Outlook 2026

Rate cuts, reflation and the race for AI dominance

Core Offerings December 2025

Chief Investment Office, Australia

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

Forward-looking
for generations

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Chief Investment Office

A wave of caution has swept over markets as 2025 draws to a close. And there's little doubt that this year has embodied much of the 'disruption' as well as the 'opportunity' we identified in last year's outlook piece, "*Navigating disruption, discovering opportunity*". Post the shock of Liberation Day, a cavalcade of geo-political events have largely proved 'surmountable', with trade deals struck, (some) global wars resolved and US bills and budgets passed. As forecast, tariffs have not been the inflation threat many thought, and with a much more moderate slowing in growth than expected, markets have delivered stellar returns in 2025. The opportunity has been to be remain constructive.

As we look ahead to 2026, battling questions around the longevity of artificial intelligence's (AI) dominance, we anticipate geo-political volatility will persist, but take a backseat to more macro factors. While global activity faces further slowing into early 2026, as trade disruption weighs, we forecast a cyclical credit-led growth recovery to emerge by mid-year that brings an end to central bank rate cuts – a more reflationary environment that initially supports equity markets higher through H126, but turns more challenging as the threat of liquidity withdrawal resurfaces.

Reflecting this, we further position for reflation as 2026 gets underway, looking through the recent market jitters to add some additional equity risk – and move underweight fixed income – for the immediate period ahead. Few would deny the complex market we face, where active management and truly diversified portfolios will earn their keep. Even those sold on the AI revolution should ensure portfolios aren't over-exposed. Equally, building in additional inflation protection for the next couple of years ahead should be paramount for those who value portfolio resilience.

"Major central banks are in the midst of meaningful rate cutting cycles. That loosening is starting to generate a change in the global macro theme, away from 'tight money', and towards 'reflation'."

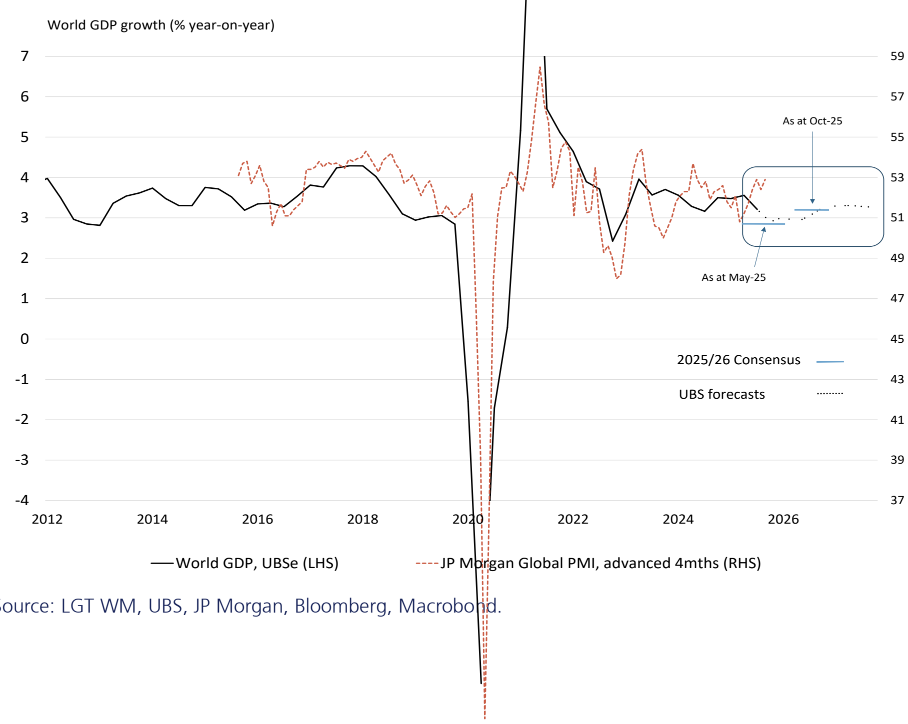
Longview Economics, September 2025

Elevating 'reflation' to our base case…but it's more 'growth' than 'inflation'

Charles Kindleberger's "*Manias, Panics and Crashes*", while penned in the late 1970s, reached the peak of its fame in the wake of the 2007–2009 Global Financial Crisis. His historical framework analysed periods of speculative excess – or bubbles – from the 1630 Tulip Mania to the 1929 Great Depression. His enduring thesis was that while many forces can fuel a speculative upswing, there's ultimately only one force that ends a bubble, namely, the withdrawal of liquidity.

The performance of markets and economies as we traverse 2026 is likely to be intimately impacted by the durability of the AI thematic, from the performance of companies to the impact on economic growth of its unfolding capex pipeline. Judging the AI thematic's path with confidence is near impossible (albeit watching semi-conductor margins for pressure may provide some warning).

Figure 1: Slower growth into early 2026 – but slowing has been much less austere than expected



Source: LGT WM, UBS, JP Morgan, Bloomberg, Macrobond.

Yet the ongoing macro backdrop of benign inflation and lower central bank rates, gives us some comfort that liquidity withdrawal – through Kindleberger's lens – is not in our immediate future. However, it is now a risk we see emerging as we move beyond the middle of next year.

"With the increasing risk of more frequent and more intense novel shocks likely to occur across global economies, and social and environmental systems, a focus on resilience ensures our investment portfolio remains aligned with our long-term goals".

Future Fund
November 2025

In our October Core Offerings, "*Reflation risks rising*", we reaffirmed our central case preference to remain constructive on markets. As we wrote, "markets should be able to continue navigating higher as global growth slows (but doesn't collapse), inflation stays benign (at least outside the US) and central banks trim rates just a few more times". While the risk of a more sinister disinflationary shock wasn't entirely dismissed, we took the opportunity to up-weight our perceived risk that over the coming year we may enter a period of 'reflation' – more growth and less disinflation.

As 2026 comes into view, we now elevate 'reflation' to our central case for the year ahead. While economists typically view reflation as a period where economies are recovering from below target inflation (or even deflation), financial markets more commonly see it as any period where growth is accelerating, and inflation is rising (from virtually any starting point). As discussed below, we see a period during H126 where the reflationary impulse is driven mostly by a moderate credit-led growth recovery. However, there is then a risk this gives way to a period where liquidity is no longer being added (rate cuts end), and the longevity of the upward market cycle becomes a focus.

Three macro considerations for the year ahead…

- **Global growth should slow further into early 2026** – a lack of US data visibility complicates our assessment of the outlook. Nonetheless, the US jobs market is slowing due to still-tight policy, the tariff-induced trade shock has stalled H225 growth in Europe, the UK and Japan, while China has yet to stall its weakening momentum. This is likely to bleed into early 2026 activity, keeping inflation benign, and underpinning further modest rate cuts (in the US, the UK and others).
- **Growth should reaccelerate beyond Q126** – monetary policy acts with a lag, and with global central banks in 2025 amidst a meaningful cutting cycle (and the US Federal Reserve (US Fed) adding more liquidity in December by ceasing QT), a credit-led recovery in the non-AI economy – led by consumer and housing sectors – is now our 2026 central case. Fiscal easing in the US, China, Europe (having already halved the policy rate to 2%) will also support growth.
- **Challenges could arise in H226 as jobs markets re-tighten** – this would likely forestall any further rate cuts. And should inflation trends deteriorate, tighter monetary policy could eventually follow (as early as late 2026). The evolution to a more inflationary 'reflation' impulse, and reversal of liquidity, could pose challenges for both equity and bond markets later in 2026. Monitoring that evolution will prove a key macro driver for returns as 2026 unfolds.

In a more reflationary cycle, increased exposure to real assets (infrastructure, but also commodities), as well as low-beta hedge funds, should add to portfolio resilience.

Three portfolio considerations consistent with reflation…

- **Cycle shifts and tail risks could drive volatility** – as our secular outlook defines, the world is more complex. Markets are also more vulnerable when valuations are 'full'. Risks around an earlier than expected 'checking' of the AI thematic, a Japan carry-trade 'bust' or numerous geo-macro events, could challenge the markets' ability to navigate higher for a time (at any time).
- **Active management will add defence** – we continue to view active management as more likely to be a defence where indices are concentrated and dispersion across sectors and regions remains a persistent theme in the year ahead. Monitoring diversification and avoiding over-exposure to dominant themes (like AI or defence) will also be key to portfolio resilience.
- **More inflation protection may be needed** – in a more reflationary cycle (within an ongoing more inflationary secular outlook), increased exposure to real assets (infrastructure, but also commodities), as well as low-beta hedge funds, should add to portfolio resilience. We now take a more neutral view on fixed versus floating exposures (having previously favoured fixed).

"After decades of deflation and weak growth, Japan is finally seeing an acceleration in nominal growth. Inflation has broadened, wages are rising, and both companies and households are shedding their deflationary mindsets."

Wellington
October 2025

Three tactical decisions we've made for 2026…

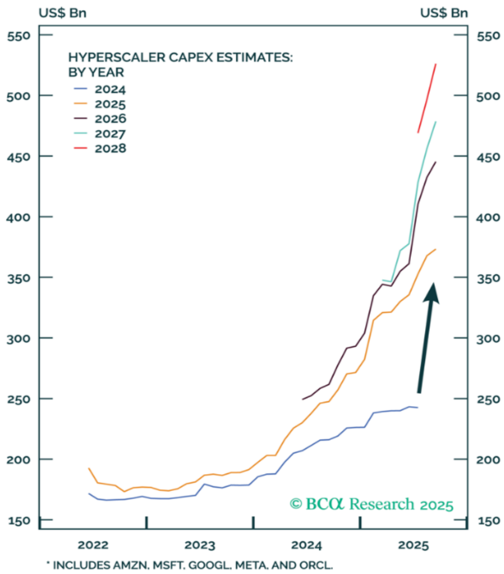
- **Adding modestly to our equity overweight** – we are lifting our equity overweight from +1 to +2. Concentration of AI and elevated valuations keep us neutral US equities for now, with our overweight biased to Japan and Europe (where we continue to embrace positive structural themes across growth and earnings). We add to our equity position by closing our Australian underweight, which has performed well over recent months (but reached peak historic underperformance). Being neutral Australia should provide more defence should emerging markets recover strongly – it is also a market with a lower beta to the technology thematic, providing diversification benefits in the event of a correction.

- **Funding this by trimming high-yield credit** – we remain underweight government bonds, a non-consensus view that may detract from performance near-term as growth slows. We move underweight fixed income by trimming high-yield (HY) credit but remaining +1 in (quality) investment grade credit. While we have harvested strong carry in HY, its higher beta to slowing growth (and the end of the rate cutting cycle) makes it an appropriate funding source.

Recent strong market gains since Liberation Day suggest the risk of a meaningful near-term correction remains. Reflecting this, we retain only a small underweight to cash to ensure liquidity to respond to future drawdowns.

- **Maintaining only a small underweight to cash for liquidity** – recent strong market gains since Liberation Day suggest the risk of a meaningful near-term correction (but not bear market) remains. Reflecting this, we retain only a small underweight to cash to ensure liquidity to respond to future drawdowns. Were US equities to correct sharply over coming months (absent systemic or structure inflation factors), we'd be more inclined to add further to risk.

Figure 2: Capex is set to boost economic activity in 2026…could the bullish narrative shift?



