GenuineEdge

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CARE PHILOSOPHY

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Welcome to the economic and markets update for the third quarter of 2026. Market volatility continued over the quarter caused by the sustained increase in the oil price with Brent Crude closing around $103.50 per barrel. This had the effect of increasing inflation concerns causing bond yields to rise and share prices to weaken.

USA

The US economy expanded at a healthy rate of 3.4% on AI related equipment spending resilient consumer outlays and a rebuild of inventories which boosted investment spending. Growth is up from 2.2% in the second quarter however beneath the surface, the oil shock from the war with Iran increased consumer price inflation to 3.7% and personal consumption expenditure inflation to 3.6%, pushed real wages into decline, drove the household saving rate to a near four-year low of 3.8% and sent the 10-year Treasury yield above 5%. The Federal Reserve responded with its first interest rate rise since 2023, lifting the target range to 3.75–4.00% on 16 September.

The Middle East conflict escalated in the first half of September as hostilities involving Iran spread beyond the Strait of Hormuz to Gulf oil production and export facilities. The heaviest wave of Iranian and US strikes on oil tankers since the war began pushed Brent close to US$107.60, while WTI exceeded US$100 for the first time since May. Energy prices remained the main channel through which the conflict affected inflation, rate expectations and asset values. Separately, Presidents Trump and Xi extended the US–China trade truce to 10 January.

In the decision to raise rates, the Federal Open



Emmanuel Calligeris
Chairman of the CARE Investment Committee

markets Committee Chair Warsh, described the move as "removing a dose of accommodation", while policymakers projected one further increase before the end of 2026.

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 raised all three key rates by 0.25 percentage points, taking the deposit rate to 2.50% and warned that inflation risks were likely to persist. Inflation readings in Germany, France, Italy and Spain exceeded forecasts, reinforcing concerns that higher energy costs were spreading to broader prices. The Bank of England held its rate at 3.75%, although three of nine committee members supported an increase after inflation reached 3.1% in August.

CHINA

In China, updated data showed an increasingly two-speed economy. Factory output rose a solid 5.2% over the year, however retail sales grew only 0.4%, year-to-date fixed asset investment fell 7.2% and property investment declined almost 20%. The gap suggests growth is leaning on exports and industrial output while domestic demand, weighed down by the property downturn, remains weak. Banks issued just RMB60 billion in new loans in August, well below economists' estimate of about RMB400 billion, while household borrowing contracted for a sixth consecutive month. Together with falling property values, this points to weak household confidence and little appetite to take on debt. Inflation tells the same story. Consumer prices rose just 0.9% over the year to September (0.8% in August), with core inflation steady at 1.0%, as higher energy prices were offset by falling food prices. Producer prices, by contrast, accelerated to 5.0%, the fastest pace since mid-2022, so cost pressures from the oil shock are building at the factory gate but are not being passed on to cash-strapped consumers, which squeezes manufacturer profit margins. These figures increased pressure on Beijing to deliver greater stimulus. The Shanghai Composite fell 3.6% as investors rotated from AI-related shares into banks and property developers. Iron ore declined 6.3% to about US$93 a tonne amid weak construction demand.

AUSTRALIA

Australia's economy grew 0.4% in the June quarter and 2.1% over the year, exceeding economists' expectations but remaining below potential. Momentum weakened in August as household spending stalled: higher fuel costs lifted essential spending, while discretionary spending fell 0.3%. **NAB's survey showed business conditions at their weakest since the pandemic as wage and fuel costs compressed margins.** Employment increased in August, mainly through part-time roles, but record labour-force participation of 67.1% pushed unemployment to 4.6%. Westpac's consumer sentiment index fell 5.2% to 84.4 in September amid higher petrol prices, declining home values and concerns about mortgage rates.

The RBA raised the cash rate by 0.25 percentage points to 4.85%, its fifth increase and the highest level in 18 years. It said previously identified inflation risks were emerging, while acknowledging that economic growth appeared to be slowing left open the possibility of further increases. Annual headline inflation rose from 4.0% in August to 4.3% in September, largely because of higher fuel and electricity prices. Underlying trimmed mean inflation was steadier at 3.6%, while market services inflation reached 4.1%. Analysts expect September-quarter underlying inflation of about 1.0%, above the RBA's forecast and keeping the pressure on interest rates to increase further.

