QUARTERLY INVESTMENT REPORT

APRIL 2026

Mackay Private Wealth

OVERVIEW

MARKETS FIND THEIR FOOTING

The March 2026 quarter was a reminder that markets rarely move in straight lines. The early part of the quarter delivered solid returns across many markets, particularly outside the United States, before a sharp reversal in March driven by escalating geopolitical tensions and a surge in energy prices.

Oil prices rose sharply as supply concerns intensified, equity markets sold off, and bond yields moved higher as inflation risks re-emerged. While uncomfortable in real time, volatile periods like this are often where portfolio discipline matters most.

The challenge in periods like this is distinguishing what matters to a portfolio from what does not. Headlines often amplify short-term risks and noise, while long-term portfolio outcomes are driven by valuation and fundamentals. That was the focus of our 3rd April client update, published shortly after we increased exposure to global equities.

The key question today is the nature of the energy shock. So far, markets are treating higher energy costs as a temporary inflation shock rather than a lasting hit to global growth. That distinction matters. While fuel prices complicate the inflation outlook and central bank decisions, the broader picture remains resilient. Corporate earnings expectations have held up, credit markets remain orderly, and consumer activity has been more durable than feared.

Markets are not ignoring risks. They are weighing them against opportunity. Historically, geopolitical shocks have triggered temporary disruptions, not permanent ones. Capital continues to flow into artificial intelligence, infrastructure, energy and defence, and recent price action shows investors are focused on what lies ahead rather than just what is happening today. Equity markets have now recovered towards pre-conflict levels.

Importantly, our process remains unchanged. Portfolio management decisions are driven by valuation and fundamentals, not headlines. We reduced global equity exposure in February when valuations were stretched and added back in April as pricing became more attractive.

Looking ahead, consensus expectations point to modestly higher inflation and slower growth rather than recession. In this environment, we would expect equities to outperform bonds.

During the quarter, the Advisory Board House View reduced fixed interest to underweight and increased global equities to overweight. This reflected near-term inflation risks for bond yields, improving valuation support for equities, and a disconnect between share prices and underlying fundamentals. Ongoing geopolitical shocks also reinforce the importance of diversification through infrastructure, private markets and selective hedge fund exposures, which have added value year to date.

We continue to monitor the situation closely, particularly the duration of any oil supply disruptions through the Strait of Hormuz and their impact on inflation and broader economic growth. If anything, the events of the March quarter have reinforced the value of maintaining a steady approach through periods of elevated uncertainty.

HOUSE VIEW

As of April 2026	Positioning (DAA)			
Asset Class	Underweight	Neutral	Overweight	Positioning (0-12 months)
Allocation				**Comments**
Cash				**Neutral -** Liquidity for future opportunities.
Fixed Interest				**Underweight** - Rising fiscal deficits expected to weigh on government bond returns. Favour credit for higher income and lower volatility.
Australian Fixed Interest				
Global Fixed Interest				
Australian Equities				**Neutral** - Feb-26 reporting season was encouraging, coupled with cheaper valuations from middle each conflict.
Global Equities				**Overweight** - Improved outlook post Q1 2026 valuation reset, supported by AI-driven earnings and fiscal spending
Developed Market Equities				
Emerging Market Equities				
Property				**Neutral** - Fundamentals stabilising coupled with renewed institutional interest; we see more value across Global REITs.
Australian Property				
Global Property				
Alternatives (Inc. Infrastructure)				**Neutral** - Important hedge to the outlook. Opportunities across private market strategies and infrastructure (AI Capex).
Infrastructure				
Other Strategies (Private Equity, Hedge Fund etc)				

THIS QUARTER

WE EXPLORE CURRENT ECONOMIC AND MARKET DYNAMICS AND WHAT THEY MEAN FOR INVESTORS

1. Global equity valuations have reset. Lower valuations, alongside resilient earnings growth, have improved the risk-reward outlook.

2. Politics, policy and positioning. Why the approaching US mid-term election and rising political pressure increase the likelihood of de-escalation.

