Monthly Report

AUGUST 2026

CERUTTY
MACRO FUND

Cerutty Macro

Cerutty Macro Fund is an independent active manager of global, but predominantly Australian equities. The Manager applies a detailed investment process, using identified macroeconomic trends as the foundation of its allocation. Coupled with analysis of the liquidity cycle and bottom-up research, we aim to deliver attractive returns to investors over a 3-year time horizon.

The Fund's portfolio is a high conviction portfolio ranging from 15-40 positions in equities, to scale between high/low concentration allocations depending on liquidity conditions. It is the Fund's perspective that financial market liquidity has a large impact on asset prices, thus it being a vital component to the investment process.

Fund overview

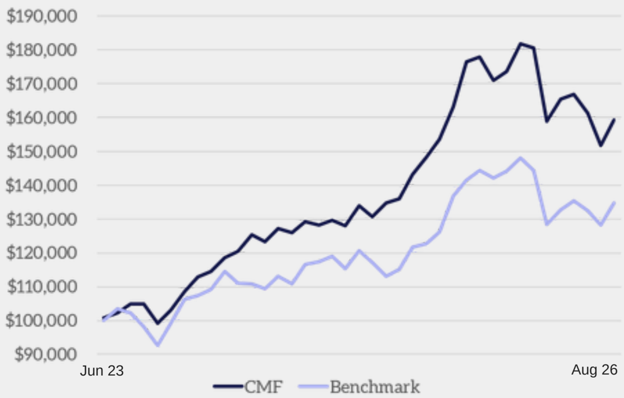
Portfolio management	Chris Judd
Number of investments	15-40
Type of investments	Long only Australian listed equities Global listed equities
Time Horizon	3+ years
Benchmark	ASX Small Ords Accum. Index
Management/Performance fee	1.20% & 20% over benchmark

Fund performance

	Fund %	Index %	Excess %
1 Month	5.0	5.2	-0.2
3 Months	-4.5	-0.2	-4.3
1 Year	-2.4	-1.2	-1.2
Since inception (annualised)	15.3	9.7	5.6

Index/Benchmark ASX Small Ordinaries Accum. Index
Past performance is no indication of future performance & returns are post fees with reinvestment of distributions and capital gains.
Inception June 2023

$100k since inception



Past performance is no indication of future performance

Monthly update

The Cerutty Macro Fund returned 5% in August 2026, against a return of 5.2%* for the ASX Small Ordinaries Accumulation Index. Reporting season delivered the small-cap relief rally investors were hoping for, even if it arrived before the rate cycle actually turned in Australia. Our attention through the month was dominated by individual company results, but at a macro level, U.S. bond yields and the Australian housing market were the two topics that kept coming into our awareness.

Kevin Warsh gave his first Jackson Hole address as Fed Chair on August 28 and it had a distinctly different feel to the Jerome Powell press conferences of days gone by. There was no forward guidance, no dot-plot style reassurance and no attempt to talk the market into a particular path.

Warsh's view is that forward guidance was a crisis-era tool that has outlived its purpose, and that a central bank which tells the market what it will do and then reads the market to decide what to do ends up staring at its own reflection. He would rather the Fed take its cues from prices that haven't been shaped by the Fed's own commentary, and he singled out the Treasury market as the signal he cares about most.

Warsh's words on inflation, and his desire to reduce it, have so far been clear enough. He spoke to core PCE running well above target and roughly half the basket still inflating at an uncomfortable pace. His line that "there is no soft inflation target... there's only a target, and it's 2%" and his closing "otherwise, we have work to do" left little room for interpretation.

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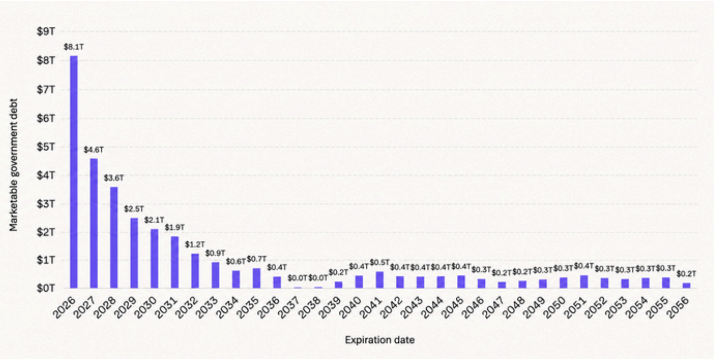
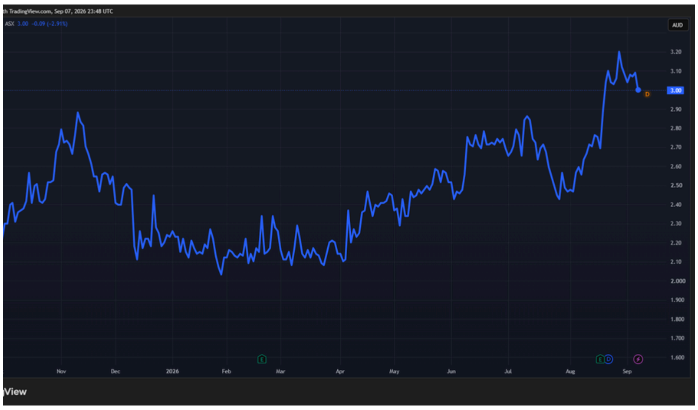
U.S. Treasury Refinance Cliff



