

Market Overview

Last month ended with a dramatic repricing of gold and silver, as Kevin Warsh (viewed as “structural hawkish” - meaning biased towards preferring tighter monetary policy) took the top job at the US Federal Reserve. This month begins in the opposite manner, with war in the middle east causing safe haven assets (fixed income, treasuries, bonds, gold and the like) to rise. Military shocks in recent years have generally had only short-lived effects on financial markets. The primary concern - particularly in the Middle East - remains the risk of disruption to regional oil and gas production.

Still, looking back over the past month, the ongoing rotation away from high priced Growth stocks, often made up of information technology (software) companies, towards value equities, has continued.

Multi-asset returns

As at 2026-03-02

	1W	1M	3M	6M	YTD	1YR	3YR	5YR
Vanguard Australian Property Securities Index Fund	-1.44	-3.29	-4.11	-9.88	-5.95	4.83	9.35	8.76
S&P/ASX Small Ordinaries Index	2.07	-2.51	1.61	5.69	0.16	23.68	13.16	7.24
Vanguard International Shares Index Fund	0.22	-1.95	-4.25	0.42	-3.25	7.67	18.73	14.58
MSCI World Growth Index	-0.48	-1.62	-1.98	5.47	-1.90	19.34	24.20	12.31
S&P 500 INDEX	-0.42	-0.76	0.73	7.10	0.67	16.96	21.78	14.15
Bloomberg Commodity Index Australian Dollar Total Return	1.15	-0.61	2.33	10.78	4.41	7.62	7.74	12.96
MSCI Australia Growth Index	-0.18	1.05	-0.29	-7.47	0.62	-3.47	8.66	8.63
Vanguard FTSE Europe Shares ETF	-0.03	1.05	2.78	6.13	0.98	15.90	15.22	12.74
Vanguard International Shares Index Fund Hedged	0.82	1.16	3.93	9.78	2.84	18.81	19.69	12.33
iShares iBoxx USD Investment Grade Corporate Bond ETF	0.08	1.38	0.98	3.99	1.73	6.60	6.32	0.33
Vanguard MSCI International Small Companies Index ETF	-0.75	1.65	2.83	5.40	2.60	15.64	13.39	9.67
MSCI World Value Index	0.55	2.97	9.73	13.61	7.85	23.51	17.68	13.08
MSCI Emerging Markets EM Net Total Return AUD Index	2.22	3.70	8.83	18.35	7.45	30.85	19.31	8.08
S&P/ASX 200	1.52	4.24	7.48	4.55	6.10	17.32	13.53	12.17
iShares 20+ Year Treasury Bond ETF	1.58	4.63	1.82	7.23	4.60	2.66	0.20	-5.74
Vanguard International Property Securities Index Fund Hedged	1.80	7.63	8.29	11.11	9.79	12.12	6.96	3.68
FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index	1.65	8.68	9.70	14.48	12.42	20.94	12.36	10.15
SPDR Gold Shares	3.23	8.72	24.72	52.09	22.06	83.75	41.77	24.46
MSCI Australia Value Index	2.56	10.34	19.20	16.80	13.97	36.41	17.77	16.30

The forward price-earnings ratio on software as a service (SaaS) stocks is now *lower* than that of consumer staples; in other words, they’ve de-rated a lot, on fears of technological disintermediation (replacement) via agentic AI, powered by large language models.

Global shares

There is a powerful divergence between hardware and software within the tech-centric companies. Hardware, companies like NVIDIA (in the US) or TSMC (Taiwan Semiconductor Manufacturing Corp), continue to see very strong demand for chips, memory, and all things “picks and shovels” related to AI. Hard assets, like infrastructure, have also done well and the AI requires energy (from utilities) in the form of power (to run, and cool, the servers/racks/kit/gear/equipment) that sit inside, and make up the bulk, of the data centres.

