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Portfolio Perspectives

April 2026

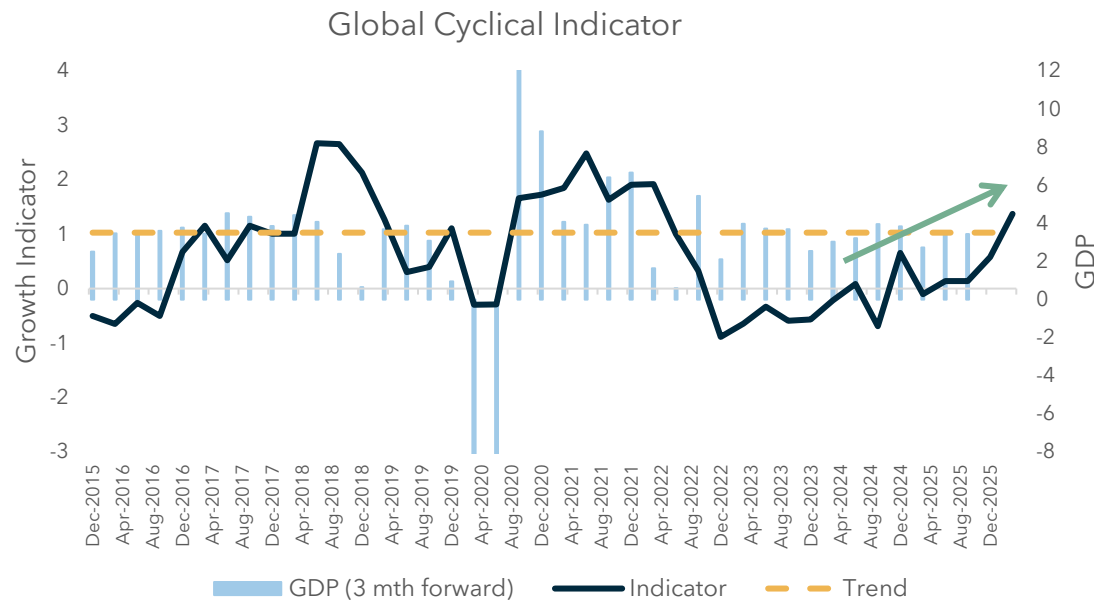
Key Messages for Investors

- Stay invested but build in more resilience. The global backdrop has become more inflation-sensitive, but it is not yet a recession environment. Investors should avoid overreacting, while positioning portfolios for higher energy prices and tighter policy.
- Global growth is slowing, not collapsing. The world economy entered this shock from a stronger starting point than in many previous crises. Growth is likely to soften, but the base case is still below-trend expansion rather than global recession.
- Inflation is now the main market risk. Higher oil, gas and input costs are increasing the risk that inflation stays elevated for longer. That matters because it reduces the chance of near-term policy easing and raises the prospect of rates staying higher for longer.
- Central banks are unlikely to 'look through' this shock. After the inflation experience of recent years, policymakers appear more determined to prevent temporary price pressures from becoming entrenched. That means markets may need to contend with a more cautious central bank response.
- Australia looks more vulnerable than the US. The US economy remains relatively resilient, supported by structural growth drivers and a still-solid consumer. Australia, by contrast, faces a more difficult mix of slowing growth, stubborn inflation and household pressure.
- Be selective about where risk is taken. Areas most exposed to higher energy costs and higher interest rates (including emerging markets, global small caps and parts of Australia ex-resources) warrant caution. Better opportunities may lie in quality fixed income and selective high-quality growth.

