Investment Newsletter – July 2026

Australia’s super assets to climb to $6.0tr…

Welcome to the July 2026 letter.

Pulse check on asset class performance year-to-date (YTD). In Figure 1 we provide the YTD performance by key asset classes. Where possible, we express the asset class performance using an ASX-listed ETF (how most investors access it) rather than an index as performance can sometimes vary.

Figure 1: YTD 2026 performance by asset class

Asset Class	YTD Returns CY26
Global Stocks (hedged)	9.7%
Global Stocks (unhedged)	**4.4%**
S&P 500	5.3%
NASDAQ 100	8.2%
Eurozone Companies (Large Cap) (Hedged)	9.0%
FTSE 100 Index (UK) (Hedged)	3.5%
MSCI Emerging Markets	13.7%
Japan (Hedged)	22.9%
India Nifty 50	-15.3%
China Largest 50	-4.8%
ASX 200 Index	**2.5%**
Australian MidCap	-4.6%
Australian Small Cap	-10.6%
Australian Value	12.0%
Australian Growth	-2.3%
Australian Quality	-2.7%
Global Aggregate Bond Index	0.3%
Global Credit (hedged)	0.8%
Australian Fixed Interest	1.4%
U.S. Treasuries - 20+ Year Treasury Bonds (USD)	-0.9%
Globa Listed Private Credit	-5.7%
Cash	2.3%
Global Infrastructure (hedged)	13.6%
Australian Property	-6.7%
Global Property (hedged)	15.6%
Gold (AUD)	-11.7%
Bloomberg Commodities Index	9.3%
USD Emerging Markets Bond (AUD Hedged)	1.6%
Global High Yield Bond (AUD Hedged)	2.1%
Bitcoin	-30.0%

Source: Bloomberg, Banyantree

Some observations:

- Despite the U.S. dollar (USD) increasing this year, the broader commodities bucket (Bloomberg Commodities Index) is up almost +10%. Traditionally, a higher USD is negative for commodities. However, the YTD performance suggests that structural elements (securing supply of critical minerals in a growing multi-polar world) and inflation hedges (investors seeking commodities as a hedge against kinetic war) are driving commodities higher.

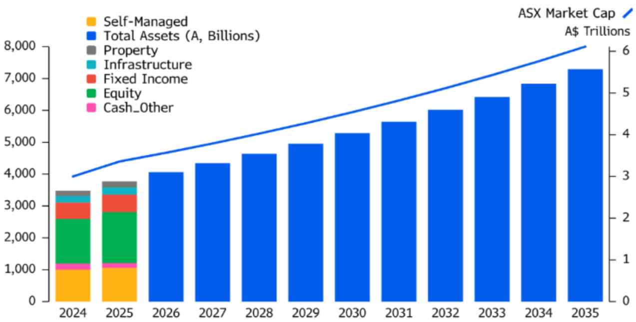
- The stronger USD did claim one commodity – gold - which is down almost -12% YTD. In our view, gold prices were driven lower not just by a strong USD, but also by a potentially hawkish U.S. Federal Reserve, as investor expectations shifted from rate cuts in 2026 to potential rate hikes in the U.S. during the first half.

- Within equities, Japan is again delivering strong double-digit returns. The main driver behind this performance is the global Artificial Intelligence (AI) buildout. Japan does not produce any of the AI models, but it provides the “picks and shovels” – equipment, testers and materials that make the chips. However, Japan is not just an AI story, the strength in stocks also comes from a pro-business government and the economy emerging from deflation after many decades.

- The other notable standout performer this year is Global REITs. However, our understanding is that most of the performance in “global” REITs is driven by performance in the U.S., likely due to the resilient economy and soft-landing narrative. Performance in ex-U.S. REITs was more mixed.

Australian super assets to climb to $6.0tr. According to Bloomberg analysis, Australian super assets under management could potentially increase to $6.0tr by 2035, up from $3.8tr at the end of 2025. The Australian share market will be a direct beneficiary of this potential growth, with a reasonable portion likely finding its way into stocks. The chart below also explains why so many global fund managers and wealth management companies are looking to establish a presence in Australia. We think similar opportunities also exist in other jurisdictions, like the Middle East and Canada.

