May 2026

Following a very strong April, global share markets delivered another solid month in May. The S&P 500 rose 5% during the month and has gained 16% over the past two months.

Your All Cap Australian *Equities* Fund

clime
Clever investing made *easy*

About *your* All Cap Australian *Equities* Fund

Fund Facts

The Clime All Cap Australian Equities Fund (“Fund”) is an actively managed, diversified portfolio providing an exposure to high quality companies across the large and small cap segments of the ASX. Its objective is to achieve returns in excess of the ASX200 Accumulation index.

Investor Suitability

The Fund is designed for wholesale investors who:

- are looking for a diversified portfolio across large, mid and small cap segments of the ASX;
- are seeking capital growth over the medium to long term;
- have a minimum of 3 to 5 years to invest.

Leo Economides
Chief Investment Officer

Fund Benefits

The Fund invests in companies that have good economics, strong balance sheets, significant growth prospects and where the share price trades at a sufficient discount to our assessment of value. The Fund is managed to generate a sound balance of capital growth and income. Our approach to portfolio management ensures investments are appropriately weighted according to their level of risk and reward. Position sizing reflects our assessment of the company’s valuation, quality and execution of its business plan.

Risk Management

The Fund is intended to be a high risk rating investment. It has a diversified portfolio with exposure to both large and small cap companies. Clime’s investment process seeks to mitigate risk by acquiring a part share in a range of high quality businesses whilst maintaining valuation discipline. The Fund can hold up to 50% cash should circumstances warrant. Market portfolio protection instruments can be held periodically to hedge liquidity and market risk.

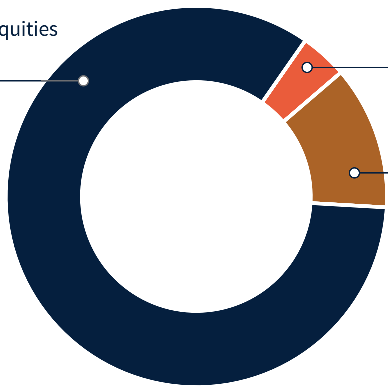
Asset Allocation by Industry

Industry	Weighting
Cash	12.2%
Materials	17.1%
Financials	29.3%
Health Care	7.7%
Industrials	8.5%
Energy	0.7%
Real Estate	3.5%
Information Technology	2.5%
Consumer Staples	5.6%
Communication Services	5.2%
Consumer Discretionary	8.3%

Top 5 Stock Holdings

Company	ASX
BHP Group Ltd	BHP
ANZ Group Holdings Limited	ANZ
National Australia Bank Limited	NAB
Macquarie Group, Ltd.	MQG
Commonwealth Bank of Australia	CBA

Asset Allocation by Market Cap



Performance

	1 Month	3 Months	Financial Year to Date (FYTD)	1 Year	3 Years p.a.*	5 Years p.a.*	10 Years p.a.*	Inception p.a.*	Inception Total
Portfolio Return	1.3%	-3.9%	5.7%	5.0%	7.8%	3.5%	5.8%	8.0%	547.4%
Benchmark^	1.1%	-4.0%	5.4%	6.9%	11.0%	8.1%	9.1%	8.4%	609.7%

Inception: 9 April 2002.

* Performance figures for more than 1 year are annualised, calculated after all applicable fees and taxes. Performance figures compare unit price to unit price for the given period. The returns exclude the impact of imputation. ^Benchmark refers to S&P / ASX 200 Accumulation Index

Portfolio Commentary

The portfolio returned 1.3% in May, outperforming its benchmark return of 1.1%. The key drivers of performance and the major portfolio changes are outlined in the tables below.

Positive Attributors	Portfolio Return	Comment
BHP Group Ltd (BHP.ASX)	16.0%	BHP Group (BHP) was a positive contributor in May, returning 16.0%. Performance was driven by strength in global copper prices, which rose due to supply constraints and structural demand from the energy transition. As a diversified miner with material copper production scale, BHP benefited directly from higher commodity pricing. Higher spot prices supported upward revisions to near-term free cash flow expectations, driving capital appreciation across the resources sector.
Computershare Limited (CPU.ASX)	14.6%	Computershare (CPU) was a positive contributor, returning 14.6%. Performance was driven by an upward shift in US interest-rate expectations, which increased expected margin income generated from client funds held. Sentiment was further supported by management affirming upgraded FY26 earnings guidance, following the completed divestment of its US mortgage services business to refocus on core registry operations.

