MONTHLY BELL

June 2026

BELL POTTER

CONTENTS

The ASX missed the boat in May, returning a modest 1.17% gain but trailing global equities. Three themes defined May 2026: a resources re-rating on China optimism, an easing of RBA rate increase bets, and growing hopes for an Iran ceasefire.

On pages 4-5, Strategist Rob Crookston argues that the first-quarter US earnings season provides the strongest evidence yet that AI capital expenditure is beginning to pay off, with broad earnings growth, expanding margins, and surging order books across the AI supply chain all pointing in the same direction.

Our Story of the Month features 4DMedical (ASX:4DX), an innovative medical imaging company whose meteoric rise has attracted investors' attention worldwide. Contributing columnist Nina Hendy sat down with 4DMedical's Founder and CEO Andreas Fouras to discuss their groundbreaking CT:QV imaging technology, the company's pathway to success, and future opportunities (pages 12-13).

On pages 14-15, Healthcare Analyst Thomas Wakim unpacks the factors behind the underperformance of ASX large-cap healthcare so far in 2026, including a deep dive into CSL's (ASX:CSL) 47% drop.

As always, we welcome any comments or feedback you may have about the Monthly Bell to feedback@bellpotter.com.au

Regards,

Will Riggall
Chief Investment Officer

MAY 2026: MARKETS IN REVIEW

Will Riggall, Chief Investment Officer

May was defined by an easing of global tensions and resilient offshore growth, set against mounting domestic weakness in Australia. Hopes of a Middle East ceasefire firmed through the month, draining risk premium from energy markets — Brent crude fell 17.8%, from roughly US$114 to US$93.71 a barrel — and taking heat out of inflation fears. Critically, the global economy and equity markets absorbed the earlier oil supply shock with little lasting damage.

Global markets pushed higher, underpinned by continued confidence in the AI-driven US rally and the durability of US economic and earnings growth, which kept risk appetite firm even as commodity and rate dynamics shifted.

The ASX lagged, with the S&P/ASX 200 Accumulation Index returning +1.17% — a gain led by resources and related mining-services operators. The strengthening resources tailwind, driven by global capex, energy security and Chinese stimulus expectations, remains a clear positive, as does the market's headline earnings profile: consensus points to around 12% EPS growth across FY26 and FY27, well above historical averages.

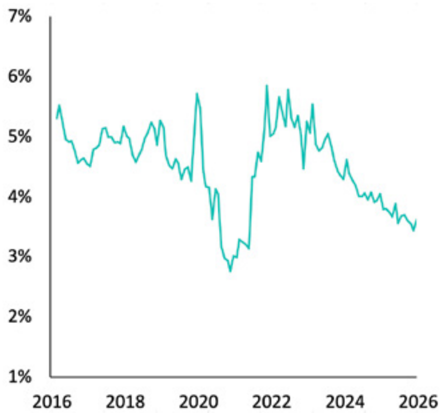
Domestically the picture is softer. Proposed changes to capital gains taxation in the May Federal Budget have weighed on already-cautious consumers and businesses, compounding sticky inflation and the prospect of a further RBA hike. Beneath the index, seven of eleven sectors fell.

This has produced a narrow rally, with returns concentrated in a handful of areas. We see the opportunity in the inverse: quality businesses with genuine cyclical and structural tailwinds left behind as the market crowds into a small set of winners. This divergence creates a strong environment for active stock picking, while highlighting the benefits of diversification across asset classes and regions, broadening the ability to access opportunities in all market environments.

S&P/ASX 200 Index

Source: IRESS

All Ords 10 Year Historical Dividend Yield



Source: IRESS

S&P/ASX 200 Sector Performance

Communication Services	-4.19%
Consumer Discretionary	4.74%
Consumer Staples	-1.80%
Energy	-5.88%
Financials	-2.50%
Health Care	-9.15%
Industrials	2.06%
Information Technology	0.63%
Materials	10.51%
Real Estate	2.46%
Utilities	-7.64%

Source: Bloomberg

Top Performers (S&P/ASX 200)

Megaport Limited (MP1)	69.0%
Iperionx Limited (IPX)	42.0%
Capstonecorp (CSC)	30.0%
Sims Limited (SGM)	30.0%
IGO Limited (IGO)	29.0%
Infratil Limited (IFT)	29.0%
NRW Holdings Limited (NWH)	25.0%
Capricorn Metals (CMM)	25.0%
Alcoa Corporation (AAI)	21.0%
Sandfire Resources (SFR)	20.0%

Source: Bloomberg

Worst Performers (S&P/ASX 200)

Tuas Limited (TUA)	-65.0%
Idp Education Ltd (IEL)	-32.0%
TABCORP Holdings Ltd (TAH)	-32.0%
Brambles Limited (BXB)	-27.0%
The A2 Milk Company (A2M)	-24.0%
ASX Limited (ASX)	-24.0%
CSL Limited (CSL)	-22.0%
Elders Limited (ELD)	-22.0%
GrainCorp Limited (GNC)	-20.0%
Predictive Disc Ltd (PDI)	-20.0%

Source: Bloomberg

IS AI STARTING TO PAY ITS WAY?

Rob Crookston, Strategist

The bear case on artificial intelligence has always rested on one question: when does all the spending actually pay off? For two years, the world's largest technology companies have been pouring capital into chips, power and data centres at a pace that invited comparison with the dot-com build-out. The first-quarter US reporting season offers the clearest answer yet, and it is not the one the sceptics were hoping for.

A reporting season with few weak spots

With more than two-thirds of the S&P 500 reported, 84% of companies have beaten earnings estimates and 80% have beaten on revenue, both comfortably above their five and ten-year averages. Year-on-year earnings growth has been revised up to 27.1 per cent, the sixth consecutive quarter of double-digit expansion. Revenue growth of 11.1 per cent is the strongest reading since the second quarter of 2022.

More striking is what is happening to forward estimates. Calendar 2026 earnings have been revised up 2.6 per cent since the end of March, the largest April upgrade in five years against a twenty-year average first-month revision of minus 1.9 per cent. Estimates for 2027 point to roughly 17 per cent growth. Analysts have been raising numbers since the middle of last year, and the cycle is accelerating rather than fading.

That is happening with little help from the macro backdrop. The Hormuz oil shock is still working through global inventories, headline inflation remains sticky, and central banks have been forced to shelve rate cuts. Earnings are climbing in spite of the weather, not because of it.

Concentrated, but not narrow

The familiar criticism is that the index is being carried by a handful of names. There is truth in it. The largest technology stocks are tracking around 61 per cent earnings growth this quarter against 16 per cent for the rest of the index, and four of the top five contributors to earnings growth come from that cohort. Strip the two biggest names out of Communication Services and growth collapses from 53 per cent to 9 per cent.

Yet 16 per cent for everyone else is hardly pedestrian, and the participation is broad. Nine of eleven sectors are growing earnings, all eleven are growing revenue, and seven are posting double-digit gains. Nine sectors have seen full-year upgrades. The giants are doing the heavy lifting, but the breadth beneath them is healthier than the headlines suggest.

AI

The spending is being validated

Capital expenditure does sit at eye-watering levels, with close to US$700 billion forecast from the four largest hyperscalers this year. The bear argument, that this is unproductive spend at bubble valuations, is getting harder to sustain.

Demand is outrunning supply. Order books across the AI supply chain are filling faster than capacity can be added. Remaining performance obligations at Amazon, Google and Meta have grown more than 120 per cent over the past year and now sit above US$1 trillion. The same dynamic is visible further up the chain among the picks-and-shovels providers: backlogs at power and infrastructure specialists are up roughly 100 to 110 per cent, and one of the large equipment makers reports a record order book some 79 per cent higher than a year ago. This is multi-year revenue visibility, the kind that lets earnings keep compounding regardless of the macro cycle. The unit economics are improving too. Operating margins expanded across all three major cloud platforms as higher-margin cloud revenue grows as a share of the mix. At the index level, the blended net profit margin sits at 14.7 per cent, well above the five-year average of 12.3 per cent, and the gains are concentrated in the sectors most exposed to AI.

Meta as the cleanest test case

Among the giants, Meta offers perhaps the purest read on whether the build-out converts into profit. It does not sell cloud capacity to anyone; its compute is consumed entirely in-house for ad targeting, ranking and productivity tools. There is no external customer to dress up the return. Either the spending pays for itself through the company's own profit and loss, or it does not pay at all.

This quarter it appears to be paying. Revenue accelerated to 33 per cent growth, with ad impressions up 19 per cent and average price per ad up 12 per cent, exactly the combination one would expect if AI-driven targeting were working. The market flinched at a lifted capex guide, but the company still generated meaningful free cash flow and guided operating income higher.

Risks worth watching

None of this makes the trade riskless. A breakthrough in model efficiency could undercut demand for the capacity being built, as a brief episode early last year demonstrated. The current leaders may not stay dominant. And the longer-term labour market effects of AI deployment remain an open question.

For now, though, the bottlenecks in power, chips and construction are real, demand continues to outstrip supply, and the numbers are moving in the right direction. The return on AI is no longer purely a matter of faith.

MINING DOES THE HEAVY LIFTING

Will Riggall, Chief Investment Officer

The ASX index returned a positive +1.17% in May, trailing global indices but staging a late rally on hopes that a reprieve from further rate increases signals the ASX's malaise may be ending. The barbell strategy of being long resources and banks that served investors well in the early part of the year has given way to a market that has become increasingly reliant on a continuation of the positive outlook for commodity stocks. While offshore markets have benefited from resilient US economic and earnings growth, domestically the prospect of higher rates due to sticky inflation and impacted consumer and business confidence from changes to tax law outlined in the May Budget has halted the market's advance.

