QUAYSTREET
MONTHLY MARKET UPDATE

- AS AT AUGUST 2026 -

Winner of the Morningstar® Award 2025 Fund Manager of the Year – KiwiSaver New Zealand
Winner of the INFINZ Award 2025 – Chappmann Tripp Diversified Growth Fund Manager of the Year
Winner in Canstar's Outstanding Value Kiwisaver Scheme Awards 2025

INTERNATIONAL EQUITY

An Earnings Led Recovery

Global equity markets delivered positive returns in August, recovering part of July's pullback as resilient economic growth and a strong corporate earnings backdrop supported risk appetite. The MSCI World (NZD) Index gained 1.9% for the month, while the fully NZD-hedged version returned 2.3%. A firmer New Zealand dollar, which appreciated 0.65% against the US dollar alongside improving global sentiment, created a modest currency headwind for unhedged domestic investors.

Market breadth broadened over the month, with leadership extending beyond technology hardware into software and commodity-linked cyclicals. Semiconductor stocks stabilised following July's sharp unwind, while sentiment towards software improved materially. The sector rose 16% over the month and has now rebounded around 50% from its April lows, as a strong run of quarterly financial results reassured investors that AI has not yet materially disrupted traditional subscription-based revenue models. Commodity based equities also benefited from favourable tailwinds. The S&P Energy Index rose 7.0%, extending its year-to-date gain beyond 40%, as persistent geopolitical tensions and falling global oil inventories kept Brent crude near US$90/barrel. Materials followed with a 5.9% return, driven primarily by precious-metal miners, which surged more than 30% alongside rising gold prices and continued demand for the so-called "USD debasement trade." In contrast, traditional bond-proxy sectors bore the brunt of rising yields, with Utilities and Real Estate among the weakest performers.

Underpinning the month's equity strength was an exceptionally robust conclusion to the second-quarter earnings season. The reporting period ended with another exceptional result from Nvidia, the world's largest company by market capitalisation, easing some of the recent concerns around the durability of AI-related compute spending. While the initial market reaction to the 2Q27 headline result was relatively muted, the share price rallied sharply following an unusual forward guide for FY28, with the company signalling revenue growth of around 70%, compared with market expectations of approximately 45%.

At the broader S&P 500 level, aggregate earnings growth exceeded 25% year-on-year, supported by high levels of AI-related investment spend that is concentrated among high-margin technology companies. Expectations for the remainder of the year have also been revised higher, with full-year earnings growth now projected to be slightly higher than 35%.

As we approach the final months of the year and global equities enter a seasonally more volatile period, markets continue to prioritise earnings delivery over a less supportive macro backdrop. While that resilience remains encouraging, the hurdle for further gains is rising as valuations remain elevated, bond yields stay firm and geopolitical risks persist. With expectations already high, market leadership is likely to become increasingly selective, placing greater emphasis on companies able to translate strong revenue growth into durable earnings and cash flow.

MARKET PERFORMANCE

INTERNATIONAL INDICES	1 MONTH RETURN	1 YEAR RETURN
MSCI WORLD (NZD)	1.9%	20.1%
MSCI WORLD (NZD Hedged)	2.3%	19.2%
S&P 500 (USD)	2.7%	20.4%
STOXX EUROPE 600 (EUR)	0.5%	22.1%
NIKKEI 225 (JPY)	3.1%	57.9%

CURRENCY PERFORMANCE

CURRENCIES	RATE	MONTHLY % CHANGE
AUD/NZD	0.8256	-1.3%
GBP/NZD	0.4367	0.1%
EUR/NZD	0.5092	-0.2%
USD/NZD	0.5917	0.6%
JPY/NZD	94.506	2.2%

NEW ZEALAND EQUITY

Softer for Longer

MARKET PERFORMANCE

NEW ZEALAND INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/NZX 50	1.6%	7.6%
S&P/NZX Mid Cap	0.0%	3.4%

New Zealand's reporting season was relatively orderly, as the S&P/NZX 50 Index returned a positive 1.6% for the month. The headline figure was flattered by Fisher & Paykel Healthcare (FPH), which alone contributed 1.6 percentage points of that return. FPH rose 9.1% and started the month with a 17.1% index weight. By contrast, the median stock return was -0.1%, well below the headline figure. At the individual stock level, the top three performers were Gentrack (+31.0%), Sky Television (+12.3%) and Hallenstein Glasson Holdings (+12.2%), while the laggards were Westpac (-8.1%), KMD Brands (-6.6%) and Air New Zealand (-6.0%).