Resilient starting point for global growth

Global growth conditions on firm footing

High frequency US data remains solid (as at 27 March 2026)



Daily data:

- Restaurant bookings: Solid
- TSA air travel data: Solid
- Daily debit card data: Solid

Weekly data:

- Atlanta Fed GDPNow: 2.0%
- Fed's weekly GDP index: 2.6%
- Retail sales: Still solid
- Jobless claims: Solid
- Hotel occupancy rate, daily rate, and RevPAR: Sideways
- Bank lending to firms and consumers: Upward trend
- Bankruptcy filings: Sideways

- Credit and debit card data: Solid
- Gasoline demand: Solid
- Broadway show attendance: Solid
- Box office weekly grosses: Solid
- S&P 500 forward profit margins: At record highs
- Business formation: Solid
- ASA temp worker staffing index: Weak

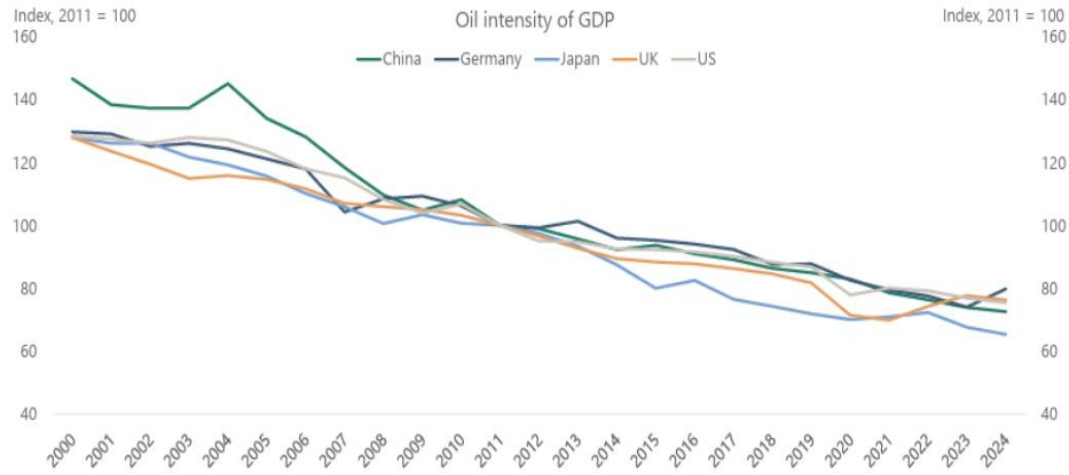
- Structural drivers (AI investment, and industrial renaissance) along with fiscal stimulus underpin the US economy and global growth.
- Geopolitical shocks, tariff shifts and inflation moving above target complicate the outlook but are not yet sufficient to de-rail global growth entirely.
- Growth indicator had been gaining momentum but shows signs of stalling in March based off sentiment indicators.

- The US consumer remains a central pillar of global growth. Consumers are viewing the Iran-US conflict as temporary.
- Publicly available daily and weekly indicators (as compiled by Apollo) shows no signs of demand destruction yet, despite softening sentiment.
- We remain watchful for deterioration in 'hard data'.

Source: Bloomberg, Evidentia, Apollo

Is it different this time?

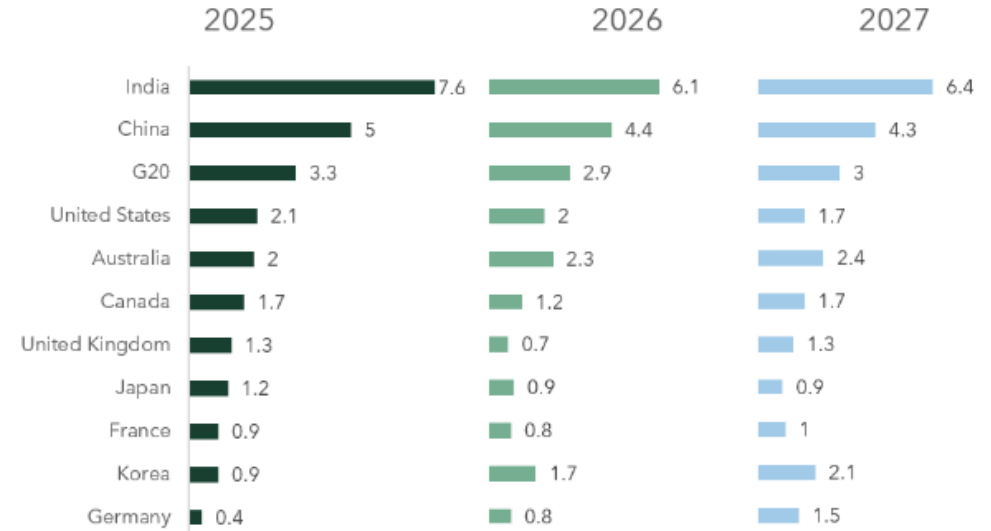
GDP is less sensitive to oil across major economies



Source: BNEF, IMF, Apollo Chief Economist. Note: Oil burned per unit of GDP indexed to 2011.

