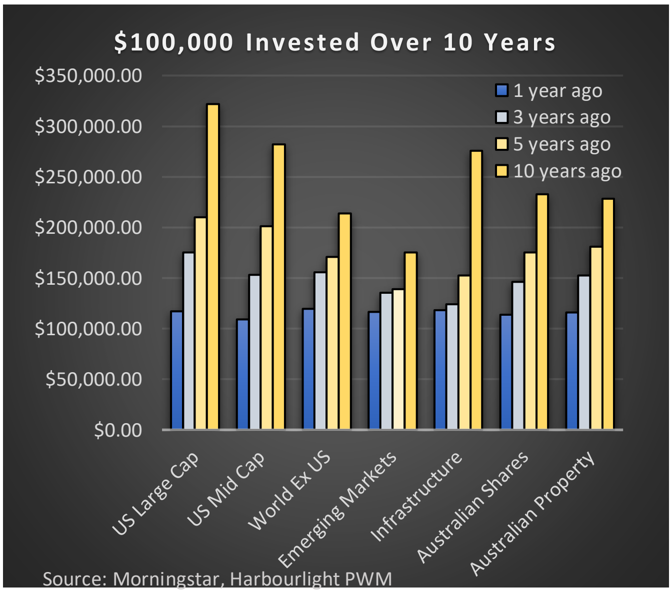
Harbourlight Private Wealth Management Investment Review and Outlook. July 2025

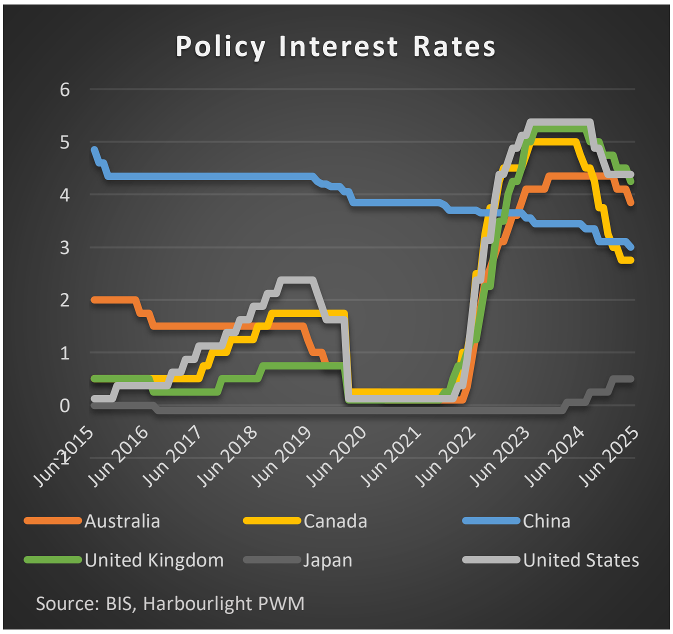
A brief review of investment markets and broader factors affecting clients.

- Six months into a rather noisy second Trump administration, markets continue to work through an evolving policy regime. Delays in implementation and frontloading to avoid tariffs have led to volatile and difficult to interpret trade data.
- **Inflation** has risen in the US and Australia causing a pause in the **second year of a cautious interest rate easing cycle**.
- **Global GDP growth forecasts** indicate an initial slowdown followed by a return to more normal growth in 2026 and 2027 with Asia, the Middle East and Africa to grow fastest.
- **Australian GDP growth** at 1.3% has remained under 2% since December 2023, impacted by slowing resource demand and mining investment. **Consumer sentiment** has also remained low since Covid-19 whilst **unemployment increased,** raising the chance of **further interest rate cuts**.
- **China** continues to consolidate and work through trade and property related difficulties. Whilst most major economies have recovered to pre Covid-19 growth, China has not.
- **Renewable energy stock indices are down 50% since 2021**. We are seeing some interesting opportunities here though it's important to remain focused on value.
- **Australian Banks** were a hot topic with CBA being labelled the most expensive bank in the developed world.
- **Residential property prices** diverged across Australian capital cities with SQM reporting 10 year growth rates averaging 6.6% and the ABS 4.7%.
- **Commercial property** write-downs seem to be coming to an end.
- We view **broad equity valuations** as fairly to fully priced depending on the region, these conditions could continue to exist for a lengthy period of time.
- **Fixed income valuations remain historically attractive**. Our more aggressive diversified fixed income portfolios are still achieving yields above 6.5%.

- **Long term returns** are healthy, we remain focused on diversity and flexibility in portfolios.

