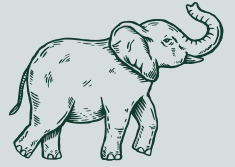


StanfordBrown

Private
Wealth



May 2026

Investment Markets Report

Nick Ryder

Chief Investment Officer



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 April?

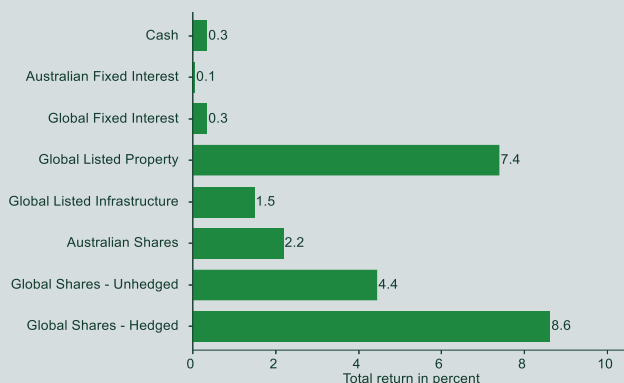
Global equities rebounded strongly in April after the US and Israel announced a ceasefire of attacks on Iran at the end of March. The equity gains were led by US technology stocks which bounced back strongly after the earlier software-driven sell off, helped by strong March quarter earnings reports. Even though US equity markets made fresh record highs, bond yields and oil prices drifted higher in April as negotiations between Iran and the US to reopen the Strait of Hormuz and end the conflict showed little progress. The Australian Dollar rebounded to pre-war levels helped by better risk sentiment and local inflation data which increased chances of further rate rises.

EXECUTIVE SUMMARY

- ▶ In currency-hedged terms, developed market equities (MSCI World ex-Australia) gained 8.6% in April. The US equity market (S&P 500) gained 10.5% and the tech-heavy NASDAQ Composite was up 15.3%. Australian shares (S&P/ASX 200) returned 2.2%, European shares (STOXX 600) rose 5.6% and Emerging Market shares (MSCI Emerging Markets) gained 13.3% in local currency terms.
- ▶ 10-year government bond yields rose, up 10 basis points (bps) in the US, 11 bps in Australia, 10bps in the UK, 17bps in Japan and 2bps in Germany.
- ▶ Investment-grade corporate bond spreads in the US fell 9bps to 81bps over US treasuries, while US high yield bond spreads fell 45bps to 283bps.
- ▶ The Australian Dollar rose 3.4 US cents to US\$0.7190.
- ▶ Oil prices gained 5.6% to US\$108.64 per barrel (WTI). Gold declined 0.1% to US\$4,619.68 per troy ounce. Iron ore prices rose 0.5% to US\$107.70 per tonne.

Asset class returns

One month - 30/04/2026

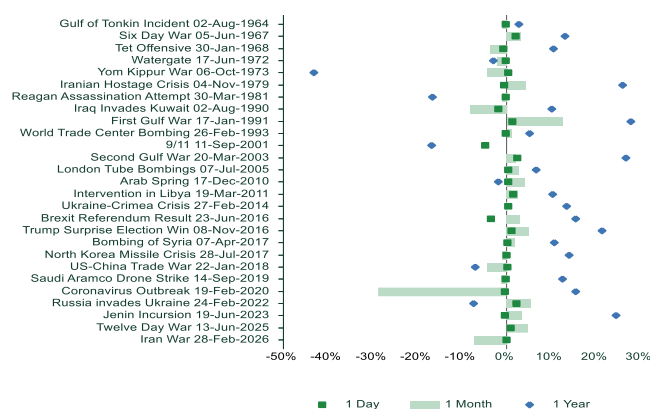


Source: LSEG Datastream 4/05/2026

Tactical Positioning

The ceasefire between the US and Iran triggered a relief rally in equities despite few indications that the Strait of Hormuz is likely to reopen to commercial shipping any time soon. We are currently in a stalemate where there is no war and no peace. Prospects of a longer-term agreement to allow shipping to resume and Middle East oil supplies to return to normal appear dim with both Iran and the US currently seeking conditions that neither side is likely to agree to. This suggests that the Strait of Hormuz could remain closed for much longer than markets expect until one side is prepared to fold their hand as ongoing economic and political costs become too great.

