

March 2026

Investment Markets Report

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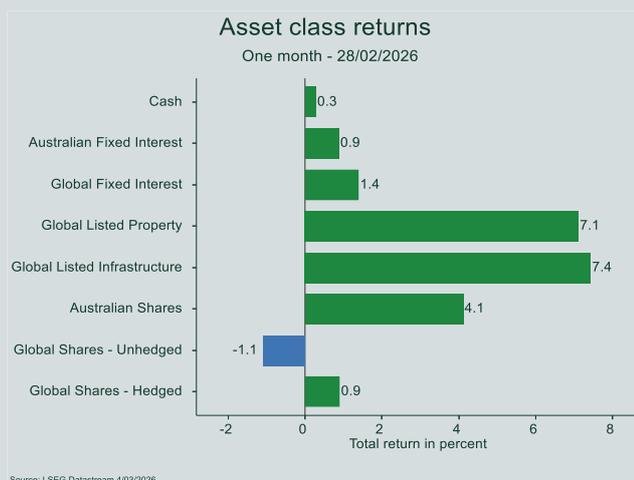
Our investment office unpacks what happened in the past month, current tactical positioning and what this means for our portfolio weightings to different asset classes.

What's changed in February?

Global equities rose in February despite elevated geopolitical uncertainty and concerns around the impact of artificial intelligence (AI). The equity market continued to rotate away from growth companies, especially in the software sector, into sectors deemed more immune from AI disruption. This helped Australian, European and Emerging Market equities outperform the US market. AI concerns, a potential US attack on Iran, the US Supreme Court's ruling against President Trump's 2025 tariffs and Kevin Warsh's nomination as Fed Chair all helped lower government bond yields in February. Oil and gold prices rose over the month, reflecting increased geopolitical risk.

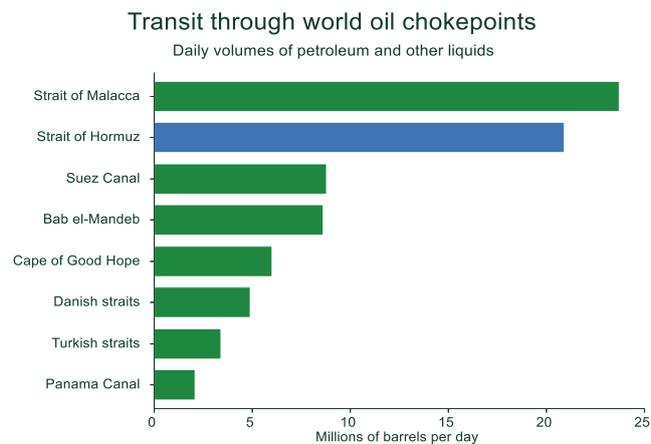
EXECUTIVE SUMMARY

- ▶ In currency-hedged terms, developed market equities (MSCI World ex-Australia) gained 0.9% in February. The US equity market (S&P 500) declined 0.8% while Australian shares (S&P/ASX 200) returned 4.1%. European shares (STOXX 600) rose 3.9% and Emerging Market shares (MSCI Emerging Markets) gained 5.0% in local currency terms.
- ▶ 10-year government bond yields declined, down 30 basis points (bps) in the US, 16bps in Australia, 22bps in the UK, 14bps in Japan and 19bps in Germany.
- ▶ Investment-grade corporate bond spreads in the US rose 11 bps to 85bps over US treasuries, while US high yield bond spreads rose 30bps to 210bps.
- ▶ The Australian Dollar rose 1.2 US cents to US\$0.7127.
- ▶ Oil prices gained 3.8% to US\$66.96 per barrel (WTI). Gold rose 4.5% to US\$5,254 per troy ounce. Iron ore prices fell 5.0% to US\$101.44 per tonne.



Tactical Positioning

Geopolitics and AI continued to be the dominant market themes in February. Investors again focused on the potential disruptive impact of artificial intelligence (AI) on white collar jobs and businesses that rely on intellectual property or acting as intermediaries. The US Supreme Court's ruling that President Trump's 2025 tariffs under the International Emergency Economic Powers Act were illegal also added to uncertainty. While the Israel-US attack on Iran (Operation Epic Fury), on Saturday February 28th had no market impact in February, investors had begun pricing in a potential strike as US-Iran diplomatic negotiations had showed no real progress.