The electricity gentailers (Contact Energy, Meridian Energy, Genesis Energy and Mercury NZ) delivered a strong set of results, with operating profits rebounding from a tough 2025. This was mostly down to hydrology: higher-than-average rainfall allowed more hydro generation and lowered the average cost of supply. Meridian Energy benefited most from this dynamic given its generation mix, but also delivered strong underlying customer growth as connections grew 12% this year, with a further 10% targeted for 2027. Overall, industry demand growth remains only slightly positive, but is expected to accelerate as electrification of transport and industrial processes combines with new demand from data centre projects. That demand growth is essential to underwrite the industry's large pipeline of renewable generation. We saw early evidence of this in Contact Energy's FY26 result, where it announced a partnership with Canberra Data Centres (CDC) to potentially build a 250MW data centre near its existing assets in Stratford, Taranaki. Mercury NZ also announced an investment last month in Datagrid Holdings, which it describes as New Zealand's most advanced large-scale data centre project.

Freightways also had a strong FY26, with revenue and NPAT up 13.5% and 17.3% respectively despite a slowdown in the final quarter. A key driver was the Allied Express business, where volumes grew more than 20%, mostly from existing customers, following significant capacity upgrades to its network. The headline numbers also included a contribution from the recently acquired VT Freight Express, as well as a positive currency-translation benefit on the Australian businesses from the weaker NZD. Despite the strong result, management's outlook for FY27 was cautious, flagging another year of "softer for longer" conditions as customers adjust to higher fuel prices. Summerset Group struck a similarly cautious tone with its half-year FY26 results, describing the first half as challenging. They noted lower sales rates in April and May due to negative market sentiment from the conflict in the Middle East and higher fuel prices, which will weigh on settlements in the September quarter, though they've since seen signs of stabilisation and don't expect a flow-on impact for the rest of the year.

NZ TOP 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Gentrack Group	31.0%	-54.6%
SKY Network Television	12.3%	28.6%
Hallenstein Glasson	12.2%	47.5%
Spark New Zealand	11.5%	-7.8%
Vista	10.9%	-8.7%

NZ BOTTOM 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Westpac Banking Corp	-8.1%	3.9%
KMD Brands	-6.6%	-53.0%
Air New Zealand	-6.0%	-32.5%
Chorus	-5.9%	-3.9%
Tourism Holdings	-5.6%	24.4%

AUSTRALIAN EQUITY

CSL gets a shot in the arm

The S&P/ASX 200 Index rose 1.5% in August, in what was a busy month for corporate news flow due to the full-year earnings reporting season. It was also a month shaped by significant commodity price moves and rising long-term bond yields. The two strongest-performing sectors were Healthcare (+18.8%) and Materials (+12.2%), while the weakest were Consumer Discretionary (-7.9%) and Real Estate (-6.7%).

The strength in the Healthcare sector was more of a relief rally than a response to strong earnings results. This was particularly true for CSL, which rose 39.4% following a result that was largely in line with previous guidance. The market was encouraged by expectations of a return to modest growth for the CSL Behring business, despite a worsening outlook for its CSL Vifor business. The share price finished the month 86.0% above its early-June low but still posted a negative return of 17.2% over the last 12 months. It was a similar story for Cochlear (COH), with the stock rising 11.7% following an in-line result and modest earnings growth guidance for FY27. There were also strong returns from Ramsay Healthcare (+15.7%) and ResMed (+11.2%), suggesting the Healthcare sector's performance may have benefited from a broader shift in investor preferences.

Rising gold and silver prices were the main driver of returns in the Materials sector, with outsized gains for mining companies exposed to these commodities. Of the top 10 stock returns this month, eight fell into this category, with returns ranging from 34.8% to 48.3%. We also saw rising prices across the energy complex as tensions escalated yet again in Iran. Base metal miners also had a decent month, with BHP Group, Rio Tinto and South32 all outperforming the market. Fortescue was the laggard in the commodity space, both due to a less attractive outlook for iron ore and a disappointing FY26 result, with underlying NPAT below consensus expectations.

Banking stocks had a tough month and were the main contributor to the underperformance of the Financials sector. While results for the Big 4 (Westpac, CBA, ANZ and NAB) were largely in line with expectations, they all noted a significant slowdown in residential mortgage applications following the Federal Budget changes in May. This has been offset by stronger-than-expected growth in business lending, also supported by RBA banking aggregate data showing year-on-year business credit growth of 10.6% in July. Interestingly, housing-related credit growth still remains strong at 7.4%, though it did show a slight deceleration month-on-month. It will take time for slowing applications and falling property prices to show up in aggregate credit growth