"We are not yet displaying 'top of a bubble' characteristics. Capex from hyperscalers has been rising aggressively. However, a key difference is the free cash flow available to the big firms today. Their net debt, their margins, and earnings are dramatically different to those in the 1990s. The number of M&A and IPO deals don't suggest euphoria".

UBS Outlook,
November 2026

Source: FactSet, BCA Research

The race for AI dominance

We note the well-founded concerns around AI over-investment, revenue expectations, and whether Large Language Models (LLMs) like ChatGPT can ultimately add enough value to the broader economy to justify their expense. That said, while LLMs are the current posterchild for AI, we are also seeing development shift towards different paradigms, including agentic AI and integration with robotics. Advances in these areas could unlock further productivity gains, while the broader economy is rapidly rolling out and testing the real-world practicality of LLMs in the workplace.

Both superpowers have invested heavily in supporting their national AI champions, with recent US government investments into Intel and the recent court ruling preserving Alphabet from break-up two key case studies.

We also see an important geo-political dimension beyond these private sector fundamentals – both the US and China openly view the race for AI supremacy as a key theatre within their broader geo-strategic rivalry. As such, both superpowers have invested heavily in supporting their national AI champions, with recent US government investments into Intel and the recent court ruling preserving Alphabet from break-up two key case studies. As this global race for AI rapidly adopts 'Manhattan Project'-esque urgency, we expect both nations (and perhaps the Eurozone) to maintain a strong level of state support for AI investments over the medium-term, a dynamic which could provide further fuel to the AI 'bubble' and potentially sustain it for longer than might appear rational.

Equities – a year of more measured returns?

With AI euphoria having driven significant gains, and valuations not cheap, we are faced with a 2026 outlook that may need a more measured assessment of future returns.

With global equities having another strong year – up 19% (14% in AUD terms) – despite a bear market in April, it likely increases the hurdle for a positive outcome in 2026. With AI euphoria having driven significant gains, and valuations full, we are faced with a 2026 outlook that may embody more measured returns. Indeed, if 2026 is to be the fourth consecutive year of positive returns, it would be the first such streak since 2003–07 (five years) and before that 1993–99 (seven years). The recent quantum of returns is also striking. On a rolling three-year basis, the ~80% cumulative return is close to 'as good as it gets' over the past 40 years. This does not preclude another year of solid returns, as seen during the late 1980s, 2006–07 and 2012. But it is also worth noting that investors were forced to confront meaningful drawdowns in the year after.

Although we continue to expect the US to remain 'exceptional', it is expected that other regions will, at the margin, become more attractive.

With investors increasingly focused on AI spending plans, AI financing plans, and AI productivity gains, this arguably sets investors up for a more volatile investment environment. Sure, that may seem hard to imagine given the Liberation Day sell off. But it is worth noting that investors have not seen a 5% or greater drawdown outside of this period since September 2024. For now, equities look likely to embrace numerous tailwinds that remain supportive for future gains – continued policy easing, ongoing AI capex buildout, the end of US Fed QT, record corporate margins, and a broadening of participation, as the earnings 'delta' between equity cohorts narrows e.g., between large cap tech and the S&P 500; between Europe and the US.

At a high level, although we continue to expect the US to remain 'exceptional', it is expected that other regions will, at the margin, become more attractive. Just as higher interest rates removed the TINA trade for equities (There is No Alternative), we think US geopolitical policies – as it relates to China's technological access and European defence spending – has created alternative geographic access points for investors, at a time of record US dominance in equity markets. Japan is now a viable investment destination and although Emerging Markets have rarely seen both Indian and Chinese Equities perform well in tandem, it's possible that both these regions perform better next year. This leads us to a constructive equity market outlook, cognisant and watchful for drawdowns, and looking to allocate marginal dollars to non-US equity markets.

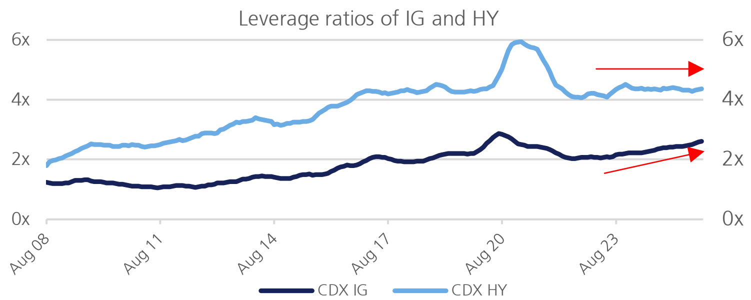
Where are the downside risks? If our base case for a reflationary economic backdrop proves too much, and the US economy overheats, it could make long end yields unpalatable for equities. The 'AI bubble' could burst, German fiscal stimulus may disappoint or take longer to permeate the economy. There are also US mid-term elections to navigate in H226, and the US labour market is showing signs of weakness. Some investor unease in credit markets, particularly the burgeoning private credit sector, also bear watching.

Fixed Income – credit should outperform bonds as reflation emerges

Fixed income investors should initially be beneficiaries of the near-term phase of moderating growth and further central bank cuts. Yield curves in major markets such as the US, UK, and Australia are expected to stay moderately steep, as long-term yields continue to respond to fiscal developments. A renewed reflation environment through 2026 could also add upside impetus to long-dated yields. Domestically, the Reserve Bank of Australia (RBA) is expected to remain data dependent ahead, focused on job market weakness to balance recent inflation surprises. The potential for more upside surprises in inflation means investors should not be complacent. Australian government bond yields may continue to underperform global peers, given the RBA's more cautious stance.

Within investment grade credit, fundamentals across corporate leverage and debt servicing remain healthy, supported by stable earnings. Credit spreads are close to their cycle lows, yet outright yields continue to attract demand. We anticipate robust supply in 2026, as borrowers seek to lock in funding. Floating-rate structures should remain popular, especially as policy rates base. Within investment grade credit, we will be closely monitoring leverage metrics, particularly to assess whether AI-related capital expenditure issuance remains at sustainable levels. We continue to maintain a quality bias in investment grade credit. While spreads may widen should macroeconomic conditions deteriorate, the underlying fundamentals should help protect portfolios. High yield markets present a more nuanced picture, being toward the richer end of history with yields below recent peaks, limiting return prospects. While carry income likely declines as final rate cuts are delivered, a reflationary environment through mid-2026 may benefit credit, generally.

Figure 3: Comparison of Debt/EBITDA for Investment Grade and High Yield credit - we continue to maintain a quality bias in investment grade credit



Source: Bloomberg, Goldman Sachs

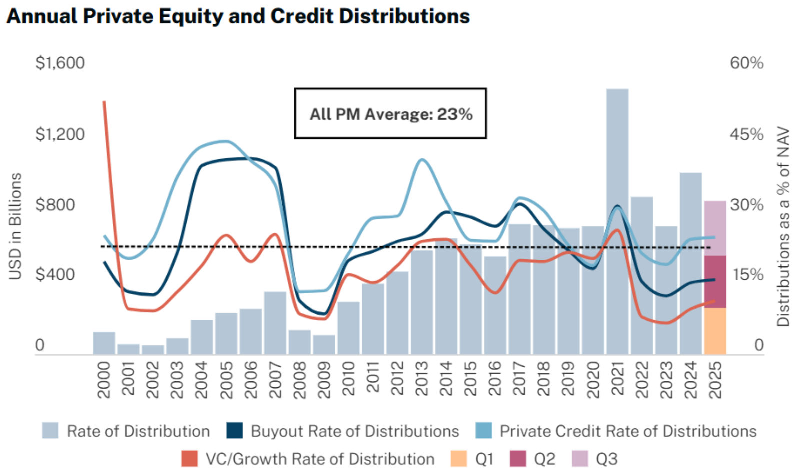
Alternatives – a source of portfolio resilience

The big question mark sits alongside the outlook for private equity, which has been challenged for some time and now lags its public counterparts on a trailing 5-year basis.

Private markets are experiencing similar challenges to public markets with some sectors also reporting stretched valuations and demonstrating high exposure to AI market themes. Some examples include investments in energy and data centre assets and technology financing. Alternative investments nonetheless do provide a differentiated source of portfolio resilience via infrastructure and hedge fund exposures.

- **Private Equity** – exits remain muted relative to the overall market net asset value. There are however signs of improvement across traditional routes e.g., IPO and trade sales where valuations appear elevated but not grossly over-valued. Secondaries remain our preferred space through 2026 as we like more complex GP-led secondaries relative to discounted LP-stakes. These investments are becoming increasingly competitive amid excessive evergreen capital flows, particularly in the US. Venture capital and growth equity are capturing major AI growth trends outside of the larger public stocks. We expect this to continue but it's not without risk, as paper gains are just that – we will be looking to appropriately diversify to reduce overall risk.

Figure 4: In absolute numbers, exits (distributions) are on track to be the second highest on record but as a percentage of Net Asset Value, the level of PE exits (distributions) are only just above GFC levels.



Source: Hamilton Lane Data via Cobalt (October 2025)

- **Private debt** – in light of recent global media 'noise', we continue to believe that private debt remains incredibly well-positioned for 2026. Despite interest rates and spreads declining, private debt relative to its public counterparts continues to outperform. In the coming year, secondaries are particularly attractive in diversifying exposures and asset-based finance is also an attractive alternative diversifier to corporate debt. Looking forward, manager dispersion is likely to be heightened across all private equity, venture capital and debt, so partnering with the right firm is becoming more imperative.
- **Private Infrastructure and Real Estate** – these are likely to continue to grow in prominence in portfolios. Private infrastructure's exposure to major mega-trends including digitisation and decarbonisation should perform well next year given its clear linkages to AI and underlying inflation-linked revenue streams. Supply constraints across sectors locally combined with increasing tenant demand, points to improving prospects for domestic commercial real estate. Potential future rate cuts and their impact on cap rates is also an upside risk for 2026. We continue to see value in building out core-plus and value-add (infrastructure) exposures via secondaries globally, particularly in mid-market assets that have historically been valued at a discount to large cap assets.
- **For Hedge Funds** – we believe the current environment (close to full equity valuations and tight credit spreads) are increasingly conducive to its core return drivers. JP Morgan referred to the 'end of the alpha winter', quoting higher rates, elevated equity volatility, and high stock dispersion, which are all expected to be in play through 2026. We believe that hedge funds and other diversifying return streams (notably insurance, royalties and litigation) have the ability to deliver attractive risk-adjusted returns that are uncorrelated to traditional markets and will have a more important role in portfolios over the coming year.

What’s driving our views?

Reflation is now our base case scenario for 2026

As we look out to 2026, we are now increasingly convicted that reflation – a pick-up in the pulse of both growth and inflation – is the most likely scenario for economies and markets. We continue to believe that trade and geo-political uncertainty are moderating, reducing downside risks from these fronts. Furthermore, easing fiscal and monetary policy, as well as the ongoing roll-out of artificial intelligence (AI), should add further tailwinds to the global economy. As such, we maintain our constructive positioning, recognising that equity markets are expensive and vulnerable to downside shocks.

The Supreme Court’s expected ruling on the Trump Administration’s reciprocal tariffs is a key near-term event to monitor between now and Christmas. If the tariffs are struck down, that could lead to upward pressure on US bond yields as it would remove a key revenue pillar offsetting US fiscal stimulus.

