NOVIA GLOBAL COMMENTARY
JUNE 2026

HARBOURSIDE
INVESTMENT MANAGEMENT

TABLE OF CONTENTS

Macro Summary

Global markets staged a historic rebound over the June quarter of 2026, as the shock that defined the March quarter began to unwind. The Iran conflict, which had driven a sharp sell-off in equities and a surge in energy prices earlier in the year, moved toward de-escalation following a ceasefire memorandum signed in mid-June.

Combined with resilient corporate earnings and a re-acceleration of the artificial intelligence capital expenditure cycle, this drove one of the strongest quarterly advances for equity markets in over five years.

Rather than a continuation of the stagflationary anxiety that characterised March, the period was defined by a rapid repricing of risk: a volatile and uncertain start in April gave way to a powerful, broadening rally through May and June, even as inflation remained stubbornly elevated and central banks turned more cautious on the pace of future easing. Quarter defined by de-escalation, not resolution. The dominant theme of the June quarter was the gradual, uneven unwinding of the geopolitical shock that had rattled markets in the prior period. A ceasefire between the United States and Iran, agreed on 8 April and formalised through the Islamabad Memorandum of Understanding signed on 17 June, set in motion a 60-day negotiation period covering the Strait of Hormuz, sanctions relief, and Iran's nuclear programme. The de-escalation was not linear – renewed strikes around Beirut in early and mid-June briefly threatened to unravel the agreement – but the broad trajectory was one of reduced risk across energy and financial markets.

Brent crude, which had traded above US$120 per barrel in April, fell by roughly 30% over the quarter, the largest quarterly decline in oil since 2020, as shipping through the Strait gradually resumed. The unwinding of the energy shock allowed the disinflation narrative that had been disrupted in March to partially reassert itself, even as headline inflation readings remained elevated through the quarter on a lagged basis.

Equities: A Historic Rebound.

Global equity markets delivered one of their strongest quarters of the past two decades. U.S. large caps rose approximately 15%, their best quarterly performance since the second quarter of 2020, while the Nasdaq Composite returned in the order of 20–25% as the artificial intelligence trade returned to the fore. U.S. hyperscalers raised 2026 capital expenditure guidance for AI infrastructure to a combined figure approaching US$700 billion, and first-quarter earnings, reported through April and May, showed exceptional strength, with S&P 500 companies posting earnings growth of around 29% and roughly 85% of companies beating expectations.

Market leadership broadened materially as the quarter progressed. Having led the initial rebound off March lows, mega-cap technology names gave way to a wider rally: small caps, micro-caps and value benchmarks reached new highs, and the Philadelphia Semiconductor Index recorded its best quarter since inception in 1994, rising by more than 85%. Emerging markets were the standout region, surging around 24% in aggregate, their best quarterly gain since 2009, led by extraordinary moves in Korea and Taiwan on the back of semiconductor and memory-chip demand. European equities also performed strongly as falling energy prices supported sentiment, while the euro area's cyclically sensitive index posted its best quarter since 2020.

Australian Equities

Australian equities participated in the broader risk-on move, supported by firm commodity prices and steady domestic policy settings, though gains were more measured than in the U.S. or Asian markets. Materials and gold miners featured among the standout performers earlier in the quarter, while financials and resources both contributed as global sentiment improved, before some late-quarter volatility returned amid renewed uncertainty around the durability of the Iran ceasefire.

Fixed income, Credit and Real Assets

Fixed income, credit, and real assets were gripped by flux in inflation expectations**.** Fixed income markets lacked clear direction over the quarter, as investors weighed the disinflationary impulse from falling energy prices against still-elevated core inflation and a more hawkish tone from central banks. Government bond returns were broadly muted, with the global aggregate index posting only a modest gain. Credit markets were a relative bright spot, with spreads tightening across both investment grade and high yield segments on the back of robust corporate earnings.

Real assets diverged sharply from the prior quarter's pattern. Having been a primary beneficiary of the energy shock and safe-haven demand in March, gold suffered its worst quarterly performance in thirteen years, falling from an all-time high near US$5,589 an ounce in January to under US$4,030 by quarter-end, as easing geopolitical risk reduced safe-haven demand. Broader commodities also declined as the energy complex reversed sharply, with oil's retreat outweighing continued firmness in industrial metals such as iron ore and copper, which remained supportive for resource-exporting economies including Australia. In contrast, listed property performed strongly whilst listed infrastructure performed well but couldn’t match the pace of surging equity returns.

Macro: Resilience amid a hawkish pivot.

Economic data proved more resilient than feared at the start of the quarter, when recession probabilities had risen materially amid the war and oil near US$100 a barrel. U.S. GDP growth for the first quarter was revised up to 2.1%, and the labour market rebounded strongly following February's conflict-driven job losses, with the strongest three-month run of payroll gains in over two years. Inflation, however, remained a persistent concern: U.S. headline CPI and core PCE both pushed higher through the quarter, with core PCE reaching 3.4% by May, driven in part by the lagged pass-through of higher energy costs into broader prices.

Against this backdrop, the U.S. Federal Reserve held rates steady across the quarter, but the tone shifted decisively hawkish following the transition to new leadership under Chair Kevin Warsh, who used his first meeting to scrap forward guidance and signal a higher path for rates, with markets moving to price a rate hike later in the year. In Japan, the Bank of Japan delivered a widely expected hike to 1.0% amid strong wage growth, while the People's Bank of China held its benchmark rates unchanged for a thirteenth consecutive month as domestic demand indicators remained soft despite policy support.

In Australia, the policy backdrop tightened further before pausing. The Reserve Bank raised the cash rate by a further 25 basis points to 4.35% in May, the third consecutive increase this year and a cumulative 75 basis points of tightening since February, before holding rates unanimously at its June meeting. Governor Bullock characterised the hold as a pause rather than a pivot, with underlying inflation still running above target and the Board explicit that a further hike could not be ruled out. Headline inflation eased modestly to 4.2% in April from 4.6% in March but remained well above the 2–3% target band, while the unemployment rate ticked higher and household consumption and housing market momentum continued to soften under the weight of higher borrowing costs.

Politics, Geopolitics, and a Fragile Peace.

Geopolitics remained a central driver of markets, though the direction of travel reversed from the prior quarter. The signing of the Islamabad Memorandum on 17 June, formalising the end of hostilities between the United States and Iran, was the single most consequential development of the period, triggering the sharp decline in oil prices and a broader recovery in risk sentiment. The agreement set out a 60-day negotiating window covering the future governance of the Strait of Hormuz, sanctions relief, and a proposed US$300 billion reconstruction fund for Iran, though neither side characterised it as a final settlement.

The peace remained fragile throughout the quarter. Renewed Israeli strikes in Lebanon in early and mid-June, and a subsequent brief re-closure of the Strait by Iran, underscored how quickly the situation could deteriorate, and the Gulf Cooperation Council called for guaranteed free access through Hormuz and further action on Iran's missile programme.

Elsewhere, political developments added further texture to the quarter: in the United Kingdom, a weakening Labour Party and the resignation of the prime minister fuelled speculation around fiscal policy and public debt, while in Australia, domestic budget measures affecting housing and taxation drew scrutiny from investors alongside the ongoing debate around monetary policy settings.

Asset Class performance – June Quarter 2026

Sector	Quarter movement	1-Year movement	CYTD movement
Australian Shares	4.05%	6.11%	2.37%
Australian Shares (Small)	3.32%	8.11%	-7.91%
Global Shares	13.62%	16.99%	7.08%
Global Shares hedged	13.98%	19.51%	8.38%
Global Emerging Markets	22.64%	35.75%	19.21%
Australian Property Securities	13.74%	-2.24%	-5.17%
Global Property Securities (unhedged)	9.71%	9.94%	8.06%
Global Property Securities (hedged)	8.60%	14.45%	9.51%
Global Infrastructure (unhedged)	1.40%	10.38%	6.95%
Global Infrastructure (hedged)	2.88%	17.55%	11.65%
Australian Fixed Interest	2.65%	1.53%	2.30%
International Fixed Interest	1.46%	2.94%	1.20%
Cash	1.07%	3.86%	1.99%

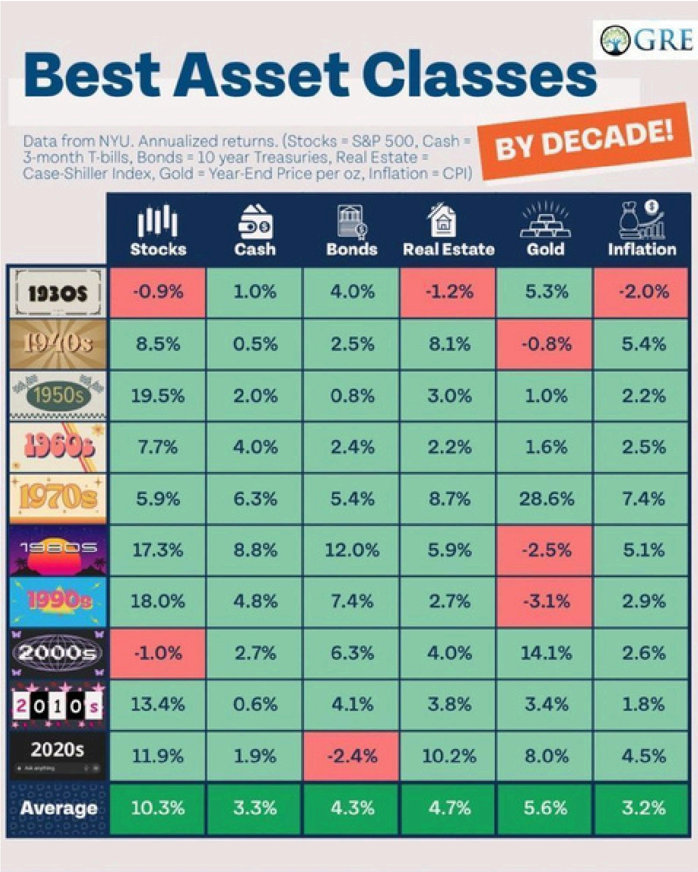
Source: Morningstar Direct

Indices:

Australian Shares	*S&P/ASX 200 TR AUD*
Australian Shares (Small)	*S&P/ASX Small Ordinaries TR AUD*
Global Shares	*MSCI ACWI NR AUD*
Global Shares hedged	*MSCI ACWI 100% Hdg NR USD*
Global Emerging Markets	*MSCI EM NR AUD*
Australian Property Securities	*S&P/ASX 200 A-REIT TR*
Global Property Securities (unhedged)	*FTSE EPRA NAREIT Global REITs TR AUD*
Global Property Securities (hedged)	*FTSE EPRA NAREIT Global REITs TR Hedged AUD*
Global Infrastructure (unhedged)	*FTSE Global Core Infra 50/50 TR AUD*
Global Infrastructure (hedged)	*FTSE Global Core Infra 50/50 TR Hedged AUD*
Australian Fixed Interest	*Bloomberg AusBond Composite 0+Y TR AUD*
International Fixed Interest	*Bloomberg Global Aggregate TR Hedged AUD*
Cash	*Bloomberg AusBond Bank 0+Y TR AUD*

A Century of Investing

Investors need to remember that asset classes will revert to the mean over time. Thinking that a particular asset class will continually perform "well" is a mistake often made by investors and is referred to as recency bias. There are long periods of time where each asset class will underperform inflation and hence our risk adjusted return methodology seeks to navigate those waters.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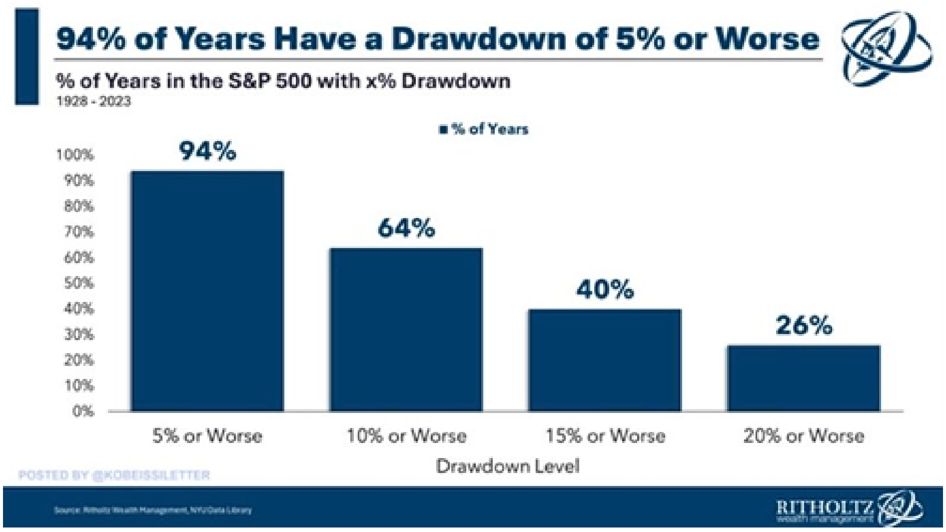
Best Asset Classes BY DECADE!

