GenuineEdge

Quarterly Newsletter | June 2026

CARE PHILOSOPHY

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In Europe, inflation also remained above target and energy continued to be the main source of pressure.

In China, economic momentum softened slightly through the second quarter of 2026.

Welcome to the economic and markets update for the second quarter of 2026. Market volatility continued in the second quarter caused by the twists and turns in US / Iran peace negotiations, shifting narratives about AI and semiconductor prospects and the forecasts that US interest rates, which were forecast to rise, may not be lifted.

USA

US equities rebounded strongly over the quarter. The Dow Jones Industrial Average reached a record high before easing modestly, finishing the period up 13%. The S&P 500 gained almost 15%, while the NASDAQ rose approximately 21%, marking the strongest quarterly returns for both indices since 2020. Despite this recovery, both the S&P 500 and NASDAQ remained below the record levels reached in early June. The rebound was a sharp reversal from the first quarter of 2026, when major US share market indices recorded their largest quarterly declines in almost four years as oil prices surged. Oil has since fallen materially from its peak of around USD120, supported by the signing of a memorandum of understanding between the US and Iran.

The US economy remained resilient despite earlier concerns that geopolitical tensions would trigger a sharper slowdown. Economic data has generally surprised to the upside since the start of the year. While the war with Iran has weighed on business and consumer confidence, the impact on actual economic outcomes has so far been limited. Real consumer spending softened briefly but is now re-accelerating, while business investment has remained firm, supported by ongoing AI-related capital expenditure. Employment data was softer than

Emmanuel Calligeris

Chairman of the CARE Investment Committee

expected, with jobs growth falling short of economists' forecasts after exceeding consensus expectations in the previous three months. The weaker labour market report prompted analysts to scale back expectations for further interest rate increases. Inflation expectations have declined rapidly alongside oil prices. While inflation had been expected to reach 3.4%, lower petrol prices are likely to produce a series of negative headline readings into the third quarter of 2026. Core inflation (which excludes food and energy costs) should also be supported by slower housing inflation and declining motor vehicle insurance costs, reducing the pressure for additional monetary tightening. The Federal Reserve kept interest rates unchanged at its June meeting. However, the first meeting chaired by Kevin Warsh was more hawkish than investors had anticipated.

EUROPE

The US story seems to be consistent in other parts of the world. **In Europe, inflation also remained above target and energy continued to be the main source of pressure.** The European Central Bank had already raised rates in response to the acceleration in headline inflation however, growth conditions remain weak and wage growth has not yet shown the sort of second-round effects that would justify a more aggressive tightening cycle. The policy challenge in Europe is therefore similar to Australia and the United States: inflation is too high, but growth is too fragile for the European Central bank to move too far too quickly.

CHINA

In China, economic momentum softened slightly through the second quarter of 2026, prompting institutions like the IMF to project full-year 2026 growth at 4.6%, while the World Bank held its forecast steady at 4.4%. The tech-focused new economy continues to perform solidly with high-tech manufacturing growing 13.1% year-on-year since the start of 2026 while hi-tech fixed asset investment has grown 4.5% over the same period. In contrast, the old economy remains soft. Overall, fixed asset investment fell -4.1% year to date, real estate investment is down -16.2% and infrastructure investment is up just 0.6%. Producer price inflation recorded 4.1% from 3.9%, however, the June data snapped a 10-month streak of stable or upward price momentum, dropping -0.3% over the month.

It suggests we may have seen the peak in the price producers pay for their inputs. The primary drivers continued to be coal (20.6%), crude oil and natural gas (16.8%) and non-ferrous metals mining (25.5%) with many other categories, such as wine, beverages, and refined tea manufacturing (-5.3%), pharmaceutical manufacturing (-4.5%) and auto manufacturing (-2.1%) remaining in the deflation zone. This data shows that there's still work to do when it comes to restoring healthy price dynamics. **Foreign trade serves as the economy's primary engine.** Driven by booming global artificial intelligence infrastructure spending and clean energy manufacturing, goods trade surged over 15% in early 2026. This massive export outperformance has further widened China's current account surplus. This is unsustainable given the record high level of the trade surplus, hence the need for material stimulus for the domestic economy.

