



Market Overview

Growth assets enjoyed a very strong month. Had you last checked your portfolio balance on say the 27th of February, and not looked again until now, you might conclude that little had happened in the interim. It has of course been anything but calm; markets in April have “wiped on” much of what they “wiped off” over March in one of the strongest recoveries from a peak to trough drawdown that we’ve seen outside of the GFC.

Some of this has been driven by optimistic noises coming from the White House, where we’ve heard multiple declarations of victory, goals achieved, and imminent de-escalation, all of which the market has liked. But, as of now, the Strait of Hormuz remains closed, and each day that it is shut means a widening cumulative shortfall in the flow of hydrocarbons. Oil is a part of it, but also LNG, and flow on effects to downstream refined products, like petrochemicals and agricultural feedstocks.

Multi-asset returns

As at 2026-05-01

	1W	1M	3M	6M	YTD	1YR	3YR	5YR
iShares 20+ Year Treasury Bond ETF	-1.20	0.47	-1.09	-3.80	-0.57	-0.67	-3.12	-6.10
SPDR Gold Shares	-4.10	0.65	-15.83	14.99	5.32	36.38	31.14	20.21
FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index	0.96	0.67	5.59	9.69	8.97	15.54	9.61	7.29
Bloomberg Commodity Index Australian Dollar Total Return	3.77	1.10	10.95	23.90	20.74	27.27	12.66	15.07
iShares iBoxx USD Investment Grade Corporate Bond ETF	-0.99	1.45	-0.65	-0.95	-0.21	4.85	4.10	0.08
MSCI Australia Value Index	-1.29	1.58	5.55	10.38	9.03	28.45	15.47	14.19
Vanguard FTSE Europe Shares ETF	-1.47	1.62	-4.71	-2.27	-4.77	7.27	10.36	9.45
S&P/ASX 200	-1.45	2.19	-0.85	-0.38	0.91	11.23	10.86	9.72
MSCI Australia Growth Index	-1.20	2.43	-3.16	-7.91	-3.58	-7.25	6.16	6.07
S&P/ASX Small Ordinaries Index	-2.72	3.35	-10.19	-7.78	-7.73	15.85	9.27	4.28
Vanguard MSCI International Small Companies Index ETF	-1.08	4.08	0.09	2.53	1.03	20.41	13.45	7.82
Vanguard International Shares Index Fund	-0.19	6.56	-0.57	-3.03	-2.55	14.40	16.31	12.84
MSCI World Value Index	0.16	7.25	2.05	10.10	6.98	25.83	16.78	10.78
Vanguard International Property Securities Index Fund Hedged	0.10	7.69	5.30	8.62	8.03	14.77	7.15	1.28
Vanguard Australian Property Securities Index Fund	-0.10	8.46	-6.84	-11.07	-9.41	-0.13	8.72	6.00
MSCI Emerging Markets EM Net Total Return AUD Index	0.97	8.82	2.20	6.67	8.15	33.40	18.00	7.82
Vanguard International Shares Index Fund Hedged	-0.32	9.82	2.00	4.46	4.05	27.65	18.47	10.64
S&P 500 INDEX	-0.02	12.12	2.69	4.17	4.61	29.88	21.21	12.72
MSCI World Growth Index	-1.10	14.03	1.64	0.16	2.12	30.45	22.37	11.44

The S&P 500 has led much of the recovery, in part because the US is a major net energy provider, and to that end the war provides a direct benefit to their large domestic oil and gas production assets. Interestingly, property and infrastructure have also done well, with the markets viewing them relatively safe assets to own (property, and real assets, are not especially vulnerable to the day to day movements in the price of oil, or global demand and

supply balances of energy overall) and do possess some inflation hedge characteristics, in the form of rents that usually have some sort of CPI + passthrough mechanism embedded in those rental contracts.

Last month, bonds held the line dropping a percent or two, whilst equities fell by 8-10%; this month they've largely stood still, as equities rallied. Gold continues to trade like a risk asset, falling over the conflict, and rallying (only in part) into the recovery. To us gold continues to be overbought by retail investors, which is possibly swamping the normal hedging properties of gold (to both risk and inflation) and it remains expensive.

Global shares

Korean equities resumed their upward momentum. Korea and Taiwan are markets dominated by the manufacture of semiconductors, chips, used to power the artificial intelligence models built by Anthropic (Claude) and OpenAI (ChatGPT) that are presently in very high demand. We do worry a bit about the degree of outperformance; semiconductors have historically been quite cyclical, and Korea and Taiwan are driving just about the entirety of the emerging markets at the moment.

