Perpetual Investment Funds

PERPETUAL GLOBAL ALLOCATION ALPHA FUND

October 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

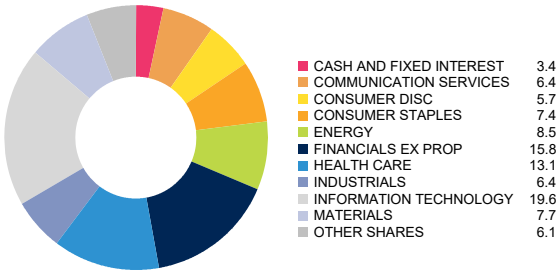
Provides investors with long-term growth opportunities across global equities. The fund is run by high quality investment teams.

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: $388.52 million as at 30 Sep 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

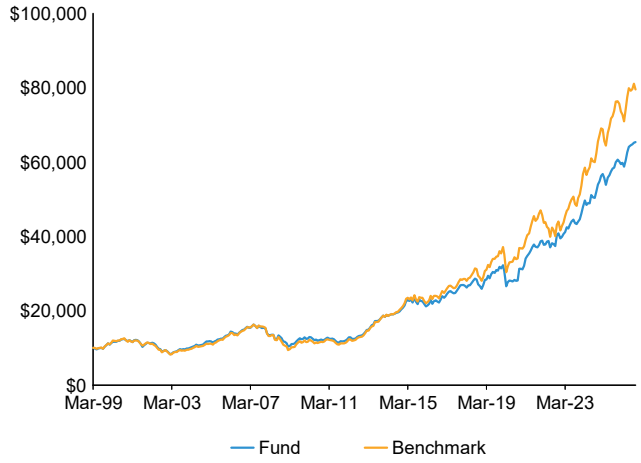
	% of Portfolio
Apple Inc.	2.9%
NVIDIA Corporation	2.6%
Microsoft Corporation	2.4%
Alphabet Inc.	2.0%
Broadcom Inc.	1.4%
Amazon.com, Inc.	1.3%
Exxonmobil Holdings Corporation	1.1%
Eli Lilly and Company	1.1%
AbbVie, Inc.	1.0%
Roche Holding Ltd	1.0%

PERFORMANCE- periods ending 31 October 2026

	Fund	Historical[1] Performance	Benchmark	Excess
1 month	0.19	-	-1.94	+2.13
3 months	1.35	-	0.41	+0.94
1 year	8.96	-	4.29	+4.67
2 year p.a.	12.09	-	12.94	-0.85
3 year p.a.	14.69	-	18.15	-3.46
4 year p.a.	12.86	-	16.51	-3.65
5 year p.a.	-	12.05	12.16	-0.10
7 year p.a.	-	11.35	12.61	-1.26
10 year p.a.	-	11.41	13.04	-1.64

[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

October was marked by a rotation out of crowded AI-related positioning and into value, defensive and energy sectors, alongside the first meaningful government bond rally in many months.

- Global equities (MSCI World -0.8%) and US equities (S&P 500 -0.9%) declined, but the headline masked a rotation beneath the surface. The MSCI World Value index rose +2.7% while the MSCI World Growth index fell -4.2%, and the equal-weighted S&P 500 (+5.0%) outperformed the cap-weighted index by almost six percentage points. Energy (+12.5%), consumer staples (+10.7%), health care (+9.8%) and utilities (+8.2%) led the advances, while IT (-6.9%) and communication services (-13.5%) lagged, with mega-cap technology stocks among the largest detractors.
- Japanese equities fell (TOPIX -3.5%) as semiconductor and AI supply-chain stocks sold off and the Bank of Japan signalled further tightening ahead.
- European equities also declined (Euro Stoxx 50 -2.1%), led by the banks as higher bond yields in France and Italy heightened sovereign risk concerns.
- UK equities were among the strongest major markets (FTSE 100 +1.3%), supported by a large weighting to energy and defensive sectors and limited exposure to the AI theme.
- Australian shares also outperformed their global peers, with the S &P/ASX 300 (+1.1%) rising as banks, utilities and health care led and investors rotated out of resources.
- Emerging markets (MSCI EM -7.4%) sold off heavily, with losses concentrated in technology-heavy Korea (- 16.3%) and Taiwan (-5.7%). Chinese equities (MSCI China -7.2%) declined on weak domestic demand and intensifying competition, and Brazil (Bovespa -9.9%) reversed sharply after President Lula's unexpected run-off victory.
- Government bonds rallied strongly as investors sought diversification, reversing part of the third quarter's sell-off, with the notable exception of France, where the 10-year yield breached 5% for the first time since 2002.
- Commodities were mixed. Oil rose to a six-month high, following tanker attacks, Houthi strikes on Saudi infrastructure and reports of possible US strikes on Iran. Elsewhere, precious metals declined reflecting elevated real yields.

October saw a material change in market leadership as mega-cap technology stocks were impacted by concerns around AI capex. Since the US market peaked on 6 October, the ten largest AI-related stocks materially underperformed the remaining 490 stocks in the S &P 500 (-12.0%, -0.6% respectively) which remained resilient. While corporate earnings results were strong in aggregate, investors reacted poorly to hyperscaler results that paired record capital expenditure with slowing monetisation. With hyperscaler free cash flow set to turn deeply negative in 2027, the build-out increasingly depends on external capital, and stress in the debt of more leveraged 'neocloud' providers was an early warning sign. Corrections of this magnitude in the AI space have been common since late 2022 (seven in total) and this one has so far been orderly and confined to AI-related names. The signals we are watching are lower capex guidance, wider spreads on AI-related debt and private credit, and downward revisions to semiconductor earnings.

