



Wealth
Management

When coming second makes sense

Secondaries and their role in portfolios



Core Offerings April 2026

Chief Investment Office, Australia

Our Australian investment team's view of the markets and insights into our latest strategic and tactical positions

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When coming second makes sense

Secondaries and their role in portfolios



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The outlook for the global economy has entered a period of extreme uncertainty. In late February, the US and Israel began a series of co-ordinated military strikes across Iran. With hostilities extending to the Straits of Hormuz – a vital energy route – global energy prices have risen sharply, while both listed equity and bond markets have also fallen. The conflict is ongoing, and by mid-April there is a risk of non-linear (growth negative) outcomes if we evolve to an energy availability crisis.

Below we briefly discuss our current assessment of this rapidly evolving situation, noting periods of heightened volatility are where truly diversified portfolios across asset classes and return drivers earn their keep. Exposure to unlisted assets is a key aspect of that diversification and in this month's *Core Offerings*, we take the time to focus on one of those asset classes, namely secondary investments. We have also reduced risk in our portfolios for a time, trimming our equity overweight and returning our investment grade credit position to neutral.

Secondary investments (secondaries) have moved from niche to mainstream and are now a regular feature in our client conversations. What started as a specialist tool used mainly by large institutions has become a core way of putting capital to work, generating liquidity and reshaping private equity portfolios. Inside, we set out what secondaries are, why they have grown and what this means for portfolios. We highlight why secondaries matter in both closed-end and evergreen structures, why they are more than just a discount story, and why manager selection is critical.

US/Israel – Iran War brings slower growth, higher inflation and market risks

The outlook for the global economy has entered a period of extreme uncertainty. In late February, the US and Israel began a series of co-ordinated military strikes across Iran. In response, Iran has launched a series of retaliatory strikes, targeting US military bases and assets across the region, including in Bahrain, Qatar, Kuwait, Iraq, and the UAE. With hostilities extending to the Straits of Hormuz – a vital energy route – global energy prices have risen sharply, while both listed equity and bond markets have fallen (albeit, arguably only moderately). The conflict is ongoing, and by mid-April there is a risk of non-linear (global) outcomes if we evolve to an energy availability crisis.

Reflecting this, our analysis (albeit with low conviction, but relying on our constraints-based lens) continues to point to a ceasefire emerging by mid-April. However, we are less optimistic on a rapid return to normal flows of energy through the Straits of Hormuz, given disparate military forces and likely residual tension. This has the potential to keep oil and gas prices elevated. How soon the conflict can be de-escalated, and a degree of energy security return, will determine the extent global growth slows, how high inflation pushes and the path of interest rates in the year ahead.

In the scenario where hostilities end before mid-April, and an energy availability crisis is avoided, the outlook for global growth remains upbeat. This reflects the lagged impact of past central bank rate cuts, as well as modest fiscal easing across major economies; pre-war data clearly reveals an emerging credit-led uplift in activity across the globe. Nonetheless, while we expected demand-led inflation to emerge toward the end of 2026 (providing a more challenging backdrop for markets), it increasingly looks like the energy price supply shock has accelerated a more inflationary environment (with faster than expected liquidity withdrawal challenging markets sooner).

This continues to tactically favour equities over fixed income, even with the risk that equity markets deliver more moderate, and potentially choppy, returns over the rest of the year. This month, we have moved underweight Australian equities, reflecting the rapidly emerging risk of a sharp energy availability crisis domestically amid an already-inflationary backdrop and unimaginative fiscal policy support that may put further upward pressure on interest rates. We've also trimmed to neutral our investment grade credit overweight. Both decisions reflect a hedge against a more sinister global outcome, and provide firepower to deploy into risk should clarity on the outlook emerge.

For portfolios, ensuring return drivers across a broad range of risk factors, not just equity risk, will be important ahead to ensuring resilience. These periods of elevated volatility and dislocation are both times to trust that our diversified portfolios will weather the market storms, while also seeking opportunities to deploy into those investments consistent with both our multi-polar secular outlook as well as long-lived themes where future demand will exceed supply. These include AI enablers (from picks and shovels and compute to chips and cooling), Energy resilience (from renewables and nuclear to gas and storage), defence and infrastructure (from data centres and real estate to energy).

Secondaries are a natural extension of a mature private equity industry

Private equity is built around long term partnerships, with investors committing capital to specialist managers who acquire and develop companies over several years before exiting. Whilst capital is returned periodically as portfolio companies are sold down, the overall lives of private equity funds ultimately extend beyond a decade. Historically, there was little scope to adjust exposures along the way; private equity secondaries changed this dynamic, and it is now a mature market on its own.

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What do we mean by ‘secondaries’?

A secondary transaction is the purchase and sale of an existing interest in a private market investment. Instead of committing to a new fund or investment, a secondary buyer acquires a position in a fund or asset(s) that is already part way through its life. The mechanics are straightforward in principle, with the buyer and seller agreeing a price for the given interest, typically expressed as a percentage of the fund’s latest net asset value (NAV). Once closed, the buyer assumes the seller’s remaining obligations, including any future capital calls, and in return, receives all future distributions and any further asset appreciation.

What’s interesting relative to a new fund commitment, is that the buyer has far greater visibility of the fund or assets in question meaning they can review company level performance and form a view on likely exit timing and cash flow profiles. Capital is also typically deployed quicker, and distributions often begin sooner.

Whilst early secondaries were dominated by fund transactions, two broad types have emerged, LP-led and GP-led secondaries, the latter becoming increasingly important. For the avoidance of doubt, LP means Limited Partner, which you can think of as an investor; GP means General Partner, which you can think of as the fund manager.

- **LP-led secondaries:** this is where an existing investor decides to sell one or more fund interests, often to raise liquidity, rebalance exposure or simplify a legacy portfolio. The investor runs a sale process to find buyers, and the positions transfer from one owner to another.
- **GP-led secondaries:** this process is initiated by the fund manager. The starting point is usually an asset or collection of assets in an existing fund that the manager believes still have attractive value creation potential, even though the fund or asset(s) is approaching the end of its life. The firm proposes a continuation vehicle that will hold these companies for longer and existing investors can choose to sell their interests or roll into the new structure; secondary investors provide the capital that funds liquidity for sellers and supports ongoing ownership.

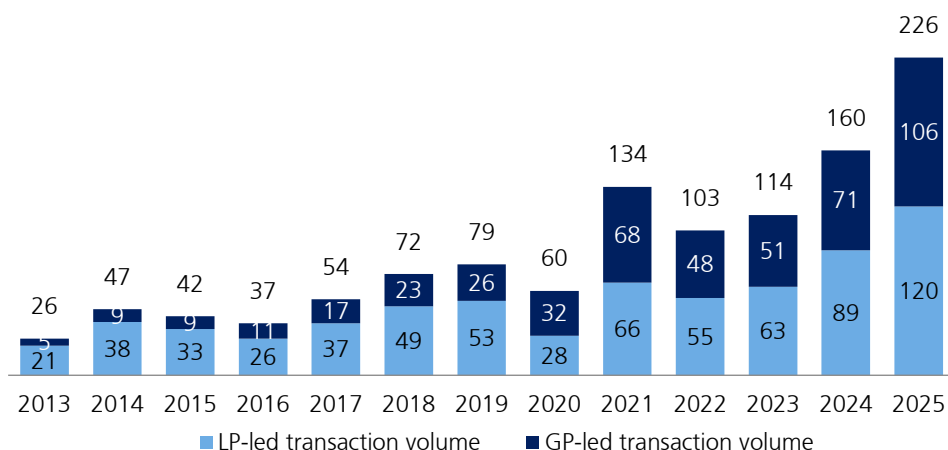
What’s driven the growth of the secondary market?

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As allocations have grown (2013-2025 as follows), so has their complexity with investors often managing dozens or hundreds of fund/asset positions, each with their own timelines and characteristics, which naturally creates a need for active portfolio management, be it trimming non-core positions, consolidating manager relationships, rebalancing between strategies and adjusting regional exposure. Broader investor circumstances also change whether it be investment team changes, asset allocations changes, regulatory demands or even market swings, which can

Figure 1: Secondary Market Transaction Volume Over Time (\$bn) – a growing market



Source: HarbourVest, Evercore. As of December 31, 2025

Secondaries add both flexibility and liquidity to an asset class that is typically neither, and also enables new investors to invest through more seasoned portfolios, with different risk-return and cashflow profiles than primary commitments.

Competition among secondary buyers has intensified in parallel with the growth of the secondary market. Dedicated secondary funds, multi strategy managers and specialist boutiques are all active, bringing sophisticated analytics and deep GP relationships to bear on a larger opportunity set.

distort allocations requiring portfolio rebalancing (the so-called 'denominator effect'). Secondaries are the principal tool for managing invested portfolios in private markets.

From the managers' perspective, secondaries also address another issue: the mismatch between fixed fund lives and the time needed to create or fully realise value in certain companies. This is where GP-led secondaries and continuation vehicles (or funds) help bridge the gap.

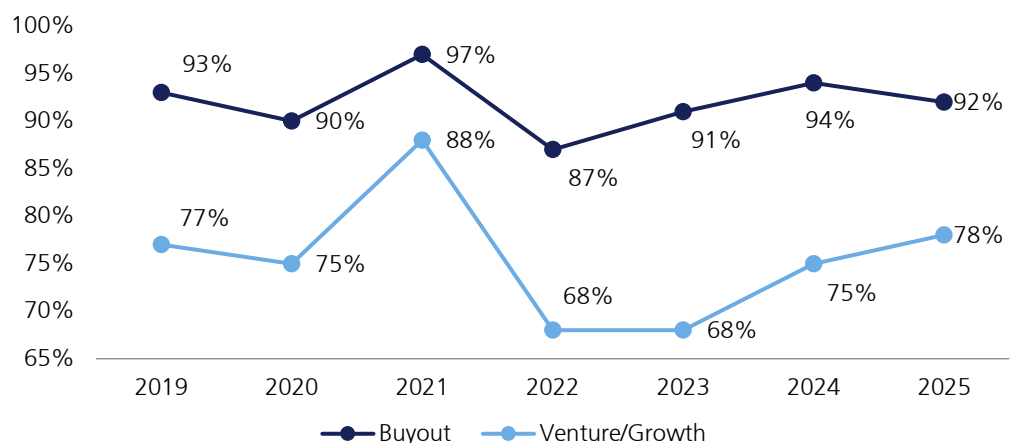
Secondaries add both flexibility and liquidity to an asset class that is typically neither, and also enables new investors to invest through more seasoned portfolios, with different risk-return and cashflow profiles than primary commitments – this is particularly relevant to our client segment.

Secondaries are an attractive tool in today's environment

Today, the secondary market is larger, more institutional and more diverse than at any point in its history. Annual global transaction volumes are at record highs, supported by both LP-led and GP-led activity. In 2025, there was USD 226 billion in secondaries deal volume globally, up around 40% from 2024 volumes, showing the ongoing growth in the market.

Pricing remains closely linked to the broader macro environment, with secondary transactions generally struck at a percentage discount (or premium) to NAV, reflecting asset quality and risk sentiment in addition to non-investment or complexity factors. In periods of heightened uncertainty, buyers typically demand wider discounts, particularly for older vintages, cyclical sectors and funds managed by less established GPs. By contrast, portfolios backed by high-quality managers, with resilient cash flows and credible exit pipelines may clear at only modest discounts or even small premiums when competition among buyers is strong. The key point to note here, as shown below, is that pricing can be counter-cyclical, which was certainly evident during the 2022 period (particularly within venture capital/technology) and could come into play should current geopolitical tensions continue to heighten volatility across markets.