3. Energy, inflation and rates. Higher energy prices are adding to inflation pressure, lifting interest rate expectations and supporting our view that the RBA may raise rates once or twice this year.

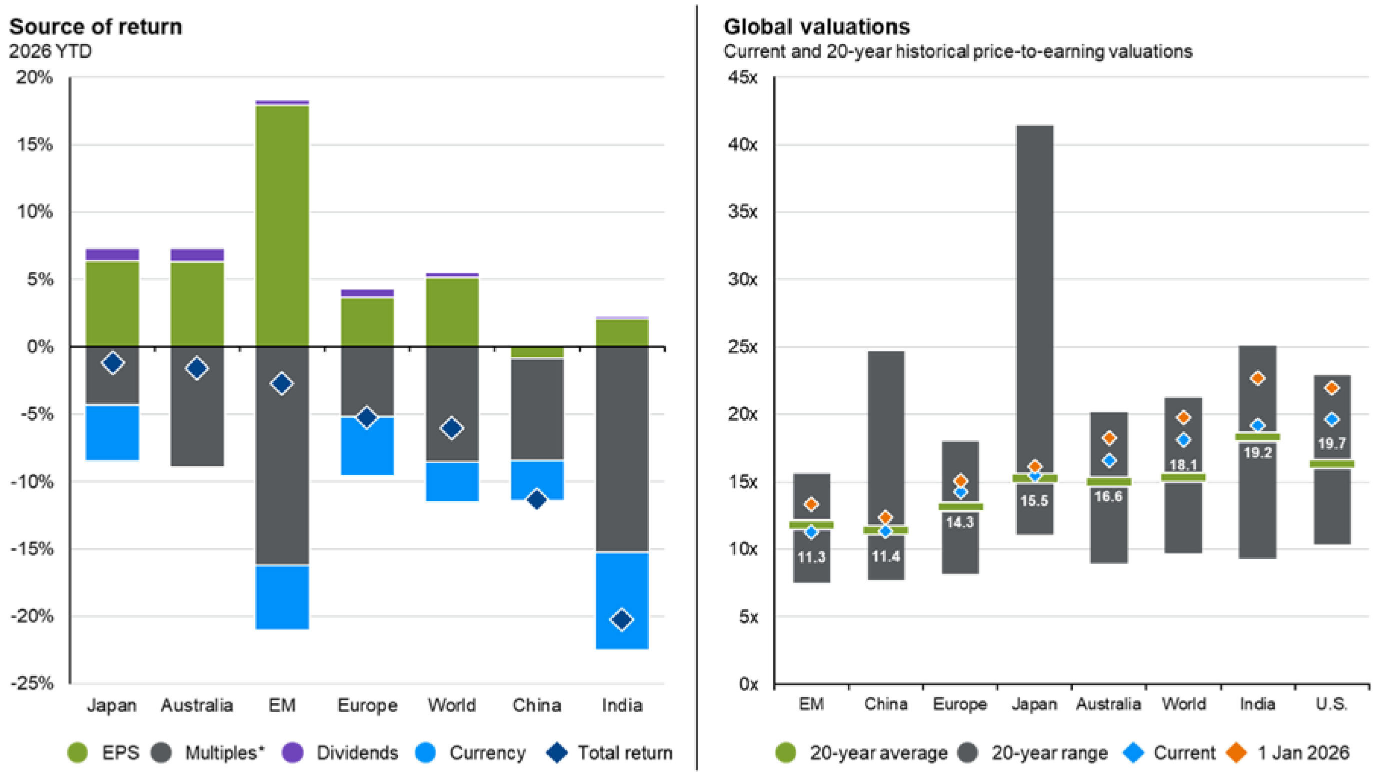
4. Artificial intelligence and productivity. AI is starting to drive productivity and profitability, while reshaping workforces with broader economic implications.

Q1-2026 VALUATION RESET

Global equities fell around 5% over the quarter, while price-to-earnings valuations declined closer to 10% as corporate earnings continued to be revised higher, despite elevated energy prices and geopolitical unrest.

In other words, share prices have weakened more than the underlying fundamentals, back to historically modest levels, giving investors the opportunity to buy quality assets at better prices.

