# The Linara Lens

## Our perspective and insight

**Markets in June:** was defined by the unwinding of risk premium built up since February, rather than any real shift in growth or inflation. The signing of a US–Iran memorandum of understanding on 17 June reopened the Strait of Hormuz and sent Brent crude down as much as 20% intra-month to USD 73/bbl, close to pre-conflict levels. AI and semiconductor names swung sharply, falling on disappointing guidance from Broadcom early in the month before a blowout result from Micron reignited conviction in the memory upcycle. The Federal Reserve's first meeting under new Chair Kevin Warsh held rates steady but delivered a hawkish dot plot shift, a surprise markets largely absorbed rather than repriced against. The ASX 200 gained 0.7%, again lagging developed and emerging markets, while the RBA held rates at 4.35% – its first pause after three consecutive hikes.

### Key Themes

**The AI Trade's First Real Gut-Check.** June delivered the first genuine test of the conviction we have built through the year on AI infrastructure. An early month selloff in memory and semiconductor names – including a near 4% Nasdaq decline on Broadcom's cautious guidance – gave way to a sharp recovery once Micron reported revenue growth of 346% year-on-year. We read this as a healthy repricing of a crowded trade rather than a change in the underlying cycle: hyperscaler capex guidance continued to rise through the volatility, and the correction has, if anything, broadened conviction in the picks-and-shovels layer of the AI value chain.

**The Ceasefire, Unwound.** Markets spent most of June pricing the Iran conflict as resolved, and the 17 June MoU appeared to confirm that view, driving oil back toward pre-war levels. In the days immediately preceding publication, that resolution has reopened: Iran struck commercial vessels near the Strait of Hormuz, the US retaliated with strikes on roughly 80 targets and revoked Iran's oil sanctions waivers, and President Trump has declared the ceasefire "over." This coincides with the death of Iran's Supreme Leader and a fluid leadership transition in Tehran. We are treating this as a live, fast-moving risk rather than a settled outcome, and would caution clients against assuming June's energy cost relief is durable.

**Our Portfolios:** delivered positive absolute returns across all risk profiles in June, though active returns narrowed from May and turned modestly negative at the multi-asset level. The Balanced portfolio returned +1.6% (in line with benchmark), Growth +1.7% (active -0.3%), and High Growth +2.1% (active -0.2%). Over one-year, active returns remain strongly positive across all three profiles: Balanced +3.1%, Growth +6.8%, and High Growth +9.3%.

**Linara Global Equities** portfolio was the standout, returning +8.3% against a -0.7% benchmark (active +9.0%), driven by concentrated positioning in semiconductor equipment and memory names through the AI volatility. Over one year, the portfolio has returned +37.5%, outperforming its benchmark by +26.8%. **Global Infrastructure** rebounded from May's weakness, returning +4.4% (active +2.5%) as falling global bond yields supported rate sensitive utilities, and has returned +14.7% over one year, an active return of +10.3%. **Australian Equities** was the lone detractor, returning -0.9% against a +0.7% benchmark, as a sharp Judo Capital selloff and broad resources weakness offset positive stock selection elsewhere.

**How to Position:** We believe rates have likely peaked in Australia, with the RBA on hold as it awaits further data and the federal budget's impact on housing an increasing drag on confidence. We continue to find fixed income uninspiring in its own right, preferring to take duration exposure through credit, where high running yields provide a buffer against any upside surprise to rates. Our equity manager selection continues to add meaningful value, with Global Equities and Russell 2000 positioning capturing the broadening rally, and we see further upside in a broadening emerging markets story. Australian equities remain uninspiring given the growth outlook and incoming tax regime. Alternatives are likely to play a growing role in portfolios as traditional assets struggle to extend recent gains, and we have considered reducing our currency hedge but would prefer to use any bounce in the AUD to do so, rather than act into current weakness.