MARKET PERFORMANCE

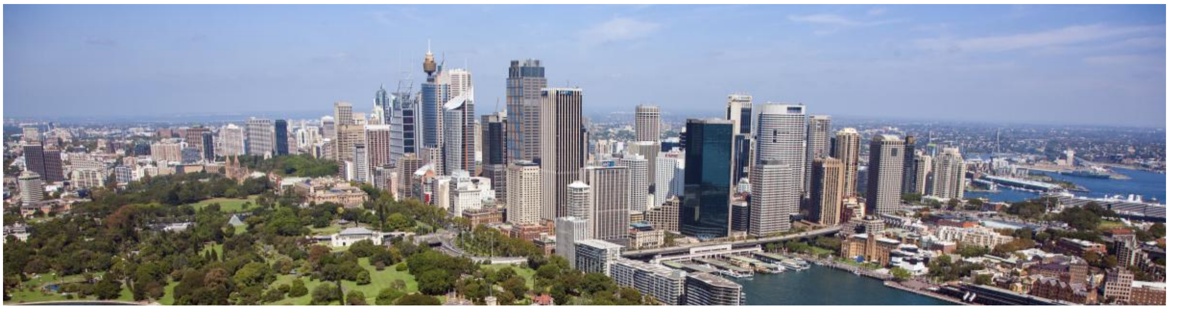
AUSTRALIAN INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/ASX 200 (AUD)	1.5%	4.4%
S&P/ASX Small Cap (AUD)	5.2%	-1.2%

AU TOP 5 PERFORMING SECTORS

SECTOR	1 MONTH RETURN	1 YEAR RETURN
Health Care	18.8%	-18.0%
Materials	12.2%	48.9%
Utilities	7.4%	7.6%
Information Technology	6.3%	-36.9%
Energy	3.9%	22.3%

AU BOTTOM 5 PERFORMING SECTORS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Consumer Discretionary	-7.9%	-17.4%
Real Estate	-6.7%	-15.4%
Financials	-5.4%	-0.9%
Industrials	-1.5%	-2.6%
Telecommunications	-1.3%	-13.9%



FIXED INTEREST

On the Rise

Inflation risks were still at play in August, only part of the story for higher yields over the month. Relevant core inflation measures remained vulnerable to pass through effects from the oil crisis. For example, Japan (1.9% core CPI), the United States (3.6% core PCE) and Australia (3.6% trimmed mean) all showed little improvement or moved higher in their latest year on year readings. Lack of progress in opening the Strait of Hormuz saw brent crude oil prices fluctuating around US$90 per barrel and bond markets pricing additional hikes into year end. Affirming this stance was Fed Chair Warsh's speech at Jackson Hole, citing work to do on the current inflation trend, high capex expectations and healthy consumer spending, as more explicit reasons to potentially raise interest rates.

Aside from persistent geopolitical and inflation concerns, re-emerging fiscal fears weighed on sentiment for long dated bonds. This drove a synchronised selloff in 30-year bonds to multi-year highs across many G-10 countries. (For reference 30-year bond closing yields at month end: Japan 4.1%, US 5.2% Aus 5.6% and NZ 5.4%). To curb the pressure on rising bond yields US Treasury Secretary Scott Bessent announced additional buy backs of long dated bonds, offset by increased US Treasury bill issuance. Market participants remain sceptical of any sustained relief from the Treasury intervention and are likely to expect compensation in the form of higher real yields and additional premia for longer duration risks.

Australasian bond indices proved to be resilient, amidst increased global bond volatility. The S&P/NZX Investment Grade Corporate Bond Index finishing +0.3% for the month aided by shorter duration and stable credit spreads. In New Zealand, the labour market remained soft with Q2 unemployment rising to 5.6% year on year, ahead of the RBNZ 's expected peak of 5.4%. In the details of the release, an expanding labour force with increasing participation rates was indicative of more people seeking employment over the period. Evidence of spare capacity in the local economy and labour cost increases (2% year-on-year) will be important to the RBNZ's inflation outlook and pace of increasing the OCR. Monthly consumer and business confidence indicators held similar levels seen in July, well off their April lows. Australian issuance activity picked up as corporate reporting season was in full swing. Of note was hyperscaler giant, Alphabet, in the market with the largest corporate bond deal to date (AUD 5,5Bn). Demand was strong across the multi-tranche deal and further AI related issuance is anticipated in the Australian market.

