COOLABAH CAPITAL INVESTMENTS

THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

Fund: **Coolabah Global Carbon Leaders Fund - Institutional Investor Class**

Strategy: **Global Carbon Leaders**

Return (since Dec. 2025): **1.11% gross (0.90% net)**

Net return volatility (since Dec. 2025): **0.73% pa**

February 2026

Objective: The Fund targets returns in excess of the RBA Overnight Cash Rate (RBACOR), after management fees and costs and performance fees, by 3.0% per annum over a rolling 3 year period.

Strategy: The Fund offers an active fixed-income strategy primarily focused on mispricings in liquid, investment grade bond markets with the aim of seeking positive environmental outcomes by investing a portion of the portfolio in green, sustainable, or sustainability-linked bonds and bonds of Carbon Leaders.

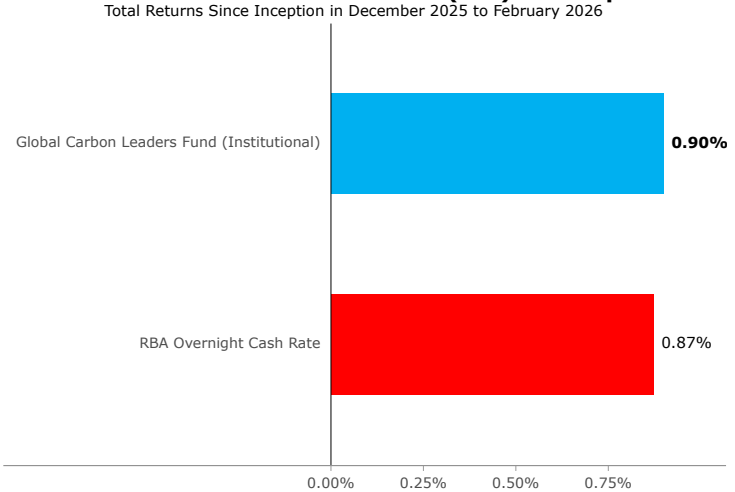
The strategy is designed to address the goals of investors wanting a fixed income investment portfolio that seeks to facilitate certain positive environmental outcomes and maximizes monetary returns while minimizing risks.

The Investment Manager aims to achieve this by targeting investment of at least 100% of the Fund's Net Asset Value (NAV) in long positions in green, sustainable or sustainability-linked bonds or other fixed income securities, as determined by an issuer, which seek to exclusively finance green and sustainable projects or activities (or are linked to positive climate outcomes). The remaining proportion of the Fund's investments, excluding cash, cash equivalents and derivatives, will be invested in bonds and other fixed income securities issued by "Carbon Leaders". Carbon Leaders are issuers the Investment Manager has determined to have certain positive characteristics with respect to their greenhouse gas (GHG) emissions profile and targets.

Period Ending 2026-02-28	Gross Return	Net Return	RBA Overnight Cash Rate	Gross Excess Return‡	Net Excess Return‡
1 month	-0.11%	-0.08%	0.29%	-0.40%	-0.37%
Inception Dec. 2025	**1.11%**	**0.90%**	**0.87%**	**0.24%**	**0.03%**

Global Carbon Leaders Fund Returns (Net) vs Comparisons

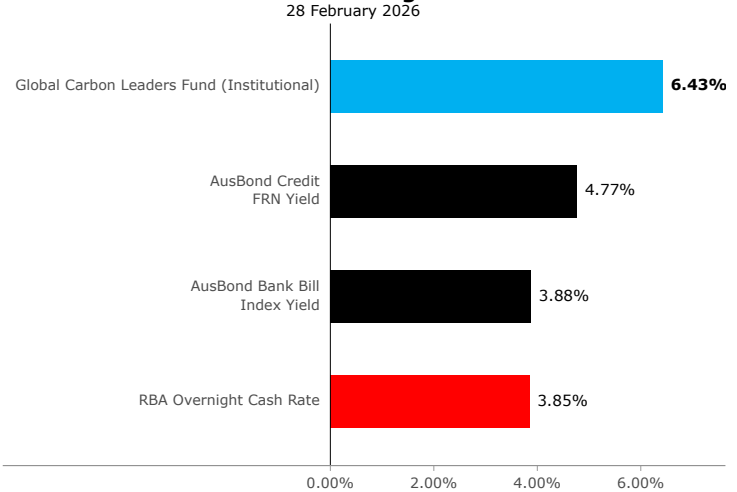
Total Returns Since Inception in December 2025 to February 2026



Data Source: RBA, Bloomberg, Apex Fund Services, Coolabah Capital Investments

Annual Running Yield

28 February 2026



Data Source: RBA, Bloomberg, Coolabah Capital Investments

‡ The Excess Return columns represent the gross and net return above the RBA cash rate.

Disclaimer: Past performance does not assure future returns. Returns and yields are shown net of management fees and costs unless otherwise stated. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. To understand Fund's risks better, please refer to the Product Disclosure Statement available at Coolabah Capital Investments' website.

Note: all portfolio statistics other than yields and duration are reported on gross asset value

Av. Portfolio Credit Rating	A+	Av. Interest Rate (Gross Running Yield)	6.43%
Portfolio MSCI ESG Rating	AA	Modified Interest Rate Duration	0.27 years
No. Cash Accounts	13	Gearing Permitted?	Yes
No. Notes and Bonds	115	Net Annual Volatility (since incep.)	0.73%

Signatory of: PRI Principles for Responsible Investment

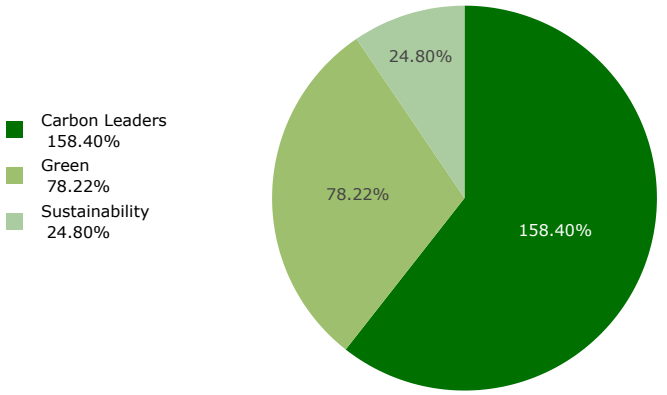
MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

Asset weighted average rating

Global Carbon Leaders Fund Portfolio Allocation (NAV)

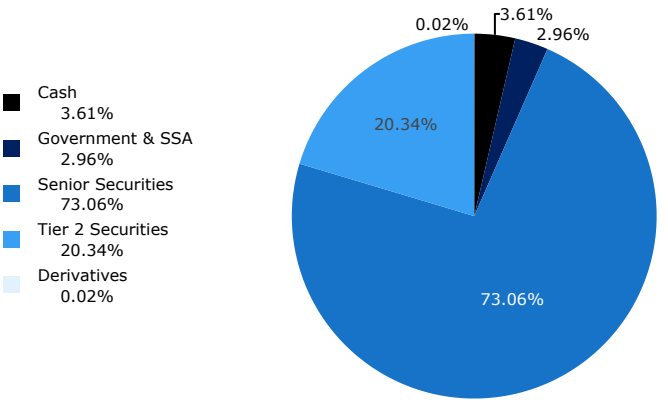
28 February 2026



Data Source: Coolabah Capital Investments

Global Carbon Leaders Fund Portfolio Composition (GAV)

