PPM
PRIVATE PORTFOLIO MANAGERS

Quarterly Market Commentary

30 SEPTEMBER 2025

MARKET COMMENTARY

30-September-2025

	30/9/2025	% Chg - QTD	% Chg - 1yr
Indices			
S&P/ASX All Ordinaries Accumulation Index	119,327.10	5.25%	10.50%
S&P/ASX 200 A-REIT Accumulation	85,649.53	4.56%	4.10%
MSCI World Index (USD)	13,776.27	7.27%	17.25%
S&P 500	6,688.46	7.79%	16.07%
NASDAQ Composite Index	22,660.01	11.24%	24.58%
PHLX Semiconductor Sector Index	6,369.82	14.84%	23.13%
Stoxx Europe 600	558.18	3.11%	6.75%
FTSE 100	9,350.43	6.73%	13.52%
German DAX	23,880.72	-0.12%	23.57%
Nikkei 225	44,932.63	10.98%	18.49%
TOPIX	3,137.60	9.98%	18.58%
Hang Seng	24,579.31	11.89%	28.74%
FTSE China Index	15,130.41	11.67%	7.69%
FTSE Singapore Index	3,180.87	5.06%	16.77%
Currencies			
USD/AUD	0.661	0.50%	-4.34%
GBP/AUD	0.492	2.65%	-4.84%
EUR/AUD	0.564	0.95%	-9.22%
CHF/AUD	0.527	0.93%	-9.90%
JPY/AUD	0.98	3.21%	-1.47%
Commodities			
Iron Ore US$/t	103.58	11.24%	-2.79%
Copper US$/lb	485.65	-5.66%	5.05%
Gold US$/oz	3,858.96	16.83%	46.47%
Nickel US$/t	15,085.46	-1.11%	-16.96%
Zinc US$/t	2,994.34	8.63%	-3.42%
Uranium US$/oz	81.90	10.15%	0.18%
Aluminium US$/t	2,682.80	3.27%	2.41%
Brent Oil US$/bbl	67.02	-0.87%	-6.62%
Newcastle Coal US$/t	106.20	-3.37%	-26.81%
Henry Hub Gas US$/mBtu	3.30	-17.11%	-9.41%
Corn US$/bushel	415.50	-1.19%	-2.18%
Eastern States Young Cattle Indicator (c/kg cwt)	878.26	23.23%	34.62%

Bonds & Rates	**US**	**AUS**
10 Year Bonds	4.13%	4.37%
5 Year Bonds	3.71%	3.77%
1 Year Bonds	3.63%	3.56%

Rates	
RBA Cash Rate	3.60%
Fed Funds Rate (Mid Point of Target Range)	4.50%
ECB Interest Rate	2.40%

Domestic	Ccy	30/9/2025	% Chg - QTD	% Chg - 1yr
Consumer Discretionary				
JBH	AUD	116.00	5.12%	45.11%
HVN	AUD	7.38	40.04%	49.09%
Consumer Staples				
ELD	AUD	7.45	18.25%	-10.47%
WOW	AUD	26.70	-14.18%	-19.82%
Diversified Financials				
CGF	AUD	8.66	7.18%	33.23%
NOL	AUD	1.51	-0.99%	-7.88%
Banks				
ANZ	AUD	33.21	13.89%	8.96%
Industrials				
JHX	AUD	28.08	-32.66%	-51.11%
VNT	AUD	5.11	-1.35%	12.31%
ORI	AUD	21.14	8.47%	13.96%
ANG	AUD	0.33	1.56%	-39.25%
LAU	AUD	0.66	-9.03%	-28.02%
RDX	AUD	2.85	31.94%	-13.64%
Energy				
NHC	AUD	3.92	5.95%	-24.76%
WHC	AUD	6.59	21.36%	-8.73%
ORG	AUD	12.50	15.85%	24.88%
Materials				
RIO	AUD	122.03	13.91%	-5.50%
Technology Media & Telecomunication				
DDR	AUD	9.81	21.56%	4.36%
Healthcare				
SHL	AUD	21.44	-19.97%	-21.26%
RMD	AUD	41.03	4.27%	17.33%
Property				
DXS	AUD	7.18	7.97%	-5.28%
SCG	AUD	4.08	11.48%	11.78%