Equity region returns

As at 2026-05-01

	ISO	1W	1M	3M	6M	YTD	1YR	3YR	5YR
S&P/BMV IPC	MX	-2.43	0.99	-2.99	7.62	4.90	25.57	10.55	10.13
Ibovespa Brasil Sao Paulo Stock Exchange	BR	-4.22	1.76	0.88	24.30	14.66	36.76	20.90	9.00
S&P/ASX 200	AU	-1.45	2.19	-0.85	-0.38	0.91	11.23	10.86	9.72
FTSE 100	GB	-2.42	2.76	1.60	6.45	4.10	24.65	12.96	11.87
iShares China Large-Cap ETF	US	-1.70	4.28	-10.89	-10.33	-5.09	10.20	11.35	-2.92
S&P/TSX Composite	CA	-1.80	4.48	1.55	11.90	5.87	37.32	20.77	14.95
Swiss Market	CH	-0.26	5.02	1.74	8.63	0.82	11.43	7.76	6.48
CAC 40	FR	-0.81	5.40	0.59	-0.76	-0.37	10.36	5.69	8.27
Shanghai Stock Exchange Composite	CN	0.47	5.67	-0.08	4.50	3.77	28.58	10.48	6.42
NSE Nifty 50	IN	-0.80	5.98	-4.74	-6.90	-7.26	0.66	11.70	11.68
IBEX 35	ES	-1.70	6.00	1.29	11.71	3.32	36.53	29.19	19.44
EURO STOXX 50 Price EUR	EU	-1.39	6.34	-0.41	3.28	1.41	16.24	13.62	11.31
Tokyo Stock Exchange Tokyo Stock Price TOPIX	JP	0.29	6.56	5.59	13.18	10.47	42.98	24.73	17.25
iShares MSCI India ETF	US	-1.90	7.01	-5.00	-10.22	-9.29	-8.42	6.35	4.81
OMX Stockholm 30	SE	-2.41	7.22	2.83	12.38	8.12	30.78	14.18	10.29
Deutsche Boerse AG German Stock DAX	DE	-0.99	7.42	-1.46	-0.70	-2.19	6.82	14.56	9.58
Shanghai Shenzhen CSI 300	CN	0.46	8.15	2.34	4.18	4.15	31.00	9.11	1.25
Shenzhen Stock Exchange Composite	CN	0.64	9.64	3.59	10.91	9.88	47.12	12.26	5.31
iShares MSCI Emerging Markets ETF/AU	AU	0.28	10.75	2.41	5.00	7.95	31.93	16.89	6.83
FTSE MIB	IT	0.02	10.87	6.79	12.96	7.44	32.21	26.69	19.94
S&P 500 INDEX	US	-0.02	12.12	2.69	4.17	4.61	29.88	21.21	12.72
MSCI Emerging Markets	MULT	0.73	12.84	4.63	15.35	15.89	50.15	21.64	6.48
MSCI Emerging Net Total Return Local	MULT	0.43	13.26	6.33	16.78	15.66	48.23	22.27	8.53
iShares MSCI Emerging Markets ETF	US	-1.09	13.57	3.72	13.54	14.59	47.08	19.91	5.11
Nasdaq-100	US	0.93	17.56	5.21	4.43	7.88	40.05	28.00	15.13
Korea Stock Exchange KOSPI	KR	1.91	30.64	27.01	62.18	57.46	161.81	40.67	18.24

