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Policy-Aware Value Investing

Institutional Equity Research

Australian Critical Minerals · Higher-for-Longer Macro · Boeing Value Recovery

PLS · Liontown · IGO · Mineral Resources · Boeing · NVIDIA · Tesla

Issued 19 May 2026 · Data: March Quarter 2026 ASX quarterlies, RBA SMP May 2026, company IR

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1. Executive Summary

Three theses. One framework. This report covers the next Australian lithium cycle, the higher-for-longer macro regime, and the Boeing value-recovery case. All three are expressions of the same process: identify where government capital is forced to flow, wait for tourist capital to exit, buy the best quality name at a disciplined entry.

Name	One-Line View	Weight	Tranche Status
PLS Group	The market still prices PLS like a cyclical miner. It is increasingly a strategic asset. The A$2.44bn liquidity stack and downstream optionality are not priced in at 7–9x base-case EV/EBITDA.	3.0–4.0%	**First tranche eligible**
Liontown	Moved from story stock to execution stock in one quarter. Positive FCF and ahead-of-schedule UG run-rate change the risk profile permanently.	1.5–2.0%	**First tranche eligible**
IGO	Greenbushes 'systemic issues' are not one-quarter problems. The guidance cut was -11% on production and +20% on costs. Requires execution proof before re-entry.	0.5–0.75%	**No new entry — wait**
MinRes	Not a lithium stock. A diversified mining and services business with a deleveraging story attached. Size accordingly.	Up to 1.0%	Optionality only
Boeing	Quasi-sovereign industrial asset. Backlog of US$695bn is four times market cap. The question is not demand — it is execution speed. FCF normalisation is the trade.	**3.0–5.0%**	**First tranche eligible**
NVIDIA	World-class business. Not a world-class entry at all-time highs. The process requires a base. It does not have one today.	Up to 2.0%	Watchlist only
Tesla	376x P/E prices full autonomous execution. That is not a value entry by any definition in this framework.	Up to 1.5%	Watchlist only

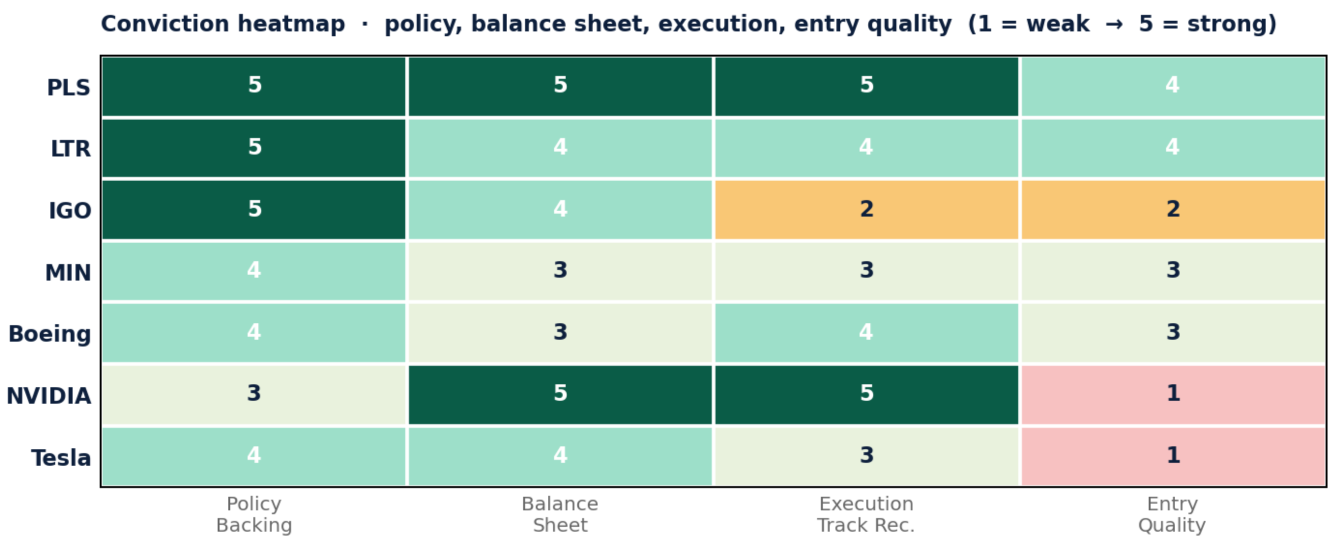


Fig. 1 · Conviction heatmap — policy backing, balance sheet, execution track record, entry quality (1 = weak, 5 = strong)

Three material updates since the prior version of this analysis:

- PLS launched its debut US$600M senior unsecured bond on 22 April 2026, taking pro-forma liquidity to A$2.44bn. The balance sheet no longer constrains the growth agenda.
- IGO cut Greenbushes FY26 production guidance by approximately 11% and raised cost guidance to A$380–420/t. The CEO used the word 'systemic'. The stock fell 14–18% on 24 April. This changes IGO's position sizing directly.
- The RBA raised to 4.35% on 5 May 2026, with the SMP now forecasting 4.7% by end-2026 and trimmed-mean inflation above 3% until mid-2027. The rate cycle is not over.

