CAREesg-conscious

Quarterly Newsletter | September 2026

CARE PHILOSOPHY

EMPOWERING A BETTER FUTURE

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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 held the portfolio exposures steady through the quarter having bought back into Australian Shares via Betashares FAIR and some international shares via VESG 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. We are looking for another entry point into BetaShares hedged International shares (HETH) 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.

International property investments performed poorly over the quarter due to the sharp rise in bond yields, not weak property earnings. DJRE fell by -6.15% over the period. The US 10-year government bond yield rose 0.87% in the quarter, its largest quarterly rise since 1994. The best performers were Welltower (+1.4%) and Digital Realty Trust (-2.3%). The weakest were Public Storage (-11.1%), Vivmark Residential (-10.6%) and Simon Property Group (-10.2%). Companies with strong rent growth held up better. Companies tied to housing and retail, where valuations are most sensitive to higher yields, fell furthest.

Welltower owns senior housing and health care properties, where occupancy and rents are rising on the back of an ageing population. It is DJRE's second-largest holding (8.4%), so it cushioned the fund. Welltower made modest gains in a quarter when most real estate securities declined. Digital Realty Trust (data centres) returned -2.3%. Demand for data centres, driven by cloud computing and artificial intelligence, remains strong. The data centre sector fell less than most in the quarter. Public Storage (self storage) declined 10.2% Self storage is sensitive to the housing market and higher mortgage rates slow home moves.

Vivmark Residential (residential) also performed poorly. The share price fell sharply in mid-September, as bond yields hit 19-year highs. Apartment landlords were among the weakest US property sectors in the quarter. Simon Property Group which operates retail shopping centres (like Westfield) declined by -9.3%. This was not an profits problem. The company reported higher net operating income, rising rents and occupancy for the quarter. The fall reflects retail property valuations resetting as bond yields rose, after the share price reached a high of US$238.50 in late July.

Within the Core Portfolio, the BetaShares Australian shares portfolio FAIR returned -1.64% over the September 2026 quarter. Beneath that modest headline, the portfolio saw sharp rotation. Beaten-down healthcare stocks rebounded strongly, while lithium and software holdings sold off. The two best performers were CSL (+60.6%) and Ramsay Health Care (+26.6%). The two worst were lithium producer PLS Group (-23.1%) and Xero (-21.2%). The winners recovered on better-than-feared profit results for 2026 that cleared uncertainty. The losers fell mainly on factors outside company control, such as the lithium price, interest rates and sector sentiment. PLS fell despite a strong annual result. Chinese lithium carbonate was

CNY135,200 a tonne on 23 September, down roughly 16% over the month and near an eight-month low. This happened despite strong operating news. Net profit was $526 million in 2026 (versus a $196 million loss a year earlier), revenue rose 152% to A$1.93 billion and the company restored its dividend with a 5 cent final payment. Management also flagged a softer September-quarter output while the Ngungaju plant restarted. PLS reported record September-quarter production on 28 October, after the quarter ended. Xero fell despite no new company-specific news.

The Enhanced Australian shares component managed by Australian Ethical slipped slightly over the September quarter, returning -0.6% before fees across the three months, compared with 1.3% for the ASX300 index. Even so, the portfolio performed well through the August reporting season, which underlined the returns. Healthcare contributed most to portfolio returns this quarter, led by solid performances from holdings in Resmed, Fisher & Paykel Healthcare and CSL. Takeover activity also helped the portfolio, with Reliance Worldwide and Cleanaway both attracting bids during the quarter. The gains in Healthcare and Industrials were partly offset by weakness in Information Technology. Rising bond yields, together with renewed worries about disruption from AI, weighed on software and platform technology stocks during the quarter. Xero, SiteMinder and CAR Group all fell, even though their August profit updates indicated that underlying fundamentals remain strong.