At an aggregate level the ASX earnings outlook still looks attractive — around 12% EPS growth is expected across FY26 and FY27 — but growth has narrowed to Energy and Resources while domestic cyclicals (Banks and Consumer) and traditionally defensive sectors (Staples and Healthcare) weaken. With energy prices elevated, inflation sticky and the Federal Budget's tax changes weighing on an already cautious consumer and corporate sector, while sentiment may be bottoming, we expect broader earnings weakness to flow through in June.

This regime has produced a clear set of winners and losers. Accordingly, we make a number of changes to the model portfolio to cut exposure to earnings risk and pivot toward themes and stock-specific exposures geared to current cyclical and structural trends.

We set out the three macro themes now driving our positioning, detail the resulting shifts in sector tilts and model holdings, and present the three stock ideas that express these themes: Mineral Resources (MIN), Computershare (CPU) and Worley (WOR).

Themes:

1) Resources and the global capex cycle

2) Inflation and rate cycle beneficiaries

3) Non-cyclical growth with strong competitive positions

Figure 1: ASX 12-month forward EPS vs price index

Source: Refinitiv, Bell Potter research

Market Review

In May the benchmark ASX200 Accumulation Index returned +1.17%, with the ASX regaining ground from being flat mid-month as market participants responded to incrementally positive macro news flow on the global and domestic front.

Three themes defined May 2026:

- **Resources re-rating on China optimism**. Despite iron ore finishing -2.3% on the month, large-cap miners surged as equity markets front-ran Chinese infrastructure stimulus expectations with copper and lithium benchmarks strong again. Resources have outperformed on both a monthly and 12-month basis with the sector up +10.5% in May and significant +58.2% over last 12 months.
- **RBA rate increase bets eased** with positive news on both the inflation and unemployment front. The RBA held the cash rate at 4.35% on 5 May, consistent with consensus. The monthly CPI indicator rose 4.2% in the 12 months to April 2026, down from 4.6% in March and below consensus of 4.4%. In addition, May unemployment printed 4.5% (+0.2pp above expectations), triggering a sharp intraday reversal as rate-hike bets were trimmed.
- **Ceasefire hopes increased** in May as confidence of a resolution increased over the month. Brent crude fell -17.8% from US$93.71/bbl taking heat out of inflation fears. While the market has largely factored in a positive outcome, confirmation will see market momentum continue as tail risk decreases and inflation concerns will ease.

Key Takeaways

ASX missed the boat in May:

The S&P ASX Accumulation index returned +1.17% in May, with strong earnings and performance from the mining sector offsetting broad weakness across 7 of the 11 sectors.

Earnings pulse remains weak:

Consensus EPS forecast growth remains strong at +12% for the next two financial years but it is the low PE multiple resource sector driving the resilience while former high PE Healthcare names get punished.

We outline thematic exposures:

1. Resources and the global capex cycle,
2. Higher-for-longer inflation beneficiaries, and
3. Non-cyclical growth with strong competitive positions.

Sector Tilts:

Overweight

- Diversified miners (Copper & Lithium)
- Mining Service
- AI/Energy security

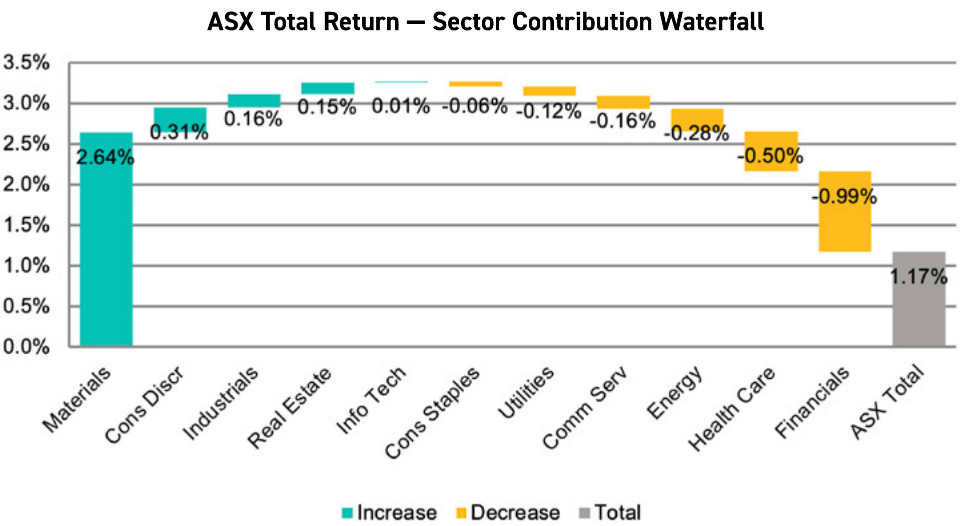
Underweight

- Banking Sector
- Domestic Consumption
- Weak pricing power

Trades:

Buy	Reduce	Exit
MIN, WOR, CPU	CMM	DVP, CWP

Figure 2: Sector contribution to ASX return May 2026



Source: Refinitiv, Bell Potter

The Materials sector has delivered most of the return for ASX investors this calendar year.

The chart above illustrates the significant contribution that the Resource sector return delivered for the ASX. For the market to continue higher, the broader ASX sectors will need to find support. It is worth noting that aggregate ASX EPS (earnings per share) forecasts did improve marginally over the month, providing support that the market may have found its floor.

Figure 3: Stock contribution to ASX May 2026

Code	Stock	ASX BPS	Return
BHP	BHP Group	1.81%	16.0%
WES	Wesfarmers	0.30%	9.4%
RIO	Rio Tinto	0.28%	10.9%
FMG	Fortescue	0.18%	13.5%
GMG	Goodman Group	0.17%	7.1%
S32	South32	0.14%	19.4%
TCL	Transurban Group	0.12%	7.0%
MQG	Macquarie Group	0.11%	3.3%
CPU	Computershare	0.10%	14.6%
ALL	Aristocrat Leisure	0.08%	7.0%

Code	Stock	ASX BPS	Return
CBA	Commonwealth Bank	(0.53%)	(5.0%)
CSL	CSL	(0.44%)	(22.3%)
BXB	Brambles	(0.28%)	(26.8%)
WBC	Westpac Banking	(0.22%)	(4.6%)
WDS	Woodside Energy Group	(0.20%)	(8.6%)
NAB	National Australia Bank	(0.19%)	(4.4%)
NST	Northern Star Resources	(0.11%)	(10.4%)
ASX	ASX	(0.10%)	(24.0%)
ORG	Origin Energy	(0.08%)	(10.2%)
ANZ	Anz Group Holdings	(0.07%)	(1.7%)

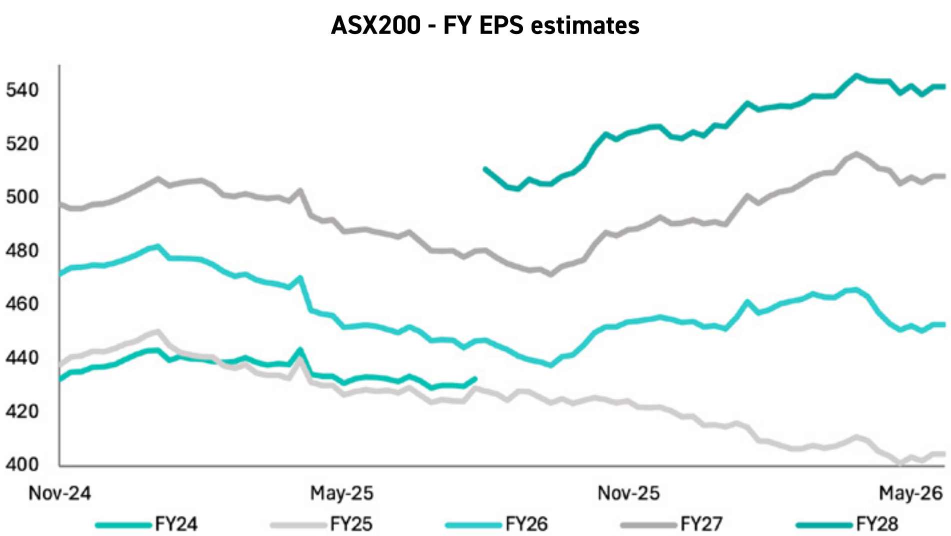
Source: Refinitiv, Bell Potter

If we look under the hood, the earnings weakness paints a much more challenged picture with EPS upgrades within the Energy sector masking significant downgrades in the Banking, Healthcare and Consumer exposed sectors.

The domestic economy is more than likely to continue to weaken with oil prices likely to remain high and the RBA set to deliver one more interest rate increase when they meet in August.

While we acknowledge that the +12% EPS growth level is well above average and recent history, over 10% is coming from the Materials sector, with Financials providing the remainder as bank cost-out programs deliver a 3% incremental contribution to EPS.