2. Investment Philosophy and Track Record

Policy-Aware Value Investing is not a brand name. It is a description of what the track record actually shows: the highest-returning positions have been sectors where government capital creates a demand floor, entered after the tourist money has left, in the highest-quality name available.

> ***The edge is not finding exotic companies. It is knowing where government money will be forced to flow — and being there first, at the right price.***

2.1 The Five Pillars

Pillar	Execution — What This Means in Practice
1. Policy first	Identify sectors where government spending or regulation creates a demand floor the market has not yet fully priced. This is not macro tourism — it is reading where capital will be forced to flow.
2. Capital-cycle trough	Enter after tourist capital exits. The best lithium assets today cost 70–80% less than 2022 peak prices. That is the price of the lesson — not the reason to avoid the sector.
3. Blue-chip filter	Within a policy theme, always own the funded, scaled, lowest-cost name first. PLS before a junior explorer. Boeing before a tier-2 supplier. NVIDIA on a pullback, not at a vertical candle.
4. Vegas entry discipline	20-day EMA / 60-day EMA double tunnel. ATR(14) volatility filter. Entry in three tranches — never full size on the first signal. This is not a trading gimmick; it is a refusal to buy narrative peaks.
5. Sized to conviction, not enthusiasm	Flagship theme: 5–7% gross. Recovery case: 3–5% gross. Pre-steady-state name: 1.5–2%. Maximum single name: 4%. Conviction is built by execution milestones — not by price action alone.

2.2 Historical Track Record

Five thematic positions. Same process applied each time. Honest assessment of outcomes.

Period	Theme	Entry Logic	What It Changed in the Process
2017	China Healthcare & Biotech ETF	Government 'Healthy China 2030' policy created a structural demand floor ahead of consensus. Demographic tailwind was non-controversial; valuation reset created entry.	Confirmed: policy-first framing generates durable entry points. Secular themes with government backing outperform pure bottom-up ideas in their early phases.
2017	China Innovation / Tech ETF	Belt-and-Road digital infrastructure; Made in China 2025 mandate; first-mover positioning before global retail discovered the theme.	Confirmed: entering government-backed structural themes before peak narrative heat is the highest-probability expression of this framework.
2021–23	Tesla (TSLA)	EV policy acceleration; first-mover brand moat; optionality on energy storage. Significant upside captured	Taught: even the right company requires disciplined entry. The 376x P/E in the

		but 2022 drawdown tested conviction.	current appendix is a direct result of this experience — Tesla belongs on the watchlist, not the buy list, at any price.
2022–present	Australian Lithium Equities	Energy transition demand; AUS critical minerals policy; capital-cycle trough entry after 2022 tourist-capital exit. PLS and sector as primary expression.	Deepest expression of the current framework. Policy + capital cycle + quality filter + Vegas execution all applied simultaneously. The 2023–2025 patience was the trade.
2020–present	Boeing (BA)	COVID recovery: government-linked duopoly, irreplaceable backlog, essential defense exposure. Operationally impaired by temporary factors. Execution repair thesis.	Confirmed: value recovery requires staged entry and milestone-driven sizing. Boeing was right for the wrong reasons in 2020; the 2026 rebuild is right for the right reasons.

The pattern is consistent. The framework generates best results when the policy signal is early and specific — China healthcare 2017, AUS critical minerals 2024–26. It is tested most when narrative runs faster than execution — Tesla 2022, Boeing 2020. The Vegas entry discipline exists for exactly those situations.

3. The Next Australian Lithium Cycle

3.1 Why This Is Not 2022

The 2022 boom was tourist capital chasing a narrative. The 2025 trough was those same tourists exiting. What remains is a structurally different market.

> ***Lithium is no longer an EV trade. It is increasingly a grid-security trade. The market has not fully repriced this shift.***

Three structural changes separate the current cycle from 2022:

- Demand has broadened. Battery energy storage systems (BESS) are now a demand driver comparable in scale to EVs in the IEA's base-case scenario. In the net-zero pathway, EVs and BESS together account for more than 90% of lithium demand by 2030. A commodity with two equally large demand drivers is structurally more resilient than one with a single end-use.
- Policy architecture is deeper and more durable. Australia's Critical Minerals Strategic Reserve (A$1bn from the A$5bn CMF, operational H2 2026) creates a structural demand floor that did not exist in 2022. The US-Australia-Japan cooperation framework adds geopolitical backstop to an already strong domestic policy position. This lowers the left tail for strategic assets.
- Capital quality is higher. The companies with access to growth capital — PLS, Liontown — have repaired their balance sheets, demonstrated cost discipline, and are approaching growth decisions with discipline rather than urgency. Tourist capital has left. The remaining shareholder base has longer time horizons.

Data point: PLS March Q 2026 — realised price US$1,867/t (+61% QoQ); cash A$1,455M; pro-forma liquidity A$2.44bn. The recovery is confirmed by actuals, not by forecast.