Source: LSEG Datastream 5/03/2026

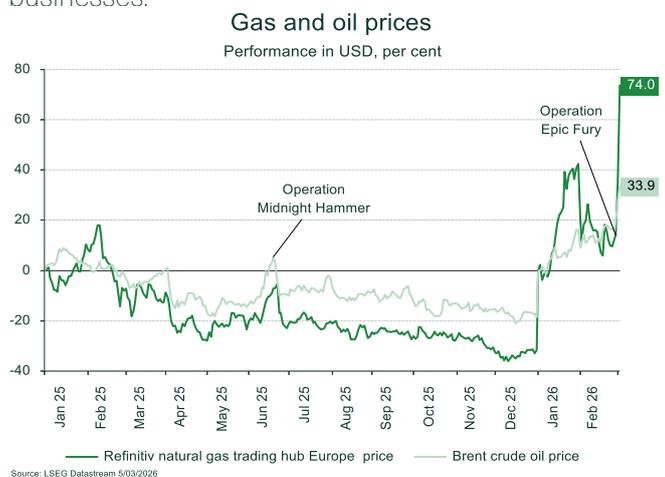
The market reaction to the strikes on Iran has been in line with expectations. The biggest impact has been on energy prices, similar to last year's US-Israeli strikes on Iran, where oil prices also spiked initially but then fell below pre-war levels once it was clear energy infrastructure was intact. Analysts suggest a sustained conflict or a prolonged Iranian blockade of the Strait of Hormuz, through which 20% of the world's oil and LNG gas is shipped, could push oil to US\$100-\$120 per barrel, potentially driving a surge in inflation.

We continue to monitor the situation in the Middle East and will be watching whether the operation is short lived, or extends into a longer conflict, particularly if Iranian regime change remains a key objective. We will also be monitoring whether there is anything more than a token response from Gulf Cooperation Countries attacked by Iran, Iranian proxies in other countries, as well as Russia and China that historically were supportive of the regime in Iran.

As we have discussed several times before, financial market reaction to wars and geopolitical events is often short lived. Investors may initially overreact but then calm down when it becomes apparent that the longer-term impact on economies and corporate earnings is limited. While a sustained increase in the oil price, to above US\$100 per barrel, would have inflationary consequences, we would not expect major central

banks to lift interest rates. The sell off in bond and equity prices, as we saw in 2022 following Russia's invasion of Ukraine, is unlikely today because the starting point is that interest rates are higher and back then the world was more supply constrained coming out of COVID related lockdowns.

For now, we remain neutrally positioned with allocations to equities and bonds close to our long-term strategic weights. Our exposure to more resource heavy Australian equities, alternative investments and diversified equity styles (value and growth stocks) should help insulate portfolios to an oil shock, stagflation or prolonged military action in the Middle East. The exposure to Australian Shares which has a higher weighting of banks and miners is also helping to protect portfolios from the rotation away from AI exposed sectors such as software and services businesses.



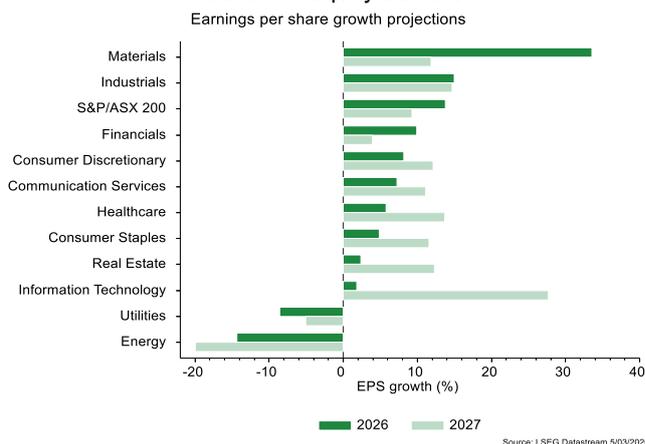
Source: LSEG Datastream 5/03/2026

EQUITIES:

As discussed, February saw investors continue to rotate away from last year's winners; growth and high momentum stocks, into smaller more-cyclical companies and cheaper value stocks. Worries about the AI disruption of high growth industries such as software and tech-enabled services has seen the outperformance of 'HALO sectors', which refers to companies with Heavy Assets and Low Obsolescence. This shift toward companies owning tangible, hard-to-replicate physical assets, resilient to AI disruption, has benefited key sectors including energy, manufacturing, industrials, materials, commodities and logistics as well as equity markets such as Australia and Europe which have a higher share of such companies.

December quarter earnings reports for companies in the US S&P 500 equity index were once again better than expected. 72% of companies beat analyst earnings estimates by around 5% on average. Excluding the energy sector, year-on-year growth was 14.7% and revenue growth was 9.8%. Earnings for 2026 are currently forecast to continue growing at around 15% which should provide solid returns from US equities, assuming valuation ratios remain steady.