Figure 4: ASX200: Evolution of EPS Estimates by FY



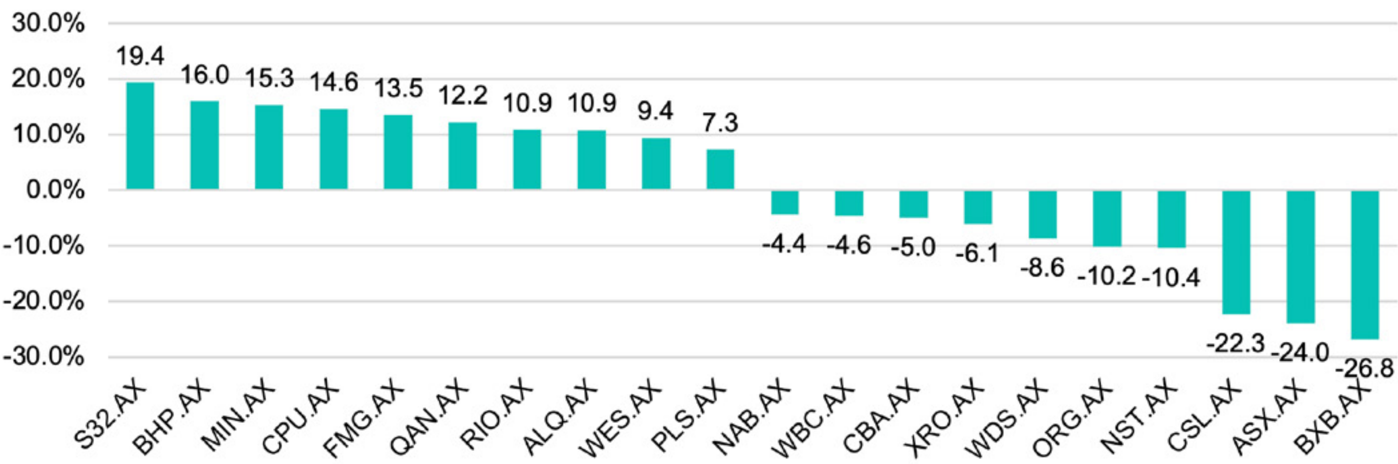
Despite genuine weakness in the local economy impacting returns across banking & consumer related stocks, EPS growth for FY27 and FY28 remains well above historical averages at 12%.

Source: Refinitiv, Bell Potter

While we are seeing the impact of macro-economic gyrations impacting markets at a sector and thematic level we are also seeing significant volatility at the stock level. May was no exception with ASX100 stocks proving equally, or at times even more volatile than their small cap counterparts.

- **CSL (-22.32%):** CSL cut its FY26 NPAT guidance and flagged up to A$5b in asset impairments, citing delayed payoffs from its growth programme. The stock fell to a 9-year low.
- **CBA (-4.98%):** A 3Q26 earnings miss combined with proposed government housing tax changes sent CBA down ~10%
- **BHP (+15.99%) / RIO (+10.89%):** Miners hit two-month highs mid-month as talk of a commodity super cycle gathered pace.
- **WDS (-8.61%):** Declined as oil price fell, marginal news flow during the month saw it underperform its peer STO (-2.4%) as Union strikes at North West Shelf and continued chatter of domestic gas reservation impacted sentiment.
- **NST (-10.43%):** The exit of the long-term CEO exacerbated the impacts of a -1.2% decline in the gold price. Conversely, our preferred exposure Evolution (EVN.ASX) increased 2% over the month.
- **GMG (+7.1%):** performed well over the month as an easing in rate concerns and a solid update by the company and re-iteration of 9% EPS growth supported the stock price.
- **CPU (+14.61%):** Computershare delivered the best return in the Financials sector, benefiting from higher interest income on client balances as global rates remained elevated.

Figure 5: ASX100 top 10 & bottom 10 May total return



Source: Refinitiv, Bell Potter

Portfolio Review

The market has pivoted towards earnings certainty and as such has begun to differentiate between the winners and losers amid a changed economic and geopolitical backdrop.

Three key macro themes look set to drive the allocation of capital over the medium term:

1) Resources and the global capex cycle — a material step up in global capex from energy security concerns and AI-driven demand.

2) Higher-for-longer inflation — energy and input pressures keep inflation elevated even as policy tightens.

3) Non-cyclical growth with strong competitive positions — quality compounders less exposed to the domestic cycle.

The portfolio is overweight these themes, with exposure to Resources and aligned mining-services names. We are underweight rate-sensitive traditional growth and the domestic banks, favouring diversified financials such as MQG.ASX and CGF.ASX.

The underweight to Banking and Healthcare helped the model avoid some of the month's biggest declines (CSL, BXB, CBA), while overweights in mining-services names within Industrials and Chemicals (ORI.ASX, ALQ.ASX) aided performance; strong stock selection in Resources delivered just over half of the model's active return.

Detractors were concentrated in Information Technology, with WiseTech (-15.7%) and Life360 (-4.3%) both lagging.

In line with the themes laid out above, we have made a number of changes to the model with key name highlighted below

THEME 1: RESOURCES | INCREASING QUALITY

MINERAL RESOURCES (MIN.AX)

Mineral Resources offers leveraged exposure to a tightening lithium market through ramping volumes at Wodgina, Mt Marion, and Bald Hill, with spodumene spot prices sitting well above the long-term assumptions embedded in the current share price.

The investment case rests on a three-way path to re-rating: volume growth, consensus catch-up on earnings, and balance-sheet repair through FY27–FY28 de-gearing.

Four key points

- **Volume growth into a tight market**: Wodgina, Mt Marion, and Bald Hill all ramp through FY26–FY29 as lithium demand outpaces supply and spodumene spot runs above long-term assumptions.
- **Earnings upside vs consensus**: Sell-side estimates for FY27/FY28 are being revised materially higher post recent site tours, with informed views sitting well above consensus.
- **De-gearing as the swing catalyst**: Higher-priced lithium volumes plus Onslow cash flow drive material debt paydown through FY27–FY28, unwinding the balance-sheet discount.
- **Governance overhang lifting**: Orderly succession from Chris Ellison to MD-elect Darren Killeen removes a multi-year discount factor.

Valuation analysis

Currently trading on 13x EV/EBIT in line with prior average with upside evident from market to market and balance sheet de-risking.

THEME 2: HIGHER FOR LONGER INFLATION

COMPUTERSHARE (CPU. AX)

Computershare offers high-quality, defensive exposure to a "higher for longer" global rate environment through its margin income franchise, layered with cyclical upside from accelerating corporate action and IPO activity. Tokenisation is priced as a structural risk but increasingly looks like an opportunity CPU is positioned to capture.

Four key points

- **Direct leverage to higher-for-longer rates:** The margin income book is a clean listed play on global short rates staying elevated, with MI revenue guidance already lifted on higher balances.
- **Cyclical upside from rising market activity:** Global corporate action value is running materially higher YoY across M&A, raisings, and IPOs, with a growing pipeline and stronger Corporate Trust issuance.
- **Tokenisation — risk priced in, optionality not:** CPU's incumbent role, partnerships, and Ginnie Mae approval position it as infrastructure beneficiary rather than victim.
- **Quality earnings at an undemanding multiple:** FY26 guidance reaffirmed implying ~6% EPS growth, trading at a meaningful discount to 5-year average PE.

Valuation analysis

CPU trades at a discount to its 5-year average PE on FY27 earnings despite structural tailwinds from both rates and market activity.

THEME 3: HARD ASSET EXPENDITURE TO INCREASE

WORLEY (WOR. AX)

Worley is set to enter a period of stronger demand for its services driven by rising commodity prices and a structural shift toward energy security, with the recent investor day flagging double-digit EBITA CAGR to FY30 versus consensus at just 3%. Depressed valuation, low earnings expectations, and disciplined capital allocation create a positive risk/reward where investors should benefit from both EPS upgrades and a P/E re-rate.

Four key points

- **Industry tailwinds strengthening:** Stronger commodity prices and the structural shift to energy security drive accelerating demand across Worley's core energy, chemicals, and resources markets — historically a period when its order book, revenue growth, and valuation multiples all expand.
- **Earnings and cashflow accelerating:** EPS set to grow at a 12% CAGR over the next 3 years through CP2 LNG delivery, with consensus taking an overly cautious view on post-2028 sustainability. Operating cash flow accelerating with gearing already below the 2x ND/EBITDA target.
- **Margin expansion and adjacent growth:** Attractive competitive environment, AI implementation, and $100m targeted cost-out underpin a robust margin outlook, while expansion into nuclear, datacentre, power, and water provides secular growth optionality.
- **Disciplined capital allocation:** $300m buyback announced on top of the recently completed $500m, demonstrating management's commitment to shareholder returns while balance sheet remains under-geared.

Valuation analysis

Worley trades at a meaningful discount to its long-term history and to the broader market, with the multiple effectively pricing zero replacement of CP2 LNG after 2028. Given the strengthening demand backdrop, self-help and organic growth initiatives, and strongly cash-generative business model, the stock should re-rate toward its long-term valuation. Worley sits across two of our three themes — Resources and the global capex cycle, and non-cyclical growth with strong competitive positions — providing a clear path to multiple expansion as the earnings story plays out.

MEDICAL MARVEL: 4DMEDICAL (ASX:4DX)

Nina Hendy, Contributing Columnist

Investors are firmly committed to 4DMedical as makes its foray in the ASX200 this year. It's hardly surprising. The company's CT:QV technology has transformed standard CT scans of the lungs and it has an ambitious international roll-out campaign well underway.

Founded by Andreas Fouras five years ago with a vision to commercialise his groundbreaking research, he's now a recognised leader in medical technology innovation. His software solution transforms standard CT scans into functional lung imaging, delivering quantitative ventilation and perfusion data to support clinical decision-making in respiratory disease.

Lung disease is a global health challenge, with conditions like Chronic Obstructive Pulmonary Disease (COPD), emphysema and lung cancer affecting hundreds of millions of people worldwide. 4DMedical is sweeping in on a white horse to make a difference, concentrating on cracking the US market this year. By targeting top tier brand name hospitals like Mayo Clinic and Cleveland Clinic, the company is positioned for strong revenue growth in 2027. Around one million CT scans are conducted in the US a year, at roughly $500 per scan. That puts 4DMedical at the centre of a $500 million a year market in the US alone.

Now a global leader in cardiothoracic imaging software, the company has implemented a pay-per-scan option so that 4DMedical earns $500 per test. The fully automated process runs in the cloud, with algorithms running a full report and delivering that back to the treating clinician. "We're really only just getting started. The thing that has me so excited is that there are a lot of companies out there with ambitious blue sky, but we're delivering right now," Fouras says.

