Hello Investor

This is the 101st Newsletter since the establishment of the Balmain Opportunity Trust (**BOT**).

JULY 2026 DISTRIBUTIONS*

Class A Units returns, **net of all fees**, for the period ending 31 July 2026 are as follows:

	THIS MONTH (JUL 26)	LAST MONTH (JUN 26)
Monthly	9.05%	9.08%
Monthly Annualised	9.46%	9.49%
Last 12 Months	9.49%	9.51%
Since Inception	8.74%	8.74%

**calculated on a 'distribution re-invested' basis*

GENERAL UPDATE

Last month I wrote that Oz was in a worse position than we had anticipated a year earlier. One month into FYE27 I can report something I have not been able to report for some time: on balance, July was better.

Inflation. The June quarter CPI landed on 29 July and, for the first time this calendar year, it broke our way. Headline inflation eased to 3.8% for the twelve months to June, down from 4.0% in May and below both market expectations and the RBA's own forecast track. The quarter itself printed 0.6% and the monthly indicator actually fell 0.1% in June. Trimmed mean - the measure the RBA actually watches - held at 3.6%. Interestingly, with "Services" inflation at 3.7% running level with "goods" inflation at 3.5%, the drivers of inflation are 50/50 'home-grown' / "imported".

Interest rates. The cash rate remains at 4.35% following the three increases in February, March and May. The Board did not meet in July. It meets on 11 August, and the CPI print has largely settled the argument - all four majors now forecast a "rate hold". Michelle Bullock's address on 28 July, "Monetary Policy in an Era of Shocks", is worth twenty minutes of your time. Her framing is that the world has become structurally more shock-prone - pandemic, Ukraine, now the Gulf - and that Australia's poor productivity performance leaves us more exposed to those shocks than we ought to be. The line that matters for us is that the Board is prepared to act as required to achieve its mandate, including by increasing the cash rate further if needed, and that deferring tight policy today means higher rates and higher unemployment later.

I read that as a Governor who is nowhere near cutting the cash rate. Our working assumption in guess-timating liquidity and flows has the cash rate at 4.35% through the balance of 2026 with cuts not arriving until 2027.

The labour market. Unemployment held at 4.4% in June, but the detail was far stronger than expected — employment rose 76,300 to a record 14.82 million against a market forecast of 15,000, and participation lifted to 67.0%, its highest since July 2025. Two-thirds of the gain was part-time, underemployment rose to 6.5% and youth unemployment rose to 10.7%. So strong-ish but not strong enough to force a rate hike given the CPI numbers.

Housing. This is the number that matters most to us. Cotality's national Home Value Index fell 0.7% in July with the capitals off 0.9% and the combined regional index down 0.2%. So, the correction that began in Sydney and Melbourne has spread to the mid-sized capitals and regions that were previously carrying the market.

How does this impact BOT?: Falling residential values, ipso facto, compress the "equity cushion" supporting construction loans. Our protection is what it has always been: modest loan-to-value ratios struck against current valuations rather than optimistic ones, security we would be comfortable enforcing over, no high-rise complexity and sponsors with the capacity to support their own projects. Remember that a developer has to lose all of his profit (~15% off sale prices) and all of his equity (a further ~20% off sale prices) before a loan becomes harder to collect.

Notwithstanding, we have tightened our exit assumptions and where we cannot get comfortable on a residual valuation, we are simply not writing the loan. There will be transactions we lose this year to competitors with looser credit pencils, and I am *entirely* relaxed about that.

I do not see the downward correction being sustained as migration continues to provide a significant driver to housing demand. The correction was needed and has been baked into our assumptions for some time.

The world. The Federal Reserve held rates on 29 July at 3.50–3.75% for a fifth consecutive meeting. The three dissenters of a 9–3 vote wanting a hike rather than a cut. That tells you where the risk sits in the United States: inflation has now been above the Fed's 2% target for more than five years and markets are pricing increases, not cuts.