Figure 2: LP Portfolio Pricing (% of NAV) – pricing is closely linked to the broader macro environment



Source: Jefferies, January 2026.

Beyond LP positions, one of the key shifts in recent years, as shown in Figure 1 (transaction volumes), has been the growing usage of GP-led transactions, a trend that continues to shape how the secondary market operates today. Exit markets have been more muted and primary fundraising more selective with distributions from private equity portfolios running below historical norms. Fund managers seeking to return capital while retaining exposure to their highest conviction assets have made greater use of GP-led continuation vehicles, whether that be a single- or multi-asset (i.e. more diversified) vehicle.

Competition among secondary buyers across the spectrum has intensified in parallel with the growth of the secondary market. Dedicated secondary funds, multi strategy managers and specialist boutiques are all active, bringing sophisticated analytics and deep GP relationships to bear on a much larger opportunity set. For investors, this underlines that secondaries are not a generic, passive exposure; outcomes depend on sourcing, underwriting quality, pricing discipline and governance, and therefore, on careful selection of the secondary managers used in portfolios.

Secondaries can play a pivotal role for private clients within private markets

Clearly, secondaries are a very established market utilised heavily by the institutional community, but we think they can play a pivotal role in private client portfolios if done well.

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Building seasoned and diversified portfolios

We regularly discuss evergreen funds at LGT Wealth Management, and we often call out that the key innovation is the inbound (not outbound) liquidity, being the ability to invest the desired capital and be fully invested in a diversified, institutionally managed portfolio without the pain it would take to build, and manage, that portfolio using incumbent closed-end (fund) structures.

Here's where secondaries can play a huge role. In an evergreen or open-ended vehicle, portfolio managers must balance multiple competing objectives, but primarily, building long-term exposure to illiquid assets, and managing ongoing subscriptions and redemptions (and appropriate levels of invested capital and cash), the latter within well-defined limits. This requires careful management of investment pacing, diversification and liquidity. Secondaries can help on several fronts:

- **Accelerating diversification:** Secondary portfolios typically span multiple vintages, managers, investment stages and strategies, allowing an evergreen vehicle to achieve broad diversification more quickly than relying on new primary commitments alone.
- **Smoothing cash flows and NAV evolution:** Because capital is deployed into more mature funds and/or assets, cash is deployed (in part) immediately, and distributions often start earlier and are more predictable. This helps reduce cash sitting on the side lines, and in addition to initial discounts (where applicable) results in valuations (NAV) evolving faster relative to new fund commitments or direct asset investments.
- **Supporting liquidity and portfolio rebalancing:** Distributions from more mature secondary portfolios give evergreen funds an additional tool to manage liquidity, not just for redemptions through the cycle but just as importantly, to redeploy into new opportunities as markets evolve. Targeted secondary purchases or sales can also be used to fine-tune strategy, sector or regional exposures over time.

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A side note: Secondaries are more than just a discount

While one of the most visible features of many secondary transactions is a headline discount to NAV, it can be tempting to assume that a larger discount means a better deal. In practice, the discount is only one part of the story and can reflect many things from underlying risks (e.g. higher leverage, weaker performance or structural issues in the portfolio), so a deep discount may signal genuine concerns, limited remaining upside or challenging exit prospects. Conversely, narrow discounts or even modest premiums can be entirely rational for funds managed by top-tier firms, backed by resilient, cash-generative companies with clear exit paths and conservative marks. The key question is whether the price fairly reflects the quality and risk of the underlying assets and the remaining value-creation potential.

Distributions from more mature secondary portfolios give evergreen funds an additional tool to manage liquidity, not just for redemptions through the cycle but just as importantly, to redeploy into new opportunities as markets evolve.

This distinction matters even more in evergreen funds given initial discounts are typically marked up to NAV on completion. In a closed-end fund, that benefit is shared by all investors in the vehicle, but in an open-ended structure, new investors (i.e. post-translation) come in at prevailing NAV and thus do not accrue the discount. Put simply, sourcing and underwriting high-quality companies that can drive returns post transaction is far more important than an initial discount, which is a bonus, and can certainly play a great counter-cyclical role. Many newer evergreen funds have performed very well owing to early discount mark-ups, but as noted the question from here is whether managers have been buying quality or merely chasing discounts; those involved in the latter will likely face disappointment down the road.

This is why thoughtful secondary investing relies on bottom-up underwriting, not just headline pricing. Experienced secondary managers with strong fund manager relationships can add significant value here, as they typically already know the underlying funds and portfolio companies, giving them an information advantage and making them a preferred partner in both LP- and GP-led processes. As an added note, such (experienced) managers can also adeptly manage the governance challenges arising from GP-led secondary processes given the inherent conflicts of interest transitioning assets between vehicles.

While venture capital and some growth or buyout strategies show a widespread between top and bottom quartile outcomes, secondaries sit towards the lower end of the dispersion range, yet still deliver solid median IRRs.

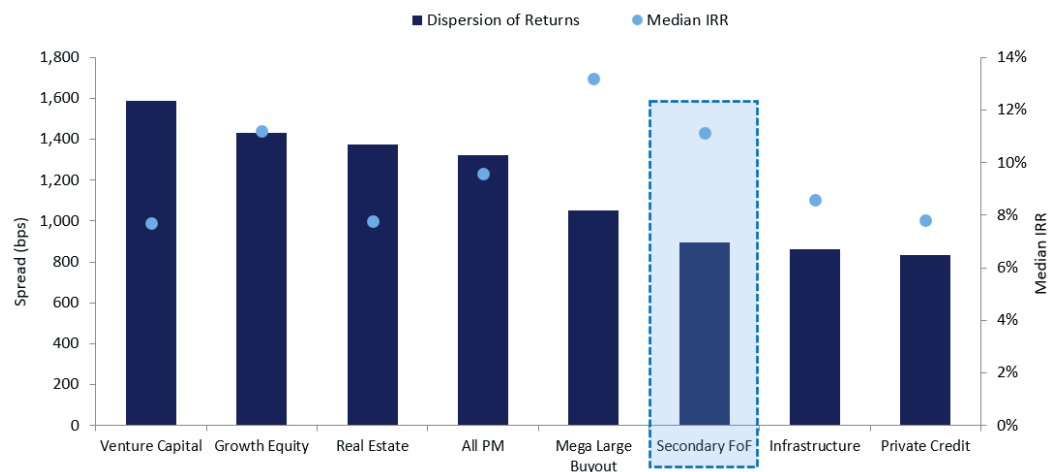
Secondaries present an attractive risk-adjusted return in private markets

Secondaries have also demonstrated an ability to perform well through the cycle, at or in line with the component parts of private equity, but critically, with lower dispersion of returns (see the chart below). While venture capital and some growth or buyout strategies show a wide spread between top- and bottom-quartile outcomes, secondaries sit towards the lower end of the dispersion range yet still deliver solid median internal rates of return (IRR). In other words, the gap between the 'best' and 'worst' secondary managers has historically been narrower than in most other private markets segments, reflecting a more mature market where risks can be evaluated and priced with greater precision (as companies are further along their growth journey).

In an increasingly uncertain investing environment, adding diversity and some potential countercyclicality via an asset class strategy that has historically shown to deliver enhanced risk-adjusted returns is an attractive proposition.

Figure 3: Secondary Market Performance – Dispersion of Returns by Strategy

Vintage Years: 1974-2018, Ordered by Spread of Returns



Source: Hamilton Lane Data via Cobalt, March 2026

How are we thinking about secondaries in portfolios

Whether in a closed-end or evergreen structures, secondaries help build diversified, seasoned portfolios, smooth cash flows and support liquidity management in ways that primary commitments alone cannot replicate.

Secondaries have become a core feature of modern private markets, and we believe will increasingly be a particularly powerful tool for private clients. Whether in a closed-end or evergreen structure, secondaries help build diversified, seasoned portfolios, smooth cash flows and support liquidity management in ways that primary commitments alone cannot replicate. Critically, at this juncture, we feel that they provide a means to play offence amidst (1) a private equity market where activity has been challenged in recent years, and (2) a broader market that continues to be impacted by geo-political tensions and other disruptive factors such as AI.

In portfolios, we seek to partner with those (secondary participants) that are deeply embedded in the private markets ecosystem enabling them to appropriately source, underwrite (with an information and execution advantage) and structure transactions across the LP and GP spectrum, whilst also leveraging the secondary opportunity set efficiently alongside both primary and co-investment/direct investments, which is a skill in itself.

While private equity secondaries are the most mature, we are also taking advantage of maturing infrastructure and debt secondaries markets, with the latter an increasingly interesting means to play offence in a private debt market that is coming under increasing scrutiny as discussed in our recent Special Report (*Interpreting the private credit cacophony*, 2 March 2026).

What's driving our views

Staying nimble and tactical as we navigate US-Iran

The US-Iran conflict that kicked off on 28 February has clearly shaken markets and raised the spectre of a persistent oil (and related key industrial materials) supply shock. The near-term outlook remains highly uncertain, both in terms of the situation on the ground (will we get a ceasefire or de-escalation?) and the potential longer-term implications for the broader economy.

Broadly speaking, while geo-political shocks like these are incredible human tragedies, and we are seeing the real impacts of the oil crisis at the petrol bowser in Australia, from a fiduciary standpoint, they almost always prove to be buying opportunities. There are a few reasons for this. As wars are an exogenous shock to the macro-economic system, policymakers tend to have much more lenient reaction functions and are far more willing to step in to support the economy. We have already seen signs of this via the International Energy Agency's co-ordination of the largest release of petroleum reserves in its history.

Secondly, material constraints reveal themselves very quickly in the heat of battle. In particular, we believe the Trump Administration has now firmly hit its constraints with regards to high oil prices impacting voter sentiment, and with bond yields (Trump's most consistent constraint) also compelling him towards a deal. On the Iranian side, we believe that there is a time limit on how long it can keep the Strait of Hormuz closed, dictated primarily by a rapidly developing UN coalition that will eventually forcibly re-open the vital passageway. If China contributes vessels to this potential task force, that will reduce Iran's negotiating leverage materially.

As such, and while we acknowledge extremely elevated levels of uncertainty across the board, we believe that all sides are now strongly incentivised to reach some form of de-escalatory deal, and that we may have passed the peak period of uncertainty.

That said, we are cognisant that even if a 'deal' is reached, there are rapidly rising second order impacts that are buffeting the global economy, including around supplies of refined petroleum products and fertilisers. We remain humble, nimble, and tactically active as we navigate the ongoing situation.

Should we get a resumption of oil flows in coming weeks, we believe the damage to the global economy might be limited, though we acknowledge that the longer the disruption continues, the more second order and non-linear impacts could build up in the global economy. Investors should carefully consider these risks as we navigate 2026.

More broadly, we are also continuing to monitor the ongoing rotation and volatility in AI and software companies. While we expect significant volatility as investors parse through the negatives and positives of AI, we remain optimistic that AI adoption will ultimately benefit the entire global economy.

While we navigate the immediate-term conflict, we believe investors should also look towards future-proofing their portfolios for this more volatile, multi-polar world we are in.