With Philips Healthcare facilitating a speedier rollout, hospitals and medical providers in Australia and New Zealand are coming on board. In all, 400 sites globally utilise the CT:QV technology, which is now in its third generation. "The real way to measure our success is how many patients we're touching every year. We're generating hundreds of thousands of scans per year and we're just getting started."

"We're exceeding the targets we shared with investors. In 2026 we are winning new customers, and recently also secured European regulatory approval, opening the door for expanding into Europe for the first time. It's very exciting, we can taste it and see it just right out in front of us. We have been through the fire of being really careful with every dollar that we spend, and the team that we've got are incredibly strong and committed to the cause and healthcare."

By all accounts, 4DMedical is in a strong position. As an Australian company employing 140 people headquartered in Melbourne and a growing international investor following, Fouras confirms he's got $280 million in the bank to facilitate the global technology rollout. "We have the ingredients to bake the best cake in our hands. The risk of missing the market has never been lower. Right now, it's really a matter of being disciplined, doing the work and executing with the ingredients that we've been entrusted with," Fouras says.

He's confident he's well ahead of the startup pack. "If you're a technology startup coming behind us, I think it's probably a bit too late. We've accumulated such a barrier of intellectual property around lung imaging, not to mention all the world experts in this space work for us. We're really efficient in terms of everything we do. We've come through years of a lean capital structure and have learned to be very efficient with every dollar we spend.

He continues: "We've been looking to build this company with a billion-dollar revenue stream at 99 per cent margins, so not surprisingly a lot of people show an interest in having a piece of that action. That's why we have been digging a moat around this company since the beginning. We have well over 100 patents in place," Fouras says.

"One of the big differentiators is that Phillips is very committed to our technology and are deeply committed to the product. We'd like investors to measure us by the size and reputation of the customers we win this year. We're happy to talk about turnover next year because it's a fairer question once we've got those runs on the board."

With initial thoughts of becoming a doctor in his youth, a family intervention saw loved ones suggest a career in engineering instead. Fouras went on to forge an enviable career in academic research specialising in experimental fluid dynamics at Monash University in Melbourne.

"We have the ingredients to bake the best cake in our hands. The risk of missing the market has never been lower. Right now, it's really a matter of being disciplined, doing the work and executing with the ingredients that we've been entrusted with."

Andreas Fouras, Managing Director and CEO of 4D Medical (4DX)

His pioneering work in wind-tunnel quantification and advanced imaging of gas and liquid flow elevated him as an emerging leader in the field.

With a Master's and PhD in aeronautical engineering under his belt, he rapidly progressed to Professor of Mechanical and Aerospace Engineering and director of the laboratory for Dynamic Imaging at Monash. His research attracted significant recognition and funding from leading institutions both here and overseas.

Leveraging this deep expertise in fluid dynamics, he launched 4DMedical's CT:QV technology in 2021 after uncovering a mathematical framework for wind tunnel imaging that was significantly more advanced than previous approaches, catapulting Andreas onto a completely different trajectory. "I had this idea of combining it all together as a way to conduct imaging in the lungs that no one had come up with before, which medical people agreed would be useful," he explains.

Early on in the journey, he could see the size of the opportunity, so decided to sell the family home and use the proceeds to bootstrap the expansion of the business, moving the family home to the United States.

Of course, it hasn't all been smooth sailing, with plenty of nights waking in a cold sweat wondering whether the risks would all be worth it. In 2015, a cheque from an investor bounced which meant he couldn't make payroll. He was living in a rental house at the time and rather than pay his rent, he put his rent money into payroll.

But he knows the technology can save lives. He recalls a chance meeting with a man who had a double lung transplant resulted in a close friendship about a decade ago, igniting his determination to bring the technology to market. "He was living every day with this healthcare cloud hanging over his head, and I saw this personal side of how developing the technology could really change people's lives."

"This company has been my chance to make a difference and do something different. I didn't come into the company with a lot of experience in sales and raising capital, so I quickly came to the realisation that I needed a great team of people around me, and we've got the best," he says.

ABOUT 4DMEDICAL (ASX:4DX)

4DMedical is a global medical technology company focused on changing outcomes for people with lung disease by bringing more insights to medical imaging. The company builds software that helps clinicians move beyond guessing to clearer, quantitative information that can be used alongside the full clinical picture.

It's CT:QV technology is designed to generate functional insights from contrast-free routine CT imaging, helping clinicians better understand regional lung characteristics. The goal is simple: turn CT data into objective outputs that can support assessment and follow-up when interpreted in context with other clinical information.

With offices in Melbourne and Los Angeles in California, the company works with health systems, researchers and clinical teams around the world to advance respiratory and cardiopulmonary imaging.

A TOUGH YTD FOR LARGE CAP HEALTHCARE.

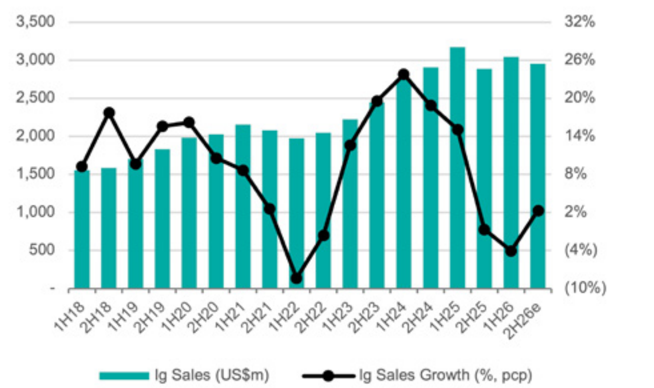
Thomas Wakim, Healthcare Analyst

There's no two ways about it, ASX large cap healthcare has faced a tough time so far in 2026. The XHJ healthcare index is down -34% YTD vs a ~1% return for the XJO (as at 3 June). While the Healthcare index remains heavily weighted to CSL (-47% YTD), the damage hasn't been limited to the plasma giant. Medical device companies COH and RMD are also down -64% and -28% respectively, while a broader look across the largest 10 healthcare names reveals eight are down YTD.

Importantly, there hasn't been a single systematic issue to blame for the weakness across these Healthcare names, but rather various idiosyncratic factors impacting each company's subsector or earnings outlook.

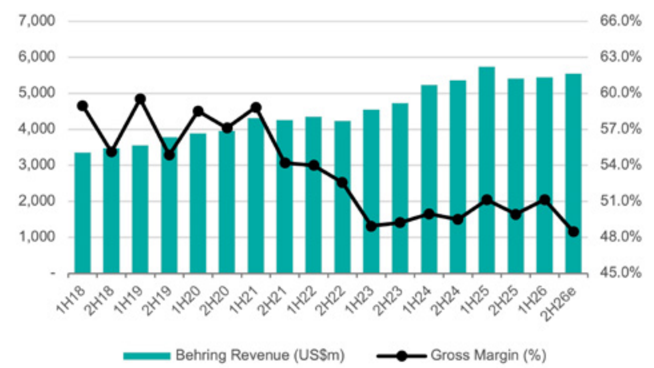
Considering we have continued to field several enquiries on CSL post the May trading update, we've summarised key aspects driving the major sell-off over the last ~18 months and importantly, what's the outlook from here?

Figure 1: CSL half-yearly Ig sales and growth



Source: Company data and Bell Potter Securities estimates.

Figure 2: Behring half-yearly revenue and gross margin.



Source: Company data and Bell Potter Securities estimates.

CSL Limited (CSL): What's driven the sell-off?

At various points over the last two years, each of CSL's business units (Behring, Seqirus, Vifor) have faced various product-specific headwinds that have tempered growth outlooks. Below we have summarised the key factors that impacted CSL's largest unit, the Behring plasma business.

But before we dive into Behring, it's important to first acknowledge several other factors that have delt major blows to CSL's credibility and sentiment over the last ~18 months: (1) the ongoing absence of a permanent CEO, (2) considerable executive management turnover, (3) two guidance downgrades since the FY25 result, (4) quickly postponing the Seqirus de-merger, and (5) clear underperformance of the acquired Vifor business.

Behring - Recent plasma business underperformance.

One of the biggest concerns for investors has been the underperformance of CSL's core plasma franchise versus its historical growth rates and key competitors.

Sales of CSL's flagship product, immunoglobulin (Ig), have struggled for growth since 1H25, shown in Figure 1, resulting in part from increased competitive pressures from key competitors Grifols and Takeda who have appeared to capture market share off the back of increased supply availability and launching competitive product formulations.

Behring's lower-than-expected sales in Ig, along with delays to the Andembry US launch, modest uptake of Hemgenix, and recent price deflation in China albumin, have meant the once sought-after gross margin recovery to pre-Covid levels (~57%) appears unattainable in the foreseeable future, certainly not before the 2030s, despite the various manufacturing and plasma collection efficiencies. Figure 2 highlights Behring's GM decline post-Covid and the lack of significant recovery since.

The increasing uncertainties around 1) competitive pressures from peer plasma players, 2) below market Ig growth, and 3) lack of gross margin recovery, have all led to significantly downgraded Behring forecasts over the last two years.

Beyond Behring, the recent US$5 billion write-down largely related to Vifor was an admission that Vifor has clearly underperformed internal expectations that justified the US$12b acquisition price in 2021, with the biggest issue being generic competition across its iron products (roughly half of sales at acquisition).

Putting the above factors together, CSL has fallen well short its historical "double-digit earnings growth" guidance, with the latest FY26 guidance a decline of ~4% at NPATA (cc).

Where to from here?

In Research, we currently have a Hold recommendation for CSL, a position we took after the FY25 result in August 2025. Similarly, the Strategy team removed CSL from the model portfolio around the same time.

