Core Offerings
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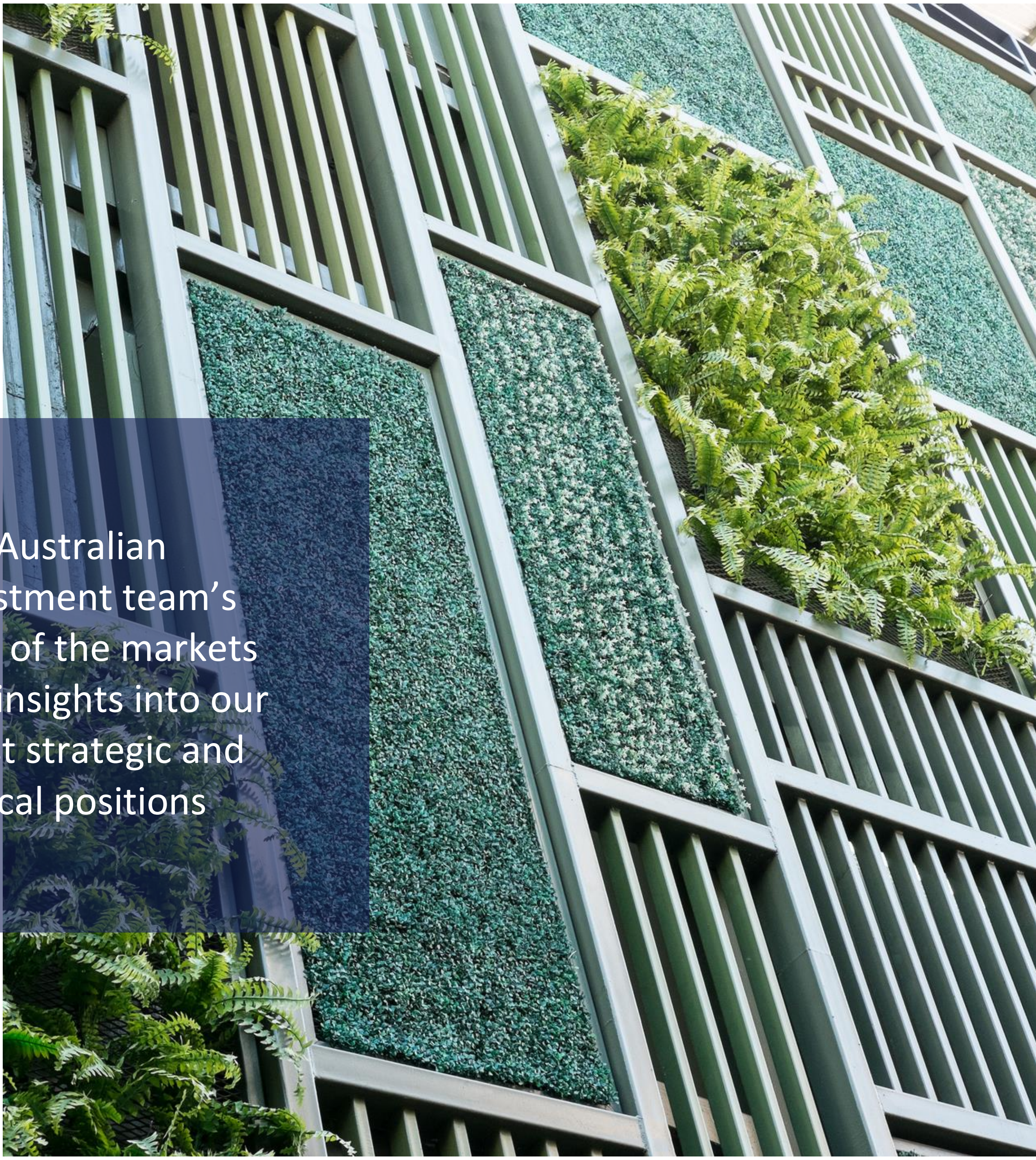
Chief Investment Office, Australia

Climate adaption and resilience

…the next frontier in climate investing



Our Australian investment team's view of the markets and insights into our latest strategic and tactical positions

Climate adaption is not simply a moral or environmental imperative, but a financial one – safeguarding your portfolio against systemic risks while unlocking opportunities in resilience focused sectors.

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Climate adaption and resilience

…the next frontier in climate investing

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There is little doubt that Australia has already begun to feel the impacts of a changing climate. In August alone, Sydney recorded its highest amount of rainfall since record keeping began in 1858. Earlier in the year, the Gold Coast endured an unprecedented cyclone, and Northern Queensland was devastated by floods. What were considered 'once-in-a-century' storms now seem to occur almost annually – a stark and undeniable reminder of the accelerating climate challenges we now face.

It also reflects the grim reality that the world is unlikely to limit global warming to the 1.5 degree Celsius (C) target set by the 2015 Paris Agreement. Current trajectories suggest a warming of at least 2.7C or higher being more realistic. Rising temperatures mean climate adaption is no longer optional, it's essential. While countries like China are investing heavily in renewables to secure both energy security and resilience, Australia must also recognise that future proofing against climate risk is as critical as emissions reduction.

These changes are already reshaping our environment, economy and investment landscape, and on our current path, these impacts will only intensify in the decades ahead. For investors, this means adaption is not simply a moral or environmental imperative, but a financial one – safeguarding your portfolio against systemic risks while unlocking opportunities in resilience focused sectors.

What is climate adaption?

Climate adaption refers to the process of adjusting to actual or expected changes in climate, with the objective of reducing vulnerability, mitigating risk and strengthening resilience. Unlike climate mitigation, which focuses on reducing greenhouse gas emissions (GHGs), adaption acknowledges that some level of climate change is already unavoidable. As global temperatures continue to rise, extreme weather events such as floods, heatwaves, and bushfires are increasing in both frequency and intensity. Climate adaption strategies therefore aim to safeguard infrastructure assets, communities, ecosystems and economies against these extreme weather events.

Adaption can be anticipatory or reactive. Anticipatory adaption involves planning and investment to prepare for potential climate scenarios before they occur. Examples include upgrading flood walls in vulnerable cities or coastal areas, retrofitting buildings to withstand heat stress, developing drought resistant crop varieties, or redesigning suburban drainage systems to handle more rainfall. Reactive adaption, on the other hand, refers to measures enacted after climate impacts have been felt, such as government relief spending, emergency relief operations, rebuilding infrastructure and assets after disasters, or restoring damaged ecosystems.

For Australia, climate adaption is particularly urgent. We face some of the highest per capita exposure to extreme weather globally, with droughts, heatwaves, rainfall, cyclones and bushfires all threatening critical infrastructure, industries and communities. Adaption is no longer an ethical consideration; it's a financial imperative.

Failing to invest in climate adaption has the potential to cost Australia billions of dollars in lost productivity, property damage, infrastructure damage and increased government spending.

Key threats to Australia include:

- Infrastructure vulnerability: damage to roads, transport, water, telecommunications and housing from heatwaves, storms and flooding.
- Environmental pressures: species extinction, habitat loss, coral reef decline and reduced water availability.
- Economic risks: higher insurance costs, greater government disaster spending and systemic financial instability.

"What we've experienced by breaching the 1.5C trajectory, we've seen floods, bushfires, and heatwaves all over the world".

Sir Bob Watson, Former Chair of the UN's Climate Body.

"Adaption cannot be the neglected half of the climate equation, indeed 50% of climate finance should be allocated to adaption and resilience in most countries".

Antonio Guterres, UN Secretary General

"Billions of dollars could be saved by the Australian Government today if national leaders got serious about investing in extreme weather adaption".

Climate Change Authority

"The final report on economic and environmental risks posed by the climate crisis is 'intense, scary and confronting', even for those who work in the area, according to people familiar with the final assessment. They said it includes scenarios that showed that the climate crisis would affect all Australians".

Adam Morton,
Climate and Environment lead

"If you get rid of net zero, you are saying climate change is not real and you do not need to do anything about it".

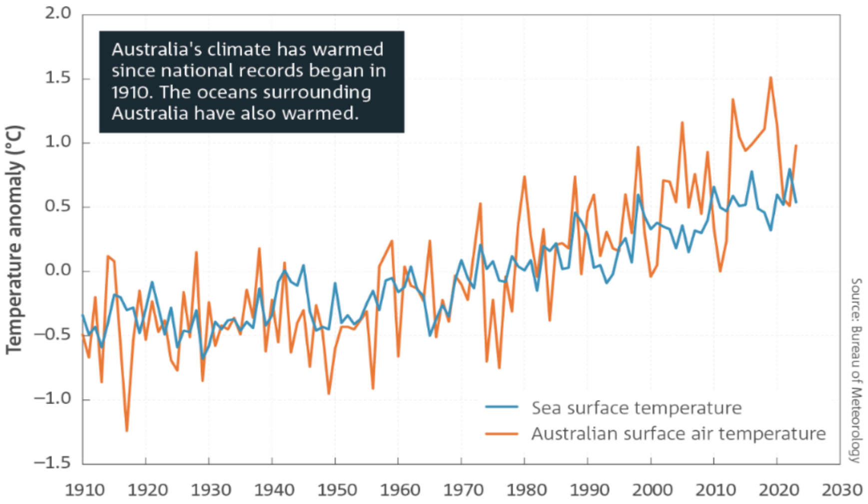
Anthony Albanese,
Australia Prime Minister

State of Climate in Australia

The interim 2024 State of the Climate Report released jointly from the CSIRO (Commonwealth Scientific and Industrial Research Organisation) and the Bureau of Meteorology confirms what most Australians already feel; more frequent heatwaves, longer bushfire seasons and more intense and prolonged rainfall events. Climate modelling continues to provide a consistent picture of ongoing, long-term change to our climate, interacting with underlying natural vulnerability.

The report finds that associated changes in weather and climate extremes, such as extreme heat, heavy rainfall, coastal inundation, fire and drought, exacerbate existing pressures on health and wellbeing of our communities and ecosystems. What is clear from the interim report is that Australians (communities and governments) need to plan for, and adapt to, the changing nature of climate risk now and in the decades ahead.

Chart 1: Australian surface air temperature and sea surface temperature



Source: Anomalies in annual mean sea surface temperature, and temperature over land, in the Australian region. Anomalies are the departures from the 1961–1990 standard averaging period. Sea surface temperature values (data source: ERSST v5, www.esrl.noaa.gov/psd/) are provided for a region around Australia (4–46 °S and 94–174 °E). ©Bureau of Meteorology

Where is the final report?

But the Australian Government is yet to release the final findings of its State of Climate Report. The ruling Labor Party has continuously delayed the release of the report which is widely believed to be because of the severe budget implications of the forecasted costs[1]. The impacts to the Australian Government budget are expected to be significant, particularly to specific sectors and industries. The report conducted analysis on eight systems; defence and national security, the economy, trade and finance; First Nations; health and social support, infrastructure and built environments, the national environment, primary industries and food and regional and remove communities. The results suggest that under a number of scenarios major systems, including electricity networks, transport routes, food production and supply, and the financial sector, could struggle to cope with rising temperatures and escalating extreme weather events[2].

A raft of agriculture groups, farmers and other state bodies have been pressuring the release of the detailed government report as soon as possible. It is anticipated that the modelling outlines potentially catastrophic effects of climate change on Australian farming and agricultural industries. Climate Change and Energy Minister, Chris Bowen has indicated that "The Australian Government was close to, but not yet finished, finalising its first ever comprehensive assessment of Australia's climate change risks".

[1] National Climate Risk Assessment: Farming groups including the National Farmers' Federation pressure Labor to release 'shocking' climate report

[2] Risks of climate crisis to Australia's economy and environment are 'intense and scary', unreleased government report says | Climate crisis | The Guardian

“National disasters cost Australia’s economy AUD 2.2bn in the first half of 2025. Wild weather, including Cyclone Alfred and floods in NSW and Queensland, significantly slowed retail trade and household spending”.

