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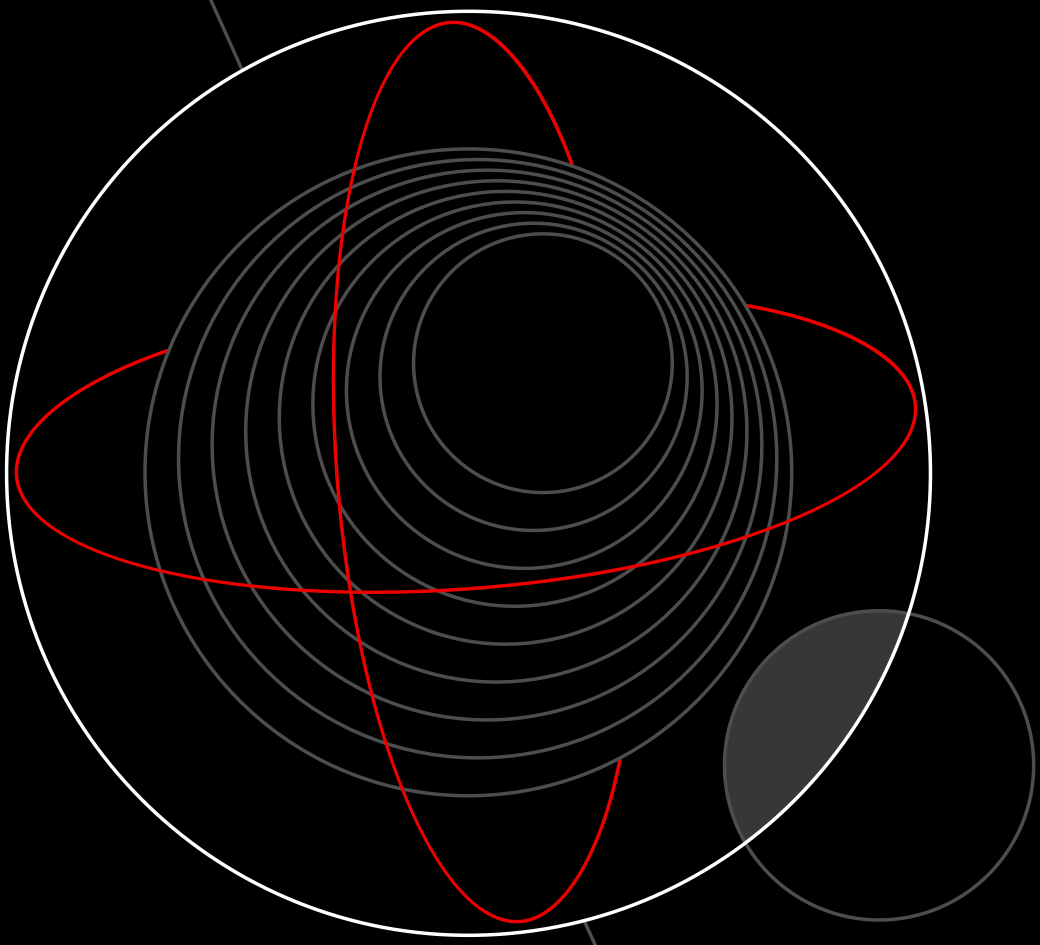
NAB PRIVATE WEALTH

INVESTOR FORUM

2025



together with nabtrade JBWere

Sydney panel

Glen Bertram, JBWere (keynote speaker)
Chief Investment Officer (acting)

Ken Liow, Realm Investment House
Head of Strategy & Risk, Partner

Philip King, Regal Funds Management
Co-founder and Chief Investment Officer, Long/Short Equities

Melbourne panel

Glen Bertram, JBWere (keynote speaker)
Chief Investment Officer (acting)

Andrew Papageorgiou, Realm Investment House
Head of Bank Capital & Corporate Credit, Managing Partner

Jessica Farr-Jones, Regal Funds Management
Portfolio Manager

Perth panel

Glen Bertram, JBWere (keynote speaker)
Chief Investment Officer (acting)

Andrew Papageorgiou, Realm Investment House
Head of Bank Capital & Corporate Credit, Managing Partner

Charlie Aitken, Regal Partners
Investment Director

Across three evenings in Sydney, Melbourne and Perth, NAB Private Wealth investors came together to gain insights from some of Australia's foremost investment experts on the topic: *The intersection between geopolitics and the markets.* Here, we outline the key themes that emerged and that are expected to shape the investment landscape in the months ahead.

