The Linara Lens

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Our perspective and insight

Markets in May: maintained April's momentum. Equities continued to climb on a combination of AI optimism and improving geopolitical sentiment, while bond markets oscillated sharply before delivering late-month gains as oil prices retreated. The S&P 500 gained 5.3% as technology stocks drove all three major US indices to fresh all-time highs, and Asia ex-Japan rose 11.3% to remain the strongest-performing region year to date. The ASX 200 rose 1.15%, continuing to lag global markets materially. The defining dynamic of the month was growing conviction that a more durable resolution to the Middle East conflict was within reach: progress on a US–Iran ceasefire and the prospect of the Strait of Hormuz reopening drove Brent crude down to USD 91/bbl, roughly 27% below April's close. This in turn pulled government bond yields lower late in the month. The Australian dollar faced pressure at the peak of risk aversion but recovered by month end.

Key Theme

Copper and the Material Re-rating. The ASX 200 Materials sector gained 10.51% in May, the standout performer of the month. Gains were driven by copper, whose price surpassed USD 14,000 per tonne, on the London Metal Exchange. Simultaneous supply disruptions across Peru, Indonesia and Chile met accelerating demand from AI data centre construction, electric vehicle manufacturing and renewable energy deployment. This was not a speculative spike but a structural supply-demand imbalance. Average mined ore grades have fallen roughly 47% since 1990, and the time to bring a new mine online now approaches 18 years, so meaningful new supply would not reach the market until the early 2040s. We have been positioned for this theme across the portfolio – overweight materials in Australian Equities, direct copper exposure in Global Equity, and a newly added standalone commodities strategy in our multi-asset portfolios.

Our Portfolios: delivered solid absolute and relative returns in May, extending the run of outperformance across all strategies. The Linara Balanced portfolio returned +1.6%, the Growth portfolio +2.5%, and the High Growth portfolio +3.4%, outperforming their respective benchmarks by +0.1%, +0.1% and +0.4% for the month. **Over one year, the Balanced portfolio has outperformed its benchmark by +2.5%, Growth by +6.4% and High Growth by +8.6%.**

The Linara equity strategies delivered strong benchmark-relative returns over the month. **The Linara Global Equities portfolio returned +9.36% in May, outperforming the MSCI World ex Australia benchmark by +4.83%,** driven by concentrated semiconductor and technology hardware positions. Over one year the portfolio has returned +28.81%, outperforming its benchmark by +14.63%. **The Australian Equities portfolio returned +5.16% for the month, outperforming its benchmark by +4.01%**, and over one year has returned +14.09% against a benchmark of +6.89%. The Global Infrastructure portfolio gave back ground as yields rose, returning -4.25% in May against a benchmark of -0.35%, an active return of -3.90% for the month; over one year it has returned +10.02% against a benchmark of +2.26%.

How to Position: May reinforced our existing convictions: the AI infrastructure cycle is accelerating, commodity markets are repricing structurally, and the domestic economy is navigating a tightening cycle in a weakening economic environment. In global equities we continue to favour the picks-and-shovels layer of the AI value chain, weighted toward the US, Japan and selected Asian markets, and we see further upside in emerging markets where Korea and Taiwan benefit directly from the semiconductor cycle.

