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LIS LONSEC INVESTMENT SOLUTIONS

EVIDENTIA PRIVATE

Implemented Portfolios

Portfolio Perspectives

August 2025

Key Messages for Investors

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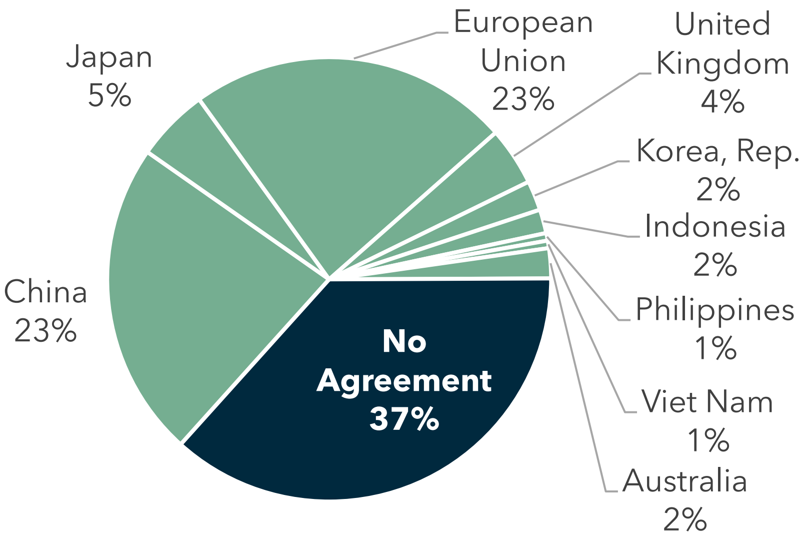
- The Trump Administration has made progress in trade agreements with major economies including the EU, UK, Japan, South Korea, and a preliminary deal with China to pause the most extreme tariffs.
- These agreements cover about 63% of global GDP (excluding the US), indicating reduced trade policy uncertainty.
- With tariffs now likely to stabilize around current levels we expect softer, but still manageable macroeconomic conditions.
- We are closing our Slight Underweight to Growth assets.
- Valuations do remain stretched, particularly in the US, however, we recognise they can remain so for extended periods. We rely on our active managers and strategic asset allocation to manage potential market volatility amid elevated equity prices.

Significant progress on trade deals

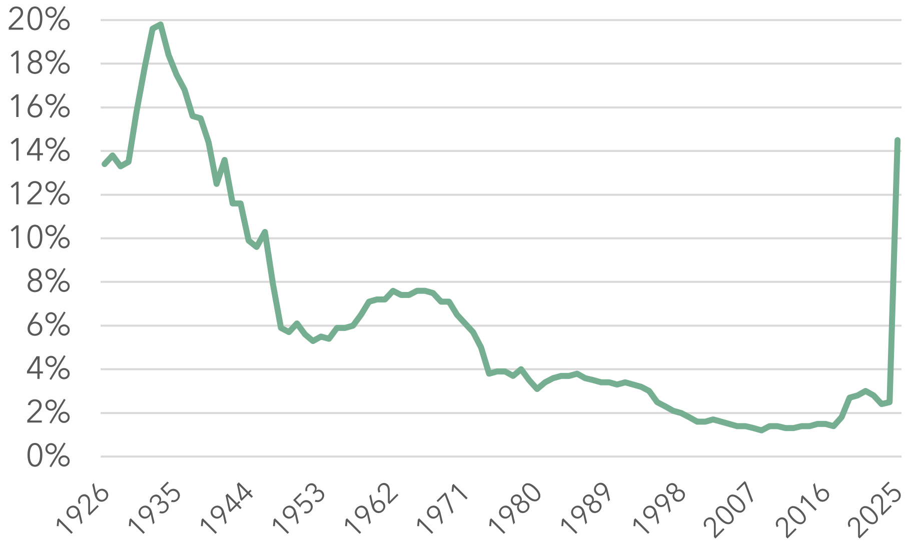
Trade policy uncertainty is falling as reasonable deals are being achieved

% of Global GDP (ex-US) where the Trump Administration has announced/signed agreements



- Trump Administration announced and/or signed trade agreements with the European Union, Japan, South Korea and the United Kingdom. Agreements also with Indonesia, the Philippines, Vietnam, Australia.
- Preliminary agreement with China pausing most extreme tariffs - discussions ongoing but deal expected.
- Including China, this initial cohort of economies represents approximately 63% of global GDP, excluding the US.