Global	Country	Ccy	30/9/2025	% Chg - QTD	% Chg - 1yr
Consumer Discretionary					
AMZN	US	USD	219.57	0.08%	17.84%
ULTA	US	USD	546.75	16.87%	40.51%
ABNB	US	USD	121.42	-8.25%	-4.25%
Diversified Financials					
ALV	Germany	EUR	356.40	3.57%	20.81%
UBSG	Switzerland	EUR	34.79	21.06%	25.70%
2318	Hong Kong	HKD	53.05	5.57%	7.80%
Banks					
LLOY	UK	GBP	0.84	9.26%	42.52%
WFC	US	USD	83.82	4.62%	48.38%
SAN	SP	EUR	8.87	26.28%	92.89%
Healthcare					
DXCM	US	USD	67.29	-22.91%	0.37%
Industrials					
DHI	US	USD	169.47	31.45%	-11.17%
DE	US	USD	457.26	-10.07%	9.57%
URI	US	USD	954.66	26.71%	17.90%
Technology Media & Telecomunication					
MSFT	US	USD	517.95	4.13%	20.37%
CLS	US	USD	246.38	57.82%	381.96%
TSM	Taiwan	USD	279.29	23.31%	60.82%
GOOGL	US	USD	243.10	37.94%	46.58%
META	US	USD	734.38	-0.50%	28.29%
UBER	US	USD	97.97	5.01%	30.35%
ASML	NL	EUR	828.10	22.21%	11.06%

OVERVIEW: Hugh MacNally

As will be described below, the performance of investment markets over the quarter and the year has been benign. Equities prices have increased; interest rates have declined and are at levels consistent with targeted inflation levels, and inflation has also trended towards central bank target levels. Currencies have been relatively stable and within historical bands. Debt levels among listed companies are low, banking systems are very strongly capitalised and have low levels of problem loans. Household debt in developed economies is quite high, but with very low levels of unemployment this has not been a major issue (at least while interest rates remain low). There are a number of areas of concern, particularly private credit, where issues are starting to emerge; this is also likely to be the case in other "private" markets, where transparency is poor, but to date only a few incidences of have come to light.

Before we go on to look at what has happened in markets in more detail, we would like to make some observations about the changed environment that companies are operating in globally and domestically.

In stark contrast to investment markets benign conditions, the global trade environment has been chaotic. For the last 30 years or more, global trade has flourished often growing at twice global GDP. However, as an expansion of his first term salvo, President Trump launched a full-on assault on the conditions that have prevailed for so long. The disruption to complex supply chains in the biggest industries has been immense. The economics of capital invested during the era of widespread free trade have been disrupted. Whether the effects of the tariffs are yet to fully emerge is difficult to judge. Many of the predictions about inflationary pressures and negative effects on economic growth, have not at this stage appeared.

Similarly, the results from company earnings reports during the last quarter have not reflected the more dire predictions made at the time of the tariff announcements.

The second observation we would make is that the relationship between government and central banks, particularly in the US, but also in Australia, has become strained. After what has been a long period of deference shown by governments, there have been far more aggressive attempts to get central banks to reduce interest rates. The comments made by the US President about the Fed and its Chair are unprecedented in the modern era. To a lesser degree, the Australian Treasurer has been more strident than his predecessors. Fortunately, to date, government objectives of reducing interest rates have not come into conflict with inflationary targets and the bond markets have not reacted to any perceived attack on bank independence.

Thirdly, the level of government debt and the persistent deficits are worrying and something that will have to be addressed, but markets have allowed this can to be kicked down the road.

