

Quarterly Market Commentary

30 SEPTEMBER 2026



PORTFOLIO HOLDINGS & INDEX PERFORMANCE

30/09/2026

	Price	% Chg - Qtr	% Chg - 1yr
Indices			
ASX All Ordinaries Accumulation Index	121,036.40	1.01%	1.43%
MSCI World Net Total Return Index	15,875.47	1.88%	15.24%
MSCI World Net Total Return Index (AUD)	4,902.65	1.45%	9.78%
S&P/ASX 200 A-REIT Total Return Index	73,371.17	-8.38%	-14.34%
S&P 500 Index	7,651.54	2.03%	14.40%
NASDAQ Composite Index	26,861.06	2.47%	18.54%
Philadelphia Semiconductor Index	12,628.62	-11.36%	98.26%
Europe 600 Index	634.89	-1.07%	13.74%
UK 100 Index	10,606.00	1.04%	13.43%
German Stock Index	25,199.19	0.81%	5.52%
Nikkei (Japan) 225 Index	66,753.72	-4.72%	48.56%
Tokyo Stock Exchange Index	4,108.65	2.85%	30.95%
Hong Kong Index	24,613.27	7.57%	-8.35%
China 50 Index	14,047.10	-10.54%	-7.23%
Singapore All Cap Index	750.49	8.48%	30.31%

Currencies			
AUD/USD	0.695	0.40%	5.05%
AUD/GBP	0.524	0.38%	6.47%
AUD/EUR	0.613	1.17%	8.75%
AUD/CHF	0.581	3.81%	10.23%
AUD/JPY	109.352	-2.78%	11.78%

Commodities			
Iron Ore (US\$/t)	89.57	-4.11%	-8.75%
Copper (US\$/lb)	6.62	4.48%	31.24%
Gold (US\$/oz)	4,157.41	3.73%	7.73%
Nickel (US\$/t)	15,778.95	-3.40%	0.01%
Zinc (US\$/t)	3,898.87	9.75%	33.60%
Uranium (US\$/oz)	89.40	4.87%	9.16%
Aluminium (US\$/t)	3,175.99	3.24%	18.38%
Brent Oil (US\$/bbl)	103.53	41.98%	54.48%
Newcastle Coal (US\$/t)	146.50	13.00%	37.95%
Henry Hub Gas (US\$/mBtu)	3.03	-10.82%	-26.71%
Corn (US\$/bushel)	5.01	21.32%	20.52%
Eastern States Young Cattle Indicator (¢/kg cwt)	9.15	-9.41%	4.21%

Bond Yields		US	AUS
10 Year Bonds	5.28%		5.35%
5 Year Bonds	5.09%		5.00%
1 Year Bonds	4.54%		4.95%

Rates		
RBA Cash Rate	4.60%	
Fed Funds Rate (Mid Point of Target Range)	3.88%	
ECB Interest Rate	2.50%	

Domestic	Ccy	Share Price	% Chg - Qtr	% Chg - 1yr
Consumer Discretionary				
JBH	AUD	70.28	-12.67%	-39.41%
HVN	AUD	4.26	-11.62%	-42.28%
Consumer Staples				
ELD	AUD	6.48	26.07%	-13.02%
WOW	AUD	39.20	-2.07%	46.82%
Financials				
CGF	AUD	10.16	1.60%	17.32%
NOL	AUD	1.24	4.20%	-17.61%
SDF	AUD	5.75	12.75%	-3.04%
ANZ	AUD	38.31	8.37%	15.36%
AUB	AUD	26.70	-6.77%	-18.42%

Industrials				
VNT	AUD	6.12	-1.13%	19.77%
RDX	AUD	3.50	-11.84%	22.81%

Energy				
ORG	AUD	10.98	0.00%	-12.16%

Materials				
RIO	AUD	166.93	-3.23%	36.79%
ORI	AUD	23.46	-0.93%	10.97%
JHX	AUD	36.29	-4.98%	29.24%

Technology Media & Telecommunication				
DDR	AUD	15.11	20.11%	54.03%
WTC	AUD	32.46	-1.64%	-64.03%
XRO	AUD	56.92	-21.19%	-63.86%

