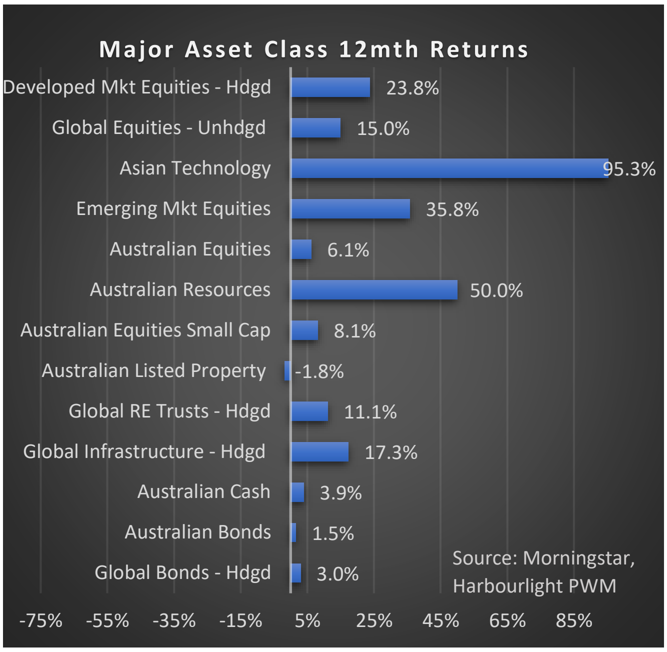
Harbourlight Private Wealth Management Investment Review and Outlook. July 2026

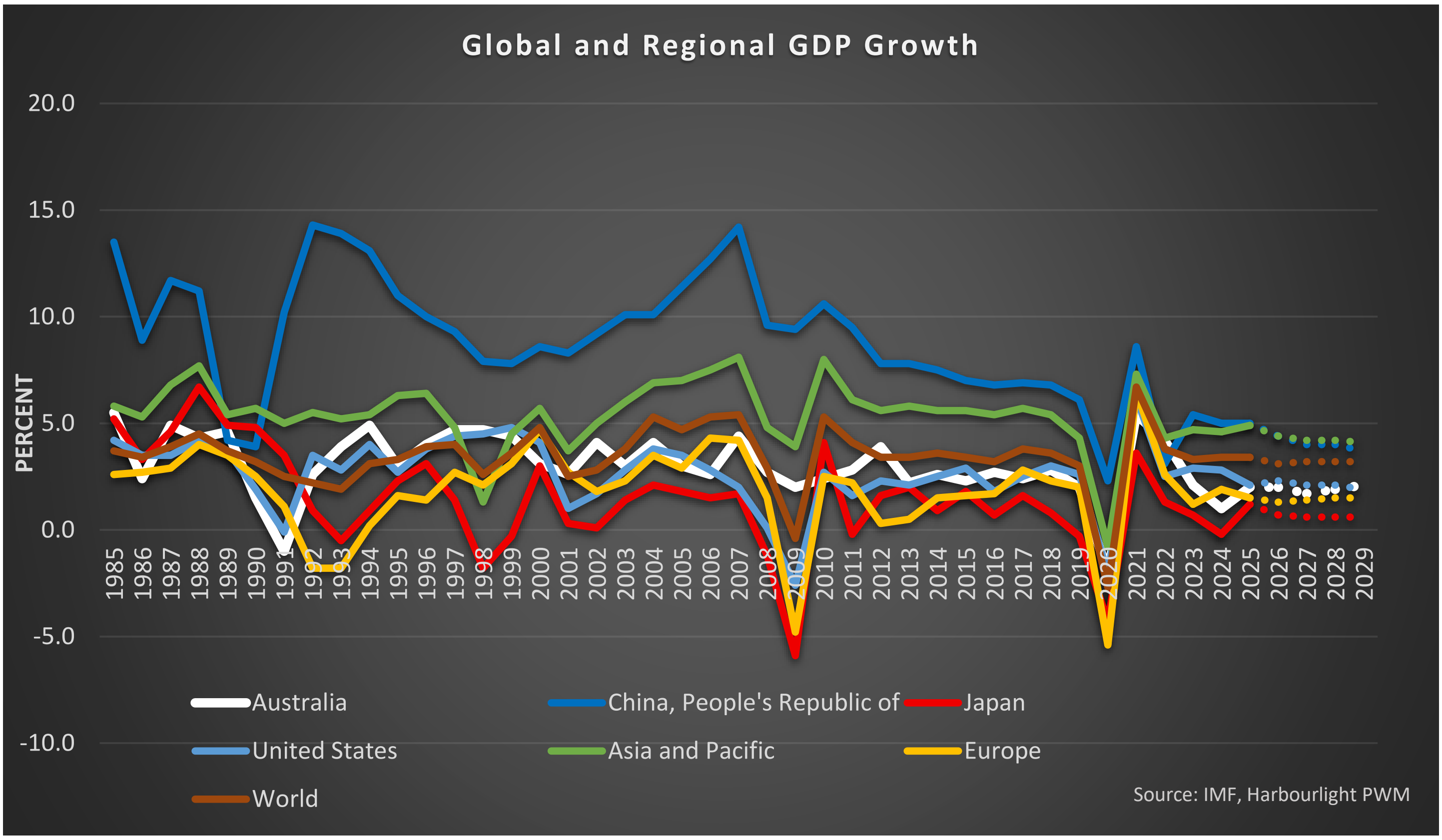
A brief review of investment markets and broader factors affecting clients.

- The first half of 2026 saw elevated tension, higher energy prices and significant Australian tax reform, though **economic indicators were broadly stable and investment markets, while divided, broadly performed well**.
- In the **US**, **military action** drove energy prices higher. Tariff revenues rose materially, though the burden fell largely on domestic importers and consumers and the measures did little to reduce the trade deficit or affect Chinese exports.
- **Significant legislative changes in Australia** increased tax on capital gains, limited negative gearing and banned new SMSF borrowing for residential real estate. A minimum 30% tax on discretionary trusts was announced but is not yet law.
- Global GDP growth forecasts remained reasonably stable whilst **Australian growth was revised down 1%** by the IMF. **Recessionary risk has increased**, though still looks less likely absent more shocks.
- **Global inflation accelerated** with rising energy prices then eased through June before likely increasing again as the Middle Eastern conflict reignites and energy prices rise again.
- Further influenced by local inflationary pressure, the **RBA's policy bias moved from an easing cycle on pause, to three interest rate increases and a pause**. **Australian rates are an outlier among Advanced Economies**, most of which held policy steady over the 6 month period.
- **Global equities significantly outperformed local markets** though resource companies did well. Artificial intelligence was a dividing line. Some Asian technology stock indices almost doubled, while software names fell sharply on fears of AI replacement.
- **South Korea** was a major beneficiary of the rush to build AI infrastructure, with memory manufacturer shares up 400% at one point in the year and GDP boosted.
- **SpaceX listed** with a much hyped float. As at 24 July 26 investors could buy shares roughly 15% below the IPO price.
- **Residential property prices** across Australian capital cities rose at near 6% for the year to June 2026, with Brisbane, Perth and Darwin being the main source of growth. Conditions changed significantly post increases in interest rates and the May Federal Budget.
- We remain focused on key long term investment strategies, with a slight lean towards conservatism where safer assets offer ample returns in good times and protection should difficulties emerge.

