



INVESTMENT INSIGHTS

MARCH 2026

Mackay Private Wealth

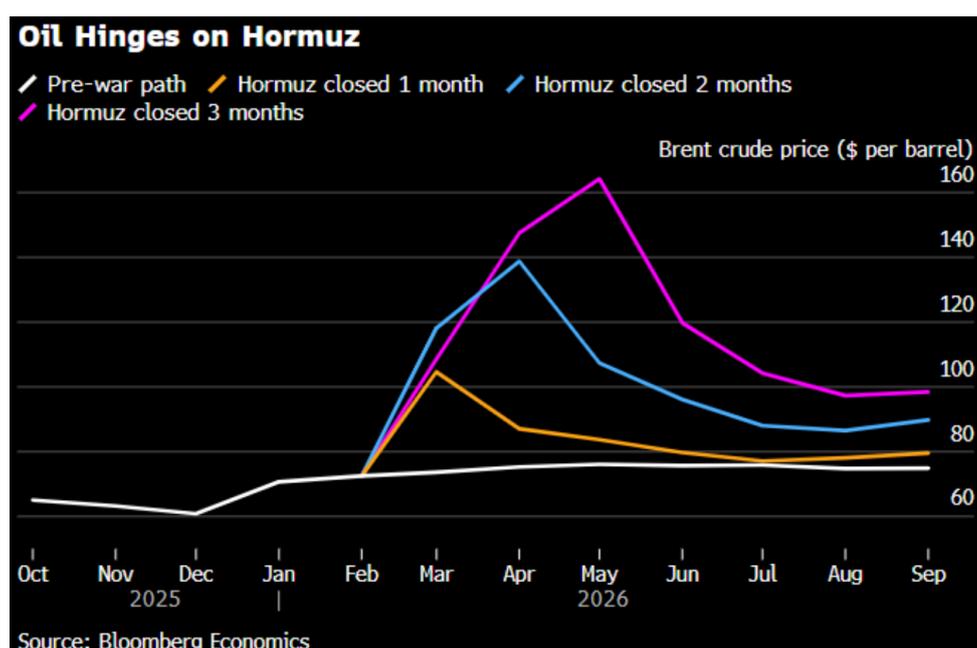
MIDDLE EAST CONFLICT

FOCUSING ON PRICE SIGNALS, NOT MARKET NOISE

It has been a volatile start to March as investors digest the evolving conflict involving Iran and the broader Middle East. While the initial market reaction was relatively contained, uncertainty has increased as markets consider a wider range of possible outcomes.

The core risk is not energy production itself, but the concentration of global energy logistics. A significant volume of oil and LNG flows through the Strait of Hormuz, a critical chokepoint for global supply. Any prolonged disruption would have broad consequences, particularly for Asia and Europe, which are more reliant on imported energy.

In this environment, markets have been increasingly headline-driven. Energy prices, particularly oil, have acted as the clearest real-time signal of risk as investors re-price potential outcomes. A sustained rise in energy prices would pose a meaningful risk to financial markets and the global economy, especially while inflation remains above central bank targets. Conversely, clear signs of de-escalation would likely be well received.



