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DAY BREAK WEALTH

QUARTERLY UPDATE – MARCH QUARTER 2026

Asset Class	3 Mth %	1 Yr % p.a.	3 Yr % p.a.	5 Yr % p.a.	10 Yr % p.a.
CASH					
Bloomberg AusBond Bank Bill	0.9	3.8	4.1	2.9	2.1
FIXED INTEREST					
Australian Bonds - Bloomberg AusBond Composite 0+Years	-0.3	1.5	2.1	0.2	1.8
International - Bloomberg Barclays Global Aggregate Hdg	-0.3	3.0	3.1	-0.1	1.6
EQUITIES					
Australian Shares - S&P/ASX 300	-2.0	11.6	9.4	8.5	9.4
Australian Shares - S&P/ASX Small Ordinaries	-10.9	13.7	8.5	4.0	7.3
Int. Shares - MSCI World ex-Australia	-6.2	8.1	16.0	12.7	13.2
Int. Shares Hedged - MSCI World ex-Australia Hedged	-3.3	17.8	16.3	10.0	11.6
Emerging Markets Unhedged - MSCI Emerging Markets	-2.8	17.9	14.0	5.9	9.1
INFRASTRUCTURE					
Listed Infrastructure - FTSE Developed Core Infrastructure Hdg	10.8	16.9	11.5	7.7	8.8
PROPERTY					
Australian Listed Property - S&P/ASX 200 A-REIT	-16.6	-2.3	8.1	5.0	5.3
Int. Listed Property - FTSE EPRA/NAREIT Global REITs Hdg	1.0	7.8	6.3	1.8	2.7
Source: Activam Group					
FE Multi Asset Growth Index (Benchmark)	-2.6	6.7	7.9	5.9	6.7
FE Multi Asset Balanced Index (Benchmark)	-1.6	6.8	6.9	4.9	5.6
FE Multi Asset Moderate Index (Benchmark)	-0.9	4.6	5.0	3.1	3.6

Investment markets were volatile over the March quarter, as resilient economic data and strong corporate earnings competed with rising geopolitical tensions and renewed inflation uncertainty. International share markets again outperformed Australia. Confidence in the US economic outlook, ongoing fiscal support and improving productivity helped offset concerns around energy prices and policy uncertainty. In contrast, Australian equities delivered subdued returns as tighter monetary policy weighed on sentiment. Financials and resources provided relative support, while rate-sensitive sectors such as property and consumer discretionary lagged amid higher interest rates and slowing domestic growth expectations.

Defensive assets produced mixed outcomes. Government bonds were pressured by elevated inflation risks and higher yields, while credit markets remained comparatively stable even though spreads widened a little.

A firmer AUD weighing on unhedged global exposures, while gold prices edged higher as investors sought protection against geopolitical risk.

MARKET COMMENTARY & OUTLOOK

Global markets over the past month have been driven by a familiar but intensified mix of geopolitics, inflation uncertainty, interest rate expectations and AI-led earnings growth. Questions we are currently faced with include:

- "Are markets underestimating geopolitical risk?"
- "Will inflation force rates higher for longer leading to stagflation?"
- "Are equity market valuations, especially in the US too expensive?"
- "Should portfolios be more defensive given recent volatility?"

Despite heightened noise, our assessment remains that the economic backdrop is slowing but still constructive, corporate earnings are holding up well and accelerating in some sectors, and diversification rather than wholesale de-risking remains the most appropriate response.

The global economy continues to show surprising resilience, helped by the lagged impact of earlier monetary easing, large fiscal programs (notably US tax cuts and defence spending), and ongoing productivity gains from AI adoption. However, we feel that markets are now firmly late-cycle, valuations are elevated in pockets, and dispersion across regions and sectors is increasing.

Geopolitical risk, particularly in the Middle East has shaken business and consumer confidence. Energy prices, shipping disruptions and supply-chain uncertainty have raised the probability of near-term inflation volatility, even as medium-term inflation trends continue to moderate.

Our base case remains that the current environment results in slowing global growth, higher energy costs providing a short-term inflationary spike, market volatility, but no global recession in 2026. Corporate profit growth is expected to remain strong and hence our portfolios are still tilted towards high quality growth exposures while endeavoring to build resilience within the portfolios by increasing allocations to real and alternative assets, in case the geopolitical crisis does not get resolved.