- Nonetheless, the International Energy Agency (IEA) has characterised the 2026 energy shock as 'the largest supply disruption in history'.
- While previous shocks were defined by oil alone, the current crisis is unique due to its size and the fact that it is a dual-fuel shock (oil and LNG).
- Growth impacts will not be felt evenly, creating winners and losers based on energy self-sufficiency.
- The OECD projects global GDP growth to remain broadly stable at 2.9% in 2026 before edging up to 3% in 2027. This projection assumes that the current energy market disruption is temporary, with prices easing from mid-2026 onwards.

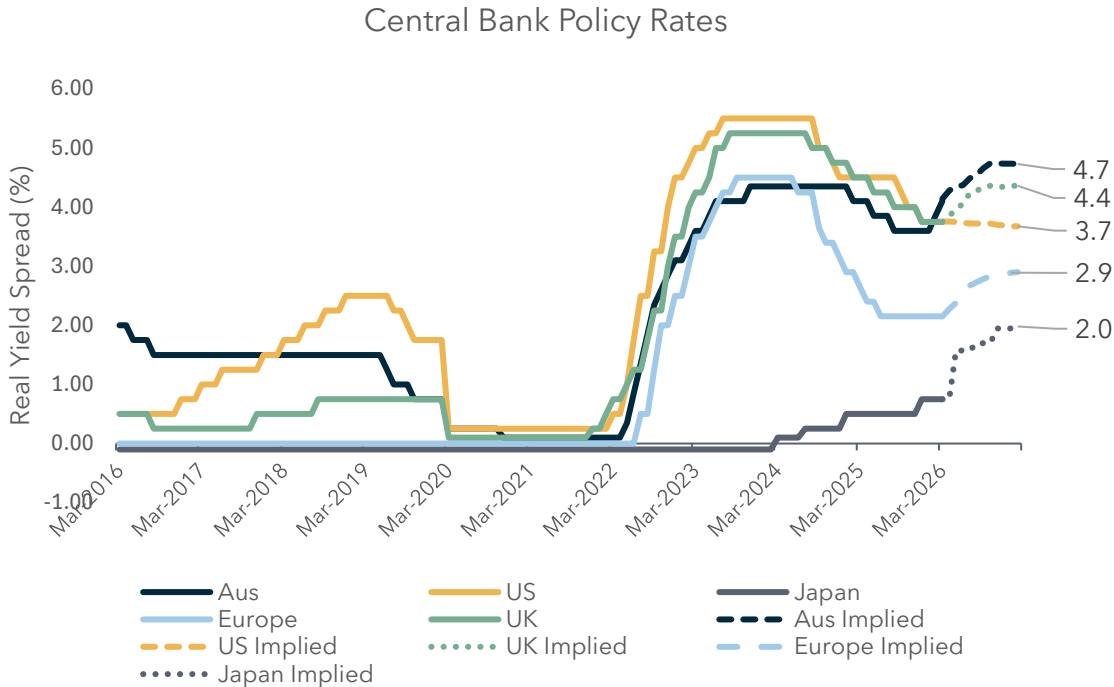
OECD Real GDP growth projections (%) at 26 March 2026



- Energy efficiency has improved over the years, driven by the shift from heavy manufacturing to service-based economies, energy efficiency gains and diversification in the energy mix. Over the last 25 years, the US has seen a 40% reduction in the oil intensity of GDP and China a 50% reduction.
- US is now a net exporter of petroleum products and has robust supply chains. China has large reserves of oil and other commodities, has dominance in clean energy supply chains and has undergone significant electrification of its economy.
- Historically, a 10% rise in oil prices roughly correlated to a 0.5% drag on global GDP. Today, that sensitivity has dropped by more than half in advanced economies.