More broadly, cooling labour markets and benign inflation outcomes should allow global central banks to maintain a dovish bias to see out 2025. We expect the pulse of easier global monetary policy to support a cyclical recovery for the global economy, particularly in more interest-rate sensitive areas such as the housing and industrial sectors. Further modest easing of mortgage rates in the US should help to further unlock the significant excess homeowners’ equity on US household balance sheets. In the meantime, the ongoing AI build-out is contributing as much to US economic growth as the US consumer (which typically makes up 66% of the US economy) and could circumvent US recessionary risks in the near-term.

We acknowledge the well-founded concerns around AI over-investment, revenue expectations, and whether Large Language Models (LLMs) like ChatGPT can ultimately add enough value to the broader economy to justify their expense. That said, while LLMs are the current posterchild for AI, we are also seeing development shift towards different paradigms, including agentic AI and integration with robotics. Advances in these areas could unlock further productivity gains, while the broader economy is rapidly rolling out and testing the real-world practicality of LLMs in the workplace. This should support a broadening of the admittedly extended equity rally to smaller and mid-sized companies and to regions outside the US. Of course, we also acknowledge the justified angst that a bubble may be forming amongst hyperscalers like the Magnificent 7.

Our overall expectation is that 2026 sees resilient economic activity supported by the lagged impact of monetary easing, imparting renewed underlying inflationary pressures as we enter 2026, limiting the extent to which central banks can cut and imparting upside risks to government bond yields.

We have further tilted our tactical positioning to reflect this view. We have closed our underweight to Australian equities and closed our overweight to high yield credit bonds. As a result, we are now positioned underweight cash, underweight fixed income, and overweight equities, with a preference for Japan and Europe.

Key cyclical views

Policy uncertainty has peaked. Our constraints-based framework tells us that trade and geo-political uncertainty has peaked, suggesting that the most intense period of risk may now be behind us. While these challenges remain an ongoing concern for markets and economies, and investors should prepare for further potential shocks, recent developments in international relations and trade negotiations point towards moderating global uncertainty. This reduction in downside risk should provide more confidence for policymakers and investors. Of course, we recognise that new risks can always emerge, but current trends imply a more constructive environment for global growth.

Central banks may be on hold beyond Q126. While policymakers should maintain a dovish line into Q1, a resilient US economy and rising reflationary risks may leave central banks on hold as the year progresses and the potential for rate hikes may come into the picture late in 2026.

Opportunities are ripe for ‘active’ hunters versus ‘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, and an active approach should continue to pay dividends amid increasing market concentration risks.

Fortune favours the bold: The current environment 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 adjusting to a multi-polar world, an environment that will likely create more volatility and uncertainty but also present more growth and opportunities for investors who have put in the time and effort to understand how to navigate and invest in a multi-polar world.

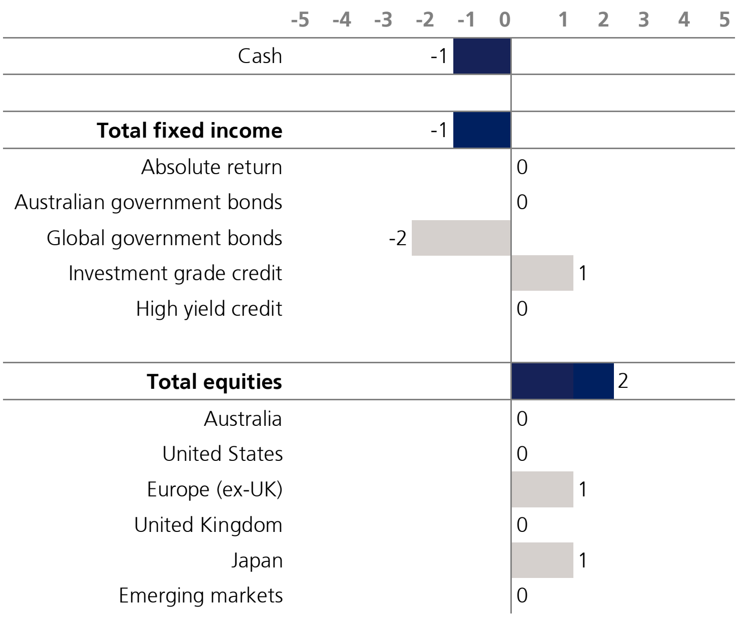
The energy transition is growing more challenging: Policy uncertainty, cost, energy security, and more extreme physical impacts are likely to complicate an already-challenging energy transition.

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

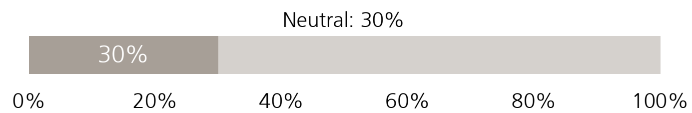
Higher base rates increase investor options: We expect interest rates to remain higher-for-longer, particularly relative to the post-GFC zero rate policy environment. Higher base rates increase forward-looking returns across all asset classes, giving investors more options to build robust, multi-asset 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 assess reflation to be the base case scenario for 2026 which should support risk assets but impart upward pressure on bond yields. That said, a disinflationary negative growth shock remains the key downside risk on our radar.

The ongoing roll-out of AI presents a potentially enduring tailwind to productivity and earnings, though it brings with it risks longer-term to current labour structures.

Cash: We remain underweight cash this month, though we retain ample dry powder to deploy into any buying opportunities that may emerge.

Fixed income: We have moved underweight fixed income, favouring investment grade credit over global government bonds, reflecting our positioning for reflationary risks and also recognising ongoing tightening of credit spreads.

Equities: We have closed our underweight to Australia, harvesting some profits from the local bourse's underperformance in recent months. We remain overweight equities and retain our preference for European and Japanese equities.

Active portfolio weights and active tactical asset allocation tilts

		Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash		**-1**	**3**	**3**	**3**	**3**
Fixed income	∨	**-1**	**51**	**33**	**15**	**12**
Absolute return		0	11	6	2	2
Australian government bonds		0	13.5	7	3.5	2.5
Global government bonds		-2	11.5	5	1.5	0.5
Investment grade credit		1	12	13	6	5
High yield credit	∨	0	3	2	2	2
Equities	∧	**2**	**24**	**42**	**60**	**40**
Australia	∧	0	9	16	24	11
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**

∨ Decreased weight this month   ∧ Increased weight this month

Source: LGT 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 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

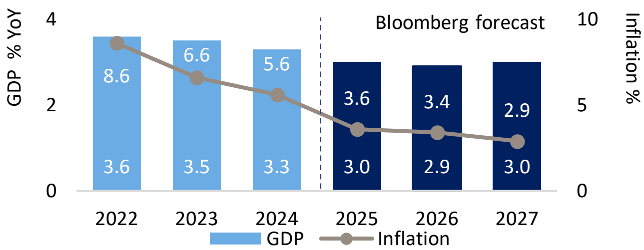
As 2025 draws to a close, the anticipated slowing in global growth during H225 has proved less austere than anticipated in the wake of the Liberation Day shock. Together with a cavalcade of geo-macro developments that have inevitably proved 'surmountable' – from the trade deals, the US's One Big Beautiful Tax Bill, through to Middle East unrest - the macroeconomic backdrop has also leaned positive, with our view that tariffs were ultimately globally disinflationary underpinning ongoing central bank easing that now holds the prospect of a cyclical recovery in growth from Q1 next year. As Longview Economics notes, "major central banks are in the midst of meaningful rate cutting cycles. That loosening is starting to generate a change in the global macro theme, away from 'tight money', and towards 'reflation'".

Despite a renewed escalation in the US-China trade dispute during October, and the US government shutdown that limited data visibility, the broadly calmer geo-political backdrop over recent months has largely remained intact (including a delicate cease-fire in the Middle East). The key policy changes from the early November US-China 'in-person' summit include a halving of the across the board additional 20% fentanyl tariff to 10%, postponing the latest tariff plans and export controls (including rare earths), while China agreed to purchasing more soybeans.

Global growth appears likely to slow further into early 2026, as US growth proves less resilient in Q4 and recent flatter activity in Europe, UK and Japan persists. However, we anticipate a credit-led growth recovery through 2026, as the lagged impact of recent and broad-based central bank rate cuts and renewed fiscal stimulus in Europe, the US, China and Japan support cyclical consumer and housing sectors globally, as well as non-Ai capex. While a more reflationary backdrop is likely to be initially reflected in moderately improved growth momentum and tighter jobs markets through H126, H226 may see central banks pause rate cuts and turn their attention to the need to start removing liquidity, should inflation re-accelerate.

After 3.4% in 2024, consensus world growth has edged higher to 3.0% (from 2.8%) for 2025, with 2026 unchanged at 2.9%. UBS expects growth to remain more resilient in 2025 at 3.3%, slowing to a still above consensus 3.1% for 2026.

Global GDP growth and inflation



Source: Bloomberg

Australia

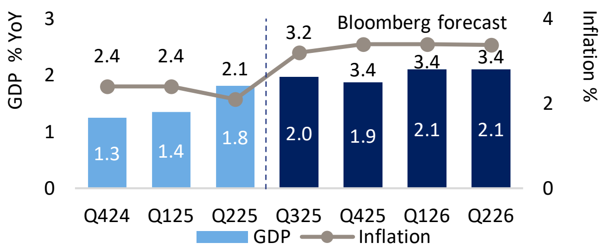
Over recent months, the economy's cyclical recovery has continued to gather momentum. Moderately lower interest rates have improved sentiment and demand across both housing and consumer sectors, lifting growth from below 1% in mid-2024 to almost 2% by mid-2025. While we expect only a modest further pick-up in growth to a little over 2% in 2026, this should still embody a passing of the baton from previously dominant public sector activity to more private-led growth. Key to the outlook is whether a still tight jobs market and the recent higher inflation data is flagging a lower 'potential' growth rate, due to persistent productivity headwinds; or an historically sub-trend 2% pace of growth can provide scope for renewed disinflation and further modest rate cuts during 2026, supporting a faster pace of activity.

Growth rose a solid 0.6% in Q2, after 0.3%, with the annual pace lifting from 1.3% to 1.8%. "Demand is increasingly driven by private demand", as UBS notes. Recent data have provided further evidence of a better trend, with the soon-to-be released Q3 data expected to show another solid 0.6% gain. Consumer sentiment has rebounded, as have businesses forward orders, while the jobs market reversed the recent rise in unemployment, retracing to 4.3% from 4.5%. September's consumer spending recovered to 5.1% from 4.9% (albeit below expected), while credit growth is also accelerating, led by lending for housing.

Inflation surprised meaningfully higher in Q3, with the key core trimmed mean rising to 3.0% from 2.7% (the top of the target). October's new monthly inflation data also surprised unexpectedly higher. Together with the recent retracement in unemployment, the latest spike in inflation has seen analysts remove rate cuts from their 2026 outlooks. The RBA remained on hold in November, noting "monetary policy remains a little restrictive", implying the cash rate is still seen as above 'neutral'. However, RBA comments make clear inflation remains a key concern, albeit their forecast is for a temporary pick-up in CPI before it resumes its downward decline.