S&P 500 after geopolitical events



For now, there seems to be sufficient inventories of oil, spare oil production capacity outside the Persian Gulf and oil pipeline capacity in Saudi Arabia and Abu Dhabi that allows some of the lost oil supply to be replaced or rerouted. Should the Strait of Hormuz remain closed for another couple of months, into the Northern Hemisphere's summer "driving season" then oil prices could spike further – closer to US\$150-\$200 per barrel, which would likely lead to some demand destruction and an economic slowdown in many countries, including the US and Australia, which are net energy exporters.

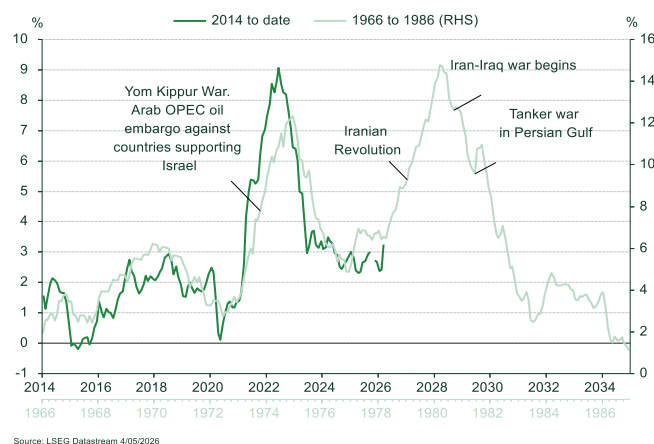
We don't have any insight as to when the Strait of Hormuz will fully reopen, although we remain cautiously optimistic that there will be a resolution sooner rather than later given both sides have incentives to end the conflict. Iran is being deprived of export income and will have to shut-in oil wells if it can no longer store or export production, which is risky from an engineering perspective, and difficult to restart. For the US, the war is unpopular, and the Republicans could face large losses in November's mid-term elections if inflation and gasoline prices keep rising.

As we have discussed several times before, financial market reaction to wars and geopolitical events is often short lived and we have seen this play out again. Investors tend to move on when it appears the damage to economies and corporate earnings is limited

This may turn out to be correct even though there is a material risk that the Strait of Hormuz remains closed for longer than expected, or the US restarts the conflict and "escalates to de-escalate" which leads to a longer lasting conflict and greater economic damage.

We are retaining a neutral position in equities and bonds close to our long- term strategic weights. Our exposure to more resource heavy Australian shares, alternative investments, infrastructure and diversified equity styles (value and growth stocks) should help partially insulate portfolios from an oil shock, stagflation or prolonged war in the Middle East. We continue to monitor geopolitical and national security risks as well as risks around the economic outlook, which are likely to remain elevated in the current environment.

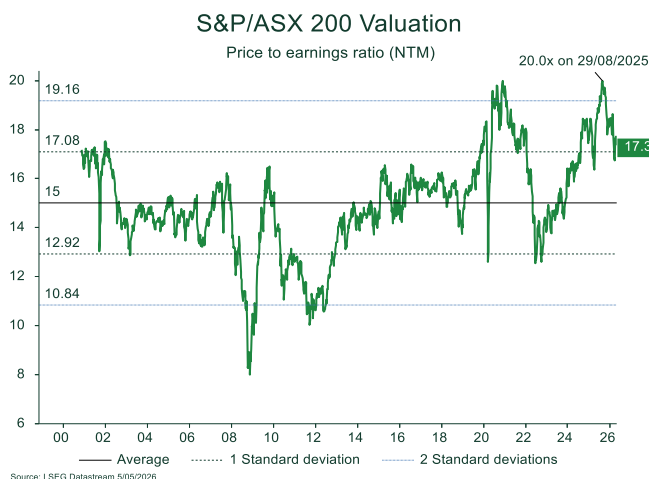
United States Inflation



EQUITIES:

The ceasefire in the Middle East helped drive a swing back into US and Asian technology stocks and away from the value sectors as well as Heavy Assets and Low Obsolescence (HALO) stocks such as energy and materials. The rotation was also assisted by strong March quarter earnings reports from Microsoft, Apple, Amazon, Meta and Alphabet which all reported impressive revenue and earnings growth helped by demand for artificial intelligence (AI), cloud computing and advertising. Many of these companies also announced increases in projected capital expenditure on AI and data centres and this is benefiting companies involved in the build out, including construction services, power and cooling infrastructure and backup generators.