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## Portfolios as of 30 June 2026

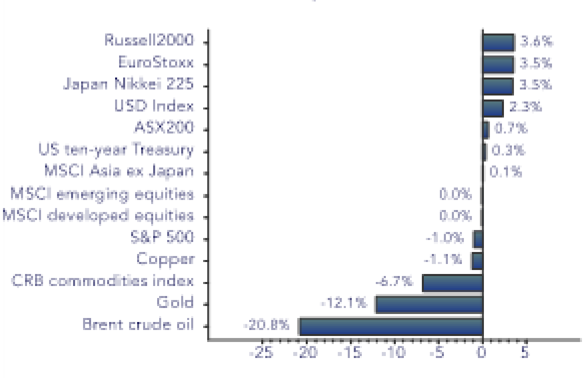
| Asset Class | Balanced | Growth | High Growth |
|---|---|---|---|
| Equities | | | |
| Australia | 6.71% | 15.33% | 21.41% |
| Developed | 10.41% | 20.83% | 26.52% |
| Emerging | 3.55% | 6.28% | 9.31% |
| Alts – Growth | 9.00% | 13.20% | 13.83% |
| Infrastructure | 10.03% | 11.25% | 10.27% |
| Property | 3.50% | 1.52% | 0.00% |
| Credit | 18.90% | 15.17% | 4.05% |
| Fixed Income | 22.96% | 6.30% | 6.16% |
| Alts – Defensive | 8.11% | 7.13% | 5.54% |
| Cash | 6.84% | 2.97% | 2.91% |

*The table above shows portfolio weights after the implementation of changes.*

## Markets in June

June was framed by the unwinding of a geopolitical risk premium that had built since February, rather than any material shift in the underlying growth or inflation story. The signing of a U.S.–Iran memorandum of understanding reopened the Strait of Hormuz and lifted shipping traffic through the waterway, pushing both oil and gold sharply lower over the month. At the same time, the first Federal Open Market Committee meeting under new Chair Kevin Warsh delivered a hawkish surprise that briefly unsettled bond and equity markets.

### Chart 1: June Asset Class Performance




*Source: LSEG Datastream/Fathom (Note: Past Performance is not a reliable indicator of future performance)*

Brent crude had already fallen 17% from its peak by the start of June, and the signing of the MoU accelerated the decline. By month-end, Brent traded at USD 73/bbl, only 2% above the level on 27 February, the day before the conflict began – a striking round trip given the disruption in between. Gold told a similar story, falling as easing geopolitical tail risk, profit-taking, and a firmer U.S. dollar combined to outweigh continued central bank diversification demand.

The Fed's June meeting was the other major swing factor. The federal funds rate was left unchanged at 3.50–3.75%, but Chair Warsh removed the dot plot's previous signal of rate cuts and added a hike for this year – a hawkish repricing markets had not been positioned for. The S&P 500 fell to an intra-month low on 26 June before staging a late recovery, and the two-year Treasury yield rose 15bps, though the 30-year fell 5bps.

### Chart 2: Selected Equity Markets Relative Performance (0 = 1 Jan 2026)


*Source: LSEG Datastream/Fathom (Note: Past Performance is not a reliable indicator of future performance)*

Global equities were mixed. The S&P 500 and Nasdaq finished lower despite fresh record highs early in the month, while the equal-weight S&P 500 outperformed on renewed signs of market broadening. Semiconductor and memory names were sharply higher over the month on balance but endured significant intra-month volatility on concerns around AI return on investment, rising memory costs, and heavier equity supply; the Magnificent Seven were sold off on the same concerns. Industrials, healthcare, financials, utilities, real estate, and staples outperformed, while communication services, energy, consumer discretionary, and technology lagged.

Asian equities had surged 28.3% over the second quarter, led by the heavy weighting of semiconductors and IT hardware in the regional index. South Korea's KOSPI saw repeated single-session moves of around 10% and extreme volatility in chip and AI-linked shares triggered trading halts, while Taiwan posted modest gains and Japan and India outperformed, supported by falling oil prices. In Australia, the ASX 200 gained 0.7% over the month, ahead of the S&P 500 (-1.0%) but behind Europe and Japan. Large caps outperformed small caps, with the Small Ords down 2.0%. The Australian dollar fell 3.7% against the USD – weakness that was more a function of broad USD strength and the firming U.S. rates outlook than any RBA-specific driver, given the Reserve Bank may be at, or near, the end of its tightening cycle.