28 February 2026



Data Source: Coolabah Capital Investments

Top 5 Green, Sustainable and SLB Holdings

Security	Rating	Yield to Call	Bond Type
ANZ 0 02/23/37 MTN	A-	5.29%	Sustainable
NAB 3 ⅛ 02/28/30 emtN	AA-	2.78%	Green
DANBNK 3 ½ 05/26/33 EMTN	A-	3.20%	Green
DANBNK 3 ⅝ 12/02/33 EMTN	A-	3.36%	Green
BNP 3.494 09/17/33 EMTN	A-	3.48%	Green

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Portfolio Managers	Christopher Joye, Ashley Kabel, Roger Douglas, Fionn O'Leary (Coolabah Capital Investments)		
APIR Code	ETL9447AU	Fund Inception	01-Dec-2025
ISIN	AU60ETL94470	Distributions	Monthly
Asset-Class	Global Carbon Leaders	Min. Investment	AUD$1,000
Target Objective	Net 3.0% pa over RBA cash rate	Withdrawals	Daily requests (funds normally in 3 days)
Investment Manager	Coolabah Capital Investments (Retail)	Buy/Sell Spread	0.00%/0.05%
Responsible Entity	Equity Trustees	Mgt. & Admin Fee	0.75% pa
Custodian	Citigroup	Perf. Fee	20.5% of returns over RBA cash rate + 0.75% pa

Signatory of: PRI Principles for Responsible Investment

MSCI ESG RATINGS AA
CCC B BB BBB A AA AAA
Asset weighted average rating

Portfolio commentary: In February, the zero-duration daily liquidity Global Carbon Leaders Fund (CBNX) returned -0.11% gross (-0.08% net), compared to the AusBond Bank Bill Index (0.28%), the RBA Overnight Cash Rate (0.29%), and the AusBond Credit FRN Index (0.32%). CBNX ended February with a running yield of 6.43% pa, a weighted-average credit rating of A+, and a portfolio weighted average MSCI ESG rating of AA.

Since the inception of CBNX in December 2025, it has returned 1.11% gross (0.90% net), compared to the RBA Overnight Cash Rate (0.87%), the AusBond Bank Bill Index (0.89%), and the AusBond Credit FRN Index (1.14%). While CBNX's return volatility since inception has been low at around 0.73% pa (measured using daily returns), as a daily liquidity product with assets that are marked-to-market using executable prices, volatility does exist. This contrasts with illiquid credit (eg, loans and high yield bonds) wherein assets that have very high risk can appear to have remarkably low volatility, which is, in fact, just a mirage explained by the inability to properly value these assets using executable prices.

CBNX invested in 22 green bonds and 6 sustainable bonds, comprising 103.0% of fund NAV. Additionally, the fund invested in 87 bonds, comprising 158.4% of fund NAV, of Carbon Leaders – issuers Coolabah deem to have robust environmental profiles, both now and into the future.

Weighted average ESG scores and GHG metrics	CBNX (weighted average)	Bloomberg Global Aggregate Corporate Index[1]
MSCI ESG Rating	AA	A
MSCI Environmental Risk Score (0 worst, 10 best)	8.9	7.1
MSCI Carbon Emissions Score (0 worst, 10 best)	10	9.1
Greenhouse Gas Asset Intensity[2]	Labelled Bonds: 10.20 Carbon Leaders: 0.15	63
Greenhouse Gas Revenue Intensity[3]	Labelled Bonds: 13.11 Carbon Leaders: 0.41	214

[1]The Bloomberg Global Aggregate Corporate Index is used for comparison purposes only. It is not the benchmark for CBNX.
[2]Figures represent blended weighted average of Scope 1 and 2 GHG (reported or estimated by Bloomberg) per million USD total assets for corporate issuers, and reported GHG per million USD of GDP for government-related issuers.
[3]Figures represent blended weighted average of Scope 1 and 2 GHG (reported or estimated by Bloomberg) per million USD total revenue for corporate issuers, and reported GHG per million USD of GDP for government-related issuers.

Strategy commentary: Climate Landscape

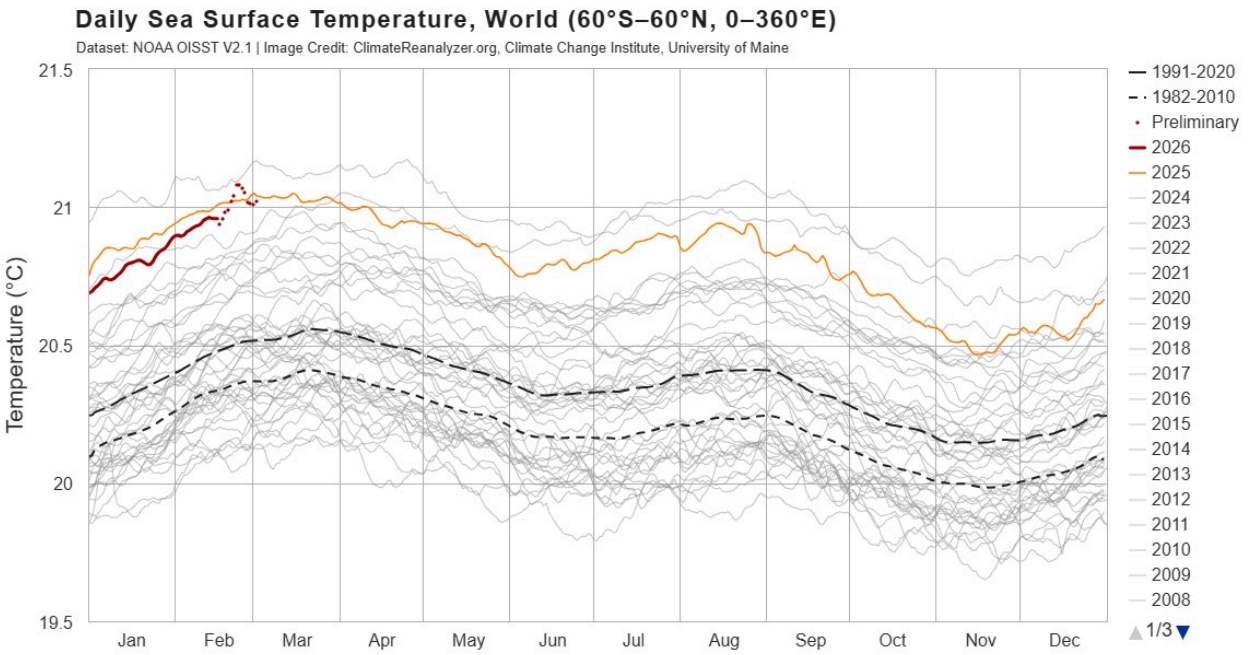
In February, there were several positive developments across climate change-related policy, regulation, and market trends. Highlights included:

- The United Nations approved the first ever carbon credits issued under the Paris Agreement's Article 6.4 carbon market mechanism, marking a major operational milestone for the long-awaited global carbon market. The inaugural credits were generated from a clean-cooking project in Myanmar that distributes efficient cookstoves, reducing harmful indoor air pollution and easing pressure on local forests.
- The European Commission adopted its first voluntary certification methodologies for permanent carbon removals, covering direct air capture with carbon storage (DACCS), and biogenic emissions capture with carbon storage (BioCCS). The European Commission also launched public consultations on post-2030 climate policy, building on the December 2025 provisional agreement between the European Parliament and Council endorsing a legally binding target to cut net greenhouse gas emissions by 90% by 2040 compared to 1990 levels.
- The California Air Resources Board adopted initial regulations implementing its Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act, establishing reporting requirements and implementation fees for large corporations doing business in the state.