AUSTRALIA

In Australia the RBA kept the cash rate unchanged at 4.35% in June. However, the Board, leaned against the idea that the hiking cycle is over. The RBA said that inflation remains "too high" and warned of "signs that some firms experiencing cost pressures, are increasing the prices of their goods and services and others are looking to do so". **We see the bias of policy will be to the tighter side, although, from the**

current level, the RBA may have a bit more time on its side before moving next. Headline inflation eased to 4.0% over the year to May, from 4.2% in April. Fuel prices helped headline inflation, with an 11.9% fall in the month subtracting 0.4% from the monthly inflation reading. Measures of inflation that exclude fuel remained firm including rental increases. Tight rental markets and low vacancy rates continue to support firm rent increases in the near term. Labour market data showed unemployment moving to 4.4% with an underlying weakening trend. Finally, household pressure continued to show strain, with the Westpac consumer sentiment survey weakening, the NAB business conditions easing, CoreLogic dwelling values stalling nationally in May after Sydney and Melbourne recorded outright declines, auction clearance rates tracking below average, and building approvals falling for a third consecutive month.

INVESTMENT COMMITTEE UPDATE

The Investment Committee members have been cautious about share valuations globally for most of the quarter. In May, the portfolio was rebalanced away from Cash - Betashares AAA, and global small companies (VISM) and into Indian shares and the global health companies fund – IXJ. The rebalance of the global healthcare sector was particularly timely and aided performance. When markets weakened in late May and early June, the Investment committee once again rebalanced portfolio exposures by reducing healthcare and small companies and diversifying onto Gaming via ESPO, companies involved in the global defence sector via ARMR, Robo and Nasdaq 100. ARMR provides exposure to up to 60 leading companies which derive more than 50% of their revenues from the development and manufacturing of military and defence equipment, as well as defence technology, including Lockheed Martin, BAE Systems, General Dynamics and Palantir Technologies. ARMR only holds global companies headquartered in NATO member and major NATO ally countries.

In relation to video gaming, **the global video games market crossed a major milestone by generating US$201.6 billion in revenue in the year ending June 2026.** Projections for the wider gaming ecosystem including software, subscriptions, mobile in-app monetisation and hardware, place total spending between US$268 billion and US$351.6 billion. The VanEck Video Gaming and Esports ETF (ESPO) tracks the MVIS Global Video Gaming and eSports Index. To protect the fund from being dominated by a single giant stock, weights are actively capped at 8% per company. The index currently includes prominent companies representing game developers, publishers, and platforms including Nintendo Co Ltd, Take-Two interactive software and Electronic Arts Inc. The cash position: Betashares AAA, was decreased.

Indian shares ended the quarter in positive territory, with Fidelity returning 7.68% over the period. Market sentiment improved as crude oil prices eased, geopolitical concerns moderated and optimism around domestic growth supported financial and consumer-oriented sectors. Although foreign investors remained net sellers, the pace of outflows slowed materially, while domestic investors continued buy shares in Indian companies. Key contributors included healthcare and selected domestic growth exposures. Healthcare security selection added value, supported by Rubicon Research, which benefited from strong growth and a healthy long-term outlook. Cooling systems manufacturer Thermax is well positioned to benefit from rising demand across data centres, power investment and cooling solutions, with elevated summer temperatures likely to support demand for its refrigeration and air-conditioning offerings. Five Star Business Finance signalled a healthier underlying loan portfolio which saw the share price rise. Disbursements also showed early signs of recovery, with management guiding to stronger loan growth in the year ahead. Polycab -a wires and cables producing company continued to strengthen its leadership position, delivering resilient execution and healthy growth across its core businesses, including robust revenue growth in its cables and wires segment. An underweight exposure to Reliance Industries also added value. Detractors were concentrated in the IT sector. Indian IT companies were largely overlooked during the global AI rally, reflecting concerns that AI could disrupt white-collar employment and services exports. Cognizant Technology Solutions detracted despite meeting its profit guidance as the near-term outlook remained mixed amid heightened macroeconomic uncertainty and softer-than-expected growth expectations for the second quarter. Infosys also declined as investors focused on cautious forward guidance, despite a profit outcome ahead of expectations.

