

Ausbil Balanced Fund

Quarterly Investment Report

March 2026

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Economic Review

Economic Review

The month of March was historic with the war in the Middle East between the US/Israel, Iran and Lebanon, with Yemen Houthis entering the fray in the final week. The military action has destabilised 20% of the world's oil production (where Iran accounts for 4%) through the curtailment of daily supplies in the closed Hormuz Strait. In response, equity markets corrected, bond yield curves shifted higher, gold fell and the US dollar benefited as a haven currency. The oil supply shock triggered a surge in energy prices which will see lower growth and raise headline inflation levels. The major Central banks shifted their policy bias from pause to tightening, ensuring long dated inflation expectations remain anchored, "alert to the risk of domestic inflationary pressures through second-round effects in wage and price-setting." President Trump extended to 10 days his ceasefire deadline for Iran to reopen the Strait of Hormuz and prospects jumped on his preparedness to end the military campaign, "even if the Strait is closed." Trump urged oil impacted nations to get involved, whilst China and Pakistan jointly called for restoring 'normal navigation'.

The Global MSCI equity index capital returns significantly underperformed with the developed markets declining 6.6%, and the heavily oil exposed emerging markets plummeting by 13.3%. The US S&P 500 declined by 5.1%, Europe's STOXX fell 8.0%, Japan's Nikkei fell 13.2%, China fell by 7.5% and Australia's S&P/ASX 200 fell 7.8%. The Brent crude price skyrocketed by 43.8% from US\$72.3 to US\$104 per barrel, and spot gold declined by 12.1% from last month's record high. The US 10-year bond yield rose by 38 basis points to 4.32%, the 2/10-year curve flattened, and corporate credit for both investment grade and high yield spreads widened. US 10-year inflation-protected real yields rose from 1.68% to 2.01%, with the US dollar index appreciating 2.4%. The Japanese 10-year bond rose by 24bps to 2.35% with German yields spiking from 2.64% to 3.00%. In Australia, the 10-year bond yield rose 32bps to 4.97%, the 2/10-year yield curve flattened by 15bps, and the 10-year bond spread to the US narrowed to 66bps. The \$A depreciated 3.3% from 0.712 to 0.689 cents against the US, and the trade-weighted index depreciated by 1.8%.

China released their 15th Five Year Plan for 2026 to 2030. At the centre of the national strategy is the goal of modernisation through high-quality technological development. The plan provides a macro framework designed to support structural upgrading, the innovation-industrial model, advanced manufacturing and clean energy, reduce internal vulnerabilities, and positioning the economy for sustained long-term productivity gains.

The US Federal Reserve held rates steady at a 3.50%-3.75%. The statement noted the severity and the duration of the oil shock are unknown and that the "uncertainty about the economic outlook remains elevated." Chair Powell eased premature tightening fears noting that inflation expectations are "well anchored beyond the short term." For now, the Federal Reserve will look through supply driven oil price moves and will be in a wait and see stance, highlighting that "by the time the effects of a tightening in monetary policy take effect, the oil price shock is probably long gone, and you're weighing on the economy at a time when it's not appropriate."

The European Central Bank (ECB) held rates at 2%. President Lagarde stated that the inflation risks are skewed to the upside, while those for the economy are tilted to the downside. Lagarde also emphasised that before acting on policy, the ECB requires "sufficient information on the size and persistence of the shock and its propagation." The Bank of Canada held rates at 2.25% and will look through the near-term oil risk. The Bank of England held rates at 3.75% with the statement pivoting from an easing to a tightening stance. The Bank of Japan held rates at 0.75% with Governor Ueda reiterating that rate hikes will continue should economic developments track their outlook.

The Reserve Bank of Australia (RBA) raised rates by 25 basis points to 4.10%, for a second consecutive move voting 5-4. Inflation has materially picked up, reflecting excess demand adding to "greater capacity pressures", and noting that the impact from an exogenous oil shock "if sustained will add to inflation." Over the forecast horizon, the RBA noted that "inflation will remain above target for longer" and questioned whether policy is sufficiently restrictive to keep long dated inflationary expectations anchored. Governor Bullock noted that all Board members agreed that another rate hike was needed to address inflation to maintain the gains in employment, warning that "higher petrol prices will add to inflation, but they aren't the reason for today's decision."