Global Interest rate outlook

Futures markets are pricing inflation in



Common Thread: Central banks globally are conveying a consistent message– with every set of minutes containing some variant of "uncertainty remains elevated"

Source: Bloomberg, Evidentia Group estimates

How Central Banks are positioning:

Federal Reserve 3.50–3.75%

Cautious hold

"It was too early to know how developments in the Middle East would affect the US economy ... policy is well-positioned to respond to future events."
— March FOMC minutes, 2026

- On hold since Dec 2025; dot plot still pencils in one cut this year
- Tariffs & energy keeping core inflation sticky above 2%
- Hawks vs doves: some members flagged possible hikes if inflation persists

Next: 29 Apr Markets: hold

RBA 4.10%

Actively hiking

"Inflation was already too high, reflecting the fact that demand is outstripping supply."
— Governor Bullock, March 2026

- Two back-to-back 25bp hikes in Feb & Mar — partially reversing the 75bps of cuts delivered in 2025
- Narrow 5-4 board split — doves citing war uncertainty & weak consumption
- Headline CPI tracking toward ~5.4% by mid-year; May hike ~75% priced

Next: 5 May Markets: ~75% hike

ECB 2.15%

On hold — hawkish tilt

"If the shock gives rise to a large, though not-too-persistent, overshoot of our target, some measured adjustment of policy could be warranted."
— President Lagarde, March 2026

- Held for 6th straight meeting; explicitly "not pre-committing to a rate path"
- 2026 inflation revised up to 2.6%; growth cut to 0.9%
- Hike in June now live — Strait of Hormuz is the key wildcard

Next: 29–30 Apr Markets: hold; Jun hike possible

Bank of England 3.75%

Unanimous hold

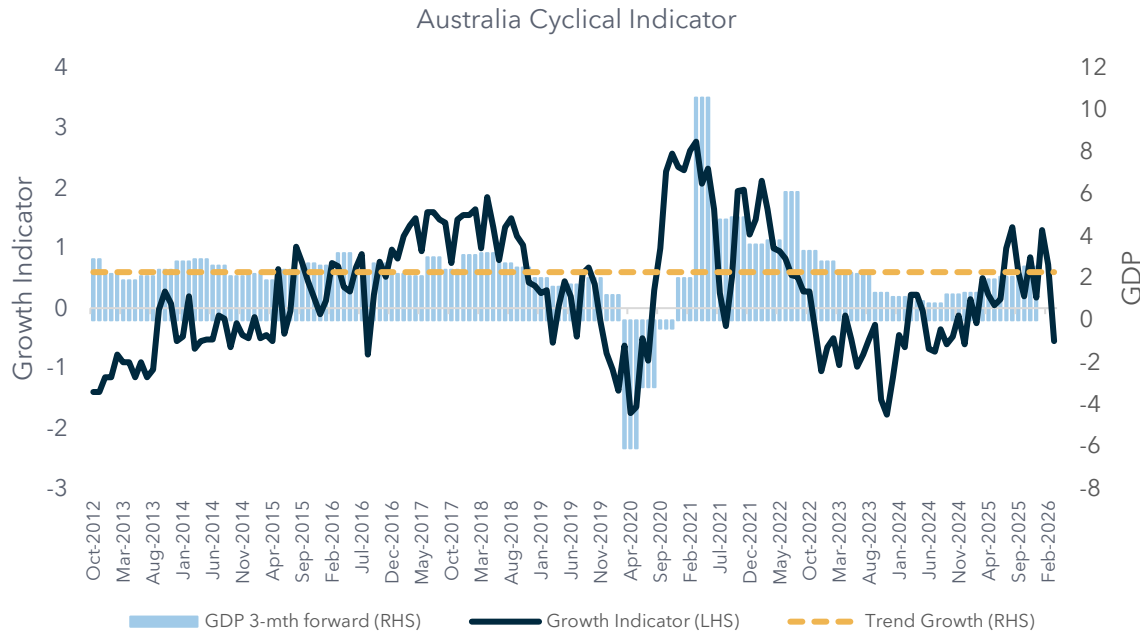
"Absent this shock, I would have expected to vote for a cut again in March. But the conflict will have a significant, though highly uncertain, impact on inflation."
— MPC member, March 2026 minutes