Robotics and automation stocks performed well with 9 of the 11 subsectors registered gains, led by Computing & AI (+50%), Actuation (+48%), Manufacturing and Industrial Automation (+33%), and Sensing (+33%), while Business Process Automation (-20%) and Autonomous Systems (-7%) lagged. Currency was a modest headwind as the Australian dollar increased over the quarter. Harmonic Drive Systems (+120%), the world leader in the strain-wave gears inside nearly every humanoid joint, guided operating profit up 141% for the fiscal year ending March 2027 on recovering robot and AI-driven reducer demand, the clearest confirmation yet that the physical AI buildout is flowing through to the component layer. Infineon (+113%) rallied on the other half of the same thesis. Its AI data centre power business is running in allocation, with demand ahead of supply, while its gallium nitride motor controllers are finding their way into robotic joints. Raspberry Pi (+93%), Fuji Corp (+77%), Yaskawa Electric (+71%), Ambarella (+67%), Coherent (+66%), and Teradyne (+63%) rounded out the leaders. In China, Han's Laser gained 150% and Estun Automation 90% as local markets saw a continued drive toward domestic supply-chain in general manufacturing and even domestic semiconductor production.

Two forces powered the broad advance. The first was the semiconductor supercycle: the Philadelphia Semiconductor Index rose 87.8%, its best quarter since its 1994 inception, as memory sold out through 2027 and AI capex continued to climb. ROBO owns what that compute gets built for, along with the test, optics, and power layers it cannot run without. The second was the cyclical recovery in factory automation. Manufacturing & Industrial Automation, the largest subsector at roughly 22% of the index, returned 33% as Japanese automation bellwethers exited a two-and-a-half-year down cycle with orders inflecting.

The two laggards had distinct diagnoses. Business Process Automation fell 20%, with Autodesk (-19%) and PTC (-20%) marked down as investors handicap what AI does to seat-based software pricing. Autonomous Systems declined 7% on weakness in the Chinese consumer-tech names including Xiaomi (-32%) absorbed EV losses and surging memory costs, and XPeng (-23%) fought a brutal EV price war even as its robotics and Turing-chip story advanced. The same memory crunch squeezing device makers is revenue for the semiconductor, test, and equipment names that dominate the top of the index.

The June rebalance saw the index add Ouster, the scaled pure-play in digital lidar and one of the few companies giving machines a real sense of depth and space, and Schaeffler, which has converted 75 years of precision-bearing heritage into complete humanoid-joint actuators covering roughly 80% of humanoid-joint demand, with series production targeted for this year. Octave, the asset-lifecycle software business spun out of Hexagon was also added to the Robo index. Shibaura Machine exited based on relative ranking as the constituent set rotates toward higher-purity robotics and automation plays.

OUTLOOK

Overall, its been a volatile however not unexpected quarter. The near-term path of markets remains uncertain, particularly given the evolving macro environment although easing oil prices and hopes of de-escalation in the Middle East materially improved sentiment over the month of June. Inflation remains too high for central banks to declare victory. The broader economic backdrop is mixed. On the positive side, labour markets have proven resilient and the manufacturing cycle continues to improve. Offsetting this, the Middle Eastern conflict has weighed on the outlook for growth, inflation and interest rates once again. For investors, the combination of resilient share markets, elevated inflation and ongoing geopolitical risk suggests that volatility is likely to remain a feature of markets through the remainder of 2026.