3.2 Company Fundamentals — March Quarter 2026

Co.	Price / Cap	Mar Q Production	Financials	Balance Sheet	Critical Update
PLS	A$5.90 / A$19.1bn	232kt produced; 196kt sold; FOB A$520/t	Rev $567M +52% QoQ; Op. cash margin $461M; FCF after mine dev $394M	Cash A$1,455M; pro-forma liquidity A$2.44bn post US$600M bond Apr 2026	Ngungaju restart Jul 2026; mid-stream first product Sep Q; P2000 study Dec Q
LTR	A$2.23 / A$7.1bn	96kt produced; 84kt sold; grade 5.1% Li2O	Rev $197M +51% QoQ; Op. CF $55M; net CF $33M (strongest quarter since production start)	Net cash A$61M excl. leases; A$482M liability reduction from LGES conversion	1.5Mtpa UG run-rate achieved early Q3 ahead of schedule; 70% Li recovery hit late March
IGO	A$8.30 / A$6.25bn	Greenbushes 351kt flat; Kwinana 3,047t LiOH (51% nameplate)	Underlying EBITDA A$119M; GB margin 75%; net cash A$327M	Net cash A$327M; underlying FCF A$36M	GUIDANCE CUT: FY26 1,375-1,425kt (was 1,500-1,650kt); costs A$380-420/t; CEO: 'systemic issues'; stock -14 to -18% on 24 Apr

MIN	A$65.40 / A$13.0bn	127k dmt SC6 attrib. (Wodgina + Mt Marion)	Realised US$2,105/dmt +92% QoQ; Onslow A$129/wmt rev	Net debt A$4.5bn (down A$0.4bn); liquidity A$1.8bn; post-qtr US$1.3bn bond refi at 6.00%/6.25%	Wodgina upgraded 270-290kt; Mt Marion 210-230kt; Onslow 17.7-19.4Mwmt; diesel +A$60/dmt SC6 risk Jun Q

Sources: PLS; LTR; IGO; MIN

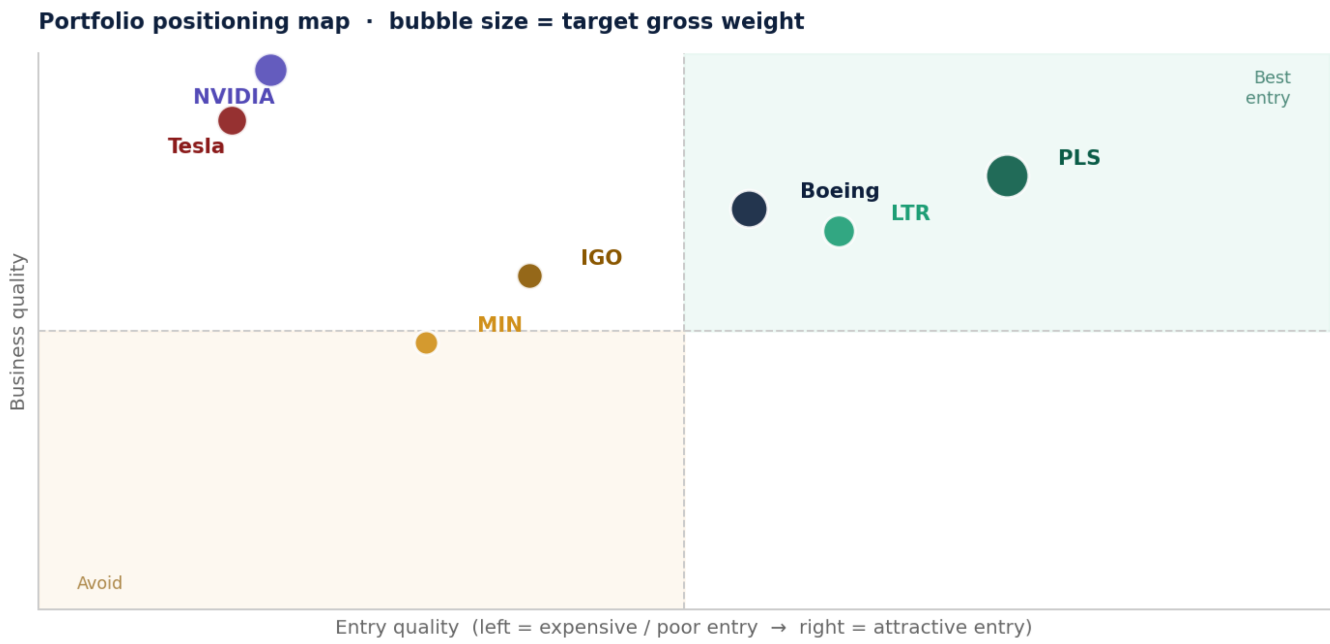


Fig. 2 · Portfolio positioning map — business quality (vertical) vs entry quality (horizontal); bubble size reflects target gross weight

3.3 Relative Valuation — EV per Tonne

Company	Approx. EV	Capacity	EV / Tonne	Assessment
PLS Group	~A$17.6bn	820–870kt FY26 (Ngungaju +50kt from Jul)	~A$20–22k/t	Premium justified: lowest FOB cost (A$520/t), strongest balance sheet, mid-stream optionality. The market prices it as a miner; it is becoming a strategic materials company.
Liontown	~A$7.0bn	~500ktpa current; expansion target 1.3Mtpa+	~A$14k/t current; ~A$5–6k/t post-expansion	Discount to PLS appropriate at current scale. If expansion FID executes, per-tonne multiple compresses rapidly. The FID is the trade.
IGO (GB stake)	~A$5.9bn (post sell-off)	FY26 guidance 1,375–1,425kt (100% basis)	Approximate — JV structure distorts comparison	Guidance cut and 'systemic' language justify discount until execution track record rebuilt. Two to three quarters minimum.