Jim Chalmers, Treasurer of Australia

Australia can limit the risks of a changing climate by prioritising and investing in adaption, in turn reducing the costs of response and recovery. The Australian Government is well placed to lead the adaption effort through a coordinated, comprehensive and adequately resourced national strategy known as the National Adaption Plan.

Department of Climate Change, Energy, the Environment and Water

The economics of Adaption vs Inaction

One of the clearest cases of climate adaption investment lies in the economics. It’s the cost of ‘inaction’ that is far greater than ‘adaption’. We are already seeing that play out today, rising government spending in disaster recovery, soaring insurance premiums, and mounting infrastructure losses impact not only public balance sheets, but private ones as well. The **Australian Productivity Commission**, in its inquiry into natural disaster funding, highlighted that Australia already spends far more on post-disaster recovery, than on being more prepared. A staggering 97% of disaster funding is devoted to response and recovery, whilst a mere 3% is allocated to mitigation and adaption.

Globally, **The World Bank** estimates that active climate adaption could generate net benefits of up to USD 7.1 trillion by 2030. This makes it a clear case to investors, that funding adaption is not only about downside risk management but also capturing efficiency gains and reducing asset volatility. According to the latest World Economic Forum Global Risk report, extreme weather events ranked second in the current global risk perception, coming only behind to geopolitics and state-based conflicts. Investors are becoming increasingly aware of the rising risks and must consider how to prepare their portfolios for unsystematic and idiosyncratic shocks.

Regional and industry hotspots from our changing climate

Certain industries and areas in Australia stand at the front line of climate risks. Agriculture is heavily exposed to drought but also to extreme rainfall, which impacts crop yields, livestock productivity and water security. Real estate and infrastructure face escalating costs such as building codes, materials and urban planning which need to adjust to more frequent flooding, heatwaves and bushfires. Tourism too is under pressure from ecosystem loss, particularly in the Great Barrier Reef, and the shrinking of Australia’s Ski Season. Meanwhile, insurance and financial services firms are grappling with recalibrating their models to price escalating physical climate risks. In Northern Australia, household insurance premiums are now multiples of the national average, leaving many individuals unable to secure coverage at all. This widening ’insurance gap’ not only exposes households, but also banks, investors, and governments to ever growing risk. Traditional insurance models are struggling to price in the scale and frequency of losses. And so, we are seeing the emergence of things such as parametric insurance (also known as index-based insurance), which pays out based on pre-agreed triggers like wind speed or rainfall levels. And globally, an increase in catastrophe bonds (cat bonds), that transfer specific climate risks, such as bushfires, cyclones or floods, from insurers back to investors, in return for yield that is historically uncorrelated to traditional asset classes; a flood in QLD is unlikely to move in tandem with Australia’s ASX200 equity index. They also offer a higher yield compensating investors for the risk of loss.

Investment Opportunities in adaption

Ten years after the Paris Agreement, 2025 marks a pivotal moment for adaption finance. According to the World Economic Forum, the global cost of climate-related loss and damage for FY25 is expected to reach USD 145bn, rising to as much as USD 3.1tr by 2050[3] . The scale of this challenge now means that there is a myriad of companies, both listed and unlisted – and at various stages of their development and technology journey – that are directing their efforts toward climate adaption to mitigate some of the potential economic, social and environmental losses.

Listed companies

Technology is emerging as one of the most powerful levers for climate adaption, offering investors access to scalable solutions that cut across industries and regions. Artificial intelligence (AI) and data modelling are being used to improve climate risk forecasting, from AI-driven flood and fire models that guide urban and cities planning, to satellite monitoring systems that help track drought conditions in real time. Companies such as AvalonBay Communities (US) are already using these tools in their real estate development by using third party resilience assessments to screen for climate risk before acquisition.

- Healthcare
  - Firms like Novartis (Switzerland), Moderna (US), and several small biotech firms including Bavarian Nordic (Switzerland), and Themis Bioscience (Austria) are developing treatments for vector-borne diseases that are expected to spread at a greater pace in warmer temperatures.

[3] Costs for climate disasters to reach $145 billion in 2025 | World Economic Forum

- Resources
  - In Australia, innovation is also advancing in energy and resource efficiency. For example, Centuria Capital Group (ASX: CNI) has invested in immersion-cooling technology for data centres, significantly reducing water and energy consumption in an industry notorious for high resource use. This type of adaption focused technology helps to lower operating costs and shield existing infrastructure from rising energy and water constraints.
- Insurance
  - QBE (ASX: QBE) are deploying enhanced catastrophe modelling that integrates climate risk scenario analysis. Enabling them to more accurately price climate risk, helping the firm remain viable as extreme weather events intensify.

Green and sustainability bonds

State governments are increasingly linking bond proceeds to adaption projects such as stormwater management, transport resilience and coastal defence systems.

Private investments

Private market investment is one of the most powerful levers for climate adaption, especially in Australia where public funding has historically skewed to post disaster recovery. Private capital can help to scale adaption technologies and providing critical funding to accelerate innovation.

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- Main Sequence Ventures
  - This is a private investment fund that are at the forefront of integrating deep tech with climate adaption strategies. A key portfolio company is their investment in Loam Bio, an Australian Agtech company developing microbial seed coatings to enhance soil carbon sequestration. This innovative approach not only contributes to carbon removal but also improves soil health and agricultural productivity. Loam Bio's technology has received significant support in the Australian venture community, including an AUD 105 million Series B funding round co-led by Lower carbon Capital and Wollemi Capital.

Looking ahead, there is strong potential for breakthroughs in fire-resistant materials, climate smart agriculture technologies and advanced water management systems, all of which are going to be critical for Australia to adapt to our changing climate. For investors, this intersection of technology and adaption represents a dual opportunity, to hedge against the downside risk associated with increased climate risk, while backing innovative companies and sectors, positioned to benefit from increasing climate change.

Conclusion

Even with strong global action to reduce emissions, the impacts of climate change will continue to increase over the coming decades due to past emissions of greenhouse gasses. Practical action to adapt to climate change will protect individuals, communities, organisations and investment portfolios. This means Australians must anticipate, manage and adapt to its changing climate.

Climate adaption is no longer a distant consideration; it's a critical factor for Australian investors to consider. The accelerating frequency and intensity of climate related weather events in Australia are reshaping risk across infrastructure, agriculture, insurance and capital markets. For investors, this means adaption is not simply a moral or environmental imperative, but a financial one – safeguarding your portfolio against systemic risks while unlocking opportunities in resilience focused sectors. The anticipated National Climate Risk Assessment, National Adaption Plan and our 2030 net zero targets will provide clearer signals on government priorities. Allocations to green bonds, resilient infrastructure, and key opportunities in private markets offer the potential for strong returns, diversification and climate adaption solutions.

Key takeaways

- Climate adaption is no longer a distant consideration; it's critical for Australian investors. The accelerating frequency and intensity of climate related weather events in Australia are reshaping risk across infrastructure, agriculture, insurance and capital markets.
- It's the cost of 'inaction' that is far greater than 'adaption'. We are already seeing that play out today, rising government spending in disaster recovery, soaring insurance premiums, and mounting infrastructure losses. Globally, the World Bank estimates that active climate adaption could generate net benefits of up to USD 7.1 trillion by 2030.
- There is now a myriad of companies, both listed and unlisted that are directing their efforts toward climate adaption to mitigate some of the potential economic, social and environmental losses. Private market investment is one of the most powerful levers for climate adaption.
- For investors, adaption is not simply a moral or environmental imperative, but a financial one – safeguarding your portfolio against systemic risks while unlocking opportunities in resilience focused sectors.

What’s driving our views

We maintain our cautiously optimistic positioning as we traverse H2 2025

Global equity markets have continued to rally, buoyed by another strong US earnings season, moderating geo-political tensions, and a dovish pivot by the US Federal Reserve in late August. We maintain our cautiously optimistic positioning, though we acknowledge that near-term market dynamics appear to be showing signs of over-exuberance. This warrants monitoring.

Beyond this we continue to believe that US trade and global geo-political uncertainty have peaked, reducing negative tail risks to global markets and the global economy. In addition, we continue to believe that tariffs are ultimately disinflationary, particularly outside the US, and that ongoing progress on bringing inflation back to target will allow global central banks to continue modestly cutting rates into the back end of 2025.

We also maintain our out-of-consensus view that the recently passed ‘One Big Beautiful Bill’ in the US is more fiscally disciplined than first feared, and incorporating the latest estimates of tariff revenues, is contractionary over the next 10 years. This should support global fixed income markets, which are offering attractive all-in yields to investors. Resilient corporate earnings and the promising potential upside from the artificial intelligence (AI) roll-out could add another feather to the admittedly extended equity rally.

Downside risks remain, with still-high levels of overall policy and geo-political volatility, and growing signs of underlying frailty in the US economy. We continue to monitor macro and market conditions, keeping a watchful eye on our most likely downside scenario—a disinflationary negative growth shock. If such a scenario occurs, fixed income should reclaim its role as a portfolio diversifier.

Reflecting our view that negative tail risks have moderated and our conviction in fixed income, we maintain our overweight to investment grade credit. We also retain our modest overweight to global equities, with a preference for Japan and Europe.

Key cyclical views

Has policy uncertainty peaked? Our frameworks tell us that trade and geo-political uncertainty have peaked, pointing to moderating (though still-present) tail risks to the global economy.

Tariffs are disinflationary: While we expect to see a mechanical lift in US goods inflation over coming months as tariffs work through the system, we continue to believe that as a tax that weighs on consumer and business demand, tariffs are ultimately disinflationary.

Can central banks keep cutting? Progress on inflation and the ultimately disinflationary impact of tariffs should allow central banks to continue the global rate cutting cycle they started in 2024. US policy uncertainty presents a key challenge in balancing downside risks to growth with perceived inflation fears.

Opportunities are ripe for ‘active’ hunters vs ‘passive’ gatherers: The best opportunities will likely lie beneath the broad index level, rewarding more active ‘hunter’ versus passive ‘gatherer’ investors. This has proven particularly true so far this year.

Fortune favours the bold: 2025 is likely to continue to favour investors who can digest and exploit the opportunities that come with market volatility. Prudent portfolio diversification and active management will be important tools in the astute investor’s arsenal.

Key structural views

Welcome to a multi-polar world: The global community is increasingly realising that we have entered a multi-polar world, an environment that will likely create more volatility and uncertainty but, also present more growth and opportunities for investors.

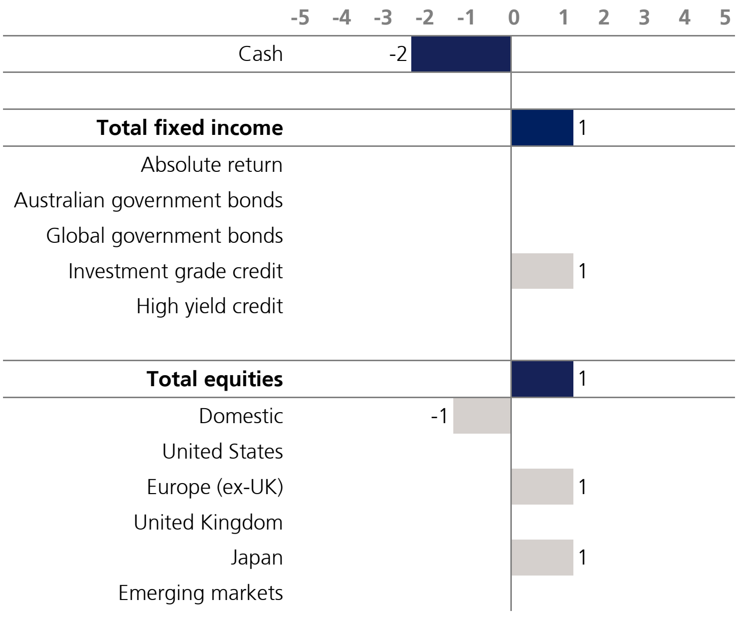
The energy transition is growing more challenging: Policy uncertainty, cost, energy security, and more extreme physical impacts are likely to complicate an already-challenging energy transition.