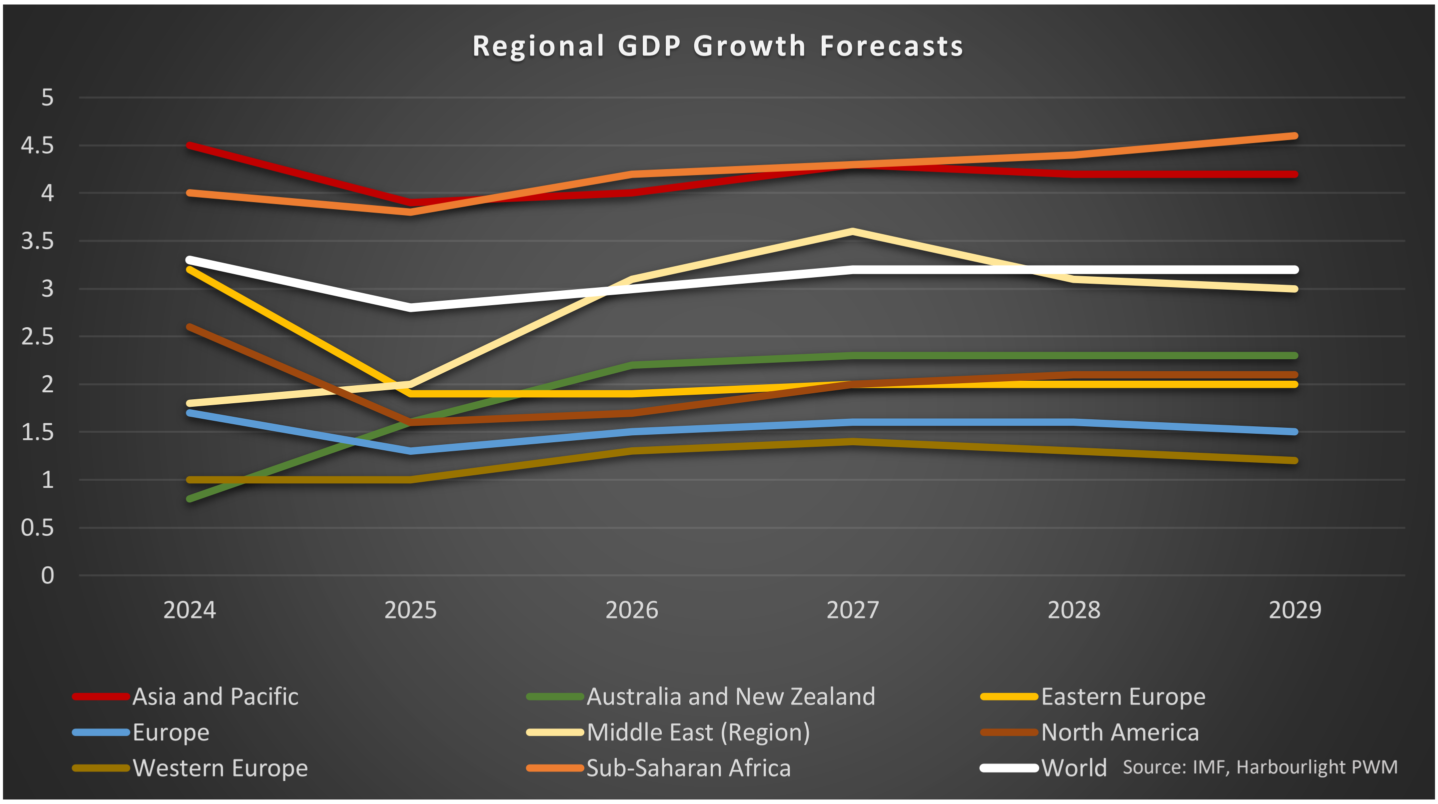


- Global central banks continue to **cautiously reduce interest rates.**

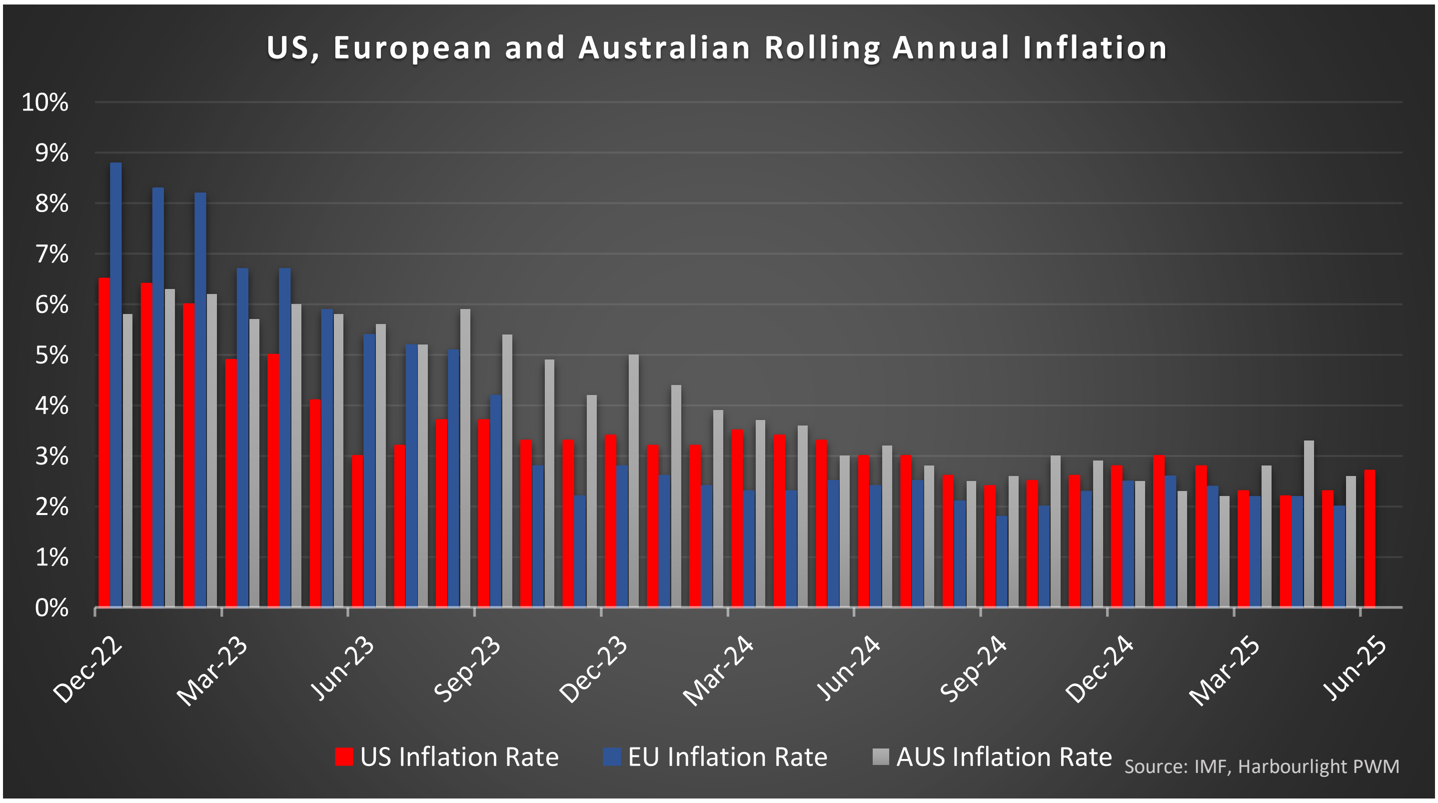


Economy and Financial Markets

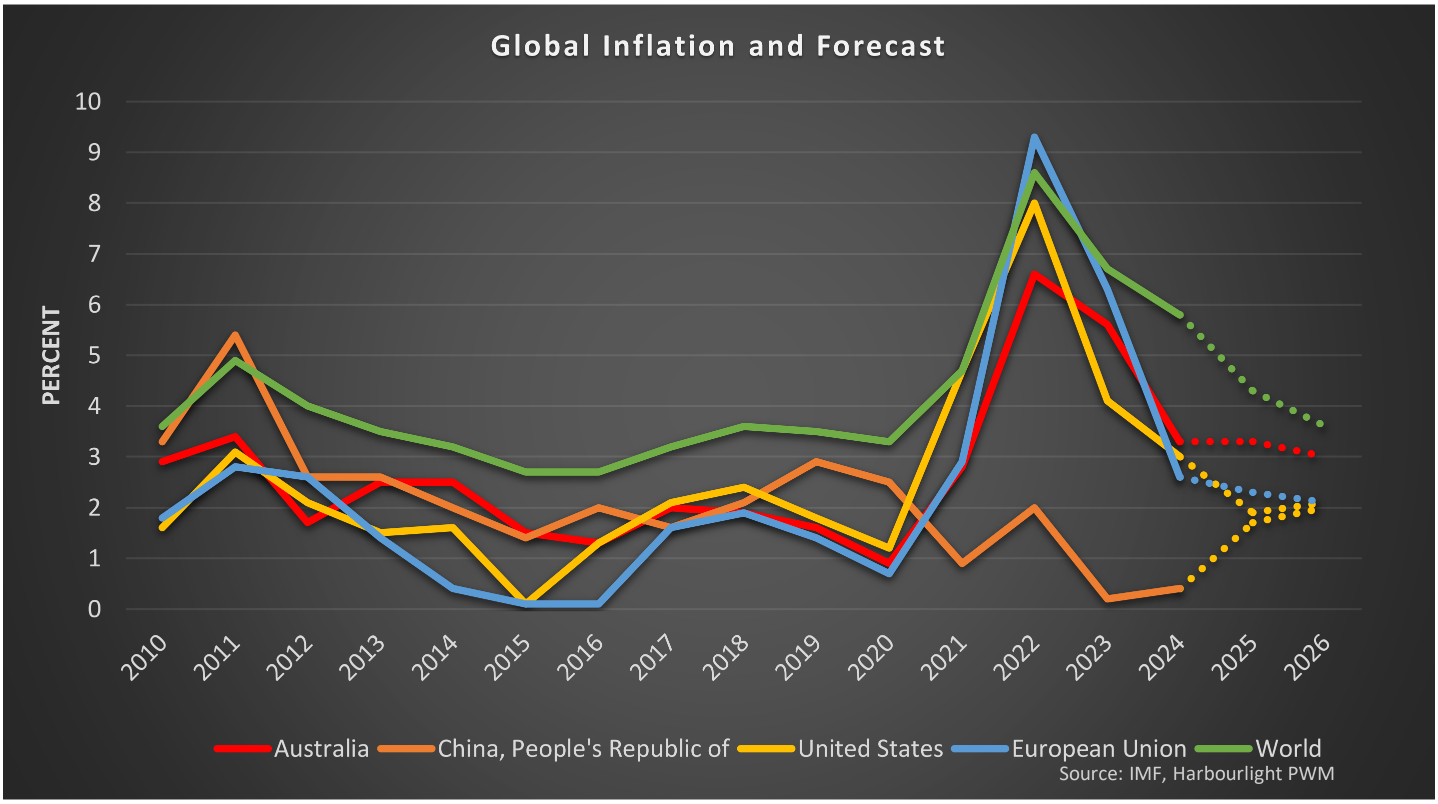
Regional GDP growth forecasts indicate slowing through the remainder of 2025, with US trade policy expected to reduce US GDP growth by 1% and world GDP by approximately 0.4%.