Being underweight Materials and Energy modestly held back returns. This stance follows from the manager's Ethical Charter, which favours companies that are aligned with the shift to a lower-carbon economy. Over the quarter Australian Ethical bought Capstone Copper, Sims Limited and Netwealth. Sims illustrates how the circular economy can reduce emissions on an industrial scale. As one of the largest metal recyclers globally, it provides manufacturers with recycled steel, copper and aluminium and its scrap is a critical feed for electric arc furnaces, which produce steel with much lower emissions than coal-based blast furnaces. In FY26 Sims recycled 5.9 million tonnes of steel scrap, which is estimated to have avoided 9.6 million tonnes of CO_2e, more than 130 times the emissions generated by its own operations. Its Sims Lifecycle Services division also prolongs the working life of data centre hardware, having repurposed 16.8 million servers and memory units over the year and avoided roughly 479,000 tonnes of CO_2e. Australian Ethical bought back into Sims at an attractive price following the sell-off after its result. Profit for the financial year ending 2026 increased 168%, beating guidance, as US tariffs and rising electric arc furnace demand boosted the metals businesses, while Lifecycle Services provides growing exposure to data centre recycling, with GPU repurposing the next opportunity.

Within the Enhanced International shares portfolio Insync performed in line with the broader market over the quarter although the longer-term return against the benchmark remains challenged. This is not unforeseen, and the manager's conservative posture has a place in the portfolio. Stronger performance in July and August was partly offset by softer performance in September as market leadership narrowed again. Although improving market breadth created a more supportive environment for the portfolio throughout the quarter, company fundamentals remained the key driver of stronger performance. Profit delivery, resilient customer demand and commercial progress across key holdings like Veeva Systems (a cloud computing software company), ServiceNow and Microsoft. CATL, the largest lithium-ion battery producer in the world, was one of the Fund's main detractors during the quarter. Recent announcements from Li Auto and Xiaomi intensified concerns that automakers are reducing their dependence on CATL through internal battery development and

alternative suppliers. Together with profit margin pressure, these developments raised concerns about increasing competition and pressure on profitability. The performance of the Hyperion Global Growth Companies Fund bounced in the June quarter having been caught up in the software company sell-off over the past 6-9 months. Performance was in line with the index over the September quarter with the yearly performance still lagging the index. Longer term returns remain ahead of benchmark. NVIDIA, Taiwan Semiconductor (TSMC), ASML and Arm Holdings Plc – a British semiconductor and software design company, remain exposed to robust compute demand and expanding infrastructure investment, while Palantir Technologies, Alphabet, Tesla and Meta provide increasing evidence of future long-term AI monetisation at the enterprise and consumer level.

As mentioned above, the fixed interest markets were weaker over the September quarter as higher energy prices drove the sell-off. The US–Iran conflict pushed oil above USD 100 a barrel and lifted inflation expectations. In Australia the 10-year yield climbed from about 4.7% at the start of the quarter to around 5.4% by late September, its highest level since 2011, tracking a global sell-off in government bonds. The 3-year yield rose by a similar amount. At quarter-end the 2-year yield, at about 5.0%, sat above the 4.60% cash rate, which indicates that markets expect further increases. The Artesian Green and Sustainable bond fund returned -0.21%. An overweight to credit duration (sensitivity to credit spreads / Bonds issued by corporations as opposed to government bonds) and an overweight to interest rate sensitivity. Over the quarter, contributors to performance included Optus Finance (Sustainability-Linked), Australian Catholic University (Sustainable), Woolworths (Sustainability-Linked), Macquarie University (Sustainable) and NBN (Green). Detractors: BPCE SA (Social), ANZ Banking Group (Sustainable), Investa Commercial Property Fund (Green), Power SA (Green) and Contact Energy (Green).

The manager continues to trim long dated corporate bonds and add long dated government bonds to the portfolio as bond yields rose.

The PIMCO portfolio produced a return of -3.42% over the quarter. The manager expects inflation to moderate but stay above target. Softer labour market conditions counterbalance the higher oil price reducing the urgency for further the US central bank to move quickly. PIMCO sees September's hike as a modest policy recalibration rather than the start of a sustained tightening cycle, with any further hikes dependent on incoming data. AI investment and resilient households support economic growth. The manager maintained a cautious position in overall bonds issued by corporations also known as spread exposure hence maintained the portfolio's overweight to investment grade (higher quality) corporate bonds, keeping a preference for financials and green bonds offered by utility companies (water and electricity).