Global equity source of return and valuation



Source: JP Morgan Asset Management, April 2026

Importantly, the earnings outlook has also broadened. What had previously been a more concentrated US tech-led story is now supported across a wider range of regions and sectors, creating a more diversified and resilient opportunity set.

> We reduced global equities in February when markets were expensive and added back in April as valuations became more attractive.

The growing adoption of AI is also expected to support productivity gains over time, helping underpin economic growth and corporate profitability.

POLITICS, POLICY & TRENDS

US Midterm Election Cycle

US mid-term elections are held halfway through a president's four-year term (Nov 2026) and are often viewed as a referendum on the sitting administration.

Historically, mid-term election years have brought periods of uncertainty as investors assess the outlook for policy and political control. Sentiment can soften in the lead-up to the vote, before improving once results are known and attention returns to economic and company fundamentals.

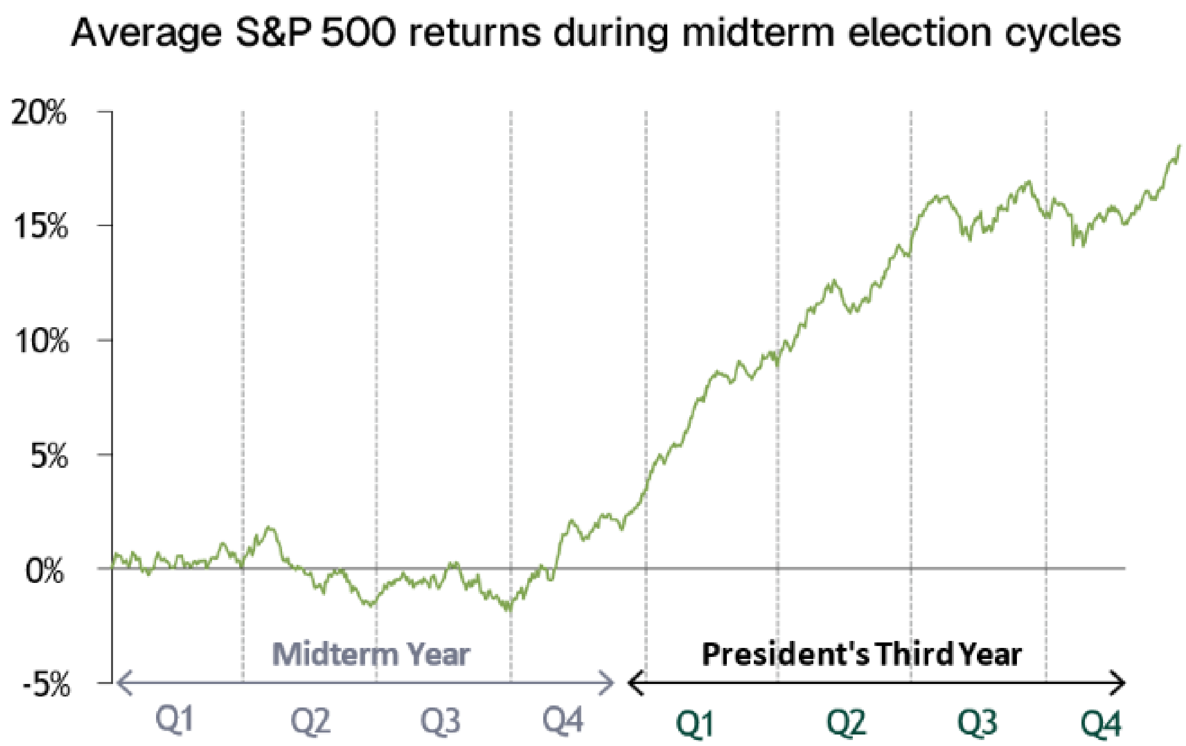
This year, the pattern is complicated by conflict in the Middle East. Increased US involvement has added geopolitical risk at a sensitive point in the political cycle, particularly as public support for prolonged military engagement has softened.

Markets have also started to recognise a pattern from Trump where his threats give way to more pragmatic decision-making.