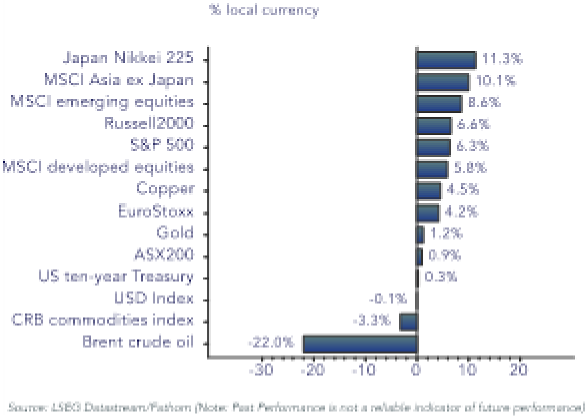
In Australian equities we remain overweight materials and underweight banks, underpinned by the structural copper demand dynamics set out above. Infrastructure's May pullback on higher yields has created a more attractive entry point for the underweight, and pullbacks should be used to add. On the defensive side we prefer investment grade credit over high yield and active alternatives over duration, as spreads are tight and bond markets remain uninspiring. Property remains challenged by the RBA's tightening cycle and proposed negative gearing changes. The Australian dollar has been a strong performer, and we will selectively reduce hedges on international equity positions where the AUD tailwind has scope to add to returns.

Date of Publication 5 June 2026
Linara Wealth Pty Ltd I ABN 61 642 217 007 I AFSL No. 525093

Markets in May

May closely resembled April in its broad contours, but with a different character. Equities maintained momentum, driven by a combination of AI optimism and improving geopolitical sentiment, while bond markets oscillated sharply before delivering late-month gains as oil prices retreated. The defining dynamic of the month was the growing conviction that a more durable resolution to the Middle East conflict was within reach – and the re-pricing of risk, yields and energy costs that followed.

Chart 1: May Asset Class Performance



Progress on a US–Iran ceasefire and the prospect of the Strait of Hormuz gradually reopening drove oil lower over the month. Brent crude fell to USD 91 per barrel by month end, a decline of roughly 27% from April's close, though it remains 49% above where it started the year. The pullback in energy prices was the key catalyst for the broader move in bond markets. Government bond yields declined alongside crude, with the move unwinding earlier yield rises that had briefly weighed on equities.

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

Global equities continued to climb. The S&P 500 gained 5.3% for the month as technology stocks drove all three major US indices to fresh all-time highs by month end. Asia ex-Japan rose 11.3%, remaining the strongest-performing region year to date. European equities gained 3.2%, though the region faces a higher-inflation, lower-growth dynamic.

In Australia, the picture was more mixed. The ASX 200 rose 1.15% in May, with small caps outperforming as the Small Ordinaries gained 2.03%. Australia continues to lag global markets materially year to date. Materials was the standout sector, gaining 10.51% amid strength in industrial metals. Consumer discretionary, real estate, industrials and IT also finished in positive territory. Healthcare was the biggest laggard, declining 9.15% for the month and now down 31.08% year to date. Utilities, energy, financials and consumer staples also underperformed. Copper was a notable performer, extending its structural rally.

The Australian 10-year bond yield reached a year-to-date high of 5.11% during May before pulling back to close at 4.84%, 23bps lower on the month, as rate hike expectations were repriced following softer inflation and labour data. The US 10-year Treasury yield fell 8bps to 4.44%.

The Australian dollar faced pressure during the peak of conflict-driven risk aversion in May but recovered by month end. The RBA's tightening cycle and Australia's commodity export status provided underlying support.

Key Theme

Copper and the Material Re-rating

The ASX 200 Materials sector gained 10.51% in May, making it the standout performer of the month and one of the most consequential re-ratings of the year so far. Copper was at the centre of it. The LME copper price surpassed USD 14,000 per tonne in May 2026, with simultaneous supply disruptions across Peru, Indonesia and Chile combining with accelerating demand from AI data centre construction, electric vehicle manufacturing and renewable energy deployment. This was not a speculative spike. It was the result of a supply-demand imbalance that has been building for years, in our view.