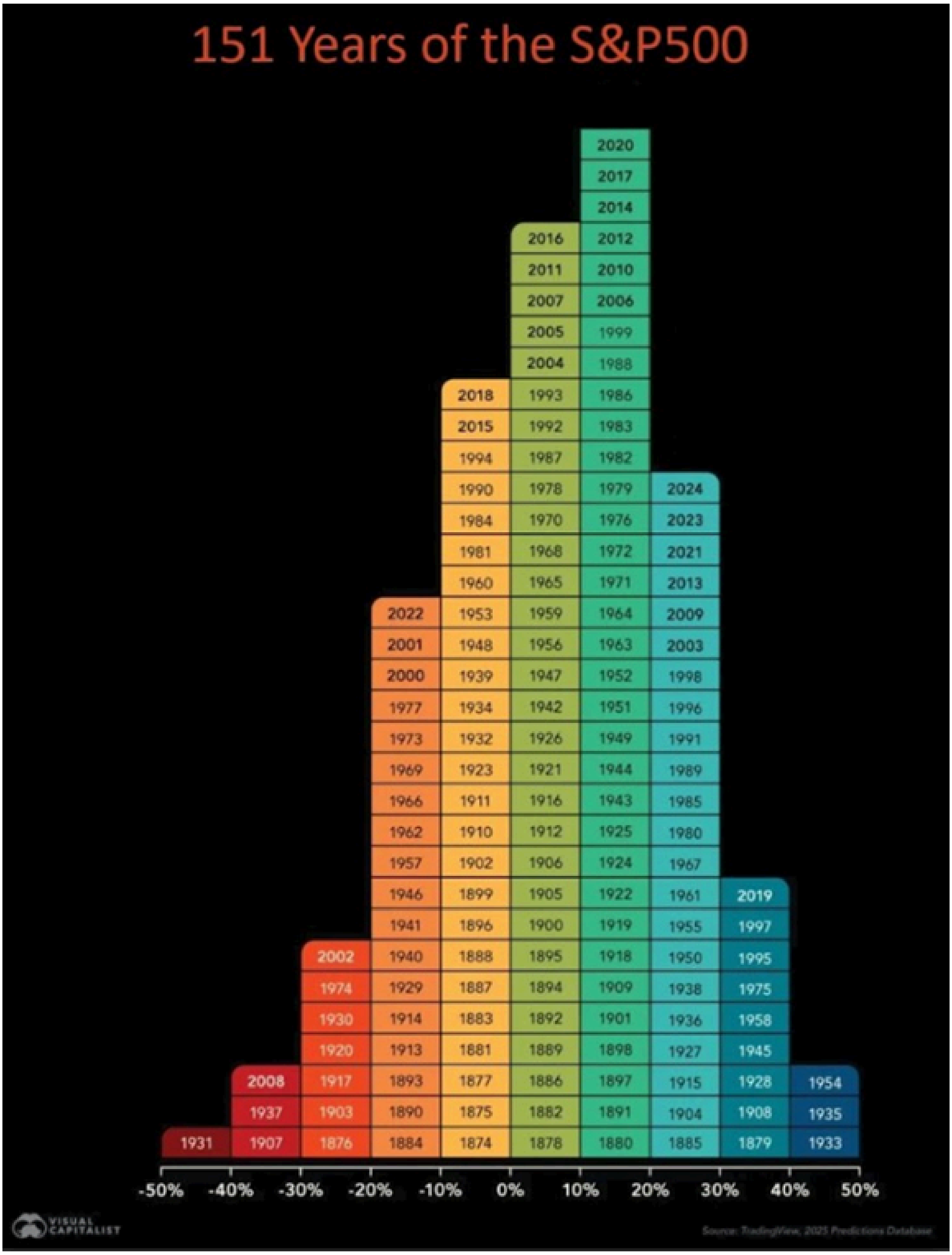
Data from NYU. Annualized returns. (Stocks = S&P 500, Cash = 3-month T-bills, Bonds = 10 year Treasuries, Real Estate = Case-Shiller Index, Gold = Year-End Price per oz, Inflation = CPI)

	Stocks	Cash	Bonds	Real Estate	Gold	Inflation
1930s	-0.9%	1.0%	4.0%	-1.2%	5.3%	-2.0%
1940s	8.5%	0.5%	2.5%	8.1%	-0.8%	5.4%
1950s	19.5%	2.0%	0.8%	3.0%	1.0%	2.2%
1960s	7.7%	4.0%	2.4%	2.2%	1.6%	2.5%
1970s	5.9%	6.3%	5.4%	8.7%	28.6%	7.4%
1980s	17.3%	8.8%	12.0%	5.9%	-2.5%	5.1%
1990s	18.0%	4.8%	7.4%	2.7%	-3.1%	2.9%
2000s	-1.0%	2.7%	6.3%	4.0%	14.1%	2.6%
2010s	13.4%	0.6%	4.1%	3.8%	3.4%	1.8%
2020s	11.9%	1.9%	-2.4%	10.2%	8.0%	4.5%
Average	10.3%	3.3%	4.3%	4.7%	5.6%	3.2%

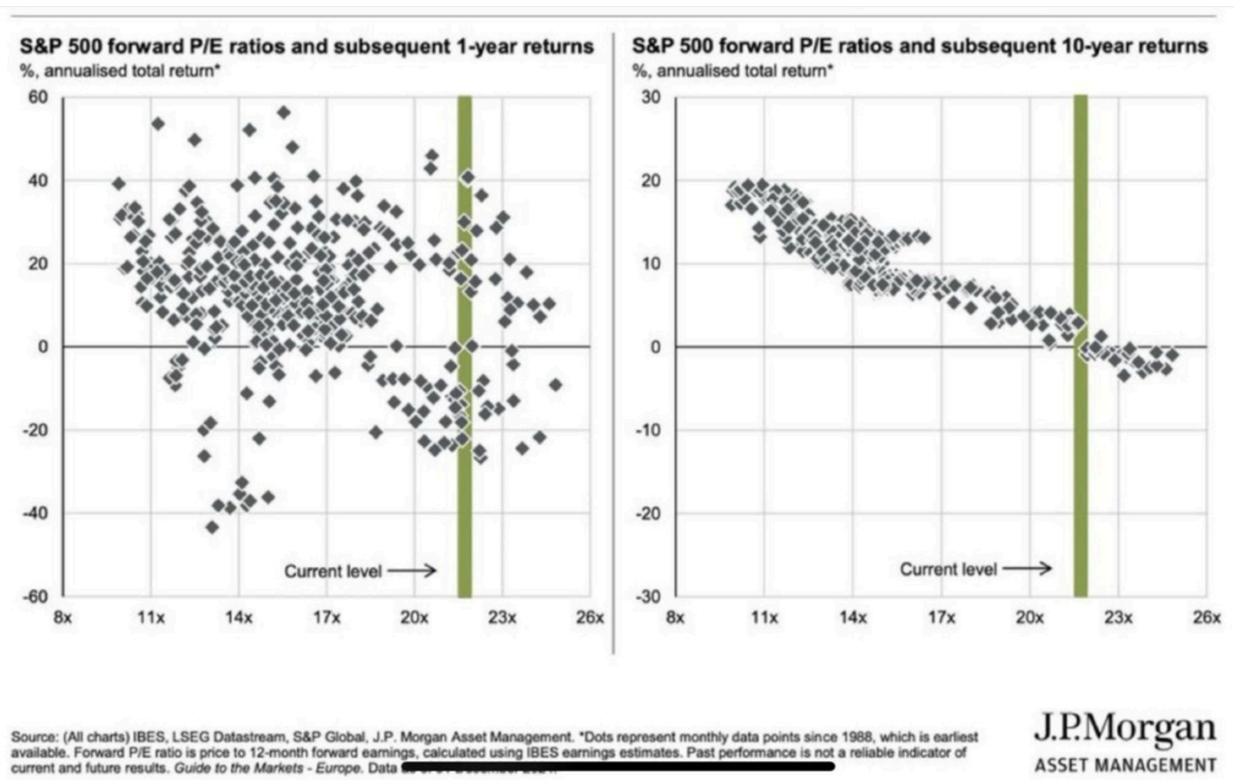
The chart below shows the probability of getting a drawdown in the S&P500 in any given year. Note that 1 in 4 years you can expect a drawdown of more than 20%.



The graph shows the distribution of annual returns for 151 years.



Importantly we have to understand that over the long term financial markets will revert to the mean. Therefore when we are buying assets that have higher valuations you can expect a lower return going forward. The above graph shows that over the short term (1 year) there is no correlation between valuations and returns but over the long term (10 years) the correlation is high.



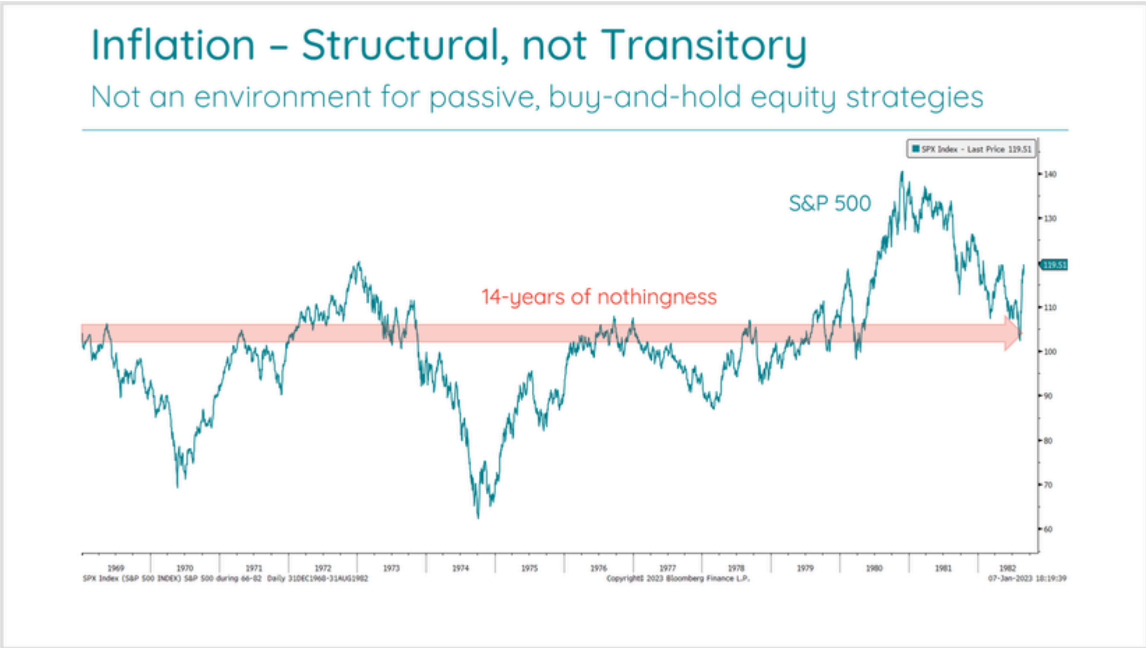
One of the most common mistakes we see investors making is believing that equity markets (or property markets) always go up. The first thing to consider is whether these are nominal returns or real returns.

We need to look at real returns because we need to measure our investments against whether we are retaining our purchasing power with our wealth. It is possible to have positive nominal returns but negative real returns. This is just a way of saying that your “value” is increasing but NOT keeping up with inflation so you are actually going backwards.

In our lifetime Exhibit A is the Nikkei (Japanese stock market). Japan was not, and is not, a backwater economy, it was the second largest economy in the world (now the fifth). As can be seen from the graph below it was a long wait to break even on the 1989 levels. Indeed, most retirees don't have a 35 year period of time to wait for such an outcome. Keep in mind this is in nominal terms NOT real terms (inflation adjusted) making the outcome considerably worse for investors.

Let's take a look at a specific example using the US share market.

From 1968 to 1982, interest rates went from around 4% to a high of 20%. It should be noted that over that time there was above trend economic growth in real terms with companies being a lot more profitable. This resulted in investors in the equity market achieving a return over this period of approximately zero in nominal terms and actually lost 70% in real terms. When including reinvested dividends, this gets back to a real return of nearly zero (although it is still negative).



Some bear markets can be quite lengthy and severe in terms of the declines sustained.