Equity region returns

As at 2026-03-02

	ISO	1W	1M	3M	6M	YTD	1YR	3YR	5YR
iShares China Large-Cap ETF	US	-3.94	-5.88	-4.66	-3.14	-2.64	8.46	12.82	-3.16
Nasdaq-100	US	-0.20	-2.26	-1.72	6.93	-1.06	20.35	28.48	14.97
S&P 500 INDEX	US	-0.42	-0.76	0.73	7.10	0.67	16.96	21.78	14.15
NSE Nifty 50	IN	-1.54	-0.44	-3.72	3.50	-3.45	15.29	14.88	13.16
Shanghai Shenzhen CSI 300	CN	1.08	0.17	4.46	5.57	1.94	24.47	8.01	0.02
iShares MSCI India ETF	US	-2.15	1.02	-4.46	0.56	-3.29	8.67	10.78	6.50
Shanghai Stock Exchange Composite	CN	1.98	1.14	7.50	8.75	5.04	28.63	11.46	6.30
iShares MSCI Emerging Markets ETF/AU	AU	1.62	2.63	8.59	17.04	8.18	30.27	18.13	7.26
IBEX 35	ES	0.98	2.70	12.77	24.58	6.49	42.97	30.38	21.89
Shenzhen Stock Exchange Composite	CN	3.10	2.98	12.72	13.41	9.23	38.53	10.59	5.25
Deutsche Boerse AG German Stock DAX	DE	0.09	3.04	6.07	5.78	3.24	12.12	18.06	12.88
EURO STOXX 50 Price EUR	EU	0.13	3.34	8.62	15.53	6.23	15.93	16.87	14.60
FTSE MIB	IT	1.59	3.70	9.24	13.63	5.37	28.26	25.93	20.96
Ibovespa Brasil Sao Paulo Stock Exchange	BR	-0.92	4.09	18.68	33.49	17.17	53.74	21.62	11.39
S&P/ASX 200	AU	1.52	4.24	7.48	4.55	6.10	17.32	13.53	12.17
MSCI Emerging Net Total Return Local	MULT	2.42	4.95	17.14	29.09	14.16	46.44	22.39	8.39
MSCI Emerging Markets	MULT	2.83	5.50	18.33	29.00	14.85	50.78	22.10	6.75
CAC 40	FR	0.77	5.60	5.88	12.02	5.31	9.37	9.07	11.76
S&P/BMV IPC	MX	0.05	5.73	13.14	23.53	11.21	41.90	14.48	13.52
iShares MSCI Emerging Markets ETF	US	0.38	5.89	16.87	27.32	14.38	48.32	20.81	5.54
Swiss Market	CH	1.12	6.26	9.20	15.16	5.63	11.22	11.54	9.13
OMX Stockholm 30	SE	1.33	6.55	15.68	23.27	11.86	22.69	17.19	13.79
FTSE 100	GB	2.13	7.04	12.73	19.96	10.24	27.98	15.49	14.96
S&P/TSX Composite	CA	1.63	7.72	10.07	21.66	8.63	38.81	22.93	17.13
Tokyo Stock Exchange Tokyo Stock Price TOPIX	JP	3.44	10.47	16.77	29.53	15.57	50.51	28.57	18.95
Korea Stock Exchange KOSPI	KR	7.69	19.74	59.69	97.16	48.44	150.76	39.78	17.88