Australian shares

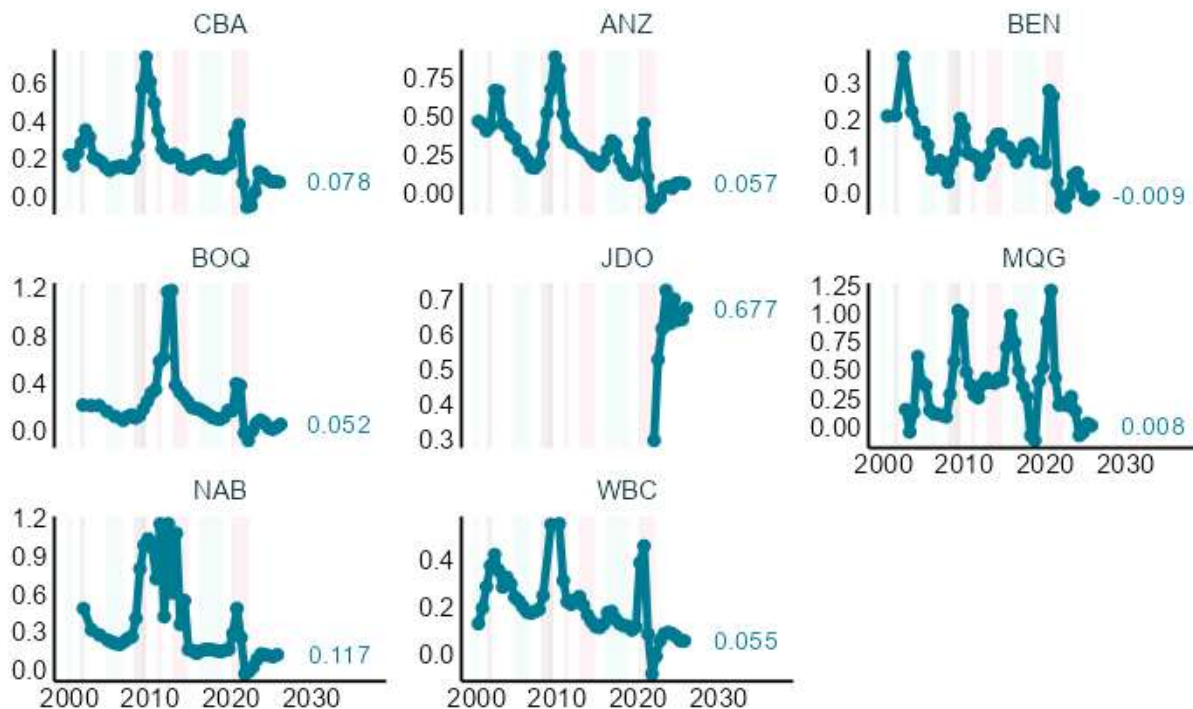
Company downgrades are coming thick and fast in the local market, which has modestly underperformed international markets, largely driven by the war and its impact on consumer sentiment, interest rates, and cashflows (higher petrol prices have already acted a bit like an additional, unexpected interest rate hike).

Qantas might hedge the oil price, but it doesn't hedge the crack spreads (fancy term for the pricing of what a barrel of oil gets converted into, namely petrol, diesel, jet fuel and the like) and so whilst they are raising prices, they are also having to lower supply (cut capacity) and the overall impact is classic stagflation-type outcome of higher prices, lower output, and for Qantas, less profits. Woolworths, at the very end of the month also put through what is a modest downgrade, but still symbolic, where they note many suppliers are asking for higher prices, and Woolworths faces the tough choice of absorbing those higher prices in their margin, or passing them on to an already stretched consumer.

Also during the month, several banks updated their collective provisioning coverage (the "rainy day" pot of money set aside by banks on their balance sheet), with NAB, WBC, JDO and today (1st of May) ANZ lifting this amount by between 4-6 basis points. It's not an amount that sounds large but given the size of say NAB it amounts to over \$300 million.

The good news is that provisions through the profit and loss statement remain very low.

PROV_FOR_LOAN_LOSS_TO_TOT_LOAN Major banks



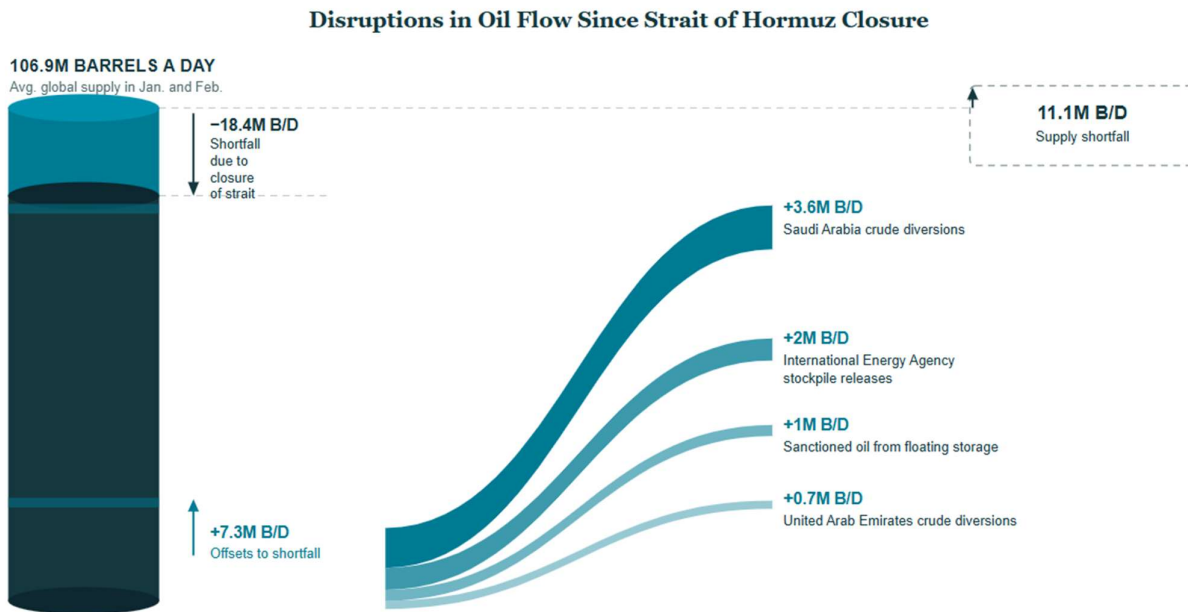
(T12 Provision for Loan Losses / Average Total Loan) * 100, Income statement / Balance sheet item

