

View from the Investment Team

August 2025 Market Update

In August financial markets continued onwards and upwards. A weaker than expected US Non-Farm Payrolls release at the beginning of August saw non-farm payrolls growth of 73,000 in July. In addition, the June and May totals were revised sharply lower, down by a combined 258,000 from previously announced levels. The weaker than expected release combined with substantial revisions resulted in US President Donald Trump firing the Commissioner of the Bureau of Labor Statistics, Erika McEntarfer.

The Bank of England cut its Base Rate by 0.25% to 4.00% in August as rising layoffs and falling consumer demand increased the probability of recession in the UK. In Australia, the Reserve Bank of Australia (RBA) cut the cash rate by 0.25% to 3.60% citing an easing in inflationary pressures whilst acknowledging that uncertainty in the world economy remains elevated.

Australian large cap equities gained 2.55% for the month led by Materials (+9.19%), Consumer Discretionary (+7.60%) and Utilities (+5.28%). On the other hand, Health Care (-13.21%), Information Technology (-1.70%) and Communication Services (-0.71%) were laggards. Australian Small Companies significantly outperformed large cap companies in August gaining 8.41%.

Currency hedged global equities gained 2.04% in August as the Australian dollar gained 1.79% versus the US dollar. At month's end the Australian dollar closed at US\$0.654. Unhedged global equities gained 0.92% for the month. US Equities gained 0.37% in Australian dollars for the month.

Bond yields in the US moved lower during the month with the US 10 year bond yield falling 14 bps to 4.23% and the US 2 year bond yield falling 34 bps to 3.62% as weaker than expected employment data increased the likelihood of official rate cuts in the US. In Australia the 10 year bond yield gained 2 bps to 4.28% and the Australian 2 year bond yield fell 1 bp to 3.34%. Japanese 30 year bond yields again moved to a record high of 3.24% in August.

BENCHMARK RETURNS

| Period Ended: 31 August 2025 | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|--|---------|----------|----------|--------|---------|---------|----------|
| | % | % | % | % | % (pa) | % (pa) | % (pa) |
| Australian Shares | | | | | | | |
| Large Caps | 2.55 | 6.56 | 11.26 | 13.94 | 13.17 | 12.77 | 10.00 |
| Broad Caps | 3.16 | 7.17 | 11.83 | 14.91 | 12.81 | 12.20 | 9.87 |
| Small Caps | 8.41 | 12.42 | 16.72 | 23.40 | 9.81 | 7.91 | 9.19 |
| International Shares | | | | | | | |
| World ex-Australia in AUD Hedged (Net) | 2.04 | 8.07 | 8.25 | 14.76 | 16.74 | 12.40 | 11.32 |
| World ex-Australia in AUD unhedged (Net) | 0.92 | 6.62 | 5.10 | 20.06 | 20.50 | 15.74 | 12.60 |
| Australian Cash and Bonds | | | | | | | |
| Bank Bill Index | 0.32 | 0.94 | 2.00 | 4.25 | 4.00 | 2.47 | 2.06 |
| Australian Bond Index | 0.33 | 1.05 | 3.11 | 4.31 | 3.74 | -0.03 | 2.14 |
| Australian Property | | | | | | | |
| A-REIT – Accumulation | 4.47 | 9.86 | 16.70 | 14.49 | 15.35 | 12.27 | 9.00 |

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