CAREessentials

Quarterly Newsletter | June 2026

CARE PHILOSOPHY

YOUR FUTURE, MANAGED WITH CARE

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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 our 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

Within the Active portfolio, the investment committee bought back into Australian Shares through Vanguard (VAS) and some international shares via IOO (hedged – we believe that the Australian dollar will move higher) following the share market selloff in early June. This was funded from the cash allocation in Betashares AAA. The Australian Share market has increased since then. The Committee rebalanced (via a sale) Gold and emerging market shares (IEM) and increased AAA at the margin. We are looking for another entry point into IOO and believe that the share market volatility will give us the opportunity. The members of the Investment Committee continue to err on the side of caution about the share market valuation; particularly in the US. Forecast profit growth has been high and increasing however, share prices have risen in expectation of the profit growth. A disappointment on the level of profit growth could see a sell-off as expectations are high. The Investment Committee rebalanced the Core portfolio exposures by reducing international shares (VEU) and increasing Australian Small Companies (SMLL) and Global listed property (DJRE).

The Australian share market delivered a positive return over the June quarter, although the headline result concealed a pronounced rotation beneath the surface. Commodity markets were the principal source of divergence. Crude oil prices weighed materially on Australian energy company share prices like Woodside Energy Group in June. Gold, which had been a leading market performer over the preceding year, also corrected as rising global bond yields (falling prices) and a stronger US dollar placed downward pressure on the bullion price. Iron ore remained resilient through April and May before weakening in June as softer Chinese demand and elevated port inventories constrained further gains. By contrast, consumer discretionary stocks outperformed as investors increasingly anticipated a pause in the interest rate tightening cycle following softer inflation and labour market data. The AI theme also remained prominent in Australia, with capital goods companies and selected small-cap technology stocks outperforming as investors sought domestic exposure to global data-centre investment and infrastructure-related capital expenditure.

The Enhanced Australian shares portfolio – AUMF, marginally underperformed the index over the quarter producing a return of 3.65% versus 4.05%. Not holding Promedicus and James Hardy weighed on performance whilst SRG Limited – an engineering and construction services company, aided performance. Woolworths also performed well, with its share price rising 13.62% in June alone. These everyday consumer companies generally did well, with Wesfarmers also delivering a strong result, rising 13.3%. Woolworths reported higher labour and fuel costs, which are putting pressure on its profits. Iluka's share price fell 10.51% in June as mining and materials companies came under pressure. The total return was 5.95% over the year which was slightly behind the broader share market index (S&P/ASX 200). AUMF invests in companies that have favourable exposure to the factors of financial health, relatively inexpensively price and strong trend.

Within the CARE Enhanced International shares portfolio it was pleasing to see that QUAL performed broadly in line with the benchmark over the quarter and has broadly kept pace with the index over the year. It is pleasing because the rise in the global share market has been so narrow around AI companies whereas the QUAL portfolio is well diversified. Longer term performance has been acceptable, given the increased volatility that we have seen and the massive threat of disruption by AI. The investment in QUAL, provides access to high quality companies based on key fundamentals including high return on cash invested in the business, profit stability and low financial leverage. The portfolio benefit from holdings in Alphabet – parent of Google and ASML – a lithography company.

The fixed interest markets were stronger in the June quarter. Vanguard Australian Fixed Interest (VAF) investment funds achieved a satisfactory return in light of higher inflation readings both in Australia and much of the rest of the world. The fixed interest holdings via Russell Investments Australian Select Corporate Bond increased 2.30% over the quarter, although the return was 1.65% higher over the year as bond prices in Australia decreased on inflation fears. VAF was also affected by the fall in bond prices in Australia due to the higher inflation recorded over the period. The Investment Committee remains satisfied in the blending of management styles in the portfolio with the overall portfolio ahead of its performance target.