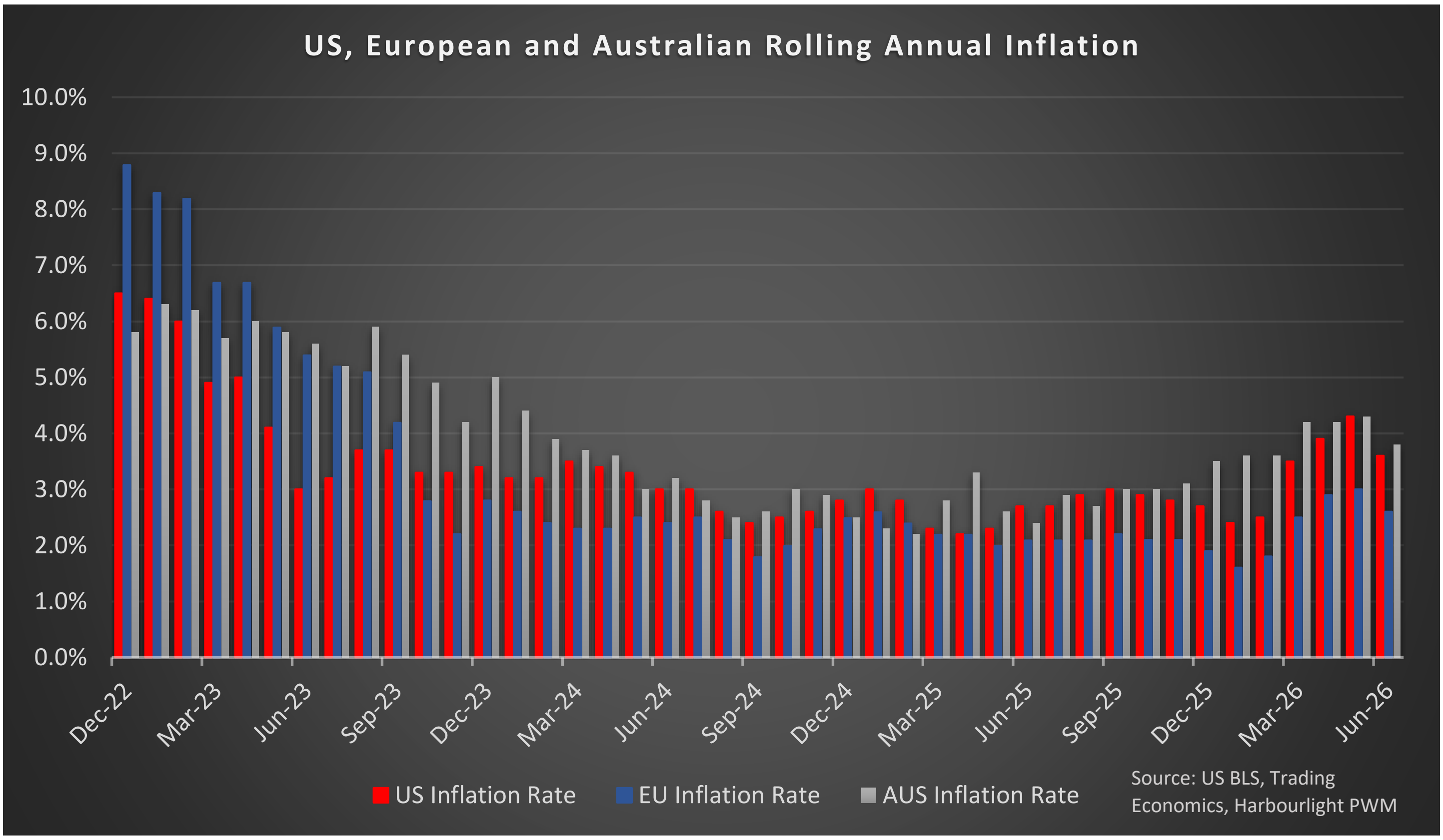
Economy and Financial Markets



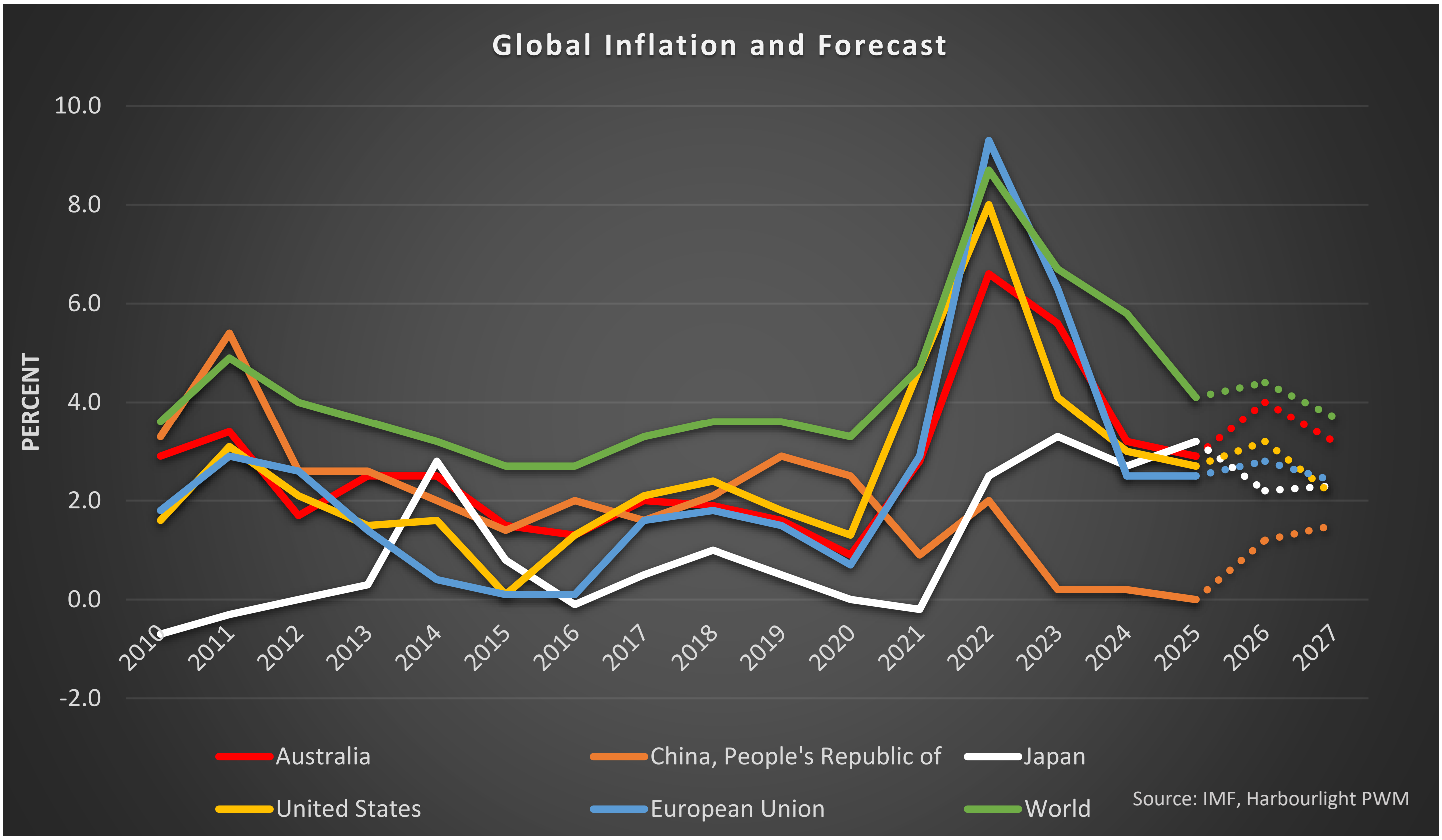
Global GDP growth forecasts remain steady, though a softening theme remains for many larger economies. Australian growth forecasts were cut by close to a full percentage point across 2026 to 2028. Upwards revisions to the US and technology linked Asian Emerging Markets were offset by downgrades to oil-linked Middle Eastern economies.



