

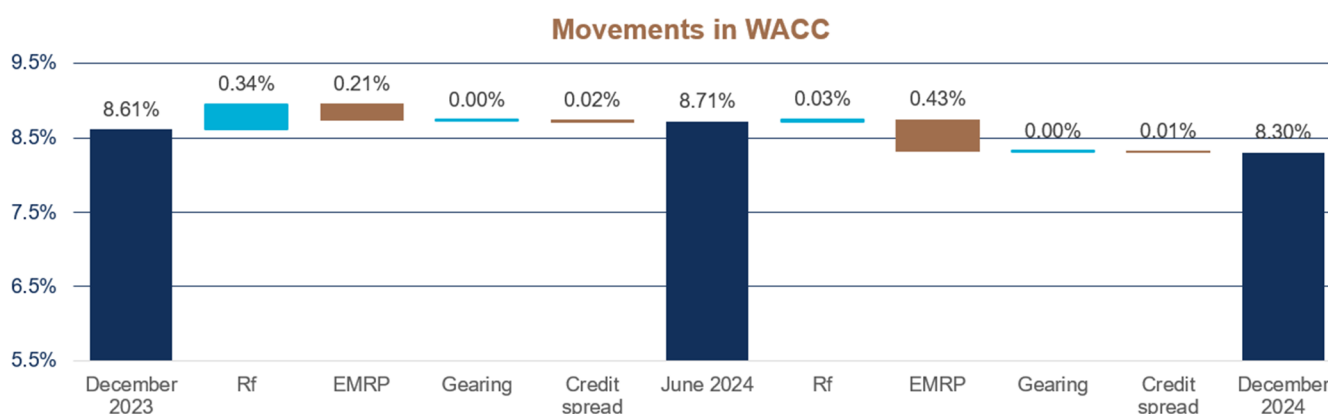
LOWER MARKET DISCOUNT RATES

Markets have risen over the last quarter, boosted by the results of the U.S. Presidential Election. While inflation has moderated, the outlook remains highly uncertain. Government bond yields have not materially changed since June 2024. With market conditions continuing to evolve, we have provided an early warning on our assessment of discount rates as at 31 December 2024.

Michelle Bullock, Governor of the RBA recently commented, *“The Board sets monetary policy to achieve domestic policy objectives – that is, for inflation to be about 2.5 per cent and the labour market at sustainable full employment. As it currently stands, underlying inflation is still too high to be considering lowering the cash rate target in the near term.”*

The ASX200 ended the month of November 2024 higher than 30 June 2024. With a small increase in earnings and uncertain inflation expectations, this implies a decrease in the equity market risk premium (EMRP) for Australia. We have therefore decreased our assessment of the EMRP from 5.00% to 4.75%.

The impact of these changes on overall market discount rates is presented below.



Source: Leadenhall

With stable government bond yields and a lower equity market risk premium, overall market discount rates are decreased from June 2024.

All other things being equal, companies should adopt lower discount rates from the prior period in their valuations, whether on their investment decisions or for impairment testing.

For further information on selecting an appropriate discount rate for your company please feel free to call us.

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