CAREessentials

Quarterly Newsletter | September 2026

CARE PHILOSOPHY

YOUR FUTURE, MANAGED WITH CARE

The US economy remained resilient despite earlier concerns that geopolitical tensions would trigger a sharper slowdown.

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

NAB's survey showed business conditions at their weakest since the pandemic as wage and fuel costs compressed margins.

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 held the portfolio exposures steady through the quarter having bought back into Australian Shares through Vanguard (VAS) and some international shares via IHOO following the share market selloff in early June in the Active portfolio. This was funded from the cash allocation in Betashares AAA. The Australian Share market has increased since then although volatility remains high. 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 IHOO 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 in Australia due to rising interest rates and in the US due to the return technology companies are likely to make on their investment spending on AI and related infrastructure. 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 these profit expectations remain high.

The Australian share market delivered a positive return of 1.33% over the September quarter, to be higher by just 2.68% over the year. Once again this quarter, the headline result concealed a pronounced rotation beneath the surface. Healthcare names that were sold heavily in the 2025–26 financial year like CSL and Ramsay, rebounded 61% and 55% respectively in the quarter. The market was clearly too pessimistic on CSL's profit outlook, underestimating its plasma franchise and ability to grow profits sustainably. Defence-linked Codan Limited and the energy and gold producers surged, while lithium miner Liontown Resources (-46%) and rare earths producer Lynas Rare Earths (-24%), sold off. Codan's full year result for 2026 showed net profit 69% higher and a dividend increase of 70%. The company lifted its first-half 2027 profit outlook sharply, citing exceptional demand for its communications equipment from the conflict regions. The shares jumped almost 48% over the quarter.

Global shares as measured by the MSCI World ex-Australia (unhedged) index returned 1.45% over three months in Australian dollar terms. The path was uneven. Markets were weak in July, rebounded strongly in August and turned mixed in September as inflation concerns, higher bond yields and the oil price jump linked to the US–Iran conflict offset robust AI-related earnings. The combined pressure of higher oil prices and bond yields, falling with each escalation. Leadership stayed narrow, concentrated in technology companies.

Signs of progress in US–Iran talks late in September provided only brief support. In mid-September, calls from several senior AI industry figures to slow development of the most powerful models temporarily weighed on chipmakers and AI-infrastructure stocks before buyers returned. The Nasdaq index of technology companies increased by 2% over the quarter whilst the broader market was 1.45% higher over the period. Small and mid-cap companies also came under pressure as they tend to be more sensitive to interest rate increases. Medical company Moderna (NASDAQ: MRNA) shares rose 166% over the period, after positive Phase 3 melanoma results for its personalised cancer vaccine, Intismeran Autogene. On the negative side of the ledger, FICO – a mortgage credit rating company, share price fell by 50% over the quarter, because US housing regulators moved to let a cheaper rival, VantageScore, compete on equal terms with FICO in mortgage lending, which threatens FICO's most profitable business. These companies are held within the Vanguard Total Market Shares (VTS) investment within the Core portfolio.

Precious metals fell as bond yields increased, with gold and silver both declining over the quarter. Gold is held within the Active portfolio.

The Enhanced Australian shares portfolio – AUMF, performed well over the quarter rising by 3.13%. The performance was in line with the broader market index over the year. Ramsay Healthcare and CSL also continued to increase, finishing up 9.6% and 8.78% respectively. This continues the strong recent performance from these holdings, with CSL up 80% from the lows hit 4 months ago and Ramsay up 50% over the same time period. Ansell continued to perform well, rising a further 11% during September. Codan – a communications technology company, BHP and Persus Mining all performed well for the portfolio. During the quarter JB Hi-Fi performed poorly for the portfolio. However, it seems like a lot of bad news has started to be priced in. The company's share price fell on the back of the consumer that is stressed due to cost-of-living pressures. This will likely continue in the near future, however, all cycles eventually turn. Other detractors of performance included Commonwealth Bank, Fortescue Mining and owner of Bunnings – Wesfarmers. 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 is pleasing to see that QUAL performed 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 holding circa 300 stocks. Top contributors were Meta Platforms, Microsoft and Palantir, with relative contributions of +0.78, +0.47 and +0.25 percentage points. Bottom contributors were Applied Materials, Lam Research and KLA, at -0.47%, -0.46% and -0.41%. 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.

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

CAREessentials Returns

	1 month	3 months	1 year	3 year	5 year
CAREessentials Conservative	-0.66	-0.80	1.51	6.47	2.63
CAREessentials Moderate	-0.59	-0.44	2.77	8.58	4.35
CAREessentials Balanced	-0.54	-0.18	3.71	10.06	5.64
CAREessentials Growth	-0.49	0.08	4.65	11.74	6.93
CAREessentials High Growth	0.42	0.44	5.91	13.84	8.65