The media have labelled this pattern a TACO (Trump Always Chickens Out).

If economic costs begin to weigh more heavily on US households and confidence, the incentives to pursue permanent de-escalation will increase.

A reduction in tensions would likely support investor sentiment, particularly as markets move beyond mid-term election uncertainty.



Average return of the S&P500 during midterm election cycles 1925-2023
Source: Finaeon, Inc

ENERGY, INFLATION & RATES

Fuel Prices Add to Inflation Pressure

Higher fuel prices have added to Australia's inflation pressures at a time when inflation was already proving more persistent than expected.

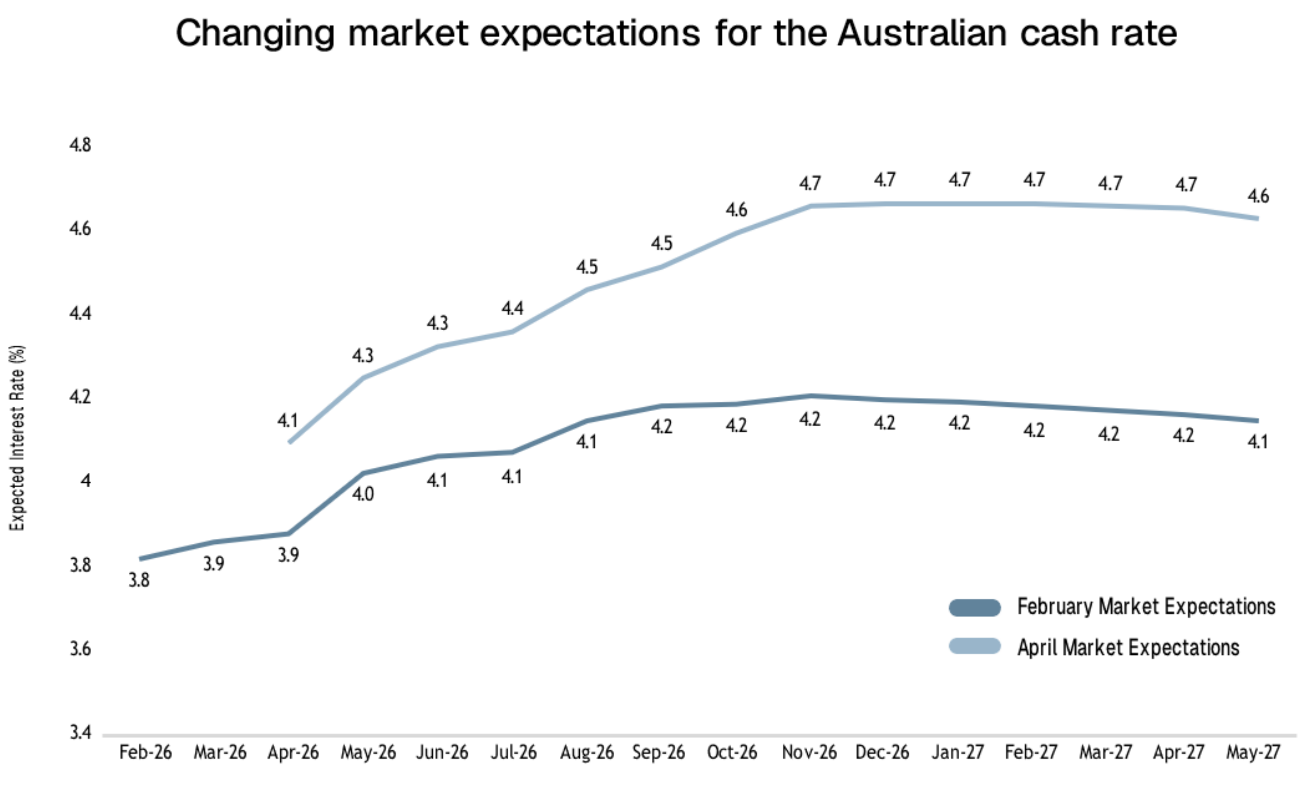
Petrol and utility costs flow directly into headline inflation, while higher transport, manufacturing and agricultural costs can lift prices more broadly over time. The economy has also remained more resilient than anticipated, with a tight labour market and stronger private demand adding to inflation pressure.