In short, we struggle to see any meaningful recovery occurring in the near-term and remain cautious ahead of the FY26 result in August.

For Behring, competition from Grifols and Takeda is likely to remain steadfast over the next ~6 months and therefore continue to pressure market share and margins.

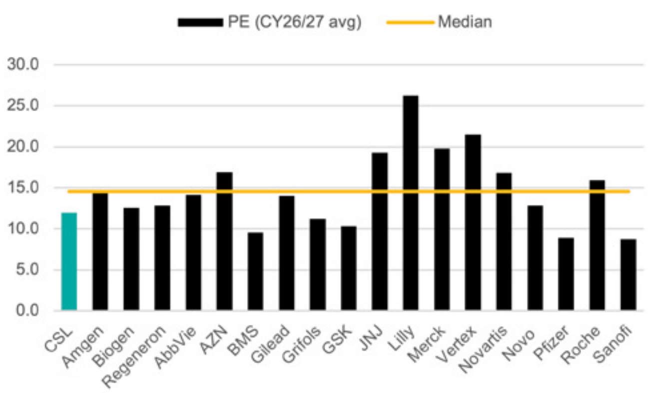
For Vifor, we forecast sales declines in FY27 and potentially FY28, largely driven by ongoing price erosion from generics and uncertainties around Tavneos staying on the market.

Our latest forecasts for the consolidated CSL group are for modest underlying earnings declines once again in FY27 on a constant currency basis. Comparing against sell-side consensus, our FY27 NPATA forecast is below Visible Alpha average, hence we see potential for further downgrades at the August result, of course subject to refinement as numbers evolve over the coming months.

But what about the valuation?

With so many hits to performance and credibility, we expect it will require posting some 'runs on the board' and a CEO appointment to restore investor confidence and improve the materially de-rated multiple. For those currently holding CSL shares, the downside risk appears rather limited given the huge de-rating that has already occurred and share price at 11-year lows.

Figure 3: Global biopharma PE comparison (FY27).



Source: Visible Alpha and Bell Potter Securities estimates.

CSL is now trading at a PE multiple of ~11x underlying earnings, below the global biopharma peer set which trade on a median of ~14x PE (see Figure 3). We think the current valuation discount is warranted in light of the above-mentioned challenges.

Note: Share price references are as at closing prices on 3rd June 2026.

AUSTRALIAN EQUITY CORE PORTFOLIO

The Core Portfolio is a diversified, benchmark aware portfolio of 25-35 Australian equities, with a bias towards growth-orientated, quality companies. Below we highlight some key active positions from our Core Portfolio.

Core Portfolio active positions

Worley (WOR)

We hold Worley for its leverage to a multi-year lift in energy and resources spending. Worley designs, builds and maintains projects for the oil and gas, chemicals, mining and infrastructure sectors, so as the world spends more on energy security and new supply, demand for its services rises. Management is targeting double-digit annual profit growth out to 2030 — well ahead of where the market currently sits — and is returning cash through a $300m buyback on top of a completed $500m one. The competitive backdrop is in its favour, helping it win better contract terms. The main thing to watch is execution: management needs to keep delivering to rebuild investor trust, but on balance we still see the shares as undervalued.

Computershare (CPU)

We hold Computershare as a quality global business with a useful tailwind from higher interest rates. It's the world's leading share registry provider and also runs employee share plans and governance services, with a growing mortgage-servicing arm. A large chunk of its profit comes from interest earned on the cash it holds for clients, so "higher for longer" rates support earnings, with extra upside if corporate deals and floats pick up. The market had feared that "tokenisation" (digital share ownership) would make registries obsolete, but the reality looks far less threatening — the legal role is hard to replace and a hybrid model is more likely. With the shares trading below their longer-run average valuation, we're happy to hold.

Goodman Group (GMG)

We hold Goodman as our preferred way to play structural demand for industrial property and data centres. Goodman owns and develops warehouses, logistics estates and increasingly data centres — assets underpinned by long-term growth in e-commerce and computing/AI demand. The shares recovered around 7% in May on a solid company update. The near-term watch-point is sentiment: property-exposed names came under pressure after the Budget changes to asset taxation and as interest rates stayed firm. We look through that near-term noise and hold for the long-run growth in its development pipeline.

Netwealth (NWL)

We hold Netwealth as a structural growth story in the wealth platform space. It runs a web-based platform that financial advisers use to manage clients' super and investments, and it continues to win market share from the older, bank-owned platforms. Its latest update showed the strongest client inflows in a year and came in ahead of expectations, and management held its full-year guidance. A new "broker solution" is on track and could be a further growth driver. The shares pulled back to a cheaper-than-usual valuation during the recent risk-off period, which we think sets up well given roughly 15% annual earnings growth ahead.

ALS Limited (ALQ)

We hold ALS for its exposure to a recovering minerals exploration cycle. ALS is a global testing and inspection business — its biggest earner analyses rock samples for mining companies, so as exploration activity picks up, sample volumes and pricing both improve. Its latest result showed profit up around 19% with widening margins, led by this commodities testing arm. Management's guidance for next year looks conservative to us — exit rates and exploration indicators suggest minerals revenue growth could run above 20%. The shares were one of the portfolio's best performers in May (+11%), and we continue to prefer ALS for diversified exposure to rising commodity volumes.

AUSTRALIAN EQUITIES SMALL CAP PANEL

Our panel of favoured small cap Australian equities offer attractive returns over the long term. We back our analysts key conviction ideas as they uncover overlooked or underappreciated stories within the small cap universe.

Favoured small cap stock panel

Company Name	Category	Share Price ($)	Market Cap ($bn)	12 Month Forward P/E	EPSg CAGR (FY1-FY3)	ROE (FY26)	Net Debt/ EBITDA (FY26)	Dividend Yield (12MF)
Adveritas (AV1)	Information Technology	0.08	0.1	32.0x	N/A	N/A	1.6x	0.0%
Aeris Resources (AIS)	Materials	0.46	0.6	2.9x	1%	32%	-0.5x	0.0%
AMA Group (AMA)	Industrials	0.42	0.2	9.8x	58%	2%	0.1x	2.4%
Catapult Sports (CAT)	Information Technology	3.69	1.1	N/A	N/A	-12%	-2.0x	0.0%
COG Financial (COG)	Financials	1.48	0.3	8.9x	10%	19%	-0.2x	5.6%
Cogstate (CGS)	Health Care	2.50	0.4	20.8x	28%	18%	-2.4x	1.8%
Cuscal (CCL)	Financials	4.87	1.0	17.4x	26%	11%	N/A	2.8%
Integral Diagnostics (IDX)	Health Care	2.06	0.8	13.6x	18%	7%	2.2x	4.6%
Kinatico (KYP)	Information Technology	0.14	0.1	13.2x	94%	6%	-2.1x	0.0%
Nickel Industries (NIC)	Materials	1.08	4.7	8.8x	52%	12%	1.0x	6.5%
Praemium Ltd (PPS)	Information Technology	0.71	0.3	14.3x	24%	15%	-1.3x	4.4%
Region Group (RGN)	Real Estate	2.22	2.6	13.5x	3%	6%	6.6x	6.5%
Universal Store Holdings (UNI)	Consumer Discretionary	6.35	0.5	11.2x	10%	28%	0.5x	7.1%
SRG Global {SRG}	Industrials	3.75	2.4	24.4x	14%	18%	0.1x	2.2%
DigiCo Infrastructure {DGT}	Real Estate	2.58	1.4	24.3x	38%	2%	12.7x	5.9%

Data as at 3/6/2026. Source: Consensus (Refinitiv)

Ins and outs

Removals	
Elders (ELD)	We're removing Elders (ELD) and moving the money into SRG, which has a clearer near-term path. We still rate ELD a Buy for the longer term, but it will likely struggle over the next quarter, with a possible El Niño on the way and a change of CEO pending. Its recent half-year result disappointed: sales grew strongly, but costs rose even faster, wiping out much of the benefit and leaving profit flat. That forced us to cut our earnings forecasts, and the company is also carrying a fair amount of debt after recent acquisitions. The long-term story still holds, but we'd rather step aside until these near-term clouds clear. On El Niño: This is the big swing factor, and it's moving against ELD. Elders sells farm supplies like fertiliser and crop chemicals, so it depends on good growing conditions. An El Niño usually brings drier weather to eastern Australia, which means farmers plant less and buy fewer inputs — exactly the pressure that's already showing up in our lower forecasts. With a new CEO also coming in, the next few months look like a poor time to be holding, even though we like the business longer term.
Additions	
SRG Global (SRG)	We're adding SRG Global (SRG) to the Small Cap Panel as a steady, growing business that keeps delivering. SRG provides construction, maintenance and engineering services to big, reliable customers across water, defence, energy, resources and data centres. The key news is a jump in new contracts — its order book of work won has climbed to $1.85b, up from $0.65b late last year. On the back of that, management lifted its profit guidance for this year and set out strong growth again next year. We expect earnings per share to grow around 28% this year and 19% next year, well ahead of the broader market. The company has a good record of beating its own targets and making smart acquisitions, and it's generating enough cash to fund future deals itself. The shares trade at a premium to peers, but we think that's justified given the quality and growth. With a price target of $4.25 against a recent price near $3.75, we see attractive upside. Buy.
DigiCo Infrastructure REIT (DGT)	We add DigiCo Infrastructure REIT (DGT) to the Small Cap Panel as a high-conviction data centre growth and re-rating story. DGT owns and develops data centres in Australia and the US, putting it in the path of surging demand for computing and AI capacity, and momentum has clearly shifted: the recent sale of its US (Los Angeles) assets has repaired the balance sheet and removed the funding overhang that weighed on the stock. With that cleared, we see scope for FY27 earnings to beat market expectations on potential new contract wins and faster progress at its flagship Sydney development (SYD1), where build returns sit comfortably above its cost of capital. With Australia among the cheapest places in the region to build a data centre — keeping global capital flowing into DGT's market — a cured balance sheet, a high-returning pipeline and a strong sector tailwind make for an attractive entry point.