The concerns around AI-related stocks unfolded against a resilient macro backdrop. US third-quarter GDP grew at a 3.4% annualised pace, with private domestic final sales up 5.0% annualised, and euro area GDP grew +1.6% annualised over the quarter despite the energy shock, tighter financial conditions and political turbulence in France. French bonds sold off further, pushing the spread to German Bunds to its widest since the 2011-12 eurozone crisis, as social unrest, a divided parliament and the approaching 2027 election weighed on the fiscal outlook.

Meanwhile, the US Federal Reserve held the federal funds target range at 3.75–4.0% in a 10-2 vote with both dissenters favouring a hike, upgraded its description of activity to 'strong' and retained a tightening bias. Fed Chair Warsh's comments that the economy is not overheating and that tighter financial conditions and improving productivity are having the desired effect saw markets trim the number of hikes priced for 2027. Our view remains that the roughly 50bps of 2027 Fed hikes priced by markets look too hawkish given US wage growth of around 3% and productivity growth above 2%, which leaves the US as the only major economy capable of returning core inflation to target without an extended period of sub-trend growth. The ECB held its deposit rate at 2.50% but openly debated a hike and is widely expected to tighten in December, while the Bank of Japan held at 1.25% and lifted its inflation forecast.

Domestically, inflation pressures continued to build. The September quarter trimmed mean CPI rose + 1.0% over the quarter and +3.7% over the year, materially stronger than the Reserve Bank of Australia (RBA) had forecast, with headline inflation running above +4%. The RBA left the cash rate at 4.60% through October before lifting it by 25bps to 4.85% on 3 November, an 18-year high and the fifth hike of 2026. The RBA now expects trimmed mean inflation to remain above 3% for the coming year and not to return to the top of the target band until late 2027, citing higher fuel prices and tighter capacity. Unit labour costs are broadly in line with core inflation while productivity growth is weak, suggesting that further hikes may be necessary, or an extended period of sub-trend growth.

PORTFOLIO COMMENTARY

GE HealthCare Technologies Inc. positively contributed to relative performance during the month after third-quarter results eased fears of a guidance cut and delivered a beat and raise across the board. Organic revenue growth accelerated to 6.2% from 3.5% in the second quarter, and adjusted earnings per share rose 25%, beating consensus by roughly 12%. Orders slowed sequentially to 4% growth, but the two-quarter average remained near 7 %, and the shares also benefited from the broader rotation into health care. We see earnings power of $6.50 to $7.00 per share over the next several years as margins move toward peer levels, which would leave the shares at only about 12 times earnings.

Xcel Energy Inc. positively contributed to relative performance during the month as utilities rallied on the rotation into defensive sectors and a sharp decline in Treasury yields. The company offers one of the strongest growth profiles in the sector, with a $60 billion capital plan driven by electrification, generation, transmission and data center demand. A growing data center pipeline, including a contract with Google in the Upper Midwest, could add roughly $10 billion of further investment opportunities. Rate base growth of about 11% annually should support earnings growth of 8% to 9%, well above the industry average of roughly 6%, which supports a premium valuation.

SK Hynix Inc. detracted from relative performance during the month as memory stocks sold off sharply amid concerns about AI financing and new competition from China's CXMT in server memory. Sentiment was also hurt by the cancellation of a planned U. S. listing of its Solidigm unit and weakness across the Korean market. The selloff came despite another record quarter, with revenue up 32% sequentially, operating margins near 80% and net cash rising to roughly KRW99 trillion, while HBM4 moved into full-scale production with yields ahead of plan. Management now expects supply constraints to persist through 2030, and the company's pricing power and balance sheet strength look underappreciated after the decline.

Freeport-McMoRan Inc. detracted from relative performance during the month as copper, iron ore and precious metals fell on Chinese demand concerns and episodic AI-related selloffs, pulling mining shares lower. Third-quarter results were solid, with adjusted earnings per share of $0.88 ahead of the $0.81 consensus and unit net cash copper costs of $2.07 per pound, below guidance. The Grasberg Block Cave ramp-up remains on schedule for full production in the second half of 2027, and the company expects roughly 700 million pounds of additional annual copper volume by 2027. Low global inventories and rising electrification demand support the medium- to long-term copper outlook, and the company should generate strong free cash flow at current prices.

OUTLOOK

Global equity markets remain characterised by elevated valuations, concentrated index leadership and strong retail participation, particularly in the United States, where the cyclically adjusted P/E sits around 41x and roughly 30% of the S&P 500 is tied to the AI theme. Encouragingly, the earnings expansion is broad with all eleven US sectors growing earnings in the third quarter, compared with only two sectors 15 months ago, while Europe is delivering strong results against a high bar, and Japan and the UK are expected to deliver earnings growth comparable to the US for a second consecutive year. It is this breadth, rather than a handful of mega-cap stocks, that the Fund's equity exposure is built around.

We continue to manage downside risks by carefully managing 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. This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider whether the information is suitable for your circumstances and we recommend that you seek professional advice. The product disclosure statement (PDS) for the Fund, issued by PIML, should be considered before deciding whether to acquire, dispose, or hold units in the Fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au.
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. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. All investing involves risk including the possible loss of principal.

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