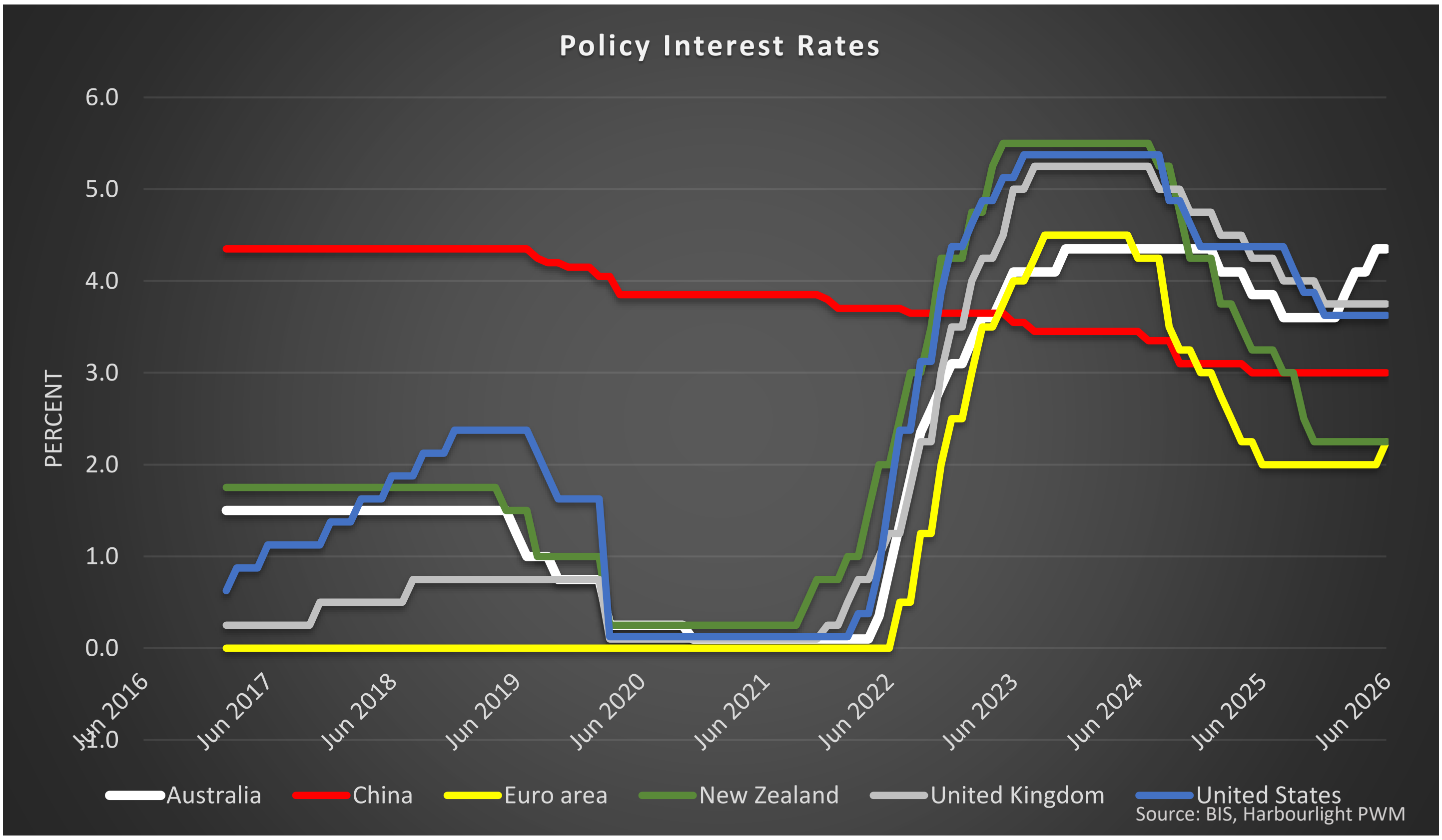
Global inflation accelerated as geopolitical tensions in Iran and shipping disruptions through the Strait of Hormuz pushed energy prices higher. Inflationary pressures subsequently eased before the Middle Eastern conflict reignited.