Returns

To the 30th June 2026

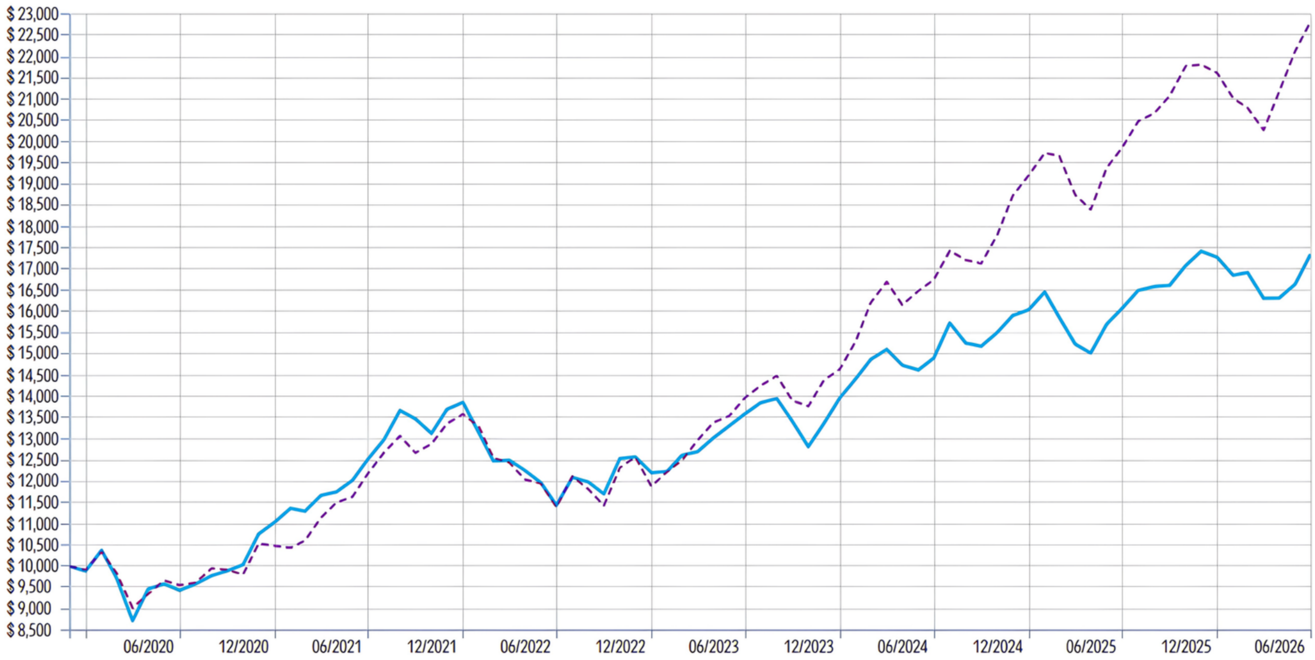
GenuineEdge Returns

1 month	3 months	6 months	1 year	3 year	5 years
4.25	6.36	0.41	7.91	8.48	6.72

- Returns are based on model portfolios assuming benchmark allocation. The numbers are before tax, adviser fees or platform fees but are net of the CARE Investment Management fees.

Growth Chart

Growth of $10,000 to 30 June 2026



Genuine Edge Portfolio
Total Return AUD 17.35K

MSCI World Ex Australia NR AUD
Total Return AUD 22.83K

- Time Period: 1/12/2019 to 30/6/2026
Source Morningstar Direct

UNDERLYING INVESTMENTS

CARE INVESTMENT COMMITTEE

Emmanuel Calligeris
BEc MBus (Finance)

Emmanuel is Chairman of the CARE Investment Committee. Emmanuel holds a degree in economics and previously had 35 years' experience as Chief Investment Officer for OnePath Investments (the investment arm of ANZ Bank) and was responsible for $13 Billion of funds under management.

Rob McGregor
SIA (Aff) ADFP

Rob was a founder of GPS Wealth, developed the CARE Investment Philosophy over the last 25 years and successfully managed $100m in clients' funds during the GFC.

Grahame Evans
GAICD DipSM MBA

Grahame is the Risk and Compliance member of the CARE Investment Committee. Grahame brings over 45 years of financial service industry experience.

Dr. Mark Brimble
BCom(Hons) PhD CPA FFin

Mark is an independent member of the CARE Investment Committee. Mark holds a doctorate in capital markets and is keenly interested in investor behaviour.

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