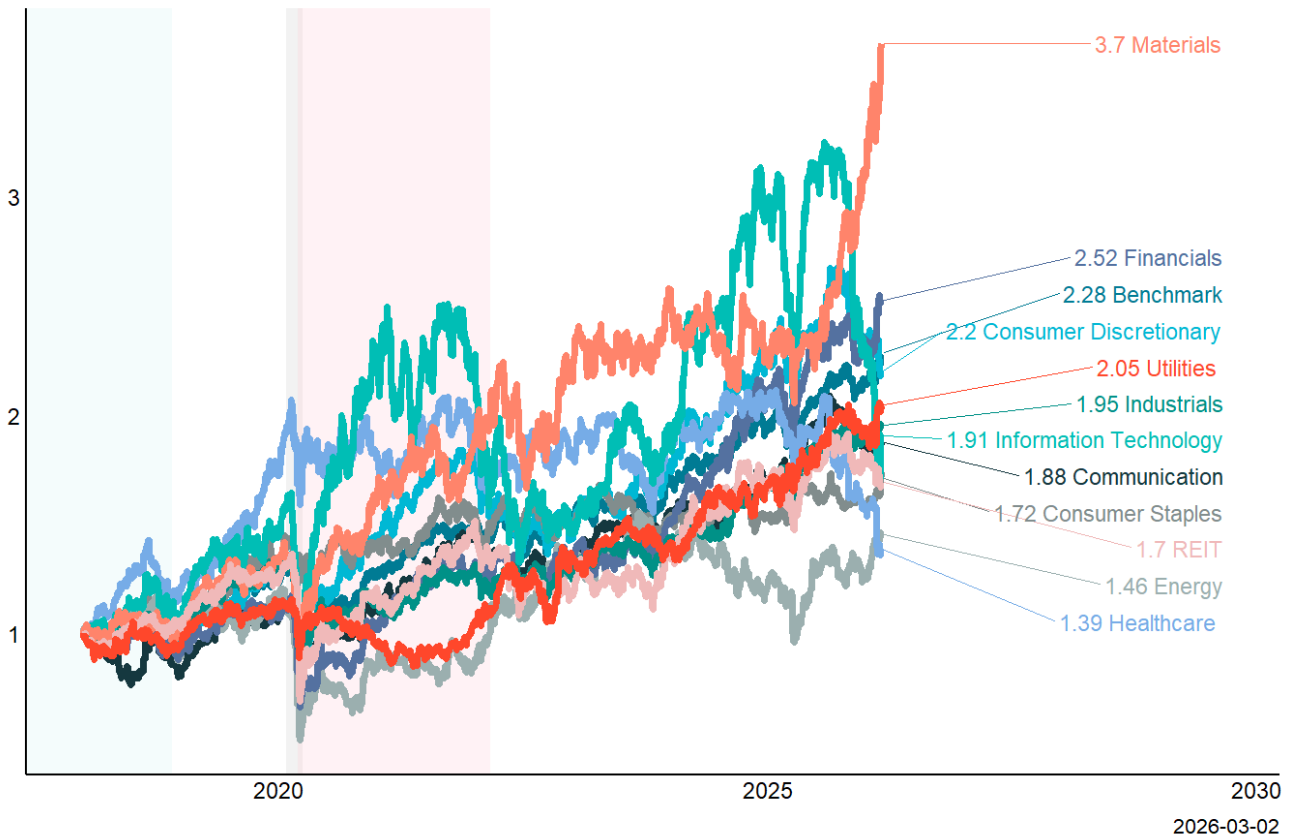
Korea’s market is dominated by hardware producing companies, and as such it is producing absolutely enormous returns for the local market. Conversely, China has many tech-centric “state champions” that have traded weakly, given uncertainty about the sustainability of their moats (namely, can their “systems of record” be replicated or displaced, in some way, or can their network effects be captured by the agentic AI’s, in some way). All of that uncertainty simply means lower valuations via ‘discount rates’ (the interest rate you use to bring future cashflows to some present value amount) and lower ‘terminal rates’ (the rate at which you capitalise future earnings “into perpetuity”, assuming the company is a going concern).

Pricing power is also much less clear over the longer run, if cheaper software developments means a 1000 low cost competitors spring up, offering comparable products at much lower prices than what the incumbents charged previously. I think it is fair to say that *no-one* knows precisely how this plays out, and so we are not taking any material tilts in any given direction, associated with this trade.

Australian shares

In Australia, the winner of the past month and really since the start of 2025 has been in the materials space. BHP and RIO are enjoying very high prices for copper, lithium (in the case of RIO) and even iron ore has broadly held up, trading consistently above \$90tn, even as the China macroeconomic data has been weak (China's property market has been falling for almost 3 years now).