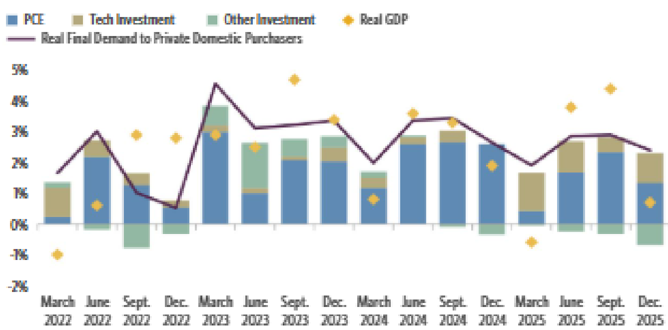
With higher oil prices, there are understandable inflationary concerns for energy costs, but also across other markets such as plastics, fertiliser and consequently food prices. The expectation of higher inflation has resulted in a spike to bond yields and may crimp the global economy and corporate profit if it becomes entrenched.

The oil shock impact is generally more contained than in past episodes. The US is managing the current energy shock better than its peers, partly because it is now a net energy exporter. As a result, inflationary tail risks are narrowing, and the impact on markets is gradually diminishing.

United States

As we close out 2025, US economic growth is expected to come in at 2.3%-2.5% with strong AI related capital expenditure, productivity gains along with resilient consumer spending. Continued government spending, fiscal and monetary stimulus should support the economy heading into 2026 even though it is likely to slow a little.

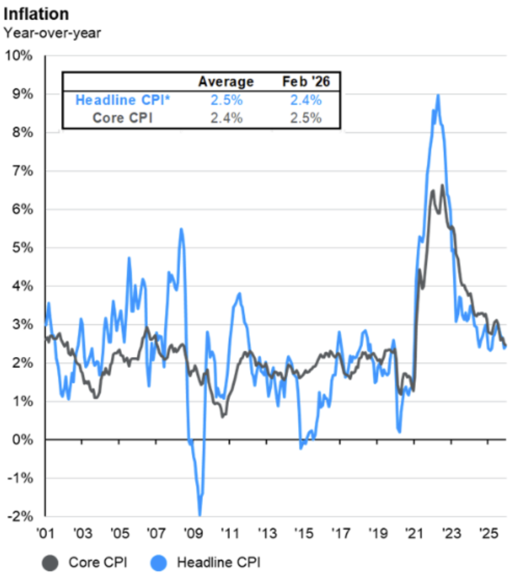
Economic Growth Looks Steady Under the Surface
Contributions to Real GDP QoQ Annualized



Source: Guggenheim Investments, Haver Analytics. Data as of 12.31.2025. *Tech investment includes info processing equipment, software, and R&D.

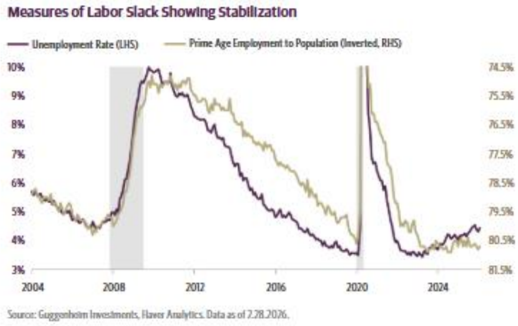
Corporate profit growth remains strong, with expectations rising to 18.6% in 2026 from 14.6% this year, supported by accelerating capital expenditure among hyperscalers and across semiconductor supply chains. In the current reporting season, 82% of S&P500 companies that have reported earnings exceeded consensus expectations. This provides a robust backdrop and offers a meaningful buffer to absorb potential headwinds stemming from the geopolitical environment.

Inflation remains volatile but is not accelerating structurally (March CPI 3.3% in line with consensus). The US is a net exporter of energy so are less impacted by the closure of the Strait of Hormuz, tariff impacts are fading, shelter inflation is declining, and wage growth is moderating. AI productivity gains are still accelerating, which will also offset some of the inflationary pulse.



Markets still expect a number of future rate cuts, though the incoming Fed Chair's emphasis on balance-sheet reduction and a divided Fed in their most recent meeting has added uncertainty. We feel that they might cut rates once more, but they are largely done for this cycle. Negative consumer sentiment has not impacted spending yet, but we are keeping an eye on this.