Source: 21Shares, August 2026 *

Cogstate (CGS) - 1-year



Source: TradingView, September 2026 *

He is yet to back up those words with any clear action, however, because his preference is for bond yields at the long end to do the job of tightening financial conditions and reducing demand. The U.S. 30-year yield has so far obliged, spiking to north of 5.3% in August, its highest level since 2007. In Warsh's framework that is not a problem to be solved, it is the market doing precisely what it should do when inflation is too high: lifting the cost of long-term capital, tightening financial conditions and telling the central bank how much work remains. Front-end yields rose after the speech as the market repriced toward hikes, which is the reaction function operating as designed.

The problem is that the Treasury Secretary had already reached a different conclusion. Nine days earlier, with the 30-year at that 19-year high, Treasury doubled the size of its buybacks of long-dated bonds, taking effect in early September and running through the November refunding. Secretary Bessent was unusually direct about the purpose. "We are going to make a market in these," he told CNBC the following day, adding that "it could be more than $4 billion per issue", and there were subsequent reports that Treasury could draw on the substantial cash balance in its general account to fund further purchases.

This is the contradiction we think all investors should understand, as it points to the dilemma America's fiscal position has put both Bessent and Warsh in. Warsh has said, in effect, that the long end of the curve is the Fed's most honest signal and its most useful tool. Bessent has said, in effect, that he intends to suppress it. One institution wants the price to be a "market price" and the other is interfering with it. With U.S federal debt now above US$40 trillion, interest expense running at over US$1 trillion a year and an enormous amount of debt to be refinanced this year, we understand why Treasury is challenged by a long bond yield above 5%.

But it means the tightening Warsh is relying on is being partially absorbed by the fiscal authority, which in turn means either the Fed has to do more at the front end than it would like, or inflation stays higher for longer than either of them are admitting. The Fed's dual mandate of maximum employment and stable prices is well known to all. Although it's not a law, there is also an understanding that the Fed will support financial stability in a crisis, preventing bank runs and the like. But its final mandate, the unwritten one that we think trumps both its written mandates and financial stability, is to keep the U.S. Government able to fund itself. We think this is at the crux of the predicament the Fed and Treasury both find themselves in.

Domestically, the RBA also finds itself in an unenviable position. The Board held the cash rate at 4.35% in August and Governor Bullock was explicit that the only debate was between holding and hiking. The data since has pulled in both directions. Headline inflation eased in the year to July, but the monthly print was hot as fuel prices jumped on the renewed closure of the Strait of Hormuz. Against that, the labour market has softened, with unemployment rising and hours worked dropping in July. June-quarter growth was subdued, productivity went nowhere and unit labour costs kept rising. That last point is the one the Bank will dislike most, because it says the economy is slowing without the cost pressure coming out of it. Consensus views for interest rates in Australia continue to flip-flop with each data point that gets released, and three of the Big 4 banks are now predicting the next move in rates is a 25bps hike. We are less sure. We can see why an inflation-targeting central bank looking at sticky core inflation will be tempted to hike, but this needs to be balanced against the recognition that Australians are among the most rate-sensitive populations in the world. For context, Australian household debt sits at around 114% of GDP, against roughly 68% in the U.S., and U.S. mortgage holders are largely on fixed-rate loans. The Australian Federal Budget has already caused the housing market to roll over.

1 Federal Reserve – Keynote remarks by Chairman Warsh at the 2026 Jackson Hole Economic Policy Symposium, 28 August 2026:

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Given houses are the collateral underpinning the financial system, the RBA will be nervous about a softening property market turning into a crash and potential financial contagion.

That softness is showing up across the board. Residential sales volumes are well down on a year ago, auction clearance rates have been below 50% since late May and homes are taking noticeably longer to sell. We expect this to continue for some months yet. A cash rate at 4.35% with hike risk still live, an unemployment rate that is rising and the capital gains tax changes still working through investor behaviour is not a backdrop that produces a floor quickly.