Favoured stock panel

Adveritas (AV1)

Adveritas is a technology company that develops software solutions for enterprise customers which help maximise the return on digital ad spend. The key product of the company, TrafficGuard, is a SaaS platform that detects and intercepts fraudulent traffic (e.g. bots) in real time which enables advertisers to reduce wasted ad spend and optimise their budgets. The market for ad fraud software like TrafficGuard is relatively nascent but is growing rapidly and Adveritas is already a leading global player.

The TrafficGuard platform is scaling rapidly, with AV1 having established a dominant position in the online sports betting vertical and a growing presence across adjacent sectors such as eCommerce.

Dividend Yield	0%
12 month forward P/E	32.0x
EPSg CAGR (FY1-FY3)	N/A

Aeris Resources (AIS)

Aeris Resources is an ASX-listed multi-mine copper-gold producer and explorer. Its primary assets are the 100%-owned Tritton Copper Operations in central west NSW (producing ~24ktpa Cu, with the Murrawombie open-pit ramping and the Constellation open-pit starting up by end CY26) and the 100%-owned Cracow Gold Mine in QLD (producing 40-50kozpa Au). The portfolio also includes the Jaguar zinc-copper project in WA and the Stockman copper-zinc development project in Victoria, acquired with Round Oak Minerals in 2022. AIS is currently progressing the strategic acquisition of Peel Mining, which extends Tritton's mine life through additional satellite ore sources in the Cobar Basin.

Dividend Yield	0%
12 month forward P/E	2.9X
EPSg CAGR (FY1-FY3)	1%

AMA Group (AMA)

AMA Group is the largest accident repair group in Australia with approximately 138 vehicle panel repair shops. The company also has a presence in New Zealand with 5 vehicle panel repair shops. AMA sold its manufacturing business in 1HFY21 and its remanufacturer of automatic transmissions - called Fluid Drive – in 1HFY23 so is now almost a pure play accident repair group. The only part of the company outside of panel repair is the Supply business – called ACM parts – which sells a range of new, aftermarket and recycled parts and consumables. This business now, however, is flagged for sale.

The company has a strong track record of successful integrations, and any announcements could trigger a rerating from where it currently trades at a discount to it's long-term valuation average.

Dividend Yield	2.4%
12 month forward P/E	9.8x
EPSg CAGR (FY1-FY3)	58%

Catapult Sport (CAT)

Catapult Sports is a leading global provider of elite athlete wearing tracking solutions and analytics for athlete tracking. The key target market of Catapult is elite sporting teams and organisations and the acquisition of SBG also now gives the company a presence in motorsports. The pro sports technology market is currently valued at US$36bn in 2025 and is forecast to double to US$72bn by 2030.

We view CAT as a market leader entering a stronger phase of cash generation and operating leverage, with an underpenetrated global customer base and expanding analytics suite providing a long runway for subscription growth and valuation upside.

Dividend Yield	0%
12 month forward P/E	N/A
EPSg CAGR (FY1-FY3)	N/A

Favoured stock panel

COG Financial (COG)

COG Financial (COG) is a diversified conglomerate of distribution businesses focused on Australia. The group principally provides access to credit providers (and related insurance) for yellow commercial goods. This is delivered through a nationwide broker net. In addition, the company has some balance sheet funded direct originations, with a focus on capturing some of the overflow for non-prime chattel mortgages. A proportion of this is offered under peer-to-peer lending. Following the acquisition of Paywise, the company has articulated an external accumulation strategy, focussed on novated leasing and salary packing services.

Dividend Yield	1.8%
12 month forward P/E	20.8x
EPSg CAGR (FY1-FY3)	28%

Cuscal (CCL)

Cuscal is an authorised deposit taking institution (ADI) with requisite licensing, connectivity and processing capability to support payments and regulated data services. Cuscal has evolved and diversified its offering and client base, facilitating all key payment types and a range of associated services. They are differentiated as a B2B service provider (aligning it to global peers) and today, features a long-tenured and contracted client base.

Dividend Yield	2.8%
12 month forward P/E	17.4x
EPSg CAGR (FY1-FY3)	26%

Integral Diagnostics (IDX)

The merger between Integral Diagnostics and Capitol Health results in a diagnostic imaging (DI) company which operates 151 clinics throughout Australia. Its strongest presence will be within Victoria and Queensland (67 & 41 locations respectively) with minor penetration in the other States. The company offers a range of imaging modalities through its clinics with the largest contribution to revenue from CT (31%) followed by US (24%), MRI (13%) and X-Ray / Diagnostic Radiology (11%), and Nuclear Medicine PET (5%). The growth strategy has centred around a combination of greenfield & brownfield investments and M&A opportunities.

Dividend Yield	4.6%
12 month forward P/E	13.6x
EPSg CAGR (FY1-FY3)	18%

Favoured stock panel

Kinatico (KYP)

Kinatico is a leading provider of "know your people" solutions to organisations in Australia and New Zealand. The company operates two key businesses: its legacy CVCheck brand, which provides employment screening and verification services to over 10,000 repeat corporate customers and its new key focus, a SaaS-based business that delivers real-time workforce compliance management and monitoring. The core strategy is to leverage the large customer base of the legacy CVCheck business to provide a ready-made sales pipeline for its higher-growth SaaS compliance solutions.

Dividend Yield	0%
12 month forward P/E	13.2x
EPSg CAGR (FY1-FY3)	94%

Nickel Industries (NIC)

Nickel Industries is the largest listed pure-play nickel producer globally with an 80% economic interest in four operating RKEF plants in the Indonesian Morowali Industrial Park (IMIP) located in Indonesia, which produce Nickel Pig Iron (NPI), and one RKEF on Weda Bay. NIC also holds 80% in the nickel laterite operation Hengjaya.

NIC is the only material ASX way to gain exposure to the nickel price, has a growth story, and is diversifying earnings to span Type 1 and Type 2 nickel. NIC continues to generate positive cash flows in a tough nickel market and is set to deliver major growth milestones in CY25 across its highest margin nickel operations. All up, given the forecast high production growth and potential for a very large free cash flow uplift in the next 2 years or so, NIC presents a compelling story and appears cheap at current valuation.

Dividend Yield	6.5%
12 month forward P/E	8.8x
EPSg CAGR (FY1-FY3)	52%

Praemium Ltd (PPS)

Praemium Ltd was formed in 2001 as a financial technology company that operates an investment platform offering alongside a branded online portfolio administration service, supporting financial intermediaries and individual investors in their managing wealth. The integrated technology simplifies portfolio management end-to-end and delivers a complete value proposition. Today, PPS manages +$60bn in custodial and non-custodial FUA.

While Praemium has demonstrated commercial momentum, strong growth capacity, and a leading technology offering, its valuation continues to lag key peers. This stock looks very attractive at a 12MF PE of ~15.9x, and we expect the market to catch on as the company executes on further market share gains and FUA growth.

Dividend Yield	24%
12 month forward P/E	14.3x
EPSg CAGR (FY1-FY3)	54%

Region Group (RGN)

Region Group (RGN) is Australia's largest owner of neighbourhood shopping centres, with a portfolio, valued at ~$4.5bn, focused on non-discretionary retail tenants such as Woolworths and Coles. RGN was formed in December 2012 when Woolworths Group (WOW) spun off its property book. The group generates stable and defensive income streams from its convenience-based assets, and benefits from a strong hedging profile that minimises interest expense volatility. RGN is an internally managed REIT with additional growth potential through acquisitions, capital management initiatives, and expansion of its funds management platform, and is positioned within one of the more attractive risk-adjusted segments of the real estate market.

Dividend Yield	6.5%
12 month forward P/E	13.5x
EPSg CAGR (FY1-FY3)	3%

Favoured stock panel

Universal Store Holdings (UNI)

Universal Store Holdings is a leading youth focused apparel, footwear and accessories retailer in Australia. UNI will continue to increase store numbers over the next few years, supporting earnings growth of 11% p.a. Valuation looks attractive, trading on a forward P/E of ~13.4x. UNI is a quality small cap (ROE ~26%) that is executing on its rollout strategy.

Dividend Yield	7.1%
12 month forward P/E	11.2x
EPSg CAGR (FY1-FY3)	10%

SRG Global (SRG)

SRG provides construction, maintenance and engineering services to big, reliable customers across water, defence, energy, resources and data centres. The key news is a jump in new contracts — its order book of work won has climbed to $1.85b, up from $0.65b late last year. On the back of that, management lifted its profit guidance for this year and set out strong growth again next year. We expect earnings per share to grow around 28% this year and 19% next year, well ahead of the broader market.

The company has a good record of beating its own targets and making smart acquisitions, and it's generating enough cash to fund future deals itself. The shares trade at a premium to peers, but we think that's justified given the quality and growth. With a price target of $4.25 against a recent price near $3.75, we see attractive upside. Buy.

Dividend Yield	2.2%
12 month forward P/E	24.4x
EPSg CAGR (FY1-FY3)	14%

DigiCo Infrastructure (DGT)

DGT owns and develops data centres in Australia and the US, putting it in the path of surging demand for computing and AI capacity, and momentum has clearly shifted: the recent sale of its US (Los Angeles) assets has repaired the balance sheet and removed the funding overhang that weighed on the stock. With that cleared, we see scope for FY27 earnings to beat market expectations on potential new contract wins and faster progress at its flagship Sydney development (SYD1), where build returns sit comfortably above its cost of capital. With Australia among the cheapest places in the region to build a data centre — keeping global capital flowing into DGT's market — a cured balance sheet, a high-returning pipeline and a strong sector tailwind make for an attractive entry point.