The rise of artificial intelligence: AI presents significant challenges and opportunities for the global economy and human society.

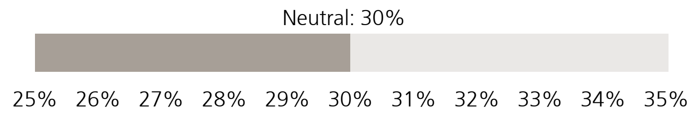
Higher base rates increase investor options: We expect interest rates to remain higher-for-longer, particularly relative to the post-GFC zero interest rate policy environment. Higher base rates increase forward-looking returns across all asset classes, giving investors more options to build robust, multi-asset portfolios.

Tactical asset allocation

Tactical asset allocations (% weights)



Foreign currency exposure (Balanced SAA)



Our current tactical asset allocation views

We believe that trade and geo-political uncertainty have peaked, reducing left-tail downside risks to markets and the global economy. We also believe that tariffs are ultimately disinflationary, and that progress on inflation should allow global central banks to continue cutting rates.

That said, the likelihood of a mid-cycle slowdown has increased, and a disinflationary negative growth shock is a key downside risk on our radar. Australia continues to be challenged by stagnant productivity.

The ongoing roll-out of AI presents a potentially enduring tailwind to productivity and earnings, though it brings with it clear societal risks.

Cash

We deployed more cash last month into fixed income to reflect our conviction in duration at these levels. We retain optionality to respond to evolving market conditions.

Fixed income

We recently moved overweight fixed income, closing our global government downside risk hedge and moving overweight investment grade credit, reflecting a more constructive stance that is also aligned to further rate cuts.

Equities

We remain overweight equities but recently closed our US underweight via introducing an underweight to domestic equities. We retain our preference for European and Japanese equities.

Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	**-2**	**2**	**2**	**2**	**2**
Fixed income	**1**	**53**	**35**	**17**	**14**
Absolute return	0	11	6	2	2
Australian government bonds	0	13.5	7	3.5	2.5
Global government bonds	0	13.5	7	3.5	2.5
Investment grade credit	1	12	13	6	5
High yield credit	0	3	2	2	2
Equities	**1**	**23**	**41**	**59**	**39**
Domestic	-1	8	15	23	10
United States	0	8	14	20	16
Europe (ex-UK)	1	3	4	6	5
Japan	1	2	3	4	3
United Kingdom	0	1	2	2	2
Emerging markets	0	1	3	4	3
Alternatives	**–**	**22**	**22**	**22**	**45**
FX exposure	**0**	**20**	**30**	**40**	**40**

V Decreased weight this month   Λ Increased weight this month

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

Strategic asset allocation

Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation (SAA). Empirical evidence suggests that a disciplined SAA is responsible for around 80% of overall investment performance over the long term[1]. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar risk and return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent through different cycles.

Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

Furthermore, history has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the long term.

Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	**4**	**4**	**4**	**4**
Fixed income	**52**	**34**	**16**	**13**
Absolute return	11	6	2	2
Government bonds	27	14	7	5
Investment grade credit	11	12	5	4
High yield credit	3	2	2	2
Equities	**22**	**40**	**58**	**38**
Domestic	9	16	24	11
United States	8	14	20	16
Europe (ex-UK)	2	3	5	4
Japan	1	2	3	2
United Kingdom	1	2	2	2
Emerging markets	1	3	4	3
Alternatives	**22**	**22**	**22**	**45**
Private markets	8	10	11	20
Real assets	9	8	7	14
Hedge funds and diversifiers	5	4	4	11
Target foreign currency exposure	20	30	40	40
Indicative range for foreign currency	15–25	25–35	35–45	35–45

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

1 Ibbotson, Roger G., and Paul D. Kaplan. 2000. 'Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?' Financial Analysts Journal, vol. 56, no. 1 (January/February).

Economic updates

Economic outlook

Global Economy

Over the past month, global growth has slowed somewhat less than signalled by the earlier sharp falls in business and consumer confidence. However, data reveal that growth has nonetheless slowed through Q2 in key economies, and weaker activity is widely forecast for most regions during H2 2025, including the US, Europe and Japan. Key to this is the impact of US tariffs on trade and business capex intentions, which is yet to be fully felt, together with the headwind to consumer spending of slowing labour markets across the US, UK and Australia. A combination of a renewed uplift in services inflation in some regions, together with a reluctance to further trim interest rates ahead of an assessment of the initial impacts of tariff-induced inflation, has also led some central banks to delay (or reduce) planned rate cuts, adding further downside risk to the growth outlook over the coming year.

Elsewhere, geo-political developments have evolved in a broadly favourable manor, to the extent prior heightened uncertainty has reduced. Many key regions—including Europe and Japan—have struck deals with the US on a new level of tariffs, the Iran nuclear crisis has been mitigated, President Trump's tax bill was passed, while the return of US 'deterrence' (and Trump's renewed focus on ending the Russia-Ukraine war) have all likely paved the way for a calmer year ahead in terms of the potential for geo-political flare-ups. Together with the likelihood that tariff-induced inflation will be temporary, with further central bank rate cuts ahead, this should lay a foundation for a cyclical growth pick-up during 2026, from well-below trend in H2 2025, to closer to a trend pace by end 2026.

Consistent with our secular outlook that embraces an increasingly multipolar geo-political backdrop, ongoing volatility in—and dispersion across—economies and markets is likely to persist over the coming year. Moreover, the US-only impost of sharply higher trade barriers and a fading fiscal impulse, is likely to impact US inflation (higher) and growth (slower) more materially than other economies, at a time Europe and China (and potentially Japan, post the ruling party losing power) are stimulating growth. This likely supports the ongoing weaker trend in the US dollar, albeit any near-term weakness is likely more modest given recent sharp falls. While risks have recently receded, the outlook for global growth remains uncertain. We anticipate growth slowing sub-trend but not collapsing, with central banks continuing to trim rates through to early 2026, despite a temporary inflation spike. After 3.3% in 2024, consensus for the global growth outlook has stabilised at 2.8% for 2025 to and 2.9% in 2026 (up from 2.8% last month).

Australia

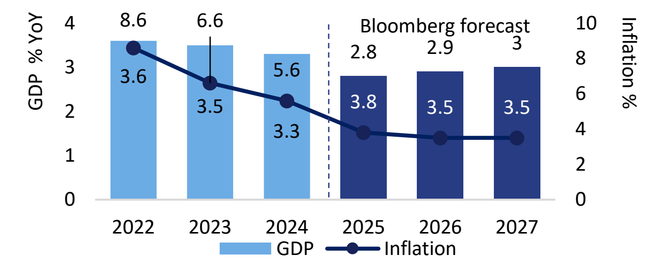
Over the past couple of quarters, Australia's economy has continued to recover modestly, with growth annualising near 1.7% compared to just 0.9% in the prior six months. The clear loss of momentum during Q2 across spending and jobs appears to have stabilised as H2 2025 gets underway, helped by the further reduction of interest rates in August. Business and consumer confidence has modestly improved, and inflation has also continued to trend lower, providing room for further modest rate cuts, likely late in 2025/early 2026. According to Barrenjoey Research "the estimated drag on economic growth [from US tariffs] remains at 0.3ppt, [while] the slowing in global growth places some mild downward pressure on inflation". The newly elected Labor government has championed a focus on productivity for its next 3-year term, establishing a productivity summit in late August. This echoes the recent comments from the Reserve Bank of Australia (RBA) which noted the halving of Australia's productivity would ultimately lead to a decline in living standards, if not repaired.

Growth disappointed in Q1, edging up only 0.2%, and leaving the annual rate at a significantly sub-trend pace of 1.3%. The soon-to-be-released Q2 data is expected to reveal stronger growth near 0.5%. Expectations centre around some further uplift in activity through H2 2025. Retail sales rebounded 1.2% in June, its strongest gain in over three years. Jobs rebounded 25,000 in July, albeit this follows two months of no new job growth. Unemployment has edged higher to 4.2% from 4.1% several months ago.

Inflation fell more than expected to 2.1% (from 2.4%) in Q2, at the bottom of the 2–3% target. The core 'trimmed' measure also eased from 2.9% to 2.7%. After surprising markets in July by not trimming the cash rate, the RBA met the market in August with a cut from 3.85% to 3.60%, and a 9-0 vote among its members. Still, the RBA remained cautious, largely reiterating its prior comments that "the Board remains cautious about the outlook, particularly given the heightened level of uncertainty about both aggregate demand and potential supply". UBS expects a further final cut to 3.35% in November this year, while Barrenjoey expects a further additional cut to 3.1% in February 2026.

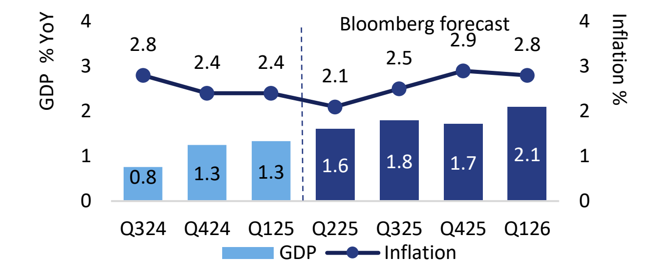
After just 1.0% in 2024, UBS expects growth to strengthen to 1.7% in 2025 and 2.1% in 2026, a still below trend pace. CBA is marginally more upbeat, expecting growth to pick up to 1.8% and 2.3%, respectively. The global backdrop and the potential for new China stimulus over coming months, will be key to Australia's growth outlook over the coming year, albeit China's stimulus remains likely to be less-resource intensive than in previous times.

Global GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Australian GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Economic outlook

United States

US growth slowed significantly during H1 2025. The extent of that slowing has been masked by pre-tariff induced volatility in imports, overstating Q1 weakness and understating the Q2 slowing. Despite a clear slowing in US activity, the past couple of months have also been characterised by declining geo-political and trade uncertainty from the peaks of 'Liberation Day' and the conflict in Iran. This has begun to reverse some of the earlier severe weakness in the 'soft' data (business and consumer sentiment), while some of the 'hard' data in late Q2 (retail sales and industrial output) have proved better than expected. This has supported expectations that despite a likely further weakening, the US economy will avoid recession in H2 2025, with lower rates to support only a moderate slowing.

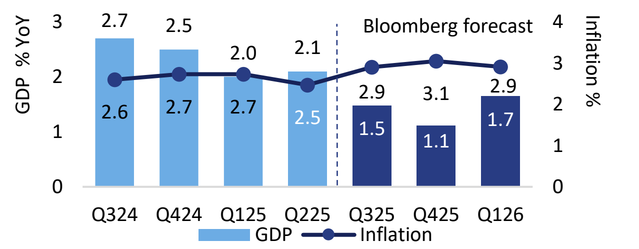
During August, trade deals continued to be dealt at around the 15–20% mark, below expected. While the August deadline for a US-China trade deal created some market volatility, President Trump extended the negotiating period for another 90 days without penalty, easing those concerns. These 'calming' developments followed July's passing of the President's 'One Big Beautiful Bill', which the bond market broadly navigated, likely helped by forecasts that tariff revenue, will now exceed the cost of the Bill. Trump also held several meetings with the Russia and Ukraine leaders during August, in an attempt to accelerate an end to their war.