Average US tariff rate on imports



- Trade policy uncertainty is falling. Deals are pending for many countries and products, but it is likely tariffs will settle around current levels.
- A recent Morgan Stanley report estimated the current range of tariffs (which includes pre-2024 tariffs, 20% fentanyl tariff, 25% auto-steel-aluminium tariff, 10% reciprocal tariff) results in effective tariffs between 9% and 16% for the vast majority of major economies.
- Maintaining tariffs at ~15%, as agreed upon with Japan, South Korea, and the EU, aligns with current tariff levels.

Source: World Bank, visualcapitalist, Evidentia Group estimates

Macroeconomic data is hanging in there

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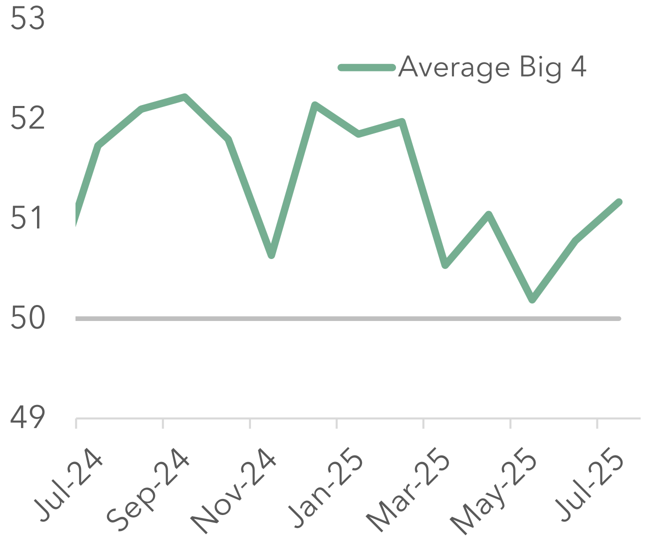
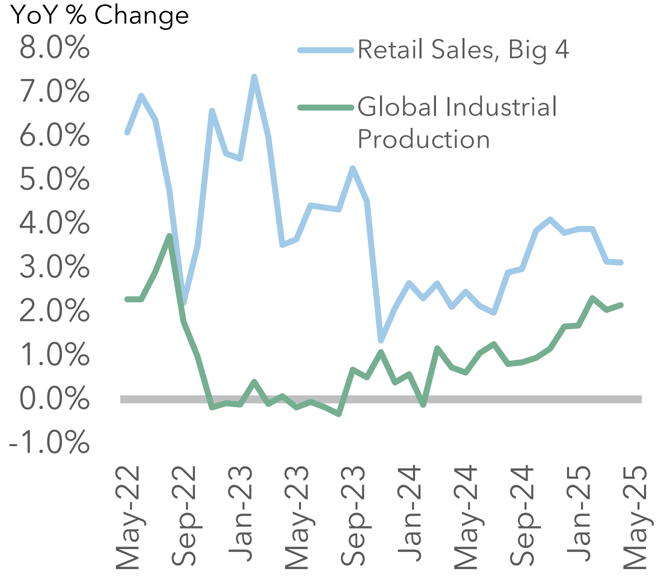
Tariffs are a headwind but not enough to cause a growth scare or recession