Strategy commentary cont'd:

- New data released in February from China, the world's largest emitter (responsible for ~25% of global CO2e) confirmed that wind and solar power capacity surpassed coal capacity in the country's electricity mix for the first time in 2025.

February 2026 was the third-warmest February on record, following 2024 and 2025. The average global sea surface temperature reached 20.97°C for the month, 0.64°C above the 1982–2010 February average.



Source: Climate Reanalyzer. Daily Sea Surface Temperature. Climate Change Institute, University of Maine. Retrieved 3 March, 2026, from https://climatereanalyzer.org/

February 2026 continued the pattern seen in January of extreme Northern Hemisphere winter storms and intense rainfall and flooding.

The eastern United States endured one of its most sustained cold spells in years, with New York City recording nine consecutive days of below-freezing temperatures. The cold culminated in a historic blizzard from 22 to 24 February, which dumped 60 to 90 cm of snow across much of the northeastern cities, brought hurricane-strength wind gusts approaching 160 km/h along the New England coast, and left over 600,000 people without power.

In Europe, the Iberian Peninsula bore the brunt of an extraordinary cluster of Atlantic storms. Following Storm Kristin in late January, Storms Leonardo, Marta, Nils, Oriana and Pedro struck in rapid succession through February, bringing torrential rain, destructive winds and widespread flooding to Portugal and Spain. The Portuguese government declared a state of calamity. At least seven people were killed across the two countries during the February storms. France experienced its longest unbroken streak of rain since records began in 1959, with 40 consecutive days of precipitation from 14 January to 22 February. The Bordeaux region activated its emergency plan for the first time since 1999 as rivers burst their banks, and Storm Nils alone left nearly one million households without electricity.

In South America, persistent heavy rainfall since late January triggered catastrophic flooding in Colombia, killing at least 44 people. Southeastern Brazil suffered devastating floods and landslides in late February after receiving more than three times its average monthly rainfall, leaving at least 70 people dead and thousands displaced.

Strategy commentary cont'd: In terms of tropical cyclone activity, Tropical Cyclone Gezani formed early in the month and made landfall in Madagascar. Following the trend of recent TCs, Gezani formed on as a tropical disturbance and underwent rapid intensification, going from a moderate tropical storm to an intense tropical cyclone in just 24 hours.

Coolabah Commentary

Following strong performance of risk assets in January, February saw a retracement. The Nasdaq 100 and S&P 500 declined 2.3% and 0.8% respectively, despite resilient economic data, with US payrolls posting their largest gain in over a year and the ISM manufacturing index reaching its strongest level since 2022.

Weakness was largely driven by concerns around AI disintermediating white-collar sectors, with software and services falling 10% over the month. Sentiment was further unsettled by a widely circulated Citrini Research note suggesting aggressive AI adoption could tip the US economy into recession by 2027.

In contrast, Japanese equities performed strongly, with Prime Minister Takaichi's commanding election victory helping drive the Nikkei up 10.4% to a new record high.

Although US military action in Iran occurred after month-end - and was not therefore reflected in February's asset performance - escalating tensions between the two countries were already evident in commodity markets, with Brent crude rising 2.5% to a seven-month high.

The US Supreme Court struck down President Trump's IEEPA-based tariffs, ruling that the statute did not grant such powers. The administration responded quickly by announcing a 10% global tariff for 150 days, adding further uncertainty around the trajectory of US trade policy.

Amid geopolitical tensions, trade uncertainty and concerns around AI-driven disruption, safe-haven demand increased and global benchmark 10-year government bond yields declined sharply: US Treasuries fell 30bps, German Bunds 20bps, UK Gilts 29bps and French OATs 21bps.

Credit markets widened in line with the broader risk-off tone, with US and European investment-grade spreads ending the month 10bps and 11bps wider respectively. In Australia, senior spreads were unchanged and subordinated bond spreads rose by 4bps. This taxed the performance of interest-rate hedged, or zero-duration, strategies.

In Europe, €85bn of investment-grade credit was issued during the month, including €38bn from financials and €47bn from corporates. Financials deals averaged a 2.4x subscription rate, reflecting falling yields and deals pricing with limited new-issue premium. The standout transaction was Google's five-part £5.5bn issuance, which attracted £30bn of demand and included a 100-year tranche. Other notable issuers included Goldman Sachs, BPCE and NatWest.

In the US, $193bn of investment-grade credit was issued in February, heavily skewed toward corporates, which accounted for around 70% of total supply. Within financials, most deals priced with limited new-issue concession and, as a result, average secondary performance was marginally weaker, with spreads around 0.4bps wider on the break.

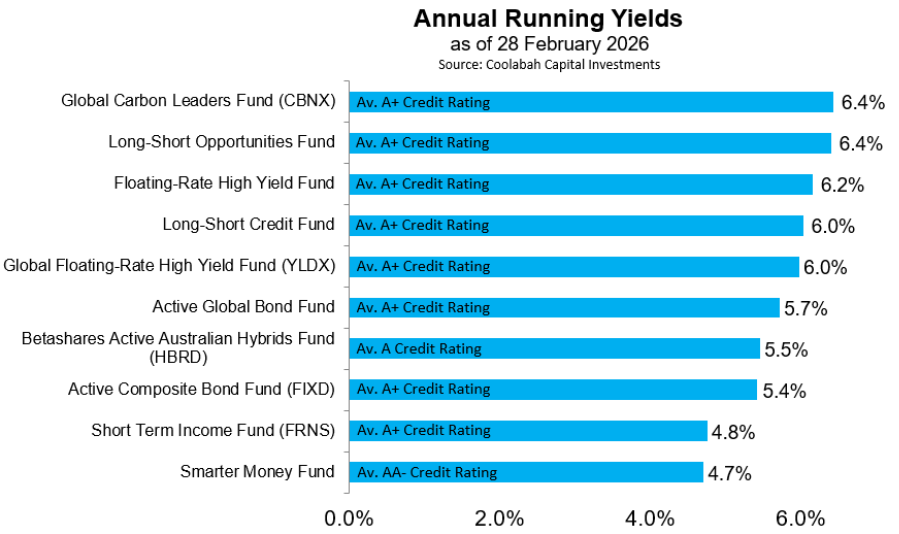
In Australia, A$24.5bn of investment-grade credit was issued during the month, this was heavily skewed towards financials, making up 87% of issuance. Within financials issuance, we saw issuers initially favour senior bonds before issuing more subordinated debt. Credit spreads are tight compared with historical ranges, especially in subordinated debt, so as issuance continued, we saw demand fall despite reasonable new-issue concessions.

A$ financial senior deals averaged a 2.8x subscription rate compared to financial subordinated deals which averaged a 2.2x subscription rate. Semis issued around A$12bn of bonds during the month across syndications, tenders, and reverse enquiries. All states issued except for ACT. Syndication accounted for A$8.5bn of bonds, with an average subscription rate of 3.75x, and a significant increase in offshore participation.