01 A new world order and its financial implications

02 The bond market and the US dollar

03 It's time to think big about small caps

04 Australia's golden opportunity

TOPIC 1: A NEW WORLD ORDER AND ITS FINANCIAL IMPLICATIONS

Key takeaway: The new policy framework introduced by the current US Administration is expected to continue for years to come. Consider reviewing exposure to US-related assets.

The shift in US trade policy has significant implications for financial markets that investors should carefully consider.

The current Administration's approach can at times seem unpredictable or lacking a clear strategy. However, if we put these actions into context and listen to the commentary of policy advisers, JBWere acting CIO Glen Bertram told the NAB Private Wealth Investor Forum, it's clear there is a broader vision – one that involves a deliberate move away from the neo-liberal world order built on trade and the free flow of people, labour and capital.

This trend isn't new. Since the Global Financial Crisis, political resistance to an integrated global economy has grown in many countries, driven by concerns that globalisation has deepened inequality across different segments of society.

Ironically, the US has been the main beneficiary of this world order, thanks in part to a strong US dollar, superior corporate earnings and consistently higher market valuations. But Main Street hasn't shared in Wall Street's gains, Mr Bertram pointed out to his audience. While capital markets have surged, the real economy has lagged. The national debt has continued to rise steeply, with the annual interest bill now approaching US$1.1 trillion. Meanwhile, the US has accumulated a massive trade deficit – in contrast to countries like China, which continue to run large surpluses.

The wave of Trump tariffs is an attempt to address these issues and reshape the global economic order, but in double-quick time. However, it is very difficult to reverse decades of investment and geopolitical norms almost overnight – norms that have taken 10, 20 or 50 years to build since World War II.

"As US Treasury Secretary Scott Bessent said, the policy shift accepts that while Wall Street has played an important part in financing the American dream, it is Main Street's turn to share in some of the prosperity."

Glen Bertram, JBWere Chief Investment Officer (acting)

That presents real challenges. If the goal is to encourage more manufacturing domestically, companies like Apple can't suddenly relocate iPhone production to the US regardless of tariff levels. A slower, phased approach over five to 10 years might be more realistic, even if it remains controversial.

"In a heightened volatility environment, if you don't have the right amount of risk in your portfolio, it's going to be really easy to get caught off guard. You could get pushed out of positions at the wrong time and end up buying them back at higher prices."

Charlie Aitken, Regal Partners Investment Director

So, what should investors do about all this? While Trump continues to adjust the timing and rates of his tariffs, it's important to understand that the underlying philosophy is less transient. "Our view is that the policy direction of this Administration reflects widely held views and is likely to persist for quite some time – years and years," Mr Bertram said.

That could have a big impact on investment portfolios – particularly those that are overweight in US assets. As a result, now is a good time to focus on what you can control: reviewing your portfolio and managing risk, including maintaining diversification and potentially reducing exposure to US-related assets.

Key US economic policy priorities:

1. Rebalance trade relationships
2. Reduce corporate tax burden
3. Streamline regulatory framework

TOPIC 2:
THE BOND MARKET AND THE US DOLLAR

Key takeaway: Managing exposure to US bonds and US dollar-denominated assets will become increasingly important.

“We talk about rates that have all gone back to normal. One of the rates that hasn’t gone back to normal is the swap spread. That’s the difference between where US Treasuries trade and where the theoretical risk-free rate should be.”

Andrew Papageorgiou, Realm Investment House Head of Bank Capital & Corporate Credit, Managing Partner

US Treasuries have been widely viewed as the benchmark ‘risk-free’ asset since WWII, largely due to the country’s strong credit standing and the US dollar’s role as the world’s dominant reserve currency.

However, since President Trump took office, and particularly since the announcement of tariffs in April, the yields on US Treasuries have fluctuated significantly, with the 30-year Treasury bond yield breaking through 5% in late May.

That’s highly unusual, said Ken Liow, Head of Strategy & Risk and Partner at Realm Investment House, at the Investor Forum in Sydney. Usually, any panic in the markets sees a flight to safety, namely to US Treasuries. This, in turn, drives down bond yields, even as the US dollar appreciates.

In fact, the opposite has occurred. US bond yields went up and the US dollar fell. “The US Treasury bonds are pricing like a credit instrument. They’re no longer actually functioning like a risk-free asset,” Mr Liow told his audience.

This has implications for countries around the world that hold significant US debt. It’s even more problematic for the US itself. Higher yields mean rising interest payments on existing US debt.