Accordingly, we don't currently have any positions whose core business is reliant on the Australian property market, and we continue to be cautious on the Australian consumer until we see the start of a rate-cutting cycle. We continue to believe that retailers with a more "value" focused offering, as opposed to a "premium" one, will navigate the current conditions better, but it's not a space we're playing heavily either. Our focus remains on companies exposed to themes that are mostly global in nature: data centre capex, electrical grid upgrades, currency debasement, underinvestment in water infrastructure, strengthening supply chains and ageing demographics, to name but a few.

Position Spotlight - Cogstate

Healthcare has been one of the more difficult areas of the ASX over the past few years, particularly at the smaller end of the market where a series of high-profile clinical trial failures have understandably left investors wary of the sector. That backdrop now appears to be changing. US biotechnology equities have recovered materially, venture funding conditions are improving and clinical trial activity is beginning to recover following the post-pandemic slowdown. Industry forecasts suggest the broader clinical trials market can grow at around 8% pa over the medium term, while Cogstate itself estimates its niche CNS clinical-trial solutions market can grow at around 10–15% pa through 2030.

As generalist investors, we have historically found early-stage biotechnology difficult. Even where the addressable market is enormous, the investment outcome can ultimately hinge on a single Phase III readout where we have little genuine scientific edge. One way we believe investors can gain exposure to a recovering drug-development cycle without taking that same binary risk is through the service providers sitting behind it.

In Australia there are relatively few pure-play exposures, but one we believe is particularly interesting is Cogstate (CGS), a neuroscience technology company providing cognitive testing and clinical trial endpoint services to pharmaceutical and biotechnology companies.

Cogstate's technology is used to accurately measure changes in cognitive function during clinical trials, particularly across neurological and psychiatric conditions. In simple terms, if a company is developing a treatment for Alzheimer's, depression, narcolepsy or another CNS disorder, it needs reliable evidence that the drug is actually changing how the patient's brain functions. Cogstate supplies the digital assessments, clinician training, central rating and quality-control tools that help produce that evidence. The company has spent more than two decades building its datasets and scientific credibility and has established relationships with many of the world's largest pharmaceutical companies, including Eli Lilly and Eisai. Importantly, Cogstate is paid for the technology and services it provides throughout the development process rather than relying on a drug ultimately receiving approval. Trial failures or cancellations can still curtail remaining contract revenue, but the economic exposure is considerably less binary than owning the drug developer itself. We think this makes Cogstate a particularly attractive picks-and-shovels exposure to an industry where the end products themselves can be highly binary.

Historically one of the criticisms of Cogstate has been its reliance on large Alzheimer's programs, which could make contract wins and earnings appear somewhat lumpy. This is now changing materially. During 1H26, Cogstate signed US$41.7m of new contracts, up 105%, yet only 38% related to Alzheimer's. Mood, sleep and other neurological conditions represented 45% of sales, compared with a previous record half in 2022 where Alzheimer's accounted for 89% of contracts. Management believe the business has evolved from one heavily dependent on large Alzheimer's studies toward a much broader CNS trial platform, which should make the earnings profile considerably more repeatable.

The full-year numbers strengthened that view. FY26 new sales contracts more than doubled to a record US$89m, while the number of new trials initiated increased from 35 in FY25 to 90 in FY26. Contracted future revenue finished the year at a record US$118.5m, with US$48.3m already expected to be recognised during FY27, 54% ahead of the equivalent number entering FY26. What stands out to us is not simply the size of the US$89m contract result, but the breadth behind it.

2 https://www.euronews.com/business/2026/08/26/warshs-first-jackson-hole-bond-yields-a-treasury-rescue-and-inflation-that-refuses-to-fall
3 https://www.cnbc.com/2026/08/18/treasury-yields-.html

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Rather than one or two blockbuster Alzheimer's contracts driving the number, Cogstate is winning across a much larger number of trials, therapeutic areas and customers. That gives us considerably more confidence that the step-up in activity is structural rather than a one-off.

A major contributor has been Cogstate's emerging partner channel. The company has historically had strong scientific credibility but comparatively modest distribution, requiring it to win sponsors largely through its own commercial network. Its partnership with Medidata, one of the largest clinical trial software platforms globally, changes that dynamic by embedding Cogstate's services within a much broader customer ecosystem. The model is already becoming material, with approximately 40% of FY26 new contract value generated through channel partners, around half of which came through Medidata. In our view this is an important development for a company of Cogstate's size: it provides access to a much larger pool of sponsors without requiring a proportionate increase in its own sales infrastructure, while the sharp rise in contract activity suggests the strategy is beginning to work.