Australian data for May came in more benign than feared: inflation eased to 4.0% y/y headline, unemployment fell to 4.4%, and the unwinding of prior employment surges reinforced a picture of gradual labour market softening. The RBA faces a genuinely two-sided outlook – falling energy prices are disinflationary, but domestic price pressures remain firm, and a weaker AUD raises import costs. Markets ended the month pricing only 10bps of further tightening. Elsewhere, the ECB raised its deposit rate 25bps to 2.25% with a data-dependent stance, and the Bank of Japan lifted its policy rate to 1.00% while pausing its tapering plan.

## Key Theme

### The AI Trade's First Real Check

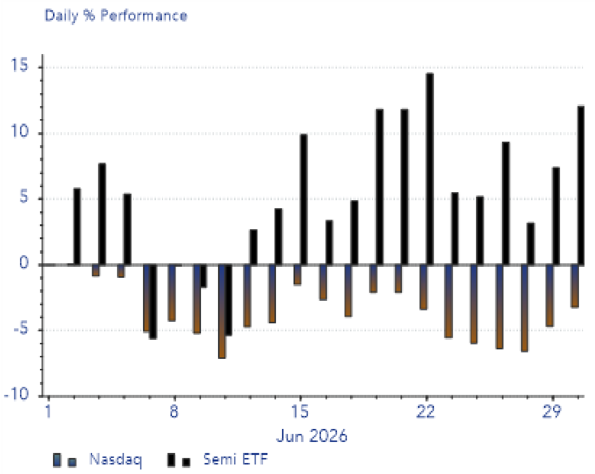
For much of 2026, the AI infrastructure cycle has moved in one direction: hyperscaler capex guidance has repeatedly been revised higher, cloud revenue growth has accelerated, and the picks-and-shovels layer of the value chain – memory, advanced semiconductors, data centre buildout – has been the standout beneficiary. June delivered the first genuine test of that conviction.

Mid-month, a sharp selloff in memory and semiconductor names rippled across global markets. The catalyst was rumours that OpenAI may delay its IPO amid volatility in AI-related shares, which reignited questions about the sustainability of infrastructure spending given tighter capital markets.

By month-end, the move had shifted from a broad de-rating to rotation. Chip stocks pulled back from extreme year-to-date gains (Micron remains up over 260% for the year, SanDisk over 750%, both owned by the Linara Global Equity Portfolio), while capital flowed into value and defensive names – industrials, healthcare, and blue chips. This is consistent with profit taking after an extraordinary run rather than a reassessment of the underlying thesis, though it is the first period this year where that distinction has genuinely been tested rather than assumed.

In our view, the correction is a healthy repricing of a crowded trade, not evidence the AI capex cycle is turning. Revenue conversion at the hyperscaler level – the metric we flagged in April as the real fault line – has not deteriorated. What has changed is that AI-exposed positioning is now so widespread that any negative headline, even one only related to infrastructure economics, can trigger an outsized reaction. We would use dips of this nature to add to the picks-and-shovels exposure we have favoured, rather than treat them as a reason to reduce it, but we are watching funding market signals (IPO pipelines, credit spreads for data centre financing) more closely than we were a month ago as the more reliable tell on whether this cycle is genuinely slowing.

### Chart 3: Daily % Change for Semi-Conductor ETF and Nasdaq June 2026




Source: LSEG Datastream/Fathom (Note: Past Performance is not a reliable indicator of future performance)

### Iran Conflict and Oil Price – Closing the Loop

Back in March, we set out three paths for how the Iranian conflict and its associated oil shock could resolve: a short, contained disruption; a medium-length disruption that reprices risk without breaking growth; or an extended disruption that shifts the narrative to demand destruction. Three months on, the evidence points most clearly to the first scenario having largely played out, despite a recent re-escalation.