Services Purchasing Managers Index (PMI) continues to hold above 50



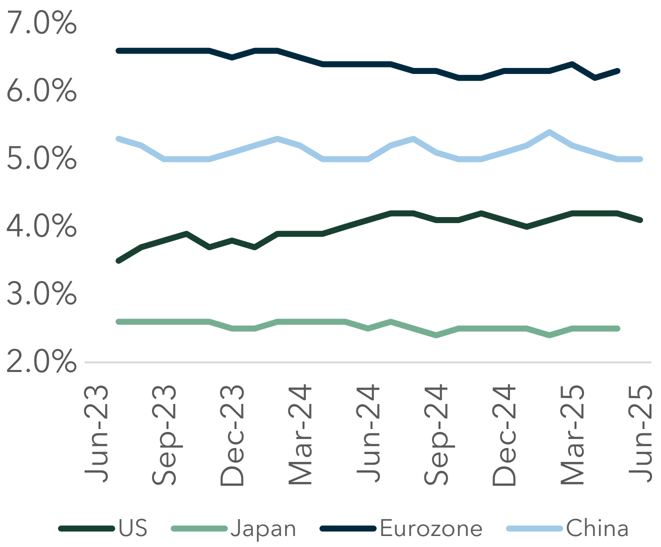
- The Big 4 (US, China, EU and Japan), make up ~64% of global GDP. Their economies are primarily driven by the services sector.
- The Services PMIs have continued to rebounded in July, except for China, where it continues to hold above 50, the key demarcation level between expanding and contracting trading conditions.

Retail sales steady / Global Industrial Production rebounding



- Looking at coincident indicators, Retail sales in the Big 4 have held mainly steady so far in 2025.
- Global industrial production continues to rebound into 2025.

Unemployment at multi-decade lows in many economies



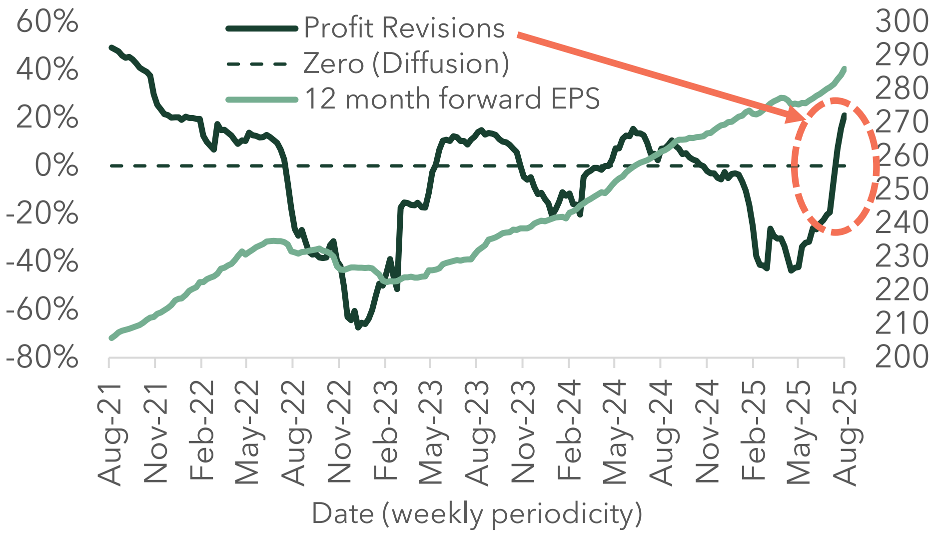
- Unemployment, while a lagging indicator, underpins the major economies - if you have a job, you keep spending.
- Unemployment in the major economies and the Big 4 in particular remains near multi-decade lows in many economies.