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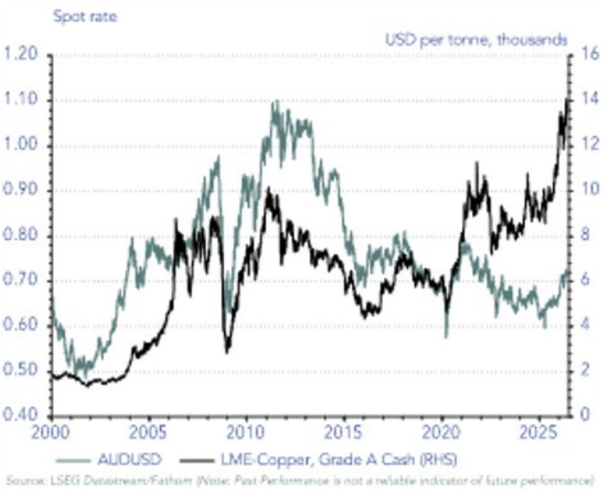
Chart 3: Copper Price & Australian Dollar



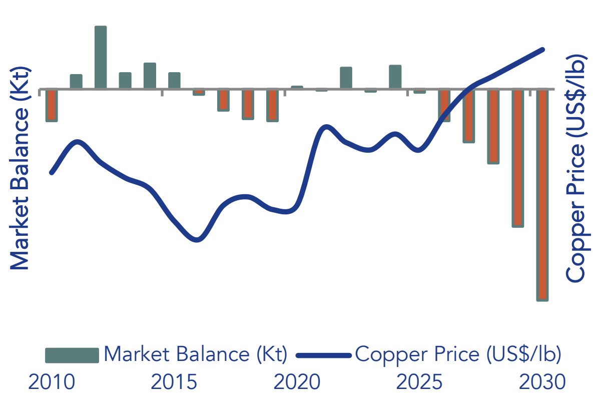
The demand side has two distinct and reinforcing drivers. The first is the energy transition – copper's role in EV manufacturing, grid expansion and renewable energy infrastructure is well understood, with S&P forecasting global consumption rising from approximately 28 million tonnes in 2025 to more than 42 million tonnes by 2040.

The second is newer and faster-moving: AI infrastructure. According to J.P. Morgan, a single large AI data centre can require up to 50,000 tonnes of copper, with total data centre demand projected to reach 475,000 tonnes annually by 2026. Every hyperscaler capex announcement we flagged last month – the combined USD 700 billion in 2026 AI infrastructure budgets – translates directly into copper demand. The metal is non-discretionary in this build-out: hyperscalers cannot build AI campuses without it, and grid operators cannot expand transmission capacity without it.

The supply side offers no relief, and the constraints are more deeply structural than the headline deficit numbers suggest. Average mined ore grades have fallen by roughly 47% in open pit operations since 1990, meaning significantly more rock must be processed to produce the same amount of metal – driving both capex intensity and operating costs persistently higher. The cost of primary mine supply has risen 30% since 2020. Critically, the time taken to bring a new copper mine online has increased 40% over the past two decades and now approaches 18 years from discovery to first production. This is the most important constraint of all: even if capital commitments were made today in response to current prices, meaningful new supply would not reach the market until the early 2040s based on this time estimate.

Previous commodity cycles were largely cyclical, driven by China construction activity or synchronised global growth. This cycle is driven by capital expenditure commitments that have already been made, contracts already signed, and physical infrastructure that must be built regardless of short-term macro conditions. Demand is not necessarily rate-sensitive in the way traditional capex cycles are.

Chart 4: UBS Copper Market Balance & Outlook



Source: UBS

We have been positioned for this theme across multiple parts of the portfolio. Our Global Infrastructure portfolio holds exposure to the physical networks and power infrastructure that sit at the intersection of the AI build-out and energy transition. Our Australian Equities portfolio has been overweight materials, contributing meaningfully to strong relative performance in recent months. We also hold direct global copper exposure within our Global Equity portfolio.

Most recently, we added a standalone commodities strategy to our multi-asset portfolios – a decision reflecting our conviction that commodity exposure deserves dedicated allocation in a world of structurally elevated inflation, energy transition capex and geopolitical supply risk.