UBS expects growth to have strengthened to 1.9% in 2025 (after 1.0%), before a further modest uplift to 2.2% in 2026. While CBA is similarly upbeat for 2026, Barrenjoey forecasts a slower sub-2% pace of growth for 2026.

Australian GDP growth and inflation



Source: Bloomberg

Economic outlook

United States

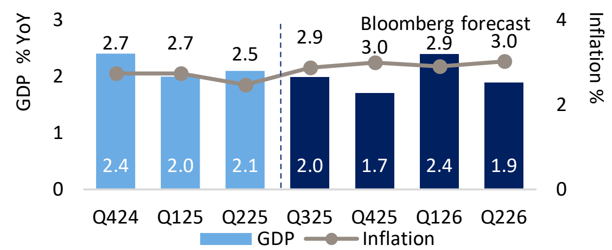
While a lack of data has complicated assessments of the US outlook, recent growth nonetheless appears to have been stronger than expected, albeit narrowly focused in high-income consumption and AI capex. While we continue to anticipate a 'soft patch' in US activity will emerge into early 2026, key to the rest of 2026 will be whether the lagged impacts of recent rate cuts, together with likely politically motivated fiscal stimulus, foster a stronger than expected cyclical recovery in consumer and housing activity. This has the potential to shift the narrative from further cuts to possible hikes into 2027. In the wake of the US government's re-opening and a US-China trade truce, we expect geo-political volatility will remain a feature of the US outlook, particularly as mid-terms come into view in early 2026, the Supreme Court decides on the Trump tariffs and a new US Fed Chair is appointed.

Growth in Q2 jumped by 0.9% (saar 3.8%), after Q1's 0.1% fall (-0.6%). But domestic activity eased further, rising just 0.2% in Q2, well below the 0.8% pace in H224. Amid limited new 'hard data' releases, the Atlanta Fed's Nowcast points to 4% (saar) Q3 growth, while November's composite purchasing managers' index (PMI) remained firm at 54.8 after 54.6. Delayed September jobs data also showed a 119,000 rise, above expected, though unemployment jumped to 4.4% from 4.3%. Consumer confidence has also been soft. Inflation has continued to drift higher, albeit lacking the tariff-induced thrust many had anticipated, with the US Fed's preferred core PCE measure rising to a five-month high of 2.9%, above the 2.0% target. According to MST Marquee, "tariffs are adding roughly 0.07% - 0.11% per month to core CPI, two-thirds from vehicles and one-third from household goods."

The US Fed followed its September rate cut of 0.25% (the first in 2025) with a further 0.25% cut in October, taking the funds rate to 4.0%. Lagged data releases are likely to impact the likelihood of a December rate cut, with increasing signs of a split between the 'hawks' and the 'doves' on the US Fed.

After strong growth of 2.8% in 2024, UBS forecast still solid growth of 1.9% and 1.7% for 2025 and 2026 (recently revised from 1.8% and 1.5%). Barclays Research has remained upbeat, forecasting growth of 1.9% in 2025 and 2.1% for 2026.

US GDP growth and inflation



Source: Bloomberg

Europe

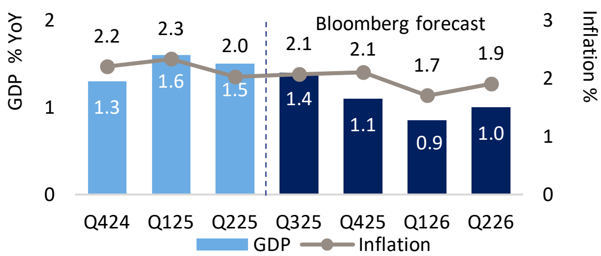
While growth in Europe looks set to be relatively lacklustre during H225 (as US tariffs impact and the global backdrop softens), we continue to believe renewed fiscal stimulus, and the lagged impact of lower rates, will improve activity through 2026. Despite the prospect that ongoing political dysfunction will present a headwind to Europe's growth, Longview Economics notes that "over the past few months, the European Parliament has quietly put its foot on the accelerator of regulatory reform. At the heart of that shift is the new 'Omnibus' package, which scales back two key pieces of [sustainability] legislation", something they expect will enhance economic momentum". With limited further progress on inflation, interest rates appear more likely to remain at their new lower 'neutral' rate, though further stimulus could be forthcoming should growth turn negative over coming quarters.

Growth in Q3 rose 0.2%, beating Q2's 0.1% pace, with the annual rate easing to 1.3% from 1.5%. There was regional divergence between Spain/France (strong) and Germany/Italy (weak). Near-term growth momentum has been mixed. Retail sales disappointed with a repeat 0.1% drop in September, further weakening an already soft consumer trend, albeit the jobs market remains tight, with September's unemployment still low at 6.3%. Positively for Q4, November's PMI showed resilience, remaining at 52.4 (was 52.5) after the solid rise in October (led by services).

Inflation in Europe remains well-behaved, easing 0.1% to 2.1% in October, reflecting lower energy and food prices, while core inflation was stable at 2.4%. As expected, the European Central Bank (ECB) kept the policy rate unchanged at 2.0% at its November meeting, and reiterated that it sees itself "in a good place". According to UBS, "the ECB appeared a bit more confident on the Eurozone's economic resilience". Absent renewed growth weakness, the ECB is widely seen to now be 'on hold' at 2.0%, broadly neutral.

After trend-like growth of 0.9% in 2024, stronger Q3 growth has led UBS to lift its 2025 forecast to 1.4%, stabilising at 1.1% in 2026. Barclay's Research expects a similar 1.4% in 2025 but weaker growth of 1.0% for 2026. Both see improving quarterly momentum through 2026, led by policy stimulus.

European GDP growth and inflation



Source: Bloomberg

Economic outlook

United Kingdom

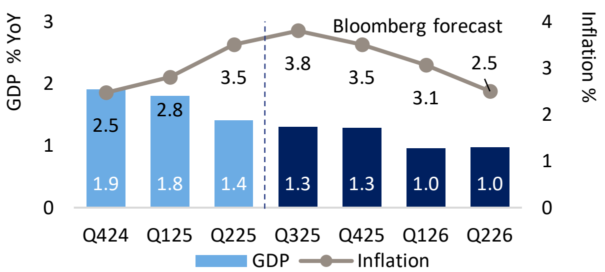
Despite stronger-than-expected H125 growth, recent data have confirmed a significant slowing in UK activity during H225, with a near-term fiscal tightening likely to impede any growth recovery during early 2026. However, with recent data showing "unemployment rising and wage growth continuing to ease", as noted by Barclays Research, and with inflation passing its recent peak, further reductions in interest rates seem likely over coming quarters. This has the potential to support a cyclical recovery in UK activity during 2026, led by the consumer and housing sectors, with business investment expected to strengthen and more than offset a likely softening in government activity.

UK growth rose just 0.1% in Q3, marking a slowdown compared to strong growth in H125 of 0.7% in Q1 and 0.3% in Q2. But the details were on balance more positive, with private and public consumption and capex together contributing 0.5 percentage points to Q3 growth. Recent data have been mixed. While retail sales proved resilient in September, up by 0.5%, its fourth consecutive gain, November's PMI retraced, easing to 50.5 from 52.2 (led by weaker services activity). Unemployment in the three months to September also rose to 5.0% from 4.8%, its highest since mid-2021.

According to the latest Bank of England (BoE) Minutes, "inflation is judged to have peaked, and progress on underlying disinflation continues, supported by the still restrictive stance of monetary policy". October's CPI revealed further signs of being past its recent peak, easing to 3.6% from 3.8%, while core inflation eased again, to 3.4% from 3.5%. At their November meeting, the BoE held rates at 4.0% in a narrow 5–4 vote but, according to BCA Research, "signalled readiness to resume easing in December as disinflation and labour weakness deepen". Barclays Research expects two further rate cuts to 3.5% over the coming year, while UBS forecasts three cuts to 3.25%.

After growth of 1.1% in 2024, UBS expects growth of 1.4% in 2025, before some moderation to 1.1% for 2026. Barclay's Research remains more upbeat, forecasting growth of 1.4% across 2025 and 2026 (revised slightly higher over the past few months).

UK GDP growth and inflation



Source: Bloomberg

Japan

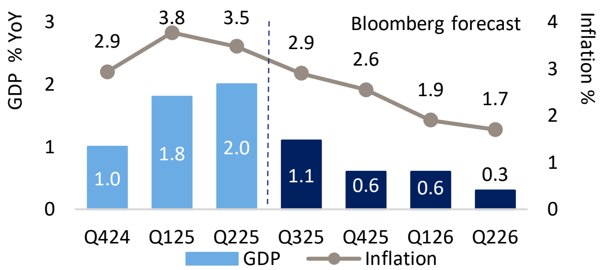
Data is revealing weaker growth in Japan in H225, reflecting a range of factors, from US-related trade uncertainty, the recent political uncertainty, and some reversal of the previously strong wages growth that had been supporting consumption. Despite this, the economy remains on a recovery path following decades of deflation with stronger growth likely to re-emerge as 2026 gets underway. Business conditions continue to improve, and the jobs market remains tight. According to UBS, "PM Takaichi [has] outlined a policy to strengthen Japan's economy. Key objectives include boosting incomes, consumer sentiment, business profits, and tax revenues without raising tax rates, aiming to foster a virtuous cycle of economic recovery. Priority areas for investment include AI, semiconductors, energy security, and defence."

Growth in Q3 beat expectations, but still fell 0.5% (-1.8% saar), its first decline in six quarters, led by sharply weaker housing activity. Consumer spending proved stronger than expected, a positive sign for future growth. Recent data have remained relatively upbeat. Unemployment was unchanged at 2.6% in September, little changed over the past year, while the Tankan business survey confirmed solid conditions and capex plans, which "were optimistically revised up" from already high levels, with the recent US-Japan trade agreement having a positive impact, according to UBS. September retail also rebounded modestly after two prior monthly falls.

After four months of easing, inflation has rebounded across September and October to 3.0% (from 2.7% in August), albeit still below its 4.0% high in January. Core inflation also rose from 2.7% to 3.0%. Having raised rates to 0.50% in January 2025, the Bank of Japan (BoJ) held rates steady in October, as expected. UBS now sees a policy hike from 0.5% to 0.75% in December, earlier than previously anticipated. But the Bank needs to avoid market surprises, as stated in the September meeting minutes.

With 2024 growth now revised to a contraction of 0.2%, and after a stronger-than-expected Q3 - UBS expects the growth rebound in 2025 to hit 1.3%, before a modest easing in 2026 to 1.0%. Barclays has also lifted its 2025 forecast from 1.0% to 1.1% and 2026 from 0.8% to 0.9%.

Japanese GDP growth and inflation



Source: Bloomberg

Economic outlook

China

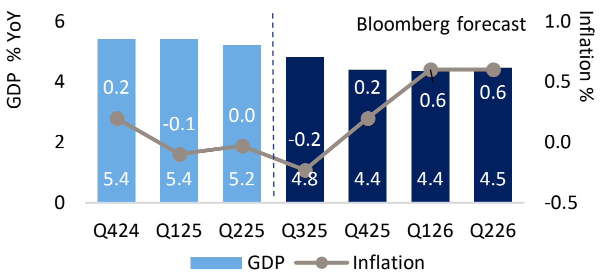
China's economy continues to face significant cyclical challenges, with the latest data revealing Q3 growth fell below the key 5% target for the first time in a year. The property sector has continued to deteriorate, while the factors supporting H1 growth – pre-tariff export demand and durable subsidies – are now fading. Despite this, China's growth is expected to remain in a 4-5% range over the next few years, significantly contributing to global growth momentum. Key structural positives include the ongoing offshoring of its manufacturing capacity, the acceleration in new economy sectors which should mitigate the ongoing property downturn, while the involution campaign continues to focus on reducing overcapacity. Modest additional policy support should also stabilise growth and supporting consumption.

