CELEBRATING 20 YEARS

ARRIVE WEALTH MANAGEMENT

MONTHLY MARKET UPDATE

August 2025

MONTHLY HIGHLIGHTS

- **Global markets carried their positive run into August,** even as tariff disputes remained in focus. Strength in company earnings and resilient consumer demand helped steady sentiment, while expectations of easier monetary policy added further support. Softer labour market data, alongside the US Federal Reserve's address at the Jackson Hole symposium, reinforced the view that interest rates may be cut sooner than previously thought.
- **Australian shares extended their momentum** as the Reserve Bank of Australia cut rates and reinforced a more supportive policy backdrop. Materials, consumer discretionary and the banks led gains, while domestically focused small companies surged on the back of a supportive policy outlook and resilient consumer sentiment. The reporting season delivered mixed results, with banks and retailers performing well, while healthcare and resources were softer.
- **International shares delivered another strong month,** with Japan leading developed market gains on the back of solid economic data, while Chinese markets benefited from a trade truce extension and new policy support for technology. US markets rose to fresh record highs, supported by resilient company earnings and hopes of policy easing.
- **Fixed interest markets produced solid returns.** US Treasury yields fell, with shorter-term yields declining more sharply than longer-term yields as markets priced in a higher probability of rate cuts, which supported global bonds. Locally, bond returns were more muted with government bond yields little changed. Credit markets were also well supported, with Australian investment-grade and global high-yield debt posting gains as spreads tightened.

Key Market Performance — Trailing Total Returns (%)

As at 31 August 2025	1 mth	3 mths	12 mths	3 yrs p.a.	5 yrs p.a.	10 yrs p.a.
Australian Shares						
Australian shares	3.1	7.0	14.7	13.0	12.3	9.9
Australian small-cap shares	8.4	12.4	23.4	9.8	7.9	9.2
International Shares						
International shares (hedged)	2.0	8.2	14.9	15.9	11.5	n/a
International shares	0.8	6.7	20.0	19.5	14.8	12.0
International small-cap shares	3.3	9.5	17.4	14.3	13.1	9.7
Fixed Interest & Cash						
Australian fixed interest	0.3	1.0	4.3	3.7	0.0	2.1
International fixed interest (hedged)	0.5	1.3	2.8	2.5	-0.6	1.9
Cash - bank bills	0.3	0.9	4.3	4.0	2.5	2.1

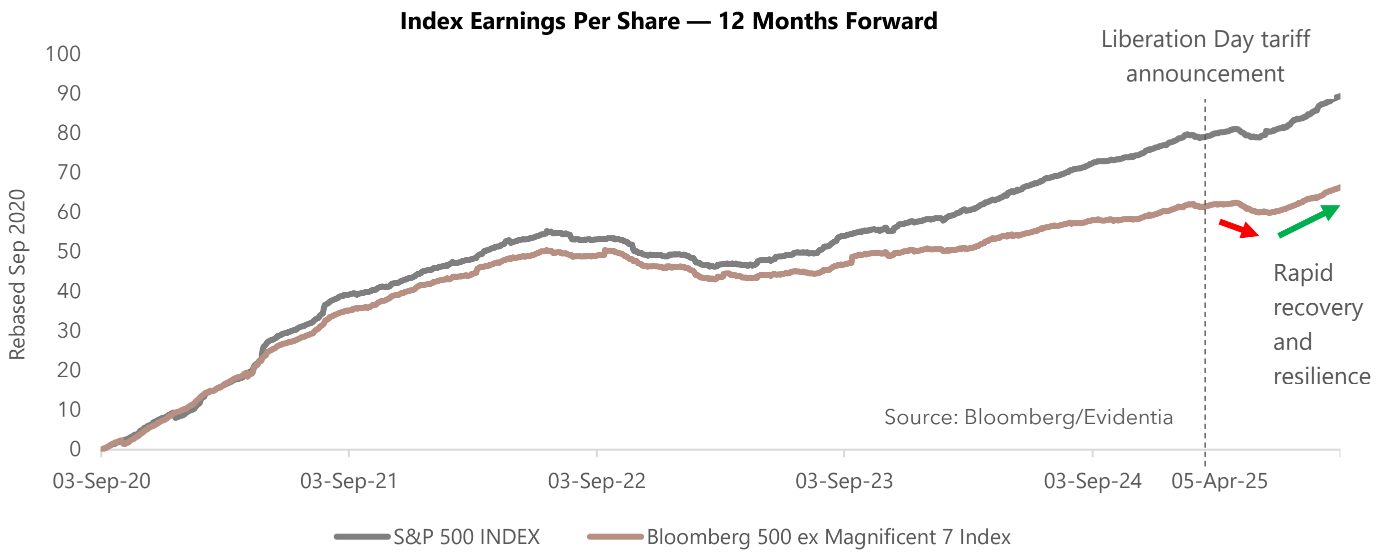
MARKET OBSERVATIONS

Tariff impacts remained in focus in August, with recent analysis showing US businesses bearing the bulk of higher costs, while consumers and foreign suppliers have so far been spared. This finding, though criticised politically, aligns with consumer price and import data, which show little evidence of broad price increases. The pressure instead has fallen on corporates, though earnings have held up better than expected as companies tightened costs, built inventories, diversified supply chains and selectively raised prices. These mitigation strategies, alongside strong AI demand and support from a weaker US dollar, have helped shield margins and sustain earnings momentum.

The US earnings season closed on a resilient note, with over 80% of S&P 500 companies beating forecasts and delivering double-digit year-on-year growth despite tariff headwinds. The Magnificent 7 continued to drive results, though earnings strength is beginning to broaden across sectors, albeit unevenly. Multinationals benefited from a softer dollar, while consumer and industrial companies remained under pressure. Equity markets responded positively, helped by robust results and a pick-up in corporate activity.

US consumers also proved resilient, with spending and incomes rising, supported by steady wage growth and a stabilisation in savings. The Johnson Redbook Retail Sales Index pointed to firm underlying demand, suggesting households remain well-positioned in the near term. The outlook does hinge on the labour market, which shows early signs of softening, but from historically strong levels that would require a rapid deterioration to trigger real concern.

Policy uncertainty continues to cloud the backdrop, from questions over Federal Reserve independence to legal challenges on tariff authority. Valuations also remain stretched, limiting forward-looking returns. In Australia, earnings season was mixed: retailers and property groups benefited from improving domestic conditions and recent rate cuts, while CSL and companies with US housing exposure disappointed. With growth holding up but risks finely balanced, investors face an environment of elevated uncertainty, modest return expectations and the likelihood of further near-term rate cuts.



This update has been prepared by Arrive Wealth Management (SEQ) Pty Ltd, trading as Arrive Wealth Management. Arrive Wealth Management is a Corporate Authorised Representative of Arrive Capital Pty Ltd ABN 24 641 636 535, AFSL 525758.

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