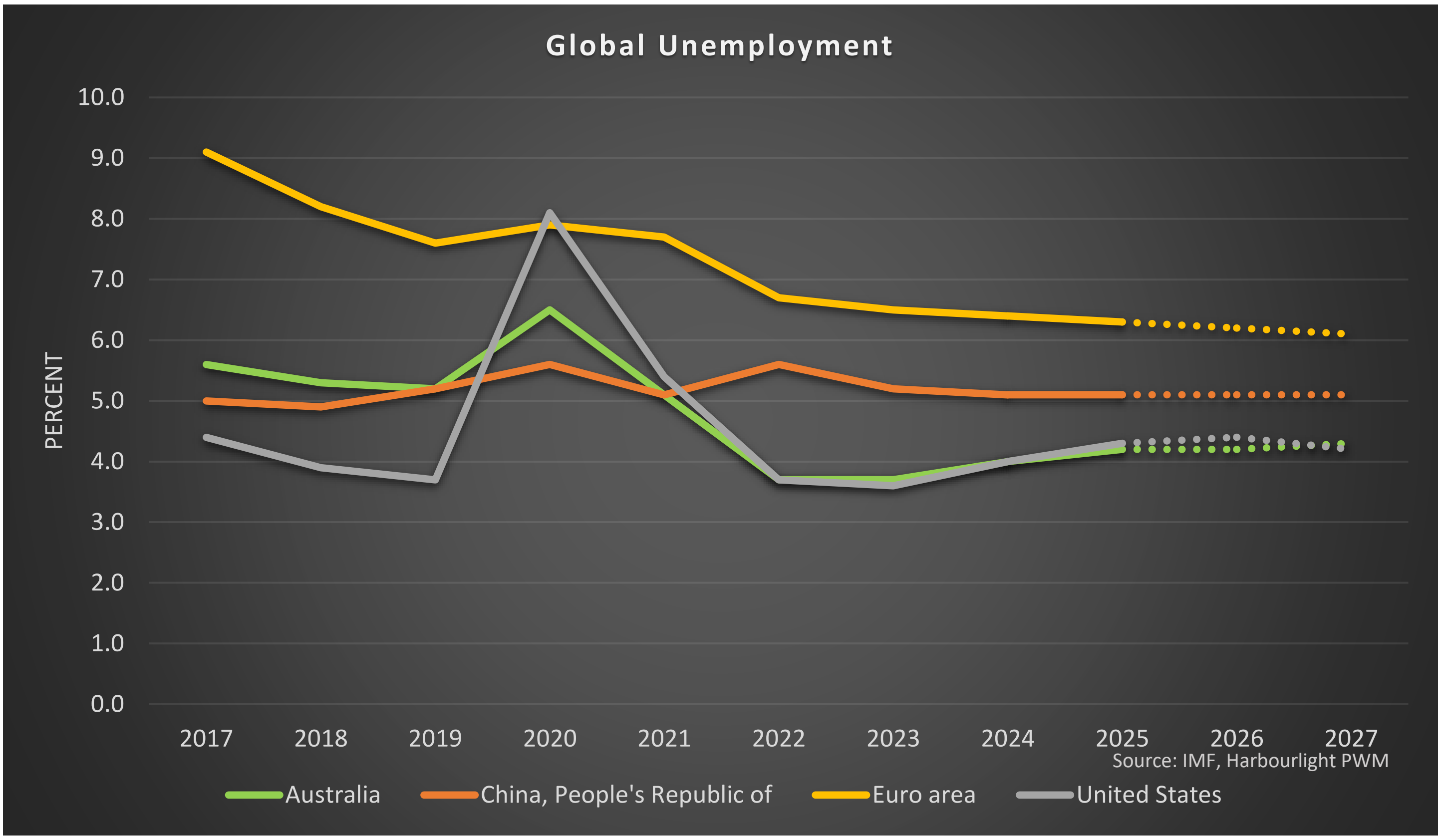
Current forecasts generally suggest higher inflation through 2026 followed by a drop through 2027, although this outlook remains dependent on geopolitical developments in the Middle East and energy prices.



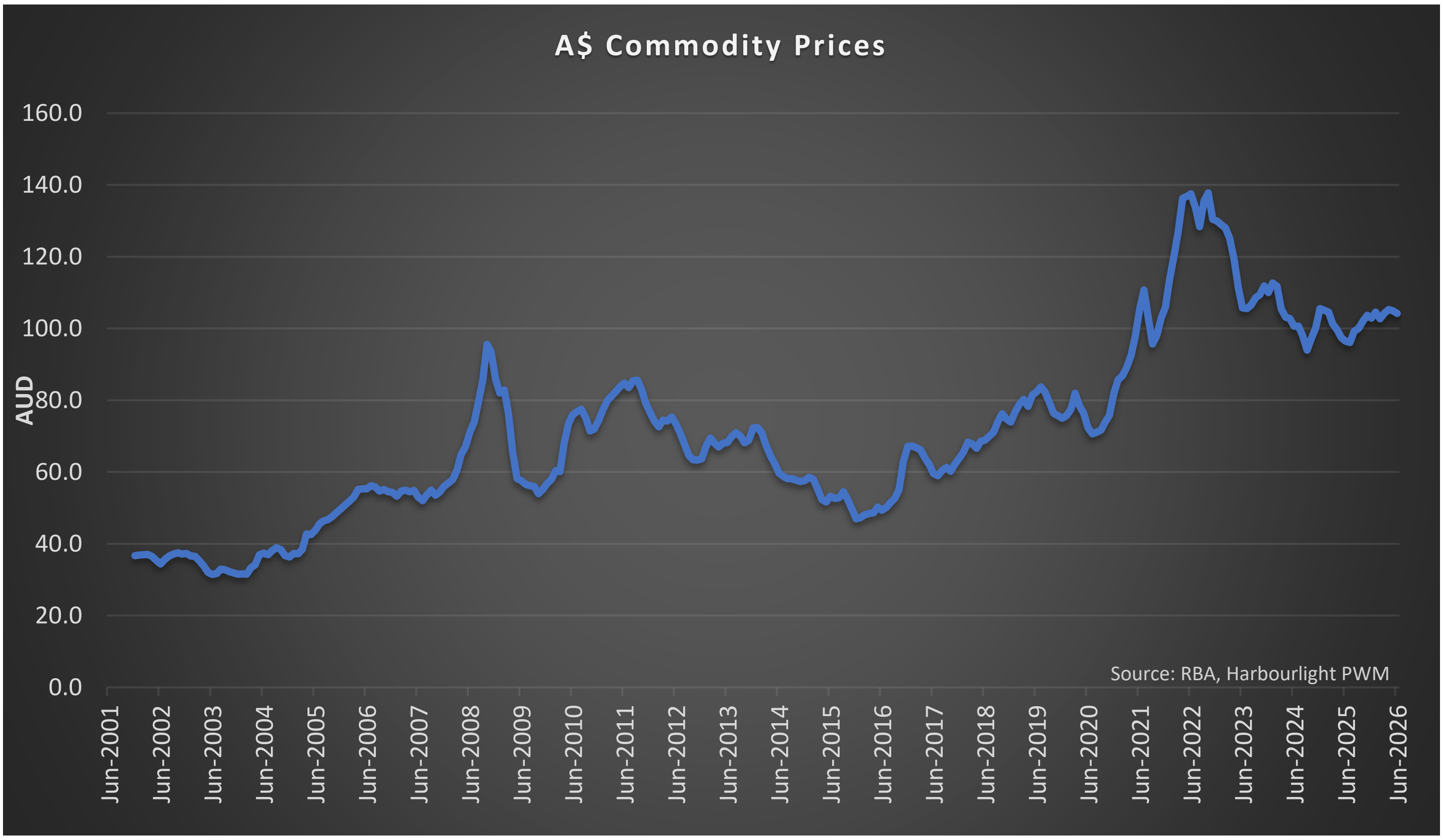
Global policy interest rates remained steady with the exception of Australia, which had the steepest interest rate increases in G20 developed markets followed later by Europe and Japan.