There is also a second growth lever through increasing revenue earned from each trial. Cogstate is progressively moving beyond digital cognitive tests into areas such as central rating, scale management, rater training and AI-enabled endpoint quality assurance. Rather than simply licensing a test, the company can become more deeply involved in managing how a trial's cognitive endpoints are administered and monitored. We see this as important because it allows Cogstate to potentially grow faster than the underlying CNS market itself: more trials create the first layer of growth, increasing market share creates the second, and selling more services into each trial provides a third. Cogstate has specifically highlighted indication expansion, solution expansion and increasing share of wallet as the key drivers behind what management believes is sustainable clinical trial growth.

What makes the current setup particularly interesting is the operating leverage available as this higher level of contract activity converts into revenue. Cogstate generated US$60.9m of revenue in FY26 against US$89m of new contracts, with the latter to be recognised progressively over the life of the underlying trials. The business has already demonstrated meaningful operating leverage as revenue scales. In FY25, revenue growth of 22% translated into EBITDA growth of 72%, with the EBITDA margin expanding to around 30%.

The more recent step-up in contracts provides the opportunity for a similar dynamic: as the materially higher level of contract intake converts into recognised revenue over coming years, earnings growth could outpace the headline revenue growth if the supporting cost base scales more slowly.

This is probably where our view differs most from simply extrapolating consensus. We don't need Cogstate to continue doubling contract sales every year. If the business can simply sustain annual new contracts somewhere around the current US$80–90m level, while the existing US$118.5m contracted future revenue converts and margins remain around 30% or improve, earnings can move materially higher over the next few years. The key question therefore isn't whether FY27 revenue grows 10% or 20%; it is whether FY26 represents a new normal for Cogstate's addressable opportunity and sales capability. Based on the increase in trial starts, diversification of indications and momentum through the partner channel, we think there is growing evidence that it does.

Cogstate currently has an A$530m market capitalisation and enterprise value of approximately A$480m. The share price has already responded to the improvement in operating momentum and we wouldn't describe the stock as optically cheap; however, on our numbers it trades at approximately 20x FY28 earnings, which we think is reasonable for a capital-light business with a net cash balance, strong revenue visibility and the potential to compound earnings at attractive rates. More importantly, we believe the current multiple still leaves room for upside if the FY26 contract result proves to represent a structurally higher level of activity and the operating leverage we expect begins to emerge through FY27 and FY28.

We also think there is an underappreciated optionality around AI. Much of the commentary around AI and healthcare has focused on whether better models can improve drug discovery and ultimately increase the number of viable molecules entering development. For Cogstate that would clearly be helpful, as more drugs entering clinical trials means more potential customers. More immediately, however, Cogstate is incorporating AI into its own endpoint quality-control and operating processes. Management is investing in an AI-enabled operating platform across FY27 and FY28, with the objective of automating more manual workflows and allowing trial volumes to increase without equivalent growth in headcount.

4 https://www.cnbc.com/2026/08/28/treasury-yields-jackson-hole.html
5 https://home.treasury.gov/news/press-releases/sb0607
6 https://www.cnbc.com/2026/08/24/bessent-1-trillion-treasury-general-account-bond-buybacks.html
7 https://www.abc.net.au/news/2026-08-11/rba-interest-rates-august-2026/107023850
8 https://www.cotality.com/au/insights/articles/housing-downturn-spreads-as-93-of-capital-city-suburbs-record-winter-value-falls

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In our view that would make the business increasingly resemble a technology-enabled clinical trials platform rather than a traditional labour-heavy services business, potentially supporting further margin expansion over time.

Overall, we think Cogstate offers a relatively unusual way to gain exposure to a recovering global biotechnology cycle. We don't need to predict whether the next Alzheimer's drug succeeds, which psychiatric mechanism wins or which biotech company ultimately receives FDA approval. We simply need pharmaceutical companies to continue spending money trying. Against an improving clinical trial backdrop, Cogstate has broadened beyond Alzheimer's, materially expanded its partner distribution, more than doubled new contract sales and entered FY27 with record revenue visibility. At approximately 20x FY28 earnings, the valuation already recognises some of this improvement, but we believe the market may still be underestimating the earnings leverage available if the current level of contract activity proves sustainable. Catalysts from here include continued strong contract wins, conversion of the US$118.5m contracted future revenue into reported revenue, further Medidata-led customer growth, continued diversification outside Alzheimer's and evidence that operating margins can expand as trial volumes scale.

9 Cogstate Annual Report 2026 ASX Release
10 FactSet Consensus Data - CGS
11 Cogstate Q426 and FY26 Business Update ASX Release
12 Cogstate 1H26 Financial Results ASX Release

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