Growth in Q2 rebounded by 0.8% (annualised 3.3%), after Q1's 0.1% fall (-0.5%). However, domestic activity continued to weaken, rising just 0.2%, well below the 0.8% pace in H2 2024. Recent data has been mixed. While retail sales rebounded 1.4% across June and July, this followed outright declines of 1.0% during April and May. The housing sector also remains under pressure "from elevated mortgage rates and rising construction costs tied to tighter immigration policy", according to BCA Research. August's composite purchasing managers' index (PMI) rose further to 55.4 from 55.1, its highest level for 2025, led by strong manufacturing.

While inflation in July remained broadly benign, unchanged at 2.7%, core measures continued their recent trend higher, rebounding to 3.1% from 2.9%. However, last month's tentative signs of tariff-led inflation on goods prices reversed, with services inflation the key upside surprise. While US Federal Reserve (US Fed) Chair Powell has used tariff-inflation uncertainty to delay rate cuts, recent weak jobs data led him to an August 'pivot', signalling a rate cut in September.

After strong growth of 2.8% in 2024, UBS has sharply cut its 2025 forecasts from 2.0% to 1.6% (with Barclays Research at 1.7%), with 2026 sliced even further to 1.3% (was 1.8%).

US GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Europe

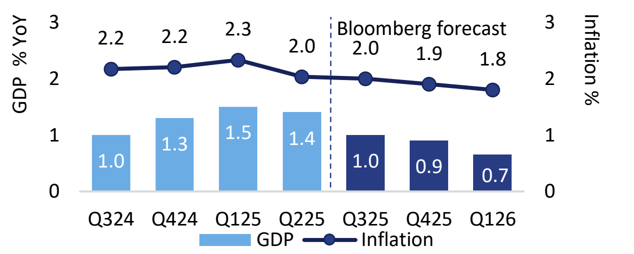
While growth in Europe looks set to be relatively lacklustre during H2 2025, as US tariffs impact and the global backdrop weakens, renewed fiscal stimulus, and the lagged impact of lower interest rates, is likely to improve activity through 2026. This should see Europe "follow a J-curve pattern" for growth over the coming year or so, according to UBS. Any lasting ceasefire between Russia and Ukraine could also positively impact Europe's growth outlook, in part due to likely sizeable reconstruction efforts. With limited further progress on inflation over recent months, interest rates appear more likely to remain at their new lower 'neutral' rate, though further stimulus could be forthcoming should growth turn negative during H2 2025.

Growth in Q2 rose by 0.1%, a touch above expected following Q2's strong 0.6% gain. The annual pace edge higher again, rising to 1.4% from 1.5% (and 1.2% at the end of 2024). Europe's domestic demand remains relatively resilient, while some front-loading of export demand also supporting growth. Recent data has been more mixed, consistent with the moderation from Q1's above trend pace. Retail sales recovered 0.3% in June (after -0.3%), signalling flat spending over recent months. August's composite PMI lifted further to 51.1 from 50.9 (and 50.2 in May)- led by an unexpected lift in manufacturing activity, signalling ongoing modest growth in Q3. Despite a tight jobs market, wages growth is slowing, providing scope for further modest rate cuts, should growth falter.

Inflation in Europe remains relatively well-behaved, despite little further disinflation over recent months. Headline inflation was unchanged at 2.0% in July, in line with the inflation target. Core inflation was also unchanged at 2.3%. At is August meeting, the European Central Bank (ECB) held its policy rate at 2.0%, as widely expected. However, according to UBS, the ECB is signalling the end of its easing cycle due to higher-than-expected inflation. UBS foresees no further ECB rate cuts this year. But according to BCA Research, "entrenched disinflation and downside risks [to growth] support further cuts" by the ECB. China's industrial overcapacity (and rising US trade barriers) could also see additional goods supply from China add to Europe's disinflation.

After growth of 0.9% in 2024, stronger than expected Q2 growth has led UBS to lift its 2025 forecast back to 1.1%, stabilising at 0.9% in 2026. Barclay's Research has a similar profile for the growth outlook, forecasting 1.2% in 2025 and 1.0% in 2026.

European GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Economic outlook

United Kingdom

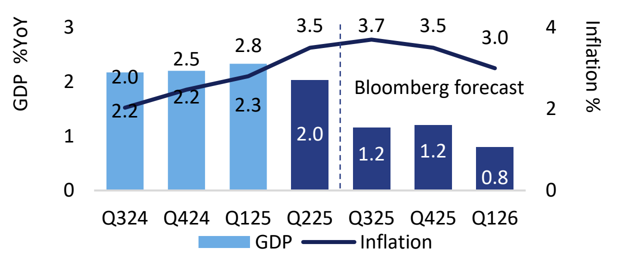
After a strong rebound in Q1, growth in the UK economy slowed during Q2, supported only by government consumption and a build-up in inventories (with private sector activity relatively flat). Weaker industrial and construction activity weighed on Q2 activity, while a weaker trade and global growth backdrop is seen weighing on activity over the rest of the year. Recent cuts in interest rates are expected to support domestic activity. While inflation has been printing higher than expected (led by sticky core services prices), a softening jobs market (and a difficult fiscal position with limited room to support growth) is still expected to lead to further rate cuts in late 2025. Little clarity has emerged about the proposed US-UK trade deal, which according to UBS, maintains tariffs as a significant impost (at circa 9% prior to 1% before the trade tariff upheaval began). Lower interest rates and renewed European and China stimulus should nonetheless support a stabilisation and moderate recovery in UK activity through 2026.

Growth in Q2 slowed to a better-than-expected 0.3%. This followed the strong 0.7% gain in Q1 and led the annual pace slightly lower to 1.2% (after 1.3% in Q1). However, the details of the release were less positive, with growth largely a reflection of higher government spending (defence and health), while inventories added to growth. In contrast, private consumption slowed, and business capex fell. Recent data has shown tentative signs of improvement. Retail sales recovered modestly in June, rising 0.9% after May's 2.8% collapse 2.7%. The composite PMI rose strongly in August to 53.0 (from 51.5), led by stronger services as manufacturing activity weakened. In contrast, jobs in June surged 238,000 (after 109,000 in May). Inflation lifted further in July to 3.8% (from 3.6%), and core inflation edged higher to 3.8%, as services inflation failed to moderate.

In August, the Bank of England (BoE) cut rates by 0.25% to 4.0%, as widely expected. But as UBS noted, "the outcome of the meeting was more hawkish than expected", reflecting an increase in dissenters to four from two, while the BoE also "sounded more concerned about high food and energy inflation affecting consumer inflation expectations", which could exert upward pressures on wages and prices. UBS has flagged that this could delay the next rate cut into 2026. However, according to BCA Research, "the BoE risks falling behind the curve by focusing too narrowly on lagging inflation data while growth and employment deteriorate".

After growth of 1.1% in 2024, UBS expects growth of 1.2% in 2025 (recently revised up from 0.8%), with a similar pace of growth anticipated for 2026 (at 1.1%). Barclay's Research has maintained its similarly solid forecast of 1.2% for 2025, rising to 1.3% for 2026.

UK GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Japan

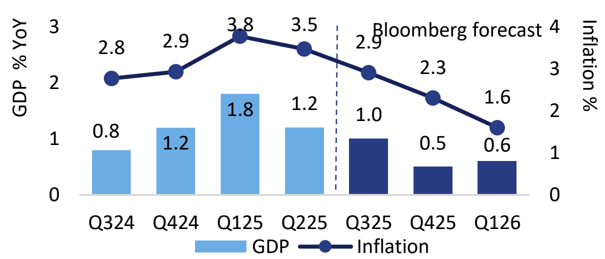
Structural recovery forces impacting Japan's economy appear likely to take a back seat over the next few quarters. Despite recent strong growth (confirming Japan's exit from secular stagnation), a weaker global trade backdrop (together with higher US tariffs) suggest cyclical headwinds will deliver 'flatter' growth for Japan for the rest of 2025. According to Barclays Research, US tariffs (now agreed at 15%, including autos) are estimated to cost Japan's economy about 0.7% of growth this year. While persistently stronger wage growth should support consumer spending, business confidence has plateaued, and the outlook for exports is weaker. Having moved away from negative policy rates, expectations for further rate hikes this year have largely been shelved. While UBS agrees that "the prospects for economic normalisation in Japan, driven by labour shortages and wage increases, should improve", they also note that "Japan's political situation may also lead to some bumps in the road as the next extraordinary Diet session approaches in the autumn".

Growth beat expectations in Q2, rising by 0.2% in the quarter (1.0% annualised), while Q1 was revied up from 'flat' to 0.1% (and from -0.2 to +0.6% annualised). Net exports added significantly to growth in Q2, while domestic activity (excluding inventories) also contributed solidly to growth, led by housing and business investment. Recent data has become more mixed. Retail sales rebounded 1.0% in June (after May's 0.6% fall), edging up the annual pace to 2.0% (below its 2.6% pace in Q1). Japan's PMI rose moderately again in August, lifting to 51.9 from 51.6, still below levels in February, and with services softening and manufacturing improving. The jobs market remains relatively tight, with the unemployment rate edging higher to 2.6%, albeit still near its 5-year lows and little changed over the past year. Core wage growth disappointed in June, slowing from 2.4% to 2.3%.

Inflation has continued to gradually reverse its early-year strength, easing to 3.1% in July (from 3.3%), its lowest point since January's 4.0%. Having raised rates to 0.50% in late January 2025, the Bank of Japan (BoJ) has held rates steady, including at its July meeting, with further rate hike expectations delayed into 2026 or 2027. UBS expects no move higher until 2026, while Barclays expects a BoJ hike in October this year.

Despite better momentum in early 2025, UBS has trimmed its growth forecast for 2025 from an initial 1.2% to 0.8% and is still anticipating a H2 recession. Barclays Research has reversed its earlier reduction to the growth outlook, lifting 2025 to 1.3% from 0.8% for 2025. For 2026, growth is expected to ease back toward the longer-term growth trend of about 1%.

Japanese GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Economic outlook

China

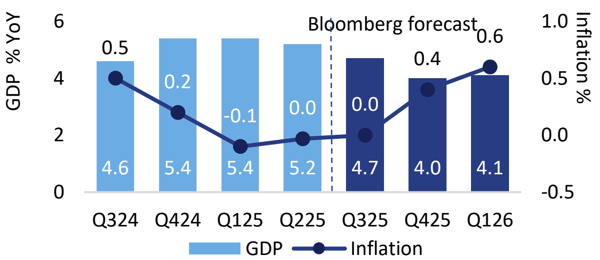
China's economy continues to face significant challenges, not least the ongoing deterioration in its key property sector, as well as lingering uncertainty surrounding its export outlook and where trade negotiations with the US will settle following the most recent extension of the negation period until November. Growth in H1 2025 has been supported by pre-tariff export demand as well as stronger spending due to the government's 'trade-in' subsidies for consumer durables. These tailwinds are likely to turn into headwinds during H2 2025, with early signs of fading consumer strength. As MST Marque notes, "China's recovery is still stuck in first gear, stimulus is limping along, but the economy lacks a real engine. Households are responding by delaying purchases, dragging demand lower still. Housing is unlikely to rebound without stronger demand or a broader economic recovery". We expect further fiscal stimulus over coming months to lay a foundation for growth to stabilise during 2026.