On an asset allocation note, we have, over recent years, been reducing the weighting in Australian companies. This is in part a natural result of the domestic market being such a small part of the global equities market – it is only natural that more investments are likely to be found globally than domestically, particularly given the narrow range of industries that are represented in Australia.

Making this change particularly important, has been the low returns on capital generated by Australian companies. Additionally, the liquidity resulting from growth of superannuation, has inflated prices of Australian companies. The most obvious example is in the banking sector, where Australian banks, and particularly the CBA are priced at extraordinary premia to their developed market counterparts.

It is worth noting that four of the five largest listed companies are trading banks.

There are two other aspects that have influenced our thinking about domestic equities.

It is now becoming increasingly apparent that the restructuring of the electricity grid is running into severe problems. Additionally, the lack of development of Australia's vast gas reserves, has

limited the options in the transition of the energy grid. Power prices are increasing and situation for energy intensive industries is becoming very difficult. Recently, the situation for the Glencore smelter at Mt Isa has come to the fore, with governments putting in $600 million to extend the life of the smelter. The aluminium smelters in NSW and Victoria, which are reliant on cheap and reliable power, will also encounter problems when current supply contracts run out. Similarly, the Nyrstar smelters in Tasmania and South Australia face this same issue. This marks the last heavy industry in Australia and with it the training and development ground for a range of technologies that developed economies would regard as important components of their economies.

The centralisation of industrial relations has reduced the flexibility of Australian businesses and what has been low levels of labour productivity growth over the last 10 years is now subject to further challenges. This is most dramatic in the construction industry, where the combination of truly awful labour conditions, and dysfunctional planning and approval processes have resulted in extremely low returns on capital for domestic companies. If companies cannot build facilities at a competitive price and cannot run them at competitive operating costs, there is an inescapable conclusion as to their viability.

As a result of the above, equity investment has been tending to increase more rapidly offshore than domestically.

Moving to the happier subject of what has happened in investment markets in the last quarter, where movements have been positive.

Global equities markets rose, with the MSCI, an index of global equities, ending up 6.07%, for the quarter and 22.73% for the last twelve months. The strongest contribution was again from the technology sector. Banks and financials also rose strongly, particularly the European banks, where valuations had been extremely low despite strong earnings reported in the most recent results.

The Australian market rose strongly ending up 5.25% for the quarter. The best performance was from the resources, utilities and from the consumer discretionary sectors.

Interest rates were reduced by 0.25% by central banks in the US, UK and Australia during the quarter. The European Central Bank held rates steady, having been far more aggressive in reducing rates earlier in the year.

Bond yields for the quarter were steady to slightly up in most developed economies. Inflationary pressures showed no clear direction and remained slightly above central bank targets.

The USD, after declining by approximately 10% since the beginning of 2025 steadied over the quarter against major currencies and the AUD, and in fact appreciated against the Japanese yen.

GLOBAL EQUITIES: Hugh MacNally

International Equities Performance

Source: MSCI

Global equities markets rose, with the MSCI, an index of global equities, ending up 6.07%, for the quarter and 22.73% for the last twelve months.

In the most recent earnings reports for the period up to 30 June, US companies on average grew approximately 6.5%, with the tech sector growing at a faster rate of approximately 27% over the prior

year. European market earnings grew at a slower pace of approximately 3%.

During the last quarter, the performance of the US tech sector, which has been one of the major contributors to market returns over the last three years, produced a return of 10.8% for the quarter, outstripping the broader market return. Earnings growth for major tech stocks continued to grow strongly. While valuations are high for these companies, they are not extreme (except in cases such as Tesla); they have very high returns on capital, and this give us some comfort that the valuations are not excessive. At the speculative end of the market, valuations however are extremely high. The portfolios do not contain any stocks that fall into this category.

