

At a glance

Global Shares performed strongly in the second quarter lead by technology from the US and Asia

For the quarter long dated bond yields rose strongly on tariffs and inflation uncertainty but fell back as fears eased

Emerging markets performed in line with global peers led by local technology shares

Trump's Liberation Day tariffs spooked markets, the trade standoff with China and conflicts drove volatility. The RBA cut rates in May and growth is sluggish

Markets Update

In April, President Trump reignited trade tensions by announcing broad-based tariffs on most imported goods, and higher rates for cars and steel. China and other key trading partners were directly targeted. Markets initially sold off on fears of a renewed trade war, but sentiment improved 7 days later when Trump announced a 90-day delay to the start of the tariff regime. China responded by imposing additional tariffs on the US which began a tit-for-tat escalation of tariff rates between the two. The trade war ended with a partial agreement in June, though China has restricted exports of Rare Earths and the US similarly with semi-conductor design software and advanced Artificial Intelligence (AI) chips.

Financial markets in the June quarter were predominantly influenced by shifting trade policy and geopolitical risks. Despite this, March quarter corporate earnings were stronger than expected aiding markets to recover strongly from early tariff driven weakness to end the quarter higher. The MSCI Global Share index rising 11.6% for the quarter, the US S&P 500 index reaching a new all-time high of 6,205 as the large US technology stocks had a particularly good quarter.

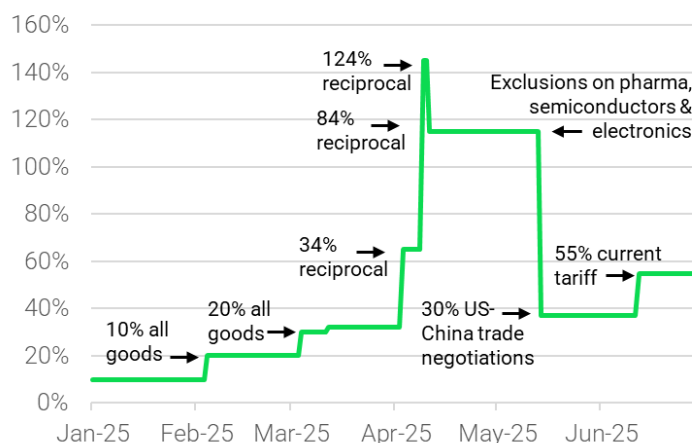
Bond markets were more volatile, US long-term Government Bond yields briefly touched 5%, the highest level in 18 years. This due to rising US Government debt and inflation uncertainty as a result of trade policy, though yields eased modestly toward quarter end.

Technology remained the key driver of global equity returns. Nvidia's earnings reflected ongoing strength in AI infrastructure and Asian technology stocks participated as well. Gold reached a new all-time high briefly above US\$3,500 per oz. in early April and backed off to US\$3,287 per oz. by quarter end as trade and geopolitical tensions eased.

The RBA cut interest rates by 0.25% in May for the second time this cycle as inflation receded. By contrast, the European Central Bank has cut its interest rate 8 times in the last year as they struggle to combat slowing growth. The US Federal Reserve (Fed) held interest rates steady at 4.25%–4.50% in June. While inflation is easing, the uncertain inflationary impact of tariffs saw the Fed take a wait and see approach.

In Australia, the ASX 200 rose 8.9% for the quarter, led by CBA whose share price closed June at \$185, rising circa 50% since July 2024. The unemployment rate held steady at 4.1% though economic conditions remain benign and, along with slowly moderating inflation, is keeping downward pressure on interest rates.

US Average Tariff Rate on China



Source: US Census Bureau, USTR, Macquarie Macro Strategy

Looking Ahead

Overall, risk levels remain elevated driven by; uncertainty surrounding the roll out of US trade policy, ongoing geopolitical tensions (not just current conflicts) and US President Trump's 'transactional and fluid' style of policy development and implementation.

Central Banks continue to ease interest rates in the coming months as economic growth, among major developed world economies, slowly trends down, which will be supportive of markets. That said, we do not anticipate these economies declining into recession and conditions can remain flat to positive, providing the twists and turns of the coming months do not shock the system beyond what it is expecting or able to withstand.

We expect share markets to remain mildly positive notwithstanding, valuations across major share markets are elevated relative to history, particularly in sectors that have led recent gains. Hence diversification and exposure selection are key in this more uncertain environment.

China's economy remains sluggish and until the tariff situation globally has settled, we expect this to continue despite ongoing and targeted stimulus measures.

The Australian share market will continue to lag a little while technology outperforms. A rebound in resources would change this outlook but would also require a recovery in China, and no undue tariff impact.

We retain a neutral allocation to growth assets and focused on well diversified portfolios of quality assets for the coming months.

Portfolio Commentary

The Alpha CFS Geared Growth Portfolio delivered a total return of 2.03% in June 2025, compared to the Morningstar AUS Aggressive Target Allocation Index of 2.00% and Peer Median of 1.81%.