Unemployment rate forecasts continued to remain reasonably stable.

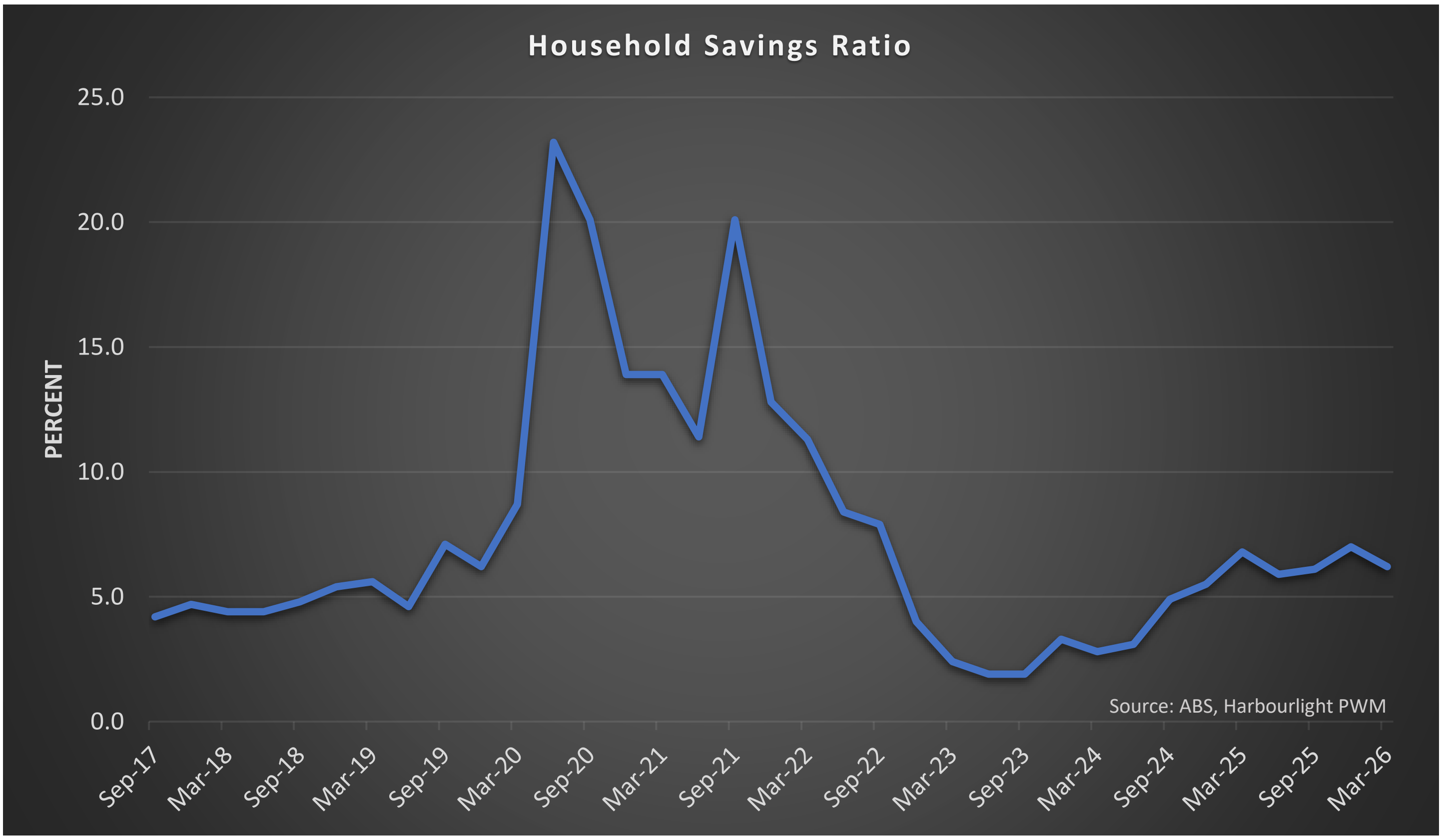


Broad commodity prices were marginally higher over the past 12 months despite significant volatility. Energy prices surged during March and April amid concerns over disruptions to Middle East supply routes before easing in May and June. Gold fell roughly 25% from its peak back to levels earlier in the year.