The Australian economy is in a cyclical upswing with Q4 2025 real GDP growing at a 2.6% annual rate, accelerating from 1.2% in the previous corresponding period. Full calendar year average 2025 growth doubled to 2% from 1% in calendar year 2024, driven by much stronger private consumption, dwelling investment and private business investment.

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Ausbil is closely assessing the key implications around the strike on Iran, including impacts on oil markets, global economic growth, and the broader outlook for equities. Given the fluid and unpredictable nature of the situation, Ausbil will continue to monitor developments and may update our assessment as material information becomes available. The following summarises what we know today, and whether this materially changes our outlook for equities and earnings growth.

Our base case is that with the increase in the oil price, as shown in Table 1, we expect to see incrementally higher inflation, which may put some drag on GDP, and central banks may need to act to adjust for this. At the outset, we note that our expectations are currently for the conflict to be short-lived and the implications temporary in nature.

Table 1: Different scenarios

Case	Conflict Term	Oil Price
Bull (10% probability)	Resolved in quick time	Returns to pre-conflict level of around US\$67/bbl.
Base (our house view) (65% probability)	A quick resolution June 2026	Oil price settles back to trading between US\$60 and \$90/bbl.
Bear (25% probability)	No resolution and flow of oil is hampered by interruptions	Oil trading between US\$100 and \$130/bbl on a sustained basis.

Source: FactSet, Ausbil, 2026.

Back in 2022, with the invasion of Ukraine, the macro backdrop was vastly different. Back then, economies were re-opening after the COVID pandemic and consumers had sizeable excess savings and pent-up demand. The surge in aggregate demand, against a backdrop of impaired or broken supply chains, pushed prices higher across most goods and services. Companies were in a strong position to pass-on their cost increases to the consumer.

The potential economic impact of the oil shock

Australia is exposed to the macroeconomic impact of oil price movements on the global economy that can have both a restrictive impact much like higher interest rates and tax increases with a sustained elevation in oil prices. And subsequently in turn they can be stimulative with lower oil prices. US empirical studies have shown that a sustained twelve-month change in the oil price of \$US10 per barrel tends to see inflation increase by 0.15% (as measured by personal consumption expenditure), and a commensurate decline in US real GDP of around 0.10%.

Table 2 shows our base case which assumes a sustained 12-month price level shift in Brent oil to \$90, and subsequent 'oil scenario' GDP forecasts by region, and global growth for calendar year 2026.

Table 2: Global growth – 2026 adjusted for Ausbil's base case scenario

Real GDP year average % (data as at 7 April 2026)	Long run average 2010 to 2019 (pa)	2026 Ausbil (f) Pre-Shock Brent Oil ~\$60	2026 Scenario higher oil Brent at ~\$90 Base Case
United States	2.3	2.4	2.1
Japan	1.2	1.0	0.4
Euro Area	1.4	1.4	0.9
China	7.7	4.5	4.2
India	7.0	6.5	5.7
Australia	2.6	2.3*	1.8
Global GDP	3.7	3.6	3.3

Source: Ausbil, as at 7 April 2026. (f) denotes forecast. *Revised lower on front-loading of rate hikes, was 2.8% for 2026.

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In an environment of elevated oil prices, the US dollar tends to benefit (rise) as a safe haven currency, and as the US is also a net energy exporter, including oil and natural gas. Energy-exporting countries, including Australia, tend to benefit, but net energy importers tend to underperform.

Consumers are likely to feel the pinch from higher oil prices directly at the petrol bowser, and then indirectly through secondary inflation in goods, services, and food inflation from higher transport costs.

