August 2026

Last month we said the Middle East conflict was becoming an economic war as well as a military one. August ended with a reminder that it remains both.

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.

John Abernethy
Director of Investments

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

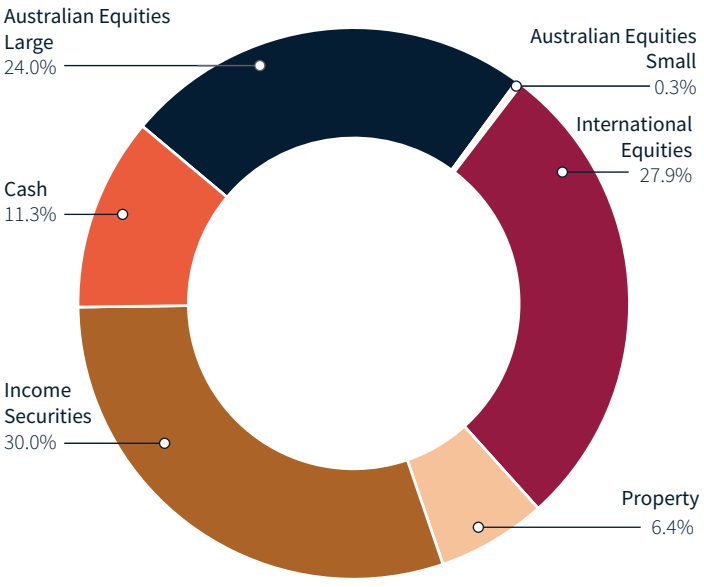
The portfolio is intended to be a medium to high risk investment. Growth and defensive asset allocations are actively managed according to market conditions and in line with the portfolio's investor risk profile.

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	10.0%
Vanguard MSCI Index International Shares (Hedged) ETF	8.5%
Torica Absolute Return Income Fund	7.7%
Vanguard Australian Government Bond Index ETF	6.4%
VanEck MSCI International Quality ETF	4.7%

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*	0.6%	2.4%	2.8%	9.7%	5.8%
Benchmark^	0.3%	1.3%	2.5%	5.7%	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 0.6% in August, outperforming its benchmark, which returned 0.3%. The key drivers of performance and the major portfolio changes are outlined in the tables below.

Positive Attributors	Comment
Newmont Corporation Registered Chess Depositary Interests Repr 1 Sh (NEM.ASX)	Newmont Corporation (NEM) was a positive contributor in August, returning 31.2%. Performance was driven by a rally in gold prices, supported by the US Treasury's bond buyback program and sustained central bank reserve diversification away from the US dollar. Lower yields from fiscal liquidity operations weakened currency headwinds, while strong official-sector demand supported bullion prices. This pricing environment expanded Newmont's operating margins and upgraded near-term cash flow expectations.
CSL Limited (CSL.ASX)	CSL Limited (CSL) was a positive contributor in August, returning 39.4%. Full-year results met market consensus, reinforcing sentiment that operational headwinds have troughed and the worst of the margin compression is over. Investor confidence improved on stabilising plasma collection costs and sequential margin recovery within CSL Behring, prompting a re-rating across the sector on clearer medium-term earnings visibility.
Negative Attributors	**Comment**
VanEck Australian Property ETF (MVA.ASX)	MVA fell 5.86% in August, as Australian listed property weakened amid higher bond yields and renewed interest rate sensitivity. MVA's concentrated exposure to major A-REITs amplified the sector decline.
Commonwealth Bank of Australia (CBA.ASX)	Commonwealth Bank of Australia (CBA) was a detractor in August, returning -8.4%. Despite delivering strong full-year earnings and maintaining robust balance sheet metrics, the share price derated on forward-looking concerns. Investor sentiment was weighed down by prospective housing market weakness following federal budget changes to property tax policy, which analysts expect will constrain domestic mortgage credit growth and loan volume expansion over the medium term.

