

Quarterly Market Commentary

31 MARCH 2026



PORTFOLIO HOLDINGS & INDEX PERFORMANCE

	Price	% Chg - Qtr	% Chg - 1yr	Domestic	Ccy	Share Price	% Chg - Qtr	% Chg - 1yr	Global	Country	Ccy	Share Price	% Chg - Qtr	% Chg - 1yr
Indices														
ASX All Ordinaries Accumulation Index	115,221.40	-2.7%	11.3%	Consumer Discretionary										
MSCI World Net Total Return Index	13,698.19	-3.6%	18.9%	JBH	AUD	72.42	-24.7%	-22.0%	AMZN	US	USD	208.27	-9.8%	9.5%
S&P/ASX 200 A-REIT Total Return Index	70,405.82	-16.6%	-2.3%	HVN	AUD	4.93	-29.0%	-1.4%	ULTA	US	USD	522.71	-13.6%	42.6%
S&P 500 Index	6,528.52	-4.6%	16.3%	Consumer Staples										
NASDAQ Composite Index	21,590.63	-7.1%	24.8%	ELD	AUD	7.20	5.1%	7.3%	ABNB	US	USD	126.28	-7.0%	5.7%
Philadelphia Semiconductor Index	7,588.20	7.1%	77.7%	WOW	AUD	36.41	23.9%	23.2%	Diversified Financials					
Europe 600 Index	583.14	-1.5%	9.2%	Financials										
UK 100 Index	10,176.45	2.5%	18.6%	CGF	AUD	8.28	-12.0%	37.3%	ALV	Germany	EUR	362.70	-7.3%	2.7%
German Stock Index	22,680.04	-7.6%	2.3%	NOL	AUD	1.21	-14.2%	-18.6%	UBSG	Switzerland	EUR	30.73	-19.5%	14.4%
Nikkei (Japan) 225 Index	51,063.72	-11.5%	43.4%	SDF	AUD	4.25	-19.5%	-26.5%	2318	China	HKD		-8.7%	28.4%
Tokyo Stock Exchange Index	3,497.86	0.6%	31.6%	ANZ	AUD	35.97	-1.0%	23.7%	Banks					
Hong Kong Index	24,788.14	-3.3%	7.2%	Industrials										
China 50 Index	14,573.82	-4.8%	9.3%	JHX	AUD	26.10	-15.5%	-32.2%	LLOY	UK	GBP	92.34	-6.0%	28.1%
Singapore All Cap Index	646.09	4.2%	19.3%	VNT	AUD	5.23	-12.1%	30.1%	WFC	US	USD	79.61	-14.6%	10.9%
Currencies														
AUD/USD	0.690	3.4%	10.5%	ORI	AUD	20.06	-17.4%	18.1%	SAN	SP	EUR	9.49	-5.8%	53.2%
AUD/GBP	0.522	5.3%	7.9%	LAU	AUD	0.61	-14.2%	-15.4%	ABN	NA	EUR	27.11	-9.0%	40.0%
AUD/EUR	0.597	5.1%	3.4%	RDX	AUD	3.30	8.6%	16.6%	Healthcare					
AUD/CHF	0.552	4.2%	-0.1%	Energy										
AUD/JPY	109.516	4.7%	16.9%	ORG	AUD	12.38	7.7%	17.6%	DXCM	US	USD	62.80	-5.4%	-8.0%
Commodities														
Iron Ore (US\$/t)	102.11	-1.7%	7.0%	Materials										
Copper (US\$/lb)	5.61	-2.2%	8.0%	RIO	AUD	161.43	10.0%	39.8%	Technology Media & Telecommunication					
Gold (US\$/oz)	4,668.06	8.1%	49.4%	Healthcare										
Nickel (US\$/t)	16,948.21	1.6%	2.5%	DDR	AUD	8.53	-17.1%	2.0%	MSFT	US	USD	370.17	-23.5%	-1.4%
Zinc (US\$/t)	3,228.15	3.4%	12.7%	WTC	AUD	38.02	-44.5%	-53.2%	TSM	Taiwan	USD	337.95	11.2%	103.6%
Uranium (US\$/oz)	84.00	2.9%	30.7%	XRO	AUD	75.12	-34.1%	-51.5%	GOOG	US	USD	286.86	-8.6%	83.6%
Aluminium (US\$/t)	3,521.41	18.2%	40.0%	Property										
Brent Oil (US\$/bbl)	118.35	94.5%	58.3%	SHL	AUD	20.45	-9.6%	-20.6%	META	US	USD	572.13	-13.3%	-0.7%
Newcastle Coal (US\$/t)	142.45	32.5%	38.3%	RMD	AUD	32.16	-10.5%	-8.0%	UBER	US	USD	71.93	-12.0%	-1.3%
Henry Hub Gas (US\$/mBtu)	2.88	-10.7%	-27.8%	Technology Media & Telecommunication										
Corn (US\$/bushel)	4.58	4.0%	0.1%	DXS	AUD	5.92	-14.6%	-16.4%	INTU	US	USD	432.38	-34.7%	-29.6%
Eastern States Young Cattle Indicator (c/kg cwt)	829.22	-1.8%	23.9%	SCG	AUD	3.32	-21.0%	-1.2%	Industrials					
Bond Yields														
		US	AUS											
10 Year Bonds	4.32%		4.97%											
5 Year Bonds	3.94%		4.70%											
1 Year Bonds	3.65%		4.62%											
Rates														
RBA Cash Rate	4.10%													
Fed Funds Rate (Mid Point of Target Range)	3.64%													
ECB Interest Rate	2.00%													