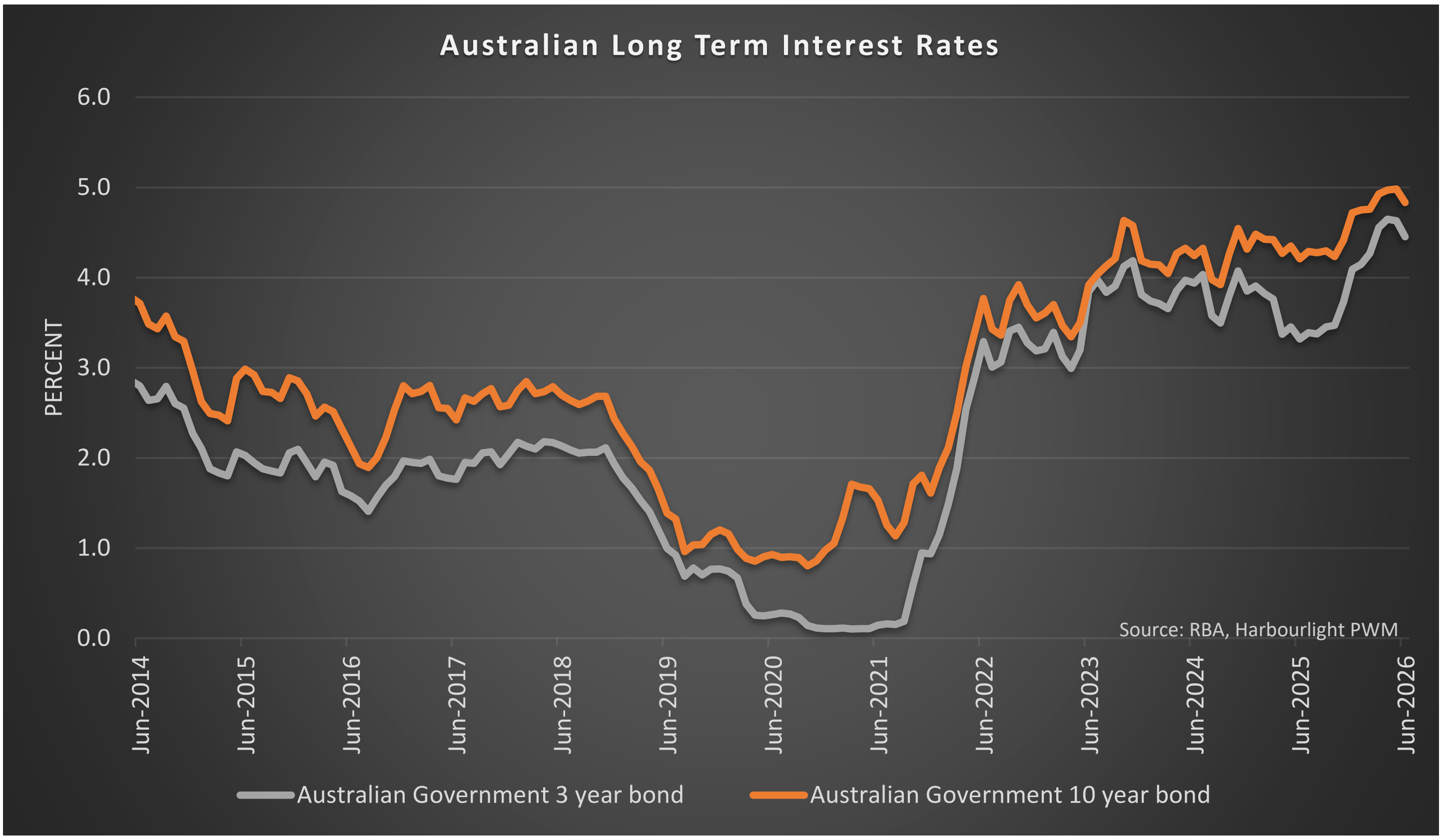


Wage growth remained steady throughout the year, mildly lagging inflation.

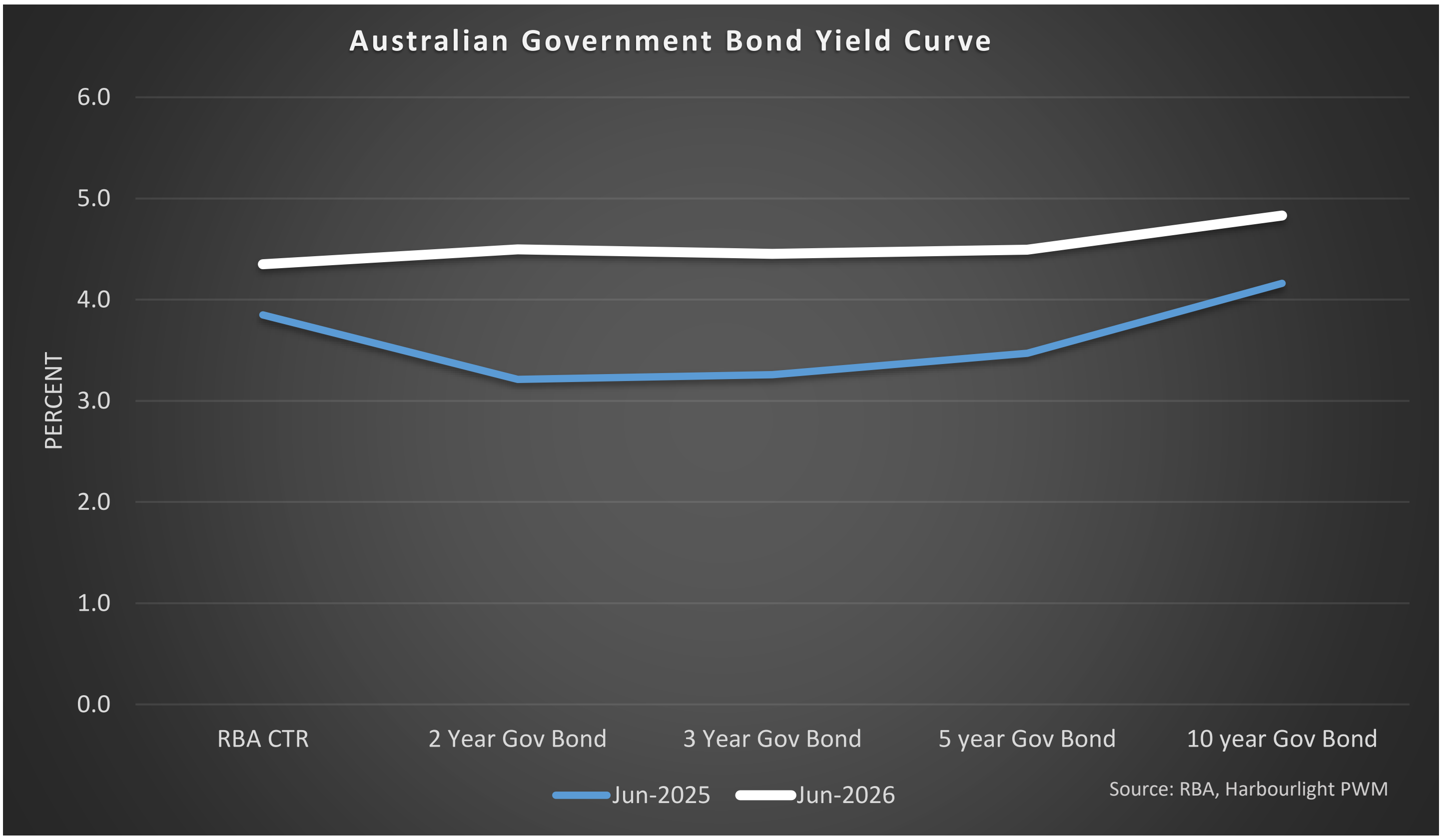
Australian household savings remain stable at healthy levels.