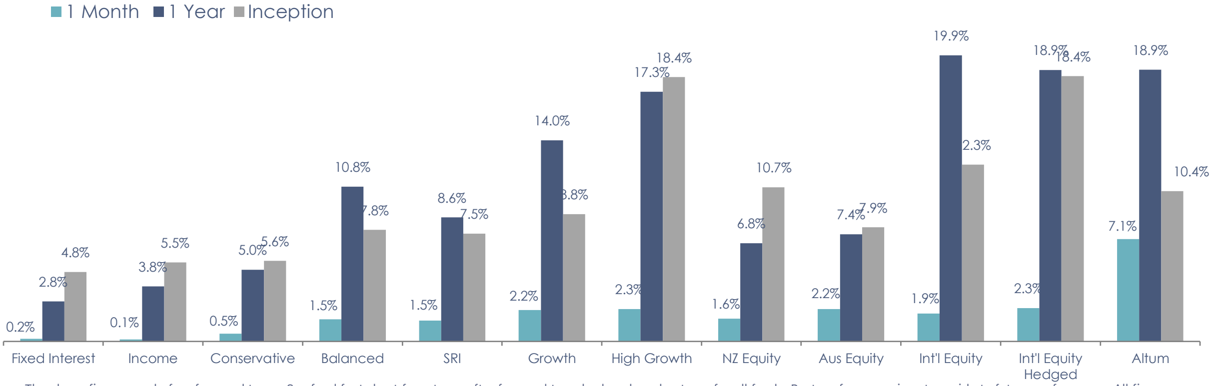
BOND INDICES

BOND INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P NZ Government Bond	0.0%	2.3%
S&P NZ Inv. Grade Bond	0.3%	2.8%
Bloomberg Australian Government Bond	-0.3%	0.0%
Bloomberg Australian Corporate Bond	-0.2%	1.5%
Bloomberg Global Agg Hedged (NZD)	0.0%	0.4%

CURRENT INTEREST RATES

INTEREST RATES	RATE	RATE 1 YEAR AGO
NZ OCR	2.50%	3.00%
NZ 5yr Swap	4.09%	3.31%
NZ 10yr Gov	4.74%	4.35%
RBA Cash	4.35%	3.60%
AU 10yr Gov	5.09%	4.27%

FUND PERFORMANCE OVERVIEW



The above figures are before fees and taxes. See fund fact sheet for returns after fees and tax plus benchmark returns for all funds. Past performance is not a guide to future performance. All figures are as at 31 August 2026 unless stated otherwise. Since inception returns are annualised.

For more information, Unit Prices and Fund Updates visit quaystreet.com or contact our Client Services Team
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PERFORMANCE RECOGNITION

2016

WINNER	Fundsource	**Boutique Manager of the Year**
WINNER	Fundsource	**New Zealand Equity Sector**
FINALIST	Fundsource	**Australian Equity Sector**

2017

WINNER	Fundsource	**Boutique Manager of the Year**
FINALIST	Fundsource	**New Zealand Equity Sector**
FINALIST	Fundsource	**New Zealand Fixed Interest Sector**

2018

WINNER	Fundsource	**Boutique Manager of the Year**
WINNER	Fundsource	**Diversified Sector**

2019

FINALIST	Fundsource	**Boutique Manager of the Year**
FINALIST	Fundsource	**New Zealand Equity Sector**

2020

WINNER	Good Returns	**Boutique Manager of the Year**
WINNER	Good Returns	**Diversified Sector**
WINNER	Good Returns	**Longevity Award: NZ Equity Fund**

2021

FINALIST	Research IP	**Boutique Manager of the Year**
FINALIST	Research IP	**Australasian Fixed Interest Sector**

2022

WINNER	Research IP	**Boutique Manager of the Year**
FINALIST	Research IP	**Australasian Fixed Interest Sector**
FINALIST	Research IP	**Global Equity Sector**
FINALIST	Research IP	**New Zealand Equity Sector**

2023

WINNER	Research IP	**Kiwisaver Manager of the Year**
FINALIST	Morningstar	**Fund Manager of the Year - Kiwisaver**
FINALIST	Research IP	**Australian Equity Sector**
FINALIST	Research IP	**Diversified Fund of the Year**
FINALIST	Research IP	**Fund Manager of the Year**

2024

WINNER	Morningstar	**Fund Manager of the Year**
WINNER	Morningstar	**Fund Manager of the Year - Kiwisaver**
FINALIST	INFINZ	**Diversified Growth Fund Manager**

2025

WINNER	Morningstar	**Fund Manager of the Year**
WINNER	INFINZ	**Diversified Growth Fund Manager**
FINALIST	Canstar	**Outstanding Value Kiwisaver Scheme**

2026

FINALIST	INFINZ	**Diversified Growth Fund Manager**

QUAYSTREET®

ASSET MANAGEMENT

Smartshares Limited (Smart) is the manager and issuer of the QuayStreet Funds and QuayStreet KiwiSaver Scheme. The product disclosure statements are available by contacting the QuayStreet Client Services team on 0800 782 900 or visiting www.quaystreet.com