OVERVIEW: Hugh MacNally

Global equities markets fell 6.1% over the March quarter but rose over the last 12 months, the MSCI was up 8.2%. Similarly, the Australian market was down 2.7% for the quarter, but up 11.3% for the last 12 months. Returns from global markets were adversely affected by falls in other currencies against the A\$. Details for other markets can be seen on the data sheet.

The Iran war has had a short-lived negative effect on equities markets, which fell sharply in March, but have now largely recovered the losses. With the approach of the next earnings season equities are re-focussing on the strength of corporate earnings. Property and fixed interest markets have recovered less and have focussed more on the inflationary expectations and direction of short-term interest rates.

Looking at market sectors, the technology sector has been preoccupied with the extent of capital expenditure by major tech stocks and by the possible adverse effects of AI on software producers (these are discussed below). Our view of these companies remains positive, and the dramatic falls in the share prices of software producers offers opportunities which we had previously rejected because of excessive pricing. Examples of this are: Intuit Inc in the US and domestically, WiseTech and Xero. We feel that the concern about these businesses is much over-rated.

In the Finance sector, much of the excess return that has been seen in the last two years we feel has run its course, and the large discounts to asset backing which facilitated these returns have been recognised. These stocks are still earning high returns on capital, in fact close to those of the pre-GFC era, it is just that we are no longer going to get the expansion of valuation multiples of the recent past.

During the Quarter results were reported for the period ending 31 December. As is covered in more detail below, revenues grew strongly across a wide range of industries, and although earnings were

more mixed there was also good growth, the star being the semi-conductor industry.

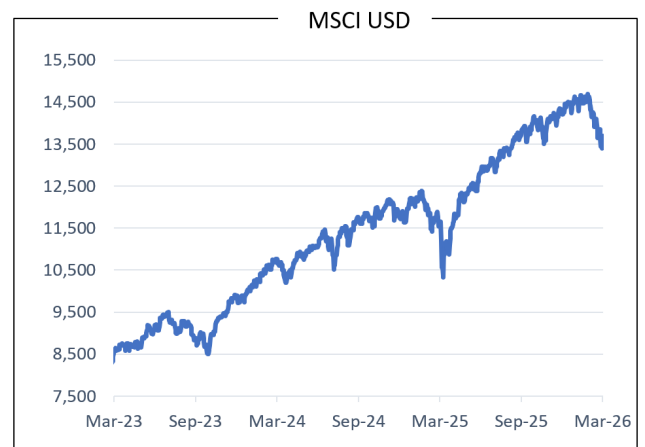
Bond yields rose in developed countries; the US 10-year bond yield was up 0.5%, the Australian up 0.9%. European bonds also rose 0.4-0.7%, as a result of anticipated inflationary effects of energy price rises. The anticipated reduction in interest rates in developed economies has been put on the back burner. Most notably in Australia, where inflationary pressures pre-dated energy price rises.

