



INVESTMENT INSIGHTS

DECEMBER 2025

Mackay Private Wealth

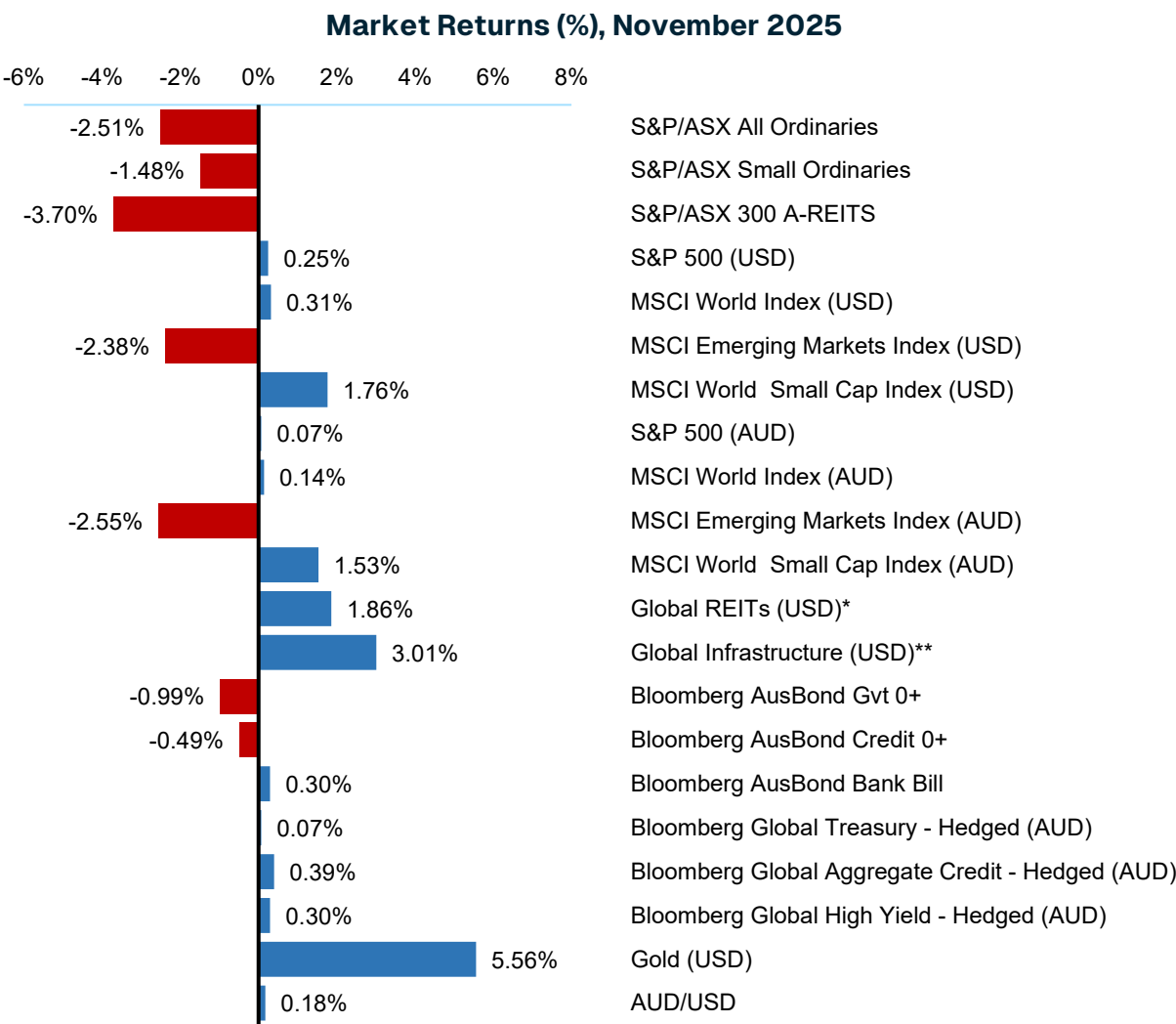
OVERVIEW

MIXED PERFORMANCE AMID VOLATILITY

Market performance was mixed in November, with volatility drawing a clear line between defensive and growth assets. After a sharp mid-month dip, most major equity indices ended close to flat as sentiment swung between upbeat earnings and growing caution around AI-driven optimism.

Infrastructure stood out as the top performer, thanks to steady income streams and strong demand for utilities. Global equities were broadly unchanged, while bond yields moved in different directions as rate-cycle gaps widened, with the US leading the way. Gold regained ground, edging back towards recent highs near US\$4,220.

Notwithstanding pockets of valuation concerns, the backdrop for equities is constructive. Earnings growth remains the primary driver of returns, and momentum into 2026 is solid, particularly in the US and parts of Asia. The accelerating AI theme adds support via productivity, data-centre investment and automation. November was a reminder that pullbacks of around 5% occur many times a year on average and are a normal part of investing. Or as some say, **“Volatility is the toll we pay to invest.”**



KEY MARKET DEVELOPMENTS

Global Equities

Global markets were volatile in November as AI-led growth was questioned. US indices were mixed, while emerging markets fell 2.4% amid a stronger USD. Divergent rate cycles and shifting sentiment added uncertainty.