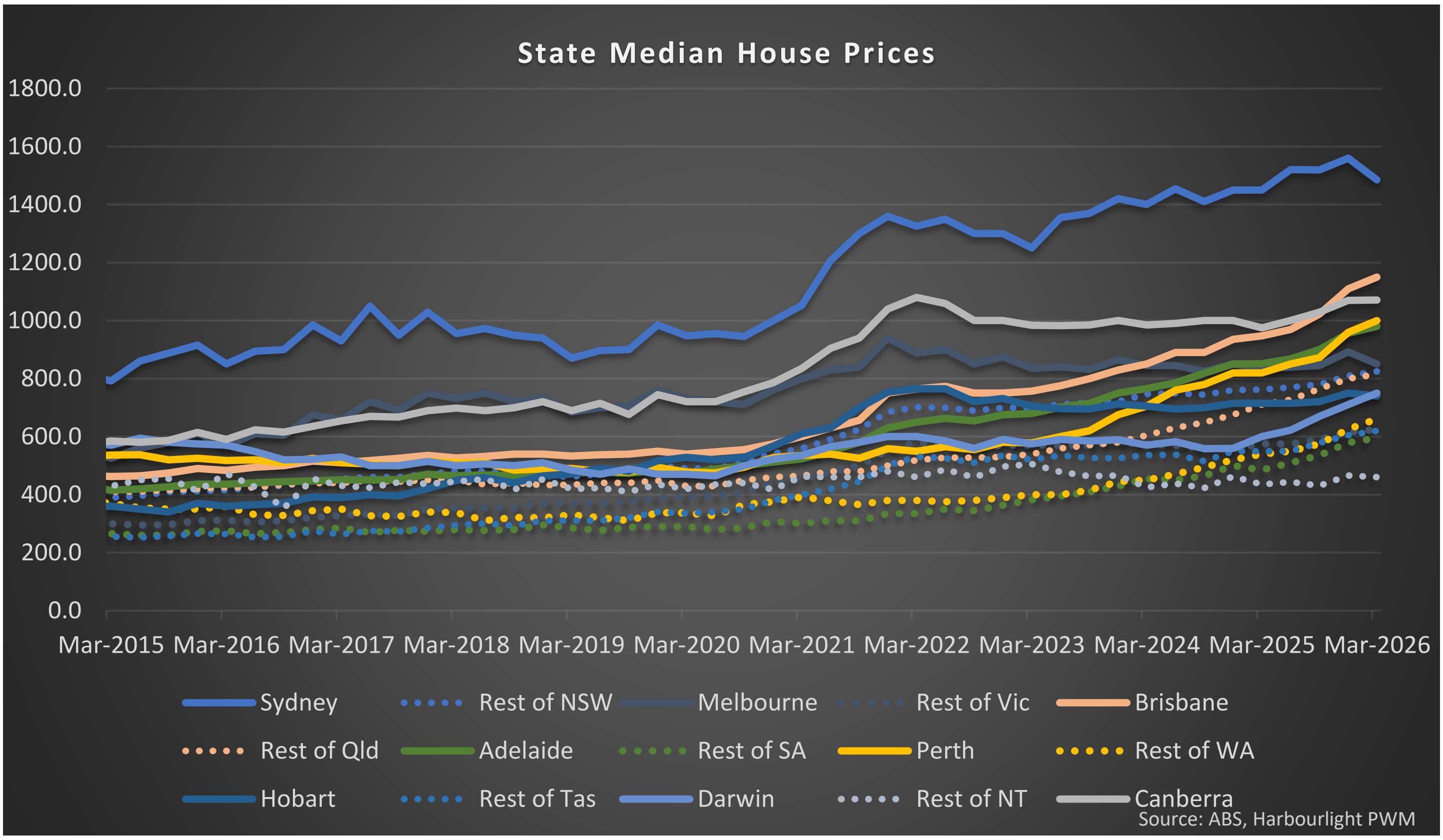
Short and medium term interest rates in Australia spiked post higher inflation numbers and three interest rate increases to 4.35%.



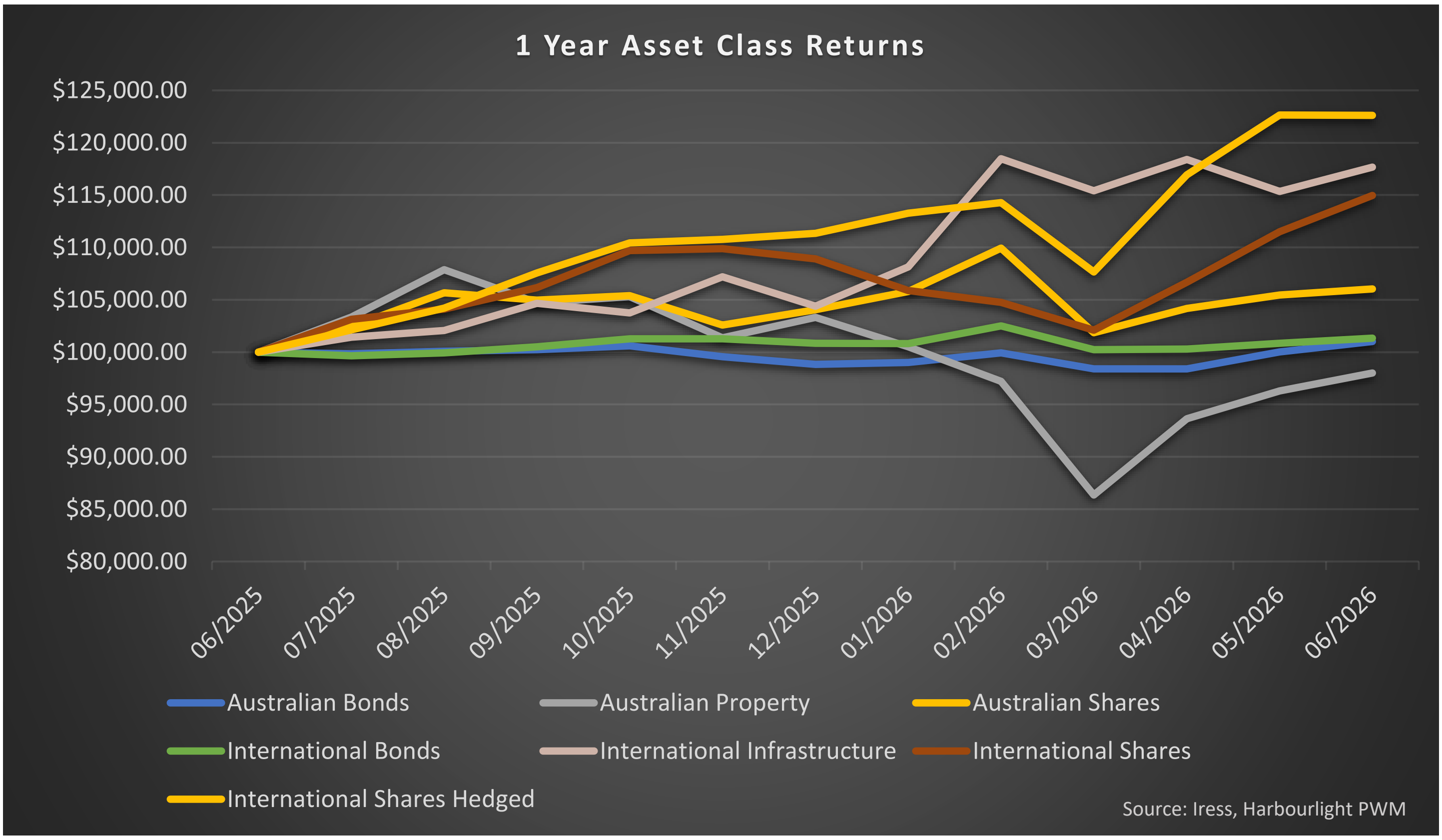
The Australian Government bond yield curve flattened as mid maturity bond yields rose more than long dated bonds.