March quarter earnings reports for companies in the US S&P 500 equity index were once again better than expected. 83% of the 314 companies that have reported so far beat analyst earnings estimates by around 11.5% on average. Excluding the energy sector, year-on-year earnings growth was 29.3% (helped in part by tax cuts) and revenue growth was 11.0%. IT and communication services stocks reported annual earnings per share growth rates of 55.1% and 51.9%, respectively. This has seen the US market's earnings growth for calendar 2026 upgraded, from 15% to around 20%, which should provide solid returns from US equities, assuming valuation ratios remain steady.

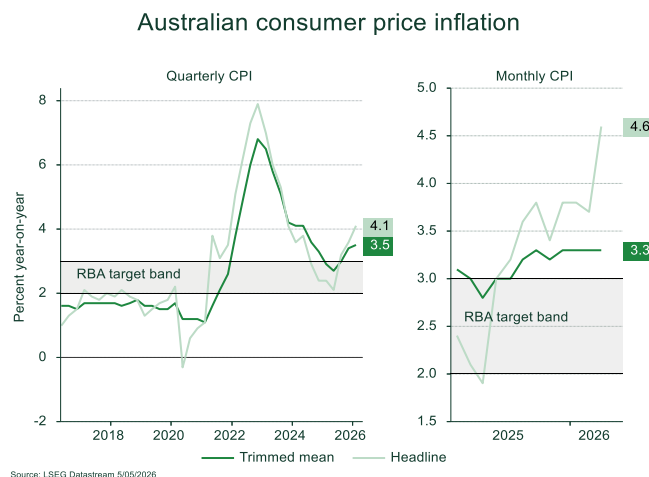


In Australia, the ceasefire saw a rotation from HALO sectors such as energy and utilities back into information technology and real estate. The high weighting to banks and miners, and low exposure to technology, has meant that the Australian equity market remains around 5.5% below its pre-war levels. Healthcare stocks remained under pressure in April with Cochlear falling 40% after a major earnings downgrade, to join CSL at multi-year lows. Earnings for the ASX 200 are forecast to grow around 12-13% in 2026 and 2027 which has helped lower the valuation multiple from 20.0 in August 2025 to 17.3 currently.

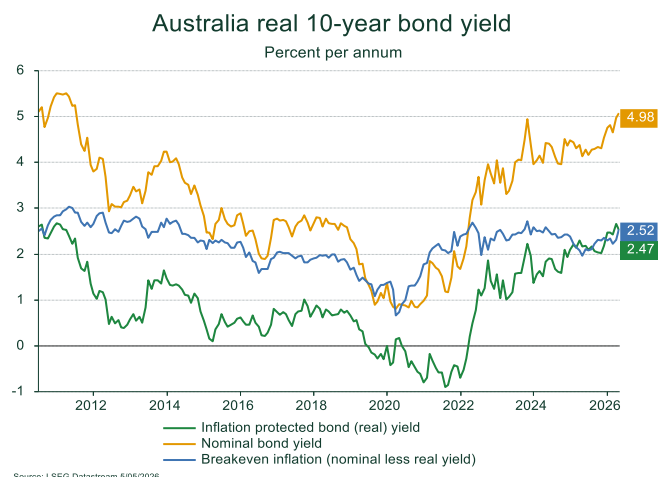
FIXED INCOME:

Bond yields rose in April as bond investors priced in risks that the Strait of Hormuz would not reopen quickly, and central banks may need to lift short term interest rates to stop inflation and inflation expectations from moving much higher. At the April meeting, three members of the US Federal Reserve's rate setting committee voted against the easing guidance suggesting some members wanted more symmetrical language indicating that a hike is as likely as a cut. The ECB signaled at its April meeting that a June hike is a strong possibility.

In Australia, recent inflation reports showed inflation drifting further away from the RBA's target range. At its May meeting, the RBA lifted interest rates for the third meeting in a row, effectively unwinding all the rate cuts from 2025. Markets are pricing another one to two hikes, possibly in August and November.



Credit spreads narrowed in April in line with equity prices as fears about an economic slowdown and rising defaults subsided.