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

CAREesg-conscious Returns

	1 month	3 months	6 months	1 year	3 year
CAREesg-conscious Conservative	-1.22	-1.71	2.44	0.79	7.37
CAREesg-conscious Moderate	-1.13	-1.62	4.13	0.52	8.45
CAREesg-conscious Balanced	-1.07	-1.54	5.40	0.32	9.26
CAREesg-conscious Growth	-1.01	-1.47	6.66	0.11	10.07
CAREesg-conscious High Growth	-0.92	-1.38	8.35	-0.16	11.14

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

Allocation

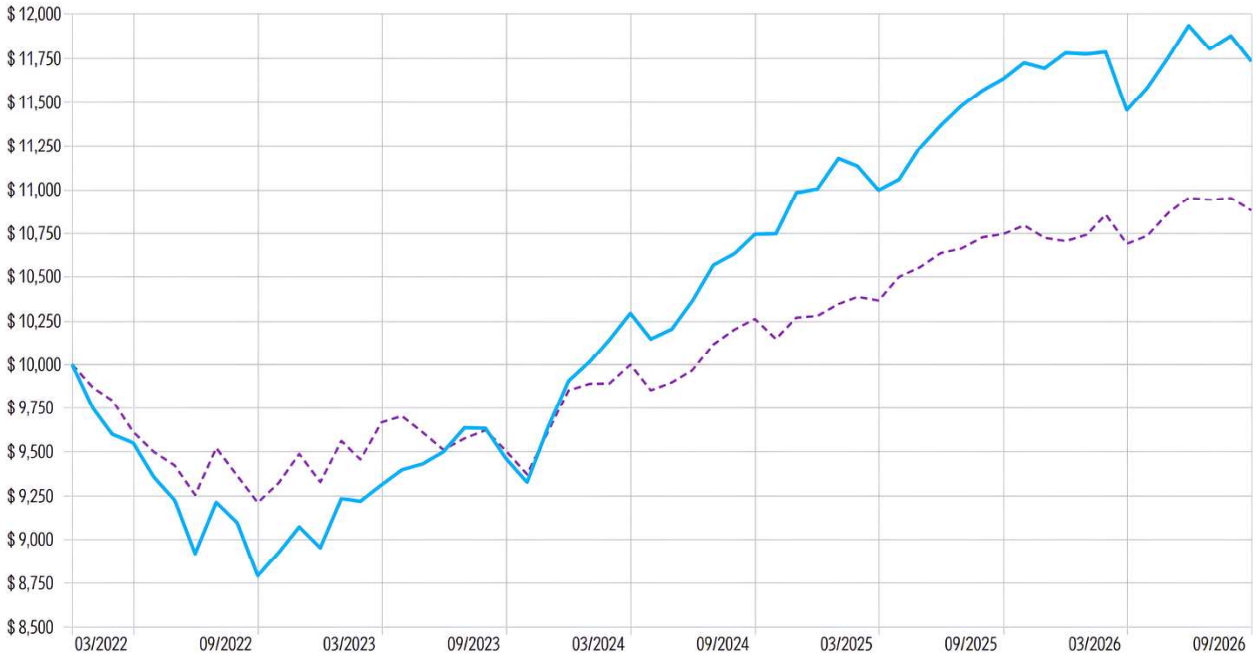
	CAREesg-conscious High Growth	CAREesg-conscious Defensive
CAREesg-conscious Conservative	30%	70%
CAREesg-conscious Moderate	50%	50%
CAREesg-conscious Balanced	65%	35%
CAREesg-conscious Growth	80%	20%
CAREesg-conscious High Growth	100%	0

UNDERLYING INVESTMENTS

Vanguard, REALM Investment House, Hyperion Asset Management, J. Palmer & Son Est. 1872 Investing with care for over 150 Years, Global X by Mirae Asset, betashares, iShares by BlackRock, INSYNC, State Street, Russell Investments