Australian equity sectors



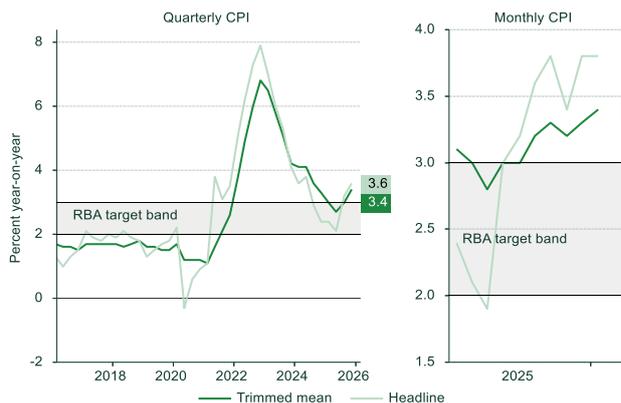
In Australia, the half yearly profit reporting season has been one of the best in many years with profits growing for the first time in four years. It was the biggest upgrade since 2021 and the second largest since 2001. Profits for the 2026 and 2027 financial years are now expected to grow 14% and 9%, respectively. Commodity producers led the charge helped by stronger commodity prices and cost control. The ASX 200 has been trading on elevated price-to-earnings multiples, however, recent earnings upgrades help support higher valuations and the rotation into HALO stocks is a current tailwind for Australian shares.

FIXED INCOME:

Long term bond yields fell in February as bond investors embraced the nomination of Kevin Warsh as the next Chair of the US Federal Reserve which reduced chances that rate cuts would be made for partisan rather than economic reasons. Yields also fell on concerns that AI would lead to widespread job losses. Bonds were also helped by increased economic uncertainty after the US Supreme Court ruled against President Trump's reciprocal and fentanyl related tariffs. Also rising prospects of a conflict between the US and Iran helped lower yields in many regions.

In Australia, January's inflation report showed trimmed mean inflation staying uncomfortably high, at 3.4%, well above the RBA's target range. Australia's December quarter GDP report also confirmed that the economy grew 2.6% over 2025, a pace that was likely too strong

Australian consumer price inflation



Source: LSEG Datastream 5/03/2026

to bring down inflation, given supply constraints. Credit spreads widened in February on concerns about AI and software company debt, rising energy prices due to tensions with Iran and further news about idiosyncratic issues in the private credit sector.

Ten-year index-linked government bonds



Source: LSEG Datastream 5/03/2026

PROPERTY AND REAL ASSETS:

Listed property and infrastructure both performed strongly in February helped by the equity market rotation away into hard or HALO assets. We continue to have a positive view of property and infrastructure as a source of defensive growth with inflation protection.

Trend following and Commodity Trading Advisors



Source: LSEG Datastream 5/03/2026

ALTERNATIVE ASSETS:

Alternative assets returned 0.4% in February with positive performance from three of the four major sub-strategies. Systematic trend-followers (CTAs) generated a return of 2.1% helped by trends in equity indices although rising oil and gas prices are also beginning to contribute. Event driven strategies lost 0.1% as special situations and merger arbitrage saw modest declines.

CURRENCY:

The Australian Dollar rose a further 1.7% in February, driven partly by a stronger Chinese Yuan and greater prospects for Australian rate rises. It has also been supported by speculative buying, with data showing the largest net long holdings by hedge funds and leveraged traders since 2017. We remain currency unhedged in global shares.

Current Balanced portfolio positioning summary

ASSET CLASS	POSITIONING	VIEW
Cash	Neutral	There is a prospect of one or two more rate hikes in 2026 as inflation remains too high and growth too strong for the RBA's comfort.
Australian Debt	Neutral	Retain a neutral weighting with interest rate duration close to benchmark of around five years. Following the sell off in bonds over the past few months, longer term bond yields allow investors to lock in attractive real yields and term premium relative to expected cash rates.
Global Debt	Neutral	Hold a neutral weighting with interest rate duration close to benchmark of around six years. Steeper yield curves provide attractive term premium and real yields. Credit is relatively expensive but can provide attractive income and total returns in a non-recessionary environment.
Alternative Defensive	Neutral	Alternative strategies should help to diversify portfolios. These strategies have traditionally held up relatively well when more traditional defensive strategies, tied to bond yields and the credit outlook, have suffered.
Alternative Growth	Neutral	Alternative growth strategies benefit from higher price volatility and dispersion with returns less correlated to broader risk sentiment. Trend-following strategies can provide portfolio insurance-like characteristics by capturing price trends in financial, currency and commodity (including precious metal, oil and gas) markets.
Property & Real Assets	Neutral	Property and infrastructure should provide a more defensive exposure in a global downturn relative to equities and should benefit from a rotation away from equity sectors exposed to AI disruption. The demand and supply dynamics for property and infrastructure assets (particularly in energy and digital infrastructure) are improving.
Australian Shares	Neutral	The earnings growth outlook has improved while equity valuation multiples, particularly for the major banks, are still high relative to history and compared with international peers. Australian resources companies are benefiting from higher energy and metals prices and Chinese efforts to revive the property sector. Rotation away from growth/tech sectors favours Australian Shares given the higher weight to banks and miners.
Global Shares	Neutral	Hold a neutral allocation, as although investor sentiment and valuations, particularly for US tech companies, are high, economic and corporate fundamentals, such as solid earnings growth, remain supportive. While equity markets may weaken due to the US-Iran conflict, markets typically recover as the focus turns back to economic and corporate profit growth.
Currency hedging	Fully unhedged	Although the US Dollar has lost some of its shine with the end of US economic exceptionalism and higher policy uncertainty, in a risk-off scenario, it is again likely to regain some of its safe-haven status as there are few alternatives. Prefer to remain currency unhedged in Global Shares given the Australian Dollar tends to move in line with global investor sentiment.