The US dollar has traded in a narrow band against the Euro for most of the last year. However, it has declined consistently against the renminbi. Against the Japanese currency it has risen approximately 9%. Most notable has been the strength of the A\$ which is up 12% against the US dollar over the year (albeit from the traditional low point of 60 cents); influenced by high commodity prices and rising bond yields.

GLOBAL EQUITIES: Hugh MacNally

Global markets rose 8.2% in Australian dollar terms over the last 12 months to 31 March 2026, but fell sharply in the last three months, reducing the return by 6.1%. The cause was the Iran war and fears that the increases in energy prices would result in higher inflation and interest rates. Additionally, most currencies fell against the A\$ reducing the return from global stocks significantly. This was particularly the case for US stocks.

International Equities Performance



Source: Bloomberg

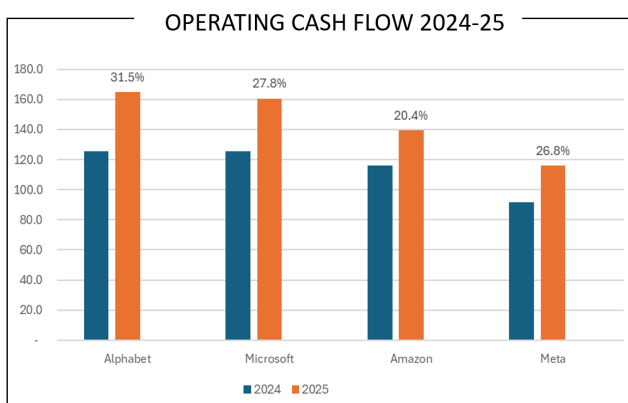
The fall in equities markets occurred predominantly in March, and at the time of writing markets had started to recover and were close to levels they were at prior to the commencement of the war. Significantly, while the political environment has been chaotic, the results being reported by companies have been positive.

Earnings growth averaged 8.3% with the tech sector producing particularly strong earnings. Earnings expectations continue to be positive for upcoming results in the next quarter and for this year.

Revenue growth has been strong in most sectors, particularly in the technology sector, but also in more mature industries: healthcare, utilities, industrials, consumer staples and discretionary. On average companies in the S&P500 Index grew 7.8% over the last 12 months. The technology sector remained the standout with recent results showing revenue up 11-16% for the year.

Of importance as it has been a major concern over the last year, the operating cash flow (that is cashflow prior to capital expenditure) for the four major tech stocks grew strongly by an average of 27% over last year, to an extraordinary total of \$580 billion.

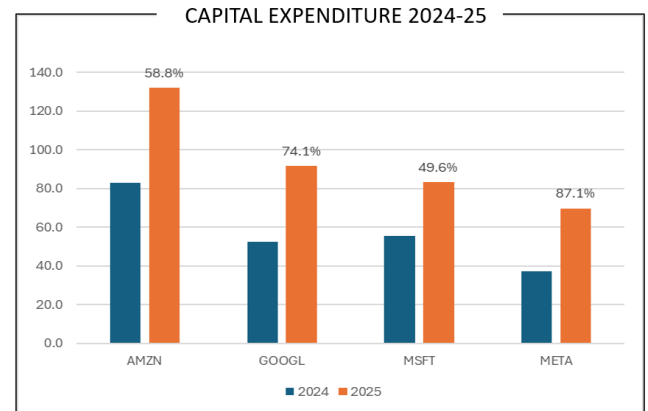
The graph below shows the increase for each individual stock, which were all very high.