Table 1: S&P 500 bull and bear markets

S&P Bear Markets			
Start	**End**	**%Change**	**Days**
16/Sep/1929	13/Nov/1929	-44.6%	58
10/Apr/1930	16/Dec/1930	-44.3%	250
24/Feb/1931	2/Jun/1931	-32.9%	98
26/Jun/1931	5/Oct/1931	-42.5%	101
9/Nov/1931	1/Jun/1932	-61.8%	205
7/Sep/1932	27/Feb/1933	-40.6%	173
19/Jul/1933	19/Oct/1933	-29.4%	93
6/Feb/1934	14/Mar/1935	-31.8%	401
10/Mar/1937	31/Mar/1938	-54.5%	386
9/Nov/1938	11/Apr/1939	-24.4%	153
25/Oct/1939	10/Jun/1940	-31.9%	229
7/Nov/1940	28/Apr/1942	-34.4%	537
29/May/1946	19/May/1947	-28.5%	335
15/Jun/1948	13/Jun/1949	-20.6%	363
2/Aug/1956	22/Oct/1957	-21.6%	446
12/Dec/1961	26/Jun/1962	-28.0%	196
9/Feb/1966	7/Oct/1966	-22.2%	240
29/Nov/1968	26/May/1970	-36.1%	543
11/Jan/1973	3/Oct/1974	-48.2%	630
28/Nov/1980	12/Aug/1982	-27.1%	622
22/Aug/1987	4/Dec/1987	-33.5%	101
24/Mar/2000	21/Sep/2001	-36.8%	546
4/Jan/2002	23/Jul/2002	-32.0%	200
9/Oct/2007	20/Nov/2008	-51.9%	408
6/Jan/2009	9/Mar/2009	-27.6%	62
19/Feb/2020	23/Mar/2020	-33.9%	33
3/Jan/2022	12/Oct/2022	-25.4%	282
	Average	**-35.1%**	**285**

S&P Bull Markets			
Start	**End**	**%Change**	**Days**
13/Nov/1929	10/Apr/1930	46.8%	148
16/Dec/1930	24/Feb/1931	25.8%	70
2/Jun/1931	26/Jun/1931	25.8%	24
5/Oct/1931	9/Nov/1931	30.6%	35
1/Jun/1932	7/Sep/1932	111.6%	98
27/Feb/1933	18/Jul/1933	120.6%	141
19/Oct/1933	6/Feb/1934	37.3%	110
14/Mar/1935	10/Mar/1937	131.6%	727
31/Mar/1938	9/Nov/1938	62.2%	223
11/Apr/1939	25/Oct/1939	26.8%	197
10/Jun/1940	7/Nov/1940	26.7%	150
28/Apr/1942	29/May/1946	157.7%	1492
19/May/1947	15/Jun/1948	23.9%	393
13/Jun/1949	2/Aug/1956	267.1%	2607
22/Oct/1957	12/Dec/1961	86.4%	1512
26/Jun/1962	9/Feb/1966	79.8%	1324
7/Oct/1966	29/Nov/1968	48.0%	784
26/May/1970	11/Jan/1973	73.5%	961
3/Oct/1974	28/Nov/1980	125.6%	2248
12/Aug/1982	25/Aug/1987	228.8%	1839
4/Dec/1987	24/Mar/2000	582.1%	4494
21/Sep/2001	4/Jan/2002	21.4%	105
23/Jul/2002	9/Oct/2007	96.2%	1904
20/Nov/2008	6/Jan/2009	24.2%	47
9/Mar/2009	19/Feb/2020	400.5%	3999
23/Mar/2020	3/Jan/2022	114.4%	651
12/Oct/2022	25/Aug/2025	84.1%	1048
	Average	**114.4%**	**1011**

Source: BofA US Equity & Quant Strategy, Dartmouth University Data Library, Bloomberg, S&P, Morningstar. Returns in US dollars. You cannot invest in an index. Past performance is not a reliable indicator for future performance. Bull market starts when the market increases 20% following the most recent bear market. A Bear market starts when the market decreases 20% following the most recent bull market. Bull market average does not include the current market.

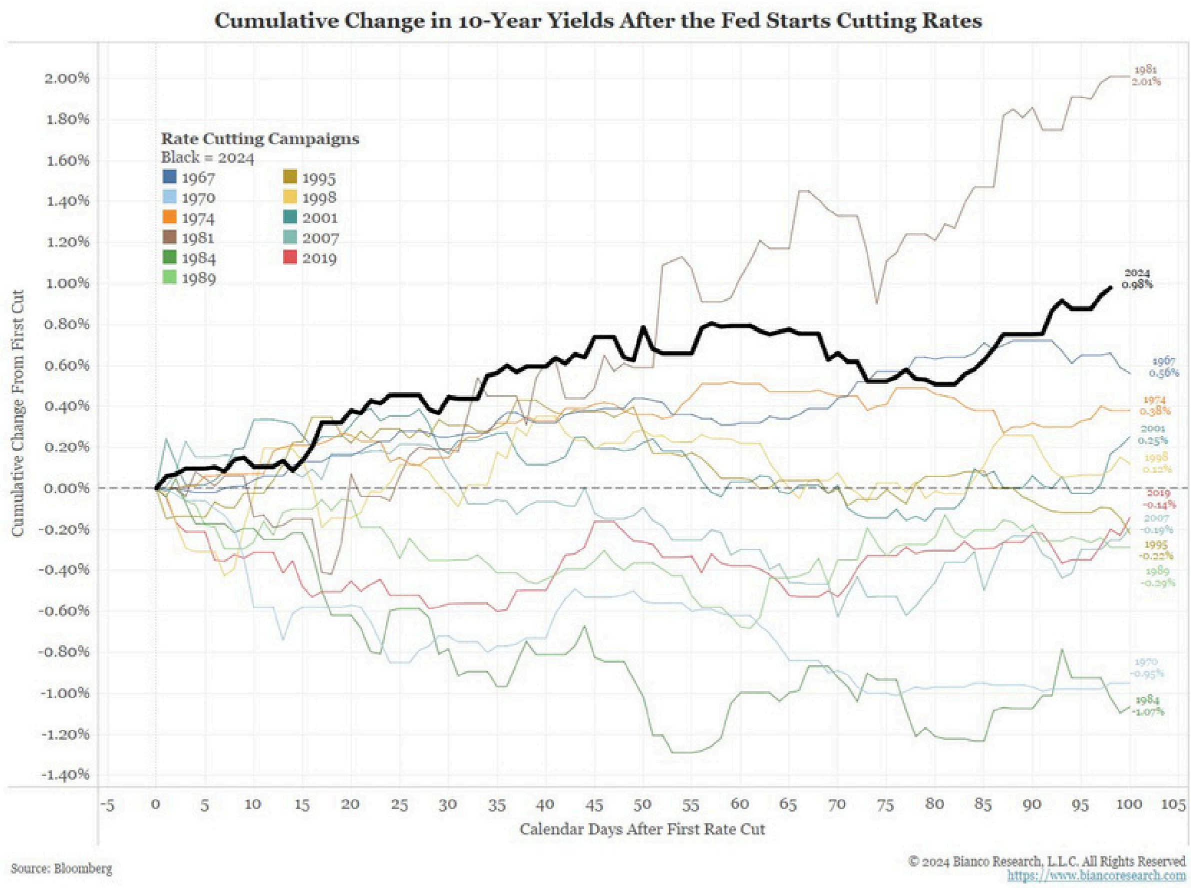
NOTE: The Great Depression went from Sep 1929-June 1932 and the market decreased 86.10% over that time from peak to trough.

Debt Markets

Fixed income markets lacked a clear directional trend over the June quarter, as investors weighed the disinflationary impulse from sharply lower oil prices against still-elevated core inflation readings and a more cautious tone from several major central banks. Government bond returns were broadly modest across most major markets.

Global central banks diverged in their approach. The US Federal Reserve held rates steady through the quarter, but the tone turned more hawkish following the transition to new leadership under Chair Kevin Warsh, who signalled a higher path for rates and scrapped prior forward guidance. In Australia, the RBA delivered one further rate increase in May before pausing in June, with the Board explicit that a further hike could not be ruled out given inflation remaining above target. Corporate credit spreads tightened over the quarter, supported by robust corporate earnings and improved risk appetite.

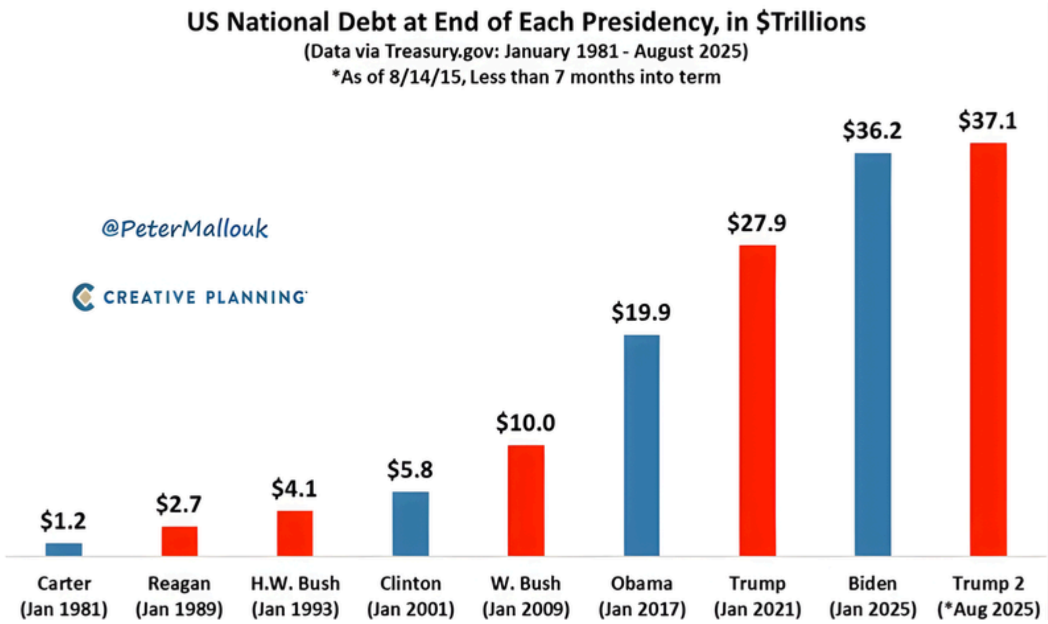
As per the graph below, the continued higher bond yields during the quarter and the volatility of the market is telling us that the market is again concerned about inflation. Historically, this situation has not happened too many times in the midst of interest rate cuts by Central banks.



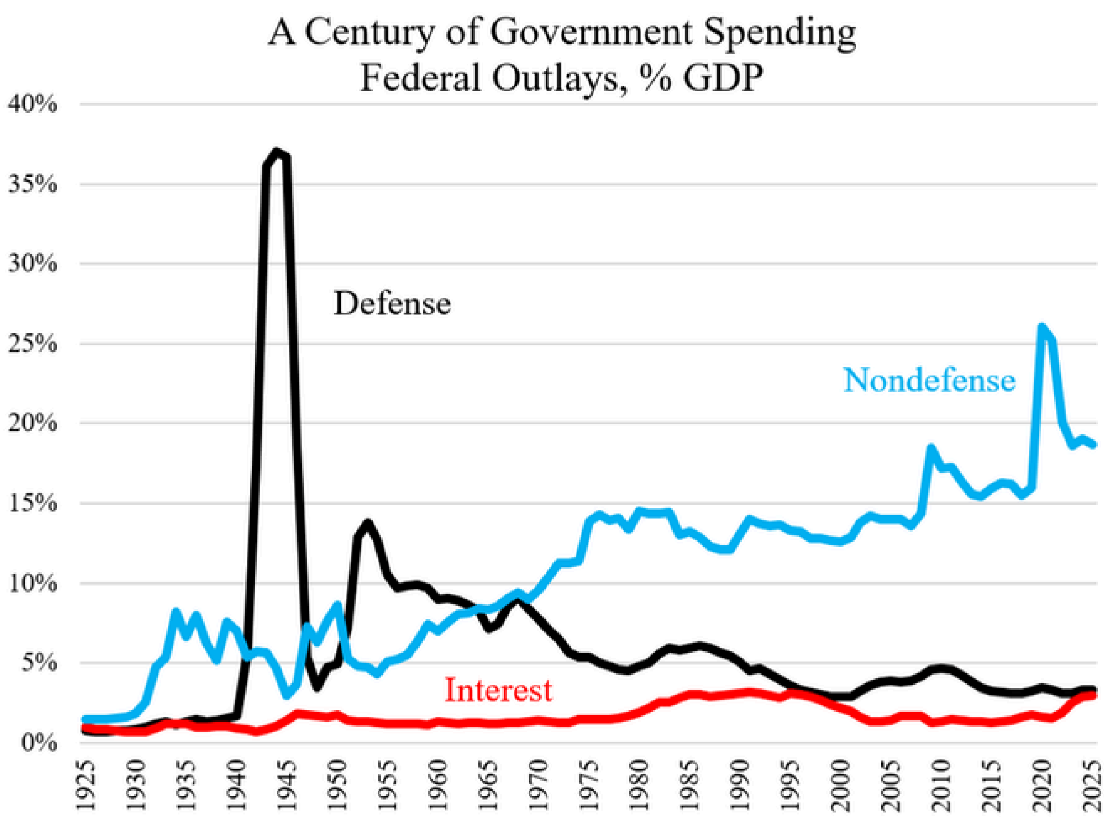
The 40 year bull market in bonds has appeared to have finished. This tailwind for asset market has now finished and may become a headwind.

The current US fiscal position has a debt to GDP of 120% and, according to economists Reinhart and Rogoff, who produced papers in 2010 and 2012, a level of debt to GDP above 90% leads to a dramatic worsening in growth outcomes for economies. It is important to note that the interest expense that needs to be met by the US has escalated with the increase in rates over the last couple of years. The interest expense has now surpassed the annual military defense spending. Renowned Economist and Historian Niall Ferguson has noted that historically this has marked the end of Empires.