China's Q3 growth slowed to a still robust 4.8% albeit below H125's average 5.3% pace. Strong export growth (6.6% in Q3 after 6.1% in Q2) together with resilient industrial output (5.8% after 6.2%) were key growth supports. Data for October reveal further slowing across the board. Property sales eased (-19% after -11%) while retail sales edged lower (to 2.9% from 3.0%), and fixed asset investment fell further (-11% after -7%). There were also a few signs that the current deflationary pressures are easing, with the CPI lifting to +0.2% after -0.3%.

We expect additional stimulus to emerge by early 2026. As noted by UBS, "the government has [recently] announced RMB 500bn in policy bank special bonds, which will serve as capex for infrastructure". However, according to BCA, "the 15th five-year plan proposal signals continuity rather than a sharp policy pivot. It reaffirms long-term growth ambitions, emphasizes domestic demand, and doubles down on technological self-reliance. The key challenge will be pursuing all these goals without reigniting old distortions or creating new structural imbalances."

After 5.0% in 2024 (in line with the target), both UBS and Barclays have recently raised their 2025 forecast to 4.9% and 4.8%, respectively. But both expect a sharp loss of momentum in Q4 (with sequential growth closer to 3%), driving more policy support and a growth stabilisation near 4-4.5% for 2026.

Chinese GDP growth and inflation



Source: Bloomberg

Emerging Markets

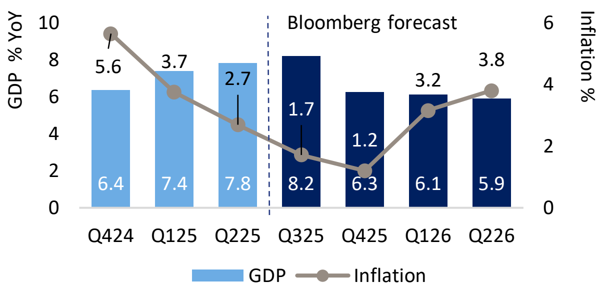
The outlook for Emerging Markets (EM) remain vulnerable near-term to a largely anticipated slowing in global growth into early 2026, particularly for the US economy. However, beyond Q126, global growth is expected to stabilise and recover sequentially, led by reduced tariff uncertainty, developed economy fiscal expansion and the lagged impacts of easier monetary policy across the US, UK, Europe and EM (aided by a weaker US dollar). These more positive dynamics are likely to be balanced by weak exports outside of the tech sector, limited EM fiscal stimulus and excess manufacturing capacity in China, according to UBS. EM growth ex China is likely to be modestly below trend in 2026, before recovering to trend through 2027.

ASEAN economies are expected to slow modestly after a strong 2025, with UBS forecasting an easing from 5.0% to 4.8% in 2026 before inching up to 4.9% in 2027. "The pullback reflects the fading boost from export front-loading, with net exports turning from a tailwind in 2025 to a drag in 2026. Fiscal policy is broadly tightening, and while monetary easing will help, the impact will be gradual and modest. Supportive tailwinds from tech exports should provide some offset to tariff-related drags, especially for Vietnam, Malaysia, and Singapore". India's growth should remain robust, close to 6.5% for the next two years, led by domestic demand and global supply chain shifts. Inflation and the current account macro factors are expected to remain benign.

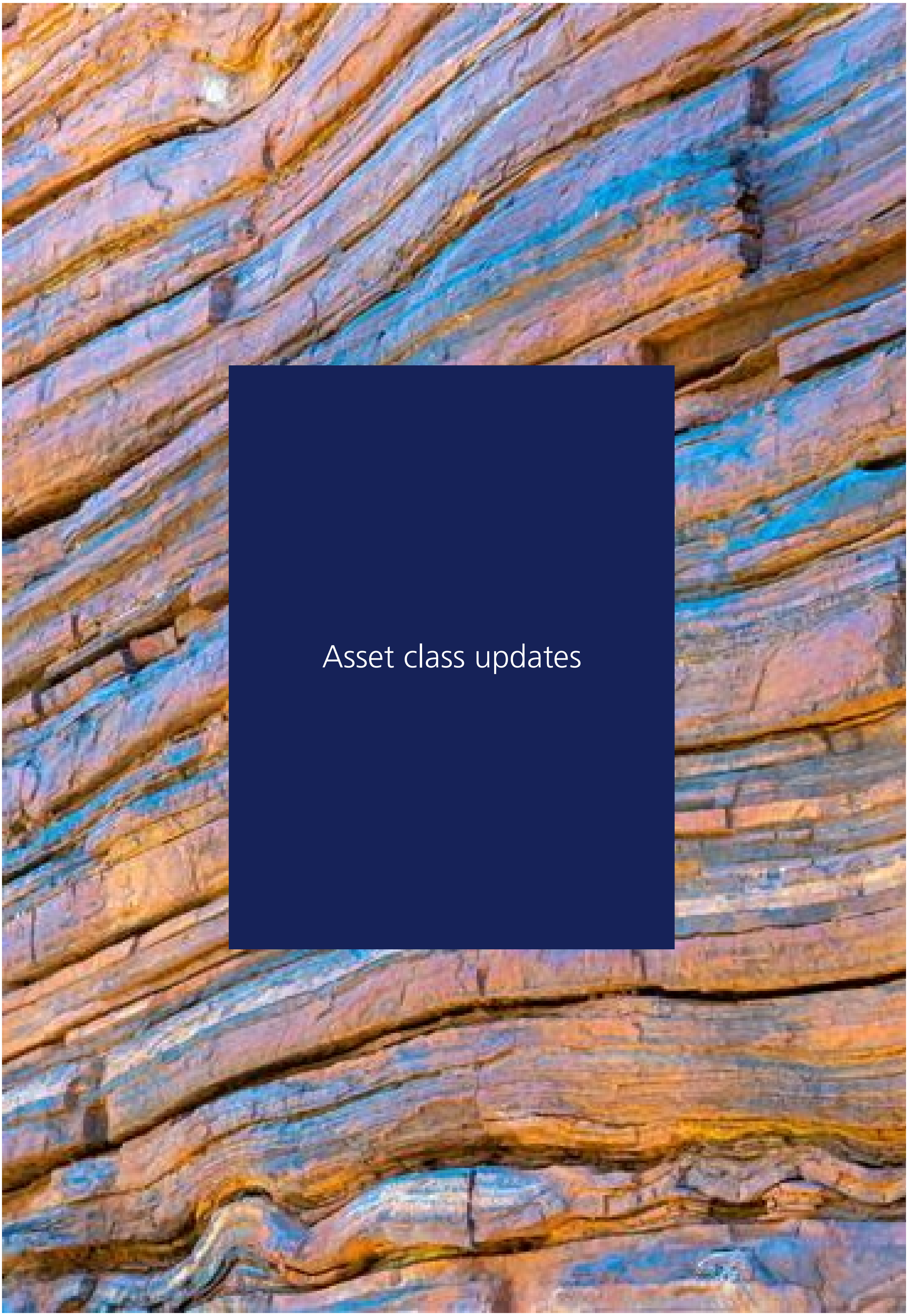
In contrast, Latin America appears likely to continue under-performing global growth (with UBS forecasting about 2% growth in 2026). Brazil's outlook will hinge somewhat on the timing of future rate easing (with near-term growth expected to slow given tight monetary policy, ahead of future rate cuts), while Argentina, following President Milei's surprise victory, has an opportunity to embark on structural reform.

For emerging markets ex China, after expected growth of 4.0% in 2025, Barclays Research expects some modest slowing to 3.7% in 2026 before recovering to 3.9% in 2027. In contrast, UBS has emerging market growth ex China remaining relatively steady around 4% for 2026 and 2027.

Indian GDP growth and inflation



Source: Bloomberg



Asset class updates

Fixed income update

Absolute return and government bonds

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

Key points

- The US Government is open for business and removes one source of uncertainty that has plagued most of Q4.
- Locally, we expect inflation outcomes to dominate the RBA's reaction function.
- We remain underweight global bonds. We believe the market may have overpriced the number of US Fed cuts and there are now upside risks to bond yields.

The re-opening of the US Government is welcome news to investors as it removes one source of uncertainty that has plagued most of Q4. While positive, the broader macro-economic outlook remains challenged given the data void that has been created by the lack of marquee data. Softer domestic demand and easing labour market conditions suggest that a mild soft patch and an uneven growth profile may emerge into early 2026. The US Fed's sequential 25 basis point (bps) cuts in September and October have taken the US Fed funds rate to 4%, yet policymakers appear increasingly divided over the case for an additional move in December as inflation drifts higher and core PCE holds above target. A key question for 2026 will be whether inflation remains elevated and what this means for the US Treasury market. Should inflation drift higher or remain at current levels, investors may need to reassess the degree of policy normalisation that is currently priced into markets. In this scenario, the Treasury curve could steepen as front-end rate cut expectations are pared back.

In Europe and the UK, growth remains subdued but stabilising, supported by fiscal stimulus and lagged monetary easing. Eurozone Q3 growth rose 0.2%, with core inflation easing to 2.4%, keeping ECB rates at 2%. In the UK, flat growth, moderating wages, and peak inflation support potential year-end BoE rate cuts. For their respective fixed income markets, this backdrop stabilises curves and keeps duration sensitive to policy and growth signals ahead.

In Australia, the path for continued policy normalisation is narrow, with the RBA balancing softer labour market conditions against inflation that remains elevated and somewhat sticky. The November SoMP projects the unemployment rate to hold near 4.4% by 2026, though risks are skewed to the downside as job creation in previously supportive non-market services sectors revert towards historical norms. On inflation, the trimmed mean recorded a notable acceleration in Q3 and is expected to peak at 3.2% before easing back toward 2.7% by 2026. We expect inflation outcomes to dominate the RBA's reaction function, with the RBA placing greater weight on achieving price stability than on accommodating labour market conditions within its dual mandate. This backdrop offers ample opportunity for the year ahead as yields remain higher for longer, and curves begin to steepen.

Investment grade credit and high yield credit

Position: Overweight investment grade credit; neutral high yield credit

Key points

- The Australian primary market remains on track for a record year in issuance.
- Major backs emerged from their post earnings blackout to tap primary markets.
- US investment grade credit spreads were softer again on the month although there was heavy supply in primary markets.