MinRes	~A$17.5bn (incl. A$4.5bn net debt)	127k dmt attributable — lithium is a minority of EV	Not meaningful as lithium EV	Should be valued as a diversified resources and services business. Lithium is not the dominant driver.

3.4 PLS Three-Scenario Valuation

Scenario	SC6 Price	Est. FY27 EBITDA	Valuation vs ~A$17.6bn EV
Bear	US$1,000–1,200/t	~A$0.5–1.0bn	12–35x EV/EBITDA. De-rates materially. A$2.44bn liquidity provides floor; does not prevent re-pricing.
Base	US$1,600–1,800/t	~A$2.0–2.8bn	6–9x EV/EBITDA. Broadly consistent with current market pricing. Fair for a scaled, policy-backed producer with downstream optionality.
Bull	US$2,200–2,600/t	~A$3.8–5.0bn	3.5–5x EV/EBITDA. Material upside. Mid-stream and P2000 expansion optionality provide re-rating levers beyond spot price alone.

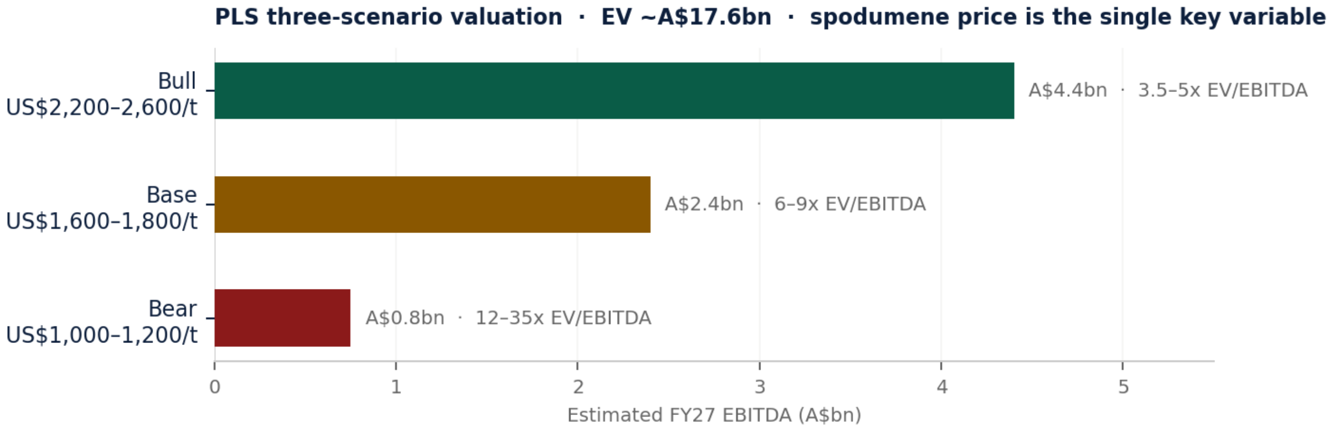


Fig. 3 · PLS three-scenario EV/EBITDA — spodumene price is the single most important variable; A$2.44bn liquidity is the margin of safety in the bear case

Base case implies PLS is fairly valued at current prices. The bull case — sustained price recovery toward US$2,200–2,600/t — creates material upside, amplified by mid-stream and P2000 optionality. The bear case is cushioned by A$2.44bn liquidity but still produces a meaningful de-rating. The balance sheet is the margin of safety.

3.5 Catalyst Board

Window	PLS	Liontown	IGO	MinRes	Policy
Jul–Sep 2026	Ngungaju restart; mid-stream first product; P2000 advancing	Near 2.0Mtpa UG run-rate; Jun Q results critical	CGP3 ramp — first proof point on 'systemic' fix	Onslow transhippers 6+7; diesel impact flows through	Critical Minerals Reserve operational H2 2026

Oct–Dec 2026	P2000 feasibility outcomes; pre-FID decisions	Expansion FID window (end-Q1 FY27); pre-FID spend A$77M	Two consecutive improving quarters required for re-rating	Bald Hill decision; POSCO completion; deleveraging	US/AUS/Japan cooperation visible; Budget support
Q1 2027+	P2000 pre-FID capex; Colina study (Brazil)	KV expansion FID; ramp to 2.8Mtpa by end-FY27	Re-rating = execution, not just commodity price	Net debt toward A$3–4bn; POSCO proceeds	Reserve stockpiling/offtake transactions visible

Fig. 4 · Critical-minerals catalyst timeline — key milestones from May 2026 to 2027

Trade: overweight PLS (3.0–4.0%) as anchor; Liontown (1.5–2.0%) as cycle beta; IGO (0.5–0.75%, reduced — restore only after two consecutive Greenbushes execution quarters); MinRes as optionality vehicle, not a lithium comp.

4. Higher for Longer — Macro Regime

4.1 The Rate Cycle Is Not Over

The higher-for-longer thesis has hardened. The driver has shifted from post-COVID persistence to a new external shock — Middle East conflict driving sustained energy inflation and second-round effects across most developed economies.