Key cyclical views

We still expect the macro to be the key market driver in 2026. While we navigate the near-term US-Iran conflict, where uncertainty clearly remains extremely elevated, our constraints-based framework tells us that the macro should ultimately return to the fore as a prime driver of markets in 2026. While this may seem hard to believe, we judge that the triple constraints of bond markets, US Constitutional checks and balances, and voter support (or lack thereof) have and will continue to prevent worst-case outcomes from occurring. Of course, we recognise that new risks can always emerge, and investors should prepare for further potential shocks as the world increasingly comes to terms with multi-polarity.

Central banks may face hiking pressures in H2 2026. Even before the oil shock of US-Iran, a resilient US economy and rising inflationary risks were increasingly likely to leave central banks on hold as the year progresses and the potential for rate hikes may come into the picture later in 2026.

Opportunities are ripe for 'active' hunters versus 'passive' gatherers: The best opportunities will likely lie beneath the broad index level, rewarding more active 'hunter' versus passive 'gatherer' investors. An active approach should pay dividends amid increasing market concentration and dispersion risks.

Now is the time to future-proof portfolios: With inflationary storm clouds potentially accelerated if the current oil shock extends, we believe investors should take the time to interrogate and future-proof their portfolios. This might involve ensuring appropriate exposure to AI, non-US markets, active management, uncorrelated and real assets, and bottleneck thematics including energy resilience, infrastructure, and defence.

Key structural views

Welcome to a multi-polar world: The global community is increasingly adjusting to a multi-polar world, an environment that should create more volatility and uncertainty but also present more growth and opportunities for investors who understand how to navigate and invest in a multi-polar world.

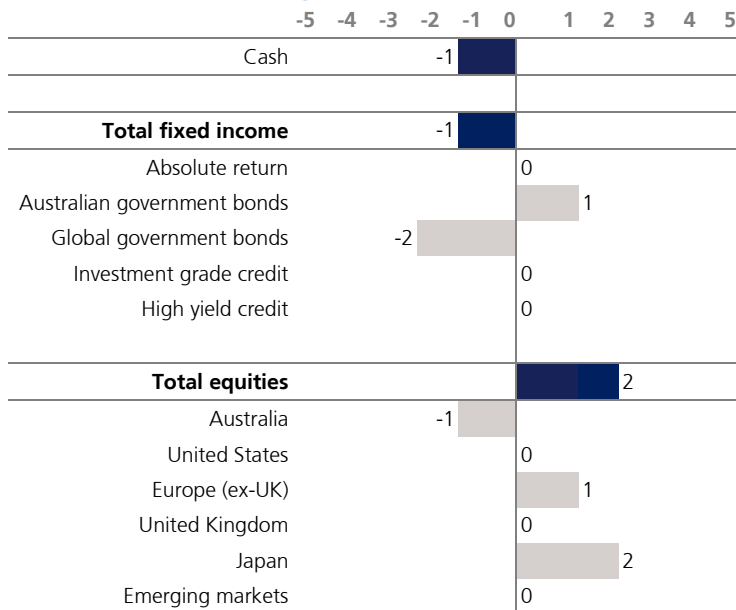
Are you ready for the 'Great Recalibration'? We believe global trade, capital, and investment flows are in the process of a 'great recalibration' towards a more balanced setting with more active fiscal and consumer spending outside the US. This epochal shift carries significant implications for long-term portfolio design and construction.

The rise of artificial intelligence: AI presents key challenges and opportunities for the global economy and human society.

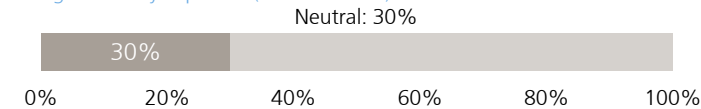
Higher base rates increase investor options: We expect interest rates to remain higher-for-longer. Higher base rates increase forward-looking returns across all asset classes, giving investors more options to build robust, multi-asset portfolios.

Tactical asset allocation

Tactical asset allocations (% weights)



Foreign currency exposure (Balanced SAA)



Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	▲ -1	3	3	3	3
Fixed income	▼ -1	51	33	15	12
Absolute return	0	11	6	2	2
Australian government bonds	1	14.5	8	4.5	3.5
Global government bonds	-2	11.5	5	1.5	0.5
Investment grade credit	▼ 0	11	12	5	4
High yield credit	0	3	2	2	2
Equities	2	24	42	60	40
Australia	▼ -1	8	15	23	10
United States	0	8	14	20	16
Europe (ex-UK)	1	3	4	6	5
Japan	▲ 2	3	4	5	4
United Kingdom	0	1	2	2	2
Emerging markets	0	1	3	4	3
Alternatives	-	22	22	22	45
FX exposure	0	20	30	40	40



Decreased weight this month



Increased weight this month

Source: LGT Wealth Management. Investment grade credit includes Australian listed hybrid securities.

Our current tactical asset allocation views

As we navigate the US-Iran oil shock, we continue to maintain a nimble stance as we respond to the evolving environment, conscious of the still-extreme levels of uncertainty facing investors.

While we do so, we are also staying on top of bigger picture themes, including the ongoing roll-out of AI which presents a potentially enduring tailwind to productivity and earnings, though it brings with it longer-term risks to current labour structures.

Cash: This month, we made several TAA moves, utilising and most recently replenishing our cash reserves in response to the evolving market conditions.

Fixed income: We have moved underweight fixed income, favouring Australian government bonds over global government bonds.

Equities: We remain overweight equities and retain our preference for European and Japanese equities. We leaned further into Japanese equities this month, balanced by an underweight to Australian equities reflecting our domestic vulnerability to a prolonged oil shock.

Strategic asset allocation

Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation (SAA). Empirical evidence suggests that a disciplined SAA is responsible for around 80% of overall investment performance over the long term¹. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar risk and return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent through different cycles.

Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

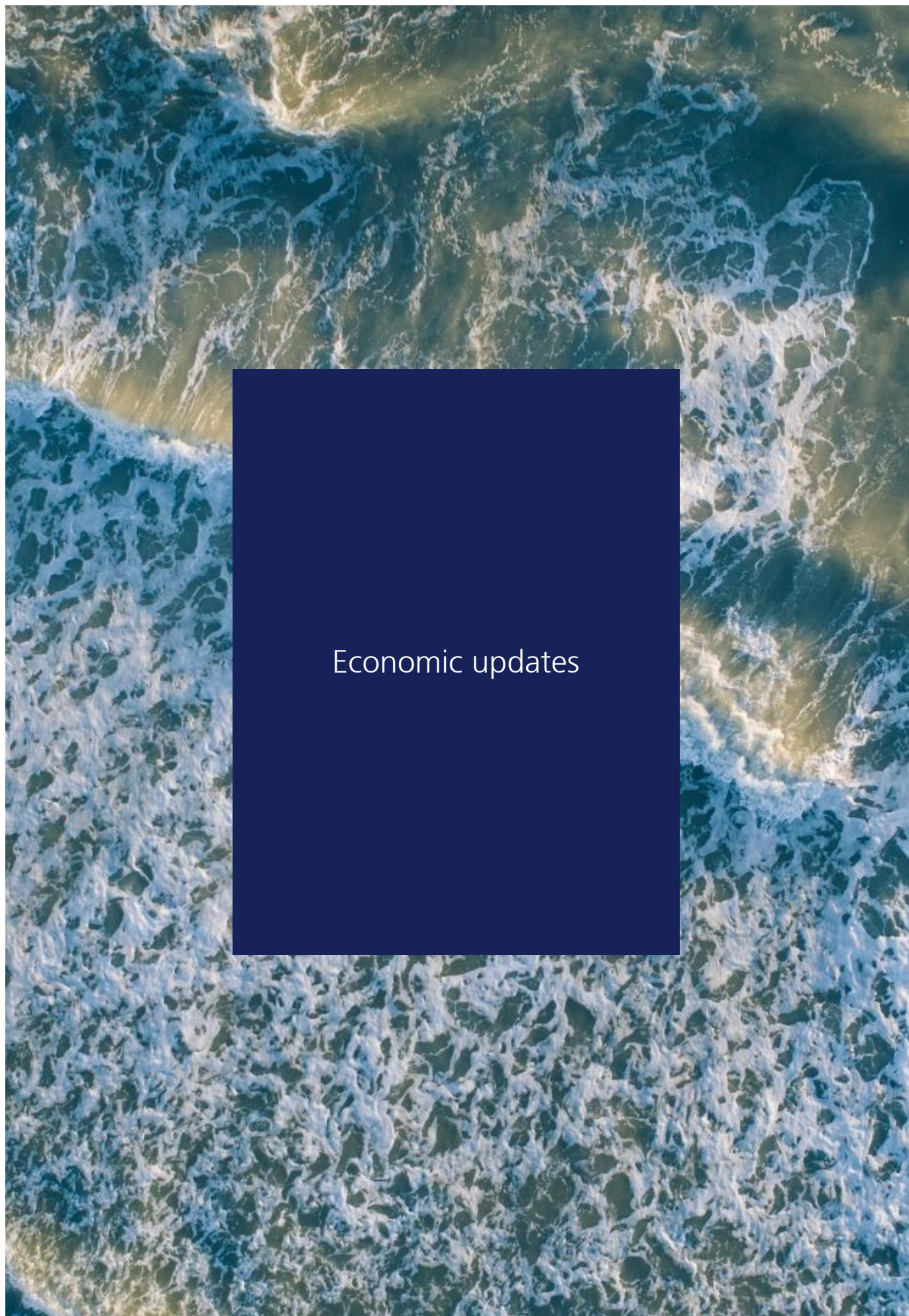
History has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the longer term.

Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	4	4	4	4
Fixed income	52	34	16	13
Absolute return	11	6	2	2
Government bonds	27	14	7	5
Investment grade credit	11	12	5	4
High yield credit	3	2	2	2
Equities	22	40	58	38
Domestic	9	16	24	11
United States	8	14	20	16
Europe (ex-UK)	2	3	5	4
Japan	1	2	3	2
United Kingdom	1	2	2	2
Emerging markets	1	3	4	3
Alternatives	22	22	22	45
Private markets	8	10	11	20
Real assets	9	8	7	14
Hedge funds and diversifiers	5	4	4	11
Target foreign currency exposure	20	30	40	40
Indicative range for foreign currency	15–25	25–35	35–45	35–45

Source: LGT Wealth Management. Investment grade credit includes Australian listed hybrid securities.

¹ Ibbotson, Roger G., and Paul D. Kaplan. 2000. 'Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?' Financial Analysts Journal, vol. 56, no. 1 (January/February).



Economic outlook

Global Economy



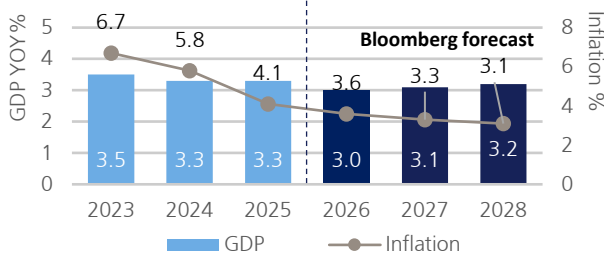
The outlook for the world has entered a period of extreme uncertainty. In late February, the US and Israel began a series of co-ordinated military strikes across Iran, leading to the death of Iran’s Supreme Leader Ayatollah Khamenei, and multiple other high-ranking members of the regime. In response, Iran launched a series of retaliatory strikes, targeting US military bases and assets across the region, including in Bahrain, Qatar, Kuwait, Iraq, and the UAE. The ongoing war in the Middle East threatens the global energy complex, with reduced energy supplies having the potential to slow activity, add to inflation and shift the policy rate outlook from easing to tightening over the coming year.

