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DAY BREAK WEALTH

QUARTERLY UPDATE – JUNE QUARTER 2026

Asset Class	3 Mth %	1 Yr % p.a.	3 Yr % p.a.	5 Yr % p.a.	10 Yr % p.a.
CASH					
Bloomberg AusBond Bank Bill	1.1	3.9	4.2	3.1	2.2
FIXED INTEREST					
Australian Bonds - Bloomberg AusBond Composite 0+Years	2.6	1.5	4.0	0.4	1.8
International - Bloomberg Barclays Global Aggregate Hdg	1.5	2.9	3.7	0.0	1.4
EQUITIES					
Australian Shares - S&P/ASX 300	4.1	6.2	10.6	7.6	9.4
Australian Shares - S&P/ASX Small Ordinaries	3.3	8.1	9.9	3.0	7.0
Int. Shares - MSCI World ex-Australia	12.6	14.9	17.8	13.4	14.0
Int. Shares Hedged - MSCI World ex-Australia Hedged	14.0	22.7	18.7	11.3	12.9
Emerging Markets Unhedged - MSCI Emerging Markets	22.6	35.7	21.4	8.9	10.9
INFRASTRUCTURE					
Listed Infrastructure - FTSE Developed Core Infrastructure Hdg	2.3	18.7	12.6	7.7	8.5
PROPERTY					
Australian Listed Property - S&P/ASX 200 A-REIT	13.7	-2.2	11.6	5.7	5.7
Int. Listed Property - FTSE EPRA/NAREIT Global REITs Hdg	8.8	14.3	9.0	1.8	3.2

Source: Activam Group

FE Multi Asset Growth Index (Benchmark)	6.8	8.4	9.6	6.1	7.2
FE Multi Asset Balanced Index (Benchmark)	5.4	7.9	8.4	5.1	5.9
FE Multi Asset Moderate Index (Benchmark)	3.6	5.2	6.2	3.3	3.8

Source: FE Analytics

The June quarter delivered positive returns across most major asset classes, although market leadership continued to narrow and volatility remained elevated. Equity markets were supported by resilient economic growth, easing inflation pressures and hopes of a ceasefire in the Middle East.

Global shares once again outperformed Australian equities, driven largely by strong corporate earnings, ongoing investment in artificial intelligence infrastructure, and improving business confidence across developed markets. Australian shares delivered more modest returns given a backdrop of a weakening economy brought about by higher interest rates, controversial taxes reform, lack of productivity growth, stubbornly high inflation and falling residential house prices.

Bond markets generally benefited from declining inflation expectations, although yields remained volatile as investors balanced hopes of future rate cuts against concerns around government debt levels and fiscal deficits. Credit markets remained resilient while alternative assets such as infrastructure and private markets continued to demonstrate their value as portfolio diversifiers.

While geopolitical risks remain elevated, particularly across Eastern Europe, the Middle East and growing strategic tensions between the United States and China, the underlying economic backdrop remains supportive for long-term investors.

MARKET COMMENTARY & OUTLOOK

As we enter the second half of 2026, investors are faced with several key questions:

- Will the war in the Middle East de-escalate and allow global energy flows to revert to pre-war levels?
- Will inflation continue to moderate toward central bank targets?
- Will interest rates stay on hold or move higher?
- Are US equity valuations becoming stretched?
- Can corporate earnings continue to justify current market pricing and elevated capital expenditure levels in the AI sphere?
- How should portfolios be positioned for slower but positive economic growth?

Our assessment remains constructive.

Global growth is slowing from the exceptionally strong post-pandemic recovery period, but economic activity remains positive across most major regions. Employment markets remain stable, household balance sheets are generally robust, and corporate profitability continues to surprise to the upside.

Inflation has continued its gradual decline, although progress is proving uneven. Services inflation remains sticky in several economies, while energy and commodity prices continue to be influenced by geopolitical events.

The most significant driver of markets remains corporate earnings. Businesses that can demonstrate sustainable revenue growth, productivity improvements and pricing power continue to attract investor capital, particularly within technology, banking and healthcare sectors.

While market valuations appear elevated in some areas, particularly large-cap US technology stocks, strong earnings growth and continued investment in artificial intelligence provide fundamental support.