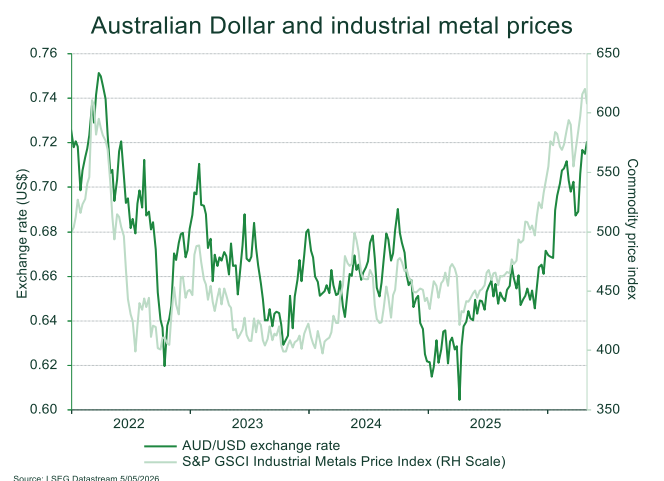


PROPERTY AND REAL ASSETS:

Listed property bounced back strongly in April after sharp falls in March. Listed property and infrastructure are both benefiting from data centre build out, a degree of inflation protection and their HALO status. We continue to have a positive view of property and infrastructure as a source of defensive growth with inflation protection.

ALTERNATIVE ASSETS:

Alternative assets returned 3.0% in April, according to the HFRX Global Hedge Fund Index, its strongest month since late 2000, with positive performance from all the four major sub-strategies. Systematic trend-followers (CTAs) generated a return of 3.1%. Event driven strategies gained 2.0% and equity long/short funds returned 5.4% in April.



CURRENCY:

The Australian Dollar rose a further 5.0% in April, driven partly by stronger global investor risk sentiment, higher commodity prices and greater prospects for Australian rate rises this year. The average currency strategist projects the Australian Dollar at US\$0.73 in 12 months' time. 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 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 inflation protection and a more defensive exposure in a global downturn, relative to equities. 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 have declined. Australian resources companies are benefiting from higher energy and metals prices. Rotation away from growth/tech sectors favours Australian Shares given the higher weight to banks and miners. As a market with high exposure to commodity prices Australian Shares can outperform if there is a supply-driven energy shock.
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. US tech companies are relatively more insulated from higher oil prices and tariffs and a slowdown in consumer spending.
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 30 April 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	8666	2.2	-1.2	0.5	10.1	31.9	49.4
Japan - Nikkei 225	59285	16.1	12.0	18.6	67.4	117.1	126.8
US - S&P 500	7209	10.5	4.2	5.7	31.1	80.2	85.4
US - NASDAQ Composite	24892	15.3	6.3	7.3	43.6	108.0	85.0
UK - FTSE 100	10379	2.3	2.7	5.8	26.3	47.1	78.8
Europe - STOXX 600	611	5.6	1.4	4.6	19.7	44.5	63.7
Developed Markets - MSCI World	3604	8.9	3.8	5.6	29.3	72.8	79.7
Emerging Markets - MSCI EM	100481	13.3	6.4	15.8	49.1	85.9	54.0
Government bond yields	Change in annual yield in percentage points						
Australia - 2 year	4.79	0.15	0.59	0.73	1.51	1.72	4.70
Australia -10 year	5.08	0.11	0.27	0.32	0.95	1.69	3.38
US - 2 year	3.89	0.09	0.35	0.41	0.29	-0.15	3.72
US - 10 year	4.39	0.07	0.14	0.23	0.24	0.97	2.76
UK - 10 year	5.02	0.10	0.50	0.55	0.58	1.30	4.18
Germany -10 year	3.03	0.02	0.19	0.18	0.59	0.71	3.23
Currencies and Commodities	Change in price						
Australian Dollar (US\$)	0.7190	0.0341	0.018	0.052	0.079	0.058	-0.054
US Dollar Index	98.06	-1.91	1.07	-0.27	-1.41	-3.60	6.78
Gold (US\$/ounce)	4619.68	-3.59	-410.72	295.01	1311.56	2629.28	2849.22
Iron Ore (US\$/tonne)	107.7	0.56	4.32	1.71	10.22	4.09	-76.44
Crude oil (WTI, US\$/barrel)	108.64	5.78	44.14	51.38	49.09	31.86	45.14

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