Strategy commentary cont'd: In sovereign markets, the month of February was characterised by heightened market uncertainty. Iran has dominated the headlines, with its talks with the US almost a daily focus for markets. New Federal Reserve Chair Kevin Warsh, announced on the last day of January, has also been at the centre of attention, with market participants attempting to discern both the direction and potential impact of his future policy stance.

The general market response has been to buy treasuries — and safe havens more broadly. Gold is once again higher on the month, just off its highs, and the US 2s30s curve is 5bps steeper, reflecting what could be a more dovish Fed at the front end paired with a tighter stance on the Fed balance sheet at the longer end.

Despite these market headwinds, February was still a decent month for issuance, with the main European sovereigns now, on average, around 20% through their annual funding needs, and Tier 1 SSA issuers such as the European Investment Bank having completed around 50% of their global funding programmes for the year.



Avoid cockroaches like the plague in the higher-for-longer world

We have been focused on several core macro theses. The first is that AI could be inflationary, rather than deflationary, given the spending and ensuing bottlenecks it is generating, without yet displacing large swathes of the labour market.

A second idea is that inflation may be stickier than markets expect in light of rampant public spending, low unemployment rates, and, in countries like Australia, New Zealand and the UK, persistently dire productivity.

As our colleague Kieran Davies recently showed, core inflation in most developed nations has been stuck above their central banks' targets. Australia is distinguished by the fact that we are the only country where unemployment is lower than the so-called natural rate that is compatible with stable inflation.

This is attributable to the Reserve Bank of Australia's decision to lavish the local economy with excessively cheap money in the name of driving artificially high employment growth, which was particularly helpful during the federal election last year!

The third is that markets have not been properly pricing in the risks of interest rate increases and/or a hawkish pivot from the US Federal Reserve. In mid-2025, there was a 0% probability imputed to US rate rises over the next three years, which made no sense. The recent oil and gas shocks in the Middle East could substantially raise the chance of a re-rating of future interest rate expectations. In many countries, gas prices have jumped by more than 50%.

Strategy commentary cont'd: A fourth idea has been that the perennially underestimated US President Donald Trump is the most influential actor of the 21st century. Trump is reshaping everything: the penetration of alternative and mainstream media; global trade; the defence and foreign policies of almost all nations; conflicts in Europe and the Middle East; the fate of individual states like Venezuela, Iran, Cuba and Greenland; the calculus of key adversaries, like China and Russia; the tenure and longevity of despots (Maduro and Khamenei); and, of course, his domestic economy, polity and sense of national identity. Nobody really saw this coming back in the Celebrity Apprentice days.

A fifth thought has been that the US economy will be stronger than most people assume as a result of super stimulatory fiscal and monetary policy, re-shoring of strategic supply chains, the AI capex boom (which hyper-scalers are desperately trying to understate), aggressive deregulation, and an ascendent entrepreneurial zeitgeist as the private rather than the public sector is reinstated as the heart and soul of the economy.

A final insight has been that "re-dollarisation" rather than "de-dollarisation" could come back in vogue due to Trump's assertive revival of US exceptionalism and geopolitical primacy. Whether you like it or not, US hegemony is back. Even Trump's regulation of "stablecoins", which now have to be backed by US dollar assets, creates demand for his own exchange rate. The ultimate value of any currency is the guarantee afforded by its government. And there is no stronger backing right now than that offered by the United States of America.

One investment corollary of all of this is that you want to avoid default risk, or Jamie Dimon's so-called "cockroaches", like the plague in a higher-for-longer rate environment. If rates continue to climb, we will see more and more household and corporate stress, which few have prepared properly for.

Another is that you want to be as liquid as possible. In recent times, investors across different asset classes have been repeatedly burnt by illiquidity (or the inability to trade). Many have been locked, or gated, in their funds, unable to withdraw money when everyone rushes for the exit at the same time. We have seen examples of this in real estate and risky debt markets.

The cost of illiquidity has been underestimated by investors duped by the search for yield, especially during the low-rates-for-long climate that prevailed after the global financial crisis. The problem with the absence of liquidity is that it gives you zero freedom to adjust your decisions in times of crisis, or in periods of distorted valuations, when you would normally want to capitalise on such opportunities.

It is little appreciated that we typically start with tremendous illiquidity in our lives: your house is illiquid; your human capital likewise (it is hard moving jobs); a business owner's equity is difficult to trade; we cannot touch our super savings until we are 65; and then we are often encouraged to load-up on illiquid assets via a portfolio construction process that often ignores these constraints. One should, therefore, consider liquid assets, especially when the expected returns offered by illiquid alternatives are lower than they have been in the past, which is generally true today.

Perhaps the cheapest asset right now is the simplest and safest: cash, which also affords almost infinite liquidity and flexibility. The interest rate available on the Reserve Bank of Australia's cash rate, or bank-issued term deposits, is much higher than it has been, on average, over the past 25 years. The same observation is true of US cash.

Long-term risk-free rates are also attractive by historical standards. The yield on a 10-year, AAA-rated Australian Commonwealth government bond is way above its 25-year average. And for good reason: the budget deficits today are much bigger than they have been in the past.

Fixed-income investors are, therefore, demanding higher interest rates on otherwise riskless debt. They worry about imprudent political spending, inflation and interest rates. They are, as a consequence, requiring more compensation for this uncertainty in the form of higher yields.

Strategy commentary cont'd: The 're-dollarisation' trade is crushing gold and bitcoin

Two of our biggest ideas in 2025 were the notion of US "re-dollarisation" and the prospect of interest rate increases rather than decreases (and a higher long-term cost of capital more generally).

In 2026, we have seen both the re-emergence of tighter monetary policy and early signs of the revival of the US dollar as the dominant global currency. The collapses in the price of both gold and bitcoin are two clear casualties of the re-dollarisation dynamic.

This latter is based on the belief that the US is aggressively re-establishing its hegemonic primacy and driving a resurgence in its competitive economic advantages in innovation, entrepreneurship and production. The AI-induced hyperscaler capex boom is the one example of this. Another is US President Donald Trump's unprecedented projection of American power right around the globe.

The trigger for the plunge in the value of cryptocurrencies and gold, which had been leveraged as an alternative savings solution to the dollar, was (counter-intuitively) Trump announcing his choice for the US Federal Reserve chair to replace incumbent Jerome Powell.

While the mainstream elites would have us believe that Trump was going to select a dovish patsy to slash rates and destroy the Fed's credibility, he opted instead for the long-time inflation hawk Kevin Warsh.

Warsh is a former Morgan Stanley investment banker who served on the Fed board between 2006 and 2011. During this tenure he developed a reputation for being an uber-hawk, opposing quantitative easing and excessively cheap money, and seeking rapid normalisation of near-zero interest rate policies even when the economy seemed weak.

The stunning 75% rise in the value of gold reflected investor concerns about US monetary debasement, Trump's perceived degradation of the Fed's credibility and the risk of higher inflation as a consequence of profligate fiscal policy.

Cryptocurrencies have relentlessly exploited these apprehensions, purporting to be an inflation hedge and superior store of wealth. This fool's gold was given a huge boost by Trump's crypto-boosting policies that were arguably designed to advance his own personal interests.

Yet, in February bitcoin plunged to just US$60,000, some 13% below its closing level on US election day in 2024 and a breathtaking 52% below its record peak around US$126,000. It's been a savage blow for the crypto community.

