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EVIDENTIA PRIVATE

Implemented Portfolios

Portfolio Perspectives

October 2025

Key Messages for Investors

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- At the headline level, ASX100 corporate earnings grew 2.5% in FY25, dragged lower by low growth from the Banks and Resources.
- EPS revisions in Australia have been negative year to date (YTD), on the back of lower commodity prices.
- Valuations for Australian equities remain elevated, while growth expectations remain subdued.
- Looking ahead to FY26, earnings are currently expected to grow by 5.8%, however, this is largely dependent on commodity prices.
- After years of weak relative performance, Emerging Markets (EM) equities have outperformed Developed Markets (DM) equities for three consecutive quarters this year, by a combined 11.1%.
- This has been driven by the 'New Economy' sectors in China, supported by AI and favourable Government policy.
- The optimistic investment outlook for EM is still evolving. However, to build confidence, more evidence is needed to show that China's recovery can extend beyond specific sectors.
- Looking ahead, consensus earnings estimates for EM have remained stable YTD, with current forecasts for EPS growth of 13.8% in 2025 and 14.6% in 2026.
- Overall, risks remain broadly balanced from here, with risks to both the upside and downside. Remaining close to our Strategic Asset Allocation.

Australian share prices face headwinds

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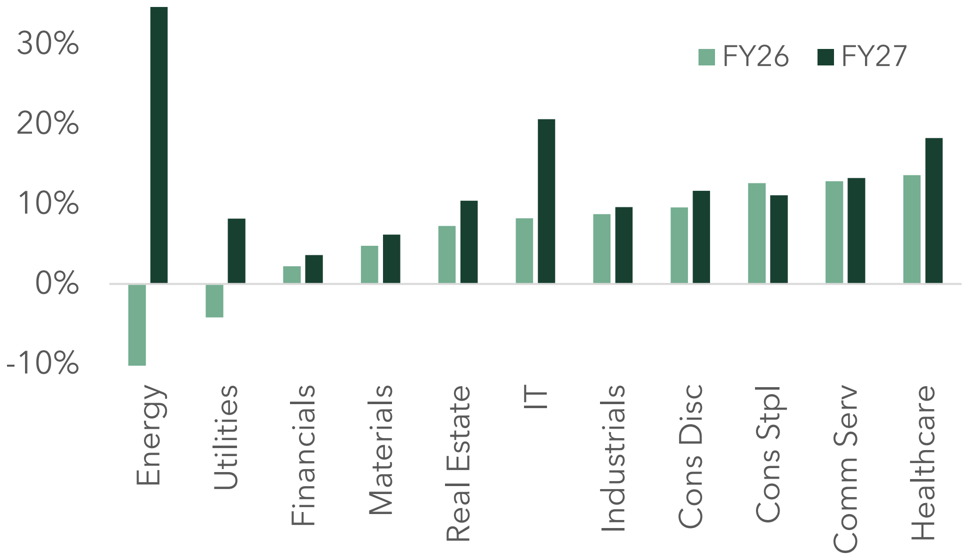
Modest earnings growth and starting high multiples are headwinds

Consensus profit growth forecast arranged by sector



- The Australian market reported 2.5% profit growth for FY25.
- Consensus profit growth forecasts for FY26 and FY27 are 5.8% and 9.3%, respectively.
- Strongest profit growth is seen in Healthcare, Communication Services and Consumer Staples sectors.

Poor investor choice: low growth or high multiple

FY26	EPS Growth	PE Ratio
ASX 100	5.8%	26.7x
Resources	4.4%	15.2x
Banks	1.3%	21.6x
Ex-Resources/Banks	8.5%	32.7x

- At a sector level, how much further can the Banks run given such a modest profit growth forecast? Resources forecasts are at the mercy of highly uncertain commodity prices.
- Ex-Resources/Banks have an attractive profit growth forecast but the starting point for multiples is a headwind for share prices.