Healthcare				
RMD	AUD	31.98	10.73%	-22.06%

Property				
DXS	AUD	5.74	6.30%	-20.06%
SCG	AUD	3.50	-9.33%	-14.22%

Global	Country	Ccy	Share Price	% Chg - Qtr	% Chg - 1yr
Consumer Discretionary					
AMZN	US	USD	249.15	4.54%	13.47%
ULTA	US	USD	546.17	21.11%	-0.11%
ABNB	US	USD	160.65	12.26%	32.31%
DHI	US	USD	136.65	-16.10%	-19.37%

Diversified Financials					
ALV	Germany	EUR	414.70	0.51%	15.77%
UBSG	Switzerland	EUR	40.29	0.57%	23.93%
2318	China	HKD	52.75	3.33%	-0.57%

Banks					
LLOY	UK	GBP	106.90	-3.78%	27.54%
WFC	US	USD	80.05	-3.13%	-4.50%
SAN	SP	EUR	12.33	2.02%	38.92%
ABN	NA	EUR	43.14	16.03%	58.31%

Healthcare					
DXCM	US	USD	86.29	28.12%	28.24%

Consumer Staples					
PG	US	USD	145.28	-0.93%	-5.45%

Industrials					
HON	US	USD	210.94	-5.79%	1.47%
DE	US	USD	671.55	5.87%	46.86%
URI	US	USD	1000.78	-11.66%	4.83%
AIR	France	EUR	190.62	-2.02%	-3.43%
HONA	US	USD	154.97	-29.90%	N/A

Technology Media & Telecommunication					
MSFT	US	USD	512.90	37.50%	-0.97%
GOOG	US	USD	340.74	-3.56%	39.91%
META	US	USD	725.18	28.74%	-1.25%
UBER	US	USD	68.51	-5.06%	-30.07%
INTU	US	USD	275.71	5.64%	-59.63%

OVERVIEW: Hugh MacNally

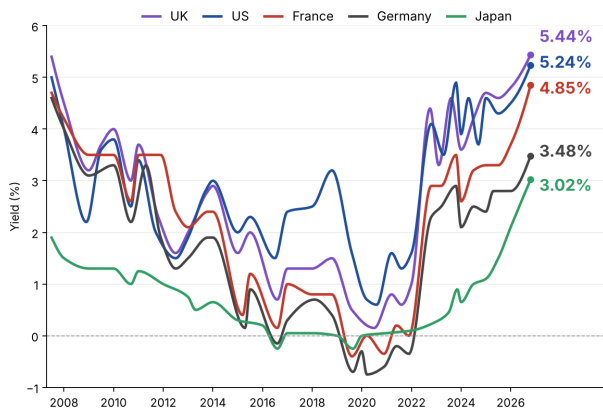
Rising Bond Yields

The rise in bond yields across developed economies during the September quarter has been a very significant development; significant because high bond yields have a negative effect on the pricing of equities and property investments.

Markets have become used to extremely low interest rates over the last 15 years, and the pricing of equities reflects this very favourable circumstance. For the 10 years up to 2022, when the Federal Reserve commenced tightening monetary policy, the US 10-year bond yield averaged 2.0%, against the current yield of 5.3%.

As the chart below shows, interest rates have risen across developed economies since 2022 and are now back at levels last seen just prior to the GFC (nearly 20 years ago). In the last six months, expectations have moved from central banks reducing rates to another tightening cycle.

10-year Government Bond Yield: 2007-2026



Daily yields on 10-year benchmark government bonds. Source: PPM client data as of 9 October 2026

Concern has also arisen over the cost of funding of persistent and widening government budget deficits. Funding deficits was not such an issue when interest rates were extremely low, however, with higher rates there is a negative feedback loop – the higher rates go the greater the deficit (and so on).