Negative Attributors	Portfolio Return	Comment
CSL Limited (CSL.ASX)	-22.3%	CSL Limited (CSL) was a detractor, returning -22.3%. Performance was driven by a further earnings outlook downgrade and material asset impairments, which lowered near-term growth expectations. This announcement compounded ongoing headwinds across the broader healthcare sector, where persistent multiple derating has continued to weigh on valuations. These combined factors reduced investor confidence, leading to severe pressure on the share price.
Seek Limited (SEK.ASX)	-10.3%	Seek Limited (SEK) was a detractor, returning -10.3%. Performance was impacted by the release of weak domestic employment data, which signaled a softening labor market. This deteriorating backdrop placed direct pressure on job advertisement sales volumes, capping near-term revenue potential for the online recruitment platform. These cyclical volume concerns have led to downward updates to earnings expectations, reducing investor conviction.

Portfolio Activity

Buy	Comment
No trades	

Sell	Comment
Woodside Energy Group Ltd (WDS.ASX)	We have exited our position in Woodside Energy (WDS) to take profit on recent share price strength. With a peace deal expected to happen soon between the US and Iran, the geopolitical risk premium built into energy markets is unwinding. This de-escalation is driving a decline in global oil prices, lowering near-term revenue expectations.

Market Commentary

Following a very strong April, May was another good month for global share markets. The S&P 500 (the global bellwether) climbed 5% in May – and has risen by 16% across the last two months. A two-month surge in the S&P 500 has been matched only four other times since 1950, according to Dow Jones Market Data. The index was higher six months later each time, by a median 17%. These are indeed unusual times for financial markets.

The US market is being powered by the American technology giants and the AI boom, plus remarkable corporate earnings growth. In the US, Q1 S&P Earnings Per Share (EPS) growth came in at 28.6%, and consensus has growth accelerating through Q2 and Q3. Year to date, the S&P 500 is up 10.7%, EPS estimates are up 15%, and therefore P/E multiples have contracted 4%.

The Global Outlook

While the US powers ahead, the world economy is patchy, and the outlook has become more difficult. Growth through 2026 will be challenged by the Iran war, the associated oil shock, rising inflation, and weakening confidence in the USD and US bond market. A rebound in 2027 is still plausible, but only if the energy shock resolves in coming months.

This matters because asset markets are priced as though the post-GFC world of suppressed real bond yields remains intact. The 'risk-free' rate has been redefined by investors over the past decade, and that redefinition has supported a major expansion in equity valuations. The question is whether that reset is sustainable.

Most developed world share markets had a positive May. As mentioned above, the S&P 500 was up 5%. The Nasdaq was up 8%, and the Dow Jones up 3%. Japan rose 11.9%, and Germany 3.3%. Britain, France and Australia were relatively flat, with Shanghai slightly weaker.

Australia Lagging Behind

The Australian share market has lagged peers over the year to date. There are structural reasons for this. The average return on equity (ROE) across the ASX is materially below the US. Outside a small number of high-quality companies, many Australian large caps generate returns that are only modestly above a reasonable cost of equity. The causes are structural: weak productivity, high energy costs, elevated labour costs, regulation, tax complexity, and an index dominated by banks and miners. Banks sell largely undifferentiated products, and miners are price-takers in global commodity markets. Neither sector has the same earnings power as the dominant US technology platforms.

During May, most of the big miners were up (higher prices for iron ore, gas, coal), fossil fuel producers were down (oil prices down), and the rest of the market was generally weaker. Unfortunately, there are relatively few truly innovative listed Australian companies that have something genuinely new and different to offer the world at present.

Year to date, the main ASX winners have been fossil fuel producers (Woodside +31%, Santos +27%), and miners (BHP +37%, RIO +26%, Lynas +54%, Pilbara Min +53%). The big banks have been mixed year to date (ranging from CBA +3% to NAB -12%), but other sectors were mainly down, with healthcare the worst (CSL -44%, Cochlear -61%, Pro Medicus -40%, ResMed -20%). Also hit hard this year have been several former tech stars punished for overly ambitious expansion, plus the threat of AI: WiseTech (-47%), Xero (–34%), Seek (-46%), REA (-19%).

Australian Economy and Federal Budget

The Australian economy faces stagflationary risk. Growth is below trend, productivity is weak, real wages stay pressured, housing affordability is unresolved, and energy policy is incoherent. Inflation, which had appeared to stabilise near 3%, is vulnerable to a renewed push above 4% as fuel, freight and food costs rise. Unlike the US, where debt risk sits primarily with government, Australia's debt burden sits with households. That makes further rate increases more painful.

The Australian Federal Budget marked one of the more consequential shifts in wealth, tax and investment policy in years. The overhaul replaces the long-standing 50% CGT discount with cost-base indexation and a 30% minimum tax on capital gains, fundamentally altering strategies for high-net-worth investors. Negative gearing rules are tightened for existing residential property from July 2027, redirecting capital toward new housing stock and build-to-rent assets. Discretionary trusts face a new 30% minimum tax floor, prompting a likely wave of restructuring into corporate entities and fixed trusts. Superannuation concessions continue to narrow, with earnings on balances above $3m taxed at 30% and above $10m at 40%.