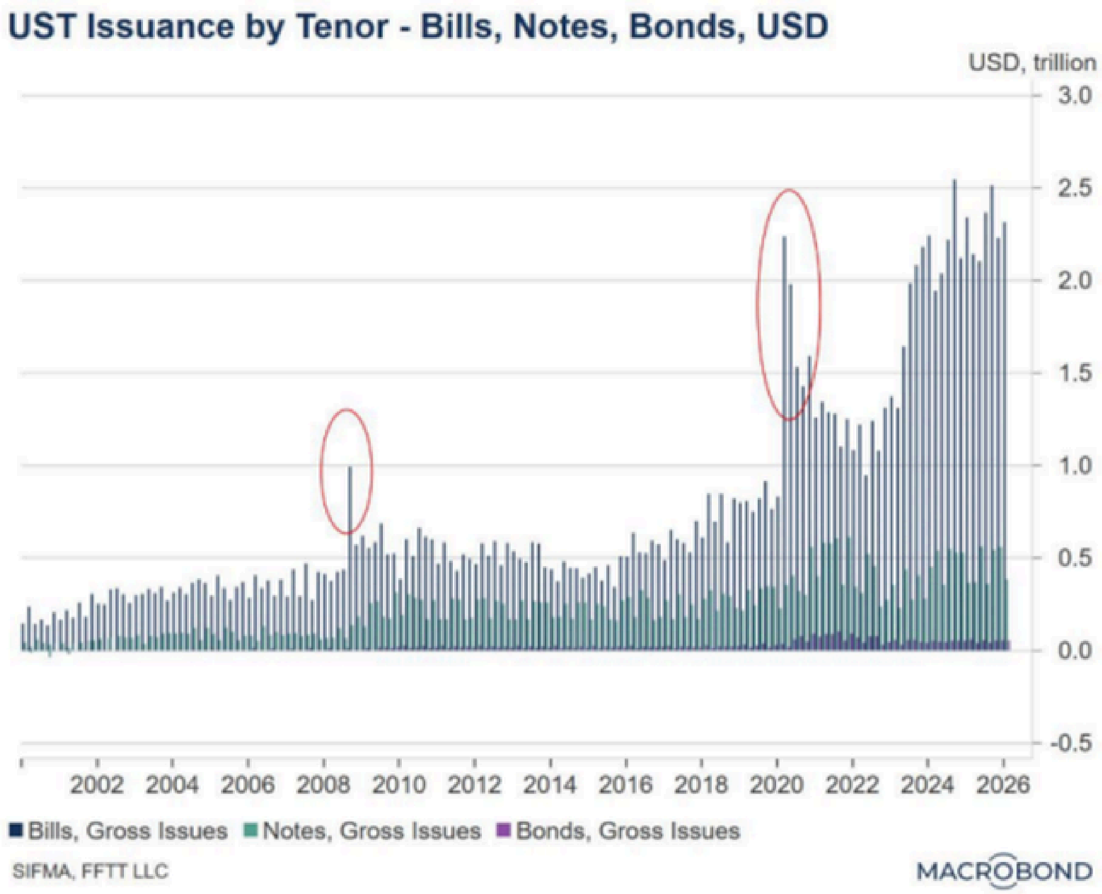
This has been a result of decades of increased spending from the US Government which now sees the US government debt not including unfunded liabilities at USD $39 Trillion.



There is no appetite in Washington from either political party to look at winding back Government expenditures.

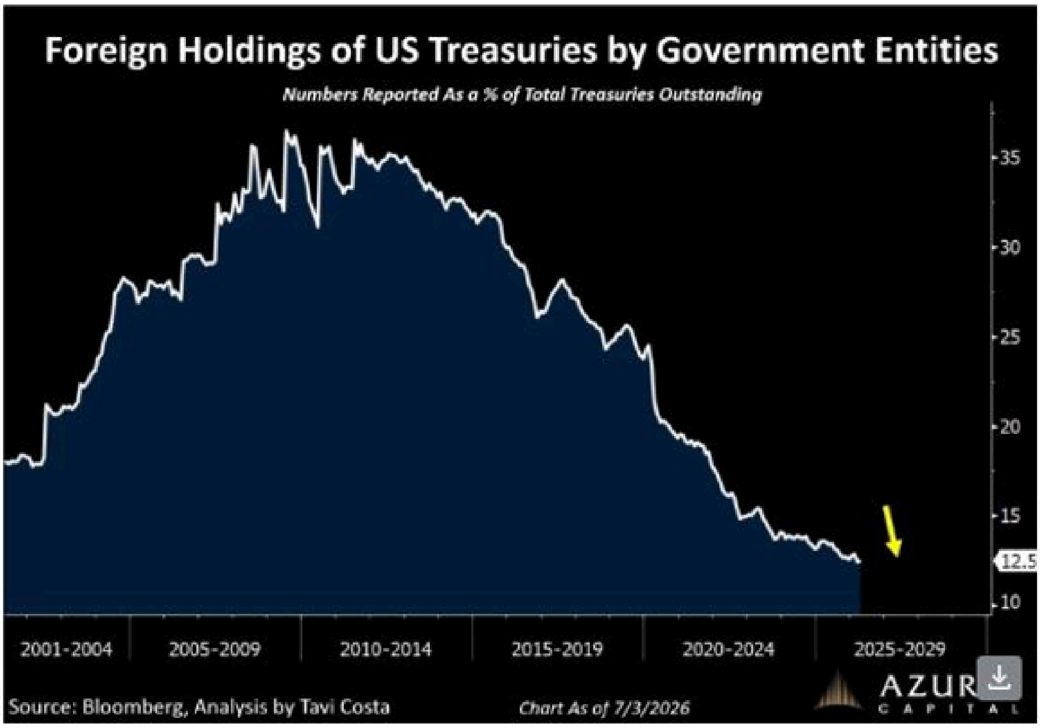


Treasury Secretary Scott Besant criticized past decisions of Janet Yellen where she was undertaking recent US financing being done at the short end of the curve which has contributed to some USD$10 Trillion worth of government debt maturing in 2026. This debt will be at the current interest rate which is considerably higher than it was 3- 5 years ago.



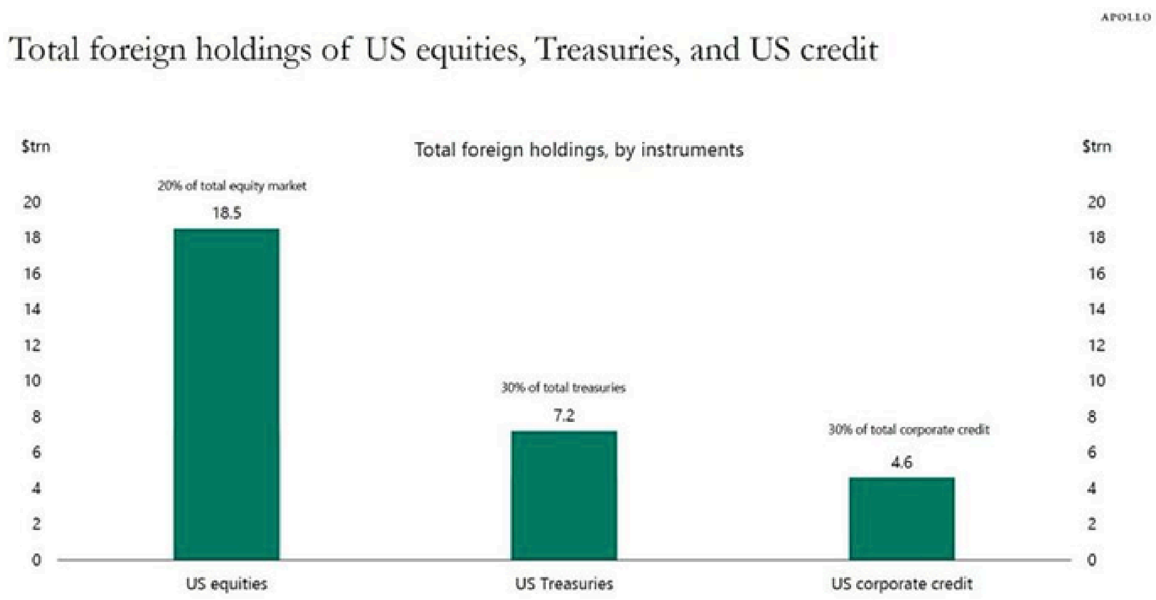
We believe that there will remain volatility in the debt markets as the deflationary view is supported by participants as rates are expected to decrease. However, within our strategies we remain concerned about the ability of interest rates to rise over the long term due to the re-emergence of inflation and the underlying demand and supply characteristics of the US Government debt and now the emergence of another war.

We also note that in the last few years that foreign Central banks demand for US bonds have not grown relative to the size of the debt issuance. This means the US government is effectively now crowding out the private sector.



Source: Tavi Costa, Azuria Capital

As discussed previously in these pages we believe that there is a very real risk that the policies of Donald Trump may see this de dollarisation process for other countries accelerate leaving less demand for US assets including Government bonds as other countries push back against the new America First regime. The war in Iran has also seen more countries paying for oil in Chinese Yuan as they try to get passage in the Strait for the black gold.



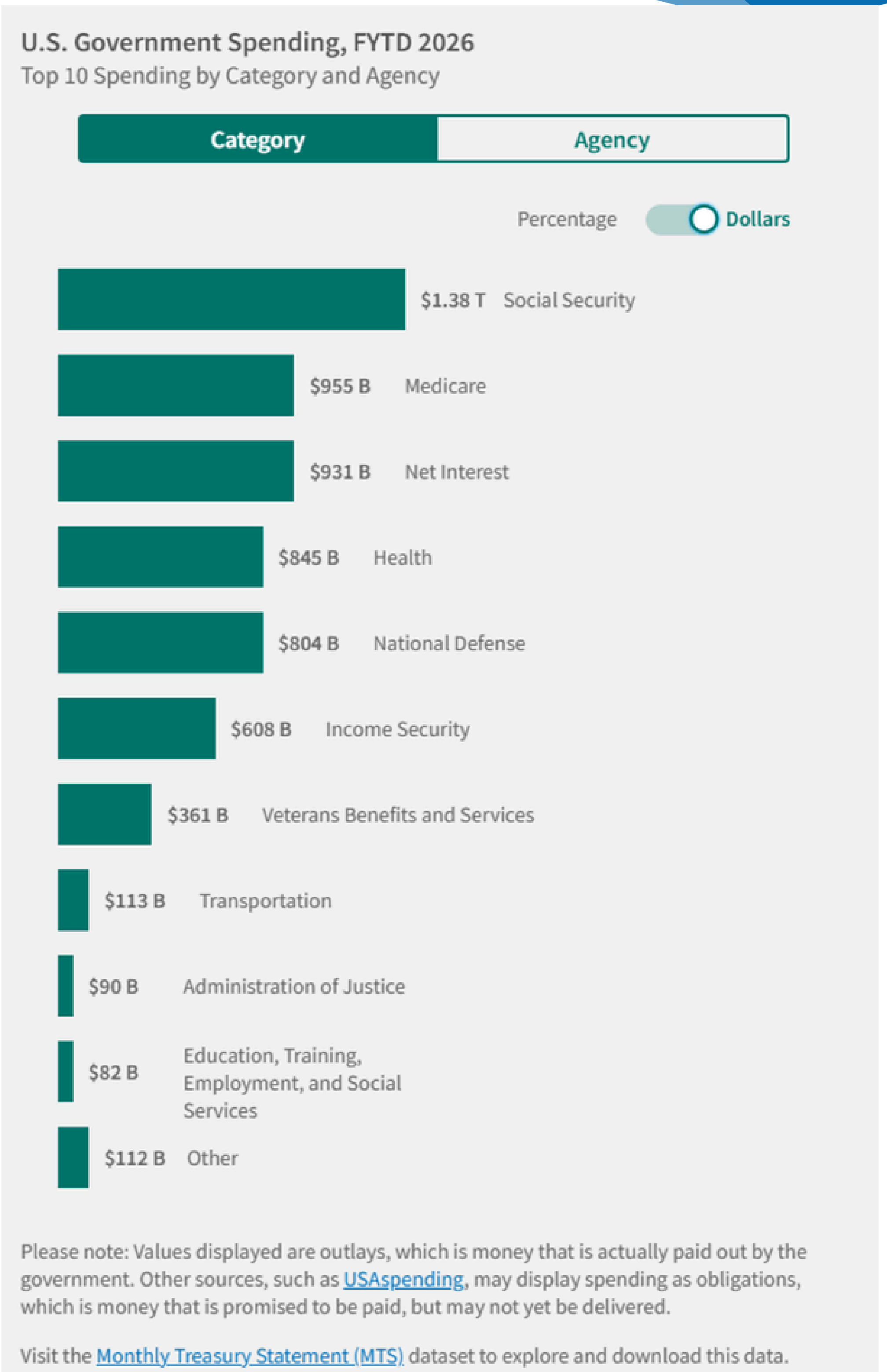
As expected in previous commentary, the DOGE initiative did not find the level of cost savings required to fundamentally move the needle on the US debt. As we have stated previously in our communication, unless they start looking at big ticket items such as military spending and entitlements like social security and Medicare, we don't think any meaningful progress will be made. We don't think that is likely for political and practical reasons, especially if the US might be in the middle of another lengthy and costly war.

The Trump administration and the market are now coming up with other narratives on how they will tackle this problem including growing the economy, revaluing the US gold reserve to current prices and the increased use of Stable coins. The gold revaluation strategy will see the US be able to free up about USD $1 trillion in cash so as to not go to debt markets which is really a short-term reprieve rather than a solution. The latter strategy is about coming up with another buyer of US debt given the lack of demand from other areas such as foreigners.

Currently the US has USD $40 Trillion in debt (not counting unfunded liabilities). We note that the average interest rate on this debt has risen and will continue to do so as debt rolls off existing arrangements and needs to be refinanced at current rates. There is an expected USD $10 Trillion of US debt to be refinanced in 2026.

In the context of the fact that tax receipts of USD $5.2 Trillion and the US spends over USD $1 Trillion on defense and USD $4.1 Trillion on other mandatory expenses none of these metrics look good.

The U.S. federal budget deficit reached approximately **$1.80 trillion** ($1,799 billion) for the first ten months of fiscal year 2026 (through July 2026).



This leaves the US with the following choice of how to deal with this issue;

1. Austerity (Cut spending)
2. Raise Taxes
3. Inflate away the debt

Politically the last option is more palatable and has been the course pursued by others in history faced with this predicament.

We believe that inflation is not yet beat which will make it difficult for the Central banks to reduce interest rates. Furthermore, historically as shown in our previous reports, inflation has traditionally come in waves, which will result in higher long-term bond rates.

Note: PIES data are the 10 percent trimmed mean and median of responses provided by firms through 2026 Q1. Data are plotted in the quarter in which the forecasts were collected. Shaded areas indicate NBER recessions.