As the largest debtor nation in the world, the US faces rising interest payments on existing debt. With current yields above historical averages, this creates dangerous leverage for the government.

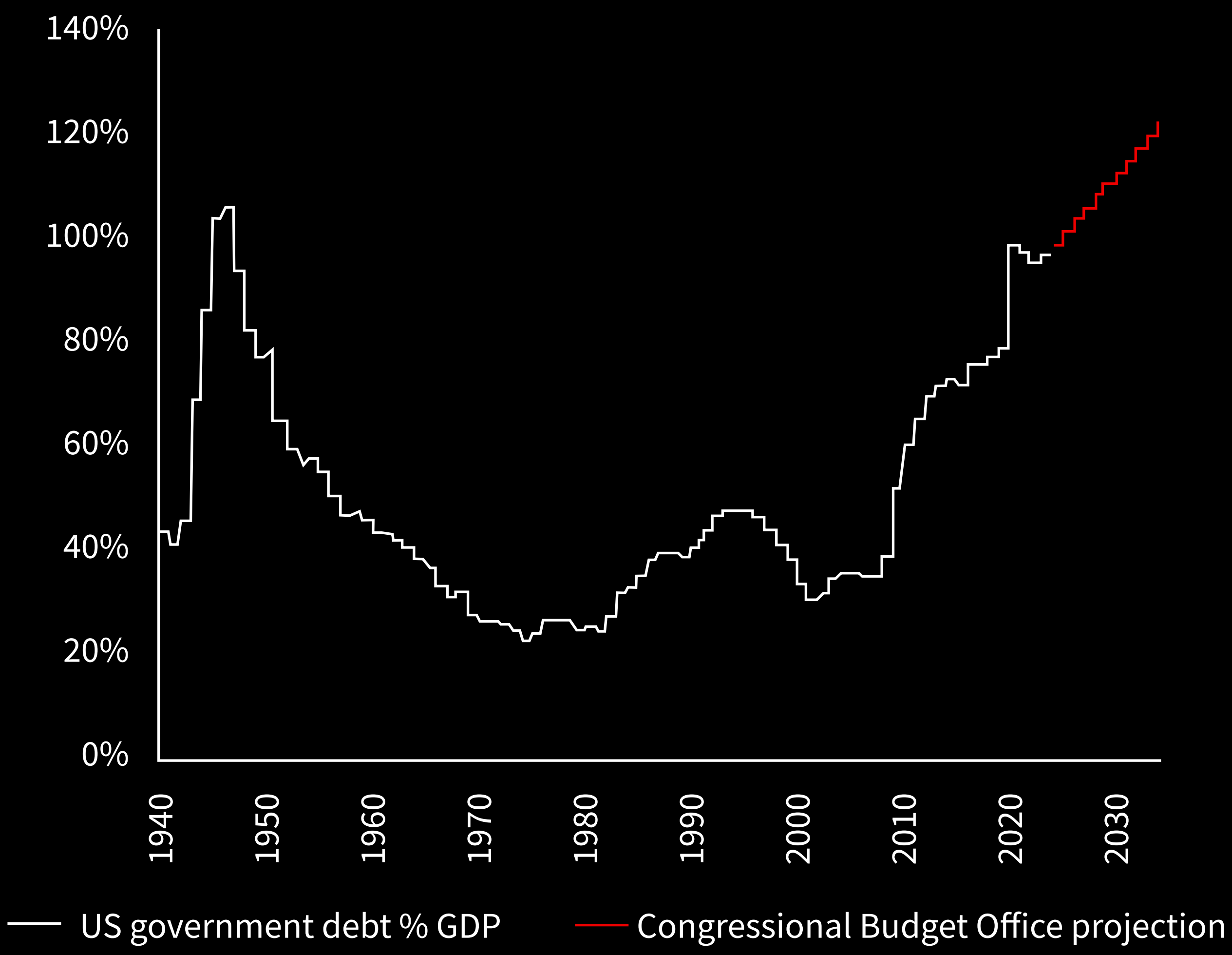
With pressure mounting across bond, equity and currency markets, something has to give – and it could well be the US dollar, said Mr Bertram in his keynote address. In fact, NAB Economics believes the dollar is likely to face sustained, multi-year downward pressure.

This is a challenge for many investors given the significant amount of unhedged US dollar risk sitting in many portfolios. In fact, actively managing exposure to US bonds and US dollar-denominated assets will become increasingly important.

