July 2026

The Middle East conflict continues to create an uncertain and potentially volatile outlook for markets, with the war now expanding into the economic sphere.

Your Multi-Asset Balanced

Separately Managed Account

clime
Clever investing made *easy*

About *your* Multi-Asset Balanced
Separately Managed Account

Strategy Facts

The objective of the portfolio is to match or outperform the benchmark over rolling 5-year periods by providing a moderate level of capital growth and income through exposure to a diversified portfolio of growth and defensive investments.

Strategy Benefits

The portfolio is expected to have lower short-term fluctuations in value than the other more growth-based investment portfolios.

The managed account structure ensures faster portfolio implementation and rebalancing, avoiding delays in timing – an advantage during volatile market conditions.

Leo Economides
Chief Investment Officer

Strategy Features

- The long-term average exposure to growth assets (including shares, property and alternatives) is expected to be approximately 50% growth and 50% in defensive assets (including cash and fixed interest).
- The aim is to produce moderate capital growth in a medium to long-term time frame.
- Suited to investors who are seeking some capital stability as well as some growth to protect asset values against the effects of inflation.

Risk Management

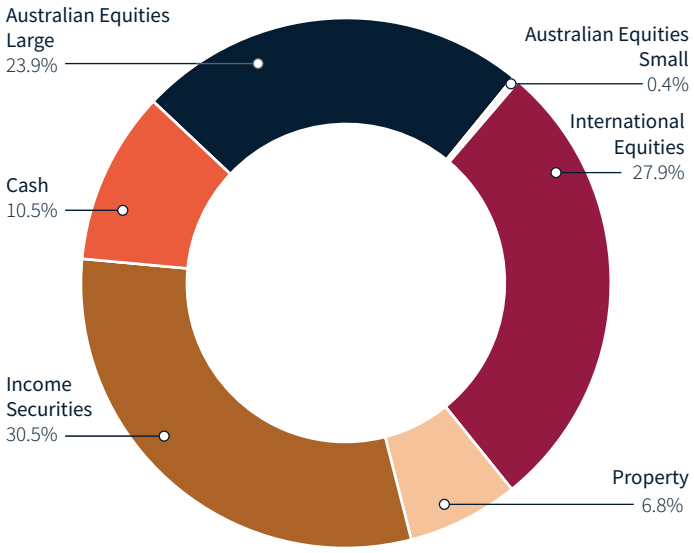
The portfolio is intended to be a medium to high risk investment. Growth and defensive asset allocations are actively managed according to market conditions and in line with the portfolio's investor risk profile.

Clime's investment process seeks to mitigate risk by undertaking ongoing portfolio alignment reviews to ensure investments and asset allocation continue to match return objectives and the portfolio's investor risk profile.

Top 5 Holdings

Investment	Weight
Vanguard MSCI Index International Shares ETF	10.1%
Vanguard MSCI Index International Shares (Hedged) ETF	8.4%
Torica Absolute Return Income Fund	7.7%
Vanguard Australian Government Bond Index ETF	6.6%
VanEck MSCI International Quality ETF	4.8%

Active Allocation



Note: the sum here may not add up to 100% due to rounding

Performance

	1 Month	3 Months	6 Months	1 Year	Since Inception#
Net Portfolio Return*	0.3%	3.9%	3.7%	10.6%	5.8%
Benchmark^	-0.1%	3.2%	3.6%	6.9%	5.3%

* Portfolio net return is based on the change of the underlying holdings unit price, including distributions and franking

^ Benchmark refers to Morningstar Australia Balanced Target Allocation NR AUD.

\# Portfolio inception date March 2022, benchmark inception date June 2021.

Portfolio Commentary

The Clime Multi-Asset Balanced Portfolio returned 0.3% in July, outperforming its benchmark, which returned -0.1%. The key drivers of performance and the major portfolio changes are outlined in the tables below.

Positive Attributors	Comment
Woodside Energy Group Ltd (WDS.ASX)	Woodside Energy (WDS) was a positive contributor in July, returning 16.8%. Escalating Middle East tensions between the US and Iran raised global energy supply concerns, driving a rally in benchmark crude and LNG prices. As an upstream producer, Woodside benefited directly from higher realised commodity prices, expanding operational margins and supporting near-term earnings expectations.
Negative Attributors	**Comment**
iShares MSCI Emerging Markets ETF CDI (IEM.ASX)	IEM detracted as emerging market equities weakened during July, led by a sharp sell-off in South Korea and broader Asian technology shares. The ETF's exposure to these markets amplified the decline, while the stronger Australian dollar also reduced the AUD value of unhedged offshore returns.
Vanguard MSCI Index International Shares ETF (VGS.ASX)	VGS underperformed as developed market equities were subdued in July, with the S&P 500 broadly flat. As the ETF is unhedged, the Australian dollar's appreciation against the US dollar further reduced returns.