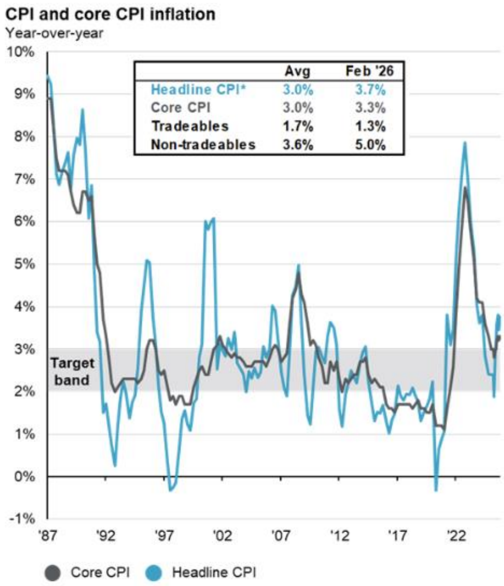
Employment conditions have stabilised under a "no-hire, no-fire" dynamic, keeping unemployment contained despite weaker job openings and there is no expectation of spiraling wage costs.



The US market remains expensive trading at 20-21 times forward earnings compared to historical averages of 16-17x. We would argue that valuations are not irrational given strong earnings growth and the fact that technology companies now make up a large portion of the index and trade at elevated multiples. Near term risks are policy-driven rather than cyclical.

Australia

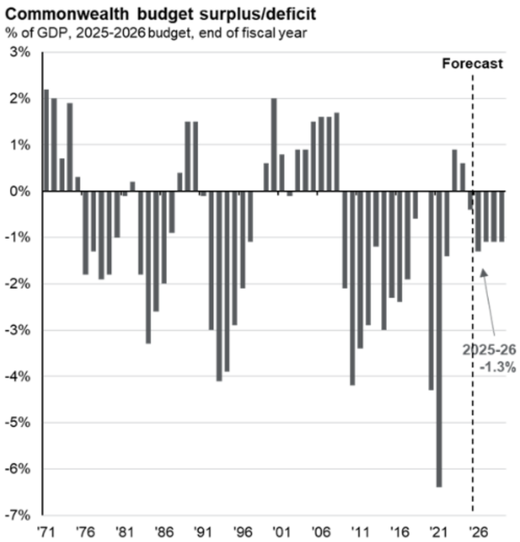
The RBA has resumed hiking in recent months in response to renewed inflation pressure (Headline CPI 4.6% in March, Core Inflation steady at 3.3% but above target 2-3%), with government spending, services inflation and energy costs the main culprits.



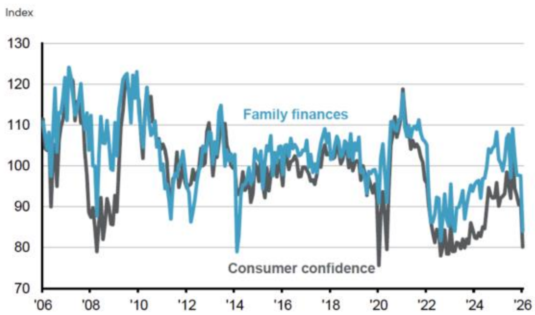
Source: JPMorgan Guide to the Markets

The economy entered this period from a position of relative strength, with employment still tight (4.3% unemployment) and income growth supportive. GDP growth has been a little over 2%+ but is now moving back towards 1.5%.

High household debt means Australia is more sensitive to tighter financial conditions than most peers. Consumption intentions are weakening, business confidence has fallen sharply (-29.04%), and property prices are softening in Sydney and Melbourne. Commodities remain a key support, but banks are likely to see slower earnings growth due to rising provisions for bad and doubtful debts and weaker credit demand.