Oil is a classic supply shock, a distinction that matters for monetary policy. As Professor Jeremy Siegel explains (9 March 2026), a supply-driven rise in energy prices is not something the Federal Reserve should respond to by tightening policy. When oil prices rise because of geopolitical disruption, the shock already slows economic activity by itself. Raising rates in response would simply compound the negative effects. From a macroeconomic perspective, higher oil prices represent a relative price change. If the money supply is held steady, higher energy prices should be offset by lower prices elsewhere in the economy. The strong US dollar reinforces that adjustment by reducing the cost of imports. As the dollar rises, imported goods and services become cheaper, helping offset part of the inflationary impulse coming from energy. The larger story we need to keep in mind is the 'productivity miracle' that has been occurring. According to Siegel, the US real economy does not look weak at all. Rather, we are seeing stable, even rising GDP growth at the same time payroll growth has stalled. Siegel says that combination points to one explanation that investors should not ignore: a sharp rise in productivity. The obvious candidate driving that shift is the rapid adoption of artificial intelligence and automation technologies across industries. Some temporary factors may also be distorting the data. January was one of the coldest months in decades for the northern hemisphere, which disrupted hiring in several industries. There were also sector-specific disruptions, including strikes in parts of the health care sector in California. But even adjusting for those factors, the larger narrative still points toward productivity improvements rather than a collapse in demand, which would be an incorrect assessment of the impact of a higher oil price.

In summary, the impact of changes in the oil price can be negative for economic growth, but equally, as these shocks pass, which tends to be faster than usually expected at the time, then the impact of the lower oil price has a positive impact. It should be noted that in this case, the supply shocks experienced during COVID are a multiple of the potential impact, in our current assessment, of this concentrated military action in the Middle East.

The potential impact of oil on monetary and fiscal policy

Today, in the short term, higher energy prices (felt immediately through petrol prices) will lift inflation and weigh on growth.

For the United States domestic natural gas prices are insulated from global markets, and the US is a net exporter of oil, but still subject to some extent to the global price of oil. There is downside risk to the US economy should oil prices remain above US\$100/bbl for a sustained period. For monetary policy it all depends on the impact on inflation expectations. If expectations increase, the Federal Reserve would be more likely to tighten policy and raise rates. Higher oil prices will compound the impacts of higher tariffs and restrictive immigration policy on the economy and heighten affordability concerns. The Federal Reserve needs to choose between responding to weaker growth by lowering rates or to higher inflation by raising rates. Alternatively, given the heightened uncertainty, they may instead elect to be on an extended pause as a risk management option.

Chair Powell highlighted the tension "we are balancing these two goals in a situation where the risks to the labour market are to the downside, which would call for lower rates, and the risks to inflation are to the upside, which would call for higher rates, or not cutting, anyway."

In Europe, gas futures spiked almost 100% following the attack on Iran, reviving 2022 crisis fears, though with storage at 30%. Europe is exposed, given its depleted storage after a cold northern winter, and is reliant on spot LNG imports from key global suppliers from the Gulf States like Qatar. Higher gas prices will increase heating and electricity costs. Upward pressure on inflation and a reduction in GDP growth will see governments respond with cost of living and business input cost subsidies. On 3 March 2026, European Central Bank Chief Economist Lane warned of amplified impacts if financial markets reprice risks, potentially undermining the Euro bloc's fragile revival after below-potential growth. According to Goldman Sachs (1 March 2026), modelling of a Strait of Hormuz disruption that predicts oil at \$130/barrel lifts inflation by 0.8% and cuts growth by 0.6%.

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European natural gas prices could more than double on a short disruption scenario. On a longer closure scenario, they may exceed €100/MWh. Current inflation is below the European Central Bank's 2.0% target. Europe's export-led growth model is facing intense competition from China, US tariffs and non-tariff barriers, and currency strength in the Euro, but the ECB has room to move on the oil shock to growth with rate cuts should growth deteriorate sharply and where the inflation impacted is assumed to be temporary. In the scenario where inflation is higher and persistent the ECB has no choice but to pivot and hike rates to combat unanchored inflationary expectations.

At the 19th of March meeting the ECB and members shifted their tone to a hawkish stance as it 'stands ready to act' on inflation. The war "will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy."

In Australia, inflation pass-through from higher oil prices will be immediate, reflected in consumer price inflation directly via petrol and transport costs, and indirectly via energy-intensive products. There will also be an impact on rising long bond yields and rising commodity prices, lower business and consumer confidence and lower global growth.