What to do? If you’re concerned that US Treasuries may no longer function reliably as a risk-free asset, you might consider shifting some of that exposure back home into Australian government bonds. Or you might turn to defensive stocks or alternatives such as commodities and infrastructure.

However, diversification remains key – both across alternatives and geographies – as does the regular assessment of not only economic risks but geopolitical risks as well.

US government debt



Source: Congressional Budget Office, US Treasury Department, 2024

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People are starting to talk about the sustainability of US debt. You're hearing reports that the annual US interest bill is now approximately 1.1 trillion dollars a year."

Andrew Papageorgiou, Realm Investment House
Head of Bank Capital & Corporate Credit, Managing Partner

TOPIC 3:
IT'S TIME TO THINK BIG ABOUT SMALL CAPS

Key takeaway: Small-cap companies have been largely overlooked by investors and currently offer attractive valuations.

Small-cap companies have been underperforming large-cap companies in Australia and globally.

There's good reason for that. Much of the performance in large-cap stocks has been driven by the passive investment bubble, fuelled by the rise of Exchange Traded Funds (ETFs) and index-based strategies, which favour large-cap stocks.

Australia's industry superannuation funds exemplify this trend. For the most part, they are judged not only by the returns they generate, but by how low their management costs are. This encourages them to invest in large, liquid stocks that make up the major indices.

"A lot of the large-cap stocks out there, both in Australia and the US, have been caught up in this passive investment bubble and I think a lot of small-cap stocks are being left behind."

Philip King,
Regal Funds Management
Co-founder and Chief Investment Officer,
Long/Short Equities

At the same time, none of these funds want to underperform their peers and risk being unfavourably compared with other funds, Mr King pointed out. This reinforces their focus on larger stocks as they closely track benchmarks to remain competitive.

"As a result, it's not surprising that small-cap stocks are being overlooked and, as a consequence, now offer more attractive valuations."

Of course, not all small-caps are created equal and many are vulnerable to the current volatility we are seeing in the markets. According to Jessica Farr-Jones, Portfolio Manager at Regal Funds Management, potential safe havens include high-quality companies such as CAR Group (carsales.com) that dominate their particular market. Financial platforms with growing market share, such as HUB24 in Australia, may also offer good investment opportunities. And then there's AI-linked infrastructure, such as data centres, to consider.

As Ms Farr-Jones told the Melbourne Investment Forum, "A couple of months ago, the consensus narrative was that we were spending too much on AI. I personally haven't really subscribed to that narrative."

"There are easier ways to make money in the market than trying to be the smartest person in the room. My view is that owning really high-quality companies over the next few years, regardless of what plays out with this tariff situation, has been a good strategy."

Jessica Farr-Jones,
Regal Funds Management
Portfolio Manager

TOPIC 4: AUSTRALIA'S GOLDEN OPPORTUNITY

Key takeaway: Australian mining companies present a compelling investment opportunity driven by global supply constraints.

As investors seek alternatives to US debt, or safe havens from ongoing equity market volatility, Australia is emerging as an increasingly attractive destination.

"The US corporate market looks slightly more at risk than the Australian market and, staying in the Australian market will, generally speaking, earn you a better risk-adjusted return on investment," said Ken Liow, Head of Strategy & Risk and Partner at Realm Investment House, while speaking at the Sydney Investor Forum.

It's a similar story in equities – without the added downside of Australia's small and illiquid corporate debt market. "We see a lot of better value outside of America and, quite frankly, we're very bullish on Australia," Regal Partners Investment Director Charlie Aitken told the Perth Investor Forum.

Gold is a key focus for his firm. As Mr Aitken pointed out, gold equities have lagged the gold price in a way we haven't seen for decades. That disconnect points to a strong opportunity, particularly in Australian mid-cap gold miners.

It also helps that gold is typically priced in US dollars and is therefore likely to benefit from any potential decline in the US dollar. "We think gold equities are grossly cheap and we think they have tremendous leverage," Mr Aitken said.

The same goes for many other commodities. In particular, longer-term macro trends like the onshoring of manufacturing and the green energy transition are driving the outlook for the sector.

As Mr King said at the Sydney Investor Forum, uranium and copper are in high demand, even as supply has never been more constrained. "There aren't many new copper mines coming into production; there's going to be a huge deficit in uranium. So I think it's a great time to have mining in your portfolio."

"In Australia, we have a competitive edge in resources and energy sectors. I think hard assets are a great place to be when people are looking for alternatives to US debt."

Philip King,
Regal Funds Management
Co-founder and Chief Investment Officer, Long/Short Equities