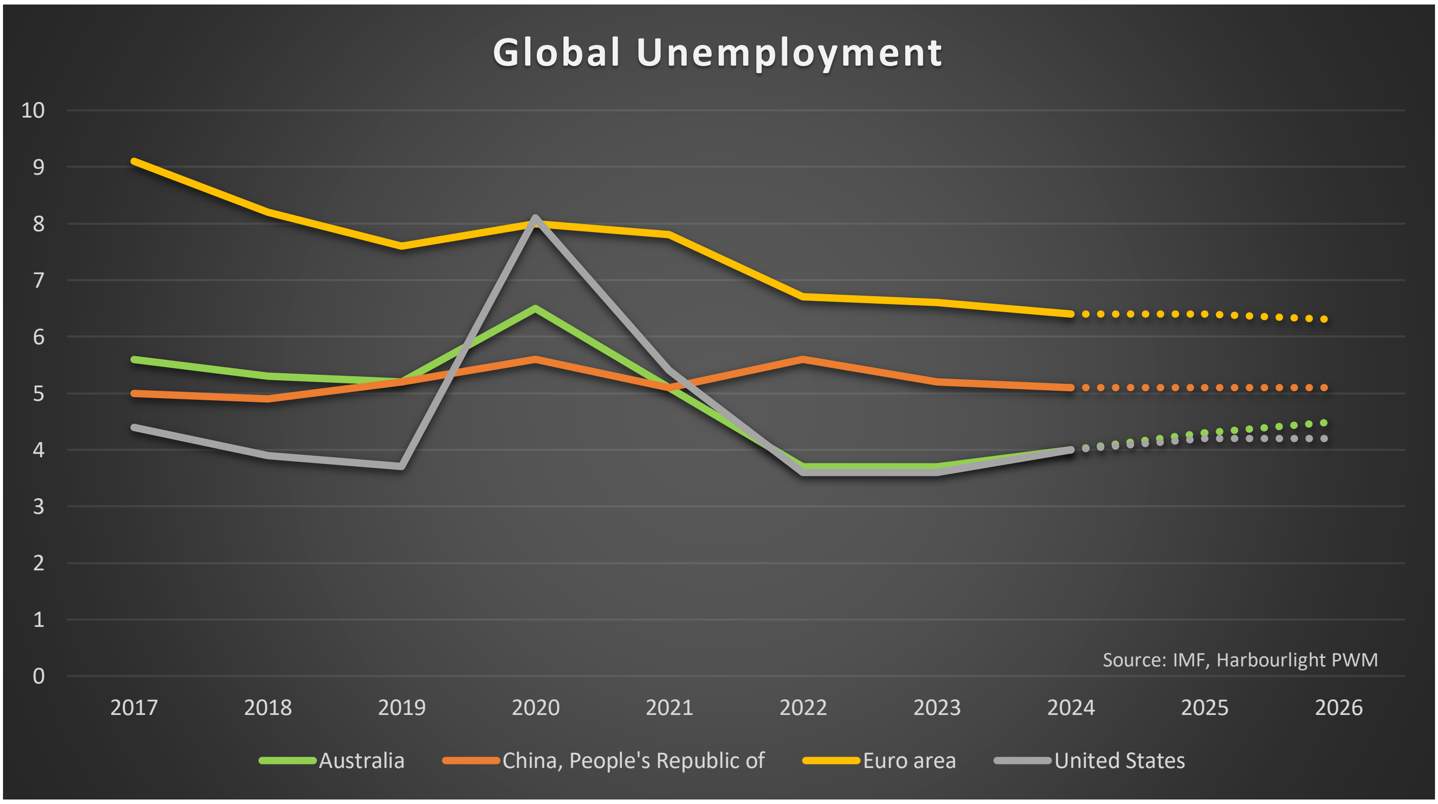
Inflation is at manageable levels, though did marginally increase in the US and Australia.



Inflation forecasts broadly continue to soften.