Having escalated rapidly through early March – and led to the closing of the key energy route, the Straits of Hormuz – hopes were rising late in the month that a de-escalation was in prospect. Still, there remains limited evidence Iran is ready to negotiate with the Trump Administration, which appears focused on concluding the conflict in the face of sharply declining political popularity and rapidly rising domestic gasoline prices. Iran also faces its own constraints, as its military capabilities are depleted, the US’s threat of punitive military strikes grows, as does the threat of a multi-national force, including China, to open the Straits of Hormuz.

While there remains much uncertainty, we continue to expect some form of cease-fire by the end of April. However, we are less optimistic on a rapid return to normal flows of energy through the Straits of Hormuz, given disparate military forces and likely residual tension. This has the potential to keep oil and gas prices elevated, with the potential for USD80-90 global oil (up from USD 60 pre-war) to be a headwind of around 0.5% for global growth in the year ahead. Similarly, the prospect of further central bank rate cuts, given a short-term inflation spike and second round inflation risks, has likely evolved to selective rate hikes.

With the shock focused on energy, the US is likely most insulated, while the UK, Europe and emerging markets are most vulnerable. After world growth of 3.3% for 2025 (little changed from 2024), consensus still expects only moderately slower growth of 3.0% for 2026 and 3.1% 2027. However, Barclays has lowered its growth outlook from over 3% to 2.9% for 2026.

Global GDP growth and inflation



Source: Bloomberg

Australia



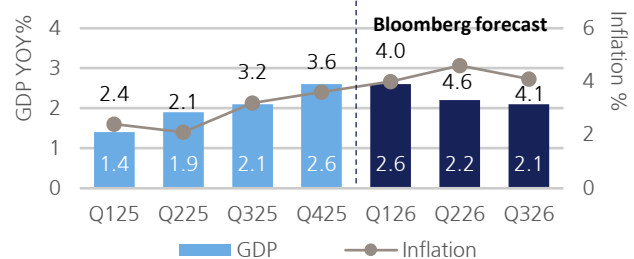
Australia is a net energy exporter (albeit not fuels), and the broader economy is likely to benefit (relatively) from another period of elevated commodity prices associated with the US/Israel-Iran war. However, the sharp rise in global oil prices will be a strong headwind for consumer spending, on top of the recent interest rate hikes, while oil-related input cost increases could also weigh on business activity. Together, these pose a risk of reversing some of the cyclical recovery during 2025. Should growth shift weaker in H226, it would likely aid the return of inflation to the target and minimise further hikes. The upcoming May Federal Budget is also expected to target measures to improve productivity and ease inflation pressure associated with still-strong government spending.

Growth accelerated in Q4, rising 0.8% after 0.5%, lifting the annual rate to 2.6%, its fastest in almost two years. Both private (3.2% y/y) and public (2.1% y/y) demand rose solidly, albeit consumer spending lifted less than expected (2.4% y/y), while housing continued to recover strongly (5.5% y/y). Business capex remained on a recovering trend (4.5% y/y). Recent data have started to flag a weaker trend in H126, with consumer spending rising just 0.3% in January after a 0.5% fall. Consumer confidence edged higher by 1.2% in March, but is now 12% below its November pre-hike peak. Jobs growth proved resilient in February, rising to 1.8% from 1.0%, though unemployment rebounded to 4.3% from 4.1%.

Inflation again surprised higher in Q4, with the key core trimmed measure rising to 3.4% from 3.0% (above the target), having accelerated from 2.7% mid-2025. At their March meeting, the RBA increased the cash rate by 0.25% to 4.1%, its second consecutive hike. However, in contrast to February’s unanimous decision, the vote was ‘divided’ (at 5-4). Ultimately, the RBA assessed that with growth above their estimate of supply capacity and inflation already above the target, there was a risk the war-induced cost shock would be harder to slow if inflation was allowed to move higher and demand didn’t slow imminently. Markets anticipate a further two hikes this year, to above the prior peak of 4.35%.

Forecasters now expect growth to lift more modestly in 2026. From 2.0% in 2025, both UBS and CBA have now cut their forecasts (from 2.4% and 2.3%, respectively) to just 2.1% for 2026.

Australian GDP growth and inflation



Source: Bloomberg

Economic outlook



United States

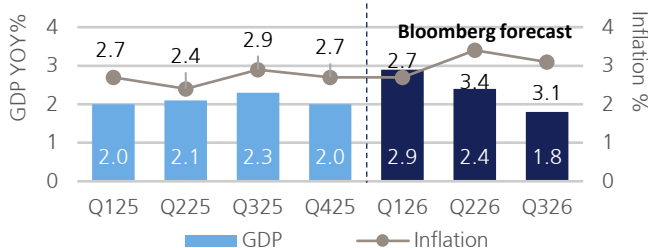
As a net energy exporter, the US economy is likely better insulated from President Trump’s (and Israel’s) war with Iran that began in late February. Still, risks to the growth outlook have now risen due to the resulting sharp uplift in energy prices, which likely pushes producer and consumer inflation higher over coming months, a headwind to corporate earnings and consumer real incomes. With recent data highlighting a material slowing in growth late 2025 – and ongoing evidence of a weak jobs market in early 2026 – the expectation remains for a further modest cut to interest rates in 2026 and 2027. But with core inflation persisting above the target, and AI-led growth robust, the policy outlook is now more clouded.

Were the conflict to dissipate in coming weeks, as we expect, there still remains uncertainty about where the price of oil may settle. This adds to the geo-macro volatility this year across a number of other issues (from the striking down of Trump’s IEEPA tariffs, Greenland, Venezuela and attacks on Fed Chair Powell). Growth in Q4 was revised lower to just 0.2% (0.7% saar) from its initial release of 0.3% (1.4%), significantly below the 1.0% pace during Q2 and Q3. The annual pace slowed from 2.3% to 2.0%. Weakness reflected the government shutdown and softer services demand. Recent data have remained mixed. March’s composite purchasing managers’ index (PMI) eased further to 51.4 from 51.9 (still above the key 50-mark), while January’s retail sales fell 0.2%, after a flat December. February’s job report was particularly weak (-92,000), with unemployment edging up to 4.4%.

The US Federal Reserve (Fed) held policy rates unchanged in February, at 3.50-3.75%, as expected. The median rates outlook was unchanged, with one 0.25% cut this year and another next year. According to UBS, the Fed is “not yet treating this oil price shock as particularly inflationary”. Once again, February’s CPI remained benign, with the core CPI rising 0.3% after 0.2%, keeping the annual rate at 2.5%.

The outlook for growth is somewhat uncertain now, but expected to prove resilient and led by a broadening of growth beyond high-income consumption and AI capex (such as housing). After 2.1% in 2025, Barclays forecasts a pick-up to 2.6% (was 2.7%), before slowing to 1.8% in 2027, while UBS forecasts 2.2% and 2.1%.

US GDP growth and inflation



Source: Bloomberg



Europe

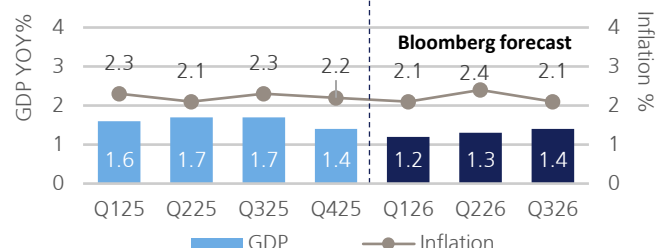
The outlook for Europe is heavily clouded by the war in Iran, and the extent to which energy prices remain elevated, as well as the extent fiscal policy is put to work to mitigate the negative growth impulse. Like elsewhere, higher energy costs – if they persist – are likely to weigh heavily on activity, as will any increase in interest rates should inflation reaccelerate. Higher energy prices, together with the risk of higher interest costs, are likely to weigh heavily on consumer income over the coming year. Longer term, and as Wellington Management notes, Europe’s shift “to a more domestically focused economic model with sustained investment in defence, energy security and other policy priorities” should continue to support activity. Moreover, while Europe is not leading the AI race in terms of foundational models, platforms or hardware “many European companies are large incumbents with data, scale and established customer bases that can be harnessed”.

Growth in Q4 rose by 0.3%, matching Q3’s pace, with the well above expected result holding the annual rate at 1.3%. As UBS notes, “among the large Eurozone countries, Spain once again outperformed, with the rest showing moderate but overall better-than-expected growth (Germany and Italy both 0.3%, France 0.2%)”. Data for early 2026 has been firm, but business confidence has weakened noticeably with the onset of the war. March’s PMI eased to 50.5 from 51.9, its weakest in almost a year. Unemployment remains low, falling to 6.1% in January.

Inflation in Europe remains well-behaved, albeit surprising higher in February to 1.9% after 1.7%, while core rose to 2.4% after 2.2%. At their March meeting, the European Central Bank (ECB) left rates unchanged at 2.0% as expected. However, as noted by UBS, the ECB adopted a surprisingly “hawkish tilt”, with updated forecasts emphasising higher inflation more so than weaker growth. While the ECB has nonetheless argued data dependence, markets are now pricing three rate hikes before end 2026.

Growth is expected to ease toward trend in 2026. After growth of 1.5% in 2025, both Barclays and UBS expect growth to ease to 1.1% and 1.3% respectively, before rising toward 1.3% and 1.4% in 2027. Improved momentum through H126 will be at risk from elevated energy prices in H226.

European GDP growth and inflation



Source: Bloomberg

Economic outlook

United Kingdom



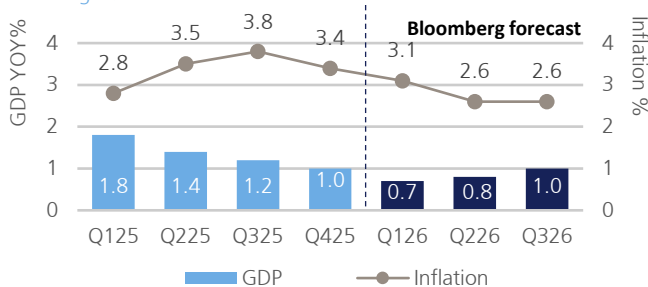
Despite stronger-than-expected H125 growth, recent data have confirmed a significant slowing in UK activity during H2 2025, with a near-term fiscal tightening likely to impede any growth recovery during early 2026. The impact of the war in Iran – and persistence of elevated energy prices – is also likely to weigh on the growth outlook, limiting the willingness of the central bank to cut rates in response to weaker activity. With the labour market weakening and growth stalled, the direction of interest rates will be key to whether the consumer and housing sectors can contribute to the expected reacceleration in growth in 2026.

UK growth rose just 0.1% in Q4, below expected, with a disappointingly soft pace for private demand. While public capex was strong, business capex disappointed and household consumption missed. Data for early 2026 has been mixed, ahead of any negative impact, most likely in Q2, from the Middle East conflict. Monthly growth for January was unchanged (after 0.1%), led by flat services growth and flagging another soft Q1 growth print. March’s PMI fell sharply to 51.0 from 53.7, flagging weakening business sentiment due to the war. UK jobs fell again in January, for the fifth consecutive decline, while unemployment rose to 5.2%, a four-year high. In contrast, retail sales rose a strong 1.8% in January.