China's Q2 growth remained robust at 5.2%, only modestly below Q1's 5.4% pace. Strength in the quarter reflected consumer spending (5.4% after 4.6% in Q1) and exports (6.2% after 5.7%). Elsewhere, property weakness continued, as did manufacturing and infrastructure. Data in July revealed a further loss of momentum, with property sales growth falling to -7.8% from -5.5% in June. Retail sales also eased from 6.8% to 5.7%, while the latest job survey shows employment confidence at its lowest since the GFC. China's economy has also faced deflationary headwinds for 10 of the last 11 quarters. According to UBS, the July Politburo meeting "acknowledged resilient H1 GDP growth (5.3% YoY) and also highlighted lingering risks and challenges, thus calling for continued supportive macro policies…as expected, the meeting didn't roll out any major new policy stimulus [but] vowed to continue to support household consumption and improve social welfare."

We expect additional stimulus to emerge at a faster pace during September and October in response to weakening growth momentum. This is likely to take the form of further easing in the official policy rate (by 0.1%) and bank reserve requirements (0.5%), together with additional fiscal stimulus.

After 5.0% in 2024 (and noting a 5.0% government target), UBS continues to forecast growth for 2025 of 4.7% (was 4.0%). In the wake of the stronger Q2 growth print, Barclays Research has also revised higher its 2025 outlook from 4.0% to 4.5%. Both UBS and Barclays expect a significant loss of momentum through H2 2025, ahead of stabilising growth of around 4% for 2026.

Chinese GDP growth and inflation



Source: Bloomberg as of 31st August 2025.

Emerging Markets

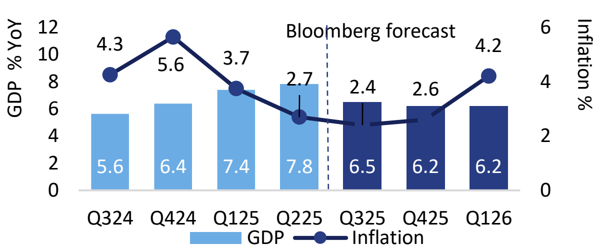
The post Liberation Day de-escalation in the global tariff war, with the ebb and flow of tariff deals largely landing below those in April, provide some support to the medium-term outlook for emerging markets. Into 2026, emerging markets could also benefit from additional stimulus by China and Europe. Nearer-term, US tariff imposts and the likely moderation in growth across most regions in H2 2025 (not least due to the likely pull-forward of trade flows into H1 2025), brings challenges. As UBS notes, "governments in Asia are expected to introduce fiscal expansions and targeted fiscal policies to offset [any] growth drag".

For emerging Asia (ex-China), early August saw the continued flow of new trade deals, with three new deals announced for Vietnam, Indonesia and the Philippines. According to UBS, the deals featured "lower negotiated tariffs and zero tariffs on most US imports, with some exceptions". Q2 growth beat expectations in a range of countries, including Malaysia, Singapore, Korea, and Vietnam, with an upward revision to the outlook for Malaysia and Singapore. India's outlook has somewhat deteriorated over the past month. While rural activity has strengthened, urban activity has softened. With limited progress on a trade deal, US tariffs rise to 50% from late August, twice that of China's and well below its Asian peers (largely in the 15-20% range). Weakening domestic growth is likely to add additional pressure for policy makers to add stimulus, following the 0.5% cut to interest rates (to 5.5%) in June. This could see an improving growth outlook into 2026, though a US trade deal that lowers tariffs – and increases India's prospects of gaining in China+1 supply chain shifts – could add further momentum.

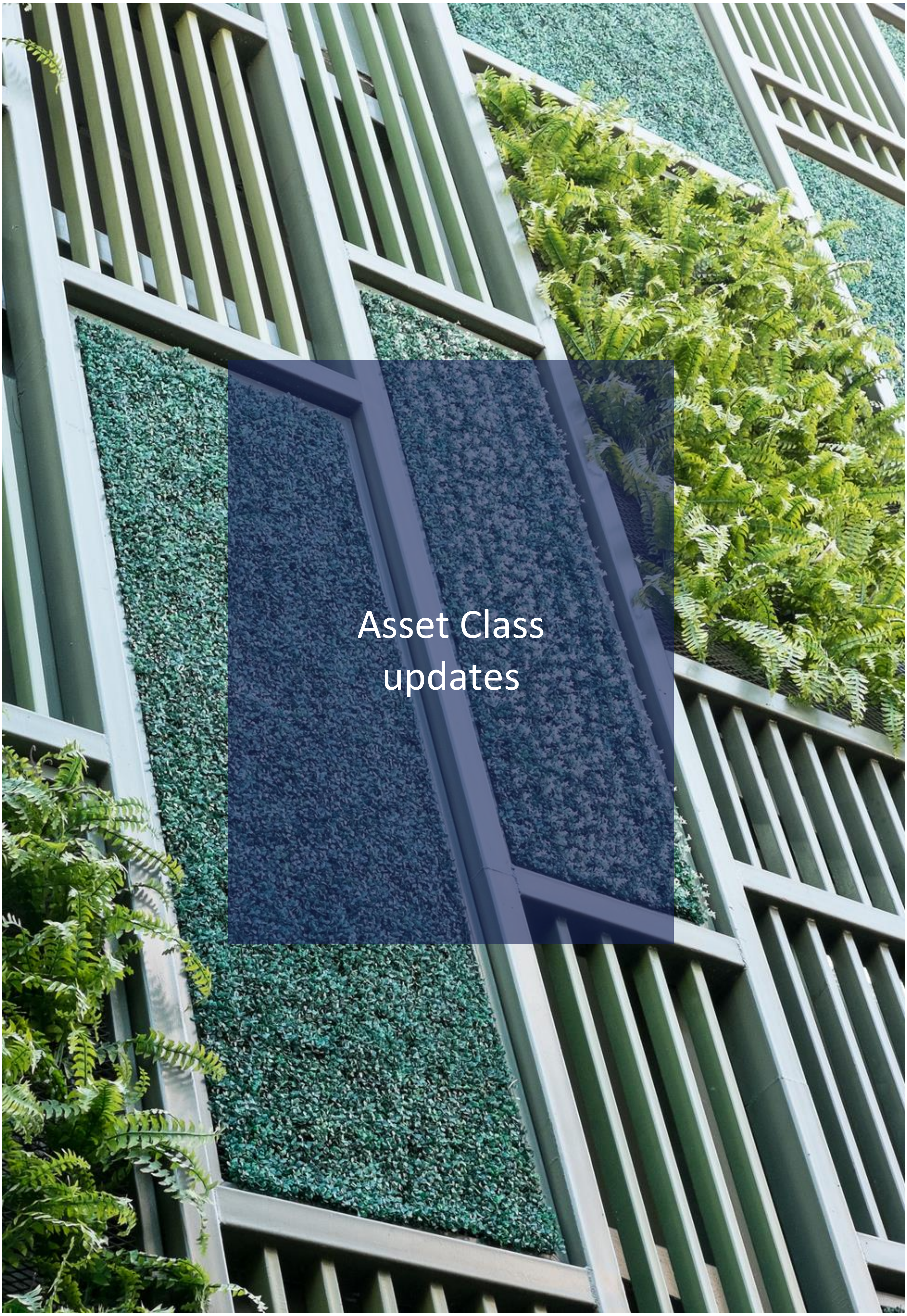
For Latin America, growth in the region has remained relatively well supported, according to Barclays Research, "despite a myriad headwinds, including domestic and external politics, tighter financial conditions, fiscal challenges and other balance sheet adjustments". On July 30, President Trump raised Brazil tariffs to 50%. While this was anticipated, the final outcome was less impactful than expected, according to UBS, as it included an extensive list of exemptions (with an effective tariff rate of 32%, albeit sharply higher than the 1.5% tariff in place prior to Liberation Day). Both UBS and BCA Research expect Brazil's central bank to cut rates further (after 15% at their August meeting).

For emerging markets ex China, UBS forecasts a slowing in 2025 growth from 4.2% to 3.9%, with 2026 expected to strengthen modestly to 4.1%. Barclays Research holds a similar view for 2025, though growth is seen little changed at 3.8% for 2026.

Indian GDP growth and inflation



Source: Bloomberg as of 31st August 2025.



Asset Class updates

Fixed Income
Update

Absolute return and government bonds

Position: Neutral absolute return; neutral global government bonds; neutral Australian government bonds

Key points

- Markets are pricing two US Fed rate cuts (0.5% in total) for the remainder of the year, still depending on the inflation outlook and the strength of the labour market.
- The RBA lowered the cash rate by 0.25% to 3.60%. Still on track for 2–3 rate cuts by early 2026.
- We remain neutral in government bonds, as we expect yields to be range-bound in the near term.

Global bond markets remained largely range-bound through August, reflecting a market in wait-and-see mode ahead of key economic data releases and developments in trade negotiations. Investors were focused on the Jackson Hole symposium, where US Fed Chair Jerome Powell delivered his speech and signalled the possibility of a rate cut at the September Fed meeting. The market reaction was immediate with the 10-year US Treasury yield closing down 7.5bps on the day to 4.25%, drifting further toward 4.20% by late August.

Central banks globally have slowed the pace of easing as they assess the economic impact of tariffs, inflation trends, and labour market dynamics. The markets are now pricing in a near 80% probability of a 25-basis point US rate cut in September. There's potential for a pause into October, followed by another cut in December. Soft non-farm payrolls earlier in August prompted a swift 15–25 basis points drop in US yields, highlighting the market's sensitivity to labour data. However, yields reversed course mid-month as inflation readings (CPI and PPI) reflected the tariff pass-through.

US Treasury yields remained in a tight range, with the 10-year yield holding around 4.30% for most of the month before Jackson Hole. The MOVE Index, which tracks Treasury volatility, has declined steadily, reflecting lower near-term uncertainty. We remain neutral on US duration, with a tactical long bias on dips.

In New Zealand, the RBNZ delivered a 25 basis points cut and revised its terminal rate forecast lower to 2.50% (from 3.00%), which the market interpreted as dovish. Meanwhile, the ECB appears close to ending its easing cycle, with rates approaching neutral territory.

In Australia, the RBA cut the cash rate by 25 basis points to 3.60%, surprising markets with dovish economic projections that left inflation forecasts unchanged despite the lower rate path. The RBA appears to favour a quarterly cadence for rate changes, suggesting the next cut is likely in November. The 3s10s curve has remained stable, while the 4–9 year segment offers the best carry and roll opportunities. The terminal rate is now priced near 3.0%, with two more cuts expected and potential for a third.

With the US 10-year around 4.20% and easing expected to continue into 2025, we favour buying on dips. The AU-US 10-year spread has been compressing in recent months. Overall, we maintain a neutral stance across global government bonds with tactical opportunities in the US and Australia.

Investment grade credit and high yield credit

Position: Overweight investment grade credit; neutral high yield credit

Key points

- Investment grade (IG) and high yield (HY) credit spreads remain close to year-to-date lows.
- There has been strong demand seen in recent Australian dollar primary issues.
- Our preference is to increase our exposure to investment grade credit to protect against downside risks.

In the last two weeks of August, there has been a significant shift in momentum in Australian dollar credit markets, driven by the reopening of issuance windows for banks and corporates. Both onshore and offshore issuers have capitalised on exceptionally strong demand, reflecting substantial cash sitting on the sidelines and investors' appetite for quality credit at attractive yield levels.

A standout transaction was from CBA, which issued both 3.25-year and 5-year senior unsecured bonds, drawing AUD 13.6 billion in demand. The 5-year priced at BBSW +77bps, marking the tightest level since 2009, excluding the ultra-low rate environment during COVID. The success of this deal underscores robust investor confidence and a hunt for yield in high-quality names.

In tier 2, ANZ issued a 20-year bullet at ASW +180bps / 6.179%, attracting AUD 3.5 billion in demand. The market has typically seen issuance in 10NC5 and 15NC10 structures. Despite some caution around the longer tenor, the higher outright yields and strong credit quality has appealed to investors. This may set a precedent for more long-dated tier 2 issuance ahead.