Source: Factset, Factset, Evidentia Group estimates

Outlook for Australian equities remains challenged

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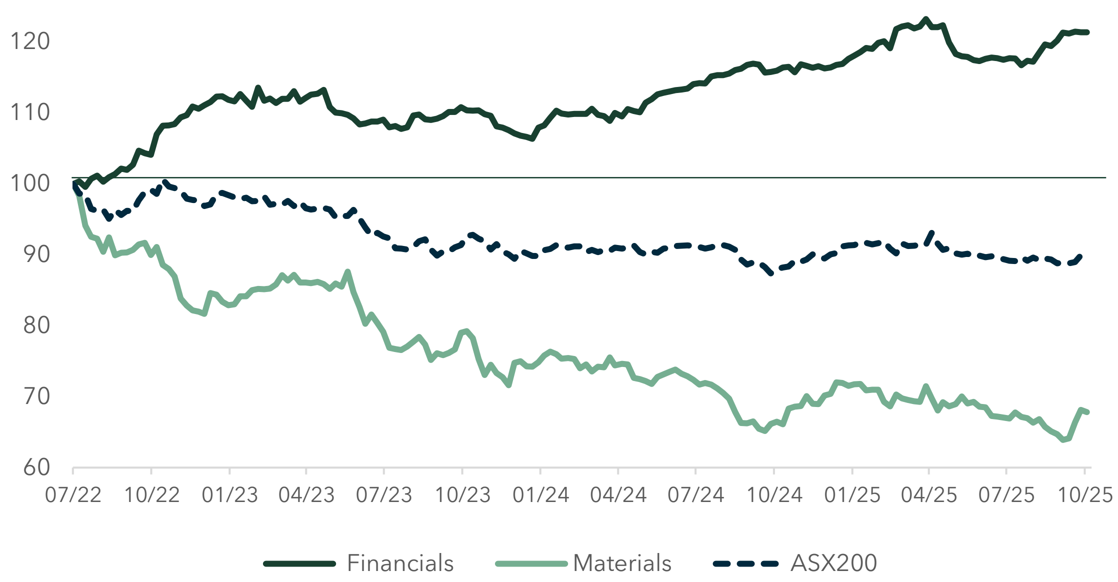
Higher commodity prices are needed to lift the ASX higher from here

ASX200 earnings revisions - 12 months forward



- Lower commodity prices have driven earnings for the Resources sector lower over the last 3 years.
- Banks earnings estimates have been trending higher over the same period, as profits recovered from the COVID-19 trough.
- The net impact has resulted in three years of sluggish earnings growth for the market.

ASX200 PE close to historical peak

- The rally in Bank shares has driven market PE close to peak historical levels.
- Higher commodity prices are needed to lift the ASX higher from here.
- The growth outlook for the industrial universe on the ASX (excluding Banks and Resources) appears more appealing in FY26, where profits are expected to grow by 8.5%. However, a forward PE multiple of 32x for this cohort more than captures the forward growth trajectory.