- 9-0 hold — a sharp U-turn from an explicit easing bias
- CPI projected to hit 3–3.5% by Q3; second-round effects the key risk
- Rate cuts pushed out to 2027 by most major forecasters

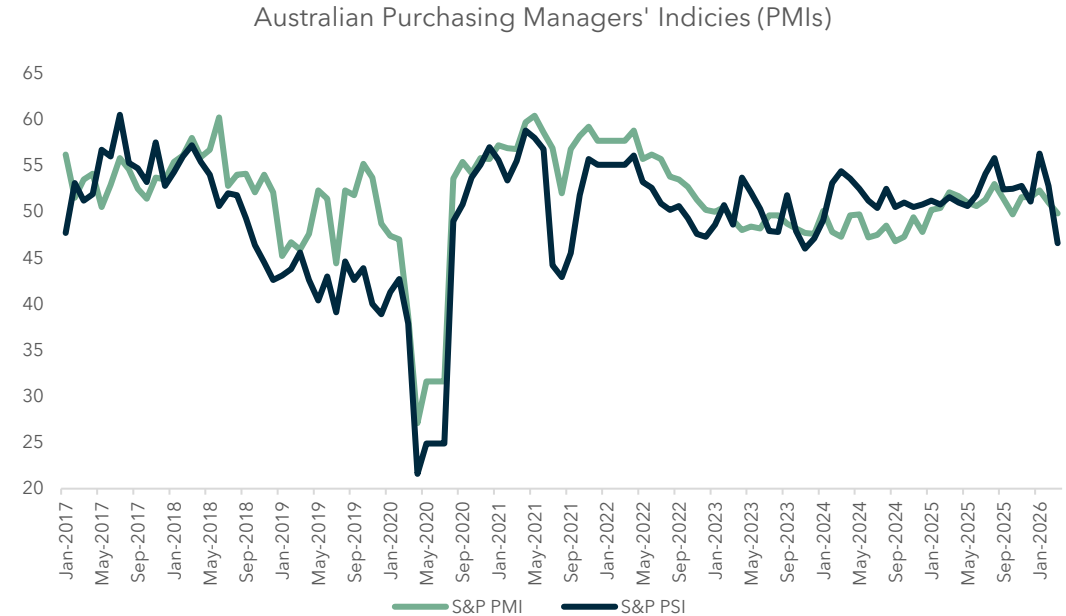
Next: 30 Apr Markets: hold; cuts → 2027

Australian macro outlook has shifted

Sharp deterioration in growth momentum



PMIs have taken a dive, hard data yet to adjust



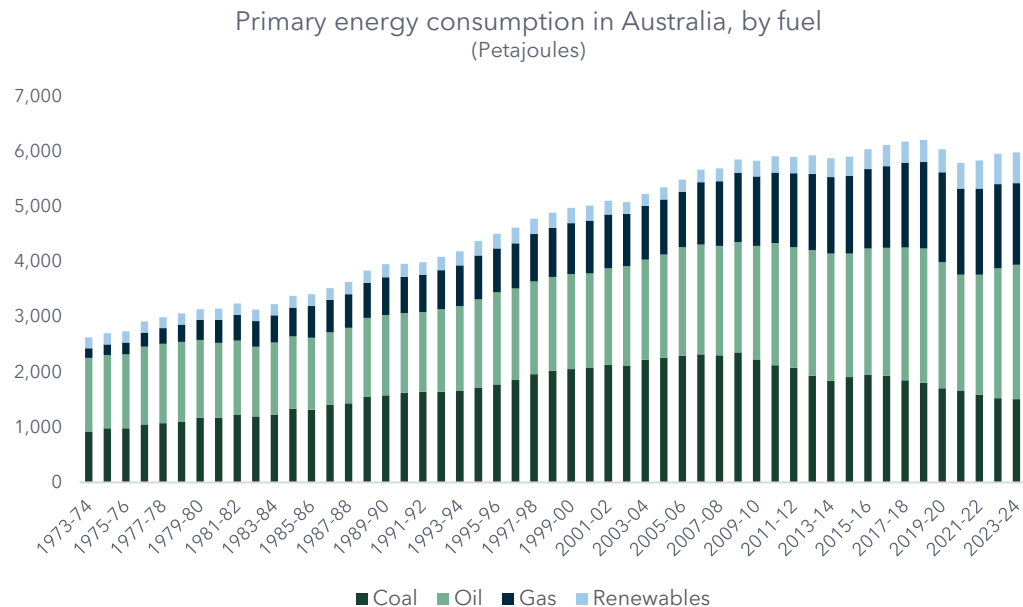
- There was a sharp deterioration in the Australian cyclical indicator in March. Historically, this suggests that 3 months from now, we will be experiencing a period of below-trend growth.
- This has been driven by a sharp reversal in PMIs from healthy expansion into contraction territory. The S&P Composite PMI fell from 52.4 to 47 in March.
- The Services PMI made up the bulk of that falling from 52.8 to 46.6, while manufacturing from 51 to 49.8. Service PMI is typically more volatile component of the Composite index.