Portfolio Activity

Buy	Rationale
No trades	
Sell	**Rationale**
No trades	

Market Commentary

Last month we said the Middle East conflict was becoming an economic war as well as a military one. August ended with a reminder that it remains both. On Sunday 30 August, US forces struck Iranian rocket launchers in the Strait of Hormuz, the first direct military action in a month, and the United Arab Emirates intercepted an Iranian drone over its waters the following day. Roughly 20% of the world's seaborne oil passes through that strait. Brent crude settled 2.7% higher at US$90.49 a barrel, and Wall Street closed the final session of the month lower, with the S&P 500 down 0.3%, the Dow down 0.7% and the Nasdaq down 0.1%.

That finish disguised what was otherwise a strong month. Global equities pushed higher after July's rotation-driven volatility, with the MSCI World Index up 2.6% and ahead 20.8% over the past 12 months. The rotation we described last month has not reversed so much as broadened. Investors are still moving away from paying any price for semiconductor exposure, but they are now paying up for the businesses that use artificial intelligence rather than only those that build it. Software outperformed semiconductors for a second consecutive month.

Nvidia's result on 26 August closed out the reporting season and did nothing to dampen the capital expenditure cycle: revenue of US$96.2bn, more than double a year earlier, data centre revenue of roughly US$89bn, and guidance for 70% revenue growth in FY2028 that management described as supply constrained. The 2026 global earnings per share growth estimate has risen to roughly 34% year on year. Much of the capital to fund this build-out is being raised in the debt markets,

with record corporate issuance in August that included Australian dollar bond offerings by Alphabet, which is why we continue to watch corporate issuance as closely as we watch index levels.

For a value investor the more important number is what the market is paying for that growth. Second-quarter S&P 500 earnings grew 52% year on year, or 33.8% excluding the investment gains booked by Alphabet and Amazon, and 86% of companies beat estimates against a five-year average of 78%. Because earnings have grown faster than prices, the S&P 500's forward price-to-earnings multiple has compressed to 19.6 times, below its five-year average of 19.9 and only modestly above its ten-year average of 19.0. That does not make the US market cheap, and the concentration of earnings growth in a handful of companies remains a genuine risk to anyone buying the index rather than selecting within it, but it does mean the past year's returns have been earned by profits rather than delivered by a re-rating. That is the environment in which disciplined stock selection, rather than index exposure, should be rewarded.

Korea recovered part of July's 22.2% collapse, rising 3.4%. Shanghai rose 4.0%, Japan 3.0%, Germany 2.5% and Australia 1.1%. France fell 2.1%. The FTSE 100 fell 0.4% in price terms, although the broader FTSE All-Share returned 0.7% including dividends. The London Stock Exchange was closed all day on Monday 31 August for the UK summer bank holiday, so the last UK trading day of the month was Friday 28 August.

Major Market Moves

Market	Index Level 31 August 2026	August 2026 (Local)	12 Months (Local)
MSCI World ‡	n/a	+2.6%	+20.8%
Dow Jones	53,185.90	+1.3%	+16.8%
S&P 500	7,686.14	+2.6%	+19.0%
Nasdaq Composite	26,370.89	+3.9%	+22.9%
Germany (DAX)	26,258.11	+2.5%	+9.9%
Britain (FTSE 100) †	10,824.26 †	−0.4%	+17.5% †
France (CAC 40)	8,334.50	−2.1%	+8.2%
Japan (Nikkei 225)	66,311.93	+3.0%	+55.2%
Korea (KOSPI)	6,820.02	+3.4%	+114.1%
China (Shanghai Comp.)	3,986.30	+4.0%	+3.3%
Australia (ASX 200)	9,076.00	+1.1%	+1.1%

Convention: all country rows are price index returns and exclude dividends. ‡ MSCI World is a gross total return index and is therefore not directly comparable with the price-return rows; it is shown for global context only. † The London Stock Exchange was closed on 31 August 2026 for the UK summer bank holiday, so the FTSE 100 level and monthly move are measured to 28 August 2026, and its 12-month figure is measured to 4 September 2026 because a sourced 29 August 2025 close could not be obtained; that row is therefore not on the same endpoint as the others. Sources: index closing levels per Yahoo Finance and Investing.com; MSCI World per the MSCI World Index factsheet at 31 August 2026. Market data accessed 7 September 2026.