Strategic Asset Allocation (SAA) and Dynamic Asset Allocation (DAA) weights

PORTFOLIO ASSET CLASS	CONSERVATIVE		MODERATE		BALANCED		GROWTH		HIGH GROWTH	
	SAA	DAA	SAA	DAA	SAA	DAA	SAA	DAA	SAA	DAA
Defensive Assets	70.0	70.0	50.0	50.0	35.0	35.0	20.0	20.0	5.0	5.0
Cash	15.0	15.0	10.0	10.0	5.0	5.0	2.5	2.5	2.5	2.5
Australian Debt	20.0	20.0	10.0	10.0	5.0	5.0	0	0	0	0
Global Debt	30.0	30.0	25.0	25.0	20.0	20.0	15.0	15.0	0	0
Alternative Defensive	5.0	5.0	5.0	5.0	5.0	5.0	2.5	2.5	2.5	2.5
Growth Assets	30.0	30.0	50.0	50.0	65.0	65.0	80.0	80.0	95.0	95.0
Property & Real Assets	5.0	5.0	7.5	7.5	10.0	10.0	10.0	10.0	10.0	10.0
Alternative Growth	5.0	5.0	7.5	7.5	10.0	10.0	7.5	7.5	7.5	7.5
Australian Shares	5.0	5.0	15.0	15.0	20.0	20.0	25.0	25.0	25.0	25.0
Global Shares	15.0	15.0	20.0	20.0	25.0	25.0	37.5	37.5	52.5	52.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Major Financial Markets

To 28 February 2026	Latest	1 month	3 month	Year-to-date	1 year	3 year	5 year
Equities	Local currency returns including dividends in percentage, not annualised						
Australia - S&P/ ASX 200	9199	4.1	7.3	6.0	16.2	41.3	66.9
Japan - Nikkei 225	58850	10.4	17.3	17.0	61.5	127.2	123.8
US - S&P 500	6879	-0.8	0.7	0.7	17.0	80.7	94.2
US - NASDAQ Composite	22668	-3.3	-2.9	-2.4	21.0	102.2	78.3
UK - FTSE 100	10911	7.0	12.7	10.2	28.1	54.6	102.0
Europe - STOXX 600	634	3.9	10.2	7.2	17.5	51.6	82.9
Developed Markets - MSCI World	3521	1.0	3.3	2.7	19.2	75.2	89.8
Emerging Markets - MSCI EM	99558	5.0	17.2	14.2	47.3	86.1	53.1
Government bond yields	Change in annual yield in percentage points						
Australia - 2 year	4.19	-0.01	0.37	0.13	0.45	0.52	4.07
Australia -10 year	4.65	-0.16	0.12	-0.11	0.35	0.78	2.80
US - 2 year	3.39	-0.15	-0.10	-0.09	-0.60	-1.41	3.24
US - 10 year	3.96	-0.30	-0.06	-0.20	-0.23	0.05	2.51
UK - 10 year	4.30	-0.22	-0.14	-0.17	-0.18	0.48	3.48
Germany -10 year	2.65	-0.19	-0.04	-0.20	0.27	0.02	2.91
Currencies and Commodities	Change in price						
Australian Dollar (US\$)	0.7127	0.0121	0.057	0.046	0.091	0.038	-0.062
US Dollar Index	97.61	0.62	-1.84	-0.71	-10.01	-7.26	6.73
Gold (US\$/ounce)	5254.06	223.66	1053.96	929.39	2402.72	3428.09	3526.62
Iron Ore (US\$/tonne)	98.69	-4.69	-7.40	-7.30	-3.91	-25.36	-74.02
Crude oil (WTI, US\$/barrel)	66.96	2.46	8.38	9.70	-3.01	-9.99	3.43

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