> ***The market priced in rate cuts through 2025. It was wrong. The RBA has now hiked three times in 2026. The question is not whether higher-for-longer is real — it is whether the portfolio is positioned for it.***

Central Bank	Rate (May 2026)	Trajectory	Portfolio Read
RBA (Australia)	4.35% — raised 5 May, 8-1 vote	Market pricing 4.7% by end-2026; headline CPI peak 4.8%; trimmed mean above 3% until mid-2027	Domestic rate cycle is not over. Resources and energy benefit from inflation pass-through. Rate-sensitive growth assets face sustained multiple compression.
US Federal Reserve	3.50–3.75% — held Apr 2026	No cut signal. Elevated inflation noted. USD strength expected to persist.	Higher US rates reduce relative appeal of speculative yield-free assets. AUD commodity revenues benefit from USD strength.
ECB (Eurozone)	2.00% — held late Apr 2026	Upside inflation risks flagged. No near-term easing.	European EV policy mandates maintain battery materials demand despite rate pressure on consumers.

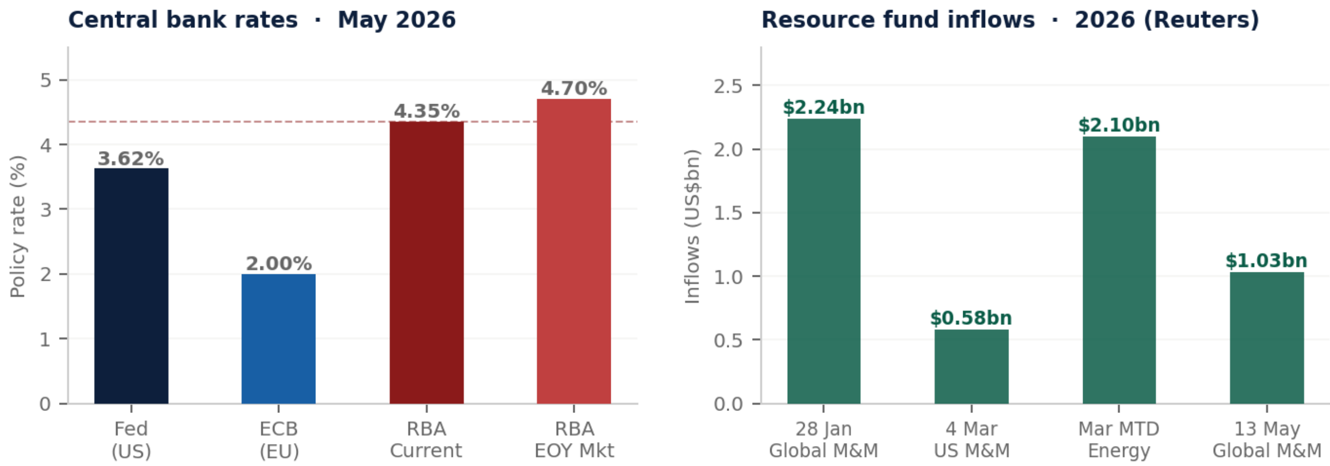


Fig. 5 · Central bank policy rates (May 2026) and selected resource sector fund inflows (Reuters); M&M = metals and mining

Sources: RBA MR-26-12; Westpac IQ May 2026

Westpac's own forecasts see trimmed-mean inflation peaking at 4% and remaining elevated through 2026 — above the RBA's 3.9% peak forecast. The risk is skewed toward further hikes, not early cuts. A turn toward easing is not visible in market pricing until at least mid-2027.

4.2 Why High Rates Do Not Negate the Lithium Thesis

High rates are theoretically negative for high-beta resources. The counter: Australian government backing of the Critical Minerals Reserve creates a structural demand floor that partially offsets the discount-rate headwind. Policy-backed assets trade at a premium to unsponsored cyclicals precisely because the left tail is truncated. This is why the policy pillar is evaluated first — it changes the denominator of the risk calculation.

4.3 Portfolio Rotation Map

Overweight	Rationale	Underweight / Tactical	Caution
Quality resources & critical minerals	Policy backing + hard asset + front-loaded cash flows + strategic scarcity. AUS Reserve operational H2 2026.	Long-duration speculative growth	Multiple compression at 4.35%+ is real and ongoing. Terminal-value names most exposed.
Energy & defense-linked industrials	Geopolitical hedge. Middle East conflict = sustained energy inflation = pricing power. Government procurement backstop.	Rate-sensitive domestics (retail, property)	Direct victims of RBA reaching 4.7%. Credit tightening bites demand.
Cash-generative recovery (Boeing)	Re-rating from execution milestones. US$695bn backlog creates visibility independent of the macro cycle.	Unfunded story stocks	No margin of safety. Refinance risk. RBA hawkish tilt compresses appetite for speculative risk.
Select AI infra on pullbacks (NVIDIA)	Structural demand. Earnings velocity can outpace multiple compression — but only at disciplined technical entries.	Crowded momentum at ATH (TSLA 376x, NVDA ATH)	Flow reversals at crowded positions are violent. The process requires a base, not a vertical candle.