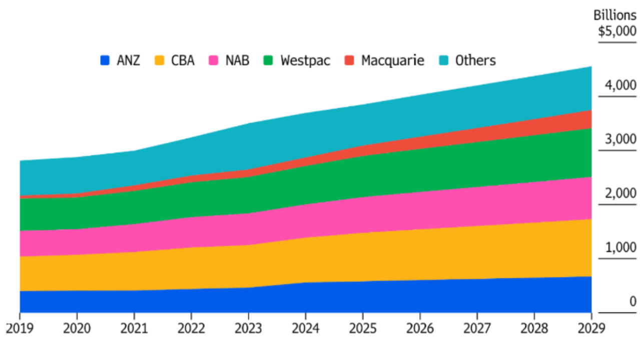
Figure 2: Super asset breakdown and growth



Source: Bloomberg, Banyantree

Migration and Australian banks. There is constant debate around immigration right now which we won’t address. However, Australian banks are a key beneficiary of immigration. According to Bloomberg data, 80% of loan growth since the Covid pandemic has been driven by population growth. Higher cash rate in Australia also helps banks’ margins, alongside healthy population growth. Commonwealth Bank (CBA) remains the largest bank; however, Macquarie’s loan growth is the fastest in the sector.

Figure 3: Loan-market shares of Australian banks



Source: Bloomberg, Banyantree

GLOBAL MARKETS OVERVIEW

	Units	Month End Value	Price Performance (% Chg) 1-day	1-mth	6-mths	1-year
Developed Markets Equities						
ASX 200	AUD	8,779	-0.51%	0.54%	0.74%	2.77%
ASX 200 Futures	AUD	8,776	-0.52%	0.43%	0.69%	1.70%
Dow Jones	USD	52,319	0.26%	2.52%	8.85%	18.65%
S&P 500	USD	7,499	0.79%	-1.06%	9.55%	20.86%
Stoxx Europe 600	EUR	642	0.88%	2.51%	8.37%	18.54%
FTSE 100 (UK)	GBP	10,497	0.12%	0.84%	5.70%	19.82%
DAX (Germany)	EUR	24,996	1.50%	-0.43%	2.06%	4.54%
CAC (France)	EUR	8,404	0.44%	2.70%	3.12%	9.63%
Nikkei 225	JPY	70,062	0.86%	5.63%	39.18%	73.05%
Emerging Markets Equities						
MSCI Emerging Markets	USD	1,723	0.94%	-1.67%	22.68%	40.90%
Shanghai Composite	CNY	4,094	0.50%	0.63%	3.16%	18.87%
South Korea	KRW	8,476	0.97%	0.00%	101.14%	175.95%
Taiw an	TWD	46,126	2.50%	3.11%	59.25%	107.25%
Brazil	BRL	172,024	-0.68%	-1.01%	6.76%	23.89%
South Africa	ZAR	101,936	0.10%	-4.57%	-5.60%	14.85%
Foreign Exchange						
AUDUSD	Currency	0.6919	0.46%	-3.70%	3.69%	5.14%
AUDGBP	Currency	0.5217	0.44%	-2.33%	5.32%	8.87%
AUDEUR	Currency	0.6058	0.48%	-1.69%	6.62%	8.51%
AUDCNY	Currency	4.70	0.29%	-3.36%	0.75%	-0.34%
Commodities						
LME ALUMINUM 3MO ($)	USD/mt	3,086	-0.08%	-15.85%	3.00%	18.79%
LME COPPER 3MO ($)	USD/mt	13,375	0.73%	-1.91%	7.66%	35.53%
LME NICKEL 3MO ($)	USD/mt	16,287	-0.15%	-14.56%	-2.16%	7.05%
SILVER FUTURE Sep26	USD/oz	59.92	2.20%	-21.61%	-17.09%	58.54%
ICE New c Coal Fut Aug26	USD/mt	129.45	1.57%	-7.93%	21.61%	5.50%
62% Import Fine Ore in USD	USD/t	93.65	0.00%	-6.85%	-9.88%	5.69%
Gold Spot $/Oz	USD/oz	4,008	-0.20%	-11.72%	-7.21%	21.34%
WTI Oil	USD/bbl	69.50	-1.77%	-18.52%	21.84%	13.34%
Henry Hub	USD/mmBtu	3.32	-1.58%	0.46%	-8.80%	-0.30%
Corn	USD/Bu	412.75	2.67%	-7.61%	-6.25%	-1.84%
Wheat	USD/Bu	580.75	1.98%	-4.87%	14.55%	9.83%
Fixed Interest						
10-Yr Bond Yield						
Australia	AUD	4.72%	-0.03%	-0.11%	-0.02%	+0.56%
US	USD	4.47%	+0.09%	+0.03%	+0.30%	+0.24%
Germany	EUR	2.86%	+0.00%	-0.08%	+0.01%	+0.25%
Japan	JPY	2.68%	+0.04%	+0.02%	+0.62%	+1.25%
Italy	EUR	3.63%	+0.05%	-0.02%	+0.08%	+0.15%
Australian Rates						
Cash Rate	AUD	4.35%	+0.00%	+0.00%	+0.75%	+0.50%
90-Day BBSW	AUD	4.46%	-0.00%	+0.01%	+0.72%	+0.86%
180-Day BBSW	AUD	4.80%	-0.00%	-0.01%	+0.68%	+1.03%
CBOE Options						
CBOE VIX (Volatility Index)	Index	16.45	-6.80%	7.38%	10.03%	-1.67%