As a result, market expectations for interest rates in both Australia and the US have moved higher.

Globally, the base case remains that the inflationary impulse from higher oil prices will be temporary, provided supply disruptions resolve within a reasonable timeframe.

For energy-import-dependent economies like Australia, the key near-term question is duration. If oil supply disruptions ease and energy prices fall, inflation pressure should moderate and reduce the need for higher interest rates.

We expect one to two further rate hikes this year, after which the RBA is likely to pause and assess the impact on the broader economy.



Source: RBA, Quilla Consulting

AI PRODUCTIVITY & JOBS

AI productivity and the impact on jobs

Artificial Intelligence (AI) adoption is now reshaping how companies are structured and staffed. In January 2026, tech layoffs reached their highest level since 2009, even as US growth remained solid and corporate earnings hit record levels.

This reflects a clear shift. Companies are using AI to increase output with fewer staff, while redirecting spending from payroll toward AI infrastructure and automation.

Recent examples of AI-driven restructuring:

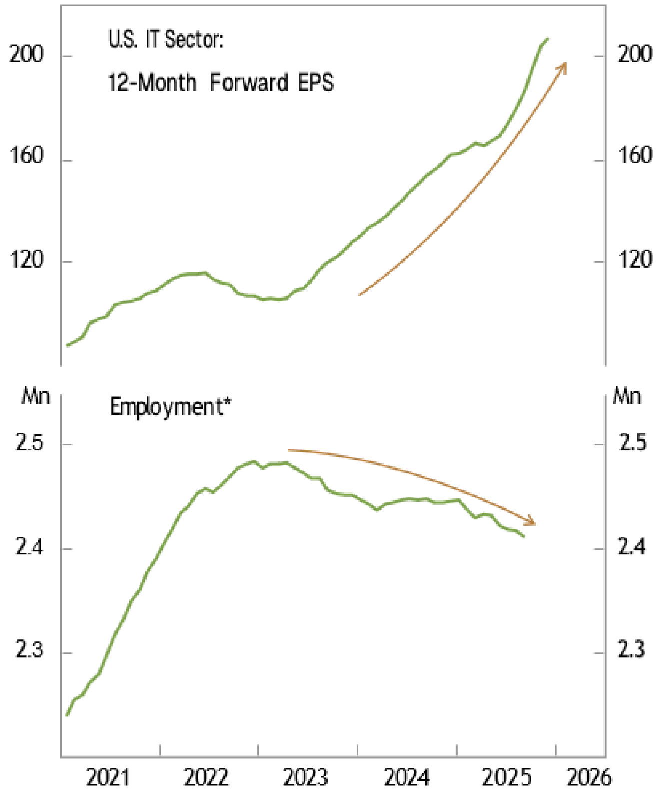
- Amazon (AMZN): reducing approximately 30,000 corporate roles (10% of its corporate workforce) by mid-2026, through the automation of routine administrative and middle-management functions.
- Salesforce (CRM): cutting 4,000 support staff (44% of the function) as autonomous AI agents now handle 50% of all customer service interactions.
- Block (XYZ): terminating more than 4,000 employees (40% of headcount) to pivot to an AI-native operating model. Markets responded positively, with the share price rising more than 20% on the announcement.
- WiseTech Global (WTC): reducing headcount by approximately 29%, led by product development and customer service teams, as AI expansion enables the business to maintain and grow its customer base with significantly fewer software developers.

From an investment perspective, AI-driven productivity is supporting earnings by helping companies grow revenue and improve margins. The broader economic impact is less certain.

While higher productivity supports overall output, job losses in white-collar and middle-management roles may weigh on labour markets and household incomes over time.

A key question will be whether displaced workers can transition into new roles at comparable pay, as this will influence consumer spending, policy responses and market conditions in the years ahead.

Soaring tech profits with falling employment



Source: Alpine Macro

*Computer systems design & related services