Source: Bloomberg

This is against capital expenditure shown below which also increased dramatically in 2025 to a total of \$376 billion. Even so, the net cashflow for these companies was above \$200 billion. Expenditures

and increases for the individual companies are shown below. It is notable that operating cash flow exceeds capital expenditure for each company. The earlier concerns we had about opacity of funding are diminishing with time.



Source: Bloomberg

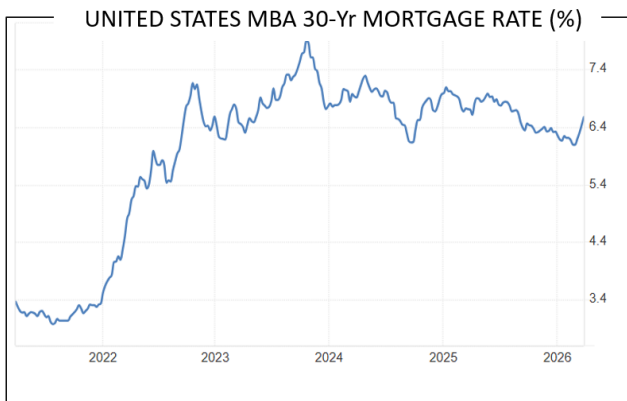
While these companies have produced extremely good results the concern about the level of capital expenditure has put pressure on share prices since late 2025. We think the prices are once again attractive.

In unison with the major stocks there have been significant falls in the share price of a range of tech companies, such as: Uber, Airbnb and a recent acquisition, Intuit. Intuit dominates accounting software for small business and individuals in the US; the company has a long history of consistent growth in revenue and earnings, it has a high return on capital, however, for a long time the price has been unattractively high, and this has excluded it from PPM portfolios. The recent dramatic fall in share price offered an opportunity to acquire this excellent company.

Turning to the next biggest exposure in the portfolios, the finance sector, predominantly banking, there has been a noticeable improvement in the returns on capital over the last three years for both US and European banks. This has come partly from increases in non-interest income (that is services other than lending), growth in balance sheets and efficiency improvements. The improved returns are now, however, reflected in the valuations, which are no longer at heavily discounted levels (although

valuations are nowhere near that of the CBA!). This offers less scope for the high returns of the last year or so.

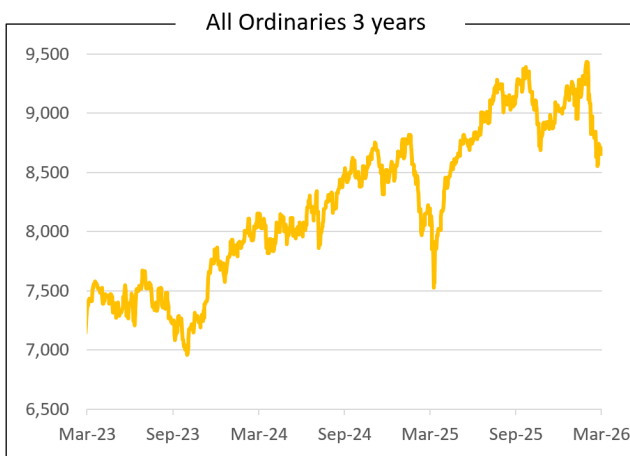
One sector which has struggled has been housing, which has been badly affected by high house prices (by US standards) and high mortgage rates for the last three years (see chart below). While mortgage rates have fallen from 8% to a recent low of 6% the demand for new housing is currently depressed and there is widespread discounting of new construction. The only investment held in this sector is DR Horton, which despite the difficult conditions still has an attractive return on capital and the valuation is not demanding. The longer-term demand picture we think remains attractive.