Dividend Yield	5.9%
12 month forward P/E	24.3x
EPSg CAGR (FY1-FY3)	38%

FIXED INCOME

With the listed hybrid market in structural decline, fixed income ETFs have become an increasingly important source of yield within diversified portfolios. Our preferred funds offer a diversified blend of active fixed rate and floating rate strategies, each selected for their ability to deliver attractive risk-adjusted income with experienced teams and a demonstrated track record of outperformance through varying market conditions.

Favoured fixed income ETFs

BetaShares Western Asset Australian Bond Active ETF (BNDS)

BNDS is a defensive, actively managed strategy investing in Australian composite bonds. The fund employs a combined top-down and bottom-up approach within tight duration bounds (±1 year relative to benchmark), generating alpha primarily through disciplined security selection rather than directional duration bets. Led by Anthony Kirkman and a Melbourne-based team of six, the manager draws on Western Asset's global research network across more than $500 billion in AUM. We view BNDS as a core defensive holding - its capital preservation characteristics and proprietary risk framework have historically provided ballast during market downturns.

Macquarie Subordinated Debt Active ETF (MQSD)

MQSD offers investors exposure to a diversified portfolio of subordinated debt securities, with a core focus on Australian major banks and financial institutions. Managed by one of Australia's largest fixed income teams, the fund aims to outperform the Bloomberg AusBond Bank Bill Index over a rolling three-year basis by capitalising on market inefficiencies and accessing primary issuance premiums that smaller managers cannot. Subordinated bonds offer higher yields than senior debt or cash, reflected in the fund's approximately 5.25% monthly distribution yield, at a competitive management fee of 0.29% per annum. MQSD provides a high-quality way to access the structural opportunity in Australian Tier 2 paper following the AT1 wind-down. Macquarie's scale captures primary issuance premiums, enhancing portfolio income without adding material duration risk.

Perpetual Diversified Income Active ETF (DIFF)

DIFF is an actively managed floating rate credit strategy targeting outperformance of the Bloomberg AusBond Bank Bill Index by 2% p.a. (before fees) over rolling three-year periods. The managers bottom-up credit analysis is supported by their in-house credit score tool which balances valuations, macroeconomic outlook, demand dynamics and technicals. The strategy has been led by Vivek Prabhu for over two decades. We like DIFF for its proven track record, disciplined credit process, and strong risk-adjusted returns relative to peers.

Schroder Australian High Yielding Credit Fund Active ETF (HIGH)

HIGH is an actively managed floating rate credit strategy targeting outperformance of the RBA Cash Rate by 2.5%–3.0% p.a. (before fees). The fund takes an unconstrained approach, rotating across senior, Tier 2 subordinated, and hybrid securities based on risk-adjusted yield attractiveness. Portfolio construction is guided by Schroders' proprietary VCL (Valuations, Cycle, Liquidity) framework. Notably, the fund does not utilise gearing or allocate to private debt, and is offered at a competitive MER of 0.50% with no performance fee. HIGH offers a high yield alternative to investors, supported by a research-driven process that blends bottom-up credit analysis with disciplined risk controls.

State Street SPDR S&P/ASX iBoxx Australian Bond ETF (BOND)

BOND provides core exposure to the Australian fixed interest market by tracking the S&P/ASX iBoxx Australian Fixed Interest Diversified 0+ Index. The index equally weights Corporate & Covered bonds and Government & Semi-Government bonds, with the latter further split across three maturity buckets, avoiding the concentration seen in traditional market-cap weighted indices. The fund holds 227 securities with an average credit quality of AA and modified duration of 4.86 years, delivering a yield to maturity of 5.36%. Backed by State Street's global scale, BOND offers deep liquidity at a highly competitive 0.10% p.a. management fee, making it an attractive core ballast within a fixed income portfolio. This aligns directly with our shift in fixed income preference toward duration, where long-end Australian government bonds are yielding close to 5% and embedding a meaningful term premium.

INTERNATIONAL EQUITIES

Our panel of favoured international equities offer exposure to categories not available within the Australian stock market. Our focus is on attractive risk-adjusted returns over the long term. We consider the current macro-economic backdrop and investment environment, concentrating on quality companies with proven track records, capable management and competitive advantages.

Favoured stock panel

Company Name	Sector	Share Price ($)	Market Cap ($bn)	12 Month Forward P/E	EPSg CAGR (FY1-FY3)	ROE (FY26)	Net Debt/ EBITDA (FY26)	Dividend Yield (12MF)
Alphabet (GOOG.O)	Communication Services	358.4	1955.4	25.0x	10%	32%	-0.2x	0.2%
Amazon (AMZN.O)	Consumer Discretionary	256.5	2759.4	27.2x	22%	19%	-0.2x	0.0%
Bank of America (BAC.N)	Financials	52.5	372.4	11.0x	13%	12%	N/A	2.2%
Caterpillar (CAT.N)	Industrials	909.8	419.1	33.2x	21%	58%	2.3x	0.7%
Danaher (DHR.N)	Health Care	176.1	124.6	20.1x	9%	11%	1.4x	0.8%
Eli Lilly (LLY.N)	Health Care	1064.2	1002.2	26.0x	19%	81%	0.4x	0.6%
Louis Vuitton Moët Hennessy (LVMH.PA)	Consumer Discretionary	475.0	273.9	20.0x	13%	15%	0.5x	2.7%
Meta Platforms Inc (META.O)	Communication Services	597.6	1517.0	17.6x	10%	31%	0.0x	0.4%
Microsoft Corp (MSFT.O)	Information Technology	441.3	3278.2	22.7x	17%	33%	-0.2x	0.8%
Nvidia Corp Inc (NVDA.O)	Information Technology	222.8	5392.2	21.2x	32%	92%	-0.5x	0.0%
Salesforce (CRM.N)	Information Technology	200.8	164.5	13.6x	13%	17%	-0.5x	0.8%
Schneider Electric (SCHN.PA)	Industrials	287.2	192.7	27.1x	16%	22%	1.2x	1.6%
Tencent (0700.HK)	Communication Services	481.6	560.3	13.1x	12%	20%	-0.4x	1.2%
TSMC (2330.TW)	Information Technology	2380.0	1972.5	21.6x	26%	38%	-0.8x	1.1%
Visa (V.N)	Financials	317.3	597.9	22.0x	13%	68%	N/A	0.9%

Data as at 3/6/2026. Source: Consensus (Refinitiv)

Ins and outs

Removals	
Uber (UBER.N) **Driving into a storm?**	We are removing Uber, primarily because the structural risks are rising quickly. 2026 is shaping up as the year autonomous driving scales: Waymo has just raised $16 billion to accelerate its global growth and is expanding towards more than 20 cities worldwide, including Tokyo and London, while Tesla is targeting around 30 US markets by the end of 2026 and Amazon-owned Zoox plans to launch a paid robotaxi service in the second half of the year. As the shift from human-driven to autonomous moves from pilot to reality, the threat to Uber's core network model grows. Management positions the company as the indispensable demand layer for AV trips, but that case is unproven at scale, and if the leading operators bypass Uber to run their own networks, Uber risks being cut out of the value chain.

Additions	
Salesforce (CRM.N) **AI Tailwind**	We see Salesforce as an attractively priced way to own a world-leading enterprise software franchise at the point where the market's central fear is being disproven rather than confirmed. **Valuation.** CRM trades on ~14x forward earnings, down from 20.5x at the start of the year, after software sold off 30-50% on fears that AI would erode seat-based licensing. For a category leader expected to grow earnings around 13% with expanding margins, a below market multiple looks undemanding. **Franchise quality.** Salesforce is the largest and most diversified SaaS company, spanning sales, service, marketing, commerce, analytics and integration. That breadth, a deep enterprise install base and high switching costs underpin durable, recurring revenue and pricing power. **Durable growth with visibility.** Q1 FY2027 delivered revenue of $11.1bn (+13% YoY), current remaining performance obligations (backlog) of $33.6bn (+14%) giving forward cover, and a record 34.8% non-GAAP operating margin. A $25bn buyback cut the share count by around 10%, supporting per-share growth alongside the operating leverage. **AI as upside, not threat.** Agentforce ARR has crossed $1bn. Because it is priced per agentic work unit, AI usage lifts revenue independently of seat count, and the top ten Agentforce customers grew total Salesforce spend 1.5x year-on-year. This reframes AI as expanding the addressable market and gives optionality the current multiple does not pay for. **Risks.** Q2 revenue guidance was soft, and Tableau and Marketing Cloud remain weak. The AI monetisation thesis needs continued delivery, and a broader software de-rating or macro slowdown would pressure the multiple. **In short**: a world-leading franchise, low-double-digit earnings growth and a re-rating catalyst already in evidence, available at a below market multiple.

Favoured stock panel

Alphabet (GOOG.O)

Alphabet represents a structural leader within the dual revolutions of artificial intelligence and autonomous mobility. Through Gemini, Google is successfully evolving from a search tool into a sophisticated answer engine, creating a powerful revenue flywheel across its Cloud and Workspace ecosystems. Simultaneously, Waymo has established clear dominance in the global robotaxi market, transitioning into a significant long term revenue contributor with expansion into major international hubs. Alphabet's immense free cash flow and robust balance sheet provide a definitive advantage in the capital intensive AI arms race. With consistent double digit growth potential, Alphabet remains a premier compounding machine for any technology focused portfolio.