The Reserve Bank of Australia is primarily concerned with supply shocks to the headline inflation rate that may dislodge long dated inflation expectations. Higher fuel and shipping costs present another upside risk to the inflation outlook. This was echoed by Governor Bullock expressing concern that a supply shock would "add to inflation pressures" and have "potential implications for inflation expectations." At the same time, she flagged that "a prolonged impact on energy markets could have adverse effects on global economic activity and result in downward pressure on inflation." However, in a Q&A Bullock commented that "this one might be a little bit harder [to look through] because ... we already have elevated inflation, and there is a risk that expectations might become a little bit unanchored." Bullock followed through at the March policy meeting, noting that inflation has materially picked up, reflecting excess demand adding to "greater capacity pressures" and the impact from an exogenous oil shock "if sustained will add to inflation." Resulting over the forecast horizon that "inflation will remain above target for longer" and questioning whether policy is sufficiently restrictive to keep long dated inflationary expectations anchored.

At the 17th of March RBA meeting, Governor Bullock in the press conference stated "we must ensure that higher inflation does not result in inflation expectations drifting up. Short term expectations for inflation have moved up a bit, but we need to make sure that this does not turn into higher inflation expectations in the longer term". The RBA had not done 'any modelling of potential [economic] impacts if the war goes on' but had modelled the 'first-round pass-through to inflation'.

Ausbil's outlook for rates, at this stage remains the same as forecast back in Q4 2025, which is for the RBA to complete three rate rises in the current tightening cycle, totalling 75 basis points, of which the 50 basis points has already occurred – with a greater likelihood of the third consecutive increase occurring at the May meeting.

Fortunately, Australia is a net energy exporter (gas and coal), mitigating some of the impact of higher prices on our economic growth. The higher energy prices will boost our terms of trade from additional revenue for the Commonwealth through company profits and increased royalty payments to State governments. If LNG prices remain at elevated levels (North Asian LNG prices are up more than 70%), there will be an additional boost to our national income.

The key risks as we see them

In theory, if the disruption is limited only to Iran's supply, then the impact on the oil price is unlikely to be major. However, disruption of the Strait of Hormuz and Gulf State producers is a material risk, one that has roiled markets and initially drove the oil price towards US\$120/bbl. The cost of insurance on major seaborne oil vessels is rising rapidly, and insurance availability has been declining. Supertanker rates to haul oil from the Middle East to China soared to US\$424,000 a day recently— the highest on record. Prior to the war rates were far lower and stable: In Q4 2025 they were US\$21,000 per day and Q3 2025 they were US\$8,700 per day.

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However, this risk has been significantly underwritten by President Trump, who officially declared that (emphases are his): “Effective IMMEDIATELY, I have ordered the United States Development Finance Corporation (DFC) to provide, at a very reasonable price, political risk insurance and guarantees for the Financial Security of ALL Maritime Trade, especially Energy, traveling through the Gulf. This will be available to all Shipping Lines.” (President Trump, announcement 4 March 2026).

Also helping on the supply side oil intervention, the largest in history. On the 11th of March, the G7 and International Energy Agency officially announced the release of strategic petroleum reserves of -400 million barrels-to counter the supply shock and to stabilise the global energy market. The release of could offset about 20 days of lost flows through the Strait of Hormuz (which sees 20 million bbl per day).

More importantly, on March 19th allied nations including the United Kingdom, France, Germany, Italy, Netherlands, and Japan, signalled their willingness to support efforts to restore safe navigation through the Strait of Hormuz. They are also calling for “an immediate comprehensive moratorium on attacks on civilian infrastructure, including oil and gas installations.”

The key economic risks come through energy prices and supply, which are immediately felt as inflation by both consumers and businesses. A short, sharp shock can be viewed by central banks and policymakers as a one-off and may not alter the path of interest rates. A prolonged disruption could ripple through the global economy via supply chain disruptions pushing up shipping rates and second-round impacts on consumer prices, impacting monetary policy (an initial concern across markets) through higher interest rates.

Mitigating these initial concerns is the fact that the US action in Iran is intended to be short and sharp, to take out the existing Iranian regime, and to disarm Iran of its growing nuclear threat. Both these objectives have been partially achieved. US President Trump has signalled that the conflict could last for several weeks and will continue until the objectives have been achieved.

Recently, on 20th March, President Trump said the US is “getting very close to meeting our objectives” and is therefore considering “winding down our great military efforts in the Middle East.” A ceasefire was announced subsequent to month end and at the time of writing but failed to hold. Signs are there that the US wants to end the action, but we maintain a watching brief on this shock. We maintain our base case view that the event will come to an end sooner than the market anticipates, potentially by June 2026, reiterating all the caveats on risk and geopolitical uncertainty that is very hard to project.