Source: tradingeconomics.com | Mortgage Bankers Association of America

AUSTRALIAN EQUITIES: Peter Reed

Australian Equities Performance



Source: Bloomberg

The Australian equity market produced a negative return over the quarter, falling 2.7%. Strongest of the sectors were Consumer Staples (+18%), Utilities (+10%) and Energy (+20%). Weakest sectors were Information Technology (-30%), Consumer Discretionary (-23%) and Materials (-11%).

Portfolio holdings showing strongest gains were Woolworths (+25%), Origin Energy (+10%), Redox (+1%), Rio Tinto (+12%) and Elders (+5%). Weakest holdings were WiseTech Global (-44%), Harvey Norman (-29%), JB Hi-Fi (-23%), Dicker Data (-16%) and James Hardie (-15%).

Origin Energy was added to the portfolios approximately 12 months ago, primarily for its electricity and gas utilities business. However, amid the global energy market dislocation, focus has shifted to its 27.5% stake in APLNG.

This joint venture exports up to 9 million tonnes per annum of LNG. While the majority of production is contracted to Asian utilities under long-term agreements, pricing remains linked to oil benchmarks. In addition, up to 12% of volumes are exposed to the spot market, allowing the company to benefit from recent strength in global energy prices.

The company delivered a solid 1H FY26 earnings result, with the utilities division exceeding expectations on higher electricity gross profit and APLNG performing in line. Given the recent surge in oil prices, APLNG earnings are expected to strengthen meaningfully. At the same time, the company remains best positioned in the sector to profit from the ongoing energy transition: incumbent coal and gas generation assets place the company in a unique position.

Our discretionary retail exposure through JB HiFi and Harvey Norman has been a positive contributor to performance. This picture has come under some pressure of late as the RBA adopts a tightening stance and higher energy prices begin to weigh on household budgets. While both companies reported strong first-half results, there were early signs of moderation with sales slowing in January. Despite this, JBH and HVN remain high-cash-generating businesses capable of delivering above our 10% hurdle for the equity investor.

Our non-discretionary consumer exposure through Woolworths continues to demonstrate resilience as WOW's Australian food sales rose 3.6% in the first half.

The company has come through a challenging period, including supply-chain disruptions and increased competition from Coles.

Under CEO Amanda Bardwell, the company has sharpened its execution and cost competitiveness for both in-store and online channels. This is reflected in improving customer metrics and an acceleration in sales growth to 7.2% in the first seven weeks of 2H FY26, providing evidence that after a period of underperformance the gap with Coles has started to close.

With equity markets pulling back we have continued our efforts to identify quality stocks which are now screening attractively on our valuation metrics. Two such stocks, and recent additions to the portfolio, are Steadfast Group and Xero.

Steadfast is Australia's largest general insurance broker network, connecting small and medium-sized businesses with insurance providers through a network of over 400 brokers and 31 specialist underwriting agencies. Rather than taking on insurance risk itself, Steadfast operates as an intermediary — earning commissions, fees, and technology licensing revenue — which makes it a capital-light business with consistently strong cash flow generation.

The company has compounded revenue at nearly 18% annually over the past decade through a combination of organic growth and acquisitions. Client retention rates are very high and deep relationships across the broker network create meaningful switching costs and a durable competitive position.

More recently, Steadfast has expanded internationally, acquiring a US agency network and a London-based Lloyd's broker as it seeks to replicate its Australian model in larger markets.

The share price has pulled back materially from its highs, driven by a softening insurance premium rate cycle and concerns about AI-driven disruption to the traditional broking model. However, the stock now trades at a significant discount to its intrinsic value, with an attractive fully franked dividend yield. The combination of a dominant market position and proven earnings resilience through prior soft premium rate cycles presents a compelling entry point.

Xero is a New Zealand-founded cloud software company providing accounting, payroll, and payments solutions to small businesses and the accountants who advise them. With over 4.6 million subscribers globally, Xero operates as a subscription-based platform that serves as the financial system of record for its customers — capturing transactions, automating bookkeeping, and enabling compliance reporting.