Over the long term we remain concerned that the large levels of government debt (particularly in the US), the levels of annual deficits and the stickiness of inflation will see another period of financial repression. Furthermore, we believe that the Central bank will be forced to provide further liquidity be it through QE or other programs. This will enable the governments to inflate away the debt by undertaking yield curve control at lower rates than inflation. This would see investors who are holding the wrong type of fixed interest investments, namely long duration government bonds, losing massively in real terms over the short to medium term.

Government Debt by Country

Government debt in 2026 using both total debt in US dollars and debt as a share of GDP, showing the difference between the largest borrowers and countries carrying the heaviest debt burdens relative to their economies.

		Value of debt in US$
1	United States	$40.7 Tn
2	China	$22.3 Tn
3	Japan	$8.95 Tn
4	United Kingdom	$4.42 Tn
5	France	$4.26 Tn
6	Italy	$3.79 Tn
7	Germany	$3.52 Tn
8	India	$3.46 Tn
9	Canada	$2.78 Tn
10	Brazil	$2.54 Tn
11	Spain	$2.05 Tn
12	Mexico	$1.33 Tn
13	Singapore	$1.13 Tn
14	Australia	$1.08 Tn
15	South Korea	$1.05 Tn
16	Belgium	$848 Bn
17	Poland	$745 Bn
18	Netherlands	$639 Bn
19	Indonesia	$639 Bn
20	Austria	$512 Bn

		Government debt as a share of GDP
1	Japan	204.4%
2	Singapore	171.9%
3	Sudan	169.1%
4	Bahrain	152.4%
5	Italy	138.4%
6	Greece	136.9%
7	Senegal	132.3%
8	Maldives	129.4%
9	United States	125.8%
10	Ukraine	122.6%
11	Bhutan	120.3%
12	St. Vincent & Grenadines	120.1%
13	France	118.4%
14	Canada	110.7%
15	Belgium	109.2%
16	China	106.9%
17	Mozambique	106.1%
18	United Kingdom	103.6%
19	Bolivia	102.7%
20	Dominica	98.3%

Source: IMF, World Economic Outlook 2026

We note that upward movements in long term interest rates is a global phenomenon but no more is this more pronounced than in Japan.

Australia has also not escaped the grip of rising bond yields going through the 5% mark this quarter.

Equity Markets

Global Equities

Global equity markets rallied strongly over the June quarter, with major indices posting some of their best quarterly returns since 2020, as geopolitical de-escalation, falling energy prices and robust corporate earnings supported a broad-based recovery in risk appetite.

The improving trajectory of the Iran conflict was a key inflection point, with the easing of the naval blockade and reopening of the Strait of Hormuz driving a sharp fall in oil prices and reducing concerns around global growth and inflation. This dynamic created a supportive backdrop for equities, with the rally broadening from an initial concentration in large-cap technology names to encompass small caps, value and a wider range of sectors as the quarter progressed.

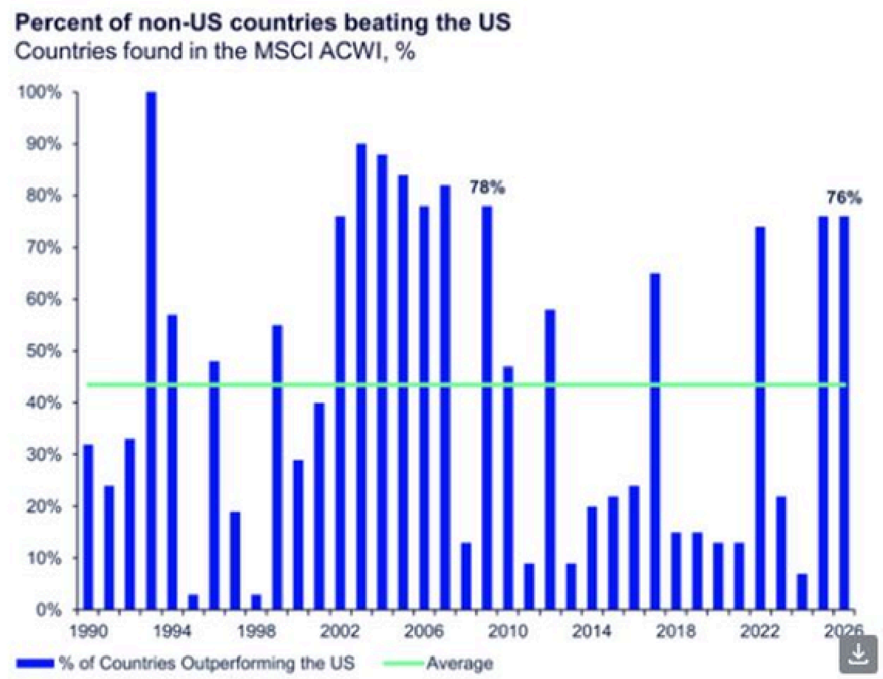
Performance within sectors was led by technology and semiconductors, as hyperscalers lifted 2026 artificial intelligence capital expenditure guidance and first-quarter earnings confirmed exceptionally strong demand for AI infrastructure. Growth outperformed value for most of the quarter, though value reasserted itself in June as investors rotated toward more economically sensitive exposures.

Regionally, the United States delivered one of its strongest quarters in over five years, while emerging markets outperformed all major regions, led by exceptional gains in Korea and Taiwan on the back of semiconductor and memory-chip demand. European equities also performed strongly as falling energy costs supported both sentiment and activity, while the United Kingdom lagged other developed markets amid a more defensive index composition and political uncertainty following weaker regional election results for the governing Labour Party.

We believe there is an opportunity for sectors and countries that have been “unloved” to provide some good value going forward as some of the enthusiasm of the more “loved” sectors in predominantly the US economy has a reality check with regards to expectations and valuations.

There are sectors that are looking reasonably priced, such as commodities.

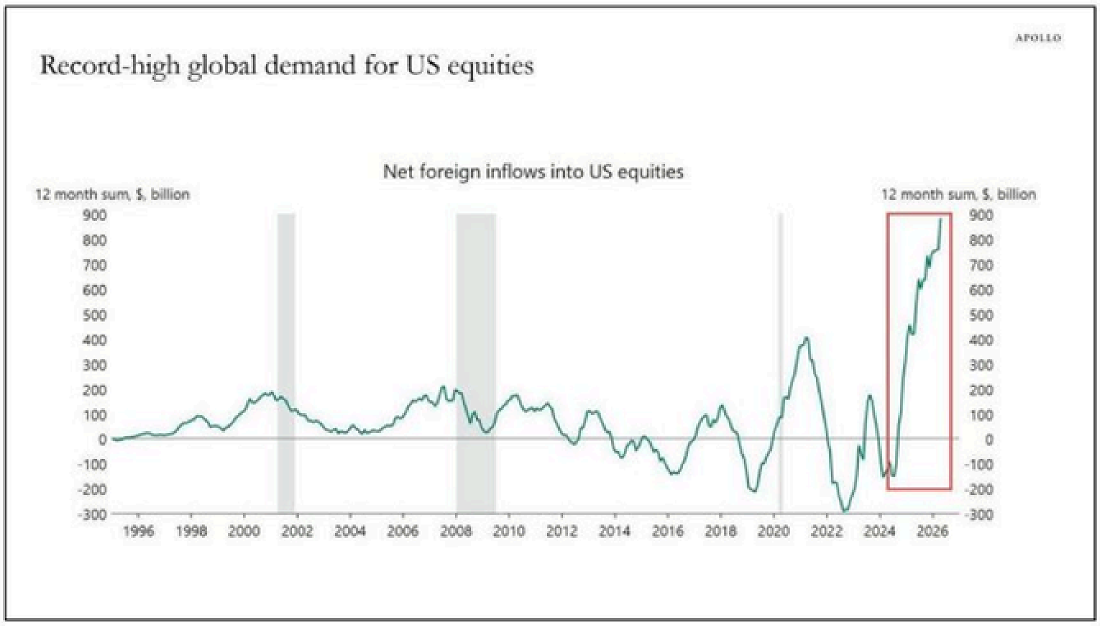
The US markets have outperformed all countries for quite some time as demonstrated in the graph below. However, this has started to change in recent times.



Source: State Street

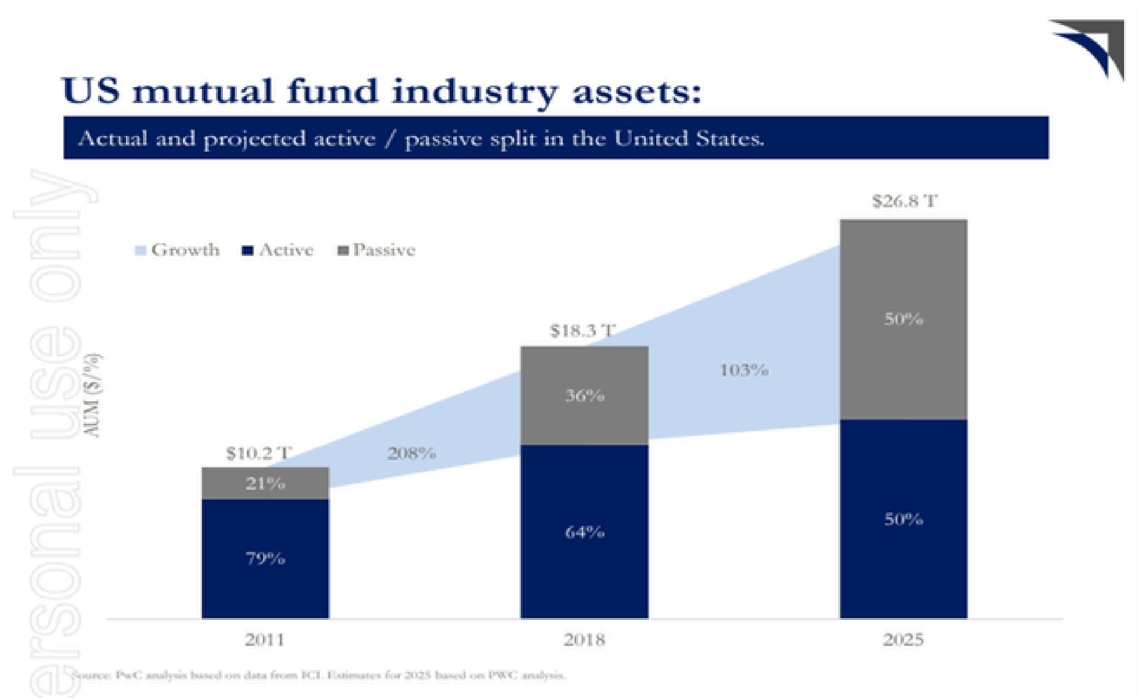
Notwithstanding, we have seen large US businesses getting large capital flows resulting in higher prices.

Net foreign inflows into U.S. equities hits record high.



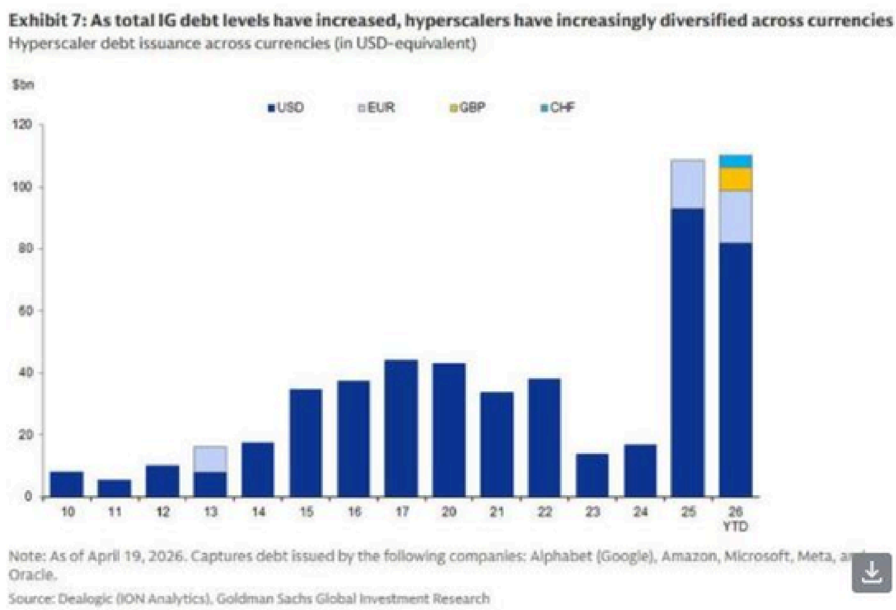
Source: Apollo

In our view these moves have been exacerbated by the “Passive investment Phenomenon” where it becomes a self-fulfilling prophecy and at some stage these markets will correct to reflect fundamentals.



The tech sector in the US looks weak, and given its high correlation to Bitcoin, that market's weakness also provides some insight. The AI investment is more and more being done from the use of debt not cash and all of this while China is making great progress at a far cheaper price point to its US competition.

