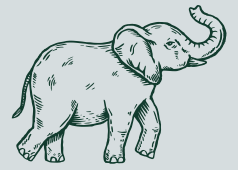


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February 2026

Investment Markets Report

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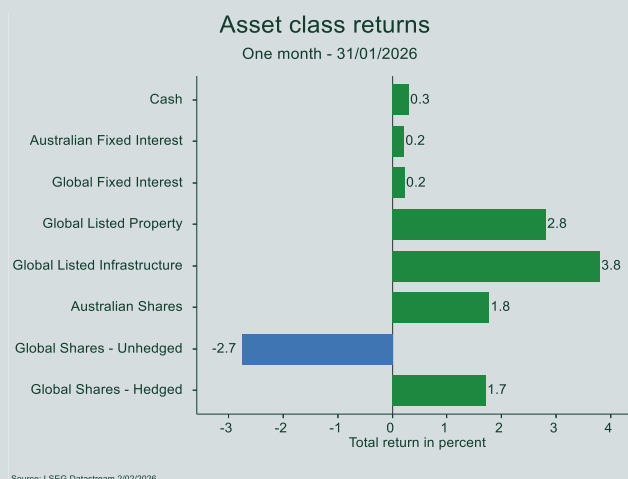
Our investment office unpacks what happened in the past month, current tactical positioning and what this means for our portfolio weightings to different asset classes.

What's changed in January?

Global equities started the year on a strong footing despite elevated geopolitical news surrounding Venezuela, Iran and Greenland. The S&P 500 made a fresh record high, briefly crossing 7,000 for the first time late in the month. The rise in equities was helped by generally solid economic data and US earnings reports. In Australia, the higher-than-expected December inflation print saw bond yields and the currency both rise as markets priced in higher interest rates from the Reserve Bank of Australia. Also boosting the Australian Dollar was a rise in commodity prices and marginal US Dollar weakness as investors questioned the US reliability which helped propel precious metal prices, including gold, to record highs.

EXECUTIVE SUMMARY

- ▶ In currency-hedged terms, developed market equities (MSCI World ex-Australia) gained 1.7% in January. The US equity market (S&P 500) also rose 1.5% and Australian shares (S&P/ASX 200) returned 1.8%. European shares (STOXX 600) returned 3.2% and Emerging Market shares (MSCI Emerging Markets) surged 8.8% in local currency terms.
- ▶ 10-year government bond yields rose 5 basis points (bps) in the UK and Australia, 10bps in the US, 18bps in Japan but fell 1bps in Germany.
- ▶ Investment-grade corporate bond spreads in the US fell 5bps to 74bps over US treasuries, while US high yield bond spreads fell 4bps to 277bps.
- ▶ The Australian Dollar rose 3.4 US cents to US\$0.7006.
- ▶ Oil prices rose 12.6% to US\$58.58 per barrel (WTI). Gold rose 16.3% to US\$5,030 per troy ounce. Iron ore prices fell 2.5% to US\$103.38 per tonne.



Tactical Positioning

Despite a plethora of geopolitical news in January, ranging from the capture of Venezuela's President by US forces, US pressure over control of Greenland, a criminal investigation of Fed Chair Powell and escalating tensions in Iran, markets largely focused on the underlying strength of the global economy and robust corporate earnings. US equities reached new record highs and high yield credit spreads fell to fresh post-Global Financial Crisis lows. Geopolitical tensions were mostly reflected in the stronger oil price, softer US Dollar and surge in gold and silver prices.