In fact, bitcoin has been trading below its 2021 highs. If you bought this Ponzi scheme back then, you would have net lost money over the past four years.

We have previously explained that bitcoin has no real intrinsic value other than as an ostensibly stealthy and income-free savings tool for those seeking to squirrel away wealth beyond the reach of governments.

Bitcoin is not a stable store of wealth – it's one of the most capriciously volatile assets that exists. Despite hyperbolic hopes, bitcoin has never been used as a secular medium of exchange or pervasive digital payment mechanism.

Bitcoin is not the inflation hedge that many allege: in fact, it is an amplifier of inflation-related downside risks. In 2022, bitcoin plummeted 78% from its peak as a result of the steep rate hikes that were required to quell the demand-side inflation shock.

Finally, even the most fervent crypto warriors concede that both bitcoin and the blockchain have security vulnerabilities that could expose them to future compromises that would eviscerate their reason for being.

The most compelling use case for this faux digital money is as a possible redoubt for those who live in non-democratic states and are subject to the constant threat of having their wealth appropriated.

It is further contended that interest rate increases that make cash deposits more attractive have the effect of cannibalising the demand for cryptocurrencies that claim to serve as a credible surrogate.

Strategy commentary cont'd: One thing that savers learn during any real crisis is that their cash is not worth anything without an implicit or explicit government guarantee. This is why all bank deposits attract one. And in any stress event, the value of cryptocurrencies has typically been smashed precisely because otherwise sanguine savers suddenly start running for the exits. This is the digital equivalent of a run on bank deposits.

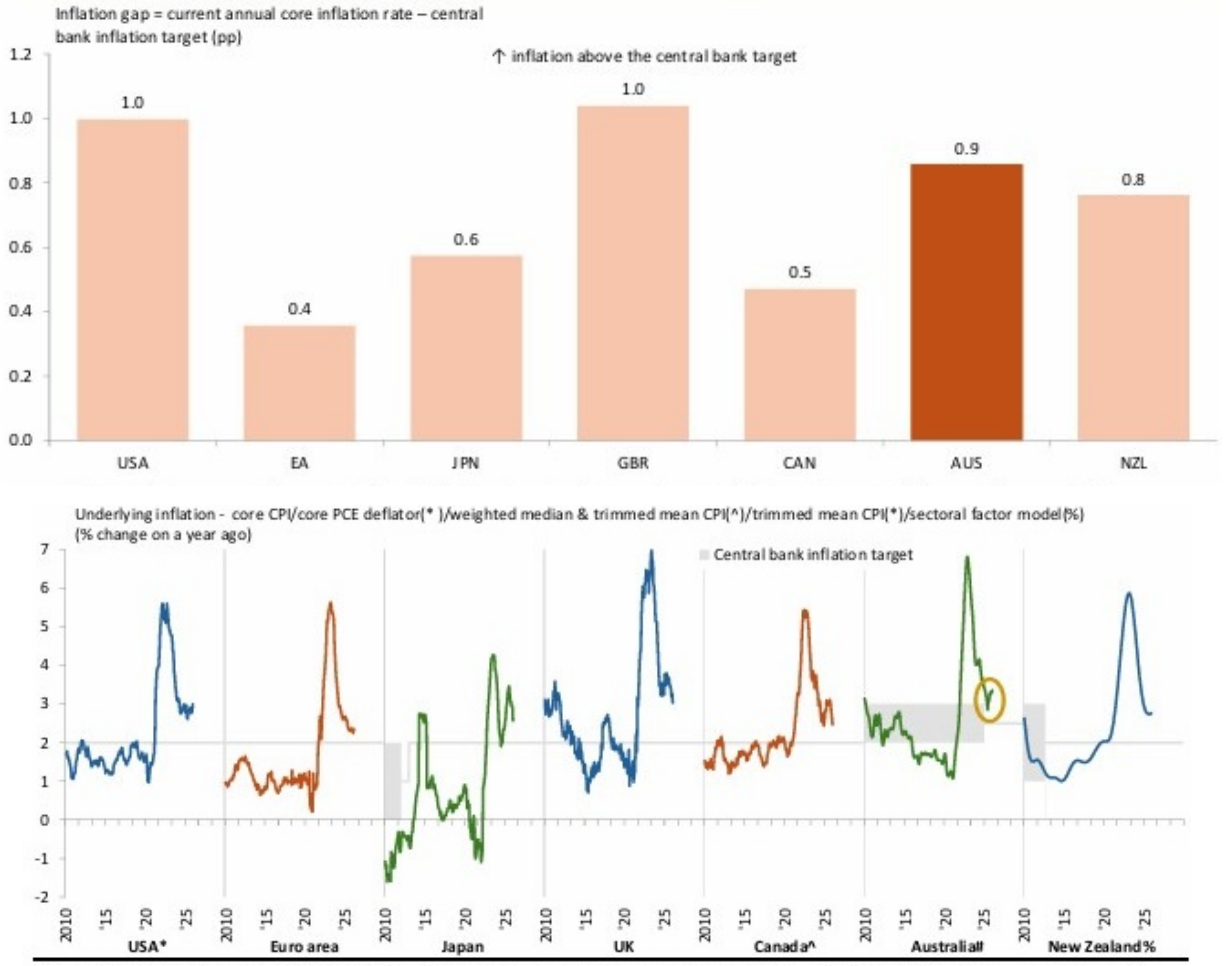
The RBA as an outlier among central banks

The RBA is an outlier among advanced economy central banks, underachieving on inflation and overachieving on employment, with monetary policy that is hardly restrictive. This has been a policy choice made by the RBA as it tested for a lower NAIRU using lower interest rates.

The Middle East conflict could change the outlook dramatically, but assuming inflation remains persistent, scenarios using different assumptions for the NAIRU point to a cash rate of about 4.25-4.75%, which compares with the staff's economic outlook that is based on market pricing that has a cash rate peak of 4.25%.

Financial conditions have loosened considerably over recent years, but have tightened a little lately on the sharp rise in the AUD that reflects expectations of higher interest rates. RBA modelling shows a higher AUD can help contain inflation, although the impact is hard to see in the data.