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

CAREessentials Returns

	1 month	3 months	6 months	1 year	3 year	5 year
CAREessentials Conservative	1.26	4.11	2.47	4.52	6.65	2.98
CAREessentials Moderate	1.46	5.23	2.86	6.73	8.60	4.70
CAREessentials Balanced	1.61	6.07	3.16	8.40	10.06	5.99
CAREessentials Growth	1.76	6.91	3.46	10.06	11.52	7.28
CAREessentials High Growth	1.96	8.03	3.85	12.28	13.47	9.00

- 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.
- The CAREessentials returns are calculated assuming below allocation to the CAREessentials High Growth portfolio and the CAREessentials Defensive Portfolio:

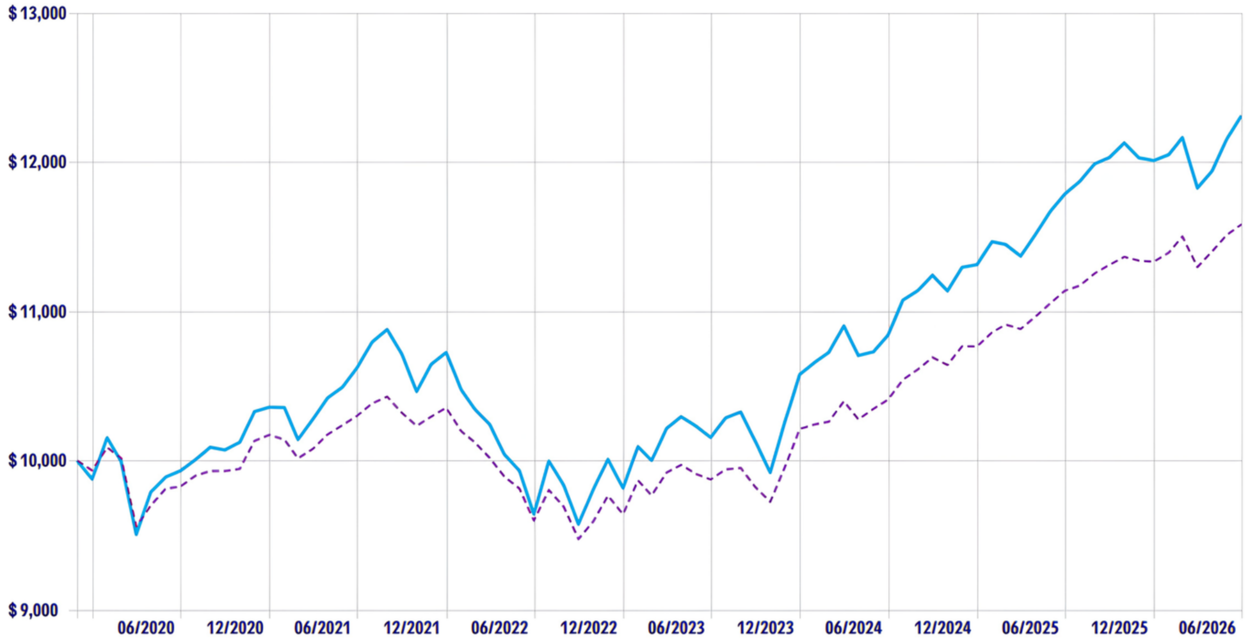
Allocation

	CAREessentials High Growth	CAREessentials Defensive
CAREessentials Conservative	30%	70%
CAREessentials Moderate	50%	50%
CAREessentials Balanced	65%	35%
CAREessentials Growth	80%	20%
CAREessentials High Growth	100%	0