Data as of 30 June 2026

ECONOMIC NEWS

• **Australia**. The RBA left its key interest rate unchanged at 4.35%, its first pause of the year, in response to signs that a trio of hikes are beginning to weigh on the economy, however, it kept open the possibility of further policy tightening as Governor Michele Bullock expressed concerns about the risk of second-round inflation effects emerging from the energy shock triggered by the conflict in the Middle East, noting that inflation remains too high and the bank will do what's necessary to achieve its mandate, while expressing confidence that economic activity is evolving broadly in line with forecasts. The economy decelerated in 1Q26, with GDP advancing +0.3% q/q (+2.5% y/y), just one-third of the pace recorded in 4Q25, despite private investment climbing by ~4%, led by higher outlays on data centers, with a +16% jump in spending on machinery and equipment, the largest gain in almost 30-years.

• **Global growth outlook**. The World Bank cut its 2026 outlook for global growth by -10bps to +2.5% (U.S. unchanged at +2.2%, euro area down -10bps to +0.8%, Japan down -10bps to +0.7%, China down -20bps to +4.2% and India up +10bps to +6.6%), as two-thirds of economies experienced deteriorating prospects as the Middle East war disrupts commodity flows and raises the cost of imports. For 2027, the bank upgraded its outlook by +10bps to +2.8% (U.S. up +20bps to +2.1%, euro area up +10bps to +1.3%, Japan up +10bps to +0.9%, China up +10bps to +4.3% and India up +60bps to +7.2%) and forecast 2028 growth of +2.8%, while forecasting global headline inflation to climb to 4% from 3.3% in 2025 with as high as 4.4% in the event of a prolonged war.

• **U.S.** The FOMC voted unanimously to hold its benchmark federal funds rate in a range of 3.5-3.75%, however, officials remained split over whether they expect to raise rates this year with new projections indicating nine officials foresee at least one 25bps hike this year and six anticipating at least two, as officials warned inflation remained elevated and vowed to deliver price stability. Policymakers upgraded their median forecast for 2026 inflation by +90bps to 3.6% and the core-inflation outlook by +60bps to 3.3% while downgrading the median outlook for growth by -20bps to +2.2%. The economy grew at an annualized +2.1% pace in 1Q26, faster than the previously estimated +1.6%, primarily driven by AI-related spending, with business investment in equipment increasing at +15.8% and outlays on intellectual property products rising +13.8%, while consumer spending was marked down -90bps to +0.5%, marking the smallest quarterly advance in 4-years, reflecting downward revisions to outlays on services, including financial services and insurance as well as international travel.

• **China.** Factory and non-manufacturing activity fared better than expected in June with both the official manufacturing PMI and non-manufacturing PMI rising above the 50-mark, the threshold separating expansion from contraction, however, the recovery remained uneven, with employment and inventories in manufacturing slumping. A subindex of overall orders in manufacturing rebounded to a 3-month high and the new export order subindex returned to growth, expanding for only the second time during the past 2-years.

• **Europe.** The ECB raised interest rates for the first time in almost 3-years, lifting the deposit rate by +25bps to 2.25% and announced it remains well positioned to navigate the current unpredictability with the outlook remaining uncertain. The bank downgraded the 2026 and 2027 GDP growth outlook by -10bps to +0.8% and +1.2%, respectively while upgrading the 2028 outlook by +10bps to +1.5%. It also upgraded the 2026 and 2027 inflation outlook by +40bps and +30bps to 3% and 2.3%, respectively while downgrading the 2028 outlook by -10bps to 2%. President Christine Lagarde warned that inflation triggered by the Iran war is widening beyond just energy, however, she assured that inflation is set to return to the 2% target over the medium term acknowledging that policymakers see no evidence yet of de-anchoring of inflation expectations or second-round effects that would warrant a more forceful policy response at this stage.

• **New Zealand.** The economy sparked into life in 1Q26, with GDP expanding +1.5% y/y, matching an upwardly revised +1.5% pace in FY25, led by a rebound in manufacturing including food and machinery production, while farm output increased and services expanded, responding to low interest rates and a lift in spending that largely pre-dated the Iran war.