Source: Factset, Evidentia Group estimates

Valuations are challenging

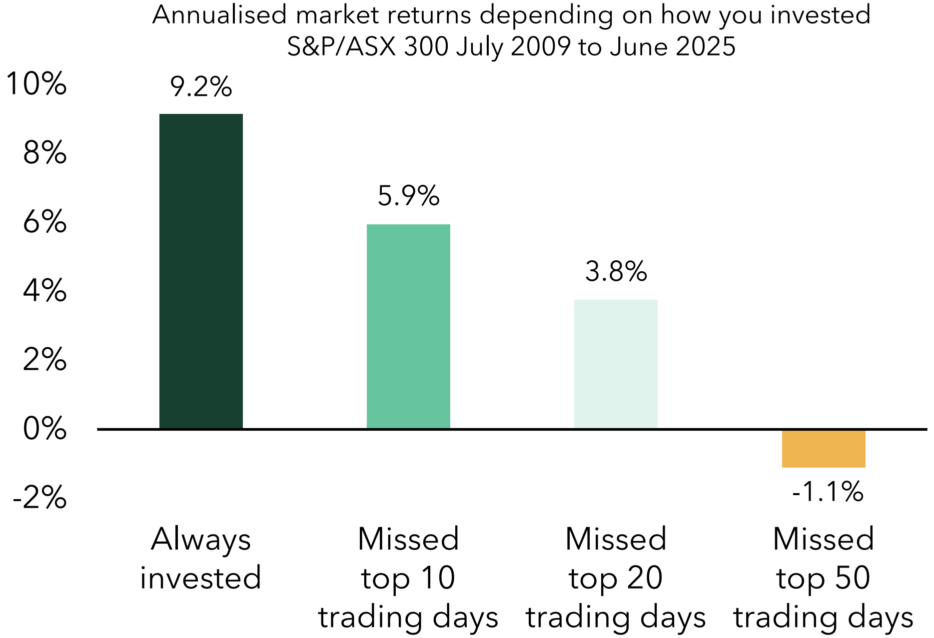
But fundamentals are improving

Corporate profit forecasts are getting revised up supporting the rally in equity markets



- Markets have responded to these developments by pushing higher and stretching valuations further
- The move is supported by directionally positive corporate profits.
- Approximately two-third of the S&P 500 companies have reported June quarter profit results. 82% have reported positive profit surprises and 79% of have reported positive revenue surprise.
- Supports the sharply improved profit forecasts of the financial analyst community.

Time in market is more important than timing the market



- Regardless, equity market valuations remain elevated, suggesting at best, modest forward looking returns.
- History shows that valuations (both high and low) can persist for lengthy periods and are often are poor market timing indicators.
- In the absence of a growth scare, which we believe is a declining risk, the biggest threat to expensive markets is valuation-based corrections.
- For these, we rely on active management and our strategic asset allocation (SAA) to smooth out this volatility.

Source: Bloomberg, Refinitive, Evidentia Group estimates

Outlook and Positioning

Lean into your strategic asset allocation (SAA) and use active managers during this period of volatility

Growth Assets	Underweight			Neutral	Overweight		
Australian Equities – Large Cap				● Current			
Australian Equities – Small Cap			● Current				
Developed Market (DM) Equities – Large Cap			● Previous	● Current			
Developed Market Equities – Small Cap			● Previous	● Current			
Emerging Market (EM) Equities				● Current			
Global Listed Property					● Current		
Global Listed Infrastructure				● Current			
Growth Alternatives				● Current			

Defensive Assets	Underweight			Neutral	Overweight		
Australian Bonds					● Current	● Previous	
Global Bonds			● Current				
Diversified Income				● Current			
Defensive Alternatives				● Current			
Cash				● Current	● Previous		

Current Position ● Previous Position ●

Our most recent moves are to close our Slight Underweight to Growth assets.

Growth Assets

- Australian equity valuations remain stretched and require a re-rating in bank and resource earnings. Inflation is receding, paving the way for Reserve Bank of Australia (RBA) cuts.
- China continues to underwhelm economically as hopes for a rapid, stimulus led recovery have faded. This should disproportionately impact junior miners who make up a large portion of the Australian Small Caps sector vs Large Caps.
- For Global Equities, the Trump Administration's tariff policies are a headwind for growth, but the impacts will be manageable. Economic indicators have moderated year to date, but fears of a severe growth scare are diminishing.
- Global Listed Property warrants an active approach. Office sector remaining structurally challenged but rental growth and healthy fundamentals are appearing in other areas of the sector (age care, data management, supply chains).

Defensive Assets

- Australian bond yields offer good value and provide safety from overseas volatility. Positive supply/demand dynamics further supported by a budget deficit likely to be less than government forecasts.
- US fiscal and monetary policy uncertainty is distorting the defensive qualities of Global Bonds. Japan is still in hiking mode.
- Gold acts as a risk-diversifier against a further deterioration in economic conditions or escalation in geopolitical tensions.

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