The risk to monitor is demand disappointment – a sharper-than-expected global slowdown or pause in hyperscaler capex would weigh on near-term prices. But the medium-term supply-demand balance does not require an optimistic macro scenario to remain constructive. The deficit is structural, the supply response is constrained by geology and development timelines that no price signal can accelerate, and the demand drivers are compounding.

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How to Position

May reinforced several of our existing convictions; the AI infrastructure cycle is accelerating, commodity markets are repricing structurally, and the domestic economy is navigating a tightening cycle in a weakening environment. Portfolios need to participate in the former while remaining appropriately cautious on the assets most exposed to the latter.

Defensive

Bond markets remain uninspiring. With the RBA, in our view, likely to remain on hold at an elevated cash rate and the ECB, on our reading, positioned to hike in June, the global rate cycle has not yet reached a point where duration offers a compelling asymmetry. Yields pulled back late in May as oil prices fell, but the underlying inflation picture, particularly in Australia, does not support a sustained rally in government bonds.

Investment grade corporate bonds are offering materially higher running yields than a year ago, and balance sheets remain broadly healthy. That income generation is genuine and worth owning. However, spreads are near historically tight levels, which means investors are not being adequately compensated for credit risk at the margin. We prefer investment grade over high yield, where rising funding costs and the prospect of further rate increases create default risk, particularly for lower-quality issuers. Within **defensive alternatives**, we continue to favour strategies positioned to benefit from dispersion and capital structure seniority rather than spread compression.

Property remains challenged in the current environment. Domestically, the RBA's tightening cycle is bearing down on valuations, transaction volumes and auction clearance rates. Higher yields are a structural headwind to capitalisation rate compression, and the proposed federal budget changes to negative gearing, if legislated, would further dampen investment activity and reduce demand. Here we reiterate that passive buy and hold strategies are unlikely to deliver in the current market.

Growth

Australian equities continue to reward our positioning. We have been overweight materials and underweight banks, and we expect both legs of that trade to continue working in our view. In our view, commodity prices are likely to stay elevated or move higher from here, underpinned by the structural demand dynamics we outline in our copper theme above. On the other side, the federal budget's proposed negative gearing changes represent a meaningful headwind for the major banks – reducing the incentive for property investment directly constrains one of the most profitable lending verticals on their books. Sector dispersion remains high and active management is essential.

In **global equities**, the AI investment cycle continues to deliver. We are aware of the bubble conversation – valuations in parts of the market are elevated and concentration risk is real. But earnings growth is following capex, revenue conversion at the hyperscaler level is accelerating, and supply constraints in memory and advanced semiconductors remain genuine. These are not the characteristics of a cycle about to roll over. We continue to favour the picks-and-shovels layer of the AI value chain: memory, advanced semiconductors, data centre infrastructure and high-bandwidth networking, with weighting toward the US, Japan and selected Asian markets.

Infrastructure has run hard year to date, and the pullback in May on the back of higher yields created a more attractive entry point for investors who were underweight. The fundamental case remains intact: stable, inflation-linked cash flows, long-duration earnings and regulatory protection are all attractive in an environment of elevated yields and geopolitical uncertainty. The AI economy layer – data centres, power generation, fibre networks and cooling infrastructure – adds a structural growth dimension that is increasingly rare within a traditionally defensive asset class. Pullbacks should be used as opportunities to add.

In our view, e**merging markets** continue to offer further upside. The world is bifurcating between eastern and western technology ecosystems, and that bifurcation is generating real investment activity, earnings growth and capital formation across Asian emerging markets. Korea and Taiwan remain direct beneficiaries of the semiconductor cycle. China's domestic policy support and attractive valuations provide a floor.

The **Australian dollar** has been a strong performer year to date, supported by commodity export status and the RBA's carry advantage. We expect

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modest further appreciation from here and will be active in managing our currency hedging accordingly, looking to selectively reduce hedges on international equity positions where the AUD tailwind has scope to add to returns.

Luke Hansen

Linara Investment Team

5 June 2026

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