Inflation was unchanged in February at 3.0%, broadly as expected, but before the spike in energy prices (which is expected to boost inflation from March). Core inflation edged higher to 3.2%, led by household goods. In March, as widely expected, the Bank of England (BoE) left the policy rate unchanged at 3.75%. As UBS notes, the BoE discussion focused on the impact of the Iran war, considering upside risk through second round effect in wage and price-setting against disinflationary risk from weaker activity. There is now a risk prior expected rate cuts will not be forthcoming, with market’s pricing higher rates by end year.

Growth is expected to slow moderately in 2026, due to H225 and early 2026 weakness. After growth of 1.3% in 2025, Barclays has lowered its growth outlook further to 0.7% (was 1.1%) in 2026, while UBS is unchanged at 1.1%, before stronger growth in 2027.

UK GDP growth and inflation



Source: Bloomberg

Japan



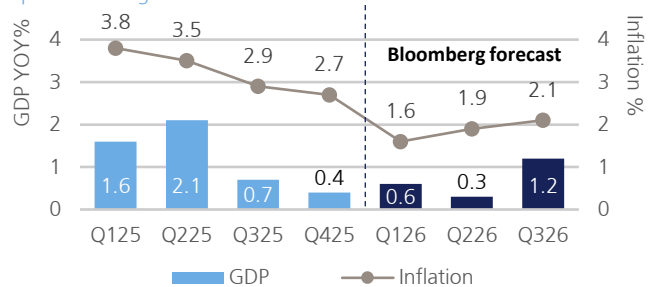
Despite a softer H225 growth showing, we view Japan as on a recovery path after decades of deflation, with stronger growth likely to re-emerge as 2026 unfolds. Business conditions continue to lift, and the jobs market remains tight. Like elsewhere, that outlook is now being impacted by the persistence of the oil price surge, and may prove stronger or weaker than expected. Through one lens, higher energy costs will weigh on activity putting downward pressure on core inflation, while through another, it adds to upside inflation risks if it gets built into inflation expectations. The Bank of Japan (BoJ) will weigh those risks at their April meeting. New Prime Minister (PM) Takaichi is focused on fiscal stimulus and unlikely to support higher rates.

Growth in Q4 was meaningfully upgraded, having initially disappointed, now reported as 0.3%, up from 0.1% and after a -0.7% contraction in Q3. Annual growth stayed positive at 0.1%, its sixth consecutive quarter of expansion, with consumer, housing and business capex all reported stronger for Q4. Data suggest Q1 will remain solid, reflecting strong growth in core wages (2.2%), a rebound in consumer sentiment, while the Economy Watchers Survey targeting small and medium-sized enterprises showed current conditions rose by 1.3pt to 48.9, the highest since March 2024. January retail sales also rose 4.1%, more than reversing December’s 2.0% decline.

As expected, the BoJ kept rates on hold in March, and while one member voted for a hike, the remaining eight appear to agree (according to UBS) that core inflation is not yet anchored at the 2% target. With growth firming in early 2026 and rates below ‘neutral’, the BoJ is expected to hike rates in April to 1.0%, though this will be impacted by developments in the Iran war. Core CPI slowed to 1.6% in February, from 2.0%, the first time in almost four years inflation has been below 2%. The sharp slowing was largely due to the government’s energy subsidies.

Growth is expected to slow modestly in 2026, due to H225 weakness. After growth of 1.2% in 2025 (recently revised higher), both UBS and Barclays anticipate a modest slowing to 1.1% (was 0.9%) for 2026, before a modest pick-up in 2027.

Japanese GDP growth and inflation



Source: Bloomberg

Economic outlook

China



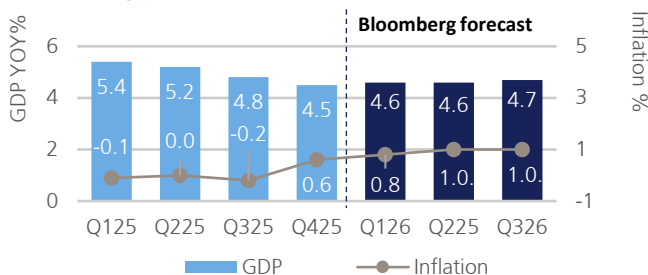
While a net importer of energy, China is also now vulnerable to shortages of oil and gas, they have made significant steps over the past decade at reducing their dependency, reflecting both investment in renewable energy sources and a rotation toward electrification, particularly for transport. Notwithstanding that, the latest government projections have been reduced below that key 5% mark, indicating a tolerance for slower growth near-term. While the property sector remains a headwind, key structural positives include the ongoing offshoring of its manufacturing capacity, the pickup in 'new economy' sectors which should mitigate the ongoing property downturn. The involution campaign also continues to focus on easing overcapacity.

China's Q4 growth slowed to 4.5% from 4.8%, bringing the full year to 5%, in line with the government's target. Weakness partly reflected soft capex, which according to UBS, likely overstates weakness, reflected in a rebound in early Q1 data, with January-February data revealing a pick-up to 2% from -16%. More broadly, recent data reveals some signs of stabilisation. Retail sales rose to 3% in January-February (after 0.9% in December), industrial production rose to 6.3% (after 5.2%), while exports proved much stronger than expected (22% after 7%).

At the much-watched National People's Congress (NPC), the government softened its growth target from 'around 5%' in 2025 to a range of 4.5% 5.0% in 2026, the least ambitious target since 1991, according to CBA. The shift to a softer growth target signals Beijing's tolerance for slower economic growth as it focuses on technological self-reliance. According to BCA, the fiscal stimulus announced at this year's NPC "is notably modest and suggests no improvement from last year." They estimate the spending impulse to be about 1.5%, "unchanged from 2025", with the policy mix emphasising supply-side enhancements (like infrastructure) "with little fiscal aid for consumption."

After 5.0% growth in 2024 and 2025 (meeting the government's target), expectations are for growth closer to 4.5% in 2026 and beyond. This is UBS's forecast, while Barclays are weaker at only 4.0% ahead (though have acknowledged upside risks).

Chinese GDP growth and inflation



Source: Bloomberg

Emerging Markets

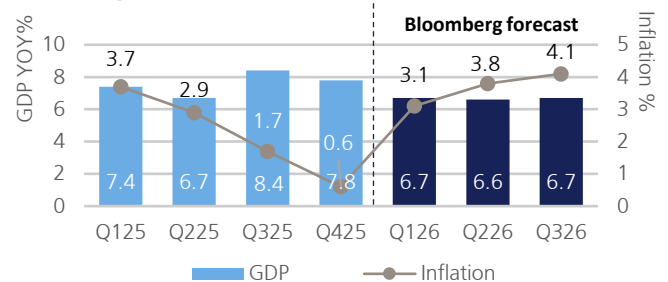
For emerging markets, the balance of risks has shifted away from the previously "Goldilocks" environment toward a more cautious setting, where energy security, trade routes and policy credibility will be key for the region's resilience. As UBS notes, "since the conflict began, [many] governments have focused primarily on preserving energy supplies and price stabilisation measures to temper inflation pass-through".

Emerging Asia is now vulnerable to the impacts of a supply shortage from the Iran war rather than just through demand. Barclays highlights that, while higher oil prices matter, the larger risk for this region is a potential shortage if disruption in the Strait of Hormuz persists, given the region's heavy reliance on seaborne energy. A sustained oil price around USD 100 would trim growth and lift inflation modestly, tightening real incomes and current accounts rather than outright recession. Country impacts are also differentiated. Large net importers such as India, Korea, Taiwan and the Philippines are more exposed to higher energy costs and may face pressure to keep policy rates higher for longer or even tighten. By contrast, Indonesia and Malaysia, with commodity support and existing tightening paths, are less likely to adjust policy further, while Thailand is expected to stay on hold.

Similarly, Latin America's near-term outlook is shaped heavily by the Iran war and higher energy prices. Some countries benefit from stronger revenues, suggesting overall activity is likely to moderate rather than contract, with policy rates easing more cautiously than previously envisaged. Brazil is relatively well positioned, as a major oil and commodity producer. That said, the energy-driven inflation impulse limits room for rapid monetary easing. Barclays expects the central bank to cut, but less than in a low-oil scenario, keeping real rates higher for longer and tempering domestic demand momentum.

For EM ex China, after expected growth of 4.2% in 2025, Barclays expects some further slowing to 3.9% in 2026 and 2027. Similarly, UBS has EM growth ex China relatively steady at around 4.0% for 2026, before improving modestly to 4.2% in 2027.

Indian GDP growth and inflation



Source: Bloomberg

An aerial photograph of the ocean with white-capped waves. A dark blue rectangular box is centered over the image, containing the text "Asset class updates" in white. The text is centered horizontally and vertically within the box.

Asset class updates

Fixed income update

Absolute return and government bonds

Position: Neutral absolute return; underweight global government bonds; overweight Australian government bonds

Key points

- Moderating inflation and resilient growth, alongside higher oil and Middle East tensions, have reduced pressure on the Fed to cut; markets now price fewer than one cut, and we maintain an underweight stance in US duration.
- The RBA remains focused on inflation, with markets assigning a higher chance of further tightening.
- Australian government bonds offer value relative to global peers; we stay overweight domestic bonds given attractive yields, positive carry and solid demand.

Fixed income markets were dominated during March by geo-political developments and shifting rate expectations. In the US, incoming data continued to point to moderating inflation alongside resilient growth. This, combined with tensions in the Middle East and higher oil prices, has reduced the urgency for the Fed to ease policy. Markets are now pricing in less than one full rate cut for the year, having previously expected around 58bps of easing. US Treasury yields have moved higher within a relatively contained range, with 10-year yields approaching 4.35%. Inflation expectations have risen, particularly at the front end, reflecting the energy shock, while real yields have eased from recent highs. In this environment, we continue to see upside risks to US yields and therefore maintain an underweight stance in US duration.

In Europe and the UK, the recent spike in energy prices has complicated disinflation for both the BoE and ECB. While the broader downward trend in inflation persists, higher energy costs are lifting headline readings and risk pushing near-term inflation expectations higher, particularly in the UK given its reliance on imported energy. Market pricing has swung from around 52bps of cuts a month ago to about 22bps of tightening, causing gilts to underperform other major bond markets. We remain underweight UK and European duration, awaiting clearer signs of fading energy-driven inflation or more material growth weakness.

The March RBA meeting underscored its focus on preserving its inflation-fighting credibility while aiding a still-robust jobs market. The 5–4 decision suggests disagreement on timing rather than direction, with markets now pricing a greater chance of more hikes, including over a 50% probability of a May rate hike. Australian Commonwealth Government Bonds (ACGBs) have stayed under pressure amid resilient domestic data, persistent inflation and geo-political-driven energy volatility. The 10-year yield has traded in a wide range, finding support around 5% as investors add duration at higher yields, particularly in the long end, contributing to a modest curve flattening. We continue to see value in maintaining an overweight in ACGBs, supported by attractive outright yields, positive carry and solid domestic and offshore demand.

Investment grade credit and high yield credit

Position: Neutral investment grade and high yield credit

Key points

- Spreads widened modestly in March amid geo-political tensions, but moves were orderly and investment grade (IG) markets remained resilient.
- IG issuance remained robust but has slowed later in the month amidst global volatility.
- High yield (HY) spreads were more volatile, and we see medium-term risks building around liquidity and potential default risks rising.