Your CAREesg-conscious **Conservative**

Growth of $10,000 to 30 September 2026



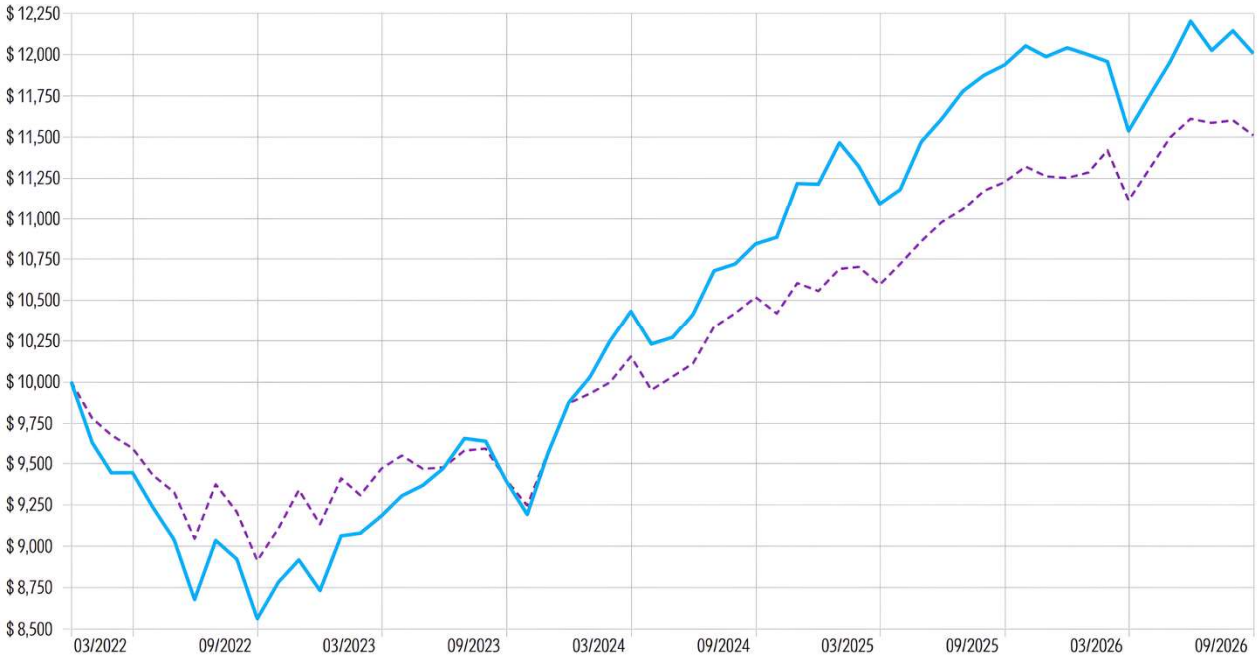
CAREesg-conscious Conservative
Total Return AUD 11.73K