Financial markets are also expecting that the conflict will disrupt global oil and gas supplies for a brief period. Under a short-lived outcome, based on verified data, the daily shortfall in global oil supply falls to less than 1 million barrels per day once the Strait of Hormuz reopens. In the meantime, the closure is impacting around 8–10 million barrels per day of effective supply reduction or 50% of the daily volume through the Strait. There is a higher risk premium embedded in oil prices that will remain for some time.

Risks to the global macro-outlook

We see both positive and negative macro risks in the current environment, some of which are geopolitical.

On the positive risks, we see the potential for higher sustainable US productivity levels in the mid 2% range. Federal Reserve Chair Powell has singled out the macro-economic significance of rising US productivity, allowing the economy to grow faster without generating as much inflationary pressure. This is a positive theme for equities and partially explains the growth miracle we are seeing in the US. We also see room for modestly lower nominal cash rates as adding positive upside risk to markets.

On negative risks, there is a lot of noise in the media and coming from market commentators. In this noise, we would nominate the following key material macro risks to markets. These include de-anchoring of long-term inflation expectations from central bank targets; a structural rise in term premia embedded in global long bond yields; and persistent budget

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deficits and excessive sovereign debt burdens. Surging Japanese long bond yields potentially triggering a global bond rout are another risk, as is intensifying geopolitical tension leading to a broadening in conflicts.

We think that the real impact of geopolitical risks are difficult to quantify as the main risks are an act of invasion by the US (Greenland and in Venezuela), or China (Taiwan or elsewhere in the Pacific), similarly to Russia's incursion into Ukraine.

While these remain significant macro risks, from the perspective of earnings sustainability and earnings growth, Ausbil's investment focus, we are careful in our allocations to ensure we adjust for this rolling risk profile in the earnings opportunities that we favour.

Equity Market Review

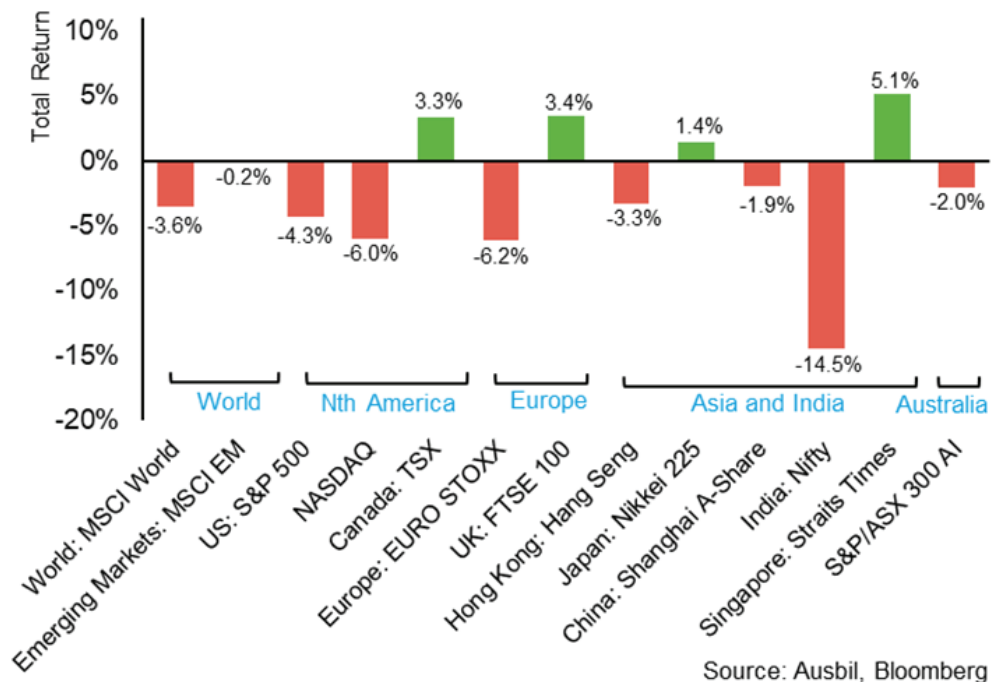
Equity Market Review

March has been all about the oil supply shock from the military action in Iran which has continued into April, and as a result, the market performance reflected the crisis, falling by -7.3% for the month (for the S&P/ASX 300 Accumulation Index). On a quarterly basis, the market returned -2.0%, bringing the 1-year return to +11.6%.