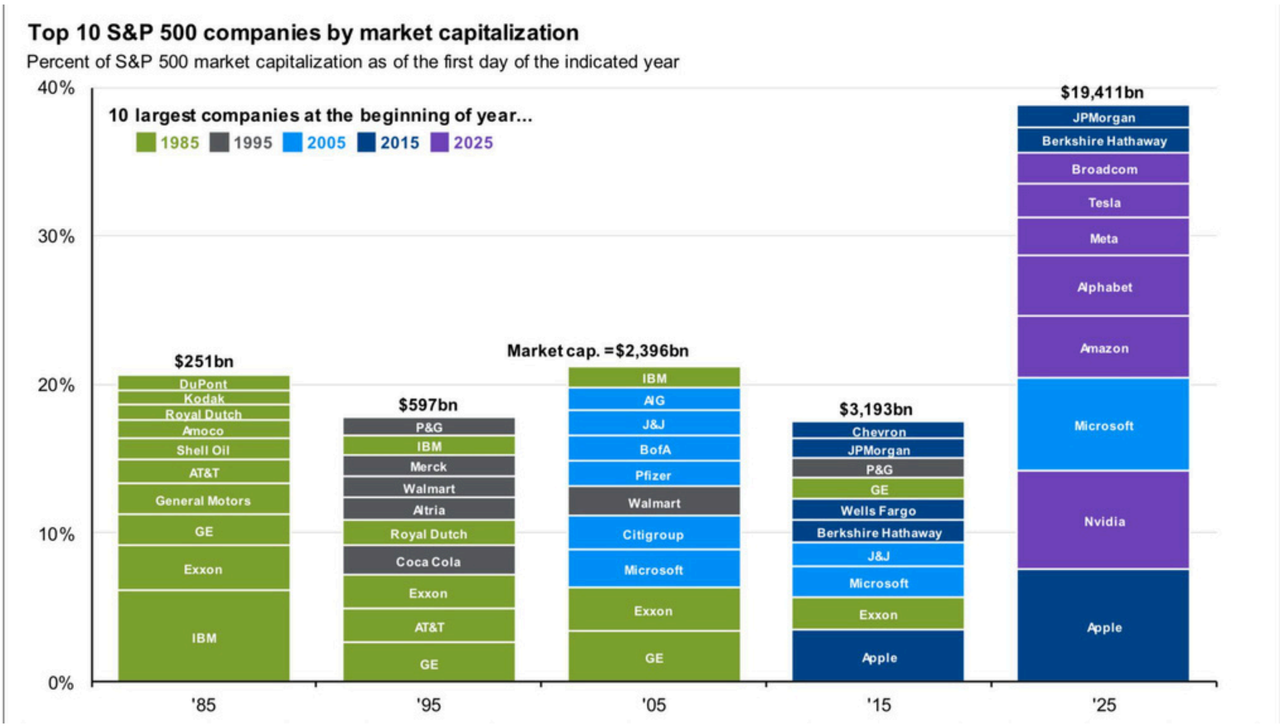
Hyperscaler public debt issuance



Source: Zerohedge

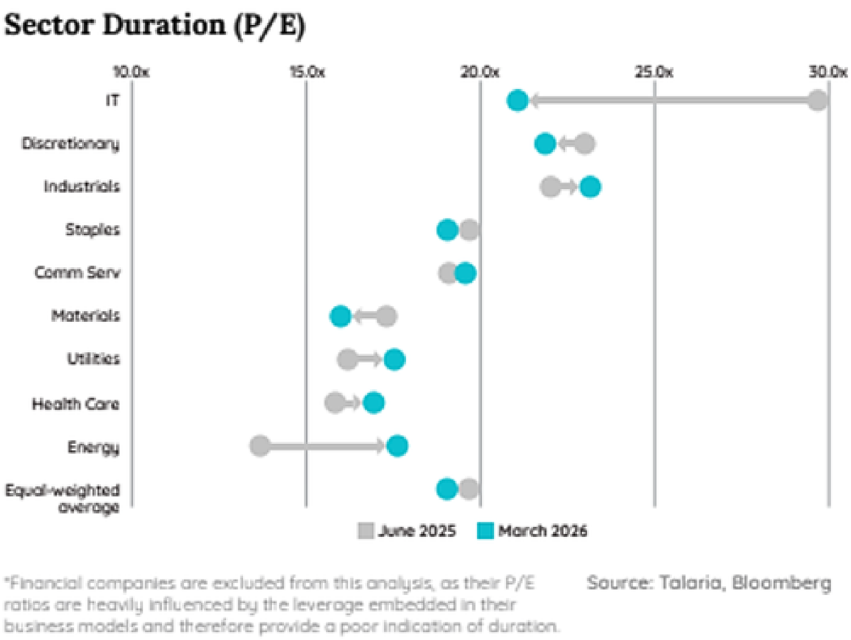
As mentioned in the previous section covering debt it is possible that as other countries adjust to the new environment including Trump's “America First Agenda” that funds may be repatriated or allocated outside the US where currently most of the funds are being put. With the domestic issues being faced by Japan at the moment market participants are keenly watching what happens as they are very large holders of US Treasuries and US equites. Japan currently holds about USD$3.5 Trillion of overseas assets above the liabilities owed to foreigners (Net International Investment Position).

At the moment there is an extraordinary amount of wealth tied up in the capitalisation of AI stocks in the US. This means that any dampening of the narrative will result in a dramatic rerate of these stocks.

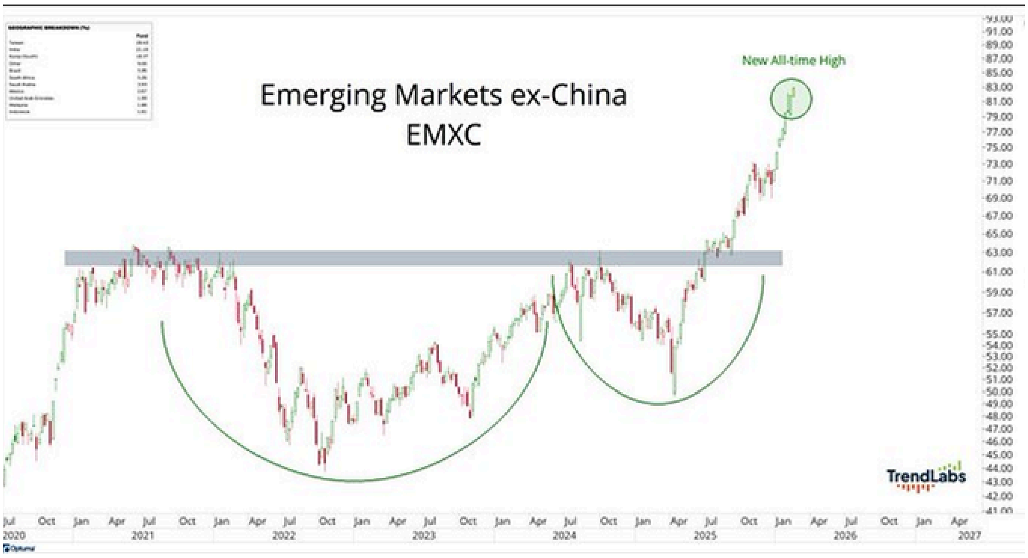


This set up seems to be very similar to the internet boom and then bust at the turn of the century.

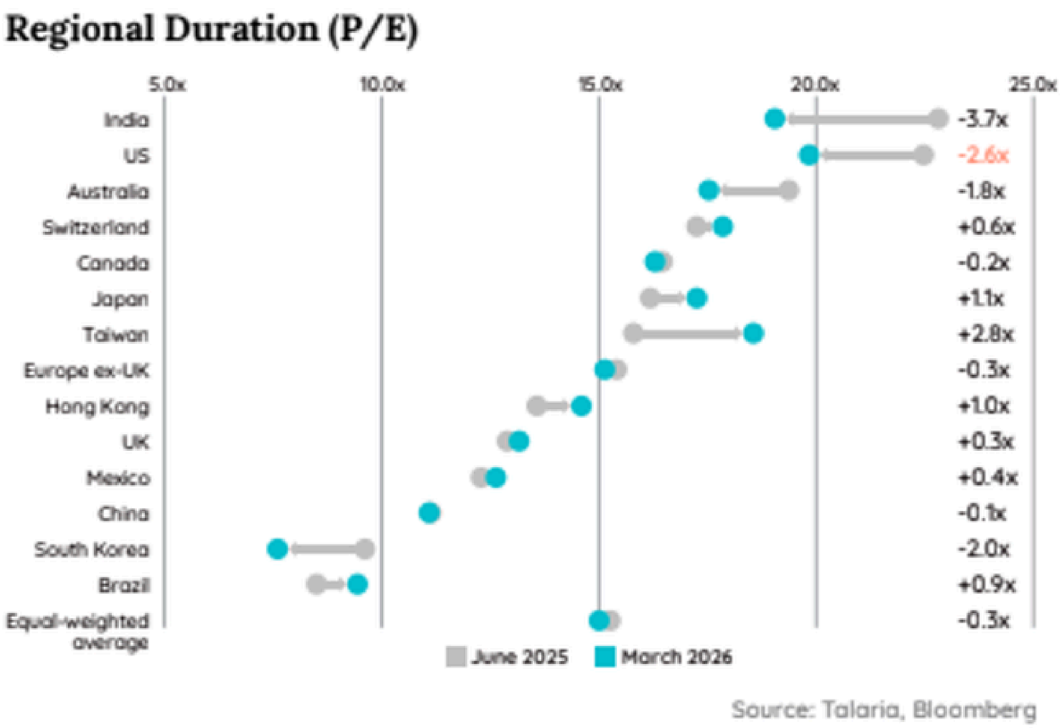
Furthermore, different countries provide opportunities for investors that are willing to search for more attractive valuations. This is why we have skewed our portfolio to an active approach as opposed to a low-cost passive approach. Presently the US share market has over 70% of the total value in global share markets. The top 10 companies in the US are worth more than all of the total share markets of each country in the world.



We continue to like countries outside the US such as those represented by Emerging Markets.



The US share market is the most expensive on a range of valuation metrics.



The “Warren Buffett metric” was made famous by Warren Buffett in a December 1999 Fortune Magazine article that reviewed a speech Buffett had given in July of that year to corporate executives. The message was that Total Equity Market Cap, divided by GDP, was in his view the best rule of thumb for when the stock market was overvalued. Luke Gromen from Forest from the Trees research that we subscribe to and follow religiously said that the “Warren Buffett metric” needed to be adjusted to reflect this reality by subtracting Federal debt from US equity market cap before dividing by GDP, because if push came to shove, the Fed would print money to monetize US Federal debt.

We just hit an all-time high.

It should be noted that there are valuation issues with the large capitalisation end of the Australian market as well.

Source: Bloomberg, LSEG, Betashares. Global Equities: MSCI All-Country World Index. Global Bonds: Bloomberg Global Aggregate Bond Index ($A hedged). You cannot invest directly in an index. Past performance is not an indicator of future performance.

The chart below is interesting in that it shows that foreigners holding of US equities are high by historical standards. We will be interested to watch how Trump's policies of America First may potentially lead to other countries repatriating their funds back home or to elsewhere. We believe this has started to happen this year. This would mean that the massive amount of capital in US Share markets (representing over 70% of the global share) would seek refuge in other markets.

In saying this we are aiming to invest in shares that will provide us with growth over the long term. We would note that a lot of the growth in the US share market over the last couple of years has happened in a group of tech companies and we are skeptical that these valuations will hold for the long term. We have therefore positioned our holdings so as to reduce exposure to those sectors we see as overvalued.

Should our view be right then capital will leave that part of the market and seek opportunity elsewhere in different countries or sectors.

Australian Equities

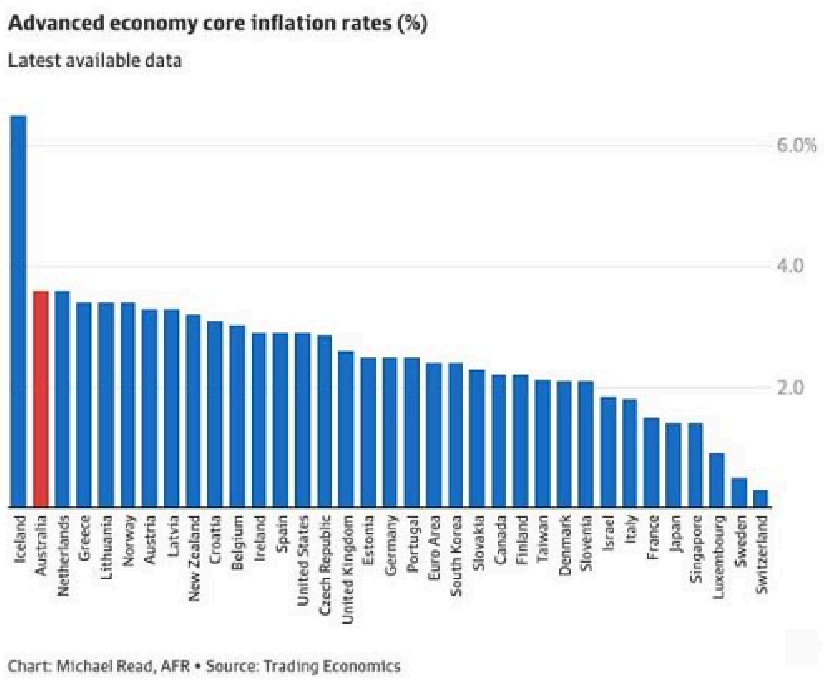
The S&P/ASX 200 Index AUD rose (4.05%) for the quarter and rose 6.11% for the year.

The S&P/ASX Small Ordinaries Index AUD rose (3.32%) for the quarter and rose 8.11% for the year.

Australian equities rose over the June quarter, with performance increasingly supported by improving global risk appetite alongside resilient domestic fundamentals. Falling energy prices, a stabilising bond market and firmer global equity markets all contributed to a recovery in valuations following the weakness of the March quarter. Sector performance remained mixed. Resources continued to benefit from firm iron ore and copper prices, while gold miners were a standout for parts of the quarter as bullion prices remained elevated by historical standards, even as gold itself declined from its January peak. Financials were broadly supportive, with major banks aided by improving sentiment, although margin pressures and scrutiny around budget-related tax changes weighed at the margin.