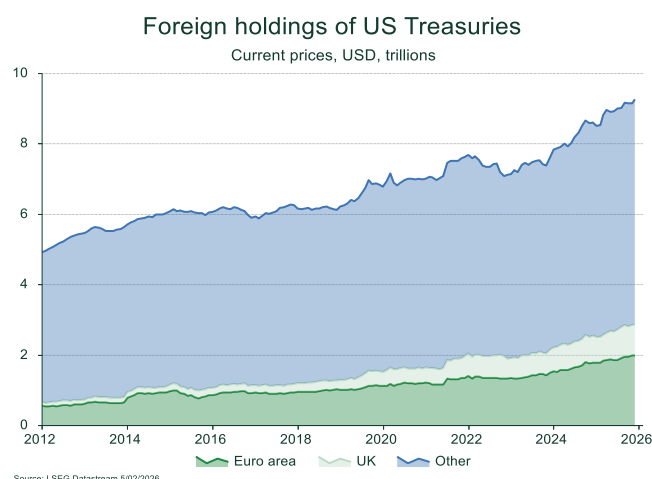


We continue to take a cautiously optimistic view of the economic and market backdrop, as outlined in our 2026 Investment Outlook. Data releases in January reinforce our view that the global economy is maintaining the positive momentum from 2025. This is due in large part to prior interest rate cuts, real wage growth, AI-driven investment and fiscal tailwinds in the US from the One, Big, Beautiful Bill, higher defence spending in Europe and Chinese government initiatives to help revive consumer spending.

The solid economic backdrop continues to be supportive for equities with corporate revenues and profits growing strongly. As we have discussed previously, this is being reflected in higher equity valuations, narrow corporate credit spreads and more optimistic investor sentiment. Sentiment remains resilient despite all the geopolitical “noise” in January, which investors have mostly ignored as having little impact on economic and corporate fundamentals.

As discussed, the greatest market impact of recent geopolitical news was in currency and commodity markets with the US Dollar debasement narrative once again gaining traction. The debasement thesis, which saw the US Dollar weaken marginally and gold and silver prices surge, is built around an end to US reliability and stability. There is an implicit assumption that foreign investors, particularly central banks, will sell or avoid all US investments. There were also worries about the loss of US Federal Reserve independence which could have led to runaway inflation and erosion of US Dollar purchasing power.

As we highlighted last year, we don't place much weight on this debasement narrative. Moves in US bond yields and implied pricing of future US inflation suggest institutional investors are not worried about US Dollar debasement and Fed independence. Investors continue to buy US equities and government bonds, the US remains the largest and most liquid financial market in the world and the US Dollar has no real rival as the world's main reserve currency. The nomination of Kevin Warsh as next Chair of the US Federal Reserve also saw sharp drops in the prices of gold and silver and a recovery in the US Dollar as investors judge him to an experienced policymaker, having previously served on the Board of the Fed.



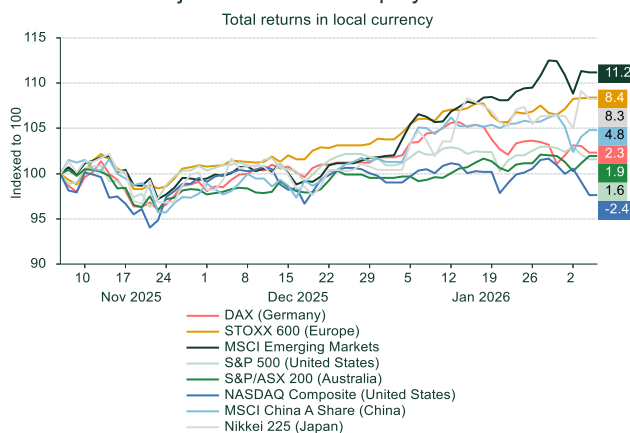
EQUITIES:

The equity market rotation away from large growth stocks into more economically cyclical small companies and value stocks continued through most of January as investors worried about the sustainability of the AI investment theme and began hunting for opportunities that have been overlooked. Emerging market stocks, which typically benefit from a weaker US Dollar, also rose strongly helped by a rotation into value and cyclical sectors. Part of the recent strength of emerging market shares can also be attributed to higher commodity prices and strong demand for semiconductors made in Taiwan and South Korea.