This is not ideology. A rapid Middle East de-escalation combined with collapsing energy prices would reduce inflation persistence and improve the relative appeal of long-duration assets. The RBA presents this scenario explicitly in the May 2026 SMP. The portfolio maintains selective exposure to high-quality growth — NVIDIA, TSLA on watchlist — precisely for that scenario, at disciplined entries.

5. Execution Framework — Vegas Double-Tunnel

The framework avoids two specific errors that consistently destroy returns in commodity and recovery investing: buying narrative peaks, and staying through fundamental thesis breaks because the position became emotionally anchored.

> ***The double tunnel is not a trading system. It is a discipline against buying vertical candles and averaging down through lower tunnels.***

Stage	Entry Conditions	Action
Base formation	Price holds above 60-day EMA for 10+ sessions. ATR(14) contracts below its 20-day average — volatility compression after directional move.	No position. Watch only.
First tranche — 40%	Daily close above 20-day EMA on volume 1.2x+ the 20-day average. Fundamental catalyst present (quarterly beat, policy announcement, or guidance upgrade).	Enter 40% of target weight. Hard stop below 60-day EMA.
Second tranche — 35%	Successful retest: price pulls back to 20-day EMA, then closes above it. Upper tunnel holds as support on at least two sessions. No thesis deterioration interim.	Add 35%. Raise stop to break-even on first tranche.
Final tranche — 25%	Catalyst confirmation: execution checkpoint (delivery beat, FCF turn, guidance upgrade) AND higher high on above-average volume.	Add remaining 25%. Trailing stop at most recent swing low.
Exit / Reduce	Daily close below 60-day EMA AND one of: repeated commodity-price failure, guidance cut, policy reversal, or valuation overshoot >35% above base-case fair value.	Halve or exit. No averaging down once lower tunnel breaks.

5.1 Current Entry Status by Name

Name	Current Technical Status	Next Entry Signal	Exit Trigger
PLS (ASX: PLS)	~A$5.90. Mar Q delivered confirmed operational and financial catalyst. Base forming post-price recovery.	First tranche: daily close above 20-day EMA on volume. Mar Q beat qualifies as fundamental catalyst.	Close below 60-day EMA + commodity-price failure or Jun Q miss
LTR (ASX: LTR)	~A$2.23. Positive FCF confirmed. UG run-rate ahead of schedule. Base consolidating.	Entry after 5+ sessions holding above 20-day EMA. Expansion FID announcement = qualifying catalyst for final tranche.	Close below 60-day EMA or underground consistency failure
IGO (ASX: IGO)	~A$8.30. Lower tunnel likely violated on guidance cut. Technical structure impaired.	No new entry. Wait for: (a) price reclaims 20-day EMA with volume confirmation AND (b) one full quarter of	Any further guidance cut or CEO/COO departure without credible plan

		Greenbushes execution improvement.	
BA (NYSE: BA)	~US$220.60. Q1 results confirmed revenue improvement (+14% YoY). FCF still negative but trajectory improving.	First tranche: delivery beat or 777X certification update triggers price above 20-day EMA on volume. Initial weight 1.0–1.5%.	Close below 60-day EMA + delivery miss or cash-flow deterioration

6. Boeing — Value Recovery Case

Boeing is not cheap on current earnings. It is cheap on normalised cash flow relative to an irreplaceable backlog. That distinction is the entire thesis.

> ***Boeing is effectively a quasi-sovereign industrial asset. The US government cannot allow its sole-source commercial aircraft manufacturer to fail. The backlog is US$695bn. The market is pricing execution risk — not existential risk. That is the trade.***

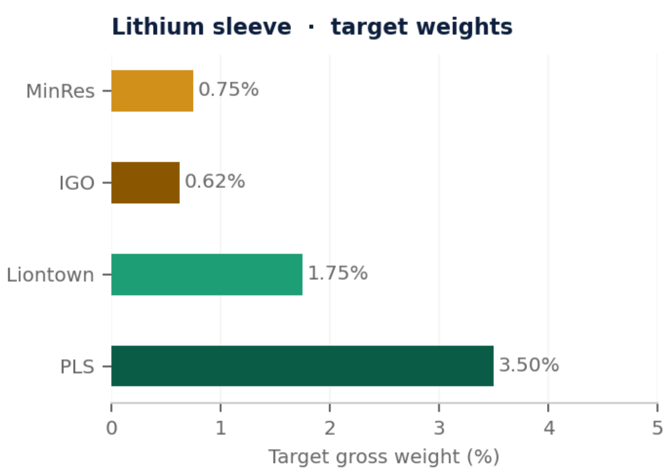
6.1 Thesis in Three Lines

- Demand is not the problem. A record US$695bn backlog — four times market cap — underwrites revenue visibility for the next decade.
- Cash flow is the problem. Q1 2026 FCF was ($1.5bn). The trade is the gap between current negative FCF and a normalised mid-single-digit margin on a $95–110bn revenue base.
- The Spirit acquisition was a quality decision disguised as a supply-chain transaction. Reducing rework costs structurally improves the FCF margin over time. The market has not given Boeing credit for this yet.