Offshore interest in the Australia dollar market is also increasing. Électricité de France (EDF), is a state-owned French multinational electric utility company, priced 10-year and 20-year senior unsecured bonds, with the 20-year tranche yielding ASW +220bps / 6.627% and generating over AUD 6 billion in demand. This surge in offshore issuance highlights the appeal of the Australian dollar as a funding currency, with strong demand and diversification benefits.

In the US IG market, conditions remain exceptionally strong, underpinned by stable corporate fundamentals and low volatility. The Bloomberg US IG Index has broken through long-held spread lows, now trading around 75bps, levels not seen since 1998. Investor demand remains elevated amid expectations of US Fed rate cuts and abundant liquidity.

High yield markets globally are also holding firm, with spreads near recent tights, 289bps in the US, and yields around 7%. In Europe, HY markets are seeing renewed inflows driven by improving regional sentiment. While macro and geopolitical risks remain, solid credit fundamentals (e.g., strong interest coverage, stable leverage) continue to support tight spreads.

That said, HY spreads could become more vulnerable if growth slows or inflation pressures persist. Sector-level divergence is emerging; within IG, most sectors are near 12-month spread tights, except Energy and Autos. In HY, cyclical sectors show weakness, while non-cyclicals remain tight.

Fixed Income

Outlook and tactical asset allocation

Australian government bonds – we are neutral

We are neutral Australian government bonds. Markets have largely priced in two to three RBA rate cuts through to early 2026. We prefer to add duration via investment grade bonds and harvest income by adding credit to portfolios.

Global government bonds – we are neutral

We are neutral global government bonds. We expect central banks will make further modest policy rate cuts over the coming year, with much of this already priced in by the market. We expect yields to remain range-bound unless there are inflation shocks or data surprises ahead.

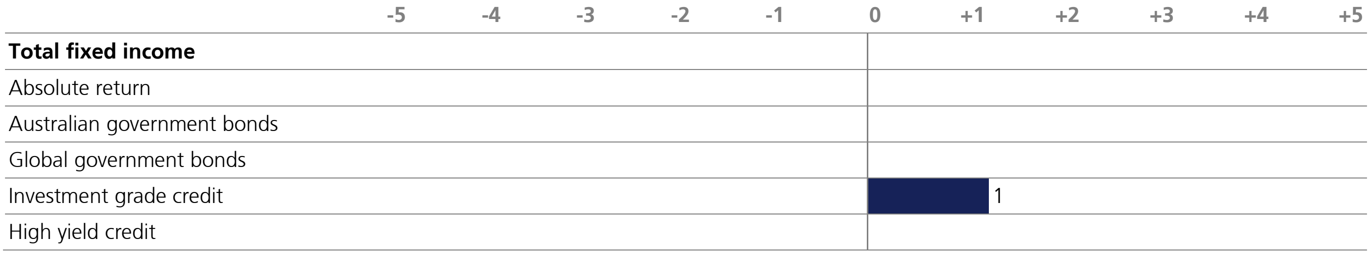
Investment grade credit – we are overweight

We are overweight investment grade credit. Although investment grade credit spreads remain close to year-to-date lows, yields remain elevated, and we see value adding some duration to portfolios via quality investment grade companies as we expect rates to continue to fall.

High yield credit – we are neutral

We are neutral high yield credit. High yield credit spreads are also close to year-to-date lows, and we prefer to be in investment grade credit as there is higher risk of spreads widening if growth slows. Sector dispersion in the high yield sector remains pronounced with underperformance from more tariff exposed industries. While uncertainty persists, we will stay neutral to higher risk assets.

Active fixed income weights (%)—we are overweight fixed income



Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	66.81	70.25
Australian 3-year yield	3.40%	3.32%
Australian 10-year yield	4.27%	4.31%
Australian 3/10-year spread	86.9 bp	84.4 bp
Australian/US 10-year spread	4.4 bp	-0.1 bp
US 10-year Bond	4.23%	4.22%
German 10-year Bund	2.72%	2.68%
UK 10-year Gilt	4.72%	4.53%
Markit CDX North America Investment-Grade Index	51.0 bp	53.9 bp
Markit iTraxx Europe Main Index	55.5	56.3
Markit iTraxx Europe Crossover Index	267.9	279.9
SPX Volatility Index (VIX)	15.4	20.4

Source: LGT Crestone Wealth Management, Bloomberg as of 31 August 2025. Active fixed income weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Alternatives, FX and Commodities

Alternatives update

Hedge funds and diversifiers

Hedge funds have proven attractive year to date thereby warranting their inclusion in portfolios. 2025 has been a volatile period for traditional asset classes despite equities returning to all-time highs. Markets have been impacted by volatility, greater asset price dispersion, higher interest rates, and the need for liquidity provision. Hedge funds navigated and took advantage of these challenging market conditions. We believe market conditions should remain conducive for hedge funds, and we expect hedge funds with low-beta, multi-strategy vehicles, to continue providing differentiated source of returns.

Other diversifying strategies including insurance (life run-off), royalties and litigation demonstrated resilience due to their minimal exposure to market or economic sensitivity. The European insurance market is undergoing a significant wave of consolidation, driven by increasing regulatory pressures, the need for capital efficiency, and the operational challenges of managing closed books. Those with licensed and regulated platforms across key European jurisdictions are primed to take advantage and provide a unique source of returns through acquisitions of legacy books. We continue to highlight the true diversifying role of these asset classes relative to private markets, where underlying risk factors still align to equity, credit, and interest rates.

Private markets

Private equity liquidity remains an issue—secondaries are key to activity. Strong 2024 momentum saw activity pick-up meaningfully in Q1 which faded through Q2 following uncertainty around tariffs. Transactions are still occurring however with institutional investors taking matters ‘into their own hands’ via the secondary (Limited Partners) market. Private equity firms are also using General Partner-led secondaries to generate liquidity. We believe both private equity and venture capital secondaries are attractive at this time but caution that investors should not be complacent nor overly focussed on the upfront ‘discount’ at the expense of portfolio quality. Manager selection remains critical.

Private debt remains preferred, despite the noise. Whilst there has been significant noise associated with private debt, particularly in the local market (centred around real estate lending), we continue to find the asset class attractive on a risk-adjusted return basis. Declining interest rates will reduce absolute returns but spread pick-up over public equivalents combined with conservative underwriting warrants the reduced liquidity. We currently favour building highly diversified exposures via the nascent debt secondaries market, which we expect to grow meaningfully over the coming years.

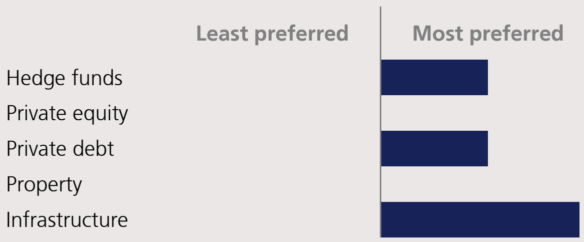
Real assets

Global real estate continues to shift to the positive. Both US and domestic property indices are now positive year to date re-enforcing a shift in sentiment following a very challenging period for the asset class. Moderating interest rates should further support valuations, albeit we caution investors not to focus on declining interest rates as the primary driver of forward-looking returns. We expect there to be meaningful dispersion across sectors and thus continue to prefer strategies that can allocate across such, where they see the best relative value.

Infrastructure is the most preferred sub-asset class within alternatives. Infrastructure continues to perform strongly, given its more defensively positioned assets with often long term, inflation-linked contracts. It also plays to long-term, multi-decade structural growth themes, most notably decarbonisation and digitisation, where we are happy to take on a little more risk through value-add exposures. An attractively priced and growing secondary market is creating opportunities and supporting new investment vehicles, which are more suitable to private clients. Whilst new product in the space is enabling wider access outside of institutional investors, we are cautious of the future liquidity of such vehicles given infrastructure assets are typically longer life in nature and portfolios are expected to be more concentrated that peer private equity vehicles.

Alternatives Asset Allocation

We favour infrastructure, private debt, hedge funds and diversifying strategies, and are maintaining private equity exposures. We are becoming more constructive on real estate globally.



What we like

- Multi-strategy hedge funds and other diversifying strategies
- Global private debt, including both corporate and asset-based finance, including private debt secondaries
- Global infrastructure across the risk spectrum and investment type (including secondaries), particularly playing to long-term structural themes.

What we don’t like

- Domestic construction and/or junior lending within real estate
- Carbon-intensive assets and industries with no transition plan.

Alternatives, FX and Commodities

FX and Commodities update

Currencies

Key points

- The US dollar drifted modestly lower in August as investors price in US Fed rate cuts, post Chair Powell's 'pivot'.
- The Australian dollar had a mixed month and is hovering around USD 0.65.

The US dollar drifted slightly lower against most major trading partners in August, but looks to have stabilised, as investors processed a slew of US 'trade deals,' geo-political developments, and shifting macro and inflation dynamics. The risks of a disinflationary growth shock coupled with relatively aggressive short investor positioning could see a tactical reversal or 'pain trade' that leads to a stronger US dollar in coming weeks or months. Longer-term, it is clear that the US' extreme policy actions have done significant reputational damage to its standing as an economic, diplomatic, and financial counterparty.

On a fundamental basis, the ongoing relative US fiscal tightening compared to the rest of the world (with Germany re-arming, China potentially stimulating and Japan stimulating) points to modest US dollar weakness from here, though near-term volatility is likely to remain elevated. Structural factors including increasing geopolitical multipolarity also point to downside pressures longer-term.

The Australian dollar had mixed performance over the month, and trades around USD 0.65. The RBA reversed its 'mistake' by cutting in August and signalled a dovish disposition amid cooling economic conditions. Our external partners are expecting the currency to end 2025 between USD 0.66 and USD 0.68, pointing to further modest upside from here.

After a short US payrolls-induced downside blip in early August, the EUR recovered back to its USD 1.16–1.18 range amid ongoing investor anticipation for European fiscal stimulus (Germany re-arming) and hopes for a peace deal in Ukraine that could unleash significant rebuilding investment. We continue to expect the Eurozone to face trade risks on a cyclical basis and macro risks on a structural basis, though the scale of the US' own goal on trade aggression and the extent of Germany's fiscal shift may herald the start of a paradigm shift for Europe.

The yen looks to have stabilised in a 146–148 range versus the US dollar this month. The recent Upper House elections saw Prime Minister Ishiba lose control of both houses of parliament, tilting risks towards greater fiscal easing which could prompt a further rise in bond yields, though strong recent growth adds to the fundamental tailwinds supporting the Japanese economy. Japan's internal inflation and macro dynamics remain tilted towards policy normalisation and a 'nominal renaissance' in growth to continue over the next 12–18 months, though it will not be immune to volatility surrounding potential trade and geopolitical tensions as we traverse 2025.

Commodities

Key points

- Global commodity prices have traded modestly higher over the past few months, with gold moving higher to around USD 3,410 per ounce late in August.
- Iron ore prices lifted to around USD 103 p/t, largely supported by Chinese supply side reforms, together with some company-related supply-side headwinds.

Global commodity markets are trading modestly higher over the month, with Bloomberg's broad commodity price index up around 0.5% by late August.

Crude oil prices fell over the month, with concerns over the economic outlook as well as optimism around potential Russia-Ukraine peace talks weighing. Brent crude is currently trading at around USD 68 per barrel (p/b) towards the end of August, down about 6% from the start of the month.

Meanwhile, gold prices recovered more than 2% during the month to trade at around USD 3,410. The US Fed's dovish pivot towards the end of the month, as well as rising concerns around US political interference at the US Fed, were key drivers supporting gold prices.