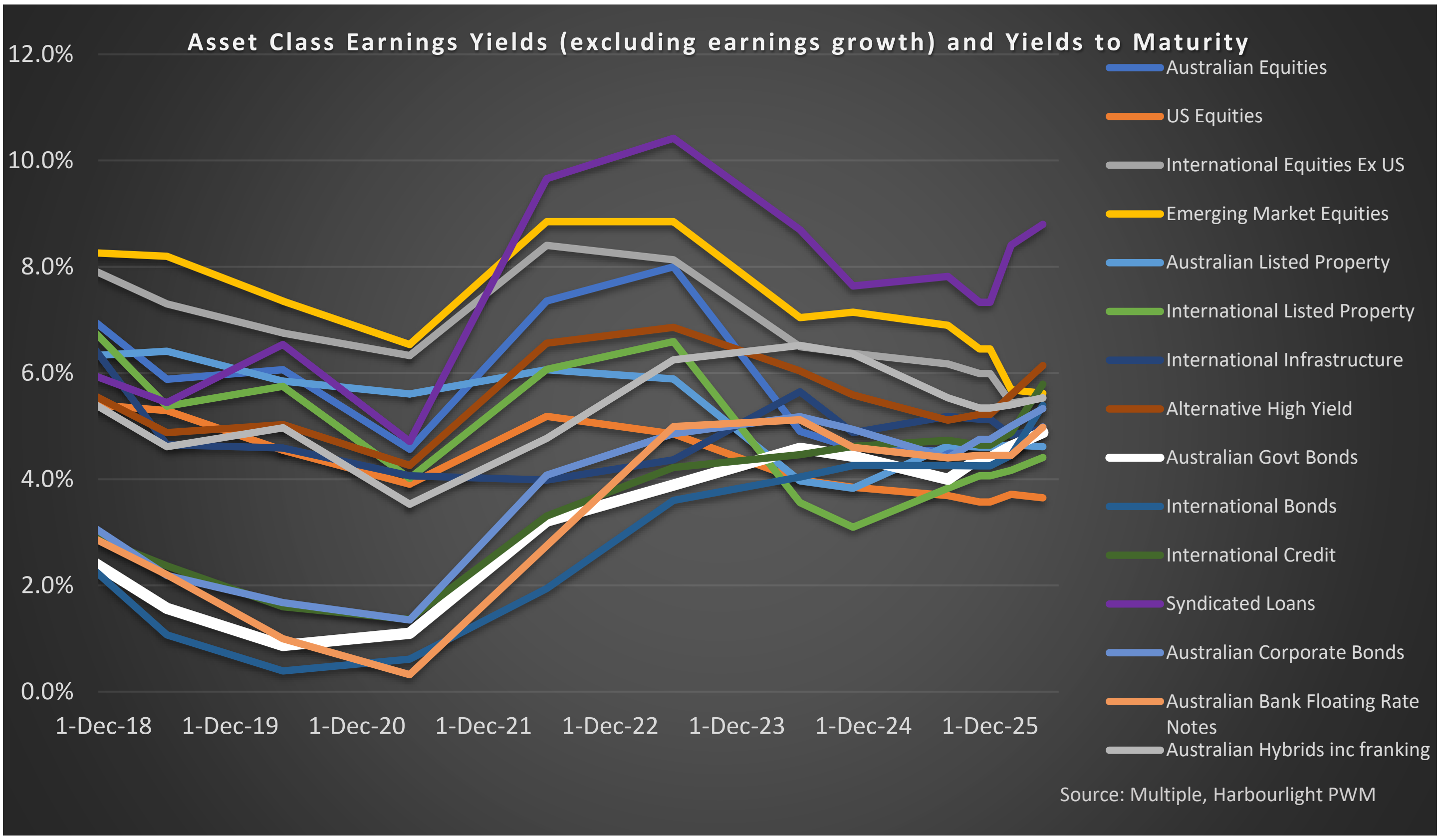
Australian house prices broadly continued to strengthen in ABS data through to March, though conditions shifted between March and June as the RBA lifted interest rates to 4.35% and the May 2026 Budget reshaped the tax settings for property. More recent Cotality data suggests growth for the year across capital cities near 6% with Brisbane, Perth and Darwin the main sources of growth.



Asset class returns have been solid again with global markets outperforming local.



Valuation indicators continue to skew favourably toward fixed income assets as earnings yields compress, reinforcing our neutral asset allocation stance across portfolios. Returns for assets with floating interest rates increased though this may be shorter term in nature and international property valuations helped improve earning for offshore real estate trusts.



Our views for the next 12 months

We retain our view of neutral positioning in our asset allocation with a lean towards conservatism.

Offshore equity valuations remain more attractive than local equities. Various US technology shares are starting to look more attractive as are some Australian healthcare and growth stocks.

We continue to add alternative debt and fixed income to portfolios making them safer whilst still accessing higher rates of return.

Well diversified and flexible portfolios should provide solid investment returns in stronger markets and options to rebalance if opportunities arise in weaker markets.

Other Regulatory Matters

- The Federal Budget tax changes were passed by Parliament in June 2026, introducing significant reforms to the taxation of capital gains, limiting negative gearing of established residential property and banning new SMSF borrowing for residential real estate. A minimum 30% tax on discretionary trusts was announced however, the measure is not yet law and testamentary trusts have been excluded from the proposal.

- General commentary regarding budget changes:

  - Changes to capital gains tax will increase the tax payable on assets held personally, reducing the incentive to hold investments personally and increasing the attractiveness of superannuation.
  - Changes to SMSFs not being permitted to borrow to purchase residential is a reduction in asset flexibility, however the case for holding residential property in an SMSF has been weak for some time given borrowing costs and limited deduction effectiveness.
  - Negative gearing changes will reduce the attractiveness of offsetting assessable income with property related deductions. However, those deductions are not lost, they are generally allowed to be carried forward and effectively capitalised for use against future property income or capital gains.
  - The 30% minimum tax on trusts does not make them redundant. It reduces their effectiveness where income is distributed to beneficiaries taxed below 30% (30% remains preferable to 47%).
  - Specifically with regards to residential property, there's an interesting discussion around whether anything will be achieved other than raising investors rate of return expectations for the benefit of government revenue.

- Personal income tax rates have been reduced from 1 July 2026, with further reductions expected from 1 July 2027.

- Compulsory superannuation contributions continue to be 12% from 1 July 2026.

- Superannuation contribution caps increased to $32,500 for concessional contributions and $130,000 for non-concessional contributions for the 26-27 financial year.

- The transfer balance cap applying to commencing retirement income streams has increased to $2.1m for the 26-27 financial year.

- The Division 296 legislation commenced from 1 July 2026 imposing additional tax on superannuation balances greater than $3m. Clients affected will have until 30 June 2027 to make any recommended changes to their retirement strategy.

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

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