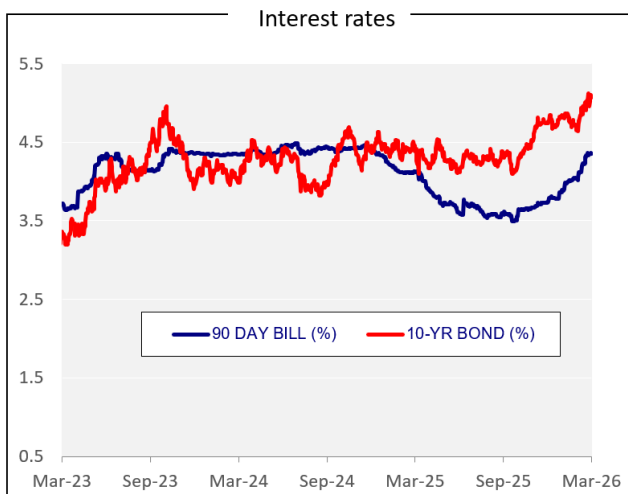
The company generates revenue primarily through monthly subscriptions, with an increasing contribution from payments processing and add-on features. Xero's business is anchored in Australia and New Zealand, where it holds a dominant position, while the UK represents a scaled and growing second market benefiting from government-mandated digital tax compliance.

Xero's largest recent strategic move was the acquisition of Melio, a US payments platform, completed in late 2025. This deal is designed to accelerate Xero's penetration of the US market — its biggest long-term opportunity — by combining accounting software with embedded payments.

The share price has declined approximately 60% from its peak, reflecting concerns about the Melio integration drag on near-term profit margins and broader market rotation away from technology stocks due to concern around AI-related disruption. At current levels, the valuation offers a very attractive risk-reward balance for those willing to look through the current uncertainty (which we believe is overdone), particularly given Xero's strong cash generation in mature markets and the long runway for US and AI-driven growth.

INTEREST RATES: Neil Sahai

90 Day Bank Bill (%) vs 10 Year Bond (%) Performance



Source: Bloomberg

As the first quarter of 2026 concludes, global markets are confronting a more persistent and structurally significant energy shock than initially anticipated. What began as a geopolitical disruption has evolved into a broad macroeconomic force, feeding directly into inflation and reshaping interest rates and bond yields across major economies. However, the current environment differs materially from both the COVID-19 shock and the Russia–Ukraine conflict in 2022. The 2020 shock was demand-driven and deflationary, prompting aggressive monetary easing and near-zero interest rates. While the 2022 energy shock was inflationary, it occurred when global capacity constraints were less binding and policy was still transitioning from highly accommodative settings.

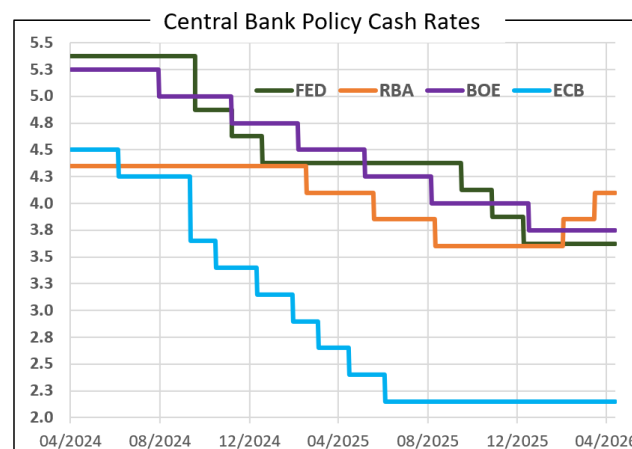
By contrast, the 2026 shock is unfolding in a more complex and fragmented environment, where conditions vary across major economies. Australia has experienced the most acute pressures, with capacity constraints amplifying inflation persistence and prompting further policy tightening. The cash rate has been lifted by 25 basis points to 4.1% in March, following a similar increase in February. Although policy rates in Australia, the United States, the United Kingdom and Europe remain below their 2024 peaks, central banks in these regions have largely paused through the first quarter of 2026, while remaining exposed to ongoing inflationary pressures stemming

from the energy shock, leaving the near-term policy direction uncertain.