Our base case remains one of:

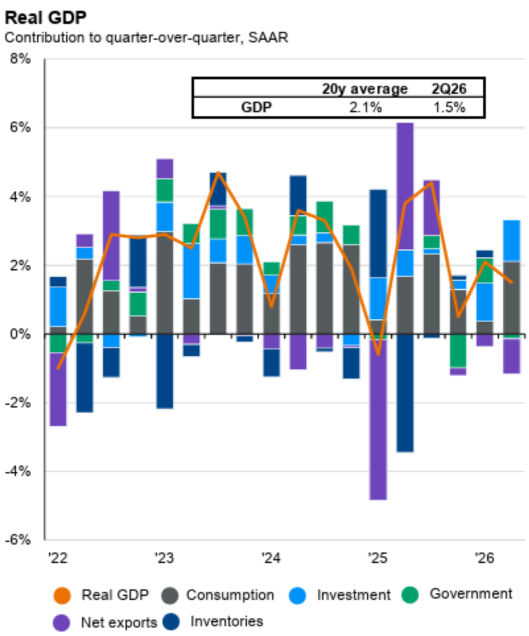
- Slower but positive global growth.
- Further moderation in inflation will give central banks scope to be patient on interest rates (but they are ready to hike if required).
- Continued earnings growth.
- Periodic market volatility driven by geopolitical and policy uncertainty.

In this environment we continue to favour building up portfolio resilience through further portfolio diversification into infrastructure and alternatives. We adopt a disciplined long-term investment approach rather than attempting to time short-term market movements.

United States

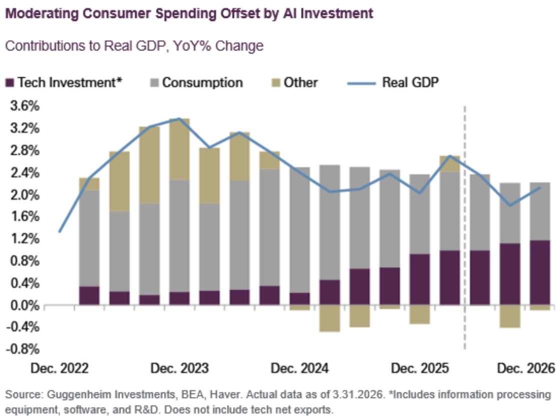
The United States remains the primary engine of global growth.

Economic activity has moderated but remains resilient, supported by a labour market showing signs of stability and healthy consumer spending helped by tax cuts earlier in the year and the wealth effects of strong investment markets.

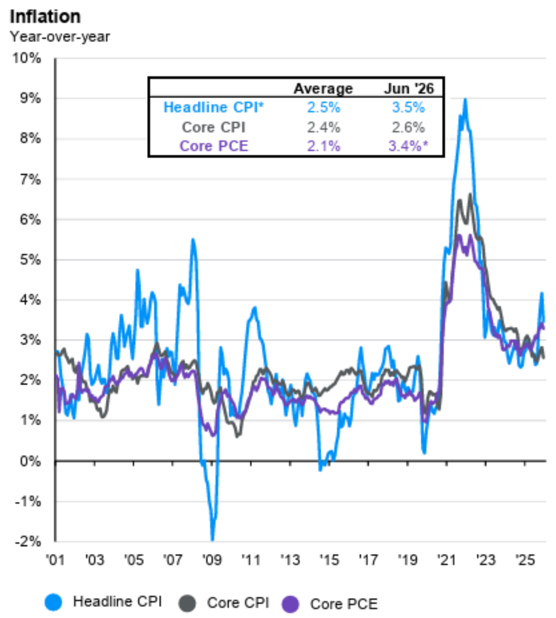


Source: JPMorgan Guide to the Markets

Massive capital expenditure in AI related technology infrastructure continues and will support corporate earnings and productivity gains.



Inflation remains significantly above the long-term target of 2% (and has been for 5 years now). The trend is moving in the right direction, but slowly. US Core PCE inflation came under expectations in June and at 3.3% year on year and this was enough for the Fed held rates steady for the sixth straight meeting on a 9-3 vote. The new FED chair Kevin Warsh attempted to reassure markets that the Fed is up for the inflation fight, but not all were convinced and we saw longer term bond yields move materially higher. With oil prices climbing higher once more and new tariff announcements recently, we expect the FED may have to hike rates in September to prove that they are credibly taking up the inflation fight and are watching the bond markets closely.



Source: JPMorgan Guide to the Markets

Corporate earnings remain particularly strong. Large technology companies continue to dominate profit growth; however, earnings momentum is beginning to broaden across other sectors. 86% of the 60% of S&P 500 companies that have reported second quarter earnings have beaten earnings estimates – well above the 10-year average (FactSet). Strong earnings should help equities grind higher, even with the evident headwinds.

The primary challenge for investors remains valuation. The US market continues to trade at a premium to historical averages, meaning future returns are likely to depend increasingly on earnings growth rather than multiple expansion. To date earnings growth remains strong validating the rich valuations and we feel it likely that this will continue in the second half of 2026.