Australian Inflationary Pressures

Australian inflation delivered a headline surprise in the April data, with the CPI rising 0.4% in the month to stand 4.2% higher over the year, a moderation from the 4.6% annual pace recorded in March. At face value, the result was encouraging, but volatile and policy-affected items masked what is an increasingly persistent underlying inflation story, and we do not expect a fundamental easing of price pressures anytime soon.

Commodity Markets – Focus on Copper

We have seen the best and the worst of the base metals sector over the past 15 years, including periods of capital destruction and the more recent era of capital discipline. But the sector's current backdrop is certainly positive, as surging demand from the artificial intelligence boom, the energy transition and the upswing in defence spending coincide with decades of underinvestment in supply. Copper is a standout.

Copper demand from hyperscale AI data centres – requiring up to 50,000 tonnes of copper per facility, compared to 5,000-15,000 tonnes in conventional data centres – has created a structural deficit projected at 6 million tonnes by 2035. Simultaneously, the closure of the Strait of Hormuz has severed approximately 18% of global seaborne sulphur trade, with tanker transit volumes falling 90%. Sulphur is required in the copper refinement process. These concurrent dislocations create an interesting investment thesis characterised by supply-demand asymmetries and geopolitical risk premiums.

Copper prices have surged to record highs, driven by a perfect storm of supply fragmentation and AI infrastructure build-out. North American data centre construction represents an entirely new demand vector – one that did not materially exist five years ago and is growing faster than supply-side responses can accommodate.

Commodity prices were mixed across May, with Crude Oil down 10.7%, Gold down 1.4%, Copper was up 4.6%, and iron ore managed to stay above US$100/t. Agricultural commodities have surged year to date, with Soybeans up 15%, Wheat +20%, Rubber +27%, Cotton +18% and Wool +25%.

Interestingly, gold bullion accounted for 27% of all global central bank reserve assets at the end of 2025, up from 20% a year earlier, according to the European Central Bank. US Treasuries fell to 22% from 25% over the same period.

The shifting composition of reserve assets – liquid holdings that central banks use to support their currencies, meet international payment obligations and provide liquidity in times of financial turmoil – reflects an attempt by some countries to seek alternatives to the US dollar, the world's de facto reserve currency. Those efforts have accelerated since 2022, when the US used sanctions to freeze Russia's dollar reserves over the invasion of Ukraine. Geopolitical tensions continue to drive strong central bank demand for gold. The share of euro-denominated reserve assets was unchanged at 15%.

In our view, the medium-term thesis for firm commodity prices is intact: fiscal expansion, rearmament, electrification, AI-related infrastructure build-out and currency debasement dynamics are supportive of real assets.

Government Bonds

Global sovereign yields were largely unchanged over the month, but with a positive tone as markets factored in the falling price of oil. US 10-year Treasuries ended May at 4.44% (up 7bp), Australian 10-years at 4.85% (down 23bp), UK gilts at 4.80% (down 21bp), and German bunds at 2.93% (down 10bp). With the uncertainty created by the war, we expect ongoing volatility in bond markets as oil prices, inflationary pressures, hits to confidence, and supply disruptions endure.

The Australian dollar was barely changed against the USD and ended the month at US$0.718.

Conclusion

The AI boom, strong corporate earnings and upbeat forecasts for the year ahead are underpinning Wall Street's advance. Companies in the S&P 500 ended May at around 22.5 times their projected earnings over the next 12 months, a slightly lower valuation than at the start of the year (because earnings projections have grown). Other countries, including Australia, are struggling to keep pace as they lack the dynamism of America's mega-technology sector as well as being constrained by over-regulation and the lack of productivity growth.

As always, we suggest a prudent policy of asset class diversification, a focus on quality and sustainable yield, and a strategy of riding out short-term market volatility by focusing on long-term performance.

Investors should be relatively cautious at present: equity indices are priced for a favourable outcome, while the macro environment has become less forgiving. Sustaining current valuations will require strong earnings growth, stable bond markets, contained inflation and ongoing liquidity support. That is a demanding combination.

Investors should focus less on chasing index momentum and more on quality, cash flow and sustainable yield. In equities, that means businesses with pricing power, sensible balance sheets and credible returns on capital. In credit, it means transparent structures, secured exposures and lenders with clear governance.

The coming period is unlikely to reward complacency. Slower growth, persistent inflation, geopolitical disruption and inflated asset prices are a difficult mix. Portfolios should be built around assets that can withstand that environment rather than assets that depend on the risk-free rate remaining permanently suppressed