Competition for capital has increased. The largest companies - Microsoft, Alphabet, Apple and Meta - had until the development of AI, been capital-light, that is, their capital expenditures were modest and

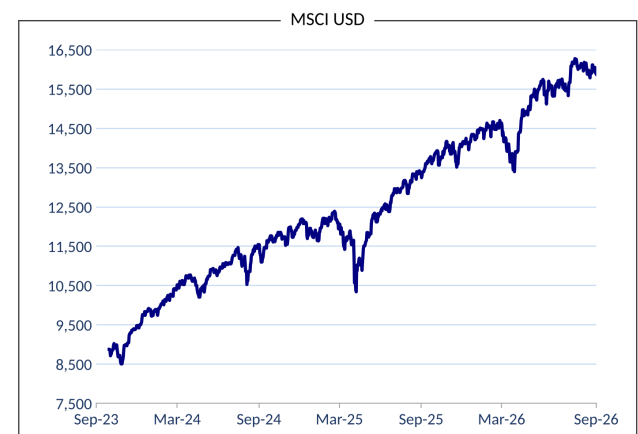
funded entirely from massive cash flows. The build-out of data centres has changed that dramatically and technology companies now have high demand for capital, both debt and equity.

Low interest rates and plentiful liquidity also encourage speculative valuations, and this is now evident in the tech sector. Over 2026 we have reduced the portfolios' exposure to many high-growth but excessively priced stocks. This has come at some cost to short-term performance, as the performance of sectors such as semiconductors and data centres has been extremely high but has become increasingly risky because of pricing. We think that sacrificing short-term performance in favour of security is justified because of the circumstances described immediately above.

Some sectors are out of favour and so do not carry high price tags; these include software stocks and banks. To reiterate one of the central tenets of our investment philosophy: we avoid investments where the valuation is excessive, and we are placing great emphasis on this at present.

GLOBAL EQUITIES: Hugh MacNally

International Equities Performance



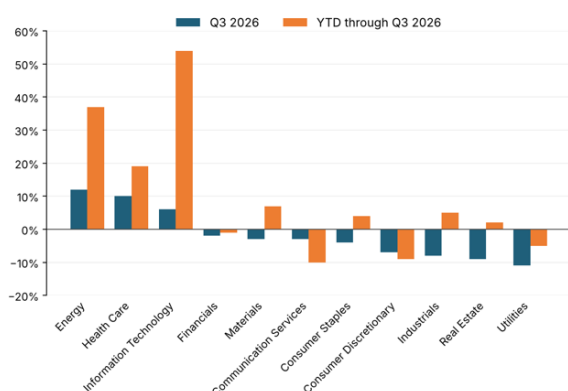
Source: Bloomberg

Global equity markets rose during the quarter, with the MSCI (an index of global stocks) up 1.5% in Australian dollar terms and 9.9% over the last 12 months.

Unlike most of this year, when the returns have been spread widely across a range of industries, the last

quarter has seen positive returns in only three sectors: energy, information technology and healthcare, with negative returns in the remaining eight industry groups. We feel this narrowing of market returns is indicative of a market that has become stretched and where the recent strong earnings results are fully accounted for in share prices.

Industry Sector Performance

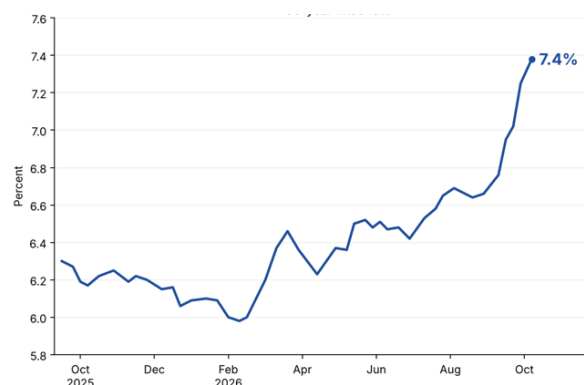


Source: Bloomberg

Performance of Portfolio Stocks

Sectors that have been most affected are real estate and utilities, both sensitive to rising interest rates. Mortgage costs have increased to 7.4% from 3% five years ago and 6% as recently as February this year. This has had a marked effect on the major home building stock in portfolios (the exposure was reduced 2-3 years ago) as can be seen in the table below, with the largest part of the fall in share price occurring this quarter. Utility prices are particularly sensitive to rising bond yields.

US 30-Year Fixed Rate Mortgage Average: Sep 2025 - Oct 2026



Source: Freddie Mac via FRED

After strong rises during the last year, European bank and insurance stocks were only marginally up, or down in the case of Lloyds. The recent results have been very strong, with high returns on capital being generated. Much of the high returns over the last two years have come from valuations moving from deep discounts to more normal valuation multiples. Concern over asset quality has emerged, but we think this should be mostly confined to private credit assets.