INVESTMENT COMMITTEE UPDATE

The Investment Committee members have been cautious about share valuations globally. On market weakness during the quarter, the investment Committee further 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 with Moderna rising strongly on the back of a positive Phase 3 trial data for intismeran autogene (its personalized mRNA cancer vaccine that was co-developed with Merck in combination with Keytruda), which successfully reduced melanoma recurrence. The Investment committee further rebalanced portfolio exposures by reducing healthcare after prices increased again and small companies and diversifying HACK – a cybersecurity investment, and further increased ESPO the video and gaming investment and the fund's exposure to the Nasdaq 100 (NDQ).

In relation to video gaming, **the global video games market revenues continue to grow as highlighted last quarter.** 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 in 2026. 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 -6%, lower, with Fidelity returning -3.36% over the period representing an outperformance of 2.64%.

This was driven by a spike in crude oil prices amid renewed Middle East tensions. Second-quarter GDP growth came in robust at 7.8%, broadly in line with expectations. Growth was supported by the cyclical recovery that began in 2025 and a strong rebound in exports, aided by the real depreciation of the rupee, lower tariffs and a resilient global economic backdrop. Meanwhile, the HSBC India Services Purchasing Managers' Index (PMI) -an indicator of services activity, remained in expansionary territory for the 62nd consecutive month. The latest reading signalled growth, robust demand and a rise in new orders. A number of companies performed well for the portfolio including Cognizant Technology Solutions - an IT company, Conforge – an IT services company, Lenskart - designs, manufactures and retails prescription eyeglasses, sunglasses, contact lenses, and eye-care accessories and Sapphire – KFC distributor. Holding the portfolio back was Thermax - a global engineering company providing sustainable solutions in clean energy. The company has been impacted by slower private capex execution, with strong project pipelines but delays in order finalisation and equipment offtake.

Robotics and automation stocks decreased by -1.34% over the quarter. There were some big rises and falls over the quarter. Illuminia Inc – a biotechnology company increased by almost 56% on better than expected profit results due to higher sales growth and a further upgrade to future profit expectations. Anvantech Co Limited, a Taiwanese company, designs and manufactures industrial computer hardware. The company also performed well for the portfolio rising by 50% over the quarter thanks to strong new orders. Investors saw AI-related demand becoming actual sales, profits and future orders, rather than just a long-term theme. Han's Laser Technology a Chinese manufacturer of industrial laser equipment and manufacturing systems, saw a fall in its share price of -46% over the period. Alongside its third quarter profit release, management lowered its outlook for 3D printing equipment. The company noted potentially lower procurement demand

from the Apple supply chain and downgraded its market position target from being the dominant supplier (with over 50% share) to simply one of several Tier-1 suppliers. Because Apple and AI hardware demand had been major pillars of the positive thesis, this downgrade sparked sharp selling. Lastly, ATS Corporation – a Canadian company that designs and builds factory automation share price fell on the back of lower current profits combined with a smaller backlog and delayed project delivery.

OUTLOOK

As expected, its been a volatile 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 continue to shape sentiment. Inflation remains too high for central banks to declare victory so the bias on interest rates remains to the upside. 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 September 2026

GenuineEdge Returns

1 month	3 months	6 months	1 year	3 year	5 years
-0.21	-0.34	5.99	4.05	8.82	5.10

- 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 September 2026



Genuine Edge Portfolio
Total Return AUD 17.29K

Morningstar AUS Growth Tgt Alloc NR AUD
Total Return AUD 23.16K

- Time Period: 30/11/2019 to 30/9/2026
  Source Morningstar Direct

UNDERLYING INVESTMENTS

Vanguard · REALM INVESTMENT HOUSE · HYPERION ASSET MANAGEMENT · Palmer Tobin EST. 1872 Investing with care for over 150 Years · GLOBAL X by Mirae Asset · betashares · iShares by BlackRock · INSYNC · STATE STREET · Russell 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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