Earnings reports from the 166 US companies in the S&P 500 equity index that have so far reported showed that earnings for the December quarter were again better than expected. 77% of companies have beaten analyst earnings estimates by around 6% on average. Excluding the energy sector, year-on-year growth is tracking at around 11-12%. Earnings for 2026 are currently forecast to grow 15% which, if delivered, would provide solid returns from US equities if price-to-earnings ratios remain steady.

The US tech sector, especially software-as-a-service companies, has seen some big downward price moves recently. This is partly due to AI investment concerns, more conservative forward guidance following recent earnings releases and concerns that software and data companies will be disrupted by new AI tools such as those released by Anthropic recently.

Major international equity indices



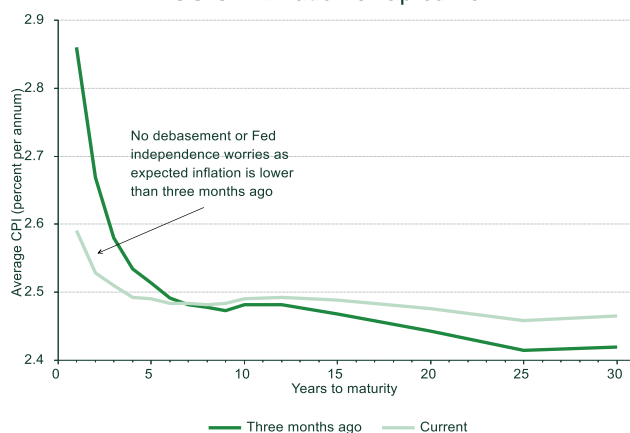
Australia's equity markets saw energy and materials stocks gain 10-11% in January helped by higher commodity prices, while technology stocks fell 9% reflecting international moves. We continue to maintain a neutral allocation to Australian and Global equities and prefer to have a spread of different sectors and styles which provide diversification during periods of market rotation. Recent market rotations have created more opportunities for active fund managers to enter or exit sectors, styles or stocks that have repriced based on material moves in investor sentiment.

FIXED INCOME:

January's US Federal Reserve meeting was fairly uneventful with no change in rates, as expected. The takeaway from the post meeting statement and press conference was that the US economy is in good shape, concerns about labour market weakness have abated and the current level of interest rates is appropriate. After last year's three rate cuts, further cuts will require economic weakness. This suggests expectations for two cuts in late 2026 may be slightly optimistic, particularly given inflation is above target. It's unclear whether a new Fed Chair will be able to lower interest rates if this remains the majority view.

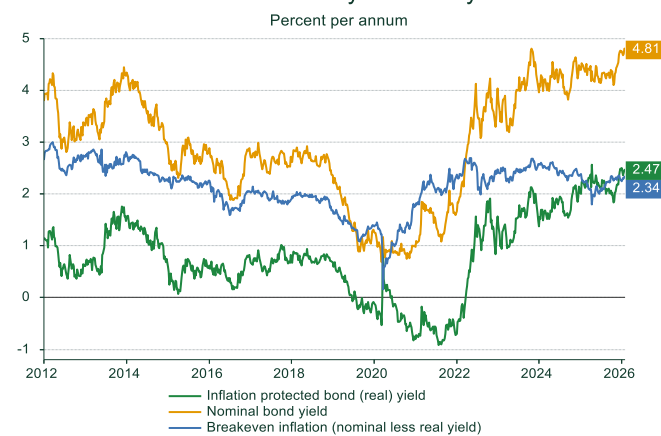
In contrast to the US Fed, the RBA lifted rates at its February meeting as expected, following the run of higher-than-expected inflation in late 2025. With the benefit of hindsight, it is clear the RBA was too quick to cut local rates last year. As the saying goes

US CPI inflation swap curve



"once bitten twice shy" so the RBA may overreact in the other direction with additional rate rises this year. In credit markets, concerns about the technology sector have found their way into tech-related bonds and loans which have repriced to reflect higher issuance, to fund AI investment, and higher risks of default if software companies get disrupted by AI tools.