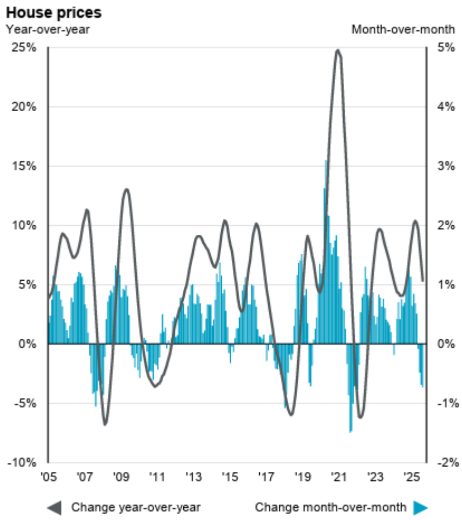
While periods of volatility should be expected, the US remains an important allocation within diversified portfolios due to its innovation leadership, deep capital markets and strong corporate profitability.

Australia

Australian economic growth has continued to slow throughout 2026 as households and businesses adjust to the effects of higher interest rates.

Source: JPMorgan Guide to the Markets

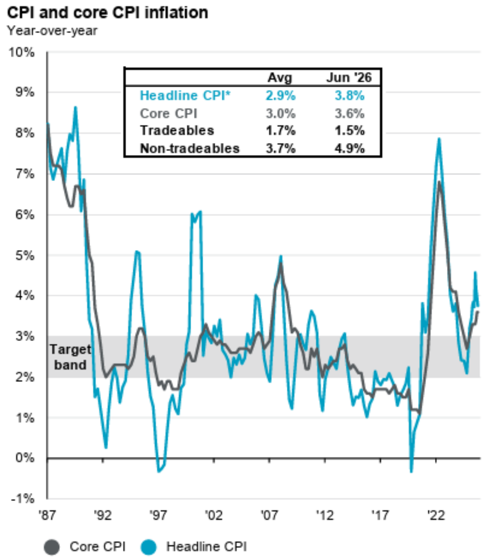
Consumer spending remains soft, housing affordability remains challenging and business confidence has weakened compared to previous years. Nevertheless, the labour market remains relatively resilient (4.36% unemployment in May), and unemployment remains low by historical standards. Tax reform/hikes announced in this year's budget has also contributed to a weakening residential property market and negative sentiment.



Source: JPMorgan Guide to the Markets

Inflation has continued to ease but remains above target. Headline inflation was 3.8%, lower than expected, while core inflation held steady at 3.6%. This should give the RBA time to assess whether recent rate rises are sufficient to return inflation to its 2–3% target range, although another increase remains possible if oil prices continue to rise. We believe the economy is now slowing significantly and will help the RBA to stay on hold for the remainder of the year. The pace and timing of future rate reductions will depend on incoming inflation and employment data as well as levels of government spending.

This will provide a challenging backdrop for the upcoming profit reporting season here in Australia and we remain underweight domestic equities. High valuations on some of the larger blue-chip companies (caused by the flood of money going into passive strategies and industry super funds) including the banks are a concern. Earnings growth is expected to remain modest compared with global peers.



Source: JPMorgan Guide to the Markets

Moving forward, Australia's longer-term outlook remains supported by:

- Population growth.
- Infrastructure investment.
- Energy transition spending.
- Ongoing demand for commodities and critical minerals.

However, productivity growth remains an area requiring significant improvement if economic growth is to accelerate meaningfully over the coming years. Massive State capex programs continue to crowd out the private sector.

Europe

Europe has shown improving economic momentum following a period of stagnation. Lower inflation and easing monetary policy have supported both business confidence and consumer activity.

Government spending focused on defence, energy security and infrastructure continues to provide an important growth tailwind. While growth remains modest relative to the United States, valuations across European equities remain relatively attractive. Core inflation has edged higher in Europe recently and the market now pricing in an interest hike in September, but we feel this may be too soon.

China

China continues to face structural challenges, particularly within the property sector and broader consumer consumption and confidence.

However, policymakers remain committed to supporting economic growth through targeted stimulus measures, manufacturing investment and export competitiveness. While the economy is unlikely to return to its previous growth trajectory, it remains a significant contributor to global demand and supply chains.

Economic activity indicators
Indexed, September 2019 = 100

Source: JPMorgan Guide to the Markets

Emerging Markets

Emerging markets continue to present attractive long-term opportunities.