Source: Factset, Evidentia Group estimates

Emerging Markets earnings

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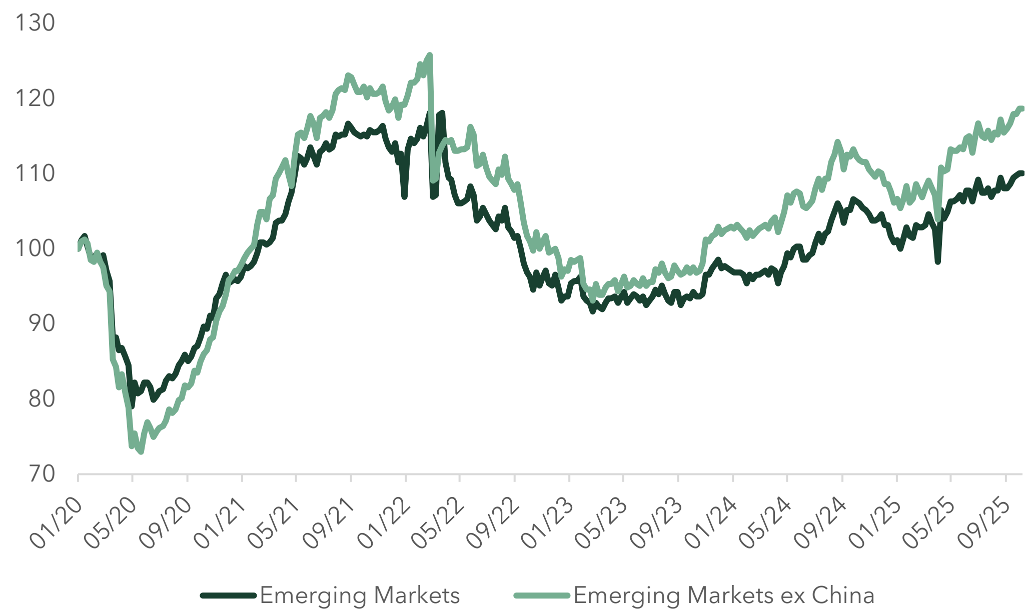
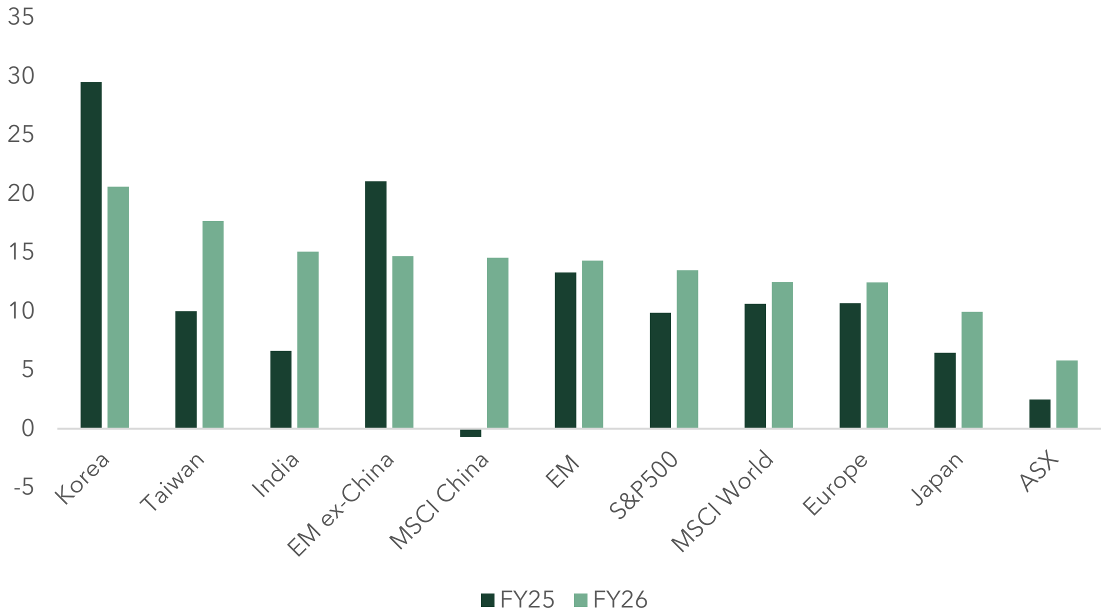
Earnings revisions have turned the corner across Emerging Markets

EM earnings revisions - 12 Months forward



- From a bottom-up perspective, aggregate earnings in EM reached their peak in 2021, followed by a 21.6% decline over the subsequent two years before bottoming out in 2024.
- Despite underwhelming macro data from China, earnings across EM have staged a comeback over the past 18 months (+11% over 2024 and 14% over 2025), driven by stimulatory government policy and a resurgence from the 'New Economy' in China.

Consensus estimates remain very strong for the region



- Looking beyond China, the positive earnings trajectory has followed a similar pattern in Taiwan and South Korea, which constitute 20% and 11% of the MSCI Emerging Markets benchmark, respectively.
- Looking ahead, consensus earnings estimates for EM have remained stable YTD, with current forecasts for profit growth of 13.8% in 2025 and 14.5% in 2026 (21.5% and 14.3% for EM ex-China).