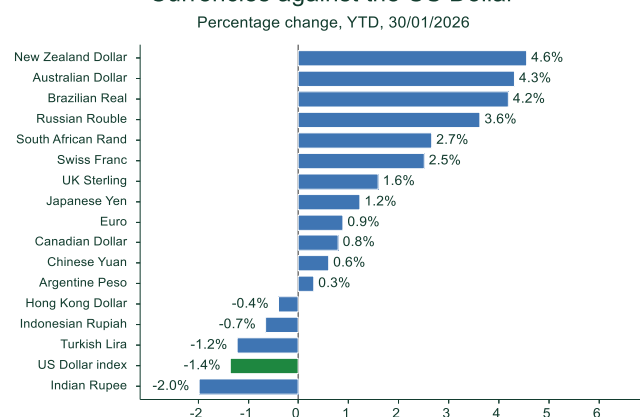
Australia real 10-year bond yield



PROPERTY AND REAL ASSETS:

Listed property and infrastructure performed relatively well in January helped by the equity market rotation away from the tech sector into real assets. We continue to have a positive view of property and infrastructure as a source of defensive growth with inflation protection.

Currencies against the US Dollar



ALTERNATIVE ASSETS:

Alternative assets returned 2.0% in January with positive performance from all the major sub-strategies. Systematic trend-followers generated a monthly return of 5.2% with currencies, precious metals and Korean equity indices the main contributors to performance.

CURRENCY:

The Australian Dollar finished 5% higher in January, driven partly by an 8% rise in commodity prices, a 1% decline in the US Dollar against a basket of currencies but also helped by increased prospects for Australian rate rises following the inflation release late in January. We remain currency unhedged in global shares.

Current Balanced portfolio positioning summary

ASSET CLASS	POSITIONING	VIEW
Cash	Neutral	There is a prospect of one or more additional rate hikes in 2026 as inflation remains too high for the RBA's comfort..
Australian Debt	Neutral	Retain a neutral weighting with interest rate duration close to benchmark of around five years. Following the sell off in bonds over the past few months longer term bond yields allow investors to lock in attractive real yields and term premium relative to expected cash rates.
Global Debt	Neutral	Hold a neutral weighting with interest rate duration close to benchmark of around six to seven years. Steeper yield curves provide attractive term premium and real yields. Credit is relatively expensive but can provide attractive income and total returns in a non-recessionary environment.
Alternative Defensive	Neutral	Alternative strategies should help to diversify portfolios. These strategies have traditionally held up relatively well when more traditional defensive strategies, tied to bond yields and the credit outlook, have suffered.
Alternative Growth	Neutral	Alternative growth strategies benefit from higher price volatility and dispersion with returns less correlated to broader risk sentiment. Trend-following strategies can provide portfolio insurance-like characteristics by capturing price trends in financial, currency and commodity (including precious metal) markets.
Property & Real Assets	Neutral	Property and infrastructure should provide a more defensive exposure in a global downturn relative to equities. The demand and supply dynamics for property and infrastructure assets (particularly in energy and digital infrastructure) are improving.
Australian Shares	Neutral	The earnings growth outlook is relatively muted while equity valuation multiples, particularly for the major banks, are still high relative to history and compared with international peers. Australian resources companies are benefiting from higher energy and metals prices and Chinese efforts to revive the property sector.
Global Shares	Neutral	Hold a neutral allocation, as although investor sentiment and valuations, particularly for US tech companies, are high, economic and corporate fundamentals, such as solid earnings growth, remain supportive. We are alert to risks of an AI asset bubble developing but accurately timing when bubbles form and when they burst remains a challenge.
Currency hedging	Fully unhedged	Although the US Dollar has lost some of its shine with the end of US economic exceptionalism and higher policy uncertainty, in a risk-off scenario, it is again likely to regain some of its safe-haven status as there are few alternatives. Prefer to remain currency unhedged in Global Shares given the Australian Dollar tends to move in line with global investor sentiment.