Many countries are benefiting from improving demographics, digital transformation, expanding middle classes and growing participation in global manufacturing supply chains.

Valuations across many emerging markets remain below those of developed markets, providing investors with attractive potential returns, albeit with higher levels of volatility and political risk.

The continued diversification of global supply chains may provide an additional long-term growth catalyst for several emerging economies.

Portfolio Positioning

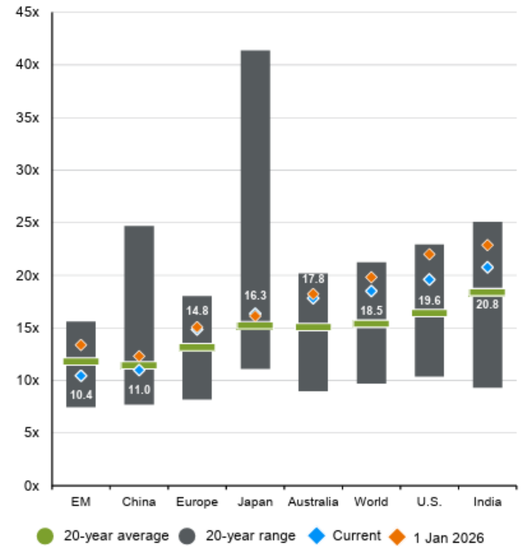
Even though we feel we are late in the current economic cycle, our portfolio positioning remains broadly constructive while recognising that risks remain elevated.

We have been looking to build portfolio resilience by increasing portfolio diversification into private and alternative assets.

Valuation matters - eventually. Buoyant markets and AI spending have led to elevated and potentially unsustainable valuations, but we can't be sure when these will unwind. We feel corporate profit growth justifies a healthy weight to equities.

Recent underperformance of gold and value strategies warrant further research.

Global valuations
Current and 20-year historical price-to-earnings valuations



Source: JPMorgan Guide to the Markets

Global equities remain our preferred growth asset. We have been building:

- Small and Mid-Cap funds
- Long-Short funds to take advantage of increased volatility and the ability to manage downside risks
- Emerging markets funds
- Reducing the currency hedging to add to the portfolio protection. There is likely to be a strengthening USD if markets slow suddenly.

While technology remains an important allocation, we continue to diversify beyond the largest companies and focus on broader sources of return.

We remain significantly **underweight Australian shares** due to the elevated valuations, slowing growth and economic headwinds facing the country. We retain an underweight allocation to get exposure to attractive income characteristics and remain an important source of diversification within client portfolios.

Bond yields remain attractive relative to recent years and continue to play an important role in portfolio construction.

Fixed income now offers both:

- Competitive income generation.
- Portfolio protection during periods of market stress.

We remain **underweight duration** given the rising interest rate and bond yield environment, preferring floating rate exposures currently.

Infrastructure, private assets and selected alternatives continue to offer attractive diversification benefits. Many of these assets also provide inflation-linked revenue streams, making them valuable portfolio stabilisers during uncertain periods.

We continue to hold a material private credit position but have been diversifying away from property development loans given the headwinds in the sector arising from a slowing economy, elevated construction costs and falling residential property prices.

The Australian dollar remains sensitive to commodity prices and global growth expectations. With the expectation of interest rates nearing the top of this hiking cycle while it is looking increasingly likely that there may be some hikes in the US, we believe the AUD has capped out against the USD. Increasing USD exposure in the portfolios will provide additional diversification benefits during periods of market volatility (we would expect the USD to appreciate in such times).

Closing Investor Message

The first half of 2026 has reinforced an important investment lesson: uncertainty is normal.

Markets continue to navigate changing interest rate expectations, geopolitical tensions, inflation concerns and evolving economic conditions. Despite these challenges, well-diversified portfolios have continued to benefit from resilient economic growth and strong corporate earnings.

While short-term volatility can be uncomfortable, history consistently demonstrates that patient investors who remain focused on their long-term objectives are better positioned to achieve successful outcomes.

Rather than responding to headlines, our focus remains on building resilient portfolios capable of participating in growth opportunities while managing risk through diversification across asset classes, sectors and regions.

As always, we encourage clients to remain disciplined, stay invested and view periods of uncertainty as a normal part of the investment journey.

The opportunities available to long-term investors remain attractive, and we continue to believe that a well-constructed portfolio is the most effective way to navigate both the risks and opportunities that lie ahead.

Asset Class	Underweight		Neutral		Overweight
Cash					
Fixed Income - Duration					
Fixed Income - Credit					
Equities Domestic					
Equities International					
Property					
International Infrastructure					
Alternatives					
Currency - 30% Hedge					

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