In March, global credit markets shifted from strong conditions to heightened volatility amid renewed geo-political tensions. Post a rally in February, IG spreads moved modestly wider as the conflict in the Middle East triggered a risk-off tone. US IG spreads widened by around 7–9bps, while Australian IG spreads drifted 2–3bps higher. Overall, moves were orderly rather than disruptive, but we remain cautious that current spread levels may underestimate rising liquidity risks and geo-political volatility into 2027.

Despite choppy markets, primary issuance was very strong earlier in the month. US IG supply hit record levels, with over USD 110 billion priced in one week and a single-day record of USD 65.8 billion on 10 March, led by a large Amazon multi-tranche deal.

Australian primary markets were similarly active once issuance resumed in mid-March after an initial pause. Three notable IG corporate deals in telecoms and infrastructure raised a total AUD 2.5 billion, with investors showing solid demand for high-quality names, albeit at wider spreads and more attractive yield levels.

Overall, March was a period of adjustment rather than stress. IG credit remained resilient, with only moderate spread widening despite record global supply. In Australia, the backdrop remains broadly constructive, supported by healthy demand and attractive outright yields following the earlier rates sell-off. While we acknowledge that the balance of risks now tilts towards somewhat wider spreads from historically tight levels, we continue to favour Australian IG credit within the asset class.

HY credit experienced increased volatility in March amid AI-related concerns and escalating Middle East tensions. HY spreads proved more sensitive than investment grade, with sharper price swings and persistent outflows since mid-February as sentiment weakened on private credit headlines, softer labour data and higher oil prices.

We believe current HY spreads do not fully reflect medium-term risks. Key vulnerabilities centre on liquidity and 2027 default risk, particularly in leveraged software, where around 15% of US names now trade at distressed levels. AI-driven disruption, tighter financial conditions and potential forced selling in private credit point to a risk of wider HY (and some IG) spreads in the coming 12–18 months.

Our outlook and tactical asset allocation

Australian government bonds – we are overweight

Ongoing global rates volatility and risk of continued tightening by the RBA has pushed Australian government bond yields toward cyclical highs. This dislocation relative to global rates leaves Australian duration relatively attractive, with higher starting yields and supportive carry. With the 10-year ACGB yield close to 5%, we see this as an attractive entry point.

Global government bonds – we are underweight

Geo-political tensions, higher oil prices and resilient US data have reduced the urgency for the Fed to cut rates, pushing Treasury yields higher and keeping upside risks to US yields. In Europe and the UK, energy-driven inflation has complicated disinflation and led markets to reprice from central bank cuts to tightening, leaving global yields vulnerable to further upside ahead of any Middle East de-escalation.

Investment grade credit – we move neutral

While IG spreads remained resilient in March, we see a growing risk they widen from historically tight levels as geo-political and liquidity risks build. With outright yields still attractive versus history, there are selective opportunities to add duration through high-quality investment grade issuers in the Australian market.

High yield credit – we are neutral

HY has seen increased volatility amid AI-related concerns and escalating Middle East tensions, with spreads proving more sensitive than investment grade and persistent outflows since mid-February. Current spreads may not fully reflect mounting medium-term risks, particularly around liquidity and 2027 default risk in leveraged software, where AI-driven disruption and tighter financial conditions could pressure HY (and some IG) spreads.

Active fixed income weights (%): we are underweight fixed income

	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5
Total fixed income					-1						
Absolute return											
Australian government bonds								1			
Global government bonds				-2							
Investment grade credit						0					
High yield credit											

Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx CDS	93.25	68.06
Australian 3-year yield	4.65%	4.22%
Australian 10-year yield	4.98%	4.65%
Australian 3/10-year spread	32.3 bp	42.7 bps
Australian/US 10-year spread	65.2 bp	71.0 bps
US 10-year Bond	4.32%	3.94%
German 10-year Bund	3.04%	2.64%
UK 10-year Gilt	4.94%	4.23%
Markit CDX North America Investment-Grade Index	67.7 bp	56.0 bps
Markit iTraxx Europe Main Index	73.2	55.5
Markit iTraxx Europe Crossover Index	361.5	260.5
SPX Volatility Index (VIX)	30.6	19.9

Source: LGT Wealth Management, Bloomberg as of 30 March 2026. Active fixed income weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Alternatives update and outlook

Hedge funds and diversifiers

Increased volatility across markets improves the diversification case for **hedge funds and diversifiers**. While hedge funds can suffer initially from deleveraging from sudden exogenous market shocks (e.g. war), higher volatility regimes can provide ample opportunity for skilled managers to outperform. The current environment also focusses attention on other uncorrelated strategies where traditional risk factors are less or simply not in play – these strategies include insurance, royalties, litigation and life sciences for example. We continue to build exposures in these segments to provide genuine portfolio diversity,

Private markets

Venture/growth and secondaries are key to activity. As discussed in this month’s CIO letter, **secondary markets** continues to be an attractive place to deploy capital particularly given its somewhat counter-cyclical bias. We prefer more complex GP-led secondaries than discounted LP-stakes which are increasingly competitive amid excessive evergreen capital flows in the US.

Venture capital and growth equity is really capturing the major AI growth trends outside of the larger public stocks. We expect this to continue but it’s not without risks as paper gains are just that – we are looking to appropriately diversify in this space and not get too caught up in the hype to deploy into specific single-asset, AI names.

Manager selection remains critical across private markets and the recent public SaaS sell-off may expose this looking forward given private markets’ exposure to the sector. There will be winners and losers – those [SaaS] businesses that have truly embedded workflows and proprietary data for example, are likely to be far more resilient than those without.

Private debt remains core, despite the noise. News flow has accelerated of late, yet we continue to believe that private debt remains well positioned, if investing through the right managers and structures.

While interest rates and spreads have declined, relative to public counterparts, private debt continues to outperform. Secondaries are particularly attractive and can be used to play offence amidst uncertainty given they can re-underwrite portfolios (including software positions) and provide liquidity at attractive prices. Asset-based finance should also be a strong diversifier to corporate lending as 2026 progresses.

We are closely monitoring the redemption cycles in the US, but do note that most firms are acting in the best interests of investors and the ‘liquidity mismatch’ is as much an advice and mis-aligned expectation issue, as a product issue. Private markets are not liquid in a traditional sense.

Real assets

Real estate is recovering despite dispersion across sectors. Property should continue its positive momentum, re-enforcing a shift in sentiment following a very challenging period for the asset class. Meaningful dispersion remains across sectors and regions but the case for real estate is far more constructive than it has been in recent years. Supply constraints across sectors locally combined with increasing tenant demand is improving prospects for domestic commercial real estate.

Infrastructure appetite is growing. Private infrastructure is likely to continue to grow given: (1) the recent evolution of evergreen vehicles; (2) ongoing exposure to major mega-trends including digitisation and decarbonisation, both of which have linkages to AI; and critically, (3) contracted and inflation-linked revenue streams generating more defensive and diversifying return streams. We seek to invest across both core assets and core-plus/value-add exposures, which are increasingly becoming more accessible to private clients. Secondaries within the asset class also look attractive, particularly in mid-market assets that have historically been valued at a sizeable discount to large cap assets.

We favour infrastructure, hedge funds and diversifying strategies, and are maintaining private equity and private debt exposures. We are now more constructive on real estate globally.

What we like

- Multi-strategy hedge funds and other diversifying strategies
- Asset-based finance and secondaries within private debt.
- Global infrastructure across the risk spectrum and investment type (including secondaries), particularly playing to long-term structural themes.

What we don’t like

- LP-stake private equity secondaries overly focussed on upfront discounts.
- Construction and/or junior lending within real estate
- Carbon-intensive assets and industries with no transition plan.

	Least preferred	Most preferred
Hedge funds		■
Private equity		
Private debt		
Property		
Infrastructure		■

FX and Commodities update and outlook

Currencies

Key points

- The US dollar emerges as the only true 'safe haven' in a war.
- The Australian dollar weakened but found support amidst higher energy prices and increasing RBA rate hikes.

The US dollar rebounded sharply over the course of March as it emerged as the only true safe haven amid the escalating US/Israel-Iran conflict. Given Japan and Europe's exposure to oil exports, America's relative energy self-sufficiency, and its role as a primary protagonist in the current geo-political conflagration, we expect the US dollar to remain strong until the situation in the Middle East de-escalates.

Looking further out, our thesis of a modestly weaker US dollar remains intact. Fundamentally, the structural drag from US fiscal headwinds relative to many of its peers (e.g. Germany's re-armament, China's stimulus prospects, Japan's easing) still argues for modest dollar weakness in time.

The Australian dollar (AUD) struggled against resistance at USD 0.72 and weakened modestly as the Middle East conflict escalated, though it has held up relatively well against other currencies due to a combination of commodity price linkage and ongoing domestic inflation issues forcing markets to price further RBA rate hikes. That said, the currency remains sensitive to shifts in the global risk tone, and if the conflict extends, downside risks could increase. On top of this, Australia's long-standing productivity challenges and lack of economic reform likely places a ceiling on the Australian dollar's near-term upside, particularly if the US dollar starts to consolidate and rise from these levels.

The euro (EUR) fell sharply over the month to around USD 1.16, with the region particularly exposed to escalating oil and gas prices (and supply constraints), highlighting the structural risks for the euro: cyclical trade exposures persist, geopolitical and global-policy uncertainty remain elevated.

For now, we maintain a longer-term constructive view on the bloc – if the Middle East conflict de-escalates without causing a prolonged oil shock, the European economy should be able to avoid lasting damage, providing a potential opportunity to re-leverage into the 'European renaissance' trade. That said, clearly the near-term risks are extremely elevated, and investors would be prudent to await further clarity from the Middle East.

The Japanese yen (JPY) was volatile during March and continued its post-election weakening, with Japan's economy similarly exposed to the global oil price shock. It is now trading around JPY 158 per USD. Putting the near-term noise aside, the outlook for Japan's inflation and macro dynamics is skewed toward policy normalisation and a 'nominal renaissance' as re-elected PM Takaichi seeks to navigate Japan through this new world.

Commodities

Key points

- Global commodity prices were buffeted by US-Iran volatility as oil spiked to USD 120 per barrel (p/b).
- Iron ore prices are trading at around USD 106 per tonne (p/t).

Global commodity markets were heavily impacted by the US/Israel-Iran conflict, and the near-term outlook remains very volatile. Bloomberg's broad commodity price index was about 6% higher over the month, primarily boosted by soaring oil and soft commodity prices.

Crude oil prices leapt toward multi-year highs as the war intensified during the month, with Brent crude jumping to USD 120 p/b in early March as the Strait of Hormuz was effectively closed. The near-term outlook for crude remains highly volatile and dependent on a re-opening of the Strait, through which passes around 20% of seaborne crude (as well as significant natural gas supplies). Hopes for a de-escalation in tensions may have seen a near-term peak in oil prices, though clearly risks are two-sided, and second order risks (e.g. refined oil products, fertiliser) and non-linear impacts on the global economy build with every day that the Strait of Hormuz remains closed.

Meanwhile, gold failed a key test as a geo-political safe haven, falling around 16% over the month to around USD 4500 per ounce. Stretched technicals going into the conflict (after its stunning rally in 2025) and a run on liquidity likely led to this underperformance. Structural considerations around fiscal profligacy and currency debasement should continue to provide a secular support for the precious metal if the crisis de-escalates.

Industrial metal prices were broadly weaker over the month, as markets priced in recessionary risks stemming from the US-Iran oil shock. Copper prices were down around 9%, though aluminium rose 3%, and iron ore is trading around USD 106 p/t.