Source: Factset, Evidentia Group estimates

Emerging Markets valuations

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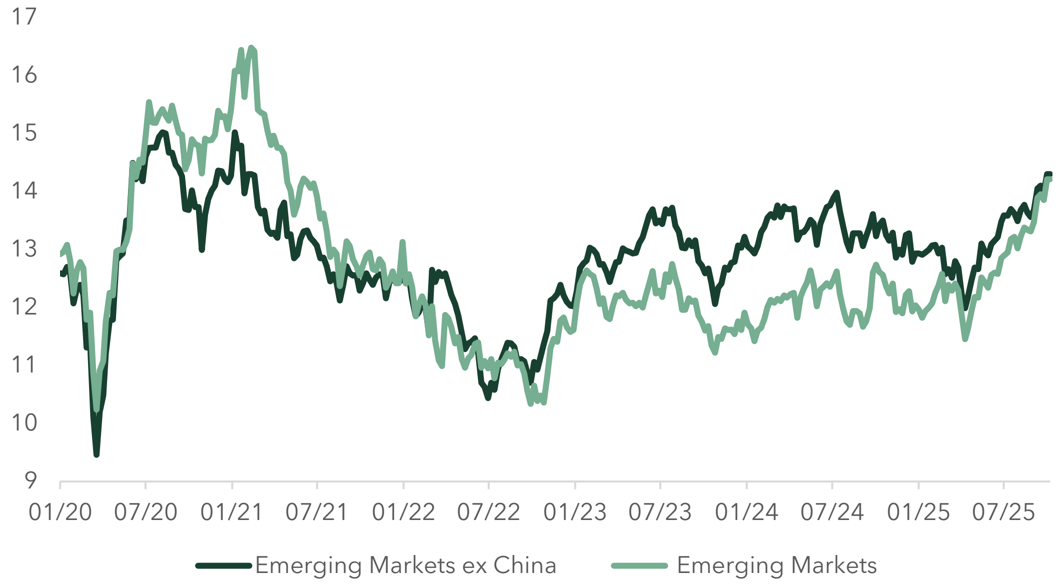
Emerging Markets valuations look attractive relative to Developed Markets

EM forward PE multiples



- From a valuation lens, despite rallying 50% since October 2023, the forward PE ratio for EM equities currently stands at 15.5x - certainly not in the expensive category should the expected earnings growth materialise over 2025-26.

Relative Valuation – EM equities trading at large discount to DM

- Despite a strong rally YTD, EM valuations remain at a substantial discount to U.S. equities.
- As a subset, China Tech is also trading at a material discount to the Mag 7 in the US.
- The catalysts for closing this gap include: A positive outcome in the U.S.-China trade relations, a weaker USD, further EM central banks easing, and China policy support.

Source: Factset, Evidentia Group estimates

Emerging Markets relative performance

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A weaker USD and stabilising earnings projections are favourable tailwinds for EM equities

EM vs DM forward EPS revision index

- Forward earnings estimates for EM equities have stabilized versus DM equites, after a multi-year downgrade cycle.
- This has been driven by positive earnings momentum from China's 'New Economy' sectors.
- This is a positive sign for EM equities, and a precursor to EM outperformance should this trend persist.

EM Relative performance and the US dollar (inverted)

- FX is a key factor in driving EM equity performance.
- EM equites have historically outperformed during periods of a weakness in the US dollar.
- Any further weakness in the US dollar will be a positive tailwind for EM Equities.

Source: Factset, Evidentia Group estimates

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Outlook and Positioning

Lean into your strategic asset allocation (SAA) and use active managers during this period of uncertainty

Growth Assets	Underweight			Neutral	Overweight		
Australian Equities – Large Cap				●			
Australian Equities – Small Cap			●				
Developed Market (DM) Equities – Large Cap				●			
Developed Market Equities – Small Cap				●			
Emerging Market (EM) Equities				●			
Global Listed Property					●		
Global Listed Infrastructure				●			
Growth Alternatives				●			

Defensive Assets	Underweight			Neutral	Overweight		
Australian Bonds					●		
Global Bonds			●				
Diversified Income				●			
Defensive Alternatives				●			
Cash				●			

Current Position ●

We remain close to benchmark

Growth Assets

- Australian equity valuations remain stretched and require a re-rating in bank and resource earnings. Inflation is receding, paving the way for Reserve Bank of Australia (RBA) cuts.
- China continues to underwhelm economically as hopes for a rapid, stimulus led recovery have faded. This should disproportionately impact junior miners who make up a large portion of the Australian Small Caps sector vs Large Caps.
- For Global Equities, the Trump Administration's tariff policies are a headwind for growth, but the impacts will be manageable. Economic indicators have moderated year to date, but fears of a severe growth have diminished.
- Global Listed Property warrants an active approach. Office sector remaining structurally challenged but rental growth and healthy fundamentals are appearing in other areas of the sector (age care, data management, supply chains).

Defensive Assets

- Australian bond yields offer good value and provide safety from overseas volatility. Positive supply/demand dynamics further supported by a budget deficit likely to be less than government forecasts.
- US fiscal and monetary policy uncertainty is distorting the defensive qualities of Global Bonds. Japan is still in hiking mode.
- Gold acts as a risk-diversifier against a further deterioration in economic conditions or escalation in geopolitical tensions.

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