Dividend Yield	0.2%
12 month forward P/E	25.0x
EPSg CAGR (FY3/FY2)	10%

Amazon (AMZN.O)

Amazon is a dominant player in the global cloud market via Amazon Web Services (AWS). AWS dominates the cloud market, driving earnings growth through its scalable, high-margin infrastructure, AI, and data solutions as businesses accelerate digital transformation.

Enterprises across industries are migrating to the cloud to enhance operational flexibility, improve security, and leverage AI and data analytics. This ongoing transition is fuelled by the need for digital transformation, remote work capabilities, and the competitive advantages of cloud-based solutions over traditional on-premise infrastructure. AMZN's world leading e-commerce business is well-positioned to benefit from a resilient consumer base, a global easing cycle and the ongoing shift towards online shopping.

Dividend Yield	0%
12 month forward P/E	27.2x
EPSg CAGR (FY3/FY2)	22%

Bank of America (BAC.N)

Bank of America is currently cheap relative to its major US peers; the delta of the discount appears unjustified given its positive outlook. The BAC's highly resilient and diversified business structure mitigates risk and positions it to benefit from several key growth areas. Profitability is expected to be primarily driven by solid credit growth from its core lending business and margin expansion from favourable yield curve dynamics. Furthermore, a significant cyclical recovery is anticipated in the Investment Banking division due to an industry-wide rise in deal-making, which, along with continued loan growth and expected higher return on equity, supports a strong case for share price appreciation.

Dividend Yield	2.2%
12 month forward P/E	11.0x
EPSg CAGR (FY3/FY2)	13%

Caterpillar (CAT.N)

Caterpillar is pivoting from cyclical industrial trends to structural growth drivers, specifically AI and the energy transition. The company is aggressively expanding capacity to meet surging data centre power demand while capitalising on the "resource supercycle" through autonomous mining fleets. Although trading at a historically high valuations multiple, the valuation is considered reasonable given these tailwinds. With an earnings upgrade cycle appearing imminent, CAT represents a compelling investment opportunity.

Dividend Yield	0.7%
12 month forward P/E	33.2x
EPSg CAGR (FY3/FY2)	21%

Favoured stock panel

Danaher (DHR.N)

Danaher is a leader in life sciences and diagnostics devices. Its "razor-and-blade" business model generates stable, recurring cash flows, which fuel its proven M&A strategy for compounding value. The valuation is attractive, with the stock trading at a discount to its historical average despite forecasts for double-digit earnings growth. Furthermore, exceptional free cash flow is projected to increase its cash balance to $12.5b by FY27 (from $5b in FY25), providing significant firepower for M&A or capital management, both potential catalysts for the stock.

Dividend Yield	0.8%
12 month forward P/E	20.1x
EPSg CAGR (FY3/FY2)	9%

Eli Lilly (LLY.N)

Eli Lilly is a leading research-based pharmaceutical company that focuses on key franchises in the central nervous system, diabetes & obesity, and oncology markets.

LLY looks attractive as we believe there is upside to current investor expectations across its broad portfolio. We believe the market currently underestimates the potential for key GLP-1 (diabetes and obesity) drugs Mounjaro and Zepbound (tirzepatide) and the diabetes/obesity pipeline (retatrutide and orforglipron), as well as other assets including Omvoh in UC and Crohn's, and Verzenio in adjuvant breast and prostate cancer. Looking ahead, we continue to see high growth potential in what we believe is still a nascent GLP-1 market.

Dividend Yield	0.6%
12 month forward P/E	26.0x
EPSg CAGR (FY3/FY2)	19%

Louis Vuitton Moët Hennessy (LVMH.PA)

Louis Vuitton Moët Hennessy is a high-quality, compounder with strong brand equity, margin resilience, and long-term growth across both personal luxury and experiential consumption. Over 80% of EBIT comes from durable, high-margin brands like Louis Vuitton and Dior, offering pricing power and earnings stability. Its vertically integrated model drives best-in-class margins and capital efficiency. Strategic acquisitions expand category reach and enhance resilience. LVMH is also set to benefit from a recovery in EM consumer demand and rising appetite for experiential luxury. With a strong balance sheet and optionality for further expansion, it remains a quality holding for long-term capital growth.

Dividend Yield	2.7%
12 month forward P/E	20.0x
EPSg CAGR (FY3/FY2)	13%

Meta Platforms Inc (META.O)

Meta is a global social media and networking company that enables users to connect, share, and communicate via computers and mobile devices. It also provides developers with tools to create websites and applications.

Meta's expanding AI-driven products and interactive AI Agents in voice, translation, and video are positioned to boost adoption among creators, celebrities, users, and small businesses. Additionally, its Orion holographic glasses prototype significantly advances Meta's augmented reality ambitions. Given the ongoing AI-led product cycle, Meta remains a top pick in the internet sector, poised to drive user engagement, monetisation, and margin growth.

Dividend Yield	0.4%
12 month forward P/E	17.6x
EPSg CAGR (FY3/FY2)	10%

Favoured stock panel

Microsoft Corp (MSFT.O)

Microsoft's key business segments include Windows operating systems, Office productivity software, Azure cloud computing services, and generative AI products (such as Co-Pilot and Bing AI) in partnership with OpenAI.

We believe MSFT presents a compelling buying opportunity. Our positive outlook is based on the expectation of continued double-digit growth, driven by cloud revenue streams and expanding operating margins. Within the Azure business, we anticipate generative AI will fuel the next wave of growth, building on the pandemic-driven acceleration of customer adoption and consumption. The introduction of generative AI and Copilot features is likely to justify price increases within the Office segment.

Dividend Yield	0.8%
12 month forward P/E	22.7x
EPSg CAGR (FY3/FY2)	17%

Nvidia Corp Inc (NVDA.O)

Nvidia is a leader in graphics processing units or GPUs. It is engaged in creating graphics and networking chips, which are used in gaming, data centres, and automotive end markets.

We believe AI adoption remains in its early stages, with enterprise AI demand set to accelerate as AI agents become more prevalent. NVDA projects a 10-20x growth in data compute requirements, and we are confident that the company is well-positioned to capture a substantial portion of this expanding market, fuelling its growth trajectory over the medium term. NVDA is net cash and generates a very high ROE. NVDA looks attractive trading on a 12 month forward P/E of ~21x with strong expected EPS growth in FY27.

Dividend Yield	0%
12 month forward P/E	21.2x
EPSg CAGR (FY3/FY2)	32%

Salesforce (CRM.N)

We see Salesforce as an attractively priced way to own a world-leading enterprise software franchise at the point where the market's central fear is being disproven rather than confirmed.

In short, Salesforce is a world-leading franchise, low-double-digit earnings growth and a re-rating catalyst already in evidence, available at a below market multiple.

Dividend Yield	0.8%
12 month forward P/E	13.6x
EPSg CAGR (FY3/FY2)	13%

Schneider Electric (SCHN.PA)

Schneider is the world's largest low voltage electrical equipment company, the world leader in medium voltage, and also the largest in critical power and cooling systems used in data centres; it also has a significant presence in industrial automation used to control factories.

As a global leader in energy management and automation, Schneider is well-positioned to capitalise on the accelerating demand for sustainability and digital transformation. A key growth driver is its expanding presence in the data centre market, where it provides advanced cooling and energy-efficient solutions to enhance operational performance and reduce environmental impact. As data consumption surges and cloud adoption rises, Schneider Electric is poised to benefit from the increasing need for sustainable, high-performance infrastructure.

Dividend Yield	1.6%
12 month forward P/E	27.1x
EPSg CAGR (FY3/FY2)	16%

Favoured stock panel

Tencent Holdings (0700.HK)

Tencent is a leading Internet company in China engaged in multiple business lines including online games, social networking services, online advertising, and mobile value-added services. It has extended its leadership in PC over to mobile Internet with Mobile QQ and Weixin/WeChat.

We are positive on Tencent's overall strategic direction based on its mobile open platform initiatives that positions it to capture the significant opportunities in China's mobile internet growth over the next few years. Leveraging off its sticky, integrated mobile user platform on WeChat, Tencent should be able to drive earnings growth by monetising its strengths in mobile advertising, mobile gaming, and mobile payments.

Dividend Yield	1.2%
12 month forward P/E	13.1x
EPSg CAGR (FY3/FY2)	12%

Taiwan Semiconductor Manufacturing (2330.TW)

Taiwan Semiconductor Manufacturing's value proposition rests on its absolute dominance in AI infrastructure and its status as a premier Emerging Market leader. With a significant share of the advanced AI chip market, the firm is the sole enabler for NVIDIA and Apple, and management is guiding for a 60% CAGR in AI revenue through 2029. Beyond simple manufacturing, TSMC's lead is protected by a dual moat: the rapid miniaturisation of transistors via the new 2nm node—which delivers 30% power savings—and its proprietary CoWoS packaging technology, which is currently the global bottleneck for AI chip production. We are adding TSMC due to our tactical preference for high-quality EM stocks, which offer exposure to the AI revolution at a more attractive valuation than US mega-caps. This growth is underpinned by a strong balance sheet, with record capex fully funded by internal cash flow.

Dividend Yield	1.1%
12 month forward P/E	21.6x
EPSg CAGR (FY3/FY2)	26%

Visa Inc. (V.N)

Visa is the world's largest retail electronic payments network, providing advanced transaction processing services across more than 200 countries. Visa's robust business model, dominant market position, and operating leverage support its strong earnings growth outlook, driven by secular trends such as the shift to electronic payments, digital commerce expansion, emerging payment channels, and B2B opportunities. As a high-quality stock with a strong growth outlook, Visa is well-suited for global equity portfolios with a long-term view.

Dividend Yield	0.9%
12 month forward P/E	22.0x
EPSg CAGR (FY3/FY2)	13%

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Bell Potter Securities acted as Sole Lead Manager to ELS's $60m capital raise in July 2025 and received fees for that service.

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