Brent crude has fallen from a peak of USD 118/bbl in April to around USD 91/bbl in May and further to the low-USD 70s by late June – now within range of pre-conflict levels. This is a substantial unwind of the war premium that built through February and March, and it has occurred despite the ceasefire proving genuinely fragile: intermittent drone and missile exchanges near the Strait of Hormuz, including attacks on shipping in late June, have repeatedly tested the truce without derailing the broader normalisation in energy flows and prices. This is the "short disruption – orderly normalisation" scenario we described in March: energy markets have remained volatile around every flare-up, but have not staged a sustained re-escalation, and prices have gradually normalised rather than entrenched at crisis levels. The likely end result we flagged at the time – that risk assets stabilise and capital rotates back toward areas with durable earnings visibility – is broadly consistent with what has followed, including the continuation of the AI-led equity rally through April and May.

We would caution against declaring the risk fully retired. Vessel traffic through the Strait has not returned to pre-war norms, insurance costs remain elevated, and Iran has shown a willingness to test the ceasefire opportunistically. But for portfolio purposes, we think the base case has shifted decisively away from the medium and extended disruption scenarios we were hedging against in March, and our positioning has reflected that.

Chart 4: WTI and Brent Oil Prices

Source: LSEG Datastream/Fathom (Note: Past Performance is not a reliable indicator of future performance)

## How to Position

We believe rates have likely peaked in Australia. Our base case is for the RBA to remain on hold as it waits for the data to deteriorate further, with the federal budget's impact on housing an increasing source of concern for confidence rather than an incremental one. Portfolios need to participate in the areas still delivering – manager selection in global equities, a broadening emerging markets rally – while remaining selective in the areas where the outlook has become more uninspiring, notably Australian equities and traditional fixed income.

### Defensive

**Fixed income** remains uninspiring as a source of returns in its own right. With rates likely at or near the top of the cycle in Australia, the case for adding pure duration is more balanced than it has been, but we continue to prefer taking duration exposure through **credit** rather than government bonds: the high running yield on offer provides a substantial buffer against any upside surprise to rates, without requiring us to take an outright view that the cycle has turned.

**Property** continues to face a difficult set-up. The federal budget's proposed changes to negative gearing are weighing heavily on the housing market, and we see this as a genuine confidence issue for the sector – it reduces the incentive to invest in property broadly, with flow-on effects for consumer sentiment and household balance sheets more widely. We remain cautious here.

### Growth

Our **equity manager selection** continues to add meaningful value. The **Linara Global Equities** portfolio has delivered strong outperformance, while our positioning in the **Russell 2000** has captured the broadening of the US rally beyond the mega-cap names.

We still see upside in **emerging markets**. As with the US, the rally there is broadening out from the handful of large technology names that drove early gains, into a wider set of beneficiaries across the region. This supports our continued conviction in the theme.

**Australian equities** are uninspiring. The sluggish domestic growth outlook, the current interest rate environment, and the incoming tax regime all argue for caution at the index level. Selectivity and active management remain increasingly important here.

### Alternatives



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**Alternatives** are likely to take an even greater role in portfolios from here, as traditional growth and defensive assets may struggle to add to their substantial recent gains in a meaningful way. Within defensive alternatives, we prefer low-volatility, uncorrelated strategies that do not rely on credit spreads for gains, but instead look to benefit from defaults, dispersion, and volatility.

**Growth alternatives** positioning is more difficult, and our current allocation reflects something of an each-way bet: exposure to a rising USD, a bounce in gold, and commodities and oil more broadly.

## Currency

We have considered reducing or removing our hedge on international equity positions given the sharp move in the **Australian dollar** over June. However, we believe there is scope for a bounce back in the AUD from here, and we would prefer to use any such recovery as the opportunity to reduce the hedge, rather than act into the current weakness.

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