The Global Outlook

The central problem has not changed. Inflation is proving sticky almost everywhere outside China, growth is slowing, and governments are carrying debt loads that leave them little room to respond. Recession is still not our base case, but a mild stagflation cycle remains the more likely path than a clean disinflation.

The clearest signal in August came from Jackson Hole. In an address titled "In Our Time" on 28 August, Federal Reserve Chair Kevin Warsh observed that PCE inflation was running at 3.7% over 12 months and 4.1% annualised over six months, and that 54% of the goods and services in the PCE basket were rising at more than 3% a year, against 32% in the two decades before the pandemic. Markets read his remarks as leaving a September rate rise genuinely open. The federal funds target remains 3.50% to 3.75%. US real GDP grew at a 1.5% annualised rate in the June quarter, down from 2.1% in the March quarter; CPI is running at 3.4% year on year and core PCE at 3.3%; and July payroll employment fell by 23,000, with unemployment at 4.1%. That combination of slowing activity and stubborn prices is precisely the mix that makes central banking difficult and portfolios volatile.

Sovereign debt remains the pressure point. Total US public debt has now passed US$40 trillion. The 30-year Treasury yield reached 5.34% during August, its highest since 2007, prompting Treasury Secretary Bessent to double the size of long-dated buyback operations from US$2bn to at least US$4bn, running from 9 September to 4 November. Yields fell on the announcement and then drifted back. We would characterise this as buying time rather than solving anything: the operation is small against a US$32 trillion Treasury market, and it does not change the deficit. It does, however, tell investors that

the Treasury is willing to intervene at the long end, which is one reason the so-called debasement trade reasserted itself in August. COMEX gold futures rose 9.56% over the month and silver gained more than 15%.

German bunds reached their highest yield since 2011 and Japanese 10-year yields approached 3% for the first time since 1996. Rising yields across the developed world will keep lifting debt servicing costs and keep pressure on governments to trim populist spending programs. In Australia, Australian Government payments are running at about 26.2% of GDP and are forecast to rise over the next two years before returning to that level by the end of the forward estimates. In our assessment that spending profile remains a headwind to any RBA easing.

Annual Returns to August 2026

The Australian dollar finished August at US$0.7163, up 2.0% for the month and 9.7% over 12 months. As we have noted repeatedly, a stronger currency is a welcome brake on imported inflation but a material drag on the reported returns of unhedged offshore holdings. The table below sets out the 12-month return in local currency, the appreciation of the Australian dollar against each market's currency, and the resulting return to an unhedged Australian investor.

Market	12-Month Return to August 2026 (Local Currency)	12-Month Return in AUD
MSCI World ‡	20.8%	10.2%
Dow Jones	16.8%	6.5%
S&P 500	19.0%	8.5%
Nasdaq	22.9%	12.1%
Germany	9.9%	−0.6%
Britain †	17.5%	7.4%
France	8.2%	−2.1%
Japan	55.2%	29.8%
Korea	114.1%	96.2%
China	3.3%	0.2%
Australia	1.1%	1.1%

Convention: country rows are price index returns excluding dividends, calculated from index closing levels at 29 August 2025 and 31 August 2026. ‡ MSCI World is the gross total return index in USD per MSCI, converted using AUD/USD, and is not directly comparable with the price-return rows. † Britain's 12-month figure is measured to 4 September 2026; see the note to the previous table. Currency impact is the appreciation of the AUD against each market's currency over the same period, from Yahoo Finance closing exchange rates. Market data accessed 7 September 2026.

Two points stand out. Korea has now doubled in local currency terms over 12 months, a move driven by semiconductors and one we would treat with caution rather than envy. And Europe, despite positive local returns, has delivered negative returns to unhedged Australian investors, because the Australian dollar has appreciated more than 10% against the euro. For Australian investors in global equities the currency has cost roughly nine percentage points of return over the year; at these levels the hedging decision matters as much as the security selection, and we continue to treat it as an active one.

Australia Lagging Behind

The S&P/ASX 200 closed August at 9,076.0, up 1.11% for the month and its fifth consecutive monthly rise. Over 12 months, however, the index has advanced only 1.1% in price terms, which continues the pattern we described last month. Australia's problem is not the market; it is the earnings underneath it.