- 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

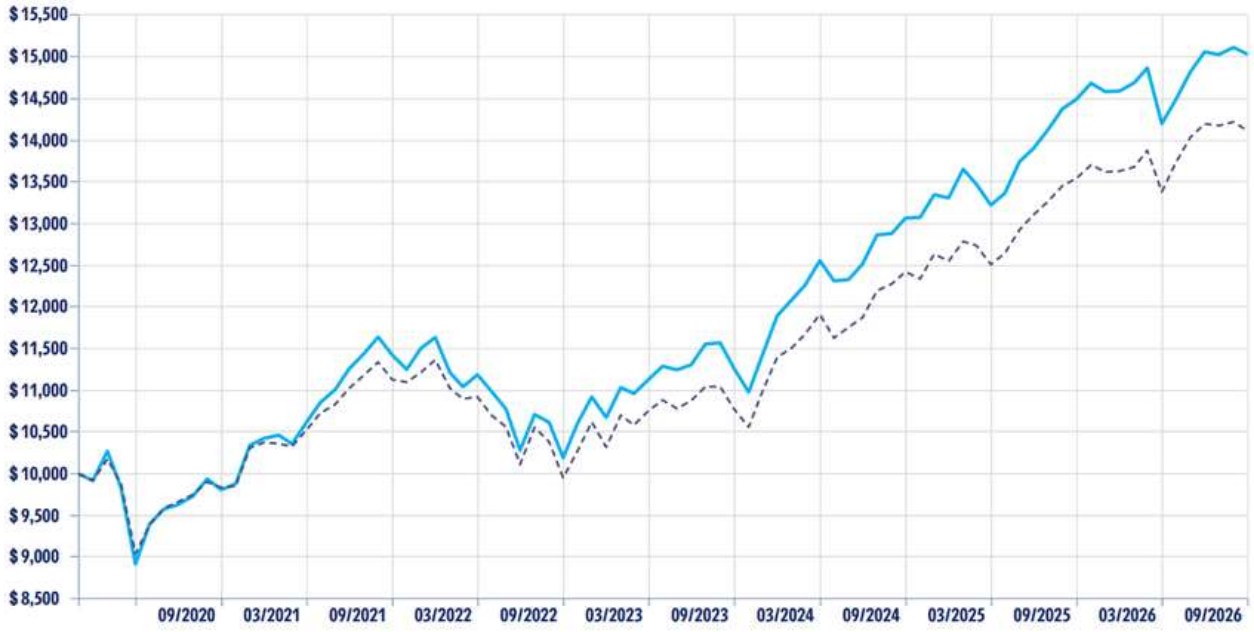
	CAREessentials High Growth	CAREessentials Defensive
CAREessentials Conservative	30%	70%
CAREessentials Moderate	50%	50%
CAREessentials Balanced	65%	35%
CAREessentials Growth	80%	20%
CAREessentials High Growth	100%	0

UNDERLYING INVESTMENTS

Vanguard, REALM Investment House, Hyperion Asset Management, Global X by Mirae Asset, betashares, iShares by BlackRock, INSYNC, State Street, Russell Investments

Your CAREessentials **Balanced**

Growth of $10,000 to 30 September 2026



CAREessentials Balanced
Total Return AUD 15.03K

Morningstar AUS Balance Tgt Alloc NR – AUD
Total Return AUD 14.11K

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

Your CAREessentials **Growth**

Growth of $10,000 to 30 September 2026



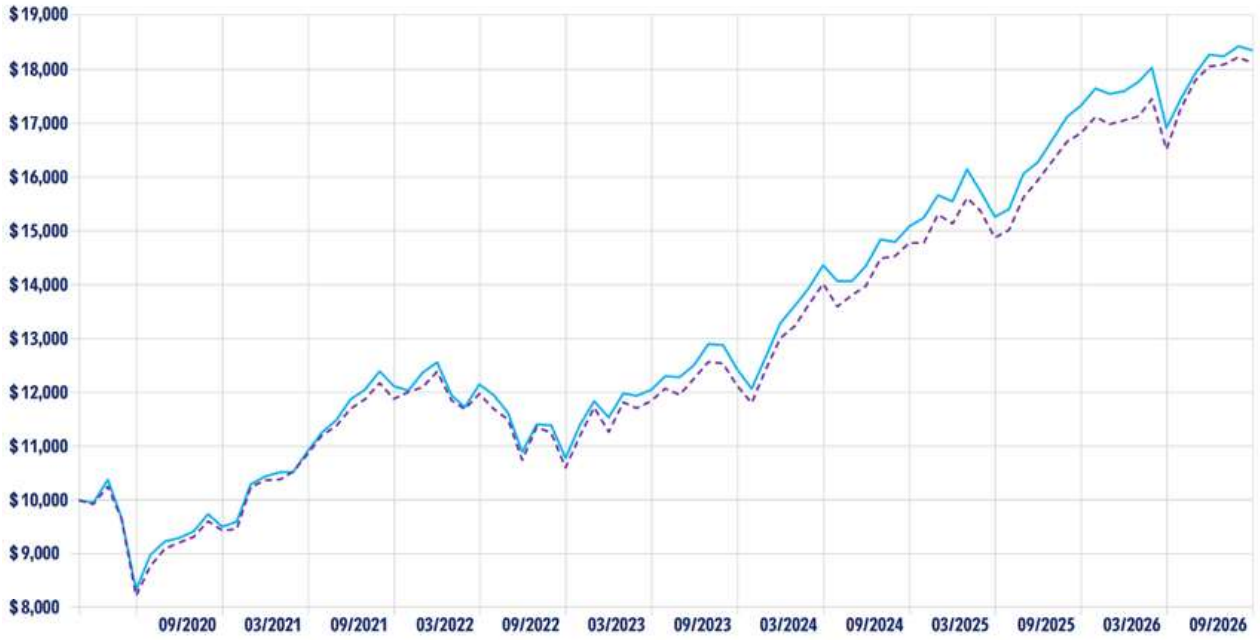
CAREessentials Growth
Total Return AUD 16.39K

Morningstar AUS Growth Tgt Alloc NR AUD
Total Return AUD 15.89K

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

Your CAREessentials **High Growth**

Growth of $10,000 to 30 June 2026



CAREessentials High Growth
Total Return AUD 18.35K

Morningstar AUS Agg Tgt Alloc NR AUD
Total Return AUD 18.11K

Time Period: 30/11/2019 to 30/9/2026
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.

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