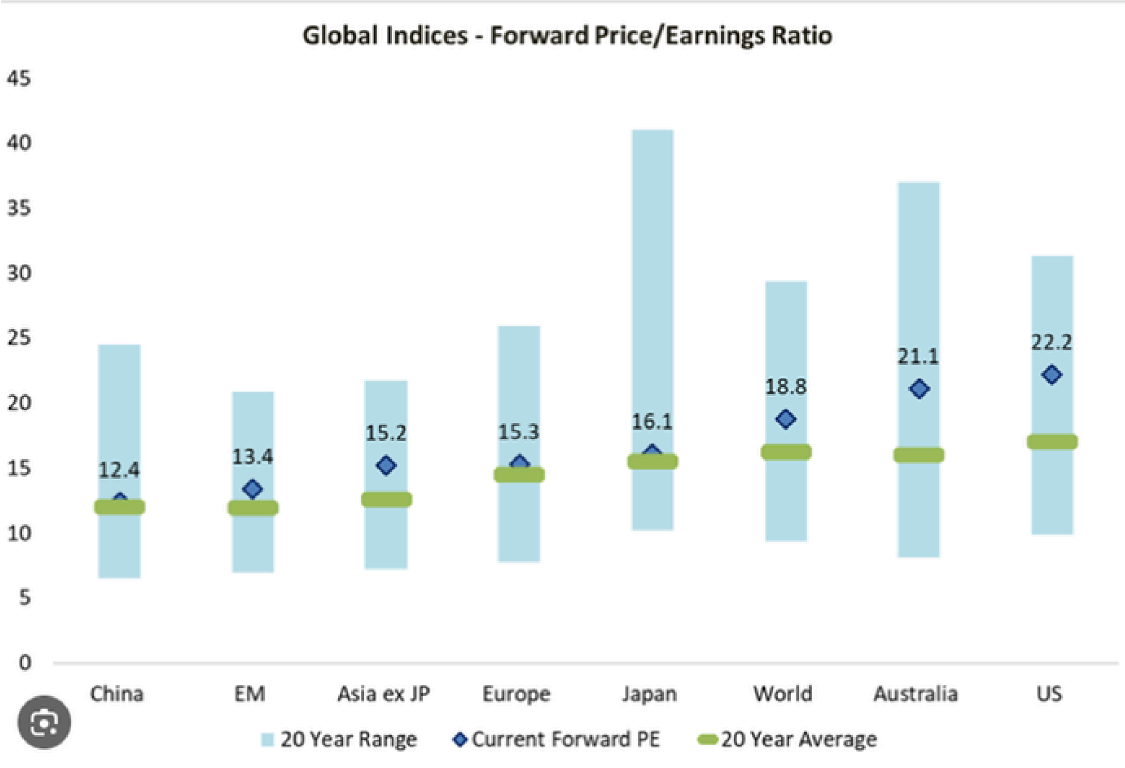
By contrast, interest-rate-sensitive sectors such as real estate faced a more mixed environment, with early-quarter caution around the RBA's May rate rise giving way to a recovery in listed property later in the quarter as global bond yields stabilised. Small and mid-cap stocks staged a meaningful recovery alongside the broader improvement in risk appetite and reduced financial-market volatility, reversing some of the underperformance recorded in the March quarter.

By global standards Australia is not doing well in the fight against inflation. This could lead to tighter policy settings from the RBA which would have an impact on residential property prices and the equity markets.



Source: AFR

Australian valuations are not cheap by global standards.



Property

Listed property markets recovered over the quarter, as the stabilisation in bond yields following the March-quarter shock provided relief for long-duration assets. Global listed infrastructure again delivered a resilient result, supported by its defensive characteristics, though returns moderated somewhat as the risk-on rotation favoured cyclical and growth-oriented equities over more defensive alternatives.

Australian A-REITs staged a recovery after a sharp March-quarter decline, aided by improving sentiment toward rate-sensitive assets as the RBA signalled a pause following its May increase. Global REITs also improved, benefiting from a broadly stable global rate environment through the quarter.

We have a diversified approach to this sector which includes office, industrial, retail and specialised properties. We have exposure to this asset class through both listed and unlisted property maximizing the opportunity set whilst reducing the volatility of the portfolio.

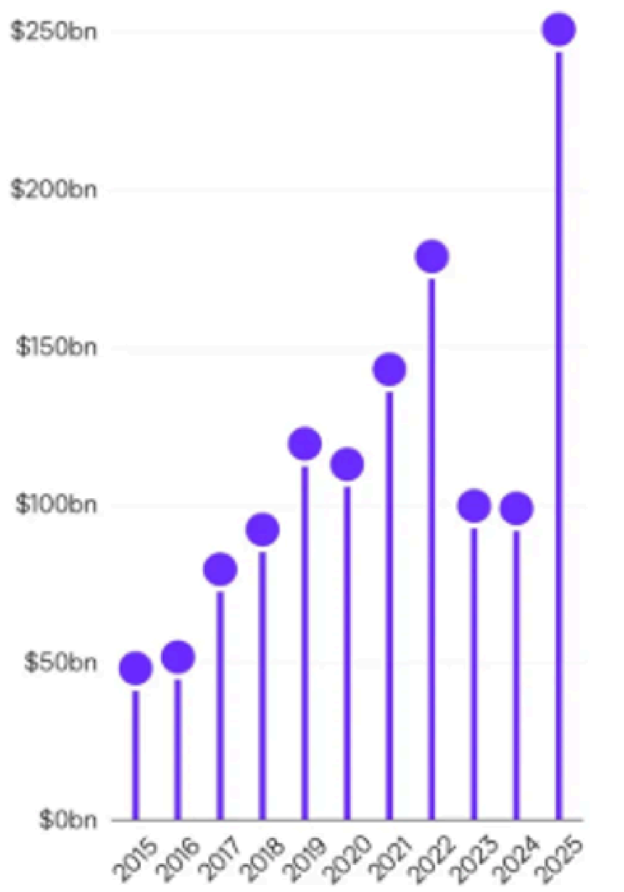
Infrastructure

Global listed infrastructure remained supported by its defensive characteristics and, in some cases, by continued exposure to energy markets, although the scale of the pull-back in oil prices weighed on energy-linked infrastructure exposures relative to the March quarter. Regulated utilities continued to provide relatively stable earnings amid the broader shift in market leadership toward cyclical and growth assets.

We believe over the long term that infrastructure will be a beneficiary of higher inflation as the developing world in particular continues to build infrastructure for the increase in living standards being demanded by their population. We have exposure to this asset class through both listed and unlisted infrastructure maximizing the opportunity set whilst reducing the volatility of the portfolio.

Figure 1

Infrastructure fundraising 2015-2025



Source: With Intelligence by S&P Global

Alternatives

This part of the portfolio is looking for assets that will generate uncorrelated returns from traditional equity and bond markets.

In the alternatives space, we hold precious metals as a hedge against money printing and inflationary expectations moving forward driven by the end of cheap energy, cheap labour and cheap money.

Gold has a low correlation with bonds and equities which makes it ideal to decrease portfolio volatility.

Gold Shines When The Equity Bear Eats!

Performance of the S&P 500 vs. Gold during S&P 500 Bear Markets

IGWT Report

Date of the Market High	Date of the Market Low	S&P 500 Return	Gold Return	Gold Relative to S&P500
09/16/1929	06/01/1932	-86.19%	0.29%	86.48%
08/02/1956	10/22/1957	-21.63%	-0.11%	21.52%
12/12/1961	06/26/1962	-27.97%	-0.06%	27.91%
02/09/1966	10/07/1966	-22.18%	0.00%	22.18%
11/29/1968	05/26/1970	-36.06%	-10.50%	25.56%
01/11/1973	10/03/1974	-48.20%	137.47%	185.67%
11/28/1980	08/09/1982	-27.27%	-45.78%	-18.51%
08/25/1987	10/20/1987	-35.94%	1.38%	37.32%
07/16/1990	10/11/1990	-20.36%	6.81%	27.17%
07/17/1998	10/08/1998	-22.29%	1.71%	24.00%
03/24/2000	10/10/2002	-50.50%	11.18%	61.68%
10/11/2007	03/06/2009	-57.69%	25.61%	83.30%
09/21/2018	12/26/2018	-20.21%	5.59%	25.80%
02/19/2020	03/23/2020	-35.41%	-3.63%	31.78%
01/03/2022	09/26/2023*	-10.90%	5.56%	16.46%
	Mean	-34.85%	9.03%	43.89%
	Median	-27.97%	1.38%	27.17%

Source: Cornerstone Macro, Bloomberg, Reuters Eikon (*Lowest closing price since 01/03/2022), Incrementum AG

incrementum

30

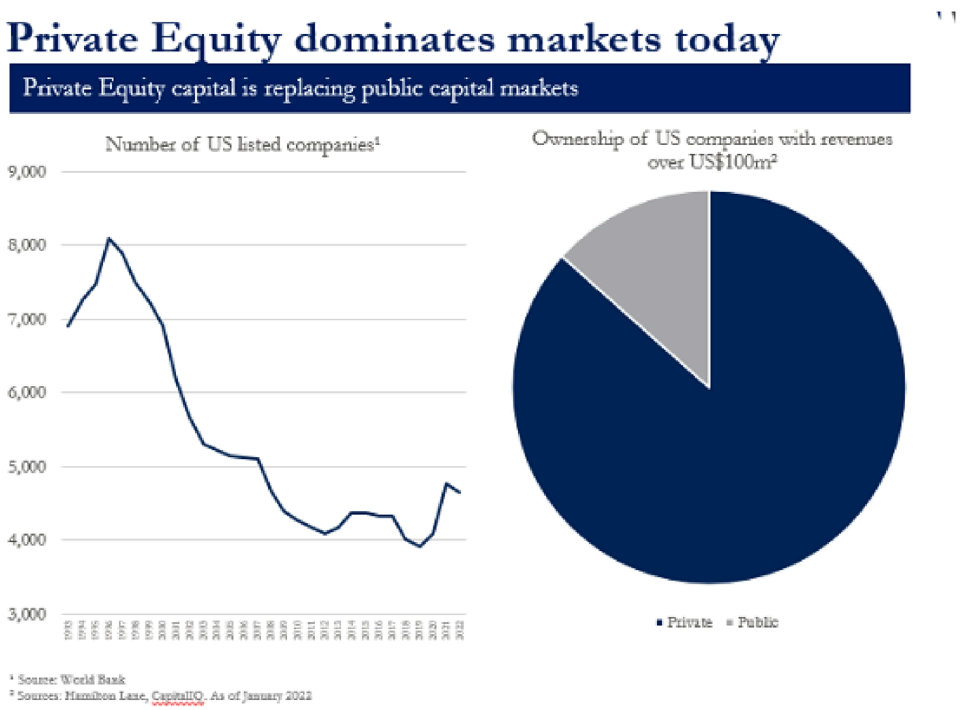
We also believe the breaking of the traditional correlation between Gold and real interest rates is telling us that there is a new dynamic within markets.

Interestingly, the equity market when measured by gold not nominal dollars has actually fallen in value quite considerably.

Notwithstanding the recent strength in gold over the last few years, when you compare the value of gold relative to world equities, this ratio remains at very low levels and is about 4.5 times below the spike that occurred in 1980.

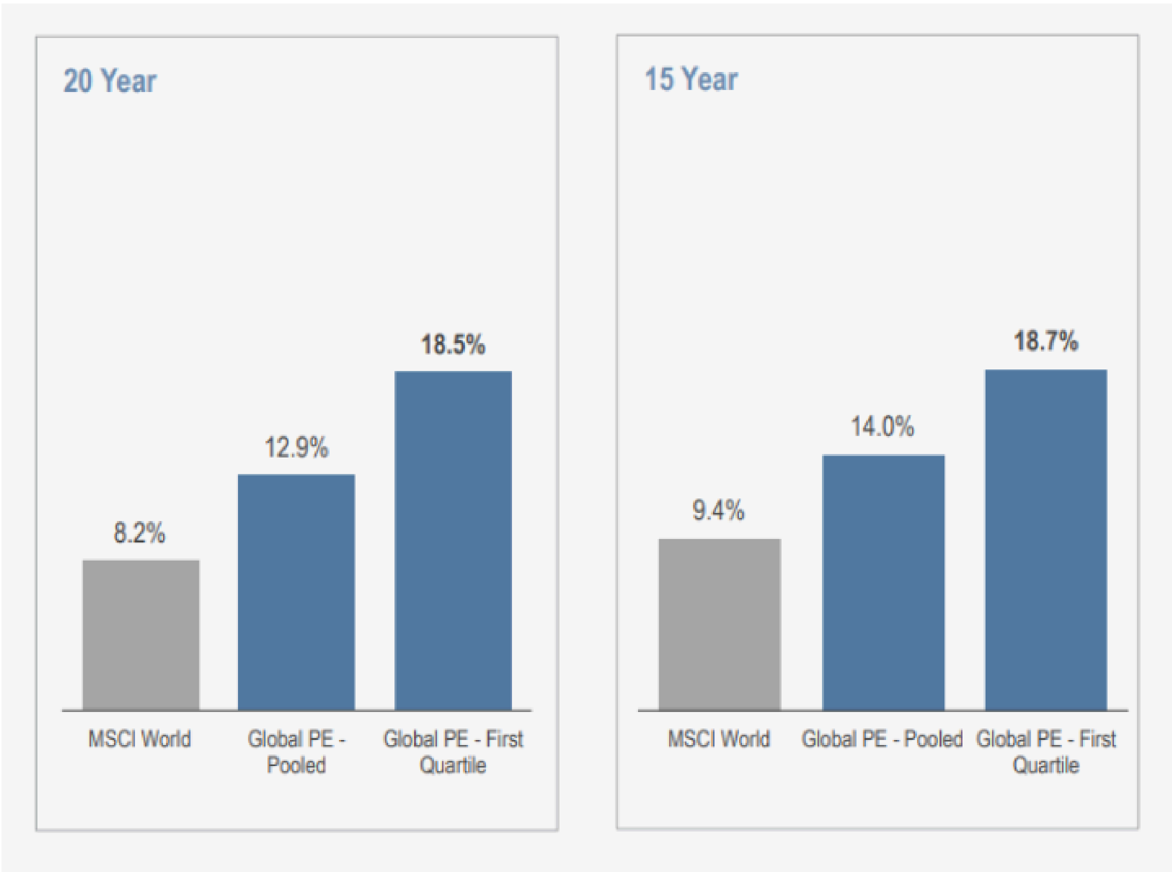
Source: Global X ETFs, Bloomberg data as of February 2026

Another large part of this strategy involves accessing opportunities that are not available through public markets be they equities or bonds. As we can see from the graph below the private part of these markets has had considerable growth and comprises a large range of opportunities. According to The Centre of Middle Market in 2023 more than 86% of US Companies that had revenue greater than US$100mio was held in private hands.