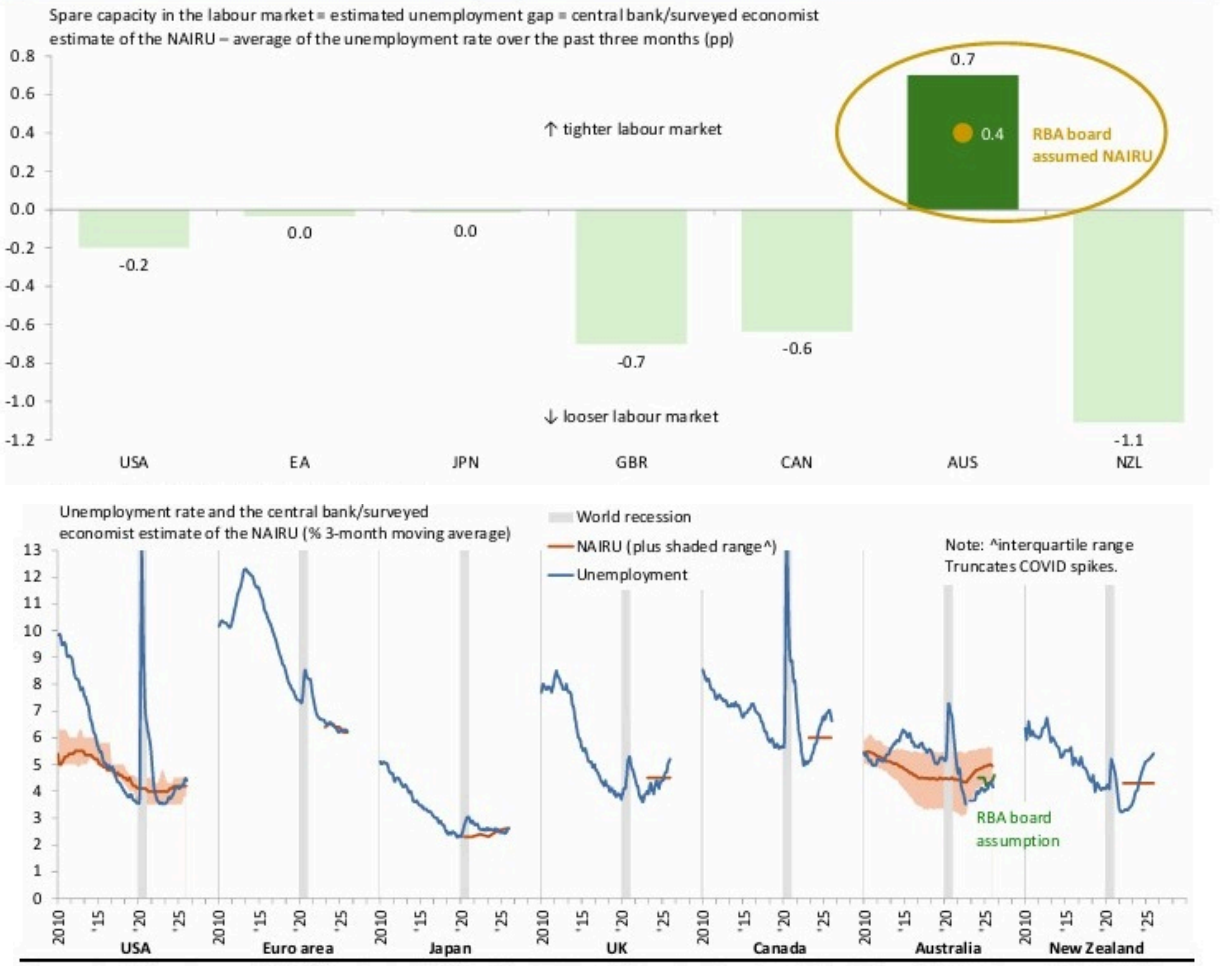
Figure 1: The RBA has missed on the inflation target half of its mandate ...



Source: Australian Bureau of Statistics, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Cabinet Office, European Central Bank, Eurostat, Office for National Statistics, Reserve Bank of Australia, Reserve Bank of New Zealand, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

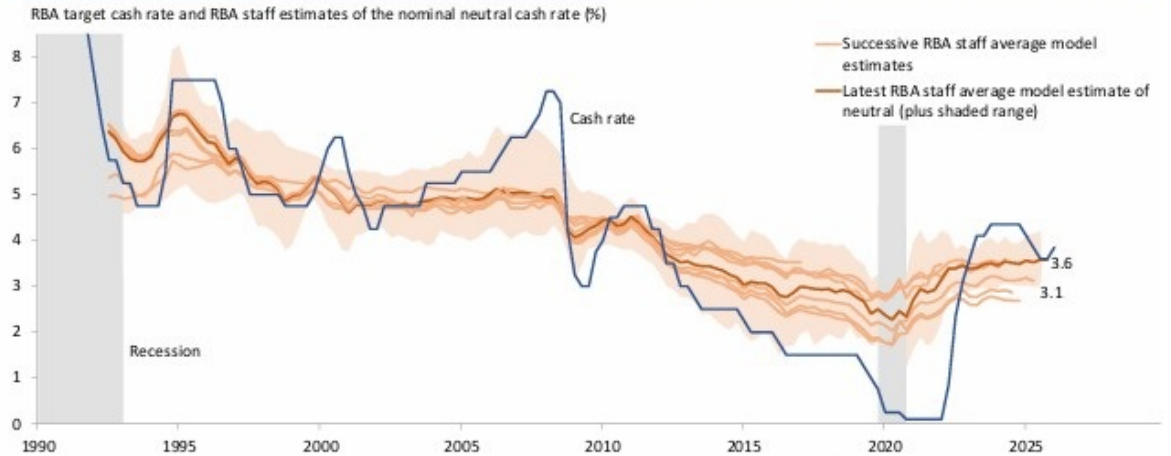
Strategy commentary cont'd:

Figure 2: ... but has overachieved on the employment half of its mandate

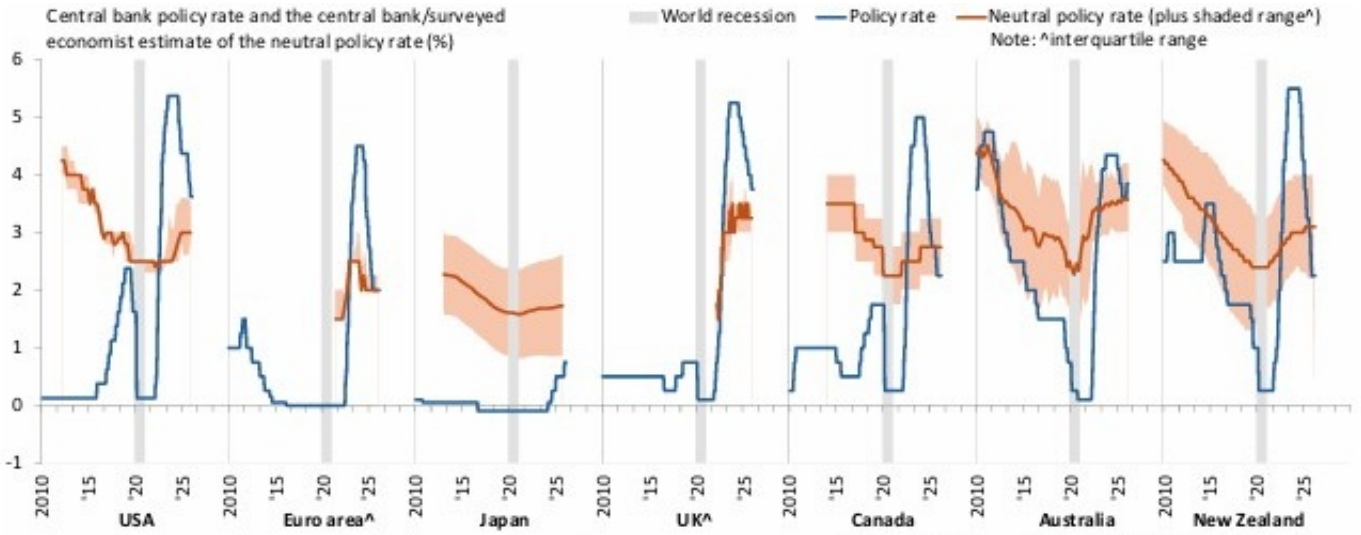


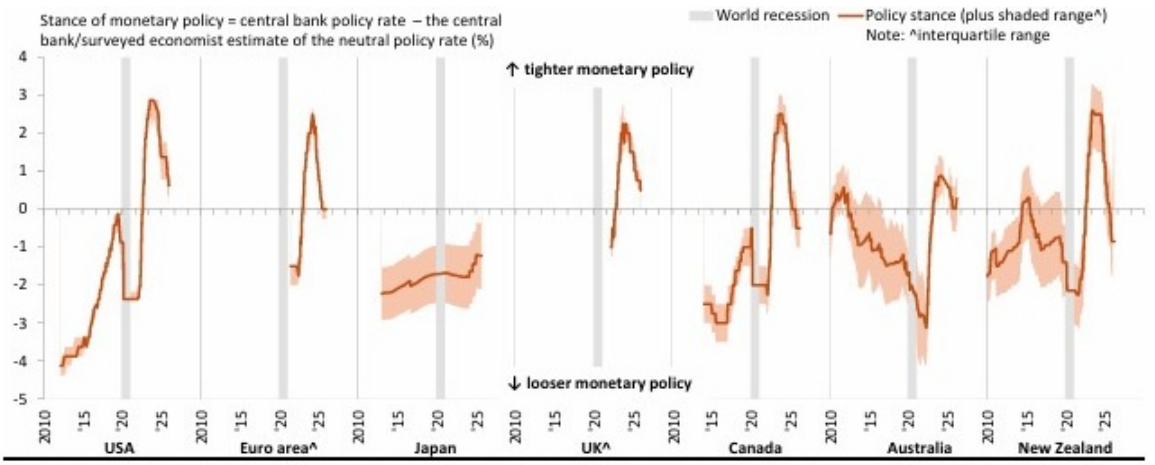
Source: Australian Bureau of Statistics, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Cabinet Office, European Central Bank, Eurostat, Office for National Statistics, Reserve Bank of Australia, Reserve Bank of New Zealand, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

Figure 3: The RBA has revised up its estimate of the neutral cash rate to about 3½%, which suggests monetary policy is hardly restrictive



Strategy commentary cont'd:





Source: Australian Bureau of Statistics, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Cabinet Office, European Central Bank, Eurostat, Office for National Statistics, Reserve Bank of Australia, Reserve Bank of New Zealand, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

Strategy commentary cont'd:

Figure 4: Scenario work using simple policy rules suggests a cash rate between 4¼-4¾% is plausible if high inflation persists, where the RBA's own economic forecasts incorporate a peak cash rate of about 4¼%.

ASSUMES: Nominal neutral cash rate = 3.1% (r-star=1.1%)
Inflation target = 2½%
Taylor rule = Yellen (2016) version

KEY:
- Current: TM CPI inflation 3.4%, unemployment 4.2%
- End 2026: RBA staff forecasts of TM CPI inflation 3.2%, unemployment 4.3%
- End 2027: RBA staff forecasts of TM CPI inflation 2.7%, unemployment 4.5%
- Mid 2028: RBA staff forecasts of TM CPI inflation 2.6%, unemployment 4.6%

(1) RBA board estimate of the NAIRU = 4.6%

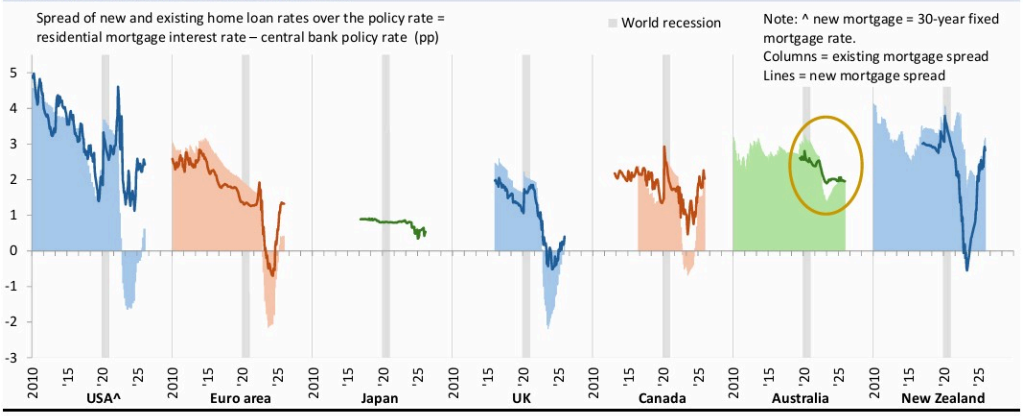
r-star 1.1	Underlying inflation 2%	2¼%	2½%	2¾%	3%	3¼%	3½%	3¾%	4%	4¼%	4½%	4¾%	5%
Unemployment rate 3½%	5.1	5.4	5.8	6.2	6.6	6.9	7.3	7.7	8.1	8.4	8.8	9.2	9.6
3¾%	4.6	4.9	5.3	5.7	6.1	6.4	6.8	7.2	7.6	7.9	8.3	8.7	9.1
4%	4.1	4.4	4.8	5.2	5.6	5.9	6.3	6.7	7.1	7.4	7.8	8.2	8.6
4¼%	3.6	3.9	4.3	4.7	5.1	5.4	5.8	6.2	6.6	6.9	7.3	7.7	8.1
4½%	3.1	3.4	3.8	4.2	4.6	4.9	5.3	5.7	6.1	6.4	6.8	7.2	7.6
4¾%	2.6	2.9	3.3	3.7	4.1	4.4	4.8	5.2	5.6	5.9	6.3	6.7	7.1

(2) RBA staff average estimate of the NAIRU = 4.9%

r-star 1.1	Core inflation 2%	2¼%	2½%	2¾%	3%	3¼%	3½%	3¾%	4%	4¼%	4½%	4¾%	5%
Unemployment rate 3½%	5.7	6.0	6.4	6.8	7.2	7.5	7.9	8.3	8.7	9.0	9.4	9.8	10.2
3¾%	5.2	5.5	5.9	6.3	6.7	7.0	7.4	7.8	8.2	8.5	8.9	9.3	9.7
4%	4.7	5.0	5.4	5.8	6.2	6.5	6.9	7.3	7.7	8.0	8.4	8.8	9.2
4¼%	4.2	4.5	4.9	5.3	5.7	6.0	6.4	6.8	7.2	7.5	7.9	8.3	8.7
4½%	3.7	4.0	4.4	4.8	5.2	5.5	5.9	6.3	6.7	7.0	7.4	7.8	8.2
4¾%	3.2	3.5	3.9	4.3	4.7	5.0	5.4	5.8	6.2	6.5	6.9	7.3	7.7

Source: Australian Bureau of Statistics, Reserve Bank of Australia, Coolabah Capital Investments