The Australian primary market remains on track for a record year in issuance, with major banks emerging post earnings blackout to tap the market during one of the busiest November periods on record. Over four days, three major bank trades provided welcome supply to restock dealer inventories. Westpac kicked off with a multi-tranche 5-year senior FRN and fixed-rate deal, alongside a 20-year Tier 2 bullet. The 5-year FRN tranche saw over AUD 4 billion in demand and printed AUD 2 billion at BBSW +73bps, while the fixed tranche printed AUD 1 billion from more than AUD 2 billion in demand. The 20-year Tier 2 tranche attracted AUD 3.8 billion in demand, pricing at ASW +160bps with a 6.135% coupon. NAB followed with a 10NC5 Tier 2 across fixed and floating tranches, with the FRN book printing AUD 1.15 billion (BBSW +130bps) and the fixed tranche AUD 650 million. ANZ concluded the week with a 3-year senior fixed/floating transaction, printing at BBSW +61bps with over AUD5 billion in demand.

Corporate subordinated debt issuance continued to gain traction during November, highlighted by Transgrid's 30NC5.25 floating-rate and 30NC10 fixed-rate transactions. Demand skewed strongly toward the longer dated 30NC10 tranche, attracting over AUD 3.85 billion, compared with AUD 2.3 billion for the 30NC5.25 tranche. Although investors only received 15bps more for the additional five years, the outright yield above 6% made the 30NC10 tranche particularly attractive. This trend of investment grade (IG) issuance is expected to continue next year, as investor demand continues to support transactions.

US IG credit markets were softer again this month, with the VIX moving off recent lows. Although IG spreads are slightly wider than year to date (YTD) tights (around 10bps), they are continuing to hold despite heavy supply in primary markets. As we approach end November, US IG issuers have priced USD 134 billion, USD 3 billion shy of the November 2012 record.

High-yield (HY) markets have seen marginal spread widening despite robust fundamentals, with issuers refinancing debt and extending maturities. The quality of HY issuers has improved this year, but the slower pace of US Fed cuts may reduce tailwinds. Outright yields remain around historical levels, limiting forward returns. With tight spreads, prudent exposure towards quality credits and sector rotation is key, as Communication and Technology continue to underperform.

Our outlook and tactical asset allocation

Australian government bonds

We are neutral Australian government bonds. The recent labour force survey signalled a potential turning point in employment conditions. However, the RBA will remain data dependent for further rate cuts (with a particular eye on inflation data), with potential upside risks to yields if the RBA pauses its rate cutting. We prefer to add duration via investment grade bonds and harvest income by adding credit to portfolios.

Global government bonds

We are underweight global government bonds. A lack of data visibility in the wake of the US government shutdown is making it difficult for investors to assess the current state of the US economy. Further cuts are possible but not guaranteed, so upside risks to government bond yields remain.

Investment grade credit

We are overweight investment grade credit. Although investment grade credit spreads remain close to year-to-date lows with some softening in the month, yields remain elevated relative to historical levels, and we see value adding some duration to portfolios via quality investment grade companies as there is potential for yields to remain higher for longer.

High yield credit

We have moved neutral high yield credit. HY credit spreads remain close to historical tights and outright yields are now around historical levels. With credit spreads at these levels, our preference within credit is to take a more defensive stance within IG over HY.

Active fixed income weights (%): we are underweight fixed income

	Weight (-5 to +5)
Total fixed income	-1
Absolute return	
Australian government bonds	
Global government bonds	-2
Investment grade credit	1
High yield credit	

Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	**69.94**	68.06
Australian 3-year yield	3.87%	361.27%
Australian 10-year yield	4.51%	4.31%
Australian 3/10-year spread	63.3 bps	68.5 bps
Australian/US 10-year spread	50.0 bps	0.2 bps
US 10-year Bond	4.01%	4.10%
German 10-year Bund	2.69%	2.64%
UK 10-year Gilt	4.44%	4.42%
Markit CDX North America Investment-Grade Index	51.1 bps	51.8 bps
Markit iTraxx Europe Main Index	52.8	53.9
Markit iTraxx Europe Crossover Index	255.5	262.5
SPX Volatility Index (VIX)	16.4	16.9

Source: LGT Wealth Management, Bloomberg as of 30 November 2025. Active fixed income weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Update and outlook

Hedge funds and diversifiers

Hedge funds and diversifiers have proven attractive year to date warranting their inclusion in portfolios. 2025 has been a volatile period for traditional asset classes despite equity markets returning to all-time highs. Markets have been impacted by volatility, greater asset price dispersion and higher interest rates, and we're now starting to see more corporate activity. Hedge funds navigated and took advantage of these challenging market conditions, and we expect this to continue throughout 2026. We continue to focus on uncorrelated strategies that are appropriately diversified and able to capture the full spread of (hedge fund) return drivers, alongside other diversifying return streams – these strategies include insurance, royalties and litigation. Outside of credit-focused strategies, which are typically more contractual in nature, we remain cautious on single strategies where like private markets peers, manager dispersion and manager selection risk remain.

Private markets

Private equity distributions remain muted; secondaries are key to activity. Private Equity distributions i.e., exits have remained muted relative the overall market net asset value but there are signs of improvement across traditional routes e.g., IPO/trade sale. The secondary market also looks set to continue its acceleration into 2026. Valuations appear elevated but not grossly over-valued. Critically, vintage matters, with the 2021 to early 2022 vintages most challenged given the peak valuation underwriting environment at the time.

We continue to like secondaries, which should remain an attractive space next year. We prefer more complex GP-led secondaries than discounted LP-stakes which are increasingly competitive amidst excessive evergreen capital flows in the US. Venture capital and growth equity is really capturing the major AI growth trends outside of the larger public stocks. We expect this continue but it's not without risks as paper gains are just that – we are looking to appropriately diversify in this space. Manager selection remains critical across private equity and venture capital.

Private debt remains preferred, despite the noise. Despite ASIC's recent Private credit surveillance report, global BDC discounts and recent public noise led by JPMorgan's Dimon's 'cockroach' comment, we continue to believe that private debt remains well positioned, when considering its potential to deliver risk-adjusted returns. Whilst interest rates and spreads have declined, relative to its public counterparts – sub-investment grade broadly syndicated loans and high yield bonds – private debt continues to outperform. Like private equity, we believe that manager dispersion will play a more critical role. Secondaries are particularly attractive and asset-based finance should be a strong diversifier to corporate coming into 2026. We believe that ASIC's investigations should be a positive for the local market, and we remain comfortable that our institutionally focussed managers remain solid players, locally.

Real assets

Real estate is recovering despite dispersion across sectors. Both US and domestic property indices have continued their positive momentum year-to-date re-enforcing a shift in sentiment following a very challenging period for the asset class. Meaningful dispersion remains across sectors and regions but the case for real estate is far more constructive than it has been in recent years. Supply constraints across sectors locally combined with increasing tenant demand is improving prospects for domestic commercial real estate. Potential future rate cuts and their impact on cap rates is also a potential upside risk.

Infrastructure appetite is growing. Private infrastructure is likely to continue to grow given: (1) the recent evolution of evergreen vehicles; (2) ongoing exposure to major mega-trends including digitisation and decarbonisation (both have linkages to AI); and (3) contracted and inflation-linked revenue streams. We seek to invest in core assets with long-term regulated and/or inflation-linked contracts as a defensive line in portfolios. We also plan to build-out core-plus and value-add exposures via secondaries globally, particularly in mid-market assets that have historically been valued at a discount to large cap assets.

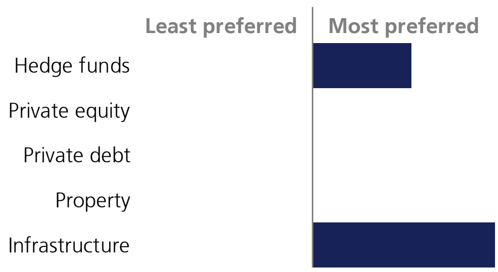
We favour infrastructure, private debt, hedge funds and diversifying strategies, and are maintaining private equity exposures.
We are now more constructive on real estate globally.

What we like

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

What we don't like

- LP-stake private equity secondaries overly focussed on upfront discounts.
- Construction and/or junior lending within real estate
- Carbon-intensive assets and industries with no transition plan.



FX and Commodities update and outlook

Currencies

Key points

- The US dollar strengthens further in November, amid US Fed cut re-pricing and general market jitters.
- The Australian dollar weakened modestly and is trading just under USD 0.65.

The US dollar has broadly strengthened over the past month as investors have digested evolving trade and policy signals. Earlier headwinds from a resurgent China-US trade spat appear to have somewhat eased however the persistent resilience of the US economy and hawkish/divided signals from the US Fed are providing support to the dollar. For the medium term, the original thesis of a weaker dollar remains intact, but the increasing likelihood of (1) a growth surprise in the US or (2) tighter global policy divergence means a tactical reversal, a so-called 'pain trade', toward a stronger dollar cannot be ruled out.

The Australian dollar edged modestly lower over the past month, to trade just below USD 0.65, a level still within its year-to-date range. Stronger-than-expected Australian labour-market data (unemployment dropping to 4.3% in October) supported the currency. Risk-on sentiment globally from the partial resolution of the US government shutdown and improved investor appetite also helped the Australian dollar regain some ground. However, that upside is tempered by several headwinds. The currency remains sensitive to shifts in the global risk tone, given Australia's commodity / China exposure, and the RBA's rather neutral/'on-hold' messaging. The US dollar's resilience (underpinned by still firm US growth and inflation risks) also places a ceiling on the Australian dollar's near-term upside.

The euro has traded in the neighbourhood of USD 1.15, reflecting a modest retreat of roughly 1% over the past month in the face of a firmer US dollar. The currency is being held up by the resilient macro-backdrop in the European Commission's latest forecast which projects growth of around 1.3% in the euro-area for 2025 with inflation easing towards 2%. Equally, the structural risks for the euro remain: cyclical trade exposures persist, geo-political and global policy uncertainty remain elevated, and the comparative yield advantage is working against the euro as the ECB signals a cautious stance while the US Fed remains reluctant divided as to the timing of the next cut.

The Japanese yen weakened notably over the past month and is now trading around ¥157 per US dollar, pressured by rising political and fiscal uncertainty. Markets reacted strongly to the unexpected rise of Sanae Takaichi, who won the LDP leadership on 4 October and subsequently became Japan's first female PM. Putting the near-term noise aside, the outlook for Japan's inflation and macro dynamics is skewed toward policy normalisation and a possible 'nominal renaissance'.

Commodities

Key points

- Global commodity prices have traded higher over the month, as gold hovers near USD 4,100 per ounce (p/o).
- Iron ore prices are broadly stable at around USD 105 per tonne (p/t).

Global commodity markets were mixed over the month, with Bloomberg's broad commodity price index up around 0.5% in November, boosted by gold but offset by declines in industrial metals and oil.

Crude oil prices were weaker over the month amid easing geo-political tensions following the release of a draft Ukraine peace plan. Brent crude is currently trading at around USD 63 per barrel (p/b) towards the end of November, down around 3%. Softer economic data and oversupply could continue weighing on oil prices in the near-term, though if our reflation thesis proves out, oil prices should base sometime in the first half of 2026 before a pushing higher as a cyclical recovery takes hold.

Meanwhile, gold prices experienced significant volatility over the month, having fallen from its record high set earlier in October to trade at around USD 4,100 per ounce. Improving risk sentiment, near-term overcrowding, and easing geo-political concerns could weigh on gold in coming months, while a cyclical economic recovery that puts upward pressure on bond yields could add a further headwind as 2026 progresses. Longer-term considerations around fiscal profligacy and currency debasement should provide a secular support for the precious metal.