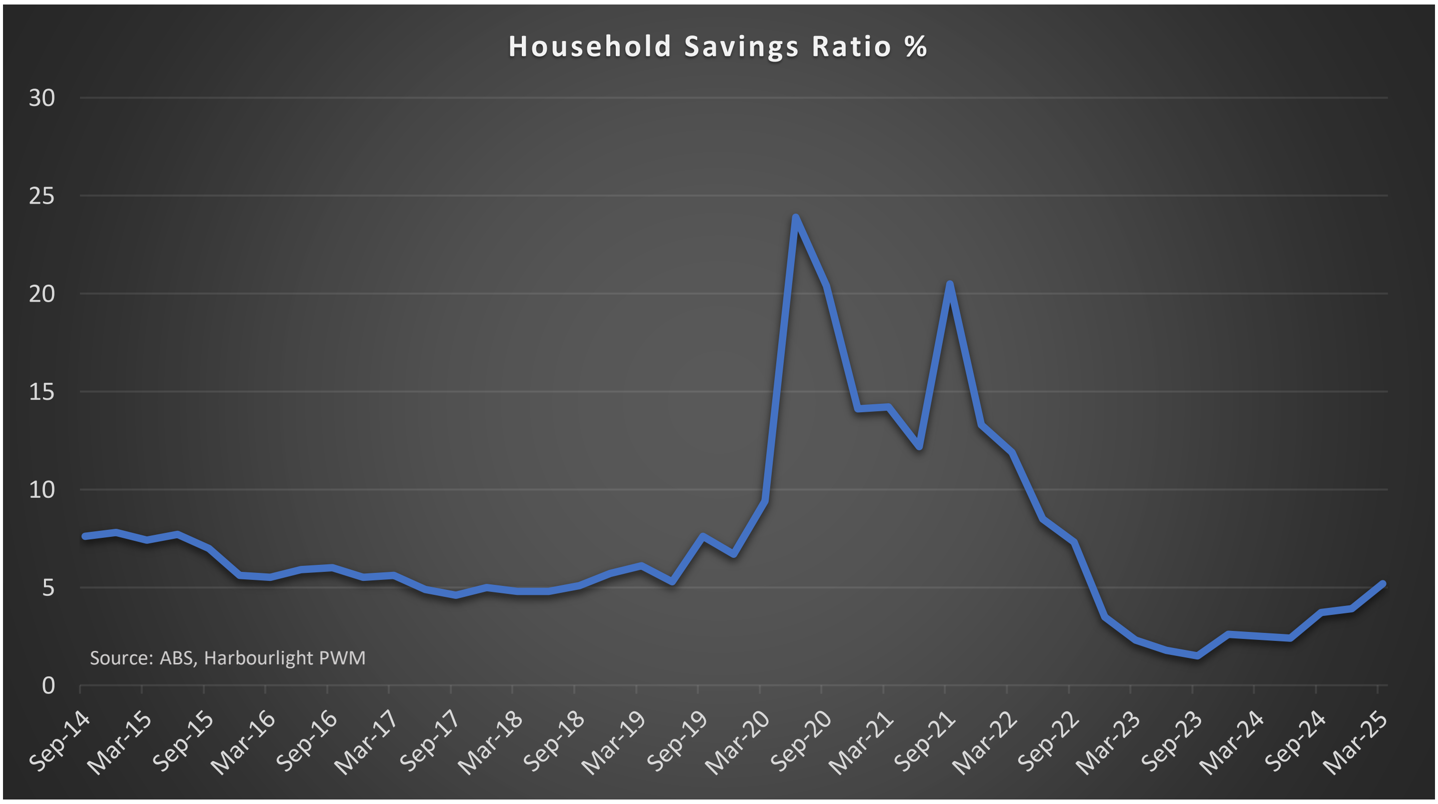


Unemployment rate forecasts remained steady with Australian and US unemployment expected to increase slightly.