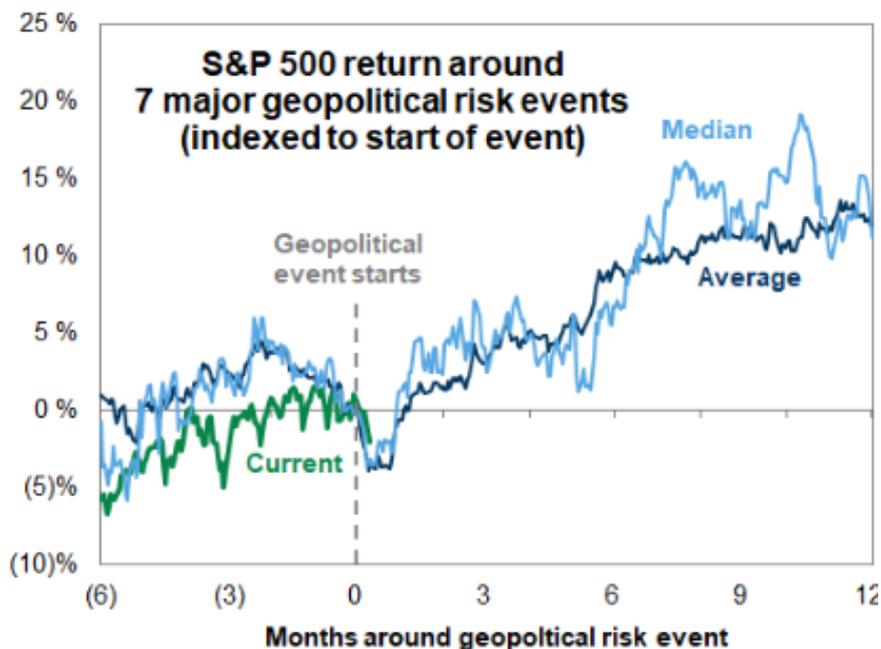
While the tail risk is meaningful, we believe the likelihood of a prolonged conflict remains relatively low. The Trump Administration has a strong incentive to avoid sustained pressure on oil and gasoline prices ahead of the US midterm elections in November.

Periods like this highlight why process matters.

In headline-driven environments, the key question is not what will happen next, but how portfolios are positioned to absorb uncertainty and respond when prices move. Throughout recent volatility, we have continued to assess and rebalance portfolios using the same disciplined framework that helped navigate COVID in 2020, the inflation shock of 2022 and the Liberation Day sell-off in 2025. The risks change, but the process does not.

A core principle of this framework is letting price drive decisions, not headlines or emotion. Markets move faster than narratives, and price often provides clearer signals than the noise surrounding any single theme or trade. This has been evident in energy markets. In 2022, Brent crude traded above US\$100 per barrel for 110 days. So far in 2026, it has done so for just two days, suggesting caution rather than confidence in a sustained supply shock.

We retain a longstanding bias to lean into periods of geopolitically driven market weakness when they create more attractive long-term entry points into quality growth assets. From a global equity perspective, valuations remain elevated and, in some areas, complacent. Historically, a correction closer to 10% has marked the point where speculative excess begins to wash out.



In that context, we recently made a small adjustment to portfolios, trimming some energy exposure and introducing a copper position. We believe copper has been overlooked amid the current uncertainty, despite sitting at the centre of long-term themes such as electrification, infrastructure investment and the energy transition.

Our focus remains on disciplined portfolio construction. Portfolios are diversified across asset classes and risk factors rather than relying on any single theme or outcome. We began positioning for a higher-inflation environment in early 2025, well before recent events, including increased exposure to commodities and hard assets such as infrastructure and global property. While this positioning weighed on performance at times, it has helped support portfolios more recently. For context, our growth portfolio is down around -1.5% over the last month, versus -2.5% for the average manager in our peer group.

Active management and diversification across asset classes, including fixed interest and infrastructure, has helped cushion recent declines and preserve flexibility as better opportunities emerge. We will continue to monitor developments closely and adjust positioning if the facts change.

OVERVIEW

FEBRUARY REVIEW: ROTATION BROADENS AS MARKETS ADJUST TO HIGHER RATES

Equity markets delivered mixed results in February as investors continued to rotate away from US mega-cap technology toward a broader set of regions, sectors and styles. This shift reflects a market adjusting to higher interest rates, elevated geopolitical uncertainty and more discerning views on earnings quality, particularly within the Artificial Intelligence (AI) theme.