Industrial metal prices were broadly weaker over the month, amid concerns around oversupply and as producers (including Rio Tinto impose surcharges to cover tariffs on US imports). Copper prices are down about 0.5%, aluminium fell around 2%, and iron ore is trading around USD 104 p/t.

The evolution of US trade policy, particularly in relation to China, as well as the trajectory of China's own economy, will remain key factors. Any changes in tariffs, import restrictions, or broader diplomatic relations between these economic giants could have significant ripple effects across commodity markets, influencing both demand and pricing. Furthermore, internal Chinese economic dynamics, particularly signs of further stimulus, will be closely watched by market participants. Longer-term structural themes such as climate change and shifting geo-political dynamics are also expected to provide ongoing support to the commodity complex, potentially underpinning prices even amid short-term volatility. However, forecasting the interplay between these cyclical and secular drivers remains challenging. The balance between potential short-term headwinds and long-term structural support will likely determine the direction of commodity markets over the coming year.

Equities update

Domestic equities

Key points

- Domestic equities fell 2.7% in November, marking a very lacklustre second half performance so far.
- With only one month remaining, 2025 is shaping up as a year where income did the heavy lifting, generating about 50% of the total return. In 4 of the past 6 years, dividend income has contributed more to total returns than capital.
- From all-time highs in June, CBA has now entered a bear market which has proved to be a headwind for the ASX200.

The Australian equity market has been a deep underperformer through the course of 2025, marking the third consecutive year of total return underperformance versus global equities. In fact, only twice (2022 and 2016) have Australian equities outperformed global equities over the past 13 years. Ironically, it is this level of underperformance that made the case for maintaining our underweight stance towards Australian equities less compelling. Having briefly traded to parity versus global equities, Australian equities now trade at an 8% discount to global equities ex-Australia, slightly below their longer-term average of -6%. With performance lagging and valuation normalising (albeit still expensive), investor attention has turned to earnings.

On this front, again, the data is at least 'less negative'. In the immediate aftermath of COVID, the ASX 200 was 'over-earning' relative to its long-term trend and although this level of cyclicality is normal, the adjustment required was a headwind. Inflation and wage pressures are proving stubborn, and productivity gains elusive, but business and consumer sentiment is improving, housing activity is firming, and credit growth is strong, and earnings expectations are improving, albeit modestly. There is already evidence that after three years of downgrades, Australian earnings per share (EPS) expectations may finally be turning. Over the past month, 1-year forward projections for the ASX 200 have increased, led by a sharp improvement in Mining but with encouraging signs of breadth.

The recovery in earnings revisions is no longer confined to Mining. Breadth across the ASX 300 has risen to near record highs; signalling a wider lift in corporate confidence and profit expectations. Mining remains the key driver but other cyclicals – notably Industrials and Retail – are also trending above long-term averages, supported by improved credit growth, firming consumer sentiment, and rising capacity utilisation. Periods of sustained earnings breadth have historically preceded market gains, according to work by JPMorgan strategists. This earnings improvement is important.

Australia is trading 1.5 standard deviations above its 10-year average and although much is made of the US valuation, Australia is by no means cheap (top 10% of observations over the past 20 years). On dividend yield, income-seeking investors are also receiving the lowest level of compensation since COVID, and before that the Dot-Com bubble (a dividend yield of 3.2%). This places onus on earnings to do most of the 'heavy lifting'.

International equities

Key points

- Global equities eked out their smallest monthly gain since April, rising just 0.2% in November.
- The story was similar across the glove, with Europe, Japan, the UK all delivering moderate returns. Emerging Markets (EM), fell 2.5%.
- The AI trade also unwound somewhat, with a basket of AI winners falling more than 10% at its worst.

The big question confronting US investors is whether the US hyperscalers are overinvesting? Investors have identified two key points of discussion regarding the risk of excessive investment by US hyperscalers: 1) whether the massive investments will generate sufficient returns, and 2) whether the investments are excessive in terms of fundraising capacity? The latter is manageable for now, although the introduction of debt financing inherently increases risk. In terms of returns on investment, we are likely some time away from determining the answer. The largest fear confronting investors today is a repeat of the telecom and fibre buildout experiences in the 1990s, where revenue expectations failed to materialise at a pace that justified continued investment (capex cycles are inherently boom-bust). For now, commentary from large corporates suggests benefits are starting to be realised at scale. Fundamentals in the US also remain strong, corporate earnings are expanding and broadening, and profit margins are at records.

European equities have delivered a double-digit return YTD however almost all of this was generated in the first two months of the year. Looking at 2026, with the ECB having lowered their benchmark rate by 200bps since June 2024, the lagged transmission of monetary policy should become more visible into 2026. This should prove positive, with European equities trading at steep discounts to the US, Russia-Ukraine expectations more anchored, earnings expectations picking up, and the German fiscal deficit lifting appreciably into 2026 and 2027.

EM equities are witnessing only their fourth year of outperformance versus US equities over the past 15 years, buoyed by the market's willingness to broaden their hunt for AI investments, significant EM central bank easing, a resumption of US Fed easing, and a 10% depreciation in the broad-based US dollar. As a result, expectations for 2026 are reasonably high – analysts expect 18% p.a. EPS growth over the next two years, and valuation is now more than one standard deviation above its 10-year average.

Japan's incoming PM is signalling a very broad agenda: anti-inflation support for households, social security system reforms, growth investment in AI/robotics/semiconductors, tougher defence policy, and stricter immigration/foreigner labour rules. If successful, the equity market will have another tailwind to go with ongoing corporate reform – reform that is lifting profitability and governance standards, and with it, earnings growth and the ascribed valuation that is applied to that earnings stream.

Equities outlook and tactical asset allocation

Domestic – we move neutral

Australian equities have been a significant underperformer through 2025, and with valuations having moved from a premium to a discount relative to global equities, much of the benefits of our hitherto underweight may have been harvested. Earnings growth is showing tentative signs of strengthening, and broadening, and with the lagged impact of RBA rate cuts still to filter through, the case for an ongoing underweight stance has diminished.

US – we are neutral

The US earnings backdrop continues to provide equity market support, with S&P 500 profitability (as measured by net profit margins) at a 25-year high of 14%. Although Mag 7 earnings growth remains impressive, the rest of the market is growing at their fastest pace in three years, creating the prospect of broadening equity market participation.

Europe (ex-UK) – we are overweight

European equities offer an improving risk-reward profile following months of underperformance. German fiscal expansion, rising credit impulses, strengthening earnings and fading tariff-related uncertainty paint a more constructive backdrop. Depressed sentiment, attractive valuations, and easier earnings comparisons add further weight, especially as geo-political and Chinese growth headwinds begin to stabilise into 2026.

United Kingdom – we are neutral

The UK is showing a record valuation discount versus other regions, as well as the highest dividend yield globally. The UK is comparatively less trade sensitive, and strategists are hopeful, if not optimistic, on the outlook for UK equity returns.

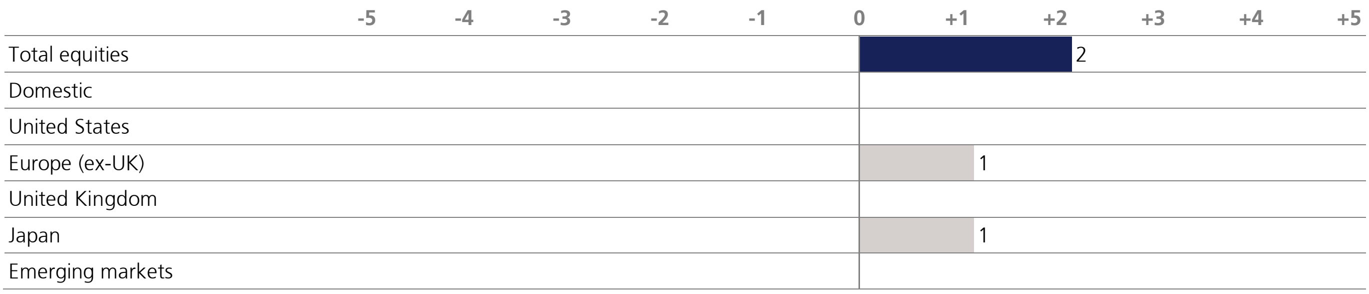
Japan – we are overweight

Japan's equity outlook is supported by ongoing fiscal expansion, yen weakness, and ongoing corporate reform. Japan has become a quasi-AI market, with AI-related stocks accounting for about 25% of the stocks in Japan (still lower than the 40% in the US, but high nonetheless). Although this may engender greater volatility, structurally, Japanese exposures are likely to be better placed due to Japan's ongoing labour shortages and ageing demographic.

Emerging market equities – we are neutral

Not since 2010 have EM equities outperformed US equities in consecutive years, raising the bar for 2026 given the strong outperformance seen this year. Nonetheless, broad EM central bank easing, a resumption of US Fed easing, and generally better budget positions suggest EM can post solid returns again in 2026. For genuine outperformance, it may well need both Indian and Chinese equity market performance – not since 2009 have both these equities posted double digit gains in the same year.

Active equity weights (%): we are overweight equities



Equity market summary

			Consensus 1 yr		Next year	
Region	Index	Latest price	Target	Upside	P/E [1]	D/Y [2]
Australia	S&P ASX 200	8,614	9,091	5.5%	20.1	3.3%
New Zealand	S&P NZ 50	13,489	14,713	9.1%	29.1	2.9%
United States	S&P 500	6,849	7,858	14.7%	22.2	1.2%
Europe	Euro Stoxx	598	671	12.2%	14.7	3.1%
United Kingdom	FTSE 100	9,721	10,779	10.9%	13.0	3.3%
China	CSI 300	3,889	4,598	18.3%	13.5	2.7%
Japan	Nikkei 225	50,254	54,339	8.1%	22.5	1.6%
India	Sensex	85,707	96,975	13.1%	24.3	1.5%

Source: Bloomberg. Data as of 30 November 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.

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	$195.91	$243.37	39.7	1.5%	45%	31%	16.2%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	$58.34	$72.98	21.4	1.7%	30%	25%	12.1%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	$5.47	$5.41	30.2	3.3%	25%	124%	11.0%	AA
MTS	Metcash Ltd	Cons. Staples	$3.70	$4.28	14.2	5.0%	15%	17%	11.5%	AAA
ALD	Ampol Ltd	Energy	$30.77	$33.85	17.8	3.2%	12%	12%	21.9%	AA
BPT	Beach Energy Ltd	Energy	$1.18	$1.21	7.0	4.8%	17%	13%	12.4%	AAA
MQG	Macquarie Group Ltd	Financials	$197.04	$228.25	18.2	3.6%	na	12%	11.7%	AA
SUN	Suncorp Group Ltd	Financials	$17.56	$20.99	16.2	4.6%	7%	11%	13.8%	AAA
COH	Cochlear Ltd	Health Care	$279.06	$307.99	40.3	1.7%	29%	22%	14.3%	AAA
RMD	ResMed Inc	Health Care	$39.31	$47.98	23.5	0.6%	30%	25%	10.8%	A
MND	Monadelphous Group Ltd	Industrials	$26.79	$23.33	26.5	3.3%	25%	19%	2.0%	AAA
BXB	Brambles Ltd	Industrials	$24.06	$25.84	22.1	1.8%	21%	29%	11.2%	AAA
XRO	Xero Ltd	Info. Tech	$122.25	$180.27	98.9	0.0%	10%	6%	3.7%	AA
IGO	IGO Ltd	Materials	$6.77	$5.62	na	0.3%	-3%	1%	657.7%	AAA
GMG	Goodman Group	Real Estate	$29.68	$37.22	22.9	1.0%	10%	11%	11.1%	AA
APA	APA Group	Utilities	$9.26	$8.97	46.5	6.3%	6%	12%	24.6%	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 30th November 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

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

Aristocrat Leisure (ALL AU) – Buy. ALL's 25% peak-to-trough drawdown is now approaching the worst outside of COVID. Part of this is because of perceived better value in Light and Wonder. Nonetheless, over the past 15 years, the stock has delivered a positive one-year forward return ~90% of the time.