Q1 2026 results: Revenue US$22.2bn (+14% YoY); 143 commercial deliveries; GAAP net loss ($7M) vs ($31M) a year prior; backlog US$695bn; 284 net orders in first four months — best start since 2014.

6.2 FCF Normalisation Scenarios

Scenario	Assumptions	Implied FCF and Fair Value
Bear	Deliveries stall ~150/qtr. 787 misses 90-unit target. 777X delayed to 2028+. Margin stays near 2%.	FCF ~$1.5–2.5bn/yr. At 18x → equity ~$27–45bn. Well below current ~$174bn. Requires thesis break — not just a soft quarter.
Base	600+ deliveries 2026. 787 reaches 90 units. FCF margin 4–5% on ~$95bn revenue. China orders partially convert.	FCF ~$4.5–6.5bn. At 20x → equity ~$90–130bn. Modestly below current price. Upside requires H2 2026 execution confirmation.
Bull	777X certifies 2027. China 200-aircraft order converts. FCF margin 6–7% on $110bn+ revenue by 2027–28.	FCF ~$7–9bn. At 22x → equity ~$154–198bn. Modest-to-material upside. Requires two to three consecutive execution quarters.



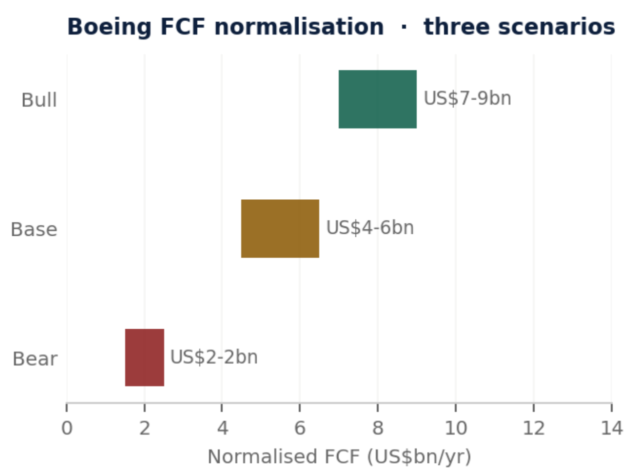


Fig. 6 · Left: lithium sleeve target weights; Right: Boeing FCF normalisation scenarios — base case implies ~$4.5–6.5bn/yr FCF at scale

At the base case, current valuation is modestly above fair value — this is not a deep-value buy. It is a high-quality recovery trade where the margin of safety comes from execution trajectory, not a distressed multiple. The staged Vegas entry is non-negotiable.

6.3 Key Catalysts — 2026 and 2027

- 787 deliveries tracking toward the 90–100 full-year 2026 target. First quarterly beat on this metric triggers the first tranche.
- 777X maiden flight completed May 2026. First deliveries expected 2027. Any positive FAA certification update is a step-change catalyst.
- China 200-aircraft commitment: announced during US-China thaw; not yet binding. Conversion to a signed contract would be the bull-case trigger.
- FCF turning positive on a sustainable quarterly basis — the definitive confirmation that normalisation is not just a forecast.

7. Tesla and NVIDIA — Tests of Entry Discipline

Both businesses are exceptional. Neither is automatically a good entry. The question is not company quality. The question is entry quality.

7.1 Tesla

> ***Tesla is the company that built the EV market. It is also the company trading at 376x earnings while its robotaxi rollout in Texas has long waits and sparse availability. Those two facts are both true. Only one of them tells you whether to buy today.***

Q1 2026: revenue US$22.4bn; GAAP net income US$477M; automotive gross margin 21.1%; deliveries 358,023 vehicles. Inventory days of supply rose to 27. Robotaxi rollout slower and messier than expected. China-made EV sales stronger in April.

Source: Tesla Q1 2026 Update

At ~US$1.45tn market cap and 376x P/E, Tesla is priced for full autonomous execution. The framework requires a base, a reclaim of the upper tunnel, and a qualifying catalyst before entry. None of those conditions are met today.

7.2 NVIDIA

> ***NVIDIA earns US$215.9bn in revenue and guides US$78bn for a single quarter. The fundamentals are extraordinary. The entry is not.***

Fiscal 2026: revenue US$215.9bn; Q4 data-center revenue US$62.3bn; Q1 FY27 guidance ~US$78bn. At ~US$5.44tn market cap and 54.5x P/E, the business justifies the multiple — but vertical candles near all-time highs are outside the entry rules.

Source: NVIDIA Fiscal 2026 Earnings Release

Framework position: NVIDIA is on the tactical allocation watchlist at up to 2% gross weight. Entry only after a meaningful base forms and price reclaims the 20-day EMA with volume confirmation. Chasing at all-time highs is inconsistent with the process regardless of the business quality.

7.3 Entry Quality Comparison — 19 May 2026

Name	Business Quality	Current P/E or EV metric	Entry Quality Today	Action
PLS	High	6–9x base EV/EBITDA	Good — base forming post-cycle trough	**Active — staged entry**
Liontown	Medium–High	A$14k/t current production	Acceptable — FCF positive, base consolidating	**Active — smaller weight**
Boeing	High	1.9x trailing revenue; 87x P/E (distorted)	Acceptable for first tranche — recovery confirmed	**Active — first tranche**
Tesla	Very High	376x P/E	Poor — optionality pricing, not value	Watchlist only
NVIDIA	Exceptional	54.5x P/E	Poor for new entry — vertical candle near ATH	Watchlist only

8. Risk Register

A credible report quantifies how it could be wrong.