- Businesses faced steep cost pressures, with the rate of inflation at a more than 3 year high. Deterioration in demand conditions, was in part a reflection of global uncertainty and economic disruption due to the Middle East war and 2 rate rises.
- Hard data (jobs data, building approvals, household spending) are yet to capture the full impact of the Iran conflict and recent rate hikes.

Source: Evidentia, Bloomberg

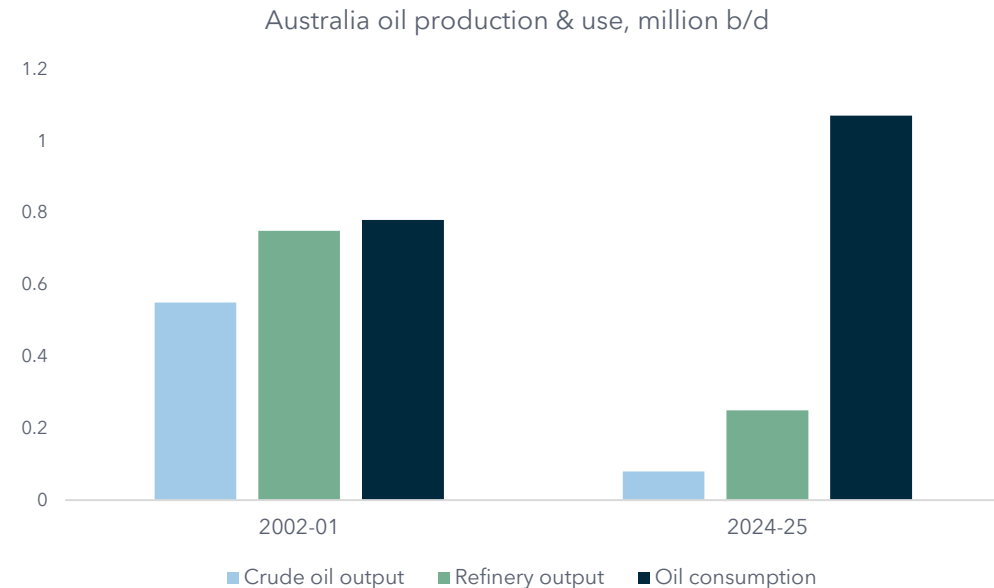
Oil still matters domestically

Oil accounts for 41% of Australia's primary energy mix



- Australia's oil intensity has declined by roughly 40% since the early 2000s, following the broader OECD trend of decoupling growth from fossil fuel consumption.
- Despite the overall decline, the transport and logistics sectors remain highly oil-intensive. Oil accounts for 41% of Australia's primary energy mix, the largest share of any fuel type. This is higher than many peers due to the vast transport distances and limited rail freight.
- This makes the economy particularly sensitive to diesel price spikes, as seen in the recent 50% surge in wholesale diesel prices.