That means that the credit experience is thus far very benign, and our expectation is that most consumers will do all that they can to remain on top of their mortgages - in the current cost of living crisis, by essentially pulling back

on discretionary exposures elsewhere. That makes for a challenging backdrop for consumer discretionary companies like the Harvey Norman's, Breville's, and ARB's of the world.

Oil and the Middle East

Revisiting the same chart as last month (below) - the total quantum of likely oil market displacement that arises from the closure of the Strait. We think that the market is very complacent about the impacts here. Inventory drawdowns are very visible everywhere, and that is simply unsustainable (as in demand is exceeding supply, resulting in decreasing inventory, which will eventually simply run out, depending on the region). There is simply no story more important than this, and whilst we hope for a resolution we are starting to plan for the worst, which is that there is no near-term fix. The political desires of the main parties are simply too far apart.



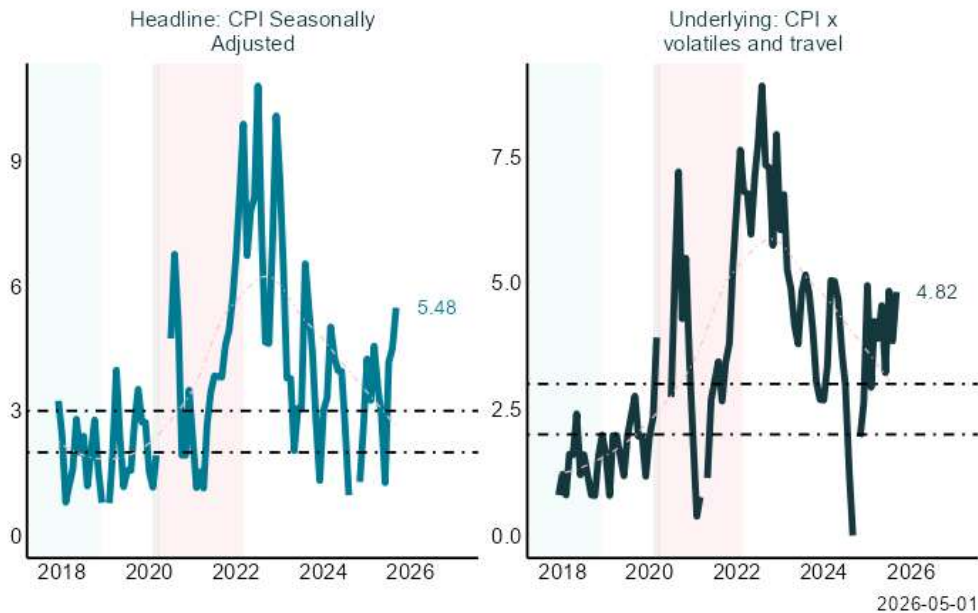
Investment Outlook

With markets fully recovering (well, depending a little bit on the region) and the primary issue unresolved, we see Australian shares as somewhat more vulnerable than international, predicated on the broader diversification that can be achieved elsewhere. The Australian market is skewed heavily to banks and mining companies, and the higher interest rate environment can be a challenge to leveraged entities, and there are few sectors more leveraged than banks (apart from say property or infrastructure, which banks in turn are quite exposed to).

Recent inflation prints remain far too high, and whilst normally cash is viewed as a terrible hedge against inflation, because the erosion of purchasing power is quite clear, it actually tends to hold up quite a bit better than many other assets, simply because its nominal value is fixed, and that stocks, property and infrastructure tend to rise and fall around it, in response to the inflationary shocks.

Aus inflation

Monthly inflation, 3M annualised (geometric)



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