THE LONG READ

Decide What You Will Do in a Fall Long Before It Arrives…

Harvard was forced to sell at the bottom; Norway kept buying through the same crash. The difference was not nerve but a decision each had made years earlier, in a meeting that felt like housekeeping

In the last days of 2008, Harvard's endowment sold a large parcel of private-equity fund stakes on the secondary market, into the worst conditions for such a sale in living memory. The buyers knew what the seller knew: that Harvard, the wealthiest university in the world, had become a forced seller. What had been worth thirty-six and a half billion dollars in June would fall to twenty-six by the following summer, a drop of more than a quarter. Some of the private stakes were reportedly offered at fifty cents on the dollar and below, and even then a number did not sell.

The strange part is not that a fund lost money in 2008. Almost all of them did. The strange part is that Harvard, of all institutions, was forced to sell at the bottom. It had the longest horizon in the field, effectively perpetual. It had the deepest bench, the best access, the most sophisticated board. On paper it was built to be the one buyer with the patience to hold through a panic, even to buy into it. Instead it was selling assets it did not want to sell, at prices it did not want to accept, at the worst possible moment.

The selling was rational. Whether Harvard should ever have been in a position where that sale became the rational move was decided long before, in meetings that would have felt entirely unremarkable at the time.

The endowment had committed to private funds it was contractually obliged to keep funding as those funds drew down capital. It had a large operating budget that leaned on the endowment's payout, so the payout could not simply be suspended. And it was running with very little cash, on the reasoning that cash is a drag on returns, which through a long bull market it is. Each of those was a defensible position on its own. Together, they were a set of obligations that all came due in the same direction at the same moment, and the moment was the one in which its assets were least sellable and its liquidity most needed. A university endowment ended up, in the crisis, structurally short of cash.

The failure, if that is even the right word for something so quiet, was not the sale. The sale was the least bad option left by the time the meeting to approve it was held. The failure was the absence of an earlier meeting, the one where somebody might have asked what all these commitments look like together if everything goes wrong at once. That meeting either did not happen or did not change anything. And it would have been the most forgettable meeting of the year, because its entire content would have been imagining a crisis that had not arrived and might not, and choosing to hold less of something that was performing well, in order to be ready for a day that may never come.

Set against this the fund that did the opposite and did it almost invisibly.

Norway's sovereign wealth fund, the largest in the world, holds a fixed allocation to equities, at the time around sixty per cent, now higher, and rebalances back to it on a rule. The rule does something that feels, in the moment, deeply counterintuitive. When equity markets fall, the equity share of the fund falls below its target, and the rule requires buying equities to restore the weight, which means buying more of exactly the thing that is falling. Through 2008 and into 2009, as markets dropped, the fund bought steadily into the decline. It has been estimated to have added very large sums to its equity holdings over that period, buying while others were selling. The rebalancing was not a market call. Nobody at the fund claimed to know the bottom was near. It was the mechanical execution of a rule set in calmer conditions, and the rule happened to force the fund to do the profitable thing at the moment it was hardest to do.

What made the Norwegian purchase possible was not superior insight in the crisis. During the crisis, the fund's managers had no more idea than anyone else where the bottom was. What made it possible was that the decision had already been made. The rule existed. The allocation was agreed. The cash and the mandate to deploy it were in place. When the moment came, nobody had to be brave, because bravery had been designed out of the process and replaced with a rule made when bravery was cheap.

That is the whole of it. The Norwegian fund made its crisis decision years before the crisis, in a calm meeting about rebalancing policy. Harvard also made its crisis decision years before the crisis, in a series of calm meetings about commitments and liquidity, only those meetings pointed the other way. Both institutions had their outcomes substantially determined before the event arrived. The difference was what got decided in the quiet, not what got decided in the storm.

This is not how the industry talks about crises. The dominant story treats the crash as the decisive moment, the test of temperament, the point at which strong hands are separated from weak ones. The advice that follows from that story is about the moment: stay calm, do not panic, hold your nerve, be greedy when others are fearful. All of it true, and almost none of it usable, because by the time the crisis is underway the range of things you can do has already been set by decisions you made when it was calm. Nerve does not help the manager who has to meet a capital call and has no cash. Discipline does not help the committee that is contractually forced to sell. The moment of maximum stress is the moment of minimum freedom. Whatever you can do in the crisis, you could only do because you arranged to be able to do it beforehand.