In the technology sector, Microsoft, SAP and Meta were the best performers for the quarter, recovering from mediocre returns over the year (in contrast to those of the other two major holdings, Amazon and Alphabet). Valuations of these five stocks are not excessive.

There was strong performance from Dexcom, a healthcare stock, and from beauty-products retailer Ulta Beauty. Travel-services operator Airbnb also did well. Deere & Co. (Agriculture Technology) was the highest-returning stock for the year, up 50%, and also had a good quarter. We regard it as a very high-quality company; however, the valuation is becoming stretched. Uber has continued to produce strong revenue and cash flow growth but is suffering from the perception that it is a melting ice cube at risk of disruption from the robo-taxi advancements of Waymo and Tesla – these are formidable competitors, although rollout is at a very early stage.

Company	Q3 2026 Total Return	12M to End Q3 Total Return
Microsoft	33.70%	-0.50%
SAP	31.40%	N.A.
Dexcom	25.30%	30.60%
Ulta Beauty	20.10%	-1.80%
Meta Platforms	18.40%	1.40%
Airbnb	9.10%	31.30%
Deere & Co	7.30%	50.40%
Intuit	3.70%	N.A.
Amazon	3.10%	12.90%
Banco Santander	1.70%	43.30%
Siemens	0.60%	20.20%
Allianz	0.20%	19.20%
UBS Group	0.10%	28.20%
Procter & Gamble	-0.70%	-2.40%
Lloyds Banking Group	-3.40%	33.00%
Honeywell International	-4.60%	N.A.
Alphabet	-4.70%	40.90%
Uber	-5.70%	-29.10%
Wells Fargo	-6.30%	1.20%
United Rentals	-9.80%	4.80%
D.R. Horton	-12.70%	-19.80%
Honeywell Aerospace	-31.80%	N.A.

Acquisitions/Disposals during the quarter

- Airbus SE

Investment Rationale

Airbus offers a compelling structural growth opportunity underpinned by a record commercial aircraft backlog and growing demand for air travel. The accelerating delivery ramp- targeting 870 aircraft in 2026 and a production rate of 75 per month by end-2027 — is the primary earnings catalyst, with EBIT expected to grow 32% in FY2026E. Net cash on balance sheet, a progressive dividend, and a €5bn buyback programme reinforce capital discipline. The Defence and Space division provides earnings diversification, while a mid-term EBIT target of €12–13bn by 2029 signals significant margin expansion potential.

Operations

Airbus SE is a global aerospace and defence leader headquartered in France, operating across three core divisions. **Airbus Commercial Aircraft** - the dominant earnings driver, representing approximately 70–75% of group revenues - is one of only two manufacturers of large commercial jets globally, commanding roughly 60% market share in

civil aviation. Its flagship A320 family and widebody A350 platform serve airlines worldwide for fleet modernisation and expansion.

Airbus Helicopters holds a leading global position in civil and military rotorcraft, delivering 144 units in H1 2026, with growing demand across government, medevac, and business segments.

Airbus Defence and Space encompasses military air systems (including the A400M transport), space systems, and connected intelligence. The division reported a 9% revenue increase year-on-year in H1 2026 to €6.3bn, with a planned joint venture with Thales and Leonardo to create a dedicated space champion by 2027.

Group H1 2026 revenues reached €33.2bn, up 12% year-on-year.