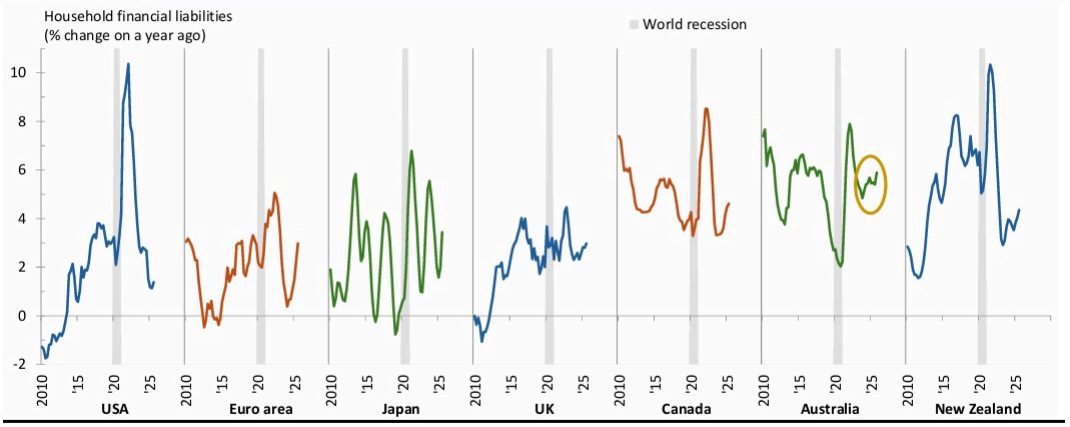
Figure 5: Mortgage spreads have compressed in Australia since the onset of COVID, but have been neutral for financial conditions over the past year



Source: Australian Bureau of Statistics, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Cabinet Office, European Central Bank, Eurostat, Office for National Statistics, Reserve Bank of Australia, Reserve Bank of New Zealand, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

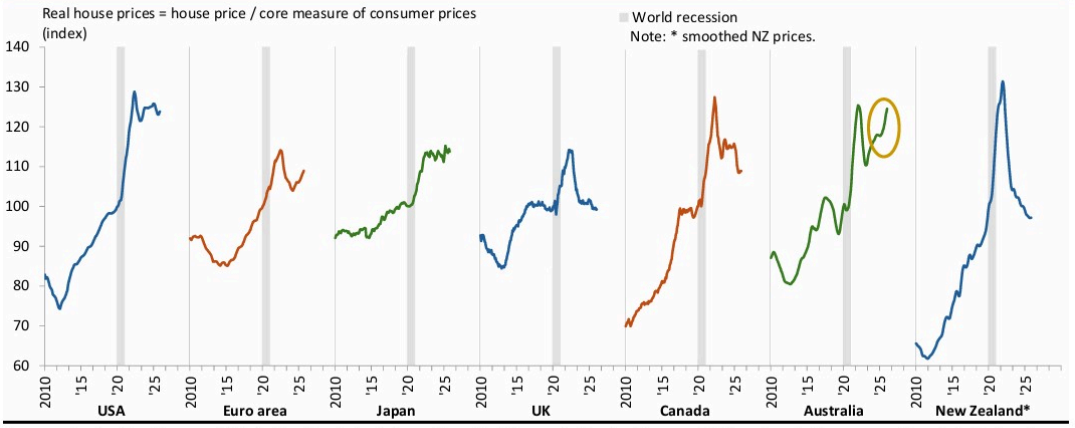
Strategy commentary cont'd:

Figure 6: Strong growth in credit, relative to both history and other countries, suggests monetary policy is not particularly tight



Source: Australian Bureau of Statistics, Bank of England, Bank of Japan, Board of Governors of the Federal Reserve System, Eurostat, Office for National Statistics, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

Figure 7: The same is true for house prices, which are almost at an all-time high in inflation-adjusted terms



Source: Australian Bureau of Statistics, Bank for International Settlements, Bank of Japan, BIS CoreLogic, Europace, Eurostat, Federal Reserve Bank of St Louis, Nationwide, Office for National Statistics, REINZ, Reserve Bank of Australia, S&P/Case-Shiller, Statistics Canada, Statistics New Zealand, Teranet and National Bank of Canada, Coolabah Capital Investments

Figure 8: Stock prices have been broadly neutral for financial conditions, with Australia left behind by the global boom

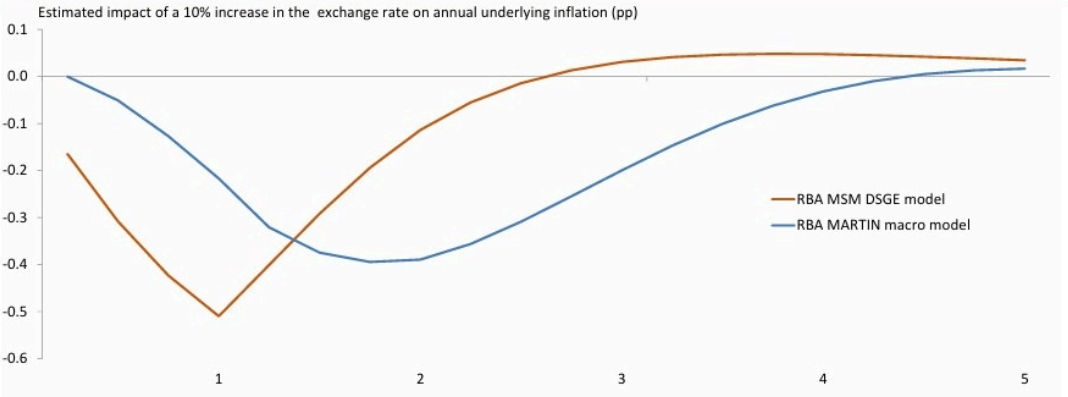
Source: Australian Bureau of Statistics, Bank for International Settlements, Bank of Japan, Cabinet Office, Eurostat, Federal Reserve Bank of St Louis, Office for National Statistics, Statistics Canada, Statistics New Zealand, Coolabah Capital Investments

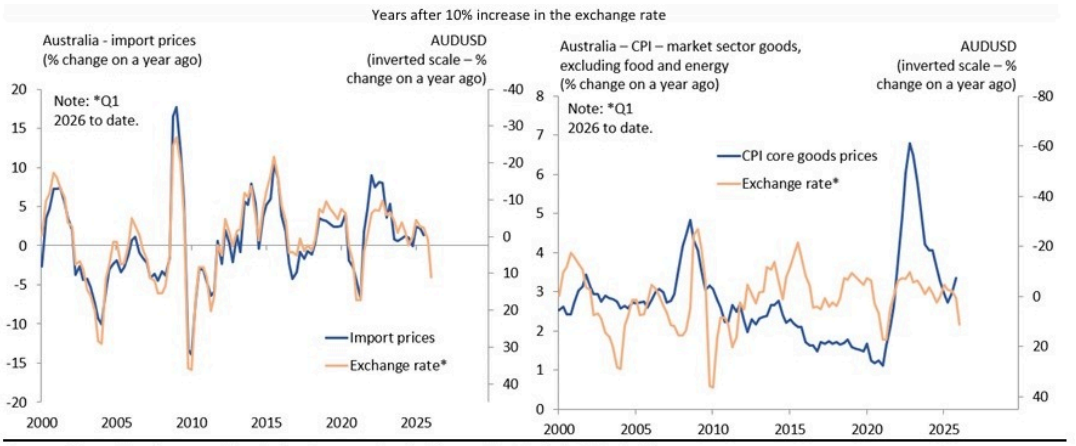
Strategy commentary cont'd:

Figure 9: The sharply higher AUD, which has risen on the back of expectations of higher interest rates, has contributed to tighter financial conditions

Source: Bank for International Settlements, Bank of Japan, Federal Reserve Bank of St Louis, Reserve Bank of Australia, Reserve Bank of New Zealand, Coolabah Capital Investments

Figure 10: RBA modelling shows that a large appreciation in the currency should reduce inflation, although the impact of the currency on goods prices is hard to see in the data





Source: Australian Bureau of Statistics, Reserve Bank of Australia, Coolabah Capital Investments

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