In the finance sector, bank earnings increased on average 15% for the quarter ending 30 June 2025 against the previous corresponding period. Our main bank holding, Wells Fargo, increased earnings by 20% over this period. This will be the first quarter when Wells Fargo is able to increase lending since 2018, when a cap on the size of its balance sheet was enforced by the Federal Reserve.

European banks earnings also rose strongly growing by 14.5% on average. In their case, the pricing of these banks had been very low, many trading at a discount to their asset backing (in the case of banks, the main asset is cash and loans). As a result of the improved earnings, share prices rose very sharply; Lloyds and Banco Santander which we bought during the period, were up 54% and 97% respectively. The discount to asset back has disappeared, but they still remain relatively attractively priced.

Loan books are in good shape with very low loan losses. Real estate loans now less of an issue than they were during and after covid. Both the US and European banks are carrying high levels of capital. Net interest margins are generally stable and expense ratios are tending down.

One of the sectors that has lagged the market for the last 12-18 months is the US residential construction sector. High mortgage rates (by the standards of most of the prior 10 years) has constrained demand, as have planning issues (can you imagine that!). However, we think the underlying long-term demand picture is attractive. Major home builders, such as DR Horton the biggest investment that we hold in this sector, earn a very high returns on capital and resemble industrial operations more than bespoke homebuilding. DR Horton's share price has recovered about 30% from the lows seen in April on expectations of recovery in demand.

AUSTRALIAN EQUITIES: Peter Reed

Australian Equities Performance

Source: Bloomberg

The Australian equity market delivered another strong quarterly performance result, returning 5.25% for 1Q FY'26. The strongest sectors included materials/resources +18.6%, consumer discretionary +9.1%, and utilities +9.5%. By contrast, the weakest sectors were healthcare -10.1%, energy -4%, and consumer staples -3.1%.

Within our portfolio, the strongest gains came from Harvey Norman +40%, Whitehaven +21%, and Origin +16.5%, while the weakest holdings were James Hardie -31.7%, Sonic -20.7%, and Woolworths -13.3%.

Below are some comments on earnings results of interest from selected portfolio holdings:

Harvey Norman produced a strong set of results for FY'25, centred on its core Australian franchise. Momentum strengthened over the year, with Australian like-for-like sales accelerating from 5.3% in

1H'25 to 6.6% in 2H'25, outpacing key competitor the Good Guys, which grew sales by 4% over the second half.

Profit margins in the Australian franchise expanded by 0.8% on the back of this sales performance, reflecting the business's high operating leverage due to its largely fixed cost base—the franchisee covers store wages, for example.

Both sales and margin outlook remain positive. The company is benefiting from the outdoor furniture replacement cycle (now 5 years past the covid-induced spike in demand), increased uptake in AI personal computers, and generally positive consumer demand driven by rate cuts and real wage growth.

Origin Energy - As noted in previous reports, we established a position in Origin Energy. The company's business is split across three segments: electricity generation (both coal and gas fired); energy retailing, including electricity, gas and LPG; and LNG production from its equity stake in the APLNG plant on Queensland's Curtis Island. Beyond Australia, the company holds a 22.7% stake in UK energy retailer Octopus, which claims almost a quarter of the UK retail market share. Octopus has a rapidly growing presence in several European markets including Germany, Spain and Italy, and has more recently added Japan and the US, where it is making inroads in Texas.

During the quarter, the market's attention was captured by financial press reports concerning the potential IPO of one of Octopus' key assets—the Kraken energy technology platform. This platform combines software, data analytics, and automation tools for energy retail and distribution, essentially serving as an efficiency-enhancing tool for energy companies and consumers. What particularly attracted attention was the indication of potential value for this business of $20-$30 billion, significantly higher than most analysts had previously assumed, which would value Origin's stake at up to $6 billion. We await further developments.