Financial Summary

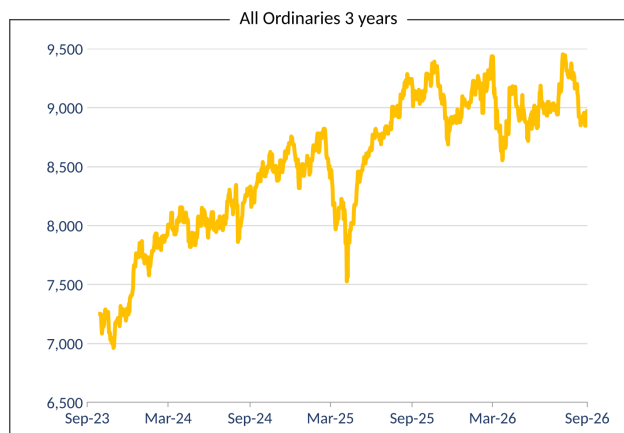
All figures in EUR

Metric	FY2024	FY2025	FY2026E
INCOME STATEMENT			
Revenue	€69.23bn	€73.42bn	€81.06bn
EBITDA	€8.21bn	€10.26bn	€10.80bn
EBIT	€4.95bn	€5.78bn	€7.64bn
NPAT	€4.23bn	€5.22bn	€5.84bn
PER SHARE			
EPS	€5.36	€6.61	€7.43
DPS	€1.80	€3.20	€3.39
BALANCE SHEET & INTEREST COVERAGE			
Net Debt / Equity	(76.7%)	(59.2%)	(44.8%)
EBITDA / Net Interest	79.7x	148.5x	161.6x

Notes: Data: PPM & Bloomberg. Negative Net Debt / Equity (shown in brackets) reflects a net cash position. Shaded column denotes estimates.

AUSTRALIAN EQUITIES: Peter Reed

Australian Equities Performance



Source: Bloomberg

The Australian equity market rose 1.3% over the September quarter, although returns were uneven. Health Care, Energy and Materials led the market, with energy stocks supported by ongoing disruption to global supply. Interest-rate-sensitive and consumer-facing sectors lagged as the RBA lifted the cash rate to 4.60% and bond yields moved higher.

Within the portfolio, the strongest performers were Elders, Dicker Data and Steadfast, the latter supported by a takeover proposal at \$6.00 per share. The weakest were Xero and our two consumer discretionary retailers, JB Hi-Fi and Harvey Norman, as trading momentum moderated through the year.

Strongest		Weakest	
Elders	+26.1%	Xero	-21.2%
Dicker Data	+21.2%	Harvey Norman	-11.6%
Steadfast	+15.3%	JB Hi-Fi	-11.0%
ResMed	+11.1%	Redox	-10.2%
ANZ	+8.4%	Scentre Group	-7.1%

The September quarter saw the release of FY26 results for companies with financial years ending in June. We provide below an overview of a number of these results.

Consumer Stocks

Despite ongoing concerns around the cost of living and the direction of interest rates, consumer stocks delivered a generally resilient set of results.

JB Hi-Fi reported record FY26 sales of \$11.1 billion, an increase of 4.8% across the group, while net profit rose 6.0% to \$489.9 million. More notable, however, was the moderation in trading momentum as the year progressed. This was particularly apparent in the July sales update, with sales declining 0.5% for JB Hi-Fi Australia and 1.7% for The Good Guys.

A similar pattern emerged at Harvey Norman. Its key domestic franchise business grew revenue by 4.3% over the full year, although this comprised growth of 8.8% in the first half followed by a decline of 0.4% in the second half. July trading was similarly subdued, although management pointed to a recovery in Australian sales during August.

While much of the weaker trading performance had been anticipated, both stocks finished the quarter sharply lower, with JB Hi-Fi declining 11% and Harvey Norman 11.6%. Against this backdrop, we had already been reducing the size of our positions at price levels materially above those prevailing today. This has brought both holdings back from among the larger portfolio weightings to a more standard allocation of approximately 4–5%.

With both stocks now offering an underlying return within our target range, we are comfortable maintaining their current weightings.

Also, within the consumer sector, Woolworths delivered a resilient performance. CEO Amanda Bardwell has continued to focus on improving the performance of the core Australian food and grocery business, with the EBIT margin now at a healthy 5.5%. Return on funds employed has also improved materially, reaching 16.4% compared with 12.7% a year ago.

We have been encouraged by this recovery in performance and maintain a core weighting in the stock.

Financials

In the financial sector, insurance broker AUB delivered a solid result, with net profit increasing 12% for the year. With the exception of New Zealand, all divisions contributed to the result, with the core domestic business growing 10% and international operations increasing 19.6%.

The company remains positive on the outlook for the new financial year, targeting low double-digit earnings growth. Its EBIT margin also expanded by 1.4 percentage points to 36.1%.

Our other insurance broker holding, Steadfast, also delivered a solid result, with core profit increasing 8%. This comprised organic growth of 6%, supplemented by a further 2% contribution from acquisitions.

Steadfast remains subject to a takeover proposal, with the Board having agreed to a consortium's offer of \$6.00 per share, subject to customary deal terms and adjustments and the absence of a superior proposal.