Bond markets have repriced meaningfully in response. US 10-year Treasury yields have risen to around 4.3%, while Australian 10-year government bond yields have moved above 5%, flattening the yield curve and signalling that interest rates may remain higher for longer. This adjustment has restored income as a key driver of fixed income returns, with yields now at levels not seen in over a decade. Credit markets remain relatively stable, although some volatility persists, and the Australian dollar has been supported by stronger commodity prices.

Overall, bond yields have moved higher as investors price in the inflationary effects of the energy shock. While bonds are not immune to volatility, this environment reinforces the role of high-quality fixed income, with elevated yields improving income potential and supporting a hold-to-maturity approach.

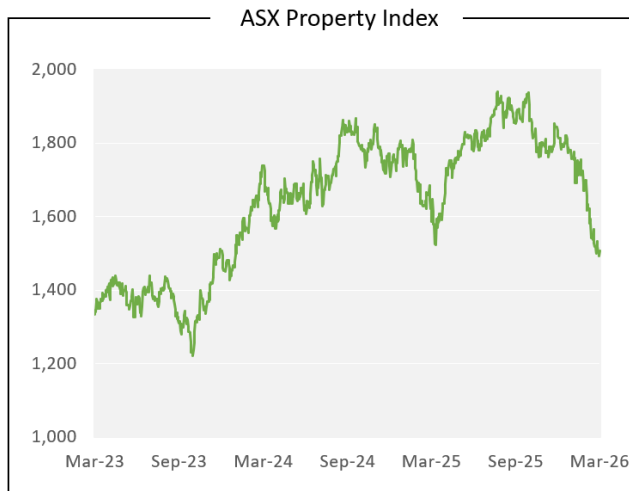
Summary of cash rate paths of major central banks over the past two years.



Source: Bloomberg

PROPERTY: Franklin Djohan

ASX Property Graph



Source: Bloomberg

The March quarter was a difficult one for listed property. Rising bond yields and two unexpected RBA rate hikes combined to undermine a sector that had spent much of the prior year recovering from the 2022–23 tightening cycle. For investors who had begun to see light at the end of the tunnel, the quarter served as a reminder that the path back to a more normal rate environment is unlikely to be smooth.

The A-REIT index declined 16.6% over the quarter, reversing all the gains from the previous calendar year. The sell-off was broad-based, with most property stocks falling by double-digit percentages. The speed of the repricing — coming after a year in which the index had recovered strongly — caught many investors off-guard and reflects how quickly sentiment can shift when the rate outlook changes materially.

That said, the current environment differs meaningfully from the 2022–23 tightening cycle, and the comparison is worth making carefully. In that cycle, the RBA lifted the cash rate from 0.10% to 4.35% — a move of 425 basis points in under two years that created a severe shock to both asset valuations and earnings expectations. The current tightening phase has begun from a much higher base of 3.60%, meaning the absolute rate move is far smaller and property valuations have already undergone a substantial reset. Unlike the period leading into 2022–23, current asset values better reflect a higher interest rate environment,

providing a more stable foundation for the sector. Following the recent pullback, many A-REIT share prices are now trading below their net tangible asset value, a level which has historically offered a reasonable margin of safety for long-term investors.

The underlying property market fundamentals remain more resilient than the listed market performance might suggest. Balance sheets across much of the sector are in good shape, with gearing levels still broadly manageable and below long-term historical averages. Occupancy rates have held up well across retail and industrial segments, and rental growth — while moderating — remains positive in most markets. Our holding in Scentre Group is a case in point: foot traffic across the Westfield portfolio remains robust, and the company continues to benefit from limited new retail supply in premium locations, supporting both occupancy and rental outcomes. While any further interest rate increases would clearly add pressure, particularly around debt refinancing costs, the sector is better placed to absorb that pressure today than it was at the start of the last cycle.

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