In the meantime, Origin delivered strong earnings for FY25. Its key Energy Markets (EM) business performed strongly as its flexible gas-fired fleet was able to capitalise on wind lulls in the June quarter. EM's earnings before interest and tax came in at $1.404 billion, above the previously indicated range of $1.3-$1.4 billion. Company guidance for FY26 is $1.4-$1.7 billion, and with the Eraring shutdown having been pushed back, market confidence in the company achieving the top of this range has increased. Given the difficulty in bringing online large renewable projects—with indications that new wind projects have ground to a halt—the possibility of further extending Eraring's closure date cannot be completely discounted.

Sonic Healthcare's FY25 result delivered solid underlying progress: organic revenue growth, margin expansion, and the prospect of further earnings recovery in FY26. However, the market reaction was harsh, with shares falling around 13% on the day as investors focused on the pace of margin recovery rather than the improvement itself. Operationally, the US remains the most challenging region, with reimbursement headwinds and execution issues around revenue-cycle systems and cost-out timing weighing on margins. We believe this is precisely the kind of disruption Sonic has navigated successfully for decades through its federated "medical leadership" model and disciplined integration of acquisitions. Looking ahead, the leadership transition is now clear: Dr Jim Newcombe will succeed Dr Colin Goldschmidt in November, alongside the creation of a new global COO role—changes we view as strengthening accountability and delivery. In our view, the combination of resilient core demand and refreshed management gives us confidence that Sonic can improve performance going forward.

Ventia has delivered another strong first-half 2025 result, demonstrating momentum with record growth across key metrics and an upgraded full-year forecast. The performance was underpinned by exceptional operational execution and further enhanced by a multi-billion-dollar contract win announced post-results.

Financial strength was a clear highlight, with profit up 12% and a 14% dividend increase reflecting robust cash generation and disciplined cost management. Ventia also maintained an outstanding 95% contract renewal rate, while its order book rose 10% to a record $20.6 billion, providing strong long-term revenue visibility.

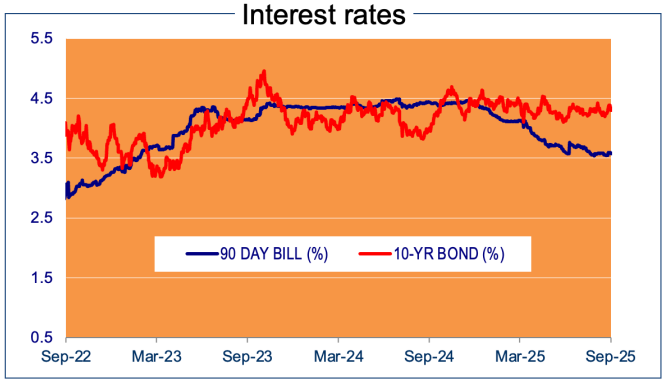
Following the results announcement, the company secured a $2.7 billion contract with the Australian Department of Defence, extendable to 10 years. This expanded work in hand to a record $21.5 billion and alleviated market uncertainty over Defence contracts.

These achievements reinforce Ventia's ability to manage a large, complex portfolio across Australia and New Zealand, providing a strong foundation for sustained growth.

Market Valuation - Our final point concerns market valuation. Following consistent gains in equities since the April lows, the market is once again toward the top of its historic valuation range. This environment will continue to demand a sharp focus on valuation at the individual stock level, and cash weightings are likely to remain relatively high.

INTEREST RATES: Neil Sahai

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



Source: Bloomberg

Monetary policy across major economies has become increasingly divergent as central banks respond to differing domestic growth and inflation trends.