Ventia

Our industrial services holding, Ventia, continues to perform well, both operationally and in terms of its share price.

One of the key achievements has been the ongoing shift in business mix towards higher-margin work. In the first half of FY26, the company delivered a record EBITDA margin of 9.4%, while earnings per share increased 14.4%.

Work in hand at 30 June 2026 stood at \$21.1 billion, spread across its four divisions: Defence and Social Infrastructure, Infrastructure Services, Telecoms and Transport.

Ventia continues to demonstrate disciplined execution and a growing exposure to higher-margin activities. We believe this provides the foundation for continued defensive growth and makes the company a valuable contributor to the portfolio.

Technology Exposure

Australian technology stocks diverged sharply in 2026. WiseTech Global and Xero each lost about half their market value, while Dicker Data gained nearly 50%. WiseTech faced AI-related software concerns, regulatory scrutiny and governance disruption. Although FY26 earnings exceeded expectations, slowing growth and limited visibility weighed on sentiment. Nevertheless, low customer attrition, substantial product investment and the acquisitions support its long-term opportunity in global logistics software.

Xero's decline reflected the broader software-as-a-service (SaaS) de-rating, uncertainty surrounding the acquisition of US payments company Melio and governance concerns. FY26 revenue rose 31%, but higher interest and tax costs disappointed investors. The longer-term case remains underpinned by subscriber growth, rising average revenue per user, US expansion and Melio's expected path to breakeven.

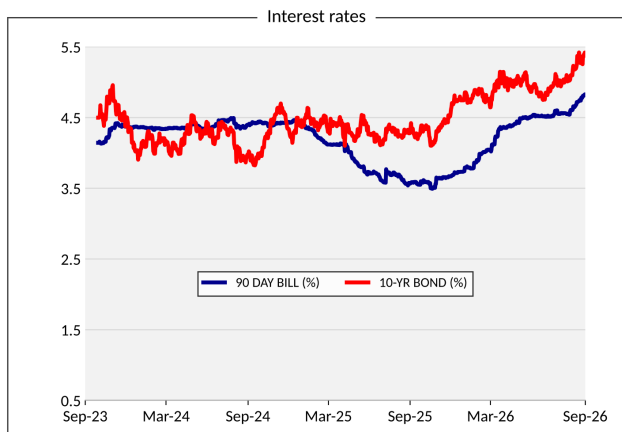
Dicker Data benefited from a different exposure to technology: AI infrastructure spending. First-half net profit rose 54%, while revenue increased 14%. The contrast highlights that AI is not affecting all technology businesses equally. WiseTech and Xero retain attractive structural opportunities, but improved execution and governance are needed to rebuild confidence; Dicker Data is currently benefiting more directly from AI-related investment.

WiseTech and Xero are both facing a period where near-term execution uncertainty, governance noise and macro-driven valuation compression are obscuring what remain structurally attractive long-term franchises. The market is applying a significant discount for uncertainty - one that could prove excessive if revenue visibility improves and governance concerns abate. We added to our exposure to both WiseTech and Xero during the quarter. Dicker Data, meanwhile, is demonstrating that the right positioning within technology can generate exceptional returns even in a challenging environment for the sector broadly. We reduced our

exposure to Dicker Data during the quarter due to its outperformance and elevated valuation.

INTEREST RATES: Neil Sahai

90 Day Bank Bill (%) vs 10 Year Bond (%) Performance



Source: Bloomberg

The September quarter brought a broader global shift towards tighter monetary policy as remaining hopes for interest rate relief faded. Continued disruption to global energy supplies kept inflation elevated, while resilient growth in some economies gave central banks scope to raise rates. However, softer labour markets and pressure on household spending continued to temper the outlook.