In the June quarter, positive contributions came from being geared into a rising market. Over the quarter, outperformance came from the Hyperion Global Growth Companies Fund, driven by the strong performance of large US Technology shares. Also contributing to the strong performance was Australian shares and listed property exposures namely from, Ausbil Australian Active Equity Fund, OC Premium Small Companies Fund and Pental Property Investment Fund. The Magellan Infrastructure Fund also performed well during the quarter. The exposure to government bonds via Macquarie Australian Fixed Income Fund and PIMCO Diversified Fixed Income Fund also made a positive contribution as falling yields and stable credit spreads drove strong returns across both government and credit exposures.

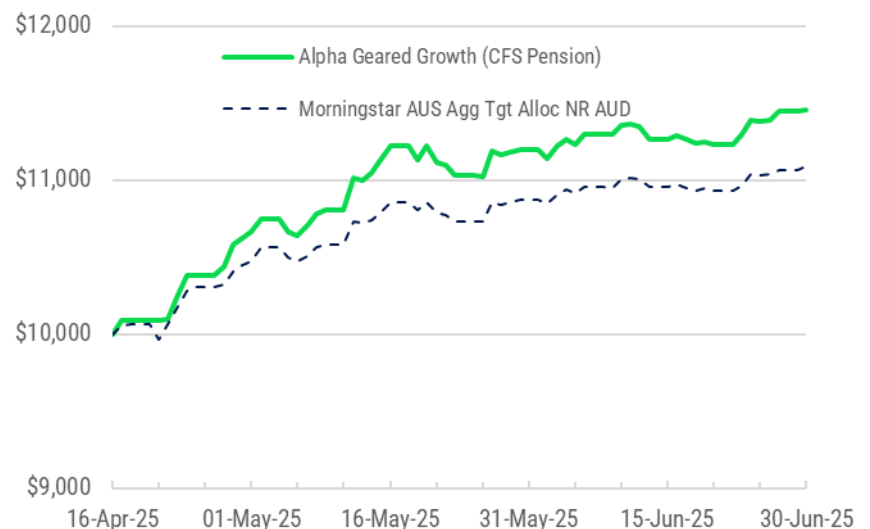
Performance was held back by the GQG Partners Global Equity Fund which underperformed broader global equities over the quarter which remained defensively positioned during a period of market recovery, despite its good longer-term track record. The RQI Global Value Fund and Bell Global Emerging Companies Fund also underperformed broader global equities largely due to limited exposure to large US technology stocks.

Portfolio Changes

Despite us making no changes to the portfolio throughout the June quarter, there has been some activity in the underlying active Australian and Global Shares funds over the quarter; specifically, GQG Partners Global Equity Fund has positioned more defensively in anticipation of a US economic slowdown and consequently significantly reduced their exposure to the Technology and Consumer Discretionary sectors at the beginning of the quarter. Specifically, we replaced the GQG Partners Global Equity Fund with the GQG Partners Global Equity AUD (Hedged) Fund. Both funds provide the same underlying global equity exposure; however, the hedged version locks in the current exchange rate and reduces the impact of any future rise in the Australian Dollar.

Overall, the Portfolio still remains biased towards higher quality companies with favourable growth prospects.

Performance over time



Trailing returns

Portfolio Performance	1mth	3mth	1yr	3yr	5yr	Inception
Alpha Geared Growth	2.03%	-	-	-	-	12.82%
Morningstar AUS Agg Target Allocation NR \$A	2.00%	-	-	-	-	10.86%
Peer Median (Aggressive)	1.81%	-	-	-	-	8.90%
ABS Aus CPI + 5% p.a.	0.36%	-	-	-	-	0.91%

Disclaimer: Net performance figures are shown after all fees and expenses, assuming reinvestment of distributions. Past performance is not an indicator of future performance

Your Portfolio

Underlying Investments

Alpha Geared Growth Managed Account	Neutral Allocation	Current Allocation
Australian Equity	38%	38%
CFS Geared Index Australian Share Fund		10.0%
Realindex Australian Share Value Fund (Class A)		10.1%
Ausbil Australian Active Equity Fund		10.3%
OC Premium Small Companies Fund		7.0%
International Equity	49%	49%
CFS Geared Index Global Share Fund		19.9%
GQG Partners Global Equity AUD (Hdg)		8.2%
Hyperion Global Growth Companies Fund (Class B)		4.3%
Realindex Global Share Value Fund (Hedged)		3.4%
Bell Global Emerging Companies Fund		4.7%
Fidelity Asia Fund		8.8%
Property & Infrastructure	8%	9%
Pental Property Investment Fund		3.5%
Magellan Infrastructure Fund		5.1%
Fixed Income	5%	4%
Bentham Global Income Fund		4.5%
Cash	0%	0%