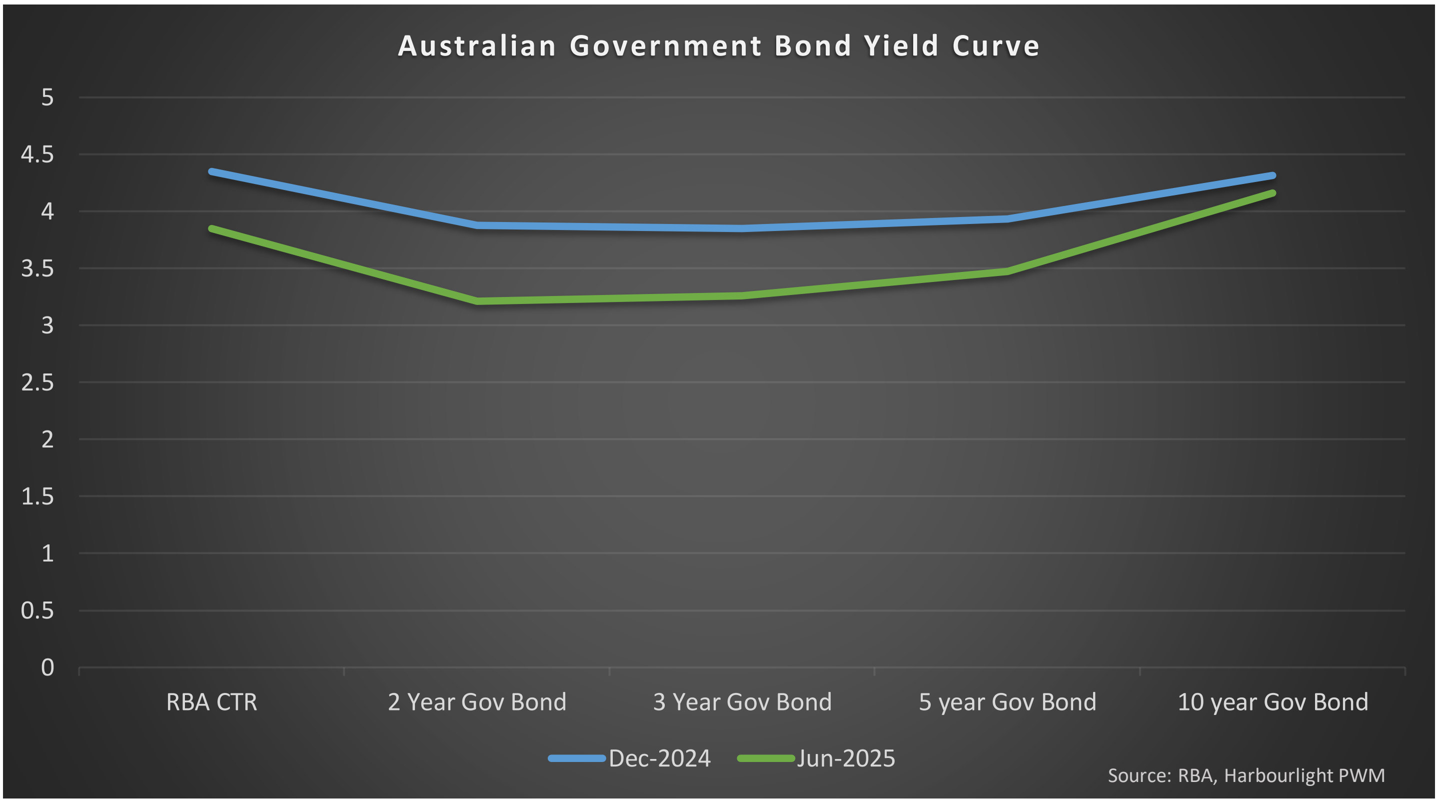


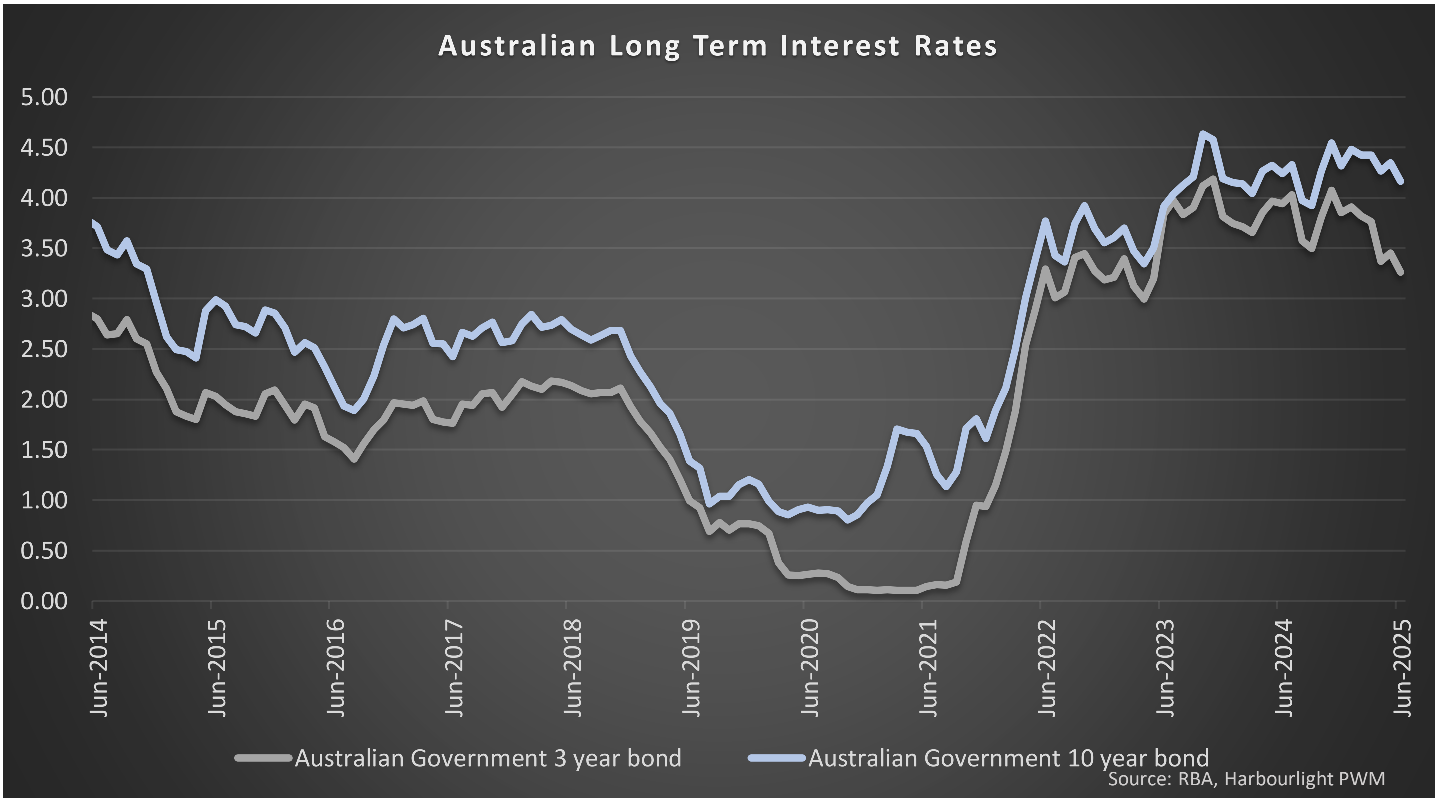
Wage growth in Australia is broadly softening.

Australian household savings have now recovered post Covid-19 to a relatively healthy 5.2%.

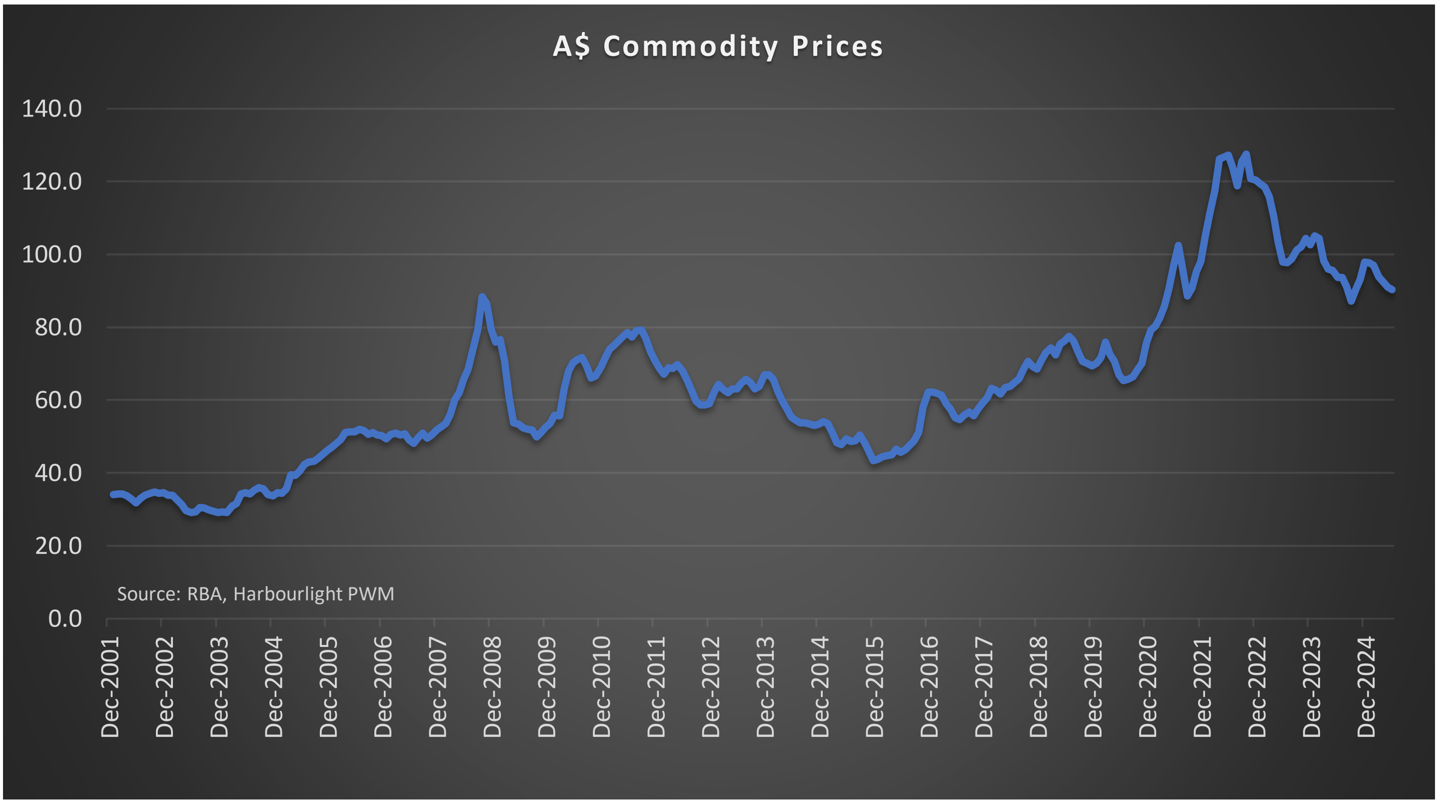


Short and medium term interest rates fell by 0.4% to 0.65% as expectations for further rate cuts increased. Longer term interest rates remained steady at slightly over 4%.