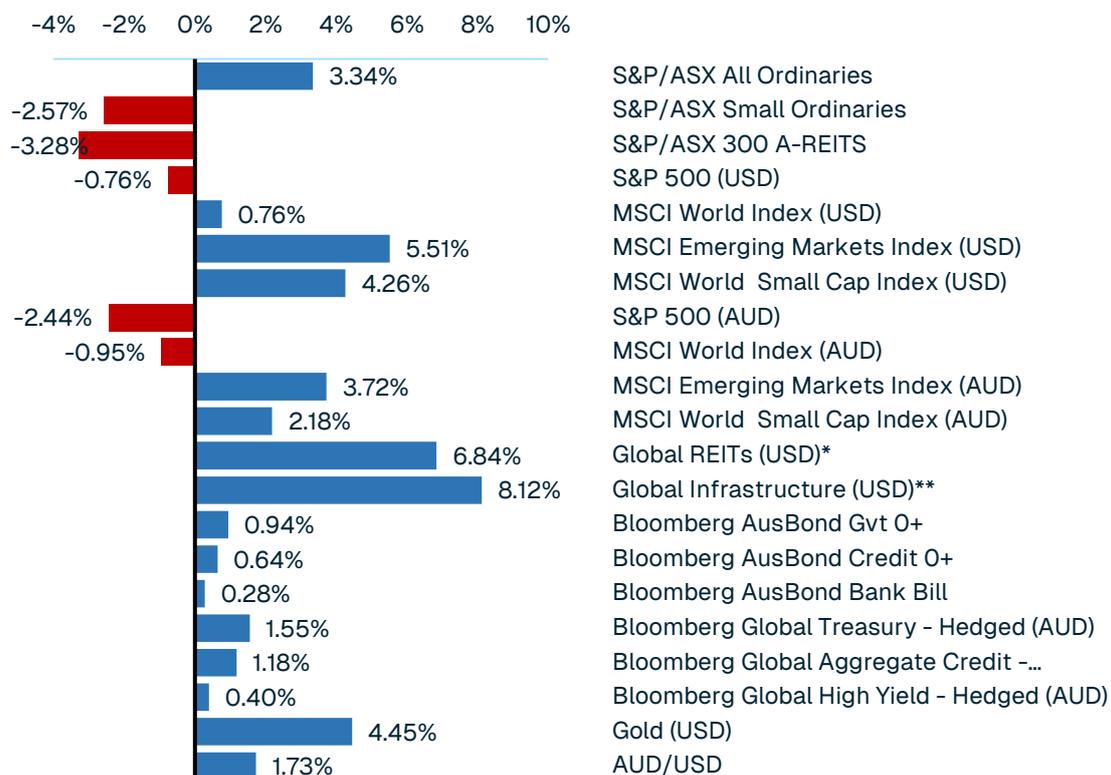
Outside the US, equity performance was more constructive. Japanese and European markets continued to outperform, supported by improving economic data, fiscal stimulus and resilient corporate earnings. Emerging markets also delivered strong returns, benefiting from their position within global AI supply chains and more attractive valuations.

In Australia, equities recorded solid gains after a strong reporting season, led by banks, materials and energy. ASX200 earnings expectations for the year ahead were upgraded sharply, marking a clear reset after two years of negative growth.

Strength in materials and the major banks drove the upgrade, highlighting momentum across Australia's largest sectors. The RBA's decision to lift the cash rate to 3.85% created short-term volatility in rate-sensitive areas, such as listed property.

As we move into March, geopolitics and oil supply shocks dominate headlines. The duration and outcome of this Middle East conflict remain uncertain. Well-diversified portfolios are designed to navigate these environments while remaining positioned for long-term growth.

Market Returns (%), February 2026



KEY MARKET DEVELOPMENTS

Global Equities

The MSCI World Index fell -0.9% in February, with Emerging Markets (+5.5%) significantly outperforming. Technology and growth sectors faced renewed pressure as investor focus on earnings delivery and valuation discipline.

Australian Equities

The S&P/ASX 200 returned +3.3%, led by Financials (+9.0%) and Materials (+8.8%), standout sectors during the ASX reporting period. While the RBA's rate hike weighed on some rate-sensitive sectors, overall earnings resilience helped offset these headwinds.

