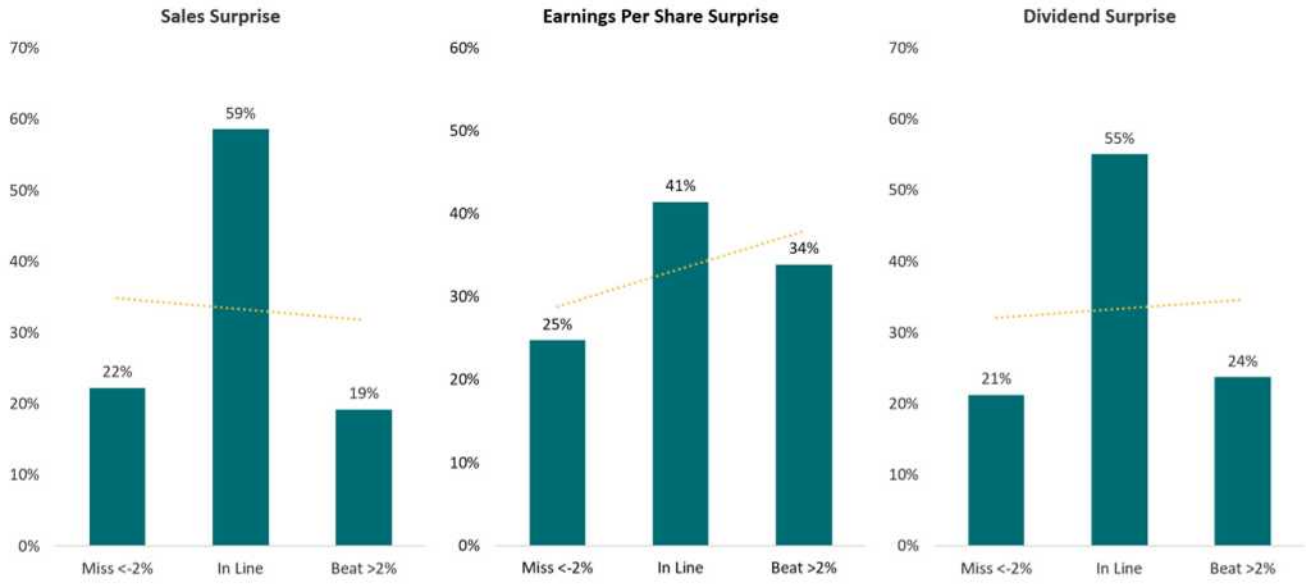
ASX August Reporting Season: Earnings Resilience and the Quality Rotation

This month's webinar reviewed the ASX August reporting season and what the latest company results are telling us about the outlook for Australian equities heading into FY27. Hosted by Head of Distribution Con Koromilas, the session featured SMID Australian Equity Portfolio Manager Chris Adams, who unpacked the major themes from reporting — the sectors that emerged as winners and losers and what management teams are saying about the earnings outlook. The team's verdict on the season: better than feared, but harder from here.

+12%	+5.1%	9.3%	+2.2%
ASX 200 EPS growth, FY26	EPS growth ex-resources	FY27 consensus EPS growth	Post-June retail sales growth

Reporting Season Scorecard

FY26 was a solid year for corporate Australia, though resources were clearly the primary driver of the headline result on the back of higher commodity prices; excluding resources, earnings growth was broadly in line with, or slightly ahead of, the longer-term average. More companies beat earnings expectations than missed, and dividends also surprised positively. Sales growth came in softer than expected — highlighting that management teams have managed margins and costs well, driving earnings ahead of expectations despite moderating top-line growth.



FY26 results: better than feared — 34% of companies beat earnings per share expectations by more than 2%, against 25% that missed. Source: Infinity Asset Management, Company Reports, Bloomberg.

The FY27 Outlook: Harder From Here

Looking ahead, consensus expects a little over 9% earnings growth for FY27 — still solid, but down from more than 10.5% at the start of August as trading updates prompted downgrades across the board. Downgrades were steepest among rate-sensitive sectors, with the higher-for-longer rate environment and expectations of further rate rises putting pressure on the consumer, banking, and housing-related sectors.