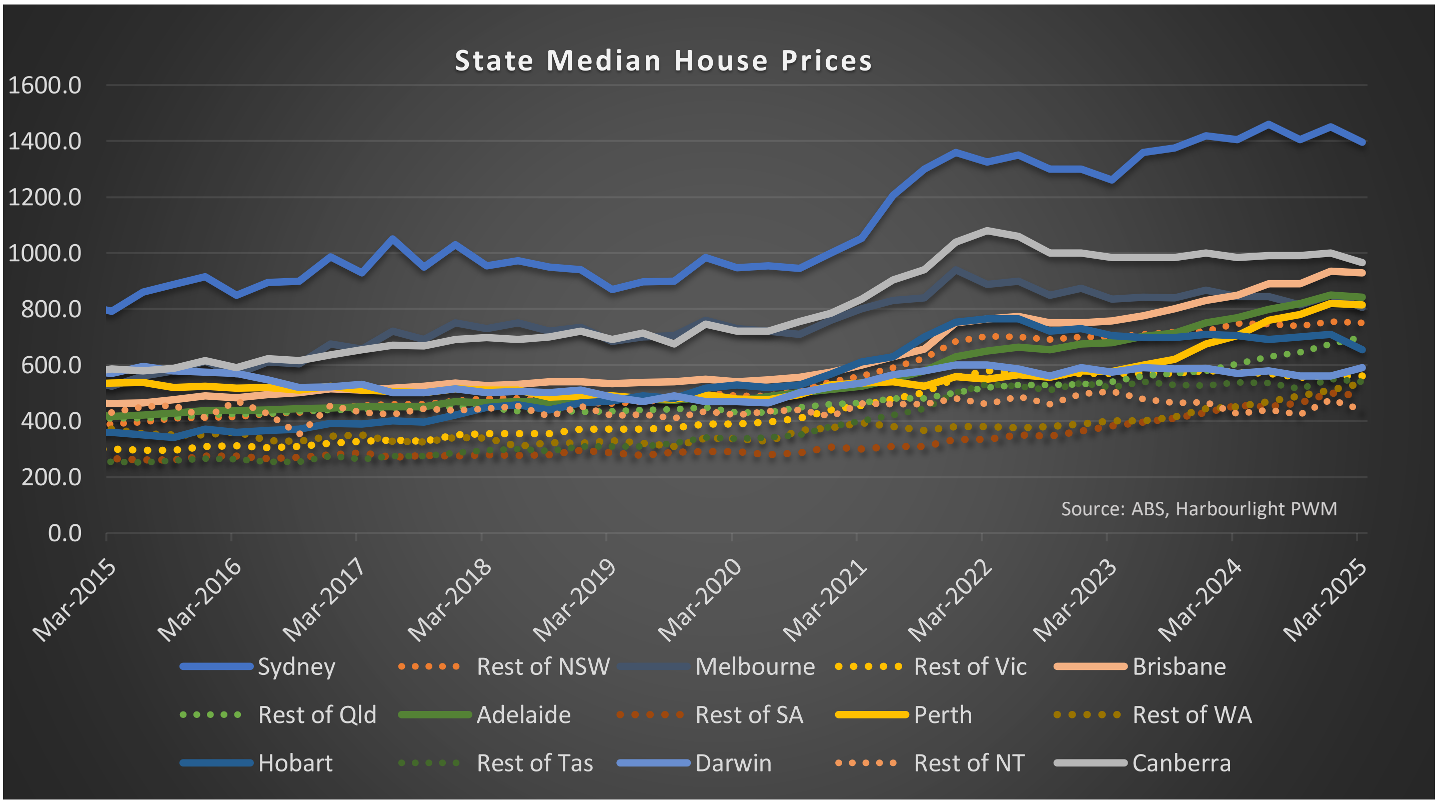




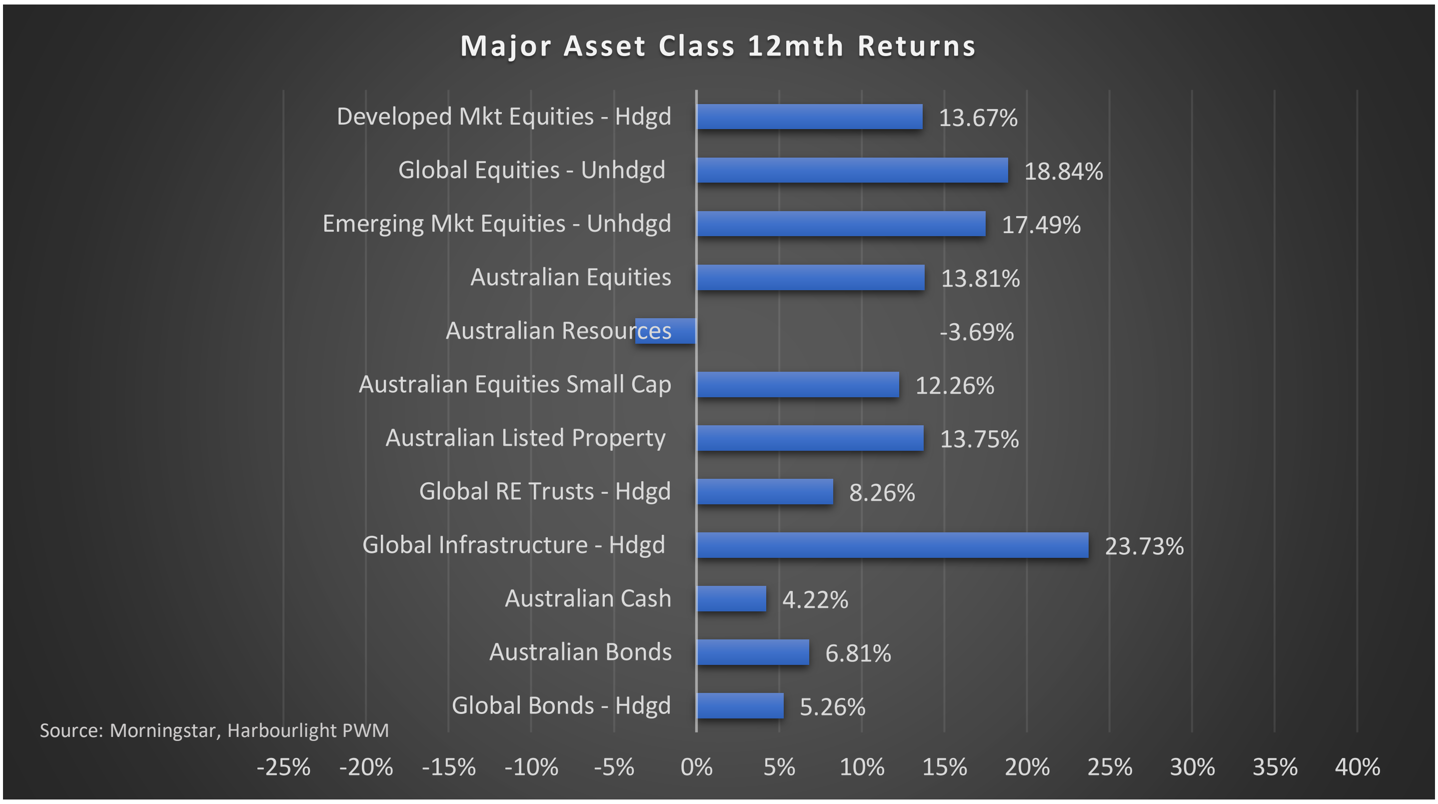
Commodity prices broadly remain soft as demand consolidates.