ASX 200 sectors Performance



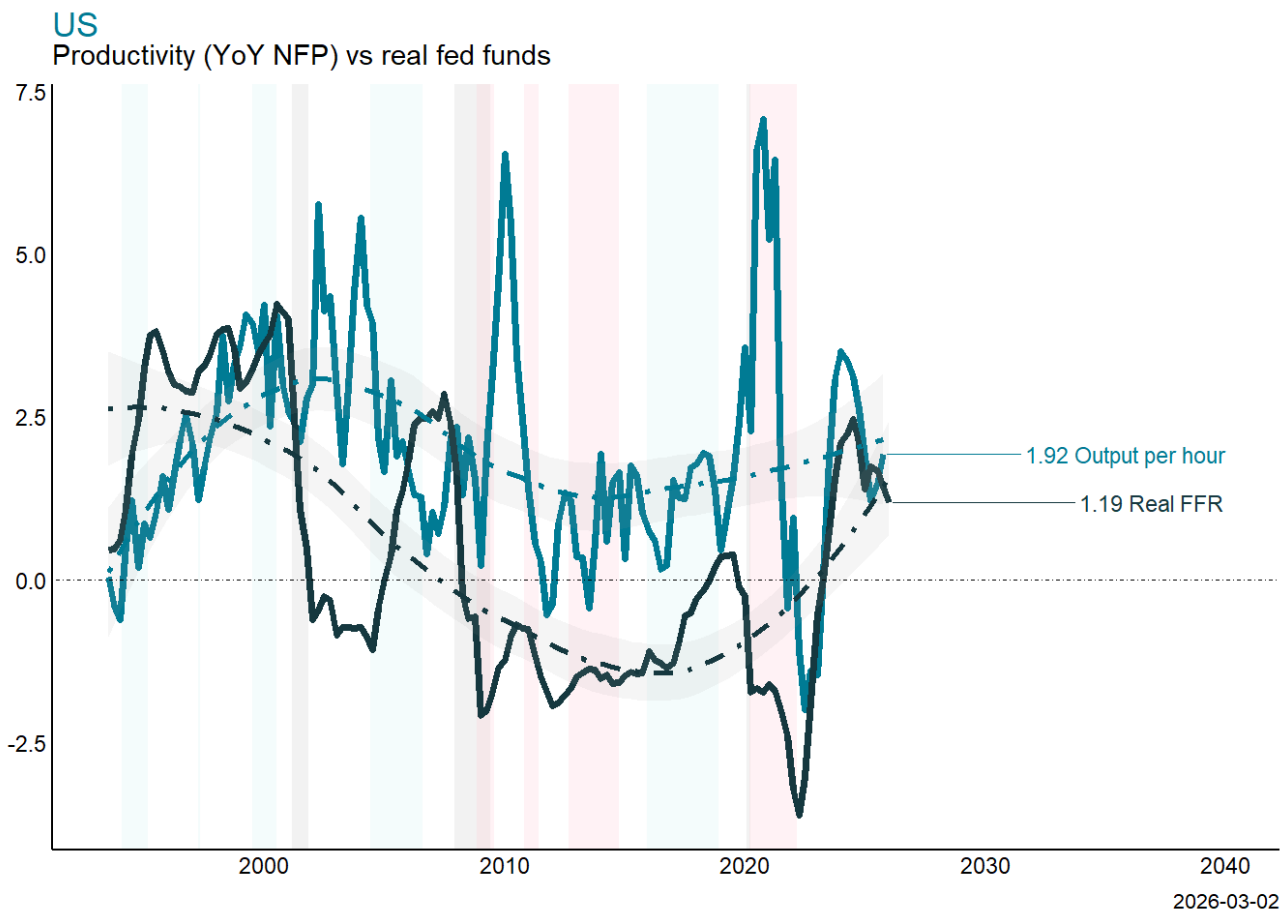
Financials were also very strong, over the month. CBA revealed a result where earnings grew, and bad and doubtful debt charges were in the order of *7 basis points*. That is an incredibly low number. ANZ also tabled an update that indicated material efficiency gains; recall that ANZ reduced their workforce by some 3500 staff and contractors over the past year. That saw a dramatic improvement in their cost-to-income ratio.

Alongside robust demand for credit at both the household and corporate level, the banks did very well as a sector. Woolworths tabled a result that showed dramatic improvement, with issues pertaining to shrinkage (theft) wastage and industrial actions were largely behind them. Very strong quarterly trading results in Australian food pointed to a recovery in market share, which was key to underpinning the strong share price performance in the month.

At the other end, healthcare stocks remained weak, as Cochlear (COH) downgraded earnings on delayed product launches (rollouts) and ZIP, the by-now-pay-later credit-like provider tabled a rise in arrears, which unnerved the market. It's not obvious how buy-now-pay-later consumers would fare, over the economic cycle, where a recession to come along at some point. We think poorly but note the companies involved point to the short duration (high turnover) nature of their loan books.

Investment Outlook

We are thinking about the implications of a material “breakout” in global productivity. Productivity is the “magic” that binds labour and capital to produce GDP growth, which makes our lives better (yes, there’s other proxies for “lives better” but GDP growth is not a bad one).



If AI turns out to be all that we hope, it is possible output per hour leaps from ~1% (over the past decade or so) to a much higher number, something like the mid-2’s of the late 90’s, when the internet was being rolled out. We just saw Block (owner of Square, and Afterpay) table a 50% reduction in headcount, predicated on being able to use AI to dramatically lower the software developer (engineering) base. Wisetech, the freight and logistics software provider is attempting to remove 2000 roles given much the same AI-enabled productivity initiative.

If those results can hold, then the future looks reasonably bright (assuming those workers are redeployed elsewhere). Over the long run, technological booms have historically led to more not less job growth, which is cause for optimism.

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