REA Group (REA AU) – Buy. REA printed another strong Full Year result, 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's share price has recently entered into a 'bear market', down more than 20% from its highs. In part, this was due to valuation but also the recently announced $2.5 billion acquisition of Melio, an Israeli digital platform that simplifies business-to-business (B2B) payments for small and medium-sized businesses. Although the price paid was full, it has significant strategic merits by enlarging the Total Addressable Market and embedding customers into a stickier ecosystem.

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	$17.56	$20.99	16.2	1.80	100%	4.6%	11.9%	AAA
MQG	Macquarie Group Ltd	Financials	$197.04	$228.25	18.2	2.08	35%	3.6%	10.0%	AAA
ANZ	ANZ Group Holdings Ltd	Financials	$34.64	$34.84	14.2	1.45	75%	4.8%	1.5%	AA
QBE	QBE Insurance Group Ltd	Financials	$19.25	$22.33	9.6	1.74	25%	4.0%	-3.4%	AAA
COL	Coles Group Ltd	Cons. Staples	$22.32	$23.58	23.4	7.84	100%	3.5%	9.8%	AA
MTS	Metcash Ltd	Cons. Staples	$3.70	$4.28	14.2	2.50	100%	5.0%	11.4%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc.	$5.47	$5.41	30.2	37.82	100%	3.3%	9.6%	AAA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	$0.95	$1.05	32.8	1.73	0%	2.3%	22.7%	AA
TLS	Telstra Group Ltd	Comm. Services	$4.92	$5.08	23.9	4.03	100%	4.1%	4.5%	AA
CAR	CAR Group Ltd	Comm. Services	$34.77	$39.47	31.4	na	0%	2.5%	12.9%	AA
RMD	ResMed Inc	Health Care	$39.31	$47.98	23.5	6.10	100%	0.6%	9.0%	A
PME	Pro Medicus Ltd	Health Care	$266.54	$300.24	175.1	108.36	100%	0.3%	35.8%	BBB
REP	RAM Essential Services	Real Estate	$0.58	$0.78	12.6	1.46	0%	8.6%	2.0%	N.S.
MGR	Mirvac Group	Real Estate	$2.16	$2.47	16.6	0.94	0%	4.5%	8.2%	N.S.
IRE	IRESS Ltd	Info. Tech	$9.30	$10.26	25.9	4.49	0%	2.5%	16.7%	AA
DBI	Dalrymple Bay Infrastructure L	Industrials	$4.51	$4.78	23.9	2.13	0%	5.3%	3.8%	N.S.
ALX	Atlas Arteria Ltd	Industrials	$4.98	$5.43	22.7	1.18	0%	8.0%	1.3%	AA
APA	APA Group	Utilities	$9.26	$8.97	46.5	4.53	0%	6.3%	1.7%	AAA
ALD	Ampol Ltd	Energy	$30.77	$33.85	17.8	2.35	100%	3.2%	33.7%	N.S.
BPT	Beach Energy Ltd	Energy	$1.18	$1.21	7.0	0.85	100%	4.8%	38.6%	AAA
BHP	BHP Group Ltd	Materials	$41.67	$43.84	12.8	2.90	100%	2.8%	-5.5%	A
AMC	Amcor PLC	Materials	$13.09	$16.11	10.7	1.69	0%	4.0%	2.9%	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 30th November 2025. ESG is environmental, social, and corporate governance.

Trade opportunities

Suncorp Group (SUN AU) – Buy. SUN's late November earnings downgrade now has the stock back at Liberation Day lows and although the outlook is somewhat uncertain, at a 15% P/E discount to the ASX200, there is value now emerging. Longer-term, simplifying the business model should see the stock do well, notwithstanding the near-term 'perils' uncertainty.

Ampol (ALD AU) – Buy. Although Ampol has bounced nicely on the back of a bounce in refining margins, and a well-timed acquisition that has the potential to be very accretive to earnings, the stock's 30% discount to the ASX 200 is only marginally above the GFC lows, and well below the 10% discount it has averaged over the past 20 years.

QBE Insurance (QBE AU) – Buy. With a Return on Equity of ~16/17%, a <10x P/E multiple, a dividend yield of ~5.5% now supplemented by a share buyback and stable margins despite a weakening rate environment, there are a number of reasons for investors to buy the 20% peak-to-trough pullback in the QBE share price.

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	320.18	326.90	29.4	0.2	3,863,262	BBB
UMG NA	Universal Music Group NV	Comm. Services	EUR	22.08	29.25	22.0	2.7	46,991	AA
DIS US	Walt Disney Co/The	Comm. Services	USD	104.47	132.24	15.8	1.6	186,509	A
9988 HK	Alibaba Group Holding Ltd	Cons. Disc.	HKD	151.50	199.21	23.7	0.7	371,441	BBB
NKE US	NIKE Inc	Cons. Disc.	USD	64.63	83.61	38.5	2.6	95,536	BB
SBUX US	Starbucks Corp	Cons. Disc.	USD	87.11	91.77	36.4	3.0	99,053	A
ABNB US	Airbnb Inc	Cons. Disc.	USD	116.99	139.74	28.4	0.0	72,013	BB
RMS FP	Hermes International SCA	Cons. Disc.	EUR	2100.00	2416.09	49.3	1.0	257,234	A
COST US	Costco Wholesale Corp	Cons. Staples	USD	913.59	1068.50	45.5	0.7	404,884	A
288 HK	WH Group Ltd	Cons. Staples	HKD	8.14	8.70	8.6	0.8	13,414	N.S.
SHEL LN	Shell PLC	Energy	GBp	2783.50	3114.58	11.4	0.1	211,875	AA
LSEG LN	London Stock Exchange	Financials	GBp	8908.00	12325.88	21.7	1.8	60,577	AA
LLOY LN	Lloyds Banking Group PLC	Financials	GBp	96.14	99.22	12.7	4.4	75,000	AA
WFC US	Wells Fargo & Co	Financials	USD	85.85	94.45	13.7	2.2	269,490	BB
2318 HK	Ping An Insurance Group	Financials	HKD	56.70	72.96	6.1	5.1	143,103	A
939 HK	China Construction Bank	Financials	HKD	8.17	9.65	5.8	4.9	281,202	AA
MA US	Mastercard Inc	Financials	USD	550.53	655.79	33.5	0.6	494,374	AA
JNJ US	Johnson & Johnson	Health Care	USD	206.92	204.56	19.0	2.6	498,531	BBB
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	317.00	386.40	13.5	3.7	219,896	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	573.48	596.07	66.4	0.0	203,296	A
EXPN LN	Experian PLC	Industrials	GBp	3323.00	4315.19	24.9	0.0	40,360	A
DSV DC	DSV A/S	Industrials	DKK	1467.50	1787.65	29.3	0.6	54,819	AA
2330 TT	Taiwan Semiconductor	Info. Tech	TWD	1440.00	1804.12	22.5	1.6	1,189,603	AAA
ASML NA	ASML Holding NV	Info. Tech	EUR	903.40	963.41	36.5	0.9	406,862	AAA
MSFT US	Microsoft Corp	Info. Tech	USD	492.01	631.42	30.8	0.8	3,656,804	AA
ACN US	Accenture PLC	Info. Tech	USD	250.00	282.04	18.2	2.8	155,210	AA
SHW US	Sherwin-Williams Co/The	Materials	USD	343.69	385.55	30.2	1.0	85,199	A
EQIX US	Equinix Inc	Real Estate	USD	753.31	967.83	51.0	2.7	73,965	AA
CEG US	Constellation Energy Corp	Utilities	USD	364.36	404.29	39.3	0.5	113,828	AAA
			Average Yield:				**1.7%**		

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 30 November 2025. ESG is environmental, social, and corporate governance.

Thematic investing – Climate

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 disruption: Select exposures

As the world grapples with how, when, and where to tackle climate change, a range of risks will almost certainly impact governments, industries, and companies. The quantum of these risks will likely influence asset prices - both positively and negatively. Importantly, we believe the transition to a lower-carbon economy will also present opportunities, and these are likely to appear across a range of different vertical markets.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
DE US	Deere & Co	Industrials	USD	$464.49	$522.76	20.2	1.6%	125,565	AA
6326 JP	Kubota Corp	Industrials	JPY	$2,254.00	$2,225.45	14.2	2.4%	16,607	A
BHP AU	BHP Group Ltd	Materials	AUD	$41.67	$43.84	13.3	2.7%	138,644	A
051910 KS	LG Chem Ltd	Materials	KRW	$377,500.00	$445,090.91	28.2	0.7%	18,160	A
LYC AU	Lynas Rare Earths Ltd	Materials	AUD	$14.47	$15.75	22.6	0.2%	9,541	N.S.
IGO AU	IGO Ltd	Materials	AUD	$6.77	$5.62	34.4	1.2%	3,359	N.S.
GE US	General Electric Co	Industrials	USD	$298.45	$333.39	41.9	0.6%	314,809	BBB
ENPH US	Enphase Energy Inc	Info. Tech	USD	$28.85	$38.02	13.7	0.0%	3,775	N.S.
PLUG US	Plug Power Inc	Industrials	USD	$2.01	$2.75	-	0.0%	2,800	N.S.
FSLR US	First Solar Inc	Info. Tech	USD	$272.92	$275.71	12.1	0.0%	29,287	AA
TSLA US	Tesla Inc	Cons. Disc.	USD	$430.17	$387.49	192.5	0.0%	1,430,668	BBB
KNEBV FH	Kone Oyj	Industrials	EUR	$58.54	$57.28	26.0	3.4%	35,959	AA
IR US	Ingersoll Rand Inc	Industrials	USD	$80.34	$87.73	22.6	0.1%	31,743	AA
KSP ID	Kingspan Group PLC	Industrials	EUR	$73.85	$86.76	17.4	0.9%	15,701	AA
SIE GY	Siemens AG	Industrials	EUR	$228.30	$254.32	18.0	2.6%	211,917	AAA
CF US	CF Industries Holdings Inc	Materials	USD	$78.70	$92.94	11.0	2.6%	12,275	BBB
NEE US	NextEra Energy Inc	Utilities	USD	$86.29	$91.00	21.6	2.9%	179,708	A
ORSTED DC	Orsted AS	Utilities	DKK	$136.75	$132.47	16.6	2.9%	28,069	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 30 November 2025. ESG is environmental, social, and corporate governance.

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