Clearly, the near-term outlook for commodity prices (and most other financial markets) will be dependent on how the US/Israel-Iran conflict unfolds – a de-escalation and ceasefire in coming weeks could limit the damage to the global economy and encourage a recovery, while an extended disruption to global oil and gas flows could lead to significant second order and non-linear stagflationary impacts.

Longer-term, market adjustments to a multi-polar world could provide a secular tailwind to the commodity complex, as governments and corporations seek to shore up physical access to strategic commodities and prioritise stability of supply over economic efficiency. Investors would do well to monitor these dynamics closely to ascertain whether they might add another secular pillar of price support to commodities and other real assets in the years ahead.

Equities update

Domestic equities

Key points

- After posting their strongest February since 2019, domestic equities fell almost 10% from all-time highs.
- Unusually, Australian equities underperformed global equities into this drawdown falling -8.2% for the month vs global equities down -5.2% (in AUD terms).
- A hawkish central bank which raised interest rates to 4.1% (with markets pricing in two further rate hikes), combined with the negative growth/inflation shock out of the Middle East makes for a difficult domestic backdrop.

Australian equities were hit with a double whammy during the month: higher oil and a sharp backup in bond yields. UBS described the local market reaction as a classic 'inflation shock', with energy the only sector higher since the war in Iran broke out, and the Australian 10-year bond yield briefly pushing to a 15-year high.

Historically, during these geo-political shocks, the mining and energy sectors have tended to perform better than banks, while the broader market can lag global peers initially before stabilising, and acting as somewhat of a safe haven in a protracted conflict. Interestingly, this time around, materials have been the worst performing ASX 200 sector. During both the Gulf War and the Russia-Ukraine period, early market performance was driven less by the broad growth outlook and more by commodity exposure, bond market repricing and factor rotation. Energy and resource exposures provided relative support, while the broader market struggled until investors gained confidence that the oil shock would not become a more persistent macro event.

Recent analysis by Citi suggest investors should be more focused on the trajectory of petrol prices than cash rates:

- The direct impact of every 25bps hike is only around AUD 1.8 billion on net household interest expense annually, immaterial to the estimated AUD 50 billion increase in household spending capacity for FY26. However, the rate hikes will impact employment, with income growth already expected to fall from AUD 103 billion in FY26 to AUD 69 billion in FY27.
- However, for every 10c/per litre increase in average fuel prices, Citi estimate a AUD 1.6 billion direct annual cost to consumers. Thus, given current national average fuel pricing, they estimate an annualised incremental cost to consumers of about AUD 6 - 7 billion relative to average fuel pricing for the six months prior to the conflict (i.e., the impact of fuel prices is a much more meaningful drag on household spending capacity than the recent interest rate increases).

Encouragingly, the recent de-rate has brought valuations back toward more mid-range levels – the median forward P/E multiple has moved back toward more neutral historical levels, creating a more balanced entry point for selected sectors.

International equities

Key points

- Global equity markets fell -5.2% over March and briefly entered a technical correction, down 10% from their highs.
- During the first six days of the Middle East conflict, US equities outperformed global equities by over 600bps, in a typical risk-off fashion. However, in the subsequent period, non-US global equities have outperformed the US.
- This suggests that equity markets are looking through this turmoil, consistent with behaviour seen during past geopolitical crises.

The Iran war has interrupted what had been a powerful broadening trade across global equities, and consequently diverted investors back towards quality and low risk factor exposures and reintroduced the possibility of a supply-driven oil shock. In practical terms, investors are gravitating towards balance sheet strength, pricing power and resilience to higher energy costs.

The key question is not whether the conflict matters – it clearly does – but whether it evolves into a prolonged energy shock, and whether central banks have the patience to 'look through' the mechanical impacts on headline inflation. Historically, geo-politically driven pullbacks have been relatively short lived, and proven to be buying opportunities.

Despite the heightened volatility and uncertainty, for now, the broader investment framework for 2026 still looks intact. The AI trade is becoming more selective rather than disappearing. The market is moving away from a simple 'picks and shovels' interpretation, and toward identifying companies and regions where AI adoption can drive productivity, margin expansion and revenue growth. That is supportive of continued broadening beyond US mega-cap tech and remains an important reason to remain diversified by geography, factor, and size.

Against that backdrop, we continue to favour international diversification:

- Europe still has fiscal and structural tailwinds (albeit we concede will be challenged in the short-term given its proximity to geo-political hotbeds and the transmission impact of higher energy prices);
- Japan retains corporate reform and shareholder return support; and
- Emerging markets continue to offer superior earnings growth and cleaner valuation support – albeit with greater near-term sensitivity to oil and risk sentiment.

During the month, we increased our tactical tilt towards Japanese equities. Japan was one of the clearest casualties of the initial Iran escalation, which is broadly consistent with historical market behaviour – sell Japan. As this unwinds, we expect the structural tailwinds to reassert themselves.

Equities outlook and tactical asset allocation

Domestic – we move underweight

The domestic backdrop for Australia presents a difficult set up – the combined impact of higher interest rates and higher petrol prices poses a risk to domestic demand in the quarters ahead. With RBA flexibility limited vis-à-vis other central banks, attention will turn to May's Federal Budget to see if spending can be reined in to relieve pressure on the RBA to hike.

US – we are neutral

The US market backdrop remains constructive at the fundamental level. Valuations have moderated, with the S&P 500 trading below 20x P/E for the first time since last year's Liberation Day sell off. We continue to believe that the AI trade is broadening, supporting greater dispersion across the market. Interestingly, during the March sell-off, small and mid-cap equities performed broadly in line with large cap equities.

Europe (ex-UK) – we are overweight

Europe continues to offer an attractive diversification allocation, supported by multiple structural tailwinds including infrastructure investment, defence spending, energy transition themes (including nuclear), and improving cyclical indicators in key economies such as Germany and Spain. Unfortunately, their energy dependence and proximity to twin wars has again made the investing landscape less clear. For our positive view to sustain, a de-escalation in Middle East tensions needs to occur relatively quickly.

United Kingdom – we are neutral

The UK has become more relevant on the margin, and March has reinforced that case. Citi upgraded the market at the start of the month for a straightforward reason: in an environment where geopolitical risk is transmitted through oil, defence spending and demand for defensiveness, the UK functions as an efficient hedge within a global equity allocation.

Japan – we are overweight

During the month, we increased our tactical tilt towards Japanese equities. Japan was one of the clearest casualties of the initial Iran escalation, which is broadly consistent with historical market behaviour - sell Japan. As this unwinds, we expect the structural tailwinds to reassert themselves – corporate governance, growth-orientated fiscal policy, rising real wages etc.

Emerging market equities – we are neutral

Momentum was interrupted sharply by the escalation of hostilities in Iran. Both UBS and JP Morgan agree that the first phase of the selloff resembled a classic risk-off reversal, rather than a pure fundamental repricing of oil importers. Markets that had performed best over the preceding three months corrected most aggressively. This is important because it suggests the drawdown has (so far) reflected positioning and de-risking, more than a wholesale reassessment of the medium-term growth thesis for emerging markets.

Active equity weights (%): we are overweight equities

	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5
Total equities								2			
Domestic					-1						
United States											
Europe (ex-UK)							1				
United Kingdom											
Japan								2			
Emerging markets											

Equity market summary

Region	Index	Latest price	Consensus 1 yr		Next year	
			Target	Upside	P/E ¹	D/Y ²
Australia	S&P ASX 200	8,461	9,476	12.0%	16.7	3.9%
New Zealand	S&P NZ 50	12,749	15,034	17.9%	27.7	2.9%
United States	S&P 500	6,344	8,294	30.7%	16.9	1.3%
Europe	Euro Stoxx	592	727	22.8%	13.0	3.4%
United Kingdom	FTSE 100	10,128	11,725	15.8%	12.2	3.5%
China	CSI 300	3,923	4,827	23.0%	13.5	2.6%
Japan	Nikkei 225	51,886	64,074	23.5%	20.2	1.8%
India	Sensex	71,948	96,639	34.3%	17.5	1.7%

Source: Bloomberg. Data as of 30 March 2026; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield. Active equity weights sourced from LGT Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Domestic equities: Best sector ideas

Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA).
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Comm. Services	\$158.02	\$215.95	32.9	2.0%	44%	31%	16.0%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	\$45.57	\$66.47	17.5	2.2%	28%	23%	11.4%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.38	\$5.82	31.4	3.5%	24%	114%	17.0%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.03	\$3.74	12.4	6.3%	15%	16%	10.3%	AAA
ALD	Ampol Ltd	Energy	\$33.77	\$34.42	16.0	3.9%	15%	15%	3.2%	AA
BPT	Beach Energy Ltd	Energy	\$1.30	\$1.13	7.6	4.2%	17%	12%	15.8%	AAA
MQG	Macquarie Group Ltd	Financials	\$203.02	\$238.62	17.8	3.9%	--	12%	9.3%	AA
SUN	Suncorp Group Ltd	Financials	\$16.29	\$18.36	18.7	4.9%	5%	9%	36.7%	AAA
COH	Cochlear Ltd	Health Care	\$168.66	\$248.67	26.7	2.8%	25%	22%	9.3%	AAA
RMD	ResMed Inc	Health Care	\$32.19	\$46.89	20.0	0.8%	30%	25%	10.9%	A
MND	Monadelphous Group Ltd	Industrials	\$27.31	\$30.94	22.0	3.8%	31%	23%	0.8%	AAA
BXB	Brambles Ltd	Industrials	\$22.55	\$25.61	21.1	2.2%	22%	30%	9.4%	AAA
XRO	Xero Ltd	Info. Tech	\$75.84	\$157.96	64.5	0.0%	10%	7%	3.6%	AA
IGO	IGO Ltd	Materials	\$7.86	\$8.78	--	3.0%	4%	7%	225.1%	AAA
GMG	Goodman Group	Real Estate	\$25.59	\$35.45	19.8	1.2%	9%	11%	10.4%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 March 2026. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Aristocrat Leisure (ALL AU) – Buy. ALL's 35% peak-to-trough drawdown is now approaching the worst outside of COVID. Part of this is because of perceived better value in Light and Wonder. Nonetheless, over the past 15 years, the stock has delivered a positive one-year forward return around 90% of the time from this magnitude of drawdown.

Cochlear Limited (COH AU) – Buy. Despite trading around 48% off its highs, Cochlear's medium-to-long-term growth drivers remain intact - a large addressable market with unmet need, a tight oligopoly with high barriers to entry, low risk of technological substitution, and a growing installed base, giving rise to increase Services revenue that is more akin to recurring.

Goodman Group (GMG AU) – Buy. GMG offers structural growth via logistics and Data Centre (DC) development, with a large Work-In-Progress pipeline, expanding power bank and hyperscaler demand underpinning multi-year earnings visibility. Despite trading above REIT peers, its low gearing, development model and DC exposure justify the premium, with leasing announcements and project commencements potential catalysts into 2H26-FY27.