Bond Markets

Bond markets diverged, with US yields declining -0.3% to 3.9% on softer economic data. Australian yields closed at 4.65% and remain elevated following the RBA's hawkish pivot.

Commodities

Gold rebounded +4.4% after a sharp sell-off at the start of February, and Brent Crude was up +6.2% on the back of geopolitical risks in the Middle East.

Monetary Policy

The RBA Cash rate was increased to 3.85%, with robust employment data and persistent inflation reinforcing expectations for further increases. The Federal Reserve (US) held rates steady at 3.50%–3.75%, softer economic data signally interest rate cuts this year.



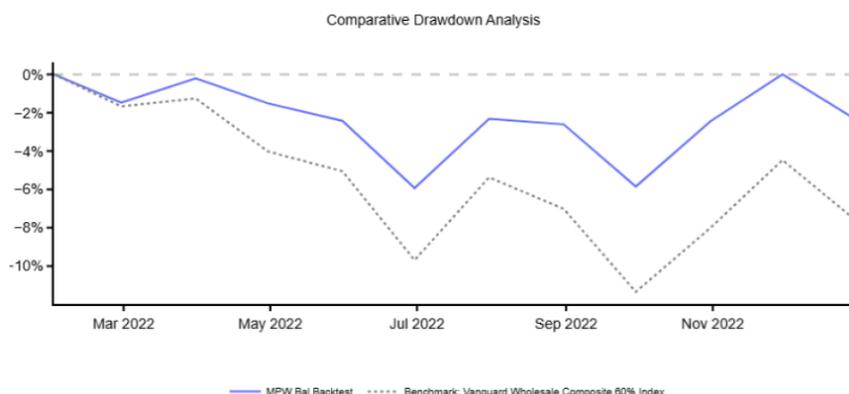
WHAT'S CAUGHT OUR EYE

Markets may not repeat, but they often rhyme

This week, we stress-tested portfolios against a prolonged high energy price and inflation scenario similar to 2022.

Results were encouraging, with drawdowns contained to around 6–8% and performance comfortably ahead of peers.

Notably, the period that followed saw two years of strong returns above 10% per annum as inflation eased.



Stress Test Data (Estimates only)	Balanced	Growth	High Growth
Beta	0.6	0.7	0.9
Max. drawdown	-5.9%	-7.6%	-8.2%
Max. monthly drawdown	-3.4%	-3.5%	-5.1%
Return (12-months)	-4.0%	-6.0%	-6.2%
Peers (Vanguard Index)	-10.6%	-10.0%	-9.7%
Outperformance Vs Peers	6.6%	4.0%	3.5%

Copper Supply Squeeze

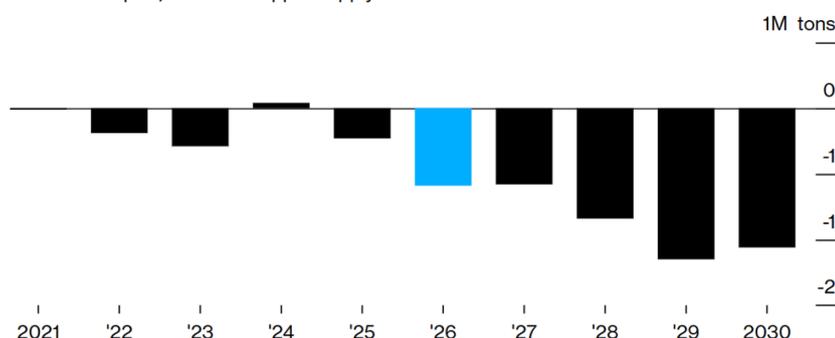
Copper is increasingly important due to a growing imbalance between supply and demand.

Electrification, AI data centres and renewable energy are driving demand, while new mining supply faces significant long-term constraints. Often referred to as “Dr Copper,” the metal sits at the centre of these structural trends.

Copper Supply Shocks Set the Stage For Shortages

Morgan Stanley expects the biggest deficit in 22 years next year

■ Global surplus/deficit of copper supply





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