Industrial metal prices suffered significant intramonth volatility, as the Trump Administration spooked markets with its on-again, off-again 50% tariff threat on copper imports. Copper prices are approximately 23% below their tariff-induced peak, while iron ore is trading slightly below the USD 103 p/t mark, boosted by Chinese supply side reforms aimed at reducing low price competition and phasing out outdated industrial capacity.

The evolution of US trade policy, particularly with respect to China, as well as China's economy itself, will continue to play a key role in the near-term outlook for commodities.

Longer-term themes, including climate change and geo-politics, are likely to support the commodity complex on a secular basis. It is difficult to determine how these competing cyclicals and secular forces might evolve over the year ahead. We are particularly cognisant of the risk that a cyclical downturn could outweigh secular tailwinds in the near term.

Equities
Update

Domestic equities

Position: Underweight

Key points

- The ASX 200 made a record high (10 times) during August, trading to 9,019 at its peak, and gaining 2.6%.
- This has the ASX200 at around 19.6x 12-month forward P/E. The record was 20.4x towards the end of 2020.
- Consequently, the dividend yield on offer from the ASX 200 is the lowest on record, at just 3.2%. Relative to the risk free 10-year government bond, this is the lowest dividend yield – bond yield differential since the GFC.

Since the February reporting period, earnings projections for the ASX 200 have continued to slide (-5.2%), while prices have moved higher (+6.0%). For the August reporting period, the key question for investors was whether lofty valuations could withstand another season of soft delivery. With multiples stretched and earnings trends persistently weak, the balance of risk was to the downside, according to most strategists.

However, with 80% of stocks having now delivered results, the ASX200's performance through this reporting season stands out as the strongest seen over recent years, with the Consumer Discretionary sector the standout. In contrast, the Healthcare sector has been the worst performing sector over the past one, three, six and twelve months, largely because of CSL's weak performance post its earnings result.

Despite an overall strong share price performance, there were several large single day moves for some large cap companies. US-exposed businesses have seen weakness: Amcor, BlueScope, Reliance Worldwide, Reece and James Hardie all offered downbeat assessments on their US businesses. Mid cap stocks, in general, have had an upbeat reporting season.

At the time of writing, there had been an equal split between earnings beats and earnings misses, according to UBS. The revisions to forward consensus earnings estimates from analysts post results have also been evenly split between upgrades and downgrades. A downbeat skew is, however, visible when we look at the magnitude of the revisions, with the median upgrade to next year's EPS being just 2.0%, versus a median downgrade of -3.6%. Within sectors, Financials and Real Estate stocks are showing the most breadth upwards in their revisions.

MST argue strongly that reporting season thus far has not been strong enough in aggregate to change the trajectory of earnings, and consequently, warrant an almost 20x P/E. ASX 200 profit expectations for FY26 have been revised down by 0.7% during the current reporting period, compared with the typical reporting season downgrade of 0.8%. Of the major sectors, Financials have enjoyed the strongest upgrades and Industrials has lagged. Current expectations are for 0% EPS growth to end the FY25 financial year and +6% for Jun-26 for the ASX200.

International equities

Position: Overweight Japan and Europe, neutral the UK, emerging markets, and the US

Key points

- Global equities have continued to climb over the past several months, with the MSCI World ex-Australia Index +3% for the year and +20% from the Liberation Day lows.
- Japanese equities led gains during August, rising by 5.3% in Australia dollar terms.
- There has been relatively little differentiation in regional performance, with emerging and developed market equities seeing similar gains since March/April, although, valuation differences remain large.

In the US, the AI thematic has reasserted itself, aided by the Magnificent Seven's EPS resilience and growing comfort around capex plans. Citi has lifted its year-end S&P 500 base case target to 6,600 from 6,300 (bull case of 7,200; Bear case of 5,600). They now project USD 272 and USD 308 in index earnings for CY25 and CY26, respectively (from USD 261 and USD 295 previously). There is no material change in their valuation assumptions and their CY26 target is pegged at 6,900 (+7%). They believe the expected fundamental drag from tariffs has been mostly modelled at this point, with OBBBA-related tax benefits providing an offset that should be accretive to forward earnings.

Likewise, UBS has upgraded their S&P500 price target to 6,100 for the end of 2025 and initiated a target of 6,800 for the end of 2026. They make two observations:

- First, the lift in targets recognises that US economic and company health has been better than expected. Worst-case scenarios on tariffs have not been realised, confidence in fiscal support and a weaker dollar have mitigated the earnings impact, credit spreads are tight, and flows have remained supportive.
- Nonetheless, although the impact is less severe than expected, UBS believes that headwinds have arrived and that the US growth/inflation mix is likely to worsen. Along with dampening earnings growth expectations, this should also lift equity volatility which in turn would challenge the flow driven momentum trade buoying valuations. This has led UBS to call the market lower in the near-term and it expects it to remain below current levels even by end 2025. They then see a recovery into the second half of 2026.

Excluding the month of April, European equities have been largely rangebound over the past six months in a tight +/-3% range. In light of the 12% rally in the first three months of the year, positioning and optimism around fiscal stimulus likely got ahead of itself, compounded by ongoing tariff uncertainty. JPMorgan strategists now believe the time is approaching to begin adding to Eurozone equities again. As we get closer to German stimulus and the lagged impact of ECB rate cuts filter through, European equities could be poised to outperform.

Equities

Outlook and tactical asset allocation

Domestic – we remain underweight

With Australian equities trading at all-time highs and almost 20x P/E, further gains must now rest with earnings upgrades. These look more difficult outside of a significant stimulus by China, or a more aggressive rate cutting cycle, notwithstanding the prospect of a further two interest rate cuts by the RBA.

US – we are neutral

US equities have performed strongly over the past several months, as a resilient second quarter earnings season, a more dovish than expected Jackson Hole speech by US Fed Chairman Powell, and ongoing tariff resolution caused investors to adopt a more optimistic stance. Going forward, investors will be closely watching the trade-off between corporate margins (absorbing the tariff cost) versus inflation (passing it on).

Europe (ex-UK) – we are overweight

According to Citi analysis, consensus earnings estimates are already consistent with around 20% tariffs. This raises the prospect of earnings upgrades over the second half of the year if an agreement can be reached. Combined with German fiscal stimulus and the lagged impact of ECB rate cuts (2.35% since May 2024), there is the prospect of strong European equity performance over the latter half of this year.

United Kingdom – we are neutral

The UK macro environment is gradually firming. Monetary easing, housing momentum, and operational resilience are supporting equities, even as global trade stays fragile and inflation proves uneven. According to UBS, UK small and medium-sized companies (SMIDs) stand out across earnings, flows, and valuation. With strong domestic alignment and quality/value appeal, SMIDs remain their preferred play on a UK economic recovery albeit UK growth remains subdued, and the trajectory is likely bumpy.

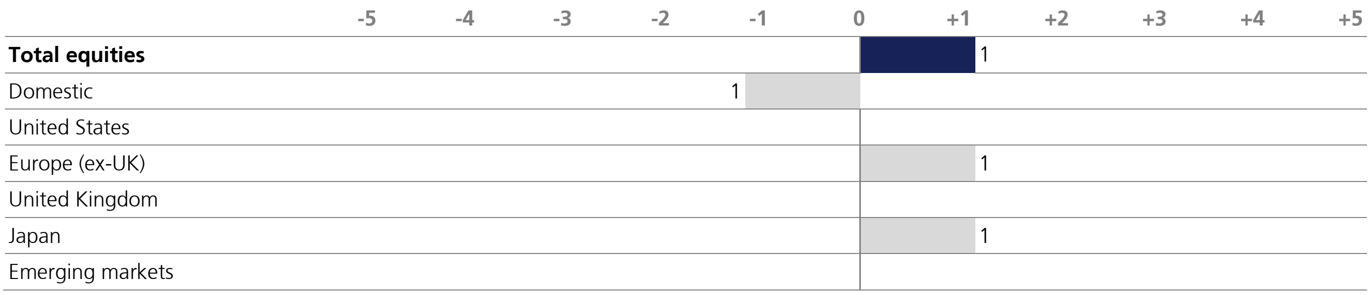
Japan – we are overweight

The announced 15% tariff on Japan is a positive development, especially as the levy on autos was significantly reduced. TOPIX's P/E has moved above 15x, prompting some investors to question valuation risk. JPMorgan strategists believe that the performance is sustainable – even if a US economic slowdown occurs as long as: it is cushioned by rate cuts; the impact of tariffs is not much worse than expected; and corporate reform continues.

Emerging market equities – we are neutral

US effective tariff rates currently stand at around 18%, with lingering uncertainty around certain sectors and countries. Emerging market equities have been cushioned by the frontloading of exports to the US, greater Chinese bond issuance and renewed risk appetite for emerging markets in anticipation of US rate cuts.

Active equity weights (%)—we are overweight



Equity market summary

Region	Index	Latest price	Consensus 1 yr Target	Consensus 1 yr Upside	Next year P/E[1]	Next year D/Y[2]
Australia	S&P ASX 200	8,973	8,768	-2.3%	21.2	3.2%
New Zealand	S&P NZ 50	12,931	13,812	6.8%	28.0	3.1%
United States	S&P 500	6,460	7,161	10.8%	21.4	1.3%
Europe	Euro Stoxx	568	638	12.3%	13.9	3.2%
United Kingdom	FTSE 100	9,187	10,246	11.5%	12.7	3.4%
China	CSI 300	3,858	4,218	9.3%	13.4	2.7%
Japan	Nikkei 225	42,718	46,424	8.7%	20.1	1.9%
India	Sensex	79,810	92,512	15.9%	22.4	1.6%

Source: Bloomberg. Data as of 31st August 2025; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield (%). Active equity weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Equities

Domestic equities—Best sector ideas

Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—return on net operating assets, return on invested capital, free cashflow and return on equity
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA)
- **Efficiency**—capital expenditure to sales
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price ($)	Consensus price target ($)	P/E 1yr fwd (x)	Dividend yield (%)	ROIC (%)	ROE (%)	1yr EPS growth (%)	MSCI ESG rating
REA	REA Group Ltd	Comm. Services	$251.03	$255.29	50.2	1.2%	45%	32%	17.0%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	$72.71	$73.07	29.8	1.2%	28%	22%	13.7%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	$5.88	$5.77	31.6	3.1%	26%	125%	9.7%	AA
MTS	Metcash Ltd	Cons. Staples	$4.20	$4.23	15.7	4.5%	16%	17%	9.4%	AAA
ALD	Ampol Ltd	Energy	$29.40	$32.59	18.5	3.1%	12%	10%	29.6%	AA
BPT	Beach Energy Ltd	Energy	$1.20	$1.29	7.1	5.1%	19%	13%	11.8%	AAA
MQG	Macquarie Group Ltd	Financials	$225.16	$226.21	20.6	3.2%	3%	11%	9.0%	AA
SUN	Suncorp Group Ltd	Financials	$21.28	$21.94	17.9	4.1%	7%	12%	5.3%	AAA
COH	Cochlear Ltd	Health Care	$301.55	$310.20	43.6	1.6%	29%	22%	14.7%	AAA
RMD	ResMed Inc	Health Care	$42.08	$47.91	25.2	0.6%	29%	25%	10.2%	A
CSL	CSL Ltd	Health Care	$212.89	$286.54	19.6	1.4%	14%	16%	14.2%	AA
MND	Monadelphous Group Ltd	Industrials	$21.47	$19.76	24.5	3.6%	22%	17%	5.9%	AAA
BXB	Brambles Ltd	Industrials	$25.95	$25.32	24.4	1.7%	21%	29%	11.2%	AAA
XRO	Xero Ltd	Info. Tech	$163.59	$201.68	90.6	0.0%	12%	12%	21.5%	AA
IGO	IGO Ltd	Materials	$5.22	$4.98	na	0.4%	-4%	-1%	-1526%	AAA
JHX	James Hardie Industries PLC	Materials	$31.17	$36.10	23.3	0.0%	31%	13%	31.3%	AA
GMG	Goodman Group	Real Estate	$34.35	$37.82	26.4	0.9%	10%	11%	11.3%	AA
APA	APA Group	Utilities	$8.81	$8.79	44.9	6.6%	6%	12%	21.9%	AAA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31st August 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Cochlear Limited (COH AU)—Buy. JPMorgan believe that Cochlear's new implant will offer exciting new features and potentially superior hearing outcomes, supporting a material boost in market share. This next-generation cochlear implant is coming to market in mid-2025 and is the first significant new platform since 2009 (there have been processor and implant upgrades, but nothing of this overarching scale).