Portfolio Activity

Buy	Rationale
Steadfast Group Limited (SDF.ASX)	Steadfast Group (SDF) has recently received a formal takeover offer. Unlike the AUB situation, this agreed price represents a natural progression achieved through multiple negotiation stages. At the current share price, the offer implies a significant annualised return if the transaction successfully completes. Even if the deal fails, the fundamental business maintains predictable growth and a long history of effective management, while offering a dividend yield currently at historic highs.
Magellan Financial Group Ltd (MFG.ASX)	The Barrenjoey merger with Magellan Financial Group (MFG) has received unconditional ACCC approval and completed on 1 July 2026. While Magellan's core funds management business continues to face structural pressures and net outflows, the segment retains residual value that establishes a bottoming valuation for the broader group. The combined entity offers significant upside potential through the Barrenjoey investment banking division, analogous to Macquarie Group during the early stages of its corporate history.
JB Hi-Fi Limited (JBH.ASX)	We have initiated a position in JB Hi-Fi (JBH) as the recent share price decline offers an entry point into a high-quality business at an attractive valuation. Australia's sustained population growth provides a structural tailwind for sales volumes, which should support long-term revenue resilience and market share. While the retail sector navigates broader cost pressures, as well as the impact of weakening macroeconomic sentiment, the company's operational history and cash-generative profile remain fundamentally sound. At current levels, the stock looks attractive relative to its historical multiples and long-term growth outlook.
Sell	**Rationale**
No trades	

Market Commentary

In last month's commentary, we suggested that the Middle East situation could soon be resolved, but clearly this is not the case, and the war will now expand to an economic one. This makes the outlook for markets both uncertain and potentially volatile.

Through July, global equity markets continued a rotation out of Mega AI/Tech to cyclical stocks with a focus more on value stocks. Despite this observation of secondary markets (market traded securities) we note a huge issuance of corporate debt

needed for AI data centre developments in the US. There is both much demand for and supply of capital needed for AI with markets lurching from extreme optimism to short-term valuation concerns.

Thus, there were some significant market moves with the most pronounced being the 22.2% fall in July of the Korean Kospi Index (which is dominated by semiconductor and other tech companies). This follows the index's strong performance in the last 12 months of over 103%.

The S&P 500 major US index fell by 0.1% in July – and has risen by 19.6% across the last 12 months. Nasdaq was down 3.2%, and the Dow Jones was up 0.3%. Japan fell 8.1%, while Germany rose 2.5%. Britain was up 3.5%, France up 1.3%, and Australia up 1.7%, with Korea down 22.2% (an extremely volatile month for Korean shares as mentioned above) and Shanghai down 6.6%.

The Global MSCI index was up 0.53% for July and up 20.4% net return for the 12 months to July 2026 – dominated by the US market returns.

The Global Outlook

While the US continues to lead with its technology advancements, the world economy is looking at sustained inflation (ex China) with the risk of stagflation cycles (inflation with low growth). However, recession is unlikely. Growth through 2026 is being challenged by the Iran, Middle East and Ukraine wars, and with increasing government debt levels across the Western countries (USA approaching $40 trillion).

Bond market yields (the cost of government debt) are slowly rising across the Western world. This is lifting, and will continue to lift, debt-servicing costs and pressure governments to adjust populist expenditure programs. This is causing markets to question how much further central banks will need to tighten, with the US Fed, BoE and ECB all retaining a hiking bias. In Australia, persistent high government expenditure (27% of GDP) is a headwind to the RBA in reducing interest rates.

The oil price spiked in July, from US$73 to US$90, an increase of 23.6%, reversing the movement in June. What is adding risk in the oil markets is the reduction in world reserves before the Iran War commenced.

Annual Returns to July 2026

Major markets had very different returns for the last 12 months, as shown in the table below, and as the AUD has strengthened over the last 12 months, the high returns in most markets have been reduced by the impact of the $AUD movement over 12 months.