Australia remains vulnerable to oil shocks



- Australia's oil and fuel production has dwindled markedly over the last 25 years. We now import roughly 90% of our refined fuel needs, mostly from the Middle East, via Asia (the largest suppliers being Singapore 25%, South Korea 25%, Malaysia 13% in 2025).
- When it comes to crude oil to feed our refineries, we are heavily dependent on Malaysia (approaching 40% of total crude imports) and the United States (21%).
- Australia is an energy superpower in terms of LNG, Coal, and Uranium, but a developing nation in terms of liquid fuel.

Source: Department of Climate Change, Energy, the Environment and Water, Institute for Energy Economics and Financial Analysis (IEEFA).

Dynamic Asset Allocation Summary – Growth

Asset Class	Outlook				Comments
	Negative	←	→	Positive	
Growth Assets			■		Despite geopolitical risks, the broader macro backdrop remains supportive. Global growth is improving and earnings remain resilient. We recommend remaining invested in growth assets but adjusting portfolios for improved inflation resilience if the dispute drags on.
Australian Equities (incl. Australian Smalls)		■			Positive earnings momentum from February has been overshadowed by expectations of higher inflation and interest rates through 2026. Higher input costs, mortgage pressure.
Global Equities			■		We remain neutral global equities with strong earnings momentum offset by rich valuations. Sector opportunities within are nuanced by the risk of inflation as conflict continues in the Middle East, and the question of AI disruption to business models over the medium to long term.
Emerging Markets Equities				←	Earnings growth continues to accelerate across emerging markets. EM equities face a range of interconnected risks from an escalation of conflict in the Middle East, with impacts transmitted through energy markets, capital flows, tighter financial conditions, and currency volatility.
Property				■	Global Listed Property valuations are attractive in comparison to global equities. The challenges on growth and supply are fading.
Infrastructure				→	Structural tailwinds exist leading to an expansion in the asset base. Increased capex sets the sector up for a lower dividend yield but higher growth outlook. We maintain our overweight with the view the sector has further outperformance potential.
Value vs Growth			■		Remain neutral, valuations on growth companies have become closer to fair, however higher rates and the AI disruption theme may provide further downside.
Quality vs Cyclical				■	We observe superior long-term risk adjusted returns from quality companies. The recent underperformance of quality style managers may offer an attractive entry point. An economic slowdown in Australia would see quality outperform. We remain positive Quality.
Global Small vs Large				←	Small Caps represent attractive relative value, have historically delivered strong trend EPS growth, and the recent broadening of earnings growth are all supportive. A higher inflation and rates environment represents a risk, in an otherwise supportive setup for small caps.
FX Hedging (AUD view)			■		At 71c the AUD is near long term PPP. We see continued upside potential with improving carry and momentum, offset by a relatively weaker growth outlook for Australia vs US. The FX hedging carry (additional income when hedging) on AUD.

Dynamic Asset Allocation Summary – Defensive

Asset Class	Outlook					Comments
	Negative	←	→	Positive		
Defensive Assets						
Australian Duration (incl ILBs)						Australian duration offers attractive value at near 5% YTM. A slowdown in Australian growth would likely see Australian Fixed Income outperform.
Global Duration (incl. TIPS)			→			Once AUD hedging is included, the all in yield on global fixed income has become attractive. While risks remain for global inflation volatility and lack of fiscal discipline a concern, a YTM of 5.5% for Global Aggregate as fair compensation for these risks. We move to neutral.
Australian IG Credit						Credit spreads remain tight despite minor loosening in March. Excess returns are at the lower end of historical ranges. We remain neutral in recognition of more modest forward looking return expectations.
Global IG Credit						Global spreads are at extremely tight levels. We acknowledge less 'spread risk' in IG compared to High Yield and therefore are comfortable to remain at neutral.
Global High Yield Credit						High yield credit spreads are at near all time lows. Historically at spreads this tight, high yield bonds have underperformed cash in the following 1-2 year period.
Absolute Return (Fixed Income)						With cash rates and bond yields above multi-decade averages, we see less need to pursue returns via absolute return strategies.
Cash and Enhanced Cash						Cash can serve as a useful short term tactical defensive exposure while credit spreads are tight.

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