Australian Equities

Australian equities declined; the S&P/ASX All Ordinaries fell 2.5%, trimming YTD gains to 5.3%. Weakness in financials and growth sectors reflected inflation and rate concerns, while materials rebounded on lithium and gold. Small caps fell as rate-cut hopes faded.

Bond Markets

Fixed income swung in November. The US 10-year Treasury fell to 4.0% (-8bps) on rate-cut expectations, while Australia's rose to 4.5% (+30bps) amid persistent inflation. Credit remained resilient.

Commodities

Gold rebounded, rising 5.5% (USD) in November after October's decline. WTI crude fell 5.1% amid softer demand and increased supply pressures.

Monetary Policy

A 43-day US shutdown cancelled key economic reports, heightening Fed uncertainty, though markets still expect a December cut.

In Australia, inflation rose to 3.8%, and the RBA held rates, citing strong momentum and housing, rent, and construction pressures.



WHAT'S CAUGHT OUR EYE

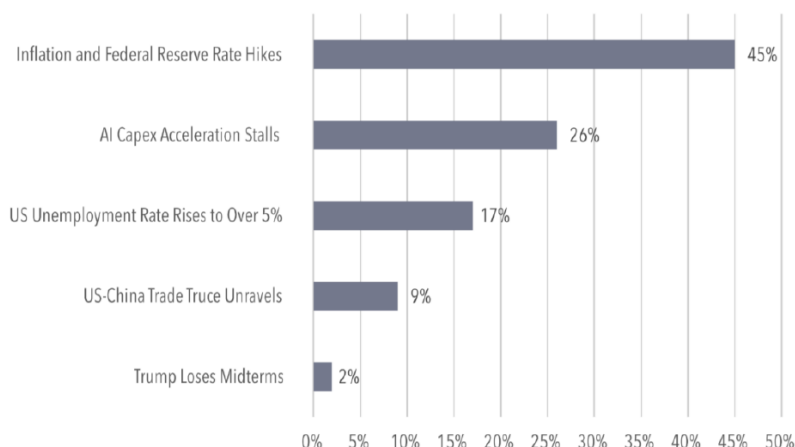
RISKS FOR 2026

Key risks to US equities, according to fund managers, are **inflation** and potential **rate hikes**. Upside inflation surprises could disrupt current dovish expectations, with markets pricing two to three rate cuts over the next 12 months.

We are also monitoring the return on AI investment. If AI spending does not translate into **tangible earnings**, profits may disappoint and a large portion of the market could be revalued lower.

Overall, we remain positive on the long-term drivers of US equities (earnings), while acknowledging risks that could introduce volatility.

Bank of America (BoA) Global Fund Manager Survey:
Factors that would be seen as the most bearish in 2026



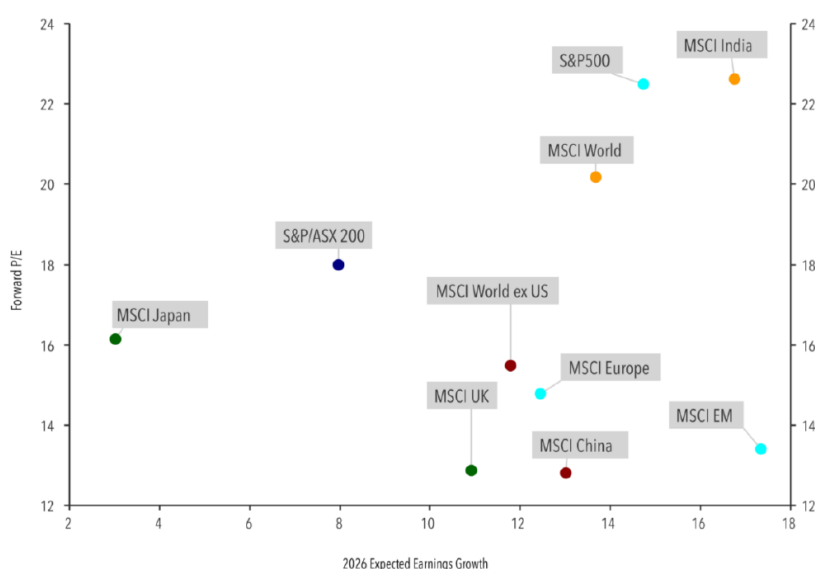
OPPORTUNITIES FOR 2026

Global Equities are projected to deliver nearly **14% earnings growth** in 2026.

Emerging markets show strong earnings growth for 2026 while trading at attractive valuations. This disconnect signals the market is pricing in **macro uncertainty** rather than fundamental corporate weakness.

While valuations are notably higher (MSCI World: 10% above average), structural growth trends and **earnings quality support the valuation premium**.

Global market forward price to earnings ratios (P/E) vs
expected 2026 earnings per share (EPS) growth





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