The FY26 reporting season made this plain. Aggregate profits rose 11.6%, but excluding mining and energy the increase was only 5.3%. Just 36% of companies beat expectations, below the 40% historical average, and analysts cut FY27 forecasts by roughly 2% during the month. By comparison, US corporate profit growth is running near 35%.

Beneath the aggregate, the dispersion was extreme. Nearly half of ASX 200 companies moved more than 5% on the day they reported, against a 28% long-run average. Resources carried the index: BHP lifted underlying profit 30% to US$13.2bn, with copper contributing more to earnings than iron ore for the first time, and BHP has again taken the position of Australia's most valuable listed company. Healthcare recorded its best monthly return on record, led by CSL, whose shares rose 27% after its result despite a 2% fall in constant-currency profit, a reminder that depressed expectations rather than strong numbers are what produce re-ratings.

The banks were the drag. CBA delivered a record cash profit of A$10.98bn, up 7.1%, but investor mortgage applications fell between 17% and 28% across the majors, and the sector continues to trade well above historical earnings multiples on dividend yields that are low by its own history. Discretionary retail was mixed and cautious: JB Hi-Fi reported record sales of A$11.06bn and lifted its dividend 22.5%, yet the shares fell 17.5% on deteriorating comparable sales. Dividends and balance sheets held up well across the market, with a record A$4.4bn of buy-backs announced, but cost-out programs rather than revenue growth did much of the work on margins. Sustainable earnings growth eventually requires revenue.

Australian Economy and Real Estate Prices

The June quarter national accounts, released on 2 September, showed the economy grew 0.4% in the quarter and 2.1% through the year, both ahead of forecasts. The detail was less encouraging. GDP per capita was flat, labour productivity was unchanged for the quarter and 0.2% lower year-on-year, and almost two-thirds of the quarterly increase in household consumption came from vehicle purchases, while essential spending fell 0.3% as households cut back on heating and driving.

The labour market is now softening. Unemployment rose to 4.5% in July, with employment down 16,000, the participation rate down 0.2 points to 66.9% and 12 million fewer hours worked.

Housing has turned. The Cotality Home Value Index fell 0.9% nationally in August, a fifth consecutive monthly decline that leaves values 3.6% below their March 2026 peak, with a national median of A$912,885. Sydney fell 1.4%, Melbourne and Canberra 1.1% and Brisbane 1.0%; Darwin was the only capital to rise. Sales are running 15.5% below year-ago levels while listings are 24% higher, which puts buyers in the strongest negotiating position of this cycle. The negative gearing and capital gains tax changes enacted after the May Budget apply from 1 July 2027. Negative gearing will be limited to newly built residential property, with holdings in place at the 12 May 2026 announcement date grandfathered, and the 50% CGT discount will be replaced by cost base indexation together with a 30% minimum tax rate on capital gains. We expect investor demand to keep shifting toward yield and away from leveraged capital growth well before that date. Clime's own estimate, published last month, was that these measures could take as much as 10% off house prices; on the evidence of the past five months that now looks less like a forecast and more like an extrapolation of what is already happening.

Key Economic Indicators

Headline inflation eased to 3.5% in the year to July, down from 3.8%, but the trimmed mean, the RBA's principal measure of underlying inflation, was unchanged at 3.6%. Housing rose 5.0% over the year, with new dwelling prices up 5.7% on higher material and labour costs, and automotive fuel jumped 7.5% in the month alone as global oil prices held up and the federal fuel excise relief was partially unwound.

The RBA held the cash rate at 4.35% on 11 August, describing headline inflation as still too high and stating it would increase the cash rate target further if upside risks materialise. The Board said inflation is not expected to return to around the midpoint of the target range until late 2027. Its August forecasts have trimmed mean inflation at 3.0% in June 2027, 2.6% in December 2027 and 2.4% by mid-2028. After the stronger-than-expected national accounts, market pricing for a rate rise at the 29 September meeting moved from roughly 50% to around 70%.