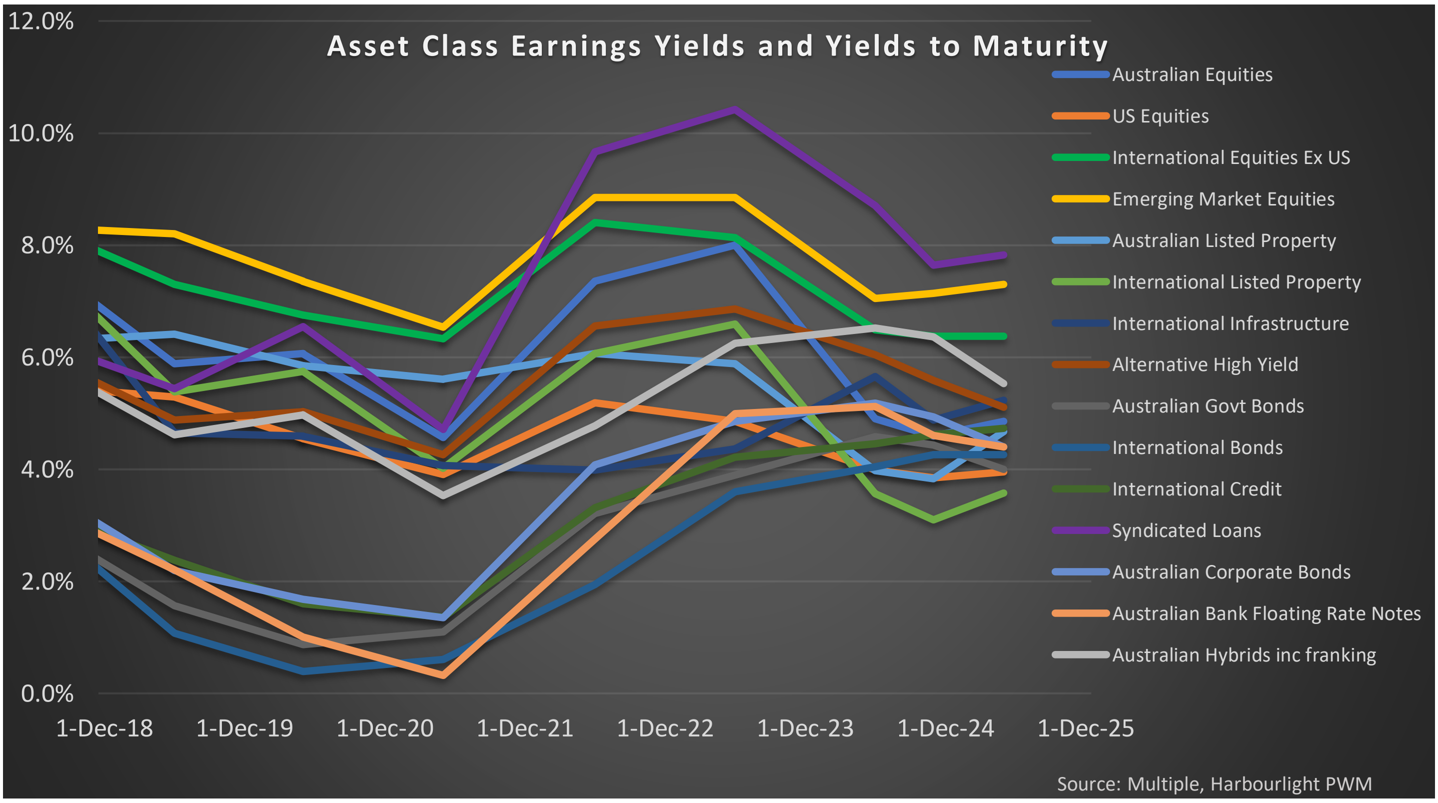
Median house prices published by the ABS showed divergent markets by state, with 10 year price returns across regions varying significantly. Recent data from varying sources indicates further strength.



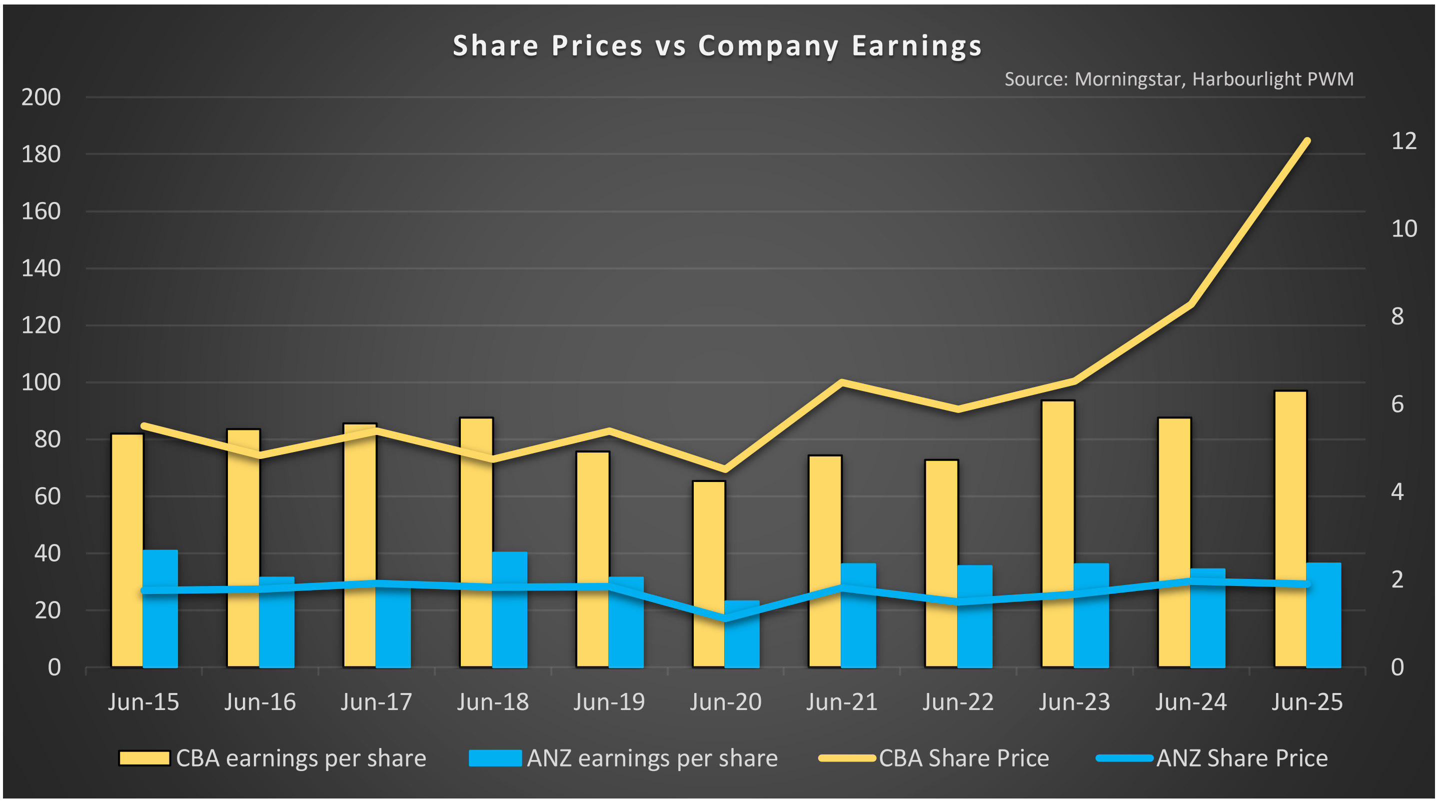
Investment asset class returns have been solid with infrastructure securities performing best over the year and resource stocks the worst.