REA Group (REA AU)—Buy. REA printed another strong FY25 result in August, with 15% revenue growth. Operating leverage translated into an impressive 23% NPAT growth, despite election and public holiday disruptions. Looking out to FY26, Management expressed confidence in the outlook, guiding to Double Digit yield growth (7% price increase, flat volumes, greater penetration of higher margin products) vs High Single Digit cost growth.

Xero Limited (XRO AU)—Buy. Xero recently paid $2.5 billion to acquire Melio, an Israeli digital platform that simplifies business-to-business (B2B) payments for small and medium-sized businesses. Accounting and payments are critical needs for SMEs and increasingly, being able to integrate your accounting software with A/C Payable and Receivable software is viewed as "must have".

Equities

Domestic equities—Sustainable income

Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three- to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures**—Return on assets, cashflow, return on invested capital and return on equity
- **Liquidity and leverage**—Net debt to equity
- **Efficiency**—change in revenue, EBITDA, and margins
- **Management signalling**—dividend growth and pay-out ratios.

Code	Company	Sector	Market price ($)	Consensus price target ($)	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking (%)	Div. yield (%)	1yr DPS growth (%)	MSCI ESG rating
SUN	Suncorp Group Ltd	Financials	$21.28	$21.94	17.9	2.18	100%	4.1%	4.8%	AAA
MQG	Macquarie Group Ltd	Financials	$225.16	$226.21	20.6	2.32	35%	3.2%	7.4%	AA
ANZ	ANZ Group Holdings Ltd	Financials	$33.67	$29.11	14.6	1.40	75%	4.8%	0.1%	AA
QBE	QBE Insurance Group Ltd	Financials	$21.65	$23.64	11.2	1.96	25%	3.4%	-0.4%	AAA
COL	Coles Group Ltd	Cons. Staples	$23.88	$23.21	25.0	8.39	100%	3.3%	10.0%	AA
MTS	Metcash Ltd	Cons. Staples	$4.20	$4.23	15.7	2.84	100%	4.5%	8.9%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc.	$5.88	$5.77	31.6	40.65	100%	3.1%	8.8%	AAA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	$0.98	$0.93	32.7	1.79	0%	2.3%	17.4%	AA
TLS	Telstra Group Ltd	Comm. Services	$4.89	$4.95	23.9	4.01	100%	4.1%	4.5%	AA
CAR	CAR Group Ltd	Comm. Services	$40.44	$39.74	36.6	na	0%	2.2%	13.1%	AA
RMD	ResMed Inc	Health Care	$42.08	$47.91	25.2	6.73	100%	0.6%	10.1%	A
PME	Pro Medicus Ltd	Health Care	$298.81	$298.92	196.8	121.47	100%	0.3%	36.0%	BBB
REP	RAM Essential Services Prop	Real Estate	$0.62	$0.78	13.4	1.55	0%	8.1%	2.0%	N.S.
MGR	Mirvac Group	Real Estate	$2.36	$2.41	18.2	1.03	0%	4.1%	8.2%	N.S.
IRE	IRESS Ltd	Info. Tech	$8.72	$9.47	24.4	4.21	0%	2.7%	13.4%	AA
DBI	Dalrymple Bay Infrastructure L	Industrials	$4.37	$4.84	23.1	2.06	58%	5.5%	3.8%	N.S.
ALX	Atlas Arteria Ltd	Industrials	$5.33	$5.50	24.8	1.26	0%	7.5%	3.5%	AA
APA	APA Group	Utilities	$8.81	$8.79	44.9	4.31	0%	6.6%	1.7%	AAA
ALD	Ampol Ltd	Energy	$29.40	$32.59	18.5	2.25	100%	3.1%	41.7%	N.S.
BPT	Beach Energy Ltd	Energy	$1.20	$1.29	7.1	0.87	100%	5.1%	41.0%	AAA
BHP	BHP Group Ltd	Materials	$43.19	$42.25	14.5	3.01	100%	2.5%	-3.3%	A
AMC	Amcor PLC	Materials	$13.14	$16.75	10.5	1.69	0%	4.0%	3.2%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31st August 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

CAR Group (CAR AU)—Buy. CAR has grown its dividend every year since listing in 2009, growing at a 13.5% compound annual growth rate. It has leveraged its first mover advantage into a significant network effect in the Australian market. There is considerable scope for growth among its international segments, where it is yet to maximise yield from its clear advantage.

Ampol (ALD AU)—Buy. Ampol recently bounced 10%, after a draw down comparable with Covid levels. On a relative basis to the ASX, it still trades at a ~20% PE to the ASX200. A recovery in refining margins should reduce leverage to target range of 2.0-2.5x and increase payout ratio to the high end of the range.

Atlas Arteria (ALX AU)—Buy. Citi analysts see the biggest disconnect from fundamentals amongst their infrastructure coverage in ALX, with the stock trading -1 standard deviation below its historic average EV/EBITDA. With an 8% dividend yield, ALX provides investors with significant income compensation vs peers.

Equities

International equities—Best sector ideas

Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to EBITDA
- **Efficiency**—Capital expenditure to sales
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
GOOGL US	Alphabet Inc	Comm. Services	USD	212.91	220.94	20.2	0.3	2,578,563	BBB
UMG NA	Universal Music Group NV	Comm. Services	EUR	24.14	29.39	24.4	2.5	51,775	AA
DIS US	Walt Disney Co/The	Comm. Services	USD	118.38	133.19	20.2	1.0	212,839	A
9988 HK	Alibaba Group Holding Ltd	Cons. Disc.	HKD	115.70	153.40	13.9	1.2	283,078	BBB
NKE US	NIKE Inc	Cons. Disc.	USD	77.37	78.61	46.1	2.2	114,268	BB
SBUX US	Starbucks Corp	Cons. Disc.	USD	88.19	96.97	40.0	2.9	100,246	A
ABNB US	Airbnb Inc	Cons. Disc.	USD	130.53	138.87	30.4	0.0	81,116	BB
RMS FP	Hermes International SCA	Cons. Disc.	EUR	2091.00	2464.54	48.4	1.0	258,140	A
COST US	Costco Wholesale Corp	Cons. Staples	USD	943.32	1077.04	52.0	0.6	418,341	A
288 HK	WH Group Ltd	Cons. Staples	HKD	8.34	8.91	9.0	1.2	13,726	N.S.
SHEL LN	Shell PLC	Energy	GBP	2724.00	2998.09	12.3	0.1	214,966	AA
LSEG LN	London Stock Exchange	Financials	GBP	9168.00	12315.89	22.9	1.7	65,079	AA
LLOY LN	Lloyds Banking Group PLC	Financials	GBP	79.52	91.21	10.6	5.2	63,944	AA
WFC US	Wells Fargo & Co	Financials	USD	82.18	87.25	13.7	2.3	263,259	BB
2318 HK	Ping An Insurance Group	Financials	HKD	56.30	69.96	7.3	4.9	144,167	A
939 HK	China Construction Bank	Financials	HKD	7.51	9.07	5.3	5.3	258,337	AA
MA US	Mastercard Inc	Financials	USD	595.29	646.29	36.4	0.6	538,149	AA
JNJ US	Johnson & Johnson	Health Care	USD	177.17	177.88	16.3	3.0	426,685	A
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	358.80	454.33	14.3	3.8	250,986	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	473.30	584.24	58.4	0.0	169,665	A
EXPN LN	Experian PLC	Industrials	GBP	3832.00	4424.50	29.5	0.0	47,485	A
DSV DC	DSV A/S	Industrials	DKK	1413.00	1771.10	27.1	0.6	53,227	AA
2330 TT	Taiwan Semiconductor	Info. Tech	TWD	1160.00	1374.45	19.6	1.9	984,004	AAA
ASML NA	ASML Holding NV	Info. Tech	EUR	636.60	743.35	26.7	1.3	293,183	AAA
MSFT US	Microsoft Corp	Info. Tech	USD	506.69	624.70	32.6	0.8	3,766,311	AA
ACN US	Accenture PLC	Info. Tech	USD	259.97	325.88	20.1	2.5	162,105	AA
SHW US	Sherwin-Williams Co/The	Materials	USD	365.83	375.74	32.3	0.9	91,214	A
EQIX US	Equinix Inc	Real Estate	USD	786.19	954.50	53.8	2.6	76,940	AA
ORSTED DC	Orsted AS	Utilities	DKK	193.15	245.02	10.3	4.7	12,721	AAA
				Average Yield:			**1.8%**		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31st August 2025. ESG is environmental, social, and corporate governance.

Equities

Thematic investing—Trade wars

Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change.
- Cryptocurrency and blockchain.
- Demographics.
- Electric vehicles.
- Healthcare and genomics.
- Energy transition.
- Artificial Intelligence.
- Security and safety.
- Supply chain disruption.
- Sustainable investing.

Climate Adaption—Select exposures

Climate adaption incorporates funding resilient infrastructure, technology, and natural solutions that mitigate climate risks, enabling economies and companies to thrive despite environmental volatility and shifting regulatory landscapes.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
KSP ID	Kingspan Group PLC	Industrials	EUR	$65.90	87.40	17.2	1.0	14,033	AA
ALO FP	Alstom SA	Industrials	EUR	$20.54	22.79	12.5	1.6	11,098	AA
ORSTED DC	Orsted AS	Utilities	DKK	$193.15	245.02	10.3	4.7	12,720	AAA
NEE US	NextEra Energy Inc	Utilities	USD	$72.05	83.29	19.6	3.4	148,372	AA
EAF US	GrafTech International	Industrials	USD	$9.88	12.75	na	0.0	255	N.S.
VWS DC	Vestas Wind Systems A/S	Industrials	DKK	$127.00	139.88	23.3	0.2	20,092	AAA
HON US	Honeywell International	Industrials	USD	$219.50	251.61	20.7	2.2	139,360	AAA
APD US	Air Products & Chemicals	Materials	USD	$294.11	325.17	24.5	2.5	65,455	A
KNEBV FH	Kone Oyj	Industrials	EUR	$53.72	56.16	26.2	3.7	33,257	AA
ILMN US	Illumina Inc	Health Care	USD	$99.96	110.08	22.2	0.0	15,364	A
RWE GR	RWE AG	Utilities	EUR	$34.22	42.19	16.2	3.7	29,766	A
ENPH US	Enphase Energy Inc	Info. Tech	USD	$37.70	41.64	14.1	0.0	4,929	N.S.
KSP ID	Kingspan Group PLC	Industrials	EUR	$65.90	87.40	17.2	1.0	14,033	AA

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Adelaide	**Brisbane**	**Melbourne**	**Sydney**
	Level 18		
Level 26	Riverside Centre	Level 17	Level 32, Chifley Tower
91 King William Street	123 Eagle Street	101 Collins Street	2 Chifley Square
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