This is an uncomfortable position for households. The corporate sector is adapting through cost reduction and, increasingly, through AI-driven efficiency programs. The household sector has fewer levers, and is now facing the prospect of a further rate rise into falling house prices, flat real incomes and a softening labour market.

Commodity Markets

Commodities were the standout asset class in August. COMEX gold futures ended the month at US$4,496.70 an ounce, up 9.56%. Spot gold, a separate series, traded at US$4,566 an ounce on 21 August and was quoted at US$4,438 on the morning of 31 August, 3.69% below its 28 August level, in the first session after the Hormuz strikes. Silver rose more than 15%. Copper firmed further and, as noted, has now overtaken iron ore as BHP's largest earnings contributor.

Bulk commodities were softer. Iron ore (62% Fe CFR futures) held between US$94.45 and US$96.05 from the first week of August onward and closed the month at US$96.05, recovering toward US$99.6 in the first week of September. Westpac's most recent commodity survey reports July averages rather than August: in July, iron ore averaged US$99.6 a tonne, the first full month below US$100 since July 2025; Newcastle thermal coal averaged around US$130 a tonne; and Japanese LNG rose 10.1% to average US$19/mmbtu, roughly 75% above pre-conflict levels. Front-month West Texas Intermediate crude futures ended the month at US$86.18, up 2.01%.

For Australia this is a broadly favourable mix: strong precious and base metals offsetting softer bulks, with energy prices elevated by the conflict. The caution we raised last month stands. The capital goods import bill associated with AI data centre construction is large, and a meaningful proportion of that equipment will be imported, which will show up in the trade and current accounts.

Government Bonds and Currency

10-Year Government Bond	31 August 2026	31 July 2026	Change
United States	4.75%	4.745%	+1bp
Australia	5.108%	4.940%	+17bp
United Kingdom	5.06%	5.05%	+1bp
Germany	3.32%	3.20%	+12bp
Japan	2.94%	2.80%	+14bp

Sources: US, UK, German and Japanese yields per the Janus Henderson and J.P. Morgan Asset Management August 2026 market reviews; Australian 10-year yield per Investing.com historical data, accessed 7 September 2026. July comparatives are the month-end levels reported in Clime Investment Market Update, August 2026, except the UK and Japanese July levels, which are derived from the August levels and the monthly changes reported by Janus Henderson.

Australian yields rose the most of the five markets shown above, up 17 basis points to 5.108%, the highest level since 2011. The driver is domestic: resilient GDP, sticky trimmed mean inflation and a repricing of RBA expectations toward a further hike. German bunds are at their highest since 2011 and Japanese 10-year yields are approaching 3% for the first time since 1996. Rising yields at the long end of every major curve, at a time when governments need to issue heavily, is the single most important macro fact of this cycle.

The Australian dollar ended August at US$0.7163, up 2.0% for the month, helped by firm commodity prices, sticky domestic inflation and a hawkish RBA, and by broad US dollar weakness as investors treated the Treasury buyback program as a temporary fix.

Conclusion

August was a good month for global equity investors and a mediocre one for Australian equity investors, which is now a familiar pattern. Our market continues to be carried by resources while its industrial and financial base delivers low single-digit earnings growth on high multiples.

We have consistently flagged that a stronger Australian dollar challenges companies earning offshore revenue. At US$0.7163 and rising, that pressure is now real, and it is only sustainable if commodity prices continue to support it. The gold and copper strength of August does support it. Iron ore below US$100 a tonne does not.

Geopolitics remains the dominant source of volatility, and we expect that to continue. The Strait of Hormuz is now a live risk to shipping rather than a theoretical one, and the November US midterm elections will shape policy on Iran, sanctions, tariffs and the currency. We would again note that using Treasury buybacks to hold long bond yields down, while pressing for lower policy rates against inflation running above 3%, is a high-risk combination.

So we reiterate the strategy. Diversify across asset classes. Focus on quality, cash flow and sustainable yield rather than momentum. Accept short-term volatility in the service of long-term performance. Australian investors should position portfolios to be resilient to a mild stagflation cycle, a further RBA rate rise, declining residential property prices, higher-for-longer bond yields and a set of geopolitical tensions that show no sign of resolving.

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

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