UNDERLYING INVESTMENTS

Your CAREessentials **Conservative**

Growth of $10,000 to 30 June 2026



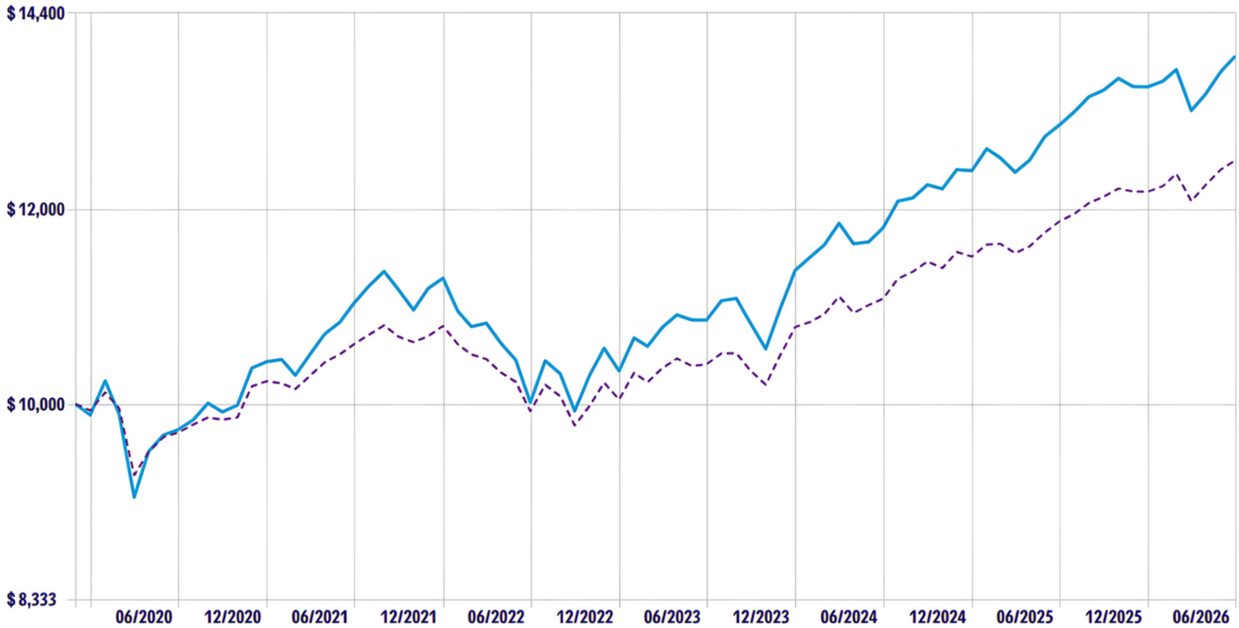
CAREessentials Conservative
Total Return AUD 12.31K