Risk	Names	Probability	Mechanism	Mitigation
Lithium price reversion	PLS, LTR, IGO, MIN	Medium	Supply growth (19–34%) could outpace demand (17–30%) if new projects ramp ahead of schedule. Chinese inventory rebuild suppresses spot.	Vegas exit discipline. Lithium sleeve capped at 7% gross. Bear-case modelled explicitly at US$1,000–1,200/t.
IGO execution failure	IGO	Medium–High	'Systemic issues' across safety, grade, recovery, maintenance, and plant reliability. Multi-quarter fixes. Stock already -14 to -18%.	Weight reduced to 0.5–0.75%. Restore only after two consecutive quarters of Greenbushes improvement.
Liontown UG consistency	LTR	Medium	2.8Mtpa ramp and 70%+ Li recovery must both hold. Expansion FID commits capex before steady-state is proven.	Initial weight 1.5%. Final tranche only after expansion FID confirmed and funded.
RBA hikes beyond 4.7%	All — high-beta most exposed	Medium	Trimmed mean above 3.5% in Q3 2026 triggers August meeting hike. Westpac forecasts 4% peak — above RBA's own 3.9%. Multiple compression accelerates.	Portfolio tilted to front-loaded cash-flow names. Macro sleeve 15–20% cash / short-duration proxies as rate hedge.
Boeing 777X delay	BA	Medium	First delivery expected 2027 (Reuters). FAA certification delay defers FCF normalisation by 12–24 months.	Staged Vegas entry. Maximum 3–5% weight. Exit on lower-tunnel break + delivery miss.
Middle East escalation	All via energy	Medium	Further oil spike pushes AUS headline above 4.8% RBA forecast. SMP adverse scenario: 5.2%. Second-round effects accelerate.	Energy/defense overweight provides partial hedge. Resource names benefit from commodity inflation in this scenario.
Diesel cost escalation	MIN, IGO, PLS, LTR	High (near-term)	MinRes: ~A$60/dmt SC6 Jun Q impact. Diesel 'doubled since March'. Greenbushes uses ~3ML/month.	Reflected in Jun Q guidance ranges maintained. Monitor fuel-price trajectory vs company hedging.
China demand shock	Lithium, Boeing	Low–Medium	China ~65% of global lithium demand. Property-sector deterioration compresses BESS/EV demand. Boeing China order is not binding.	Diversification across lithium (4 names), aerospace, and macro sleeve. Not solely dependent on China demand.

9. Portfolio Construction Summary

9.1 Illustrative Gross Weights

Sleeve	Name	Target Gross Wt.	Current Tranche Status	Thesis Category
Lithium — Anchor	PLS Group (ASX: PLS)	3.0–4.0%	First tranche eligible — Mar Q beat confirmed	Policy + Capital Cycle + Scaled Quality
Lithium — Beta	Liontown Resources (ASX: LTR)	1.5–2.0%	First tranche eligible — positive FCF confirmed	Policy + Operating Leverage
Lithium — Lower Beta	IGO Limited (ASX: IGO)	0.5–0.75%	**NO NEW ENTRY — Greenbushes proof required (2 qtrs)**	Policy + Balance Sheet (execution risk elevated)
Diversified Resources	MinRes (ASX: MIN)	Up to 1.0%	Optionality only — size as diversified resources, not lithium	Deleveraging + Iron Ore + Mining Services Optionality
Aerospace Recovery	Boeing (NYSE: BA)	3.0–5.0%	First tranche eligible — Q1 beat confirmed. Vegas rules apply.	Quasi-Sovereign Industrial + FCF Recovery
Rate Hedge	Short-duration / cash proxies	15–20%	Active — rate hedge against further RBA hikes	Higher-for-Longer Hedge
AI Infra (tactical)	NVIDIA (NASDAQ: NVDA)	Up to 2.0%	WATCHLIST — no entry until base forms post-ATH	Structural Demand + Disciplined Entry Required
EV Platform (tactical)	Tesla (NASDAQ: TSLA)	Up to 1.5%	WATCHLIST — 376x P/E. No entry at current price.	Policy-Aligned + Entry Discipline Required

9.2 Risk Parameters

- Maximum lithium sleeve: 7% gross combined (PLS + LTR + IGO + MIN). No single-commodity concentration regardless of individual conviction.
- Maximum single-name weight: 4% gross. No exceptions regardless of thesis strength.
- Macro hedge: 15–20% short-duration cash or credit proxies while RBA rate path is above 4.0%.
- Drawdown rule: if the lithium sleeve falls more than 20% from entry, reduce all positions to first-tranche size. Requires new fundamental catalyst before rebuilding.
- Review cycle: execution milestones assessed at each quarterly reporting cycle (Jan, Apr, Jul, Oct). Macro sleeve reviewed monthly against RBA and Fed communications.

10. Sources and Disclosures

10.1 Primary Sources

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10.2 General Advice Warning — Full Text

GENERAL ADVICE WARNING

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