Domestic equities: Sustainable income

Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three- to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures** – Return on assets, cashflow, return on invested capital and return on equity.
- **Liquidity and leverage** – Net debt to equity.
- **Efficiency** – Change in revenue, EBITDA, and margins.
- **Management signalling** – Dividend growth and pay-out ratios.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Div. yield	1yr DPS growth	MSCI ESG rating
SUN	Suncorp Group Ltd	Financials	\$16.29	\$18.36	18.7	1.74	100%	4.9%	34.5%	AAA
MQG	Macquarie Group Ltd	Financials	\$203.02	\$238.62	17.8	2.15	35%	3.9%	9.8%	AAA
ANZ	ANZ Group Holdings Ltd	Financials	\$36.18	\$37.13	14.4	1.52	75%	4.7%	2.7%	AA
QBE	QBE Insurance Group Ltd	Financials	\$21.34	\$23.85	11.1	1.89	30%	3.6%	3.7%	AAA
COL	Coles Group Ltd	Cons. Staples	\$22.10	\$23.24	23.8	7.64	100%	3.8%	9.6%	A
MTS	Metcash Ltd	Cons. Staples	\$3.03	\$3.74	12.4	2.00	100%	6.3%	9.1%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc.	\$5.38	\$5.82	31.4	35.21	100%	3.5%	14.0%	AAA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	\$0.93	\$1.13	32.2	1.68	0%	3.3%	23.1%	AA
TLS	Telstra Group Ltd	Comm. Services	\$5.35	\$5.28	25.9	4.51	90%	4.1%	5.3%	AA
CAR	CAR Group Ltd	Comm. Services	\$22.99	\$35.30	21.2	3.08	0%	4.1%	11.1%	AA
RMD	ResMed Inc	Health Care	\$32.19	\$46.89	20.0	5.07	100%	0.8%	9.4%	A
PME	Pro Medicus Ltd	Health Care	\$117.36	\$209.60	76.8	31.52	100%	0.8%	24.8%	BBB
REP	RAM Essential Services	Real Estate	\$0.48	\$0.78	10.2	1.22	0%	10.1%	-4.0%	--
MGR	Mirvac Group	Real Estate	\$1.79	\$2.31	13.8	0.77	0%	5.7%	8.4%	--
IRE	IRESS Ltd	Info. Tech	\$7.00	\$10.29	15.7	3.08	0%	4.3%	11.0%	AA
DBI	Dalrymple Bay Infrastructure	Industrials	\$5.08	\$5.50	24.4	2.43	0%	5.5%	8.3%	--
ALX	Atlas Arteria Ltd	Industrials	\$4.32	\$4.99	14.6	1.08	0%	9.3%	0.8%	AA
ALD	Ampol Ltd	Energy	\$33.77	\$34.42	16.0	2.65	100%	3.9%	24.3%	--
BPT	Beach Energy Ltd	Energy	\$1.30	\$1.13	7.6	0.94	100%	4.2%	47.5%	AAA
BHP	BHP Group Ltd	Materials	\$50.50	\$52.46	13.3	3.49	100%	2.8%	-9.4%	A
AMC	Amcor PLC	Materials	\$56.28	\$77.22	9.6	1.53	0%	4.7%	1.6%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 March 2026. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Pro Medicus Limited (PME AU) - Buy: PME has fallen over 60% from its highs. This drawdown is consistent with the most significant since IPO and brings valuation back to decade lows. Throughout, earnings have remained stable and with 30%+ EPS growth and unmatched profitability, longer-term investors should view this as an opportunity.

Ampol Limited (ALD AU) - Buy: Ampol offers a mix of structural retail growth and cyclical refining recovery, with Convenience earnings proving resilient, and the EG acquisition is likely to shift the business toward higher-quality, steadier returns. On ~6.8x EV/EBITDA with a ~4% yield, the stock looks undemanding if management executes EG synergies and retail expansion, providing scope for earnings growth and a re-rating.

QBE Insurance Group (QBE AU): With a Return on Equity of around 16/17%, a <10x P/E multiple, a dividend yield of around 5.5% now supplemented by a share buyback and stable margins despite a weakening rate environment, there are a number of reasons for investors to buy the 20% peak-to-trough pullback in the QBE share price.

International equities: Best sector ideas

Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures** – Return on net operating assets, return on invested capital, free cashflow and return on equity
- **Liquidity and leverage** – Net debt to equity, Altman Z-score, net debt to EBITDA
- **Efficiency** – Capital expenditure to sales
- **Valuation** – Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
GOOGL US	Alphabet Inc	Comm. Services	USD	273.50	379.46	22.4	0.3%	3,306,421	BBB
UMG NA	Universal Music Group NV	Comm. Services	EUR	16.19	25.87	14.8	3.6%	34,053	AA
DIS US	Walt Disney Co/The	Comm. Services	USD	94.32	129.62	14.3	1.7%	167,090	A
9988 HK	Alibaba Group Holding Ltd	Cons. Disc.	HKD	118.20	181.24	23.4	0.7%	288,006	BBB
NKE US	NIKE Inc	Cons. Disc.	USD	51.24	73.89	32.7	3.3%	75,855	BB
SBUX US	Starbucks Corp	Cons. Disc.	USD	86.72	98.73	37.9	3.0%	98,800	A
ABNB US	Airbnb Inc	Cons. Disc.	USD	123.10	145.37	24.5	0.0%	74,933	BB
RMS FP	Hermes International SCA	Cons. Disc.	EUR	1622.00	2366.96	34.8	1.3%	196,422	A
COST US	Costco Wholesale Corp	Cons. Staples	USD	996.58	1088.85	48.8	0.6%	442,135	A
288 HK	WH Group Ltd	Cons. Staples	HKD	10.27	10.27	10.4	0.7%	16,810	--
SHEL LN	Shell PLC	Energy	GBP	3553.50	3330.15	12.8	0.0%	264,602	AA
LSEG LN	London Stock Exchange	Financials	GBP	8602.00	12077.50	18.4	0.0%	56,584	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	91.28	117.84	9.0	0.0%	70,656	AA
WFC US	Wells Fargo & Co	Financials	USD	76.80	101.35	11.0	2.5%	236,977	BB
2318 HK	Ping An Insurance Group	Financials	HKD	58.95	81.12	6.3	5.0%	144,160	A
939 HK	China Construction Bank	Financials	HKD	8.29	9.94	5.6	4.8%	283,848	AA
MA US	Mastercard Inc	Financials	USD	494.00	665.92	25.3	0.7%	440,625	AA
JNJ US	Johnson & Johnson	Health Care	USD	242.49	248.04	21.0	2.2%	584,065	BBB
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	231.15	304.55	11.0	4.8%	158,470	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	452.78	615.10	45.5	0.0%	160,728	A
EXPN LN	Experian PLC	Industrials	GBP	2585.00	4178.61	19.2	0.0%	30,828	A
DSV DC	DSV A/S	Industrials	DKK	1514.00	2062.75	23.6	0.6%	55,895	AA
2330 TT	Taiwan Semiconductor	Info. Tech	TWD	1770.00	2341.60	19.7	1.4%	1,426,591	AAA
ASML NA	ASML Holding NV	Info. Tech	EUR	1112.00	1398.15	37.7	0.8%	495,112	AAA
MSFT US	Microsoft Corp	Info. Tech	USD	358.96	592.47	21.2	1.1%	2,665,504	AA
ACN US	Accenture PLC	Info. Tech	USD	197.55	258.12	14.2	3.5%	121,692	AA
SHW US	Sherwin-Williams Co/The	Materials	USD	315.90	385.87	26.5	1.1%	78,142	A
EQIX US	Equinix Inc	Real Estate	USD	964.05	1044.59	58.9	2.2%	94,723	AA
CEG US	Constellation Energy Corp	Utilities	USD	298.61	402.42	25.5	0.6%	108,185	AAA
Average Yield:							1.6%		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 30 March 2026. ESG is environmental, social, and corporate governance.

Thematic investing – Heavy Asset, Low Obsolescence (HALO)

Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change
- Cryptocurrency and blockchain
- Demographics
- Electric vehicles
- Healthcare and genomics
- Energy transition
- Artificial Intelligence
- Security and safety
- Supply chain disruption
- Sustainable investing.

HALO: Select exposures

AI is proving both disruptive and transformative. We believe physical assets and capex-intensive business models are likely to be both beneficiaries of its deployment, and disruptive resistance. European and “traditional value” stocks are likely to also do well given their relative capital intensity metrics.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
NG/ LN	National Grid PLC	Utilities	GBP	1280.0	1365.5	14.4	0.0%	84,072	AAA
EQIX US	Equinix Inc	Real Estate	USD	964.1	1044.6	54.6	2.3%	94,723	AAA
9020 JT	East Japan Railway Co	Industrials	JPY	3625.0	4197.3	14.7	2.4%	25,761	A
VALE US	Vale SA	Materials	USD	15.1	16.7	7.6	46.6%	64,470	BB
AI FP	Air Liquide SA	Materials	EUR	178.1	197.3	22.9	2.3%	118,302	A
NEM US	Newmont Corp	Materials	USD	103.1	143.2	9.6	1.0%	111,363	A
NEE US	NextEra Energy Inc	Utilities	USD	92.1	94.3	21.1	2.9%	191,788	AA
TLS AU	Telstra Group Ltd	Comm. Services	AUD	5.3	5.3	24.3	4.1%	41,140	AA
2330 TT	Taiwan Semiconductor	Info. Tech	TWD	1760.0	2341.6	15.9	1.6%	1,424,064	AA
UNP US	Union Pacific Corp	Industrials	USD	239.2	275.7	17.6	2.4%	142,026	AA
WM US	Waste Management Inc	Industrials	USD	230.0	256.2	24.6	1.7%	92,751	BB
005930 KS	Samsung Electronics	Info. Tech	KRW	168900.0	251461.0	5.1	1.9%	652,570	AA
MCD US	McDonald's Corp	Cons. Disc.	USD	308.5	345.6	21.4	2.6%	219,179	BBB
DIS US	Walt Disney Co/The	Comm. Services	USD	94.3	129.6	12.9	1.8%	167,090	BBB
SCCO US	Southern Copper Corp	Materials	USD	159.3	153.7	24.8	3.1%	130,467	BB
CCJ US	Cameco Corp	Energy	USD	102.8	129.3	55.4	0.3%	44,790	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	92.3	117.8	7.7	0.1%	71,530	AAA
BHP AU	BHP Group Ltd	Materials	AUD	50.4	52.5	13.6	2.7%	175,514	A
ISRG US	Intuitive Surgical Inc	Health Care	USD	452.8	615.1	40.0	0.0%	160,728	BBB
FDX US	FedEx Corp	Industrials	USD	341.8	403.2	15.3	1.8%	81,546	BBB
BRK/B US	Berkshire Hathaway Inc	Financials	USD	474.7	528.5	21.9	--	1,024,143	BB
SHELL NA	Shell PLC	Energy	EUR	40.9	38.6	11.9	3.8%	264,250	A
GE US	General Electric Co	Industrials	USD	273.3	353.7	32.0	0.7%	285,500	BBB
ASML NA	ASML Holding NV	Info. Tech	EUR	1101.4	1398.2	28.9	0.9%	490,306	AAA
HEI GY	Heidelberg Materials AG	Materials	EUR	180.3	236.0	11.9	2.4%	36,470	AA
DE US	Deere & Co	Industrials	USD	555.5	669.0	24.3	1.4%	150,045	A
HON US	Honeywell International	Industrials	USD	223.5	257.3	19.5	2.2%	142,061	AAA
WMT US	Walmart Inc	Cons. Staples	USD	123.5	139.7	37.6	0.8%	984,592	BBB
DSV DC	DSV A/S	Industrials	DKK	1525.0	2055.1	17.5	0.7%	56,291	AA
WOW AU	Woolworths Group Ltd	Cons. Staples	AUD	36.4	36.1	24.9	3.0%	30,499	BBB

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. As of 31 March 2026. ESG is environmental, social, and corporate governance.

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