Morningstar AUS Con Tgt Alloc NR AUD
Total Return AUD 10.88K

Time Period: 31/12/2021 to 30/6/2026
Source Morningstar Direct

Your CAREesg-conscious **Moderate**

Growth of $10,000 to 30 September 2026



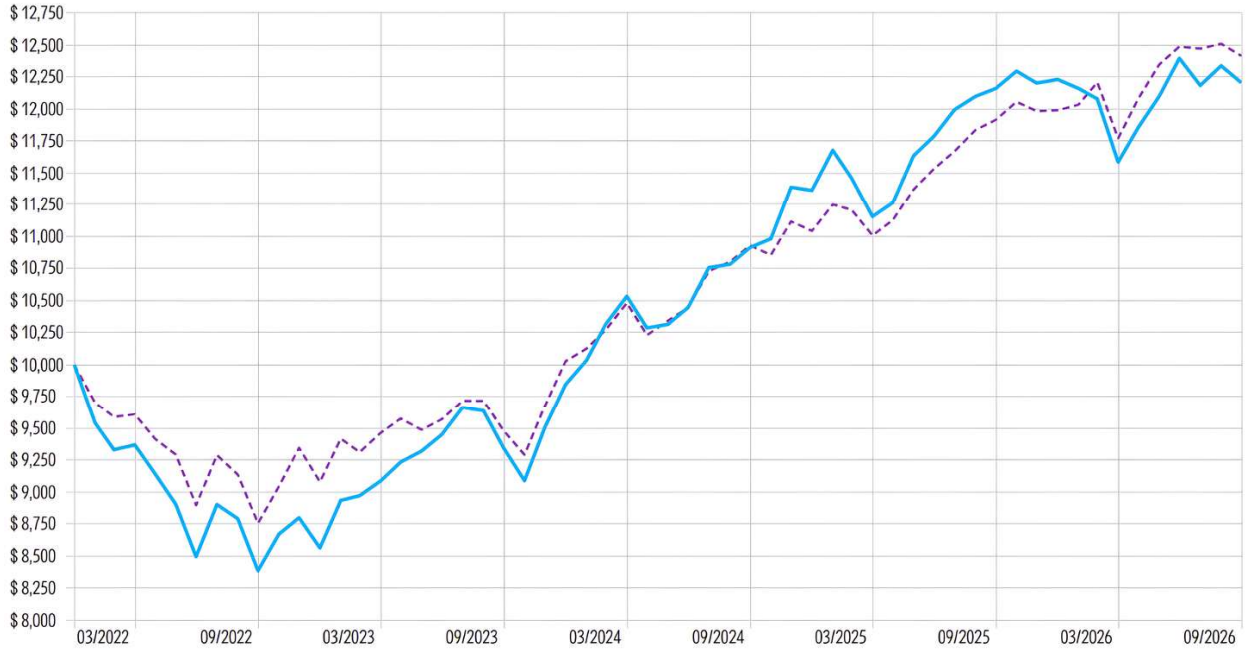
CAREesg-conscious Moderate
Total Return AUD 12.01K

Morningstar AUS Mod Tgt Alloc NR AUD
Total Return AUD 11.51K

Time Period: 31/12/2021 to 30/6/2026
Source Morningstar Direct

Your CAREesg-conscious **Balanced**

Growth of $10,000 to 30 September 2026



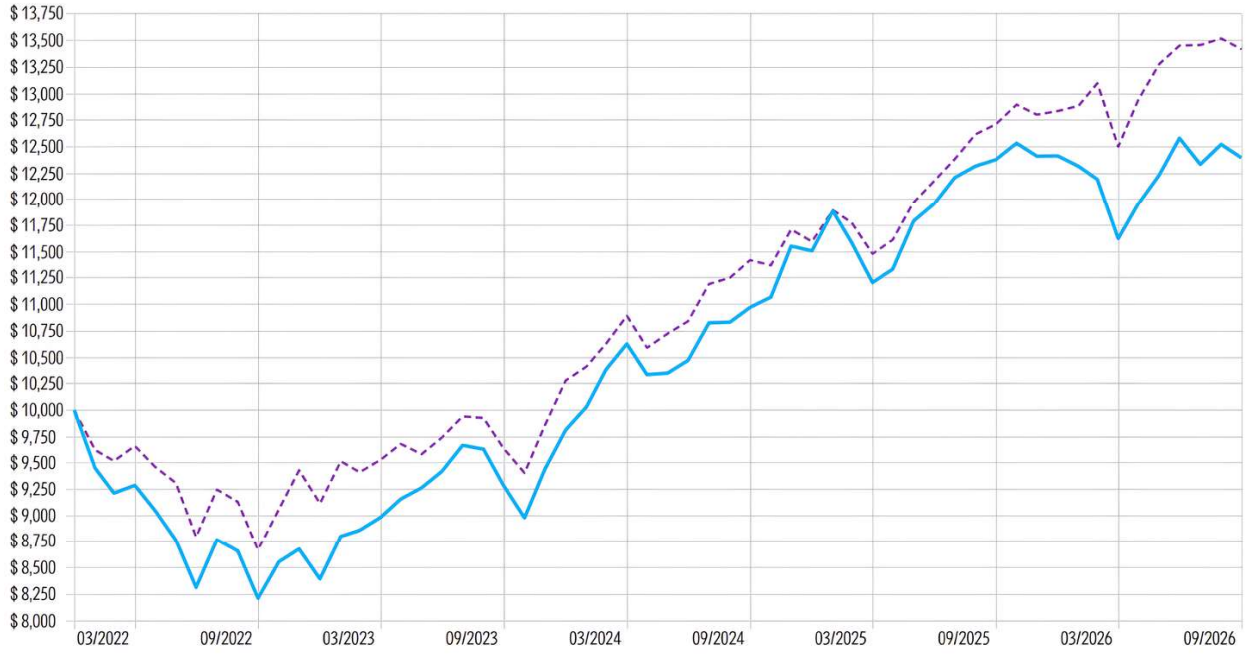
CAREesg-conscious Balanced
Total Return AUD 12.21K

