	-1.1	+1.0	+0.6	+0.3
Perpetual Diversified Real Return Fund - Class W	0.3	1.8	3.1	6.1	4.9	4.1	5.4	5.0	4.9
Australian CPI +5% (Target Objective)							9.0	8.4	
Perpetual ESG Real Return Fund	0.7	1.0	2.6	5.8	3.6	2.6			
Australian CPI +5% (Target Objective)							-	-	

MORE INFORMATION

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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.