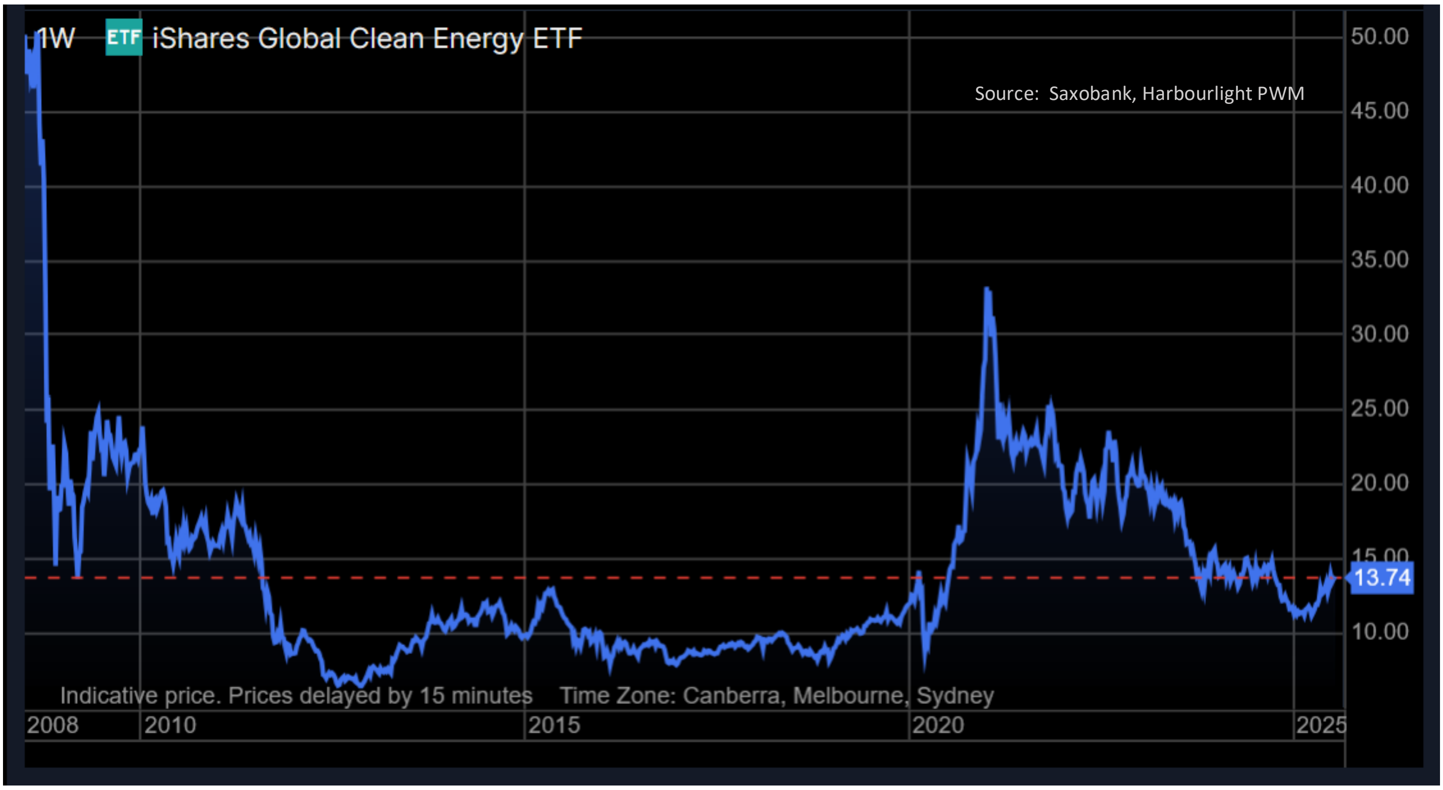
Valuation indicators still skew favourably towards fixed income assets, though care needs to be given to the fact that earnings growth and volatility assumptions are not reflected in the below earnings yield charts.



Local banks are in focus with CBA's share price becoming more disjointed to its earnings. For context, purchasing a $50,000 parcel of JPMorgan shares would provide access to a similar amount of corporate earnings as a $100,000 parcel of CBA shares.



Clean energy stocks have broadly dropped in value by over 50% since 2021. We are seeing more opportunities in the sector and are in discussions with global counterparties to explore further investment in our core and ethically screened investment portfolios.



Our views for the next 12 months

With economic indicators stronger than expected thus far, the effects of policy changes yet to be fully observed and markets already expecting a slowdown. We believe well diversified and flexible portfolios will provide solid investment returns in stronger markets and options to rebalance if opportunities arise in weaker markets.

Our focus is on long term returns, discipline and structure in noisy and conflicted market conditions.

We see value in parts of the fixed income market and continue to look for opportunities in sectors where valuations look safely compelling, including Europe, Asia, Renewable Energy, Mid to Small Cap Companies and Infrastructure.

Other Regulative Matters

- Personal income tax rates remain unchanged from 1 July 2025.

- Any unused concessional contributions from the 2019/2020 financial year are no longer available under catch up allowances.

- Compulsory superannuation contributions increased to 12% from 1 July 2025.

- Superannuation contribution caps remain at $30,000 for concessional contributions and $120,000 for non-concessional contributions for the 25-26 financial year.

- The transfer balance cap applying to commencing retirement income streams has increased to $2m for the 25-26 financial year.

- The bill for Division 296 and additional income taxes imposed on superannuation balances greater than $3m will be re-introduced when parliament resumes. Whilst it is looking more likely that the legislation will be passed, key details are still being debated.

- New aged care rules are scheduled to come into effect on 1 November 2025 resulting in potentially increased costs for those entering care facilities.

Please feel free to contact us if you wish to discuss any of these matters.

Harbourlight Private Wealth Management

hlcs@harbourlight.com.au

https://harbourlightwealth.com.au