Strategic Asset Allocation (SAA) and Dynamic Asset Allocation (DAA) weights

PORTFOLIO ASSET CLASS	CONSERVATIVE		MODERATE		BALANCED		GROWTH		HIGH GROWTH	
	SAA	DAA	SAA	DAA	SAA	DAA	SAA	DAA	SAA	DAA
Defensive Assets	70.0	70.0	50.0	50.0	35.0	35.0	20.0	20.0	5.0	5.0
Cash	15.0	15.0	10.0	10.0	5.0	5.0	2.5	2.5	2.5	2.5
Australian Debt	20.0	20.0	10.0	10.0	5.0	5.0	0	0	0	0
Global Debt	30.0	30.0	25.0	25.0	20.0	20.0	15.0	15.0	0	0
Alternative Defensive	5.0	5.0	5.0	5.0	5.0	5.0	2.5	2.5	2.5	2.5
Growth Assets	30.0	30.0	50.0	50.0	65.0	65.0	80.0	80.0	95.0	95.0
Property & Real Assets	5.0	5.0	7.5	7.5	10.0	10.0	10.0	10.0	10.0	10.0
Alternative Growth	5.0	5.0	7.5	7.5	10.0	10.0	7.5	7.5	7.5	7.5
Australian Shares	5.0	5.0	15.0	15.0	20.0	20.0	25.0	25.0	25.0	25.0
Global Shares	15.0	15.0	20.0	20.0	25.0	25.0	37.5	37.5	52.5	52.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Major Financial Markets

To 31 January 2026	Latest	1 month	3 month	Year-to-date	1 year	3 year	5 year
Equities	Local currency returns including dividends in percentage, not annualised						
Australia - S&P/ ASX 200	8869	1.8	0.4	1.8	7.4	32.4	62.6
Japan - Nikkei 225	53323	5.9	1.9	5.9	37.4	106.8	112.3
US - S&P 500	6939	1.5	1.8	1.5	16.4	77.7	101.0
US - NASDAQ Composite	23462	1.0	-1.0	1.0	20.3	107.0	86.3
UK - FTSE 100	10224	3.0	5.7	3.0	22.0	47.0	91.7
Europe - STOXX 600	611	3.2	7.2	3.2	17.0	48.7	80.4
Developed Markets - MSCI World	3491	1.7	2.6	1.7	16.9	70.9	93.0
Emerging Markets - MSCI EM	94942	8.8	9.9	8.8	41.4	69.1	47.4
Government bond yields	Change in annual yield in percentage points						
Australia - 2 year	4.20	0.14	0.63	0.14	0.38	1.03	4.08
Australia -10 year	4.81	0.05	0.49	0.05	0.38	1.25	3.71
US - 2 year	3.54	0.06	-0.06	0.06	-0.66	-0.67	3.42
US - 10 year	4.26	0.10	0.16	0.10	-0.29	0.73	3.17
UK - 10 year	4.52	0.05	0.11	0.05	-0.02	1.19	4.20
Germany -10 year	2.84	-0.01	0.21	-0.01	0.39	0.57	3.36
Currencies and Commodities	Change in price						
Australian Dollar (US\$)	0.7006	0.0337	0.046	0.034	0.077	-0.004	-0.067
US Dollar Index	96.99	-1.33	-2.81	-1.33	-11.38	-5.11	6.41
Gold (US\$/ounce)	5030.40	705.73	1051.45	705.73	2220.61	3102.21	3172.39
Iron Ore (US\$/tonne)	103.38	-2.61	-3.89	-2.61	-2.40	-25.40	-51.82
Crude oil (WTI, US\$/barrel)	64.5	7.24	2.75	7.24	-8.34	-14.37	12.32

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