The Middle East remains the swing factor. With Saudi Arabia convening more than forty countries to discuss a naval coalition to protect the shipping lanes, a little heat has been taken out of fuel prices. Set against the US$120/barrel we saw at the peak of "Epic Fury" in late March, the current US$80/barrel is good progress, but nobody should mistake it for resolution.

Our market. The conditions I described last month persist and have, if anything, improved for us. Higher-for-longer rates suit a floating-rate secured lender. Margin compression has reversed as the private credit sector consolidates.

And ASIC's continuing scrutiny of private credit - on valuation practice, fee disclosure, conflicts and terminology - is something I welcome without reservation. Balmain has been doing this through several cycles, and a regime that obliges everyone to show their working is straightforwardly good for managers with nothing to hide. It is also, candidly, good for our pipeline.

IMPORTANT UPDATE

Two New BESTS: We will shortly be issuing 2 more BESTs. Unlike last time, we will be sending out a separate email for each BEST so that, hopefully, all of you get to see the opportunity.

As a "teaser" the BESTs will be:

BEST Name:	BEST 004 Gateway
Issue Date:	**31 August 2026**
Loan Type:	Single draw advance, interest pre-paid.
Amount:	$30MM
Term:	7 months
Distribution Rate:	11.2%pa *(on a distribution re-invested basis)*
LVR:	75% *(reducing to 55% by month 4)*

and,

BEST Name:	BEST 005 Acre
Issue Date:	**31 August 2026**
Loan Type:	Multiple draw construction advance, interest capitalised.
Amount:	$20MM
Term:	15 months
Distribution Rate:	11.5%pa *(on a distribution re-invested basis)*
LVR:	75% *(reducing to 43% after pre-sales settle)*

New Investor Portal

This month we're launching our new Investor Portal giving you a secure and convenient way to manage your BOT, BEST and PET investments online.

From launch, you will be able to view portfolio information, access statements (including your FY2026 tax statements) and investment documents, apply for new opportunities, and receive updates throughout your investment journey — all in one secure place.

On **10 August 2026**, you will receive a separate email with a personal invitation link to set up your access. As always, any questions can be directed to our Investment Team.

TRUST UPDATE

As FYE27 has begun as FYE26 ended, with assets (loans) and liabilities (investor capital) closely in sync and on near-identical growth trajectories. Distributions accordingly remain unchanged from last month / insert commentary on any variation.

BOT funds under management is now sitting at $2.92bn which is annualised growth of 24% since 30 June 2026 this happens to hold on trend for growth over the last 4 years.

The quality of BOT's loan assets remains high and our exposure to 'troubled' assets remains de minimis. Given both the macro-economic environment and the softening in residential values described above, we have maintained the heightened surveillance of every loan investment including those specific loans that I flagged last month.

On this point, we now expect to **recover an excess return from the Bathla exposures** and return c. $15MM to the borrower after BOT's receipt of all capital, all interest (including penalty interest) and penalty fees. As I have repeatedly said, remediating problem loans is our core capability.

You are now able to see performance matrix for the Balmain Opportunity Trust at https://www.balmainopportunitytrust.com.au/history. We have also emailed all investors with the login details for the investor portal which I encourage you to use.

If you have any difficulty in accessing the portal, please give the Balmain Investments Team a call on 02 9232 8888.

ACMC Control Account- Class A: Monthly Distributions

We confirm that the amount of $76.86 in respect of income referable to July 2026 was paid to you / reinvested in your account in accordance with your nominated Distribution Method election on 07 August 2026.

ACMC Control Account- Class A: Status of Investment

We also confirm that as at 31 July 2026, ACMC Control Account- Class A's investment in Class A Units in the Balmain Opportunity Trust stood at $10,000.00 (you will receive multiple emails if you have multiple investment entities).

Please note that this balance does not include:

- any investment or redemption made after that date; or
- the July 2026 distribution re-investment (if applicable).

Should you have any questions or queries please do not hesitate to contact the writer or Tom Sherston.

Warmest regards,

Andrew Griffin

balmain

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