

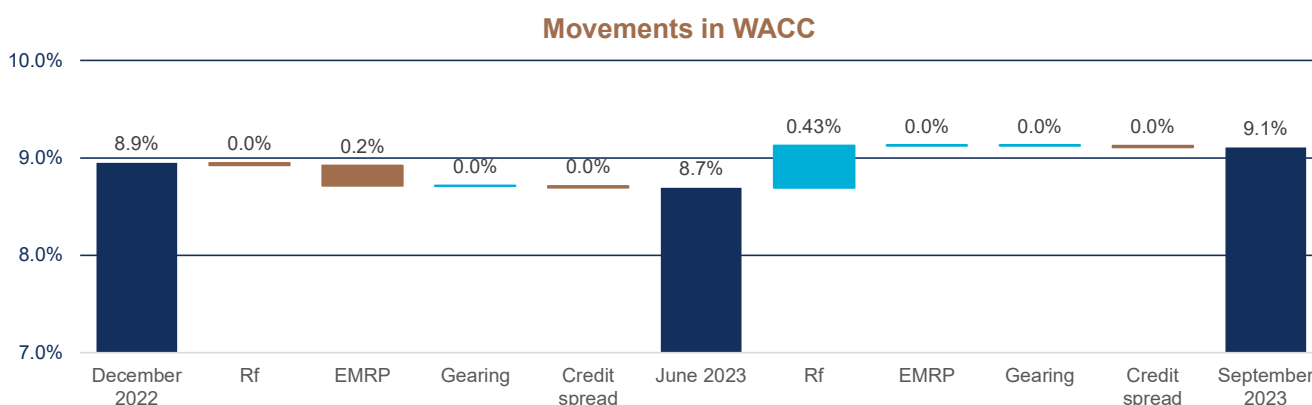
## RISING MARKET DISCOUNT RATES

Markets have declined over the last quarter as persistent inflation and the potential for further rate rises continue to weigh on the ASX 200. These fears have seen a rapid increase in government bond yields over the last month. With market conditions continuing to evolve rapidly, we have provided an update on our assessment of discount rates as at 30 September 2023.

Michelle Bullock, Governor of the RBA recently commented, “*Inflation in Australia has passed its peak but is still too high and will remain so for some time yet. Timely indicators on inflation suggest that goods price inflation has eased further, but the prices of many services are continuing to rise briskly and fuel prices have risen noticeably of late.*”

The ASX200 ended the month of September 2023 slightly lower than 30 June 2023. With a sharp increase in the 10-year Commonwealth government bond yield (by approximately 45 bps) largely driving this decline, this implies a stable equity market risk premium (EMRP) for Australia. We have maintained our assessment of the EMRP at 5.5% as at 30 September 2023.

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



Source: Leadenhall

With rising government bond yields and a stable equity market risk premium, overall market discount rates are now higher compared to June 2023.

Companies should consider the impact the change in discount rates will have on 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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