Please note that past performance is not indicative of future returns.

Whilst these investments are not liquid like the share market investors have been previously rewarded with higher returns to compensate them.



Source: Private equity data from Burgiss. Represents pooled horizon IRR and first quartile return for Global Private Equity as of 2025 Q1, which is the latest data available. Public market data sourced from Neuberger Berman as of 2025 Q1. Past performance is no guarantee of future results.

Harbourside Moderate
This portfolio is aimed to deliver risk adjusted returns for Moderate investors through a diversified portfolio of assets including debt, equity, property, infrastructure and Alternatives. We do this through the risks that we accept and those that we mitigate.

This portfolio accesses a range of ETFs and Listed investment companies to build a diversified portfolio.

We discuss our view regarding each of these asset classes in their respective part of this report.

We are underweight duration to protect against the fact that long term interest rates may continue to rise for reasons discussed in the Debt Markets Overview contained in this report.

- Gryphon Capital Income Trust returned 1.93% for the quarter.
- VanEck Bentham Global Capital Securities Active ETF returned 2.72% for the quarter.
- VanEck 1-5 year Gov Bond ETF returned 1.78% for the quarter.
- VanEck Aus Corporate Bond Plus ETF returned 2.93% for the quarter.
- VanEck Aus Floating Rate ETF returned 0.94% for the quarter.

Over the long term we remain concerned that the large levels of government debt (particularly in the US), the levels of annual deficits and the stickiness of inflation will see another period of financial repression. This will enable the governments to inflate away the debt by undertaking yield curve control at lower rates than inflation. This would see investors who are holding the wrong type of fixed interest investments, namely government bonds, will lose massively in real terms over the short to medium term.

Given the risks discussed earlier in this report, we are looking to be very selective in equity markets to reduce the market risk associated with the portfolio. This means that our relative performance should be less in both rising and falling markets. As above we are concerned with current valuations and the increasing interest rates that this will see to a correction in equity markets. This is reflected in our holdings within equities of the following;

- VanEck Australian Equal Weight ETF returned 5.70% over the quarter.
- AFI – AFIC Listed Investment Company returned 4.51% over the quarter
- Vanguard MSCI International Share Hedged ETF returned 13.93% over the quarter.
- Vanguard MSCI International Share ETF returned 12.62% over the quarter.

This strategy includes listed property and infrastructure.

- VanEck Property ETF returned 8.74% over the quarter.

In this strategy we are looking to hold assets that will behave differently to traditional bond and equity markets. These assets are known as Alternatives. In the perfect world this portfolio will perform well when equity markets are struggling. This low correlation will take the volatility out of the portfolio making it an easier ride for the investor.

In this strategy we have the following investments in the Alternates space;

- ETFS Physical Gold ETF the fund returned -13.72% over the last quarter.

Indicative Holdings (holdings may vary per client portfolio)	
Holding Name	**Holding %**
Cash	
Cash	2%
Fixed Interest	
Gryphon Capital Income Trust	10%
VanEck Bentham Global Capital Securities Active ETF	5%
VanEck 1-5 Year Gov Bond ETF	18%
VanEck Aus Corporate Bond Plus ETF	***5%***
VanEck Aus Floating Rate ETF	***20%***
Australian Shares	
VanEck Australian Equal Weight ETF	***10%***
BetaShares Australia 200 ETF	***5%***
International Shares	
Vanguard MSCI International Share Hedged ETF	***5%***
Vanguard MSCI International Share ETF	***5%***
Property	
VanEck Australian Property	***5%***
Alternatives/Infrastructure	
ETFS Physical Gold ETF	***5%***
Global X Gold Bullion ETF	***5%***

Harbourside Balanced

This portfolio is aimed to deliver risk adjusted returns for Balanced investors through a diversified portfolio of assets including debt, equity, property, infrastructure and Alternatives. We do this through the risks that we accept and those that we mitigate.

This portfolio accesses a range of ETFS and Listed investment companies to build a diversified portfolio.

We discuss our view regarding each of these asset classes in their respective part of this report.

We are underweight duration to protect against the fact that long term interest rates may continue to rise for reasons discussed in the Debt Markets Overview contained in this report.

- VanEck 1-5 year Gov Bond ETF returned 1.78% for the quarter.
- Gryphon Capital Income Trust returned 1.93% for the quarter.
- VanEck Bentham Global Capital Securities Active ETF returned 2.72% for the quarter.
- VanEck Aus Corporate Bond Plus ETF returned 2.93% for the quarter.
- VanEck Aus Floating Rate ETF returned 0.94% for the quarter.

Over the long term we remain concerned that the large levels of government debt (particularly in the US), the levels of annual deficits and the stickiness of inflation will see another period of financial repression. This will enable the governments to inflate away the debt by undertaking yield curve control at lower rates than inflation. This would see investors who are holding the wrong type of fixed interest investments, namely government bonds, will lose massively in real terms over the short to medium term.

Given the risks discussed earlier in this report, we are looking to be very selective in equity markets to reduce the market risk associated with the portfolio. This means that our relative performance should be less in both rising and falling markets. As above we are concerned with current valuations and the increasing interest rates that this will see to a correction in equity markets. This is reflected in our holdings within equities of the following;

We have a low cost “passive” exposure and will capture the movements of the Australian sharemarket through the following exposures;

- VanEck Australian Equal Weight ETF returned 5.70% over the quarter.
- AFI – AFIC Listed Investment Company returned 4.51% over the quarter.

We have some thematic exposures to the Australian share market through the following exposures;

- VanEck Australian Resources ETF returned -4.07% over the quarter.

We have a low cost “passive” exposure and will capture the movements of the Australian share market through the following exposures;

- Vanguard MSCI International Share Hedged ETF returned 13.93% over the quarter.
- Vanguard MSCI International Share ETF returned 12.62% over the quarter.
- VanEck Small Cap Comms Master ETF returned 5.19% over the quarter.
- ETFS S&P500 High Yield Low Volatility ETF returned 2.40% over the quarter.

We have some thematic exposures to the international share market through the following exposures;

- VanEck MSCI Multi Emerging Markets Equity ETF returned 32.85% over the quarter.
- VanEck Gold Miners ETF returned -17.93% over the quarter.

We have “active” exposure to global equities through the following exposures;

- PM Capital Global Opportunities Fund Ltd returned 10.47% over the quarter.

This strategy includes listed property and infrastructure;

- VanEck Property ETF returned 8.74% over the quarter.
- VanEck FTSE Global Infrastructure ETF returned 1.92% over the quarter.

In this strategy we are looking to hold assets that will behave differently to traditional bond and equity markets. These assets are known as Alternatives. In the perfect world this portfolio will perform well when equity markets are struggling. This low correlation will take the volatility out of the portfolio making it an easier ride for the investor.

In this strategy we have the following investments in the Alternates space;

- ETFS Physical Gold ETF returned -13.72% over the last quarter.
- VanEck Global Listed Private Equity ETF returned -1.84% over the last quarter.

Indicative Holdings (holdings may vary per client portfolio)	
Holding Name	**Holding %**
Cash	
Cash	2%
Fixed Interest	
Gryphon Capital Income Trust	8%
VanEck Bentham Global Capital Securities Active ETF	5%
VanEck 1-5 Year Gov Bond ETF	10%
VanEck Aus Corporate Bond Plus ETF	5%
VanEck Aus Floating Rate ETF	15%
Australian Shares	
VanEck Australian Equal Weight ETF	5%
Australian Foundation Investment	10%
VanEck Resources ETF	1.5%
International Shares	
Vanguard MSCI International Share Hedged ETF	2.5%
Vanguard MSCI International Share ETF	2.5%
ETFS S&P500 High Yield Low Volatility ETF	2%
PM Capital Global Opportunities Fund Ltd	5%
VanEck Small Comms Master ETF	2.5%
VanEck MSCI Emerging Markets ETF	2.5%
VanEck Gold Miners ETF	1.5%
Property	
VanEck Australian Property ETF	5%
Alternatives/Infrastructure	
VanEck Global Listed Private Equity ETF	2.5%
VanEck FTSE Global Infrastructure ETF	2.5%
ETFS Physical Gold ETF	5%
Global X Gold Bullion ETF	5%

Harbourside Growth

This portfolio is aimed to deliver risk adjusted returns for Growth investors through a diversified portfolio of assets including debt, equity, property, infrastructure and Alternatives. We do this through the risks that we accept and those that we mitigate.

This portfolio accesses a range of ETFS and Listed investment companies to build a diversified portfolio.

We discuss our view regarding each of these asset classes in their respective part of this report.

We are underweight duration to protect against the fact that long term interest rates may continue to rise for reasons discussed in the Debt Markets Overview contained in this report.

- Gryphon Capital Income Trust returned 1.93% for the quarter.
- VanEck Bentham Global Capital Securities Active ETF returned 2.72% for the quarter.
- VanEck Aus Floating Rate ETF returned 0.94% for the quarter.

Over the long term we remain concerned that the large levels of government debt (particularly in the US), the levels of annual deficits and the stickiness of inflation will see another period of financial repression. This will enable the governments to inflate away the debt by undertaking yield curve control at lower rates than inflation. This would see investors who are holding the wrong type of fixed interest investments, namely government bonds, will lose massively in real terms over the short to medium term.

Given the risks discussed earlier in this report, we are looking to be very selective in equity markets to reduce the market risk associated with the portfolio. This means that our relative performance should be less in both rising and falling markets. As above we are concerned with current valuations and the increasing interest rates that this will see to a correction in equity markets. This is reflected in our holdings within equities of the following;

We have a low cost “passive” exposure and will capture the movements of the Australian sharemarket through the following exposures;

- AFI – AFIC Listed Investment Company returned 4.51% over the quarter.

We have some thematic exposures to the Australian share market through the following exposures;

- VanEck Australian Resources ETF returned -4.07% over the quarter

We have a low cost “passive” exposure and will capture the movements of the Australian share market through the following exposures;

- Vanguard MSCI International Share Hedged ETF returned 13.93% over the quarter.
- Vanguard MSCI International Share ETF returned 12.62% over the quarter.
- VanEck Small Cap Comms Master ETF returned 5.19% over the quarter.
- ETFS S&P500 High Yield Low Volatility ETF returned 2.40% over the quarter

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We have “active” exposure to global equities through the following exposures;

- PM Capital Global Opportunities Fund Ltd returned 10.47% over the quarter.

This strategy includes listed property and infrastructure;

- VanEck Property ETF returned 8.74% over the quarter.
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In this strategy we are looking to hold assets that will behave differently to traditional bond and equity markets. These assets are known as Alternatives. In the perfect world this portfolio will perform well when equity markets are struggling. This low correlation will take the volatility out of the portfolio making it an easier ride for the investor.

In this strategy we have the following investments in the Alternates space;

- ETFS Physical Gold ETF returned -13.72% over the last quarter.
- VanEck Global Listed Private Equity ETF returned -1.84% over the last quarter.

Indicative Holdings (holdings may vary per client portfolio)	
Holding Name	**Holding %**
Cash	
Cash	2%
Fixed Interest	
Gryphon Capital Income Trust	6%
VanEck Bentham Global Capital Securities Active ETF	5%
VanEck Aus Floating Rate ETF	5%
Australian Shares	
Australian Foundation Investment - AFI	20%
VanEck Australian Resources ETF	1.5%
VanEck Small Comms Master ETF	5%
International Shares	
Vanguard MSCI International Share Hedged ETF	5%
Vanguard MSCI International Share ETF	5%
ETFS S&P 500 High Yield Low Volatility ETF	2%
PM Capital Global Opportunities Fund Ltd	10%
VanEck MSCI Multi Emerging Markets Equity ETF	10%
VanEck Gold Miners ETF	1.5%
Property	
VanEck Australian Property ETF	5%
Alternatives/Infrastructure	
VanEck FTSE Global Infrastructure ETF	5%
VanEck Global Listed Private Equity ETF	2%
ETFS Physical Gold ETF	5%
Global X Gold Bullion ETF	5%

DISCLAIMER

This information is general advice and does not take account of investors objectives, financial situation or needs. Before acting on this general advice, investors should therefore consider the appropriateness of the advice having regard to their objectives, financial situation or needs.