Morningstar AUS Balance Tgt Alloc NR – AUD
Total Return AUD 12.42K

Time Period: 31/12/2021 to 30/6/2026
Source Morningstar Direct

Your CAREesg-conscious **Growth**

Growth of $10,000 to 30 September 2026



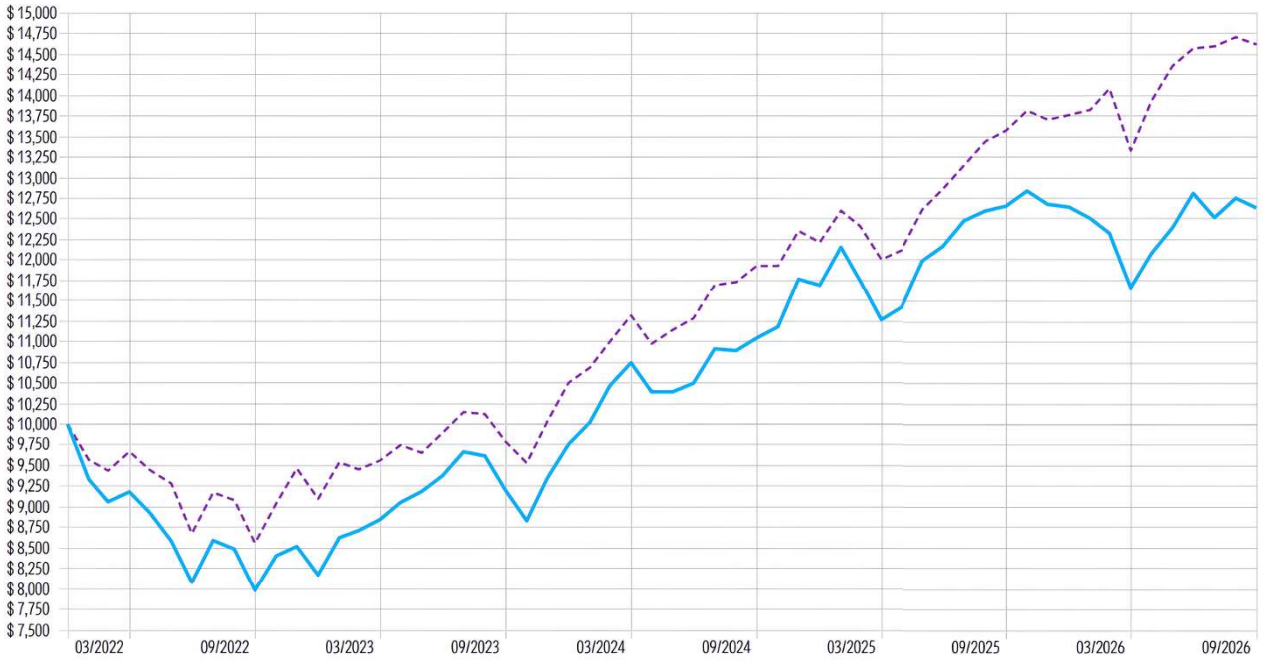
CAREesg-conscious Growth
Total Return AUD 12.40K

Morningstar AUS Growth Tgt Alloc NR AUD
Total Return AUD 12.42K

Time Period: 31/12/2021 to 30/6/2026
Source Morningstar Direct

Your CAREesg-conscious **High Growth**

Growth of $10,000 to 30 September 2026



CAREesg-conscious High Growth
Total Return AUD 12.63K

Morningstar AUS Agg Tgt Alloc NR AUD
Total Return AUD 14.62K

Time Period: 31/12/2021 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

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