Immediately after the close of a positive reporting season in February during which consensus significantly upgraded the earnings growth outlook for FY26 and FY27, the US and Israel took action against Iran, bombarding the country's military, nuclear and naval facilities. This action saw the oil price initially jump towards US\$120/bbl and, across March, trade in a significantly elevated range. The ongoing action in Iran has added risk to an outlook that has been becoming more positive on growth and earnings since the tariff crisis of 2025 began settling. The outcome of the current oil supply shock remains uncertain though Ausbil's base case is for hostilities to come to a close in a relatively short time, possibly by June. However, we maintain a close watching brief on events and how they might impact the markets.

Global markets were all down on the oil supply shock, with Developed Markets (MSCI World) down -6.4% for the month of March but faring better than Emerging Markets (MSCI EM) which were down -13.1% for the month. For the quarter, Emerging Markets had outperformed Developed Markets.

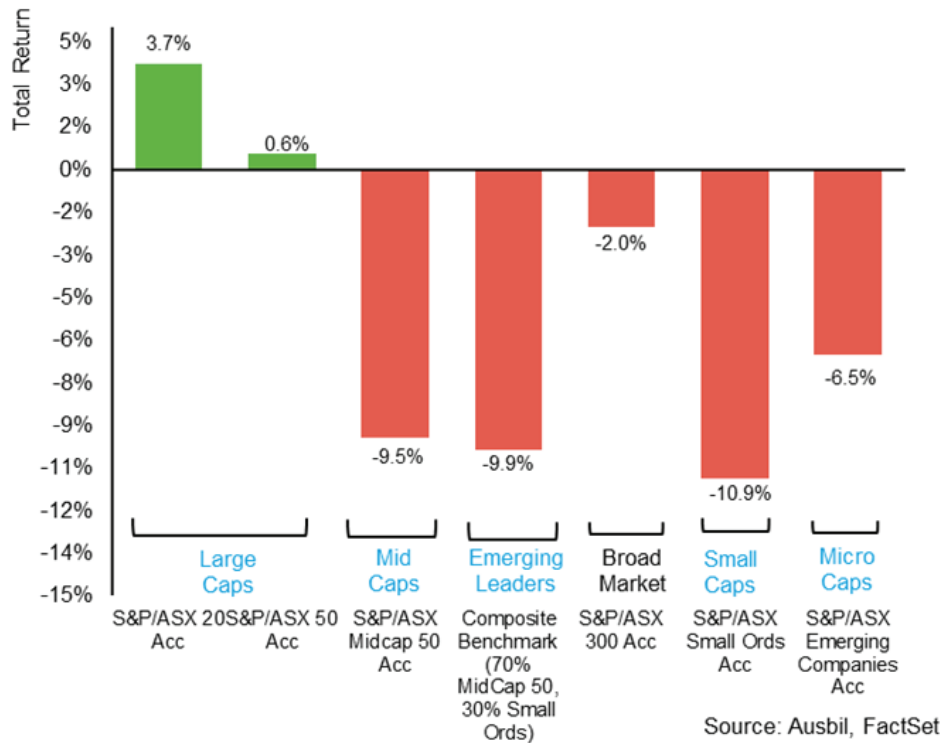
Chart 1: World equity market returns – March Quarter 2026



Equity Market Review

In terms of market segments in Australia, the oil supply shock took all down, with larger caps faring better given the sudden outbreak of a new risk and a subsequent flight to quality, as illustrated in Chart 2.

Chart 2: Domestic returns by segment – March Quarter 2026



March saw a continuation of the shift from long growth such as Information Technology into asset backed Consumer Staples, Utilities and Energy, as shown in Chart 3. While the Materials sector has had an excellent run since the last quarter of 2025, the current crisis saw resources positive but lower on rising fuel costs and generalised concerns that higher oil prices will temper economic growth in 2026 and 2027.