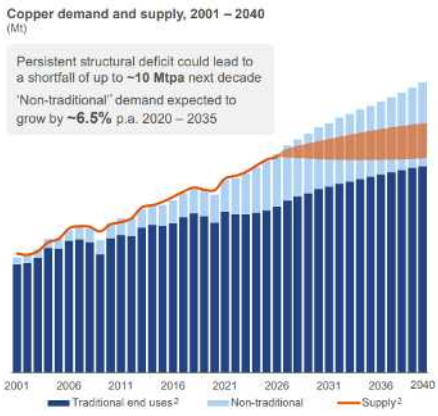
A notable pattern emerged post-reporting season: value stocks were downgraded while quality stocks were upgraded, with growth largely flat. This rotation towards quality plays directly to the portfolio's growth-at-a-reasonable-price approach with its quality overlay, and the team remains confident heading into FY27.



FY27 revisions: downgrades outnumbered upgrades — 39% of companies saw earnings per share revised down more than 2%, against 20% revised up. Source: Infinity Asset Management, Company Reports, Bloomberg.

Positive Themes: Commodities, Infrastructure and Mining Services

Commodities performed strongly through the season, and the team believes the cycle has considerable room to run. Copper remains a high-conviction position: the market faces a potential deficit of around 10% — rare in any commodity, where supply typically responds to demand — and no material new sources of supply are coming on stream. Copper is the metal needed for almost every application, spanning AI infrastructure, industrial uses, and environmental applications, given it remains the most efficient conductor available.



A structural copper deficit of up to 10 Mtpa is possible next decade.

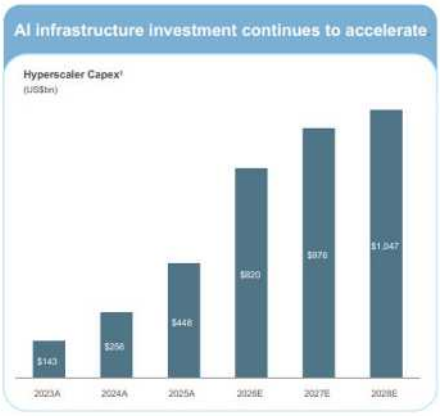
On lithium, the demand thematic remains firmly in place, with electric vehicle sales starting to bounce again and electrical storage systems going from strength to strength. Recent company meetings suggest no major supply shifts are expected over the next year or two, which should support prices in the near term. PLS Group (ASX: PLS) remains the portfolio's primary exposure.

Infrastructure and defence are also strong thematics. Ventia, a key position in the strategy, has exposure across defence spending, road maintenance, and a large backlog of new projects across the country — stable, non-cyclical work with many years of consistent growth expected. Ventia's work in hand stood at $21.1 billion at 30 June 2026, with an average contract tenure of 6.2 years.

Mining services activity is very buoyant. Mining companies are spending aggressively to expand production and find new deposits: Monadelphous is effectively capped out for the next year or two with more demand than it can service, and ALS Group is benefiting from plenty of drilling activity and junior equity raisings. While the commodity thematics continue to play out, the team expects this to remain a very strong part of the market.

AI and Data Centres

The huge flow of capital into AI and data centres was a clear theme of the season, with capital and approvals the only real constraints on growth. NextDC (ASX: NXT), held in the SMID portfolio, is more than doubling its megawatt capacity over the next couple of years alone and is booked well in excess of its available capacity rollout plans.



Hyperscaler capex (US$bn), 2023–2028E.

Global hyperscaler capital expenditure is forecast to grow from US$143 billion in 2023 to over US$1 trillion by 2028. The boom is also feeding through to contractors performing electrical rollouts and other mission-critical work for data centres, where the Australian market offers further avenues of exposure.

Key Takeaways

- FY26 earnings grew 12% (just over 5% excluding resources), with more beats than misses — but FY27 consensus growth has slipped to around 9.3% on rate-driven downgrades.
- Post-season revisions favoured quality over value, a rotation that plays to the portfolio's quality-focused, growth-at-a-reasonable-price style.
- Commodities, mining services, infrastructure, defence, and AI-linked data centre demand remain the strongest parts of the market.

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