Source: JPMorgan Guide to the Markets



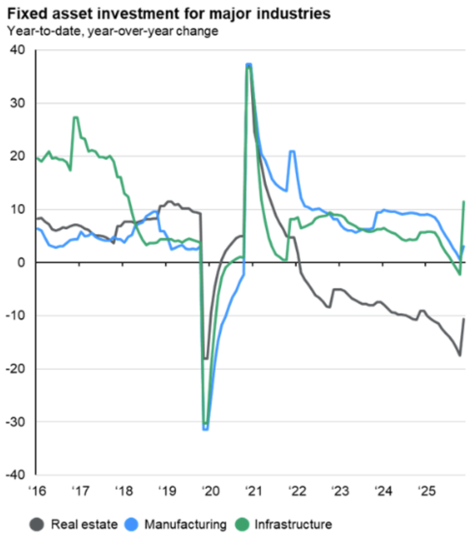
Source: JPMorgan Guide to the Markets

Australia is slowing but not breaking. Productivity growth is tepid at best and needs some government intervention. The upcoming budget may slow the economy further as Jim Chalmers looks for additional sources of revenue. One further rate hike remains possible, but we are closer to the end than the beginning of the tightening phase.

Europe, China & Emerging Markets

Europe continues to benefit from meaningful rate cuts and large fiscal commitments, especially in defence and infrastructure. Manufacturing appears to have bottomed, but this is currently being offset by increased energy costs (they are more reliant on oil from the Middle East) which in turn is leading to concerns about future interest rate hikes.

China continues to face structural property issues and subdued consumer confidence, but growth targets are being met through government stimulus, manufacturing strength and export re-routing.



Source: JPMorgan Guide to the Markets

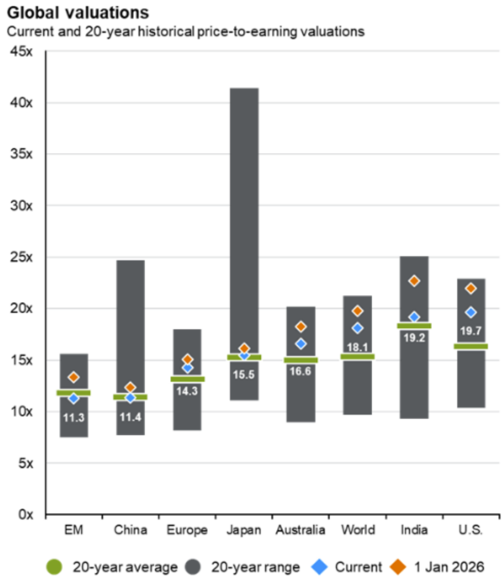
Emerging markets continue to see improving earnings momentum, helped by a weaker USD and lower global funding pressure. We are watching how higher energy prices are impacting the region and whether there is likely to be continued pressure on food prices which is likely to disproportionately impact this region.

This markets all offer cheaper valuations and are growing strongly. The divergence reinforces the importance of global diversification, particularly away from US mega-cap concentration.

Portfolio Positioning

We remain tilted towards growth assets, but with reduced exposure to US mega-cap technology.

We are increasing allocations to US and small caps, where earnings growth and valuations are more attractive than in Australia.



Source: JPMorgan Guide to the Markets

We are looking to build further resilience in portfolios with increased exposure to real assets including Infrastructure (both listed and unlisted) which should also provide some protection from inflation.

Fixed income yields remain elevated and provide both income and downside protection should growth slow more than expected. We prefer shorter durations and floating rate exposures.

We feel that the strong uplift in the AUD against the USD in recent months from $0.6 to $0.72 may be nearing an end. The AUD has been attractive due to increasing interest rates here while they have been cut in the US. Australia is a commodity exporter and is well supported in times of strong global growth where demand for the commodities is strong. With growth likely to slow and with the RBA nearing the end of its hiking cycle, there will fewer tailwinds for the AUD and hence we are reducing the hedging in the portfolio. Exposure to the USD offers some protection when markets are volatile (the flight to quality usually leads to a stronger USD).

The past month has reminded investors that markets are rarely calm at turning points in the cycle. Geopolitical shocks, inflation scares and policy uncertainty all contribute to volatility—but they have not derailed the underlying earnings engine.

We encourage clients to stay invested, diversify globally, reduce concentration risk, and focus on assets with real earnings and cash-flow support. Volatility is likely to persist, but so too are opportunity sets for disciplined investors.

Asset Class	Underweight	Neutral	Overweight
Cash			
Fixed Income - Duration			
Fixed Income - Credit			
Equities Domestic			
Equities International			
Property			
International Infrastructure			
Alternatives			
Currency - 30% Hedge			

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