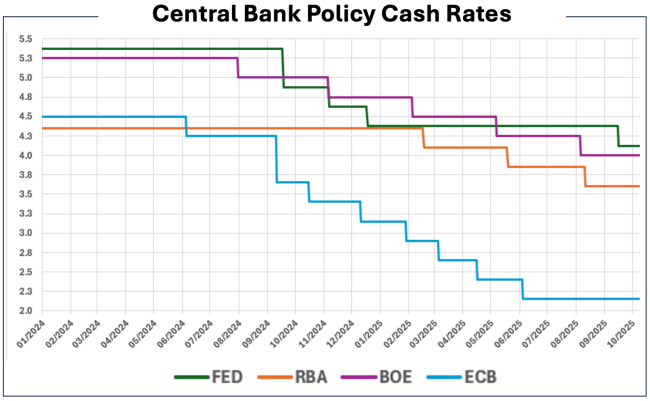
In Australia, the Reserve Bank kept the cash rate at 3.60% in September, following a 25-basis-point cut in August, maintaining a cautious, data-dependent stance. Stronger-than-expected August inflation has led markets to delay expectations for further rate cuts. While the economy remains resilient due to population growth, the RBA noted growing risks from softer consumer spending and a weakening labour market. Governor Michele Bullock has recently focused on financial system resilience and innovation rather than signalling any imminent policy shifts.

The US Federal Reserve cut rates by 25 basis points to a 4.00% – 4.25% range in September amid a divided Federal Open Market Committee. While most members supported the move, opinions varied on how far to go, with some favouring a larger cut and others preferring no change. Projections suggest one or two further quarter-point reductions before year-end, though uncertainty remains high. The Fed continues to balance lingering inflation pressures against signs of a cooling labour market, with the ongoing government shutdown complicating data-driven decisions.

The Bank of England left rates unchanged at 4.0% in September, following a 25-basis-point cut in August. Inflation was 3.8% in August and is expected to rise slightly before easing to the 2% target by mid-2027. Governor Andrew Bailey has warned of ongoing financial stability challenges as markets adjust to structurally higher rates.

In contrast, the Reserve Bank of New Zealand delivered a larger-than-expected 50-basis-point cut in October, lowering the Official Cash Rate to 2.5%. The move followed a sharper contraction in second-quarter GDP and signs of spare capacity in the economy. Inflation, around 3% in the September quarter, is expected to return to the 2% target midpoint in early 2026. The RBNZ signalled it remains open to further easing if needed to support growth and employment.

The chart below summarises cash rate paths of major central banks from early 2024 to third quarter 2025.



Source: Bloomberg

PROPERTY: Franklin Djohan

ASX 200 Real Estate performance

Source: Bloomberg

The S&P/ASX 200 A-REIT Accumulation Index rose 4.6% over the September quarter, slightly underperforming the broader All Ordinaries Accumulation Index. With inflation showing signs of moderation and expectations building for potential further RBA rate cuts, the outlook remains supportive for listed property trusts. Given the sector's high sensitivity to interest rates, any easing in monetary policy should underpin and potentially improve property valuations.

Over the past two years, persistent inflationary pressures have significantly increased construction costs, constraining new supply across most property sub-sectors. Although cost inflation has eased, build costs remain elevated, limiting new development activity. This supply constraint, combined with steady demand, has led to favourable rental growth dynamics across many segments of the property market.

This trend is evident in Scentre Group (SCG), where the retail sector remains resilient and foot traffic has recovered to pre-pandemic levels. Rental rates, which had previously been rebased, are now normalising and returning to growth. Furthermore, the addition of new retail space remains below long-term averages, particularly in premium centres such as Westfield, which are difficult to replicate and continue to attract strong tenant demand.

Lower interest rates will also benefit Scentre Group's funding position, as the company will be able to refinance existing debt issued at higher rates. This should gradually reduce interest expenses and support earnings growth over time. However, the benefit will materialise progressively, as the refinancing process will occur over several years as existing debt facilities mature. During the quarter, the company refinanced $1 billion of debt at a materially lower rate, with further refinancing opportunities ahead that could continue to lower its overall cost of capital.

Lastly, there remains significant development potential to unlock value from underutilised sites within the existing portfolio. Scentre Group has recently received rezoning approvals for Westfield Hornsby (Sydney) and Westfield Belconnen (Canberra), enabling large-scale mixed-use residential developments that are expected to enhance asset value and improve long-term returns for shareholders.

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About PPM

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