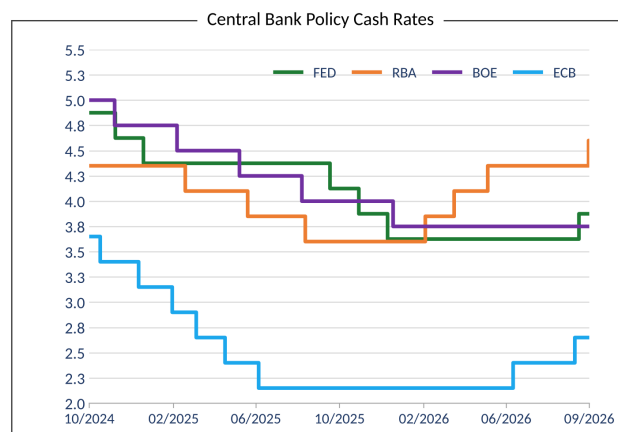
Australia's monetary policy remained among the more restrictive of the major developed economies, with the Reserve Bank increasing the cash rate to 4.60% in September. Growth remained modest and unemployment edged higher, but ongoing price pressures prompted further tightening. By comparison, the US economy proved more resilient, supported by strong investment in artificial intelligence infrastructure. This strength, alongside above-target inflation, prompted the Federal Reserve to raise its target range to 3.75 – 4.00%. The European Central Bank and the Reserve Bank of New Zealand also raised rates, while the Bank of England and the Bank of Canada held steady.

Government bond yields rose across Australia, the US, Europe, the UK and Japan, with Australian and US 10-year yields both ending September at around 5.3%. Inflation concerns and rising government debt

pushed borrowing costs higher and weighed on bond prices.

While these market conditions warrant caution, we remain constructive on high-quality corporate bonds, where current yields offer attractive income. We anticipate further volatility in bond prices, but today's higher starting yields provide a meaningful buffer against short-term fluctuations. Although our general preference is to hold bonds through to maturity, we recognise the need to remain flexible and adjust our positions when market dynamics shift. Ultimately, our focus remains squarely on capital preservation achieved through disciplined issuer selection and active risk management.

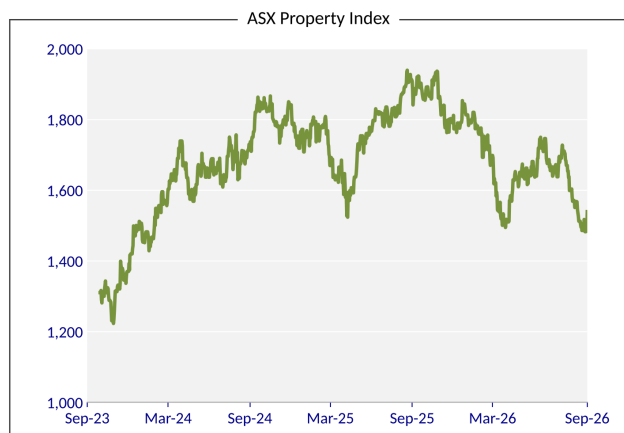
Summary of cash rate paths of major central banks over the past two years.



Source: Bloomberg

PROPERTY: Franklin Djohan

ASX Property Graph



Source: Bloomberg

The A-REIT index came under renewed pressure during the September quarter, declining 8.4% as higher bond yields and a less supportive interest-rate outlook weighed on property valuations. Australian 10-year government bond yields rose during the quarter, while the RBA raised the cash rate by 25 basis points to 4.60% late in the period. The combination reinforced concerns that interest rates may remain higher for longer, reversing some of the optimism that had supported the sector earlier in the year.

Importantly, underlying operating fundamentals remain strong. Recent reporting season results highlighted resilient occupancy, rental growth and generally sound balance sheets across much of the sector. Retail property remains particularly resilient, supported by strong tenant demand and limited new supply, while premium office assets continue to benefit from the flight to quality. Rental growth is also providing an increasingly important offset to higher funding costs.

The divergence between listed valuations and underlying property fundamentals has consequently become more pronounced. Many A-REITs now trade at significant discounts to their reported net tangible assets, despite owning assets with resilient income characteristics. Notably, property valuations remain below replacement cost across several sectors, with elevated construction costs and financing expenses making new developments increasingly difficult to

justify economically. This is constraining the supply of new property and should improve the supply-demand balance over time. For existing high-quality assets, this provides an important structural advantage, supporting the outlook for rental growth and asset values over the longer term.

While the September quarter demonstrated that A-REITs remain highly sensitive to movements in bond yields, the underlying fundamentals remain considerably more resilient than share prices suggest. With many quality A-REITs trading at meaningful discounts to asset value and offering attractive distribution yields, the sector may provide an increasingly compelling income opportunity for investors willing to look through near-term share price volatility.

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