Market	12-Month Return to July 2026 (Local Currency)	12-Month Currency Impact	12-Month Return in AUD
MSCI Global	20.4%	9.3%	10.2%
Dow Jones	18.9%	9.3%	8.8%
S&P 500	19.6%	9.3%	9.4%
Nasdaq	20.1%	9.3%	9.9%
Germany	6.5%	8.2%	-1.6%
Britain	19.0%	7.1%	11.2%
France	9.5%	8.2%	1.2%
Japan	56.7%	14.3%	37.2%
Korea	103.2%	13.3%	79.4%
China	7.3%	2.5%	4.7%
Australia	4.8%	0.0%	4.8%

Australia Lagging Behind

The Australian share market has lagged peers over the year to July 2026. Australia continues to have lower growth in GDP and productivity, which is showing in the returns in Australian stocks. Return on equity and EPS growth has been falling for some time and this is being reflected in the overall performance of the Australian Index. Further detractors include higher energy costs and high labour costs, which push the cost of doing business higher and reduce operating margins.

Australian Economy and Real Estate Prices

The Australian economy is battling headwinds, with historically low GDP growth, elevated inflation, real wage declines, weak productivity, and a housing affordability issue. This cocktail of factors is creating the risk of stagflation, especially in the household sector where the impacts of increasing interest rates are felt the most. Against this, we note a positive reporting season is underway, with major resource companies lifting dividends. Industrials, led by CBA and Coles, are battling headwinds but have also been able to increase dividends. Discretionary retailers have provided mixed commentary with cautionary statements concerning current market conditions.

The recent Australian Federal Budget (May) added to the headwinds as it included additional tax on investments with a tightening of negative gearing rules for residential housing and changes to capital gains tax calculations. These changes will shift investment strategies towards equities and yield investments. Whilst negative gearing remains for grandfathered arrangements and new housing stock, the traditional use of negative gearing for real estate is challenged looking forward.

These budget measures have now been passed by Parliament with minor changes, with market commentators indicating that house prices could fall by as much as 10%.

Key Economic Indicators

Australian annual Inflation is sitting at around 3.8%, above the RBA's desired range of 2% to 3% p.a. Whilst annual GDP growth is at around 2.5% (to March 2026), the GDP per capita level is still below its December 2021 level. Forecast GDP growth by RBA suggests that household economic activity will be challenged by inflation and real wage declines. Nevertheless, the RBA has no current intention to cut rates.

This is causing concern among economic commentators. Whilst the corporate sector seems to be adapting to the economic slowdown, the household sector is showing some pain, with several interest-rate rises over the last year adding to the slowdown.

Commodity Markets – Focus on All Materials

Commodity prices were mainly positive across July, with Crude Oil was up 23.6%, Gold was up 1.7%, Copper was up 3.0%, and iron ore fell slightly to US$98/t. Geopolitical events are influencing these price rises in July 2026. Australia benefits from these strong price levels, and this is expected to continue in the near to medium term. A cautionary note for our foreign accounts (trade and current accounts) is the surge in capital imports required for AI servicing data centres. It is estimated that a sizeable portion of the capital goods needed will be imported.

Government Bonds

Geopolitical events and high debt levels in Western nations (e.g. USA) lifted global sovereign yields. US 10-year Treasuries ended July at 4.745% (up 32bp), Australian 10-year bonds at 4.94% (up 21bp), UK gilts at 5.06% (up 29bp), and German bunds at 3.20% (up 34bp). With the uncertainty created by the war, we expect ongoing volatility in bond markets as oil prices, inflationary pressures, hits to confidence, and supply disruptions endure. The Australian dollar was barely changed against the USD and ended the month at US$0.7023.

Conclusion

Whilst Australia has lagged global share market returns, it continues to perform strongly in the mining and resource sectors. BHP and CBA have swapped places (again) as Australia's highest valued company. Whilst the improvement in the AUD reduces the cost of imports, and is welcome, it will challenge foreign currency earning companies. The Australian market will be challenged by a surge in the AUD to USD$75c if it is not supported by higher commodity prices – gold and copper etc. Recent metal price observations are supportive of the AUD, and particularly the gold price bounce to USD$4,600 an ounce.

Meanwhile, geopolitical events continue to provide the major volatility in markets, and we expect that to continue. The US mid-term election is a key issue in understanding US international policy – Iran War, sanctions, tariffs, currency support and interest rates. We note the recent policy statements by the US Treasury to revalue the yen and hold US long bond rates down. These are high-risk strategies.

Thus, we reiterate our prudent strategy for asset class diversification, with a focus on quality and sustainable yield, and a strategy of riding out short-term market volatility by focusing on long-term performance. Investors should always focus on quality, cash flow and sustainable yield. Whilst in past years momentum and growth stocks were in favour, we believe that value investing is once again the prudent way to invest. Whilst interest rates could fall further (especially under USA Administration direction), Australian investors should position portfolios to be more resilient to a mild stagflation cycle, declining residential property prices, steady interest rates, higher inflation and many unresolved geopolitical tensions.

All statistics referenced are sourced from the named Company's ASX announcements or share prices unless otherwise stated.

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