Multisector Conservative Investor
Total Return AUD 11.58K

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

Your CAREessentials **Moderate**

Growth of $10,000 to 30 June 2026



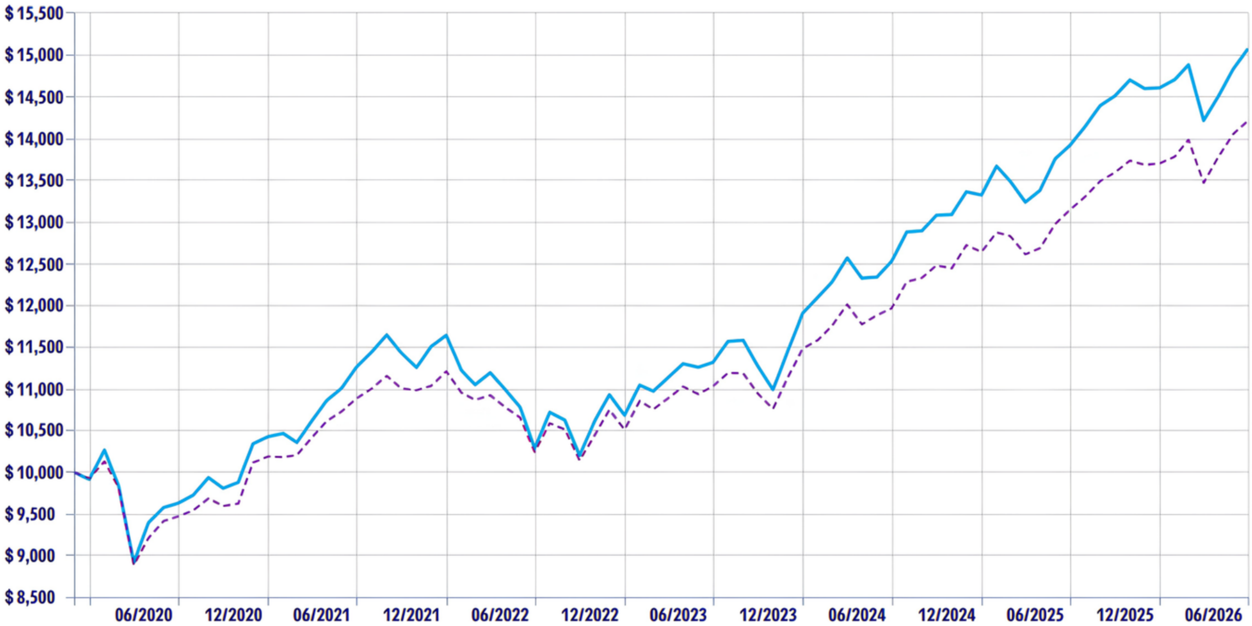
CAREessentials Moderate
Total Return AUD 13.84K

Multisector Moderate Investor
Total Return AUD 12.56K

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

Your CAREessentials **Balanced**

Growth of $10,000 to 30 June 2026



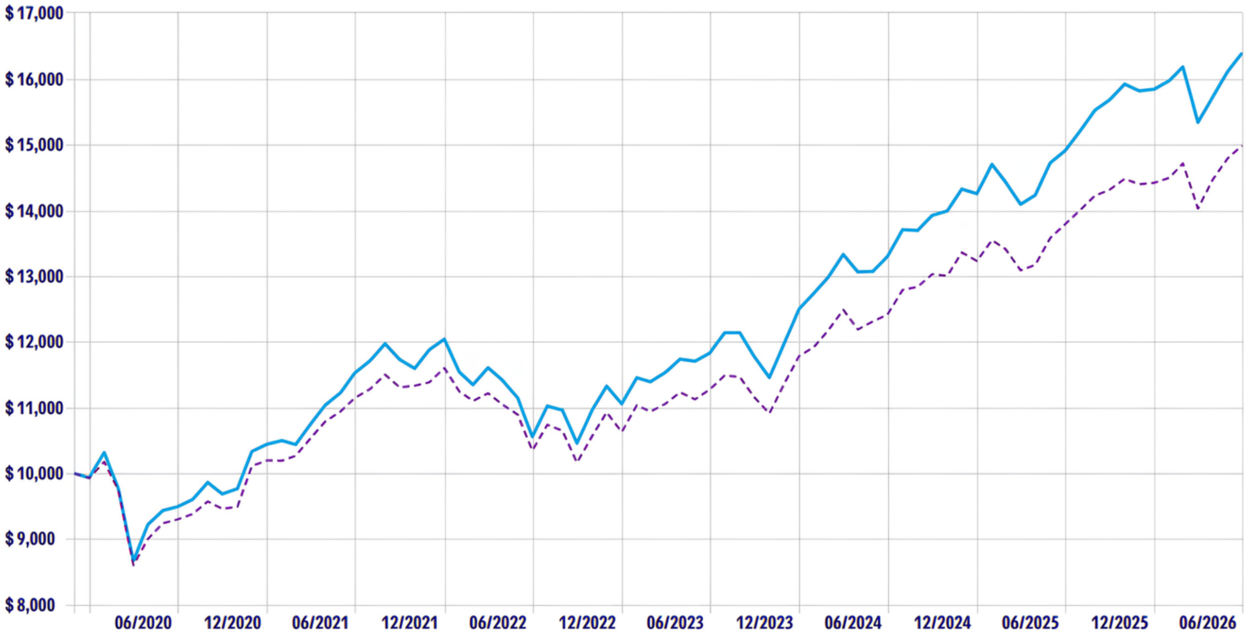
CAREessentials Balanced
Total Return AUD 15.08K