Which raises the harder question, the one that complicates the tidy contrast between the two funds. If the answer is simply to hold more cash and make fewer binding commitments, then every endowment would carry a permanent liquidity buffer and the problem would never occur. The reason they do not is that the buffer is not free, and the cost is not hypothetical. Cash held against a crisis that comes once a decade earns almost nothing for the nine years in between, and in a competitive field that shortfall is visible every single year, in every peer comparison, in every annual review. The committee that chooses to hold protective liquidity is choosing to underperform its rivals for years, reliably, in exchange for resilience that may not be needed on any particular schedule. Harvard's structure was not stupid. It was the structure that maximised return in the world that existed for most of the years it was running, and it was punished by a world that only showed up occasionally.

So the choice is not between the foolish path and the wise one. It is between two costs that fall at different times. The cost of resilience is paid continuously, in lower returns during the long ordinary stretches, and it is felt most keenly when nothing is going wrong, which is most of the time. The cost of fragility is paid all at once, rarely, in a crisis, and it is felt as a catastrophe. A committee that optimises for the years that happen most often will systematically under-prepare for the years that matter most. And it will look right for most of the intervening period, which is the cruel part, because the fragile structure and the resilient one are indistinguishable in calm weather, and the fragile one usually reports better numbers.

This is why the decision cannot be left to the moment it is needed, and why it cannot be left to judgement in the crisis. The pressure at the moment of stress runs entirely in the direction of the choice that is about to prove wrong. When markets are falling and capital calls are arriving, every incentive says to preserve cash, not deploy it, to sell the thing that can be sold, to reduce risk rather than add it. The Norwegian fund overrode all of that, not with willpower, but with a prior commitment that took the decision out of the hands of people who would have found it almost impossible to make in the moment. The rule was the mechanism that let the institution act against its own crisis instincts, because the rule was written by people who were not yet afraid.

There is a genuine objection to make here, which is that rules are brittle in their own way. A rule that says always rebalance into weakness would have kept buying into a market that did not recover for a very long time, or into individual holdings that were falling for good reason and would never come back. Mechanical discipline applied to a genuinely broken asset is just a mechanism for losing money more consistently. The Norwegian rule worked partly because it was applied at the level of a broad, diversified equity allocation that would eventually recover, not to single securities that might not. A rule is only as good as the judgement embedded in it when it was written, and a rule written to fight the last crisis can fail the next one. So the point is not that rules are safe and judgement is dangerous. It is that the judgement has to be exercised in advance, when it can be exercised calmly, and then encoded in a way that survives contact with the moment.

The practical content of this is almost embarrassingly undramatic. It is holding the meeting nobody wants to hold, the one about what the whole portfolio does if several things go wrong together, when nothing is currently going wrong. It is stress-testing the commitments not on their own but in combination, looking for the hidden correlation where a market fall, a set of capital calls and a spending obligation all arrive in the same quarter. It is deciding, in advance, what will be sold and what will be held if liquidity gets tight, so that the decision is not made under duress by whoever is in the room that day. It is accepting a lower return in the ordinary years as the price of not being a forced seller in the extraordinary one. None of this is difficult to understand. All of it is difficult to do, because all of it involves paying a certain, visible cost now against an uncertain, invisible benefit later, and doing so in a competitive environment that will punish the cost long before it ever rewards the caution.

It is worth being honest about how weak the incentives to do this really are. The person who builds the resilient structure will spend years looking overly conservative, and may well be gone by the time the resilience pays off. The reward for preventing a crisis is that nothing happens, and nothing happening is invisible and unrewarded. Nobody gets promoted for the forced sale that did not occur. The entire discipline consists of work whose success leaves no trace, undertaken by people who will mostly not be thanked for it, against the constant temptation of the higher return available to anyone willing to quietly assume the structure will hold. That is why it is rare, and that is why it has to be built into the architecture rather than left to the good intentions of whoever happens to be sitting on the committee when the storm hits.

Harvard recovered. It was too large, too well supported, and too deeply resourced not to, and in the years since it has carried more liquidity and thought harder about exactly this problem. The endowment survived its forced sale. The lesson is not that the crisis destroyed it, because it did not. The lesson is that the sale, the losses, the buyers who knew they had a forced seller over a barrel, were all decided in advance, in meetings that felt like housekeeping. The most consequential decisions any portfolio makes are the ones that determine what it will be able to do under stress, and those decisions are almost always made in conditions of perfect calm, about scenarios that feel remote, by people who will be tempted at every turn to choose the higher return and assume the quiet will hold. The crisis only reveals what was decided. The deciding happens in the meeting nobody remembers.

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