Multisector Balanced Investor
Total Return AUD 14.22K

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

Your CAREessentials **Growth**

Growth of $10,000 to 30 June 2026



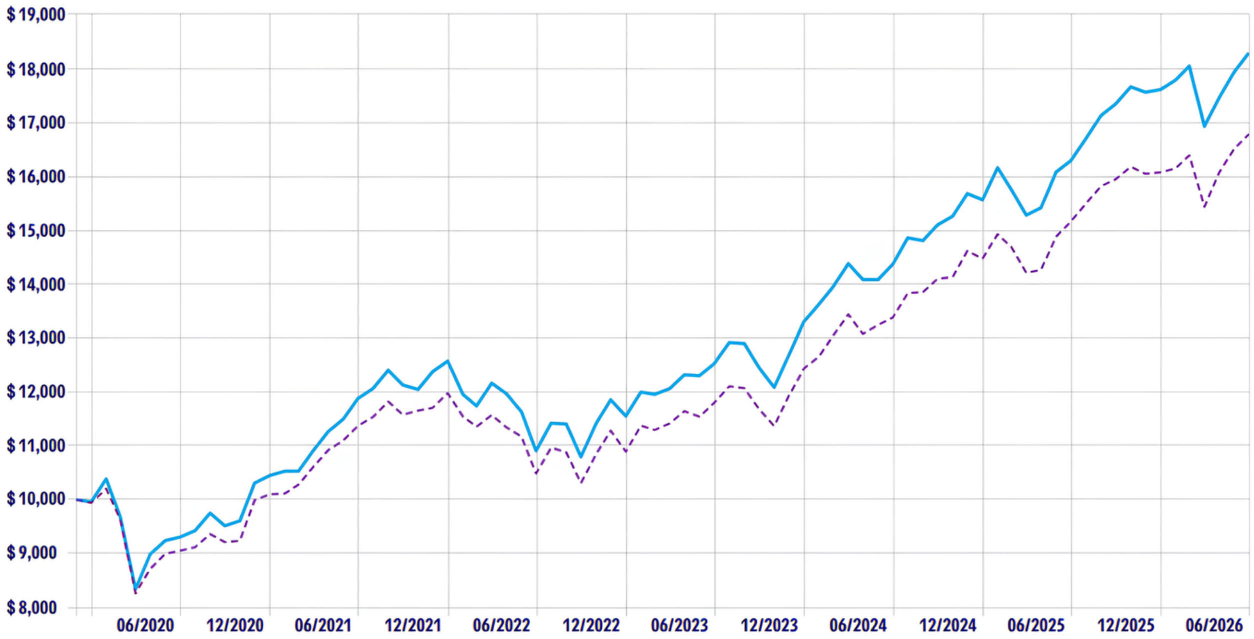
CAREessentials Growth
Total Return AUD 16.40K

Multisector Growth Investor
Total Return AUD 14.99K

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

Your CAREessentials **High Growth**

Growth of $10,000 to 30 June 2026



CAREessentials High Growth
Total Return AUD 18.29K

Multisector High Growth Investor
Total Return AUD 16.78K

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

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.

Hatch Financial Planning

Hatch Financial Planning Pty Ltd is a (No.30127)of GPS Wealth Ltd | AFSL 254 544 | ABN 17 005 482 726

DWA Managed Accounts Pty Ltd

ABN 89 104 065 250 | AFSL 264 125

Address: PO Box 3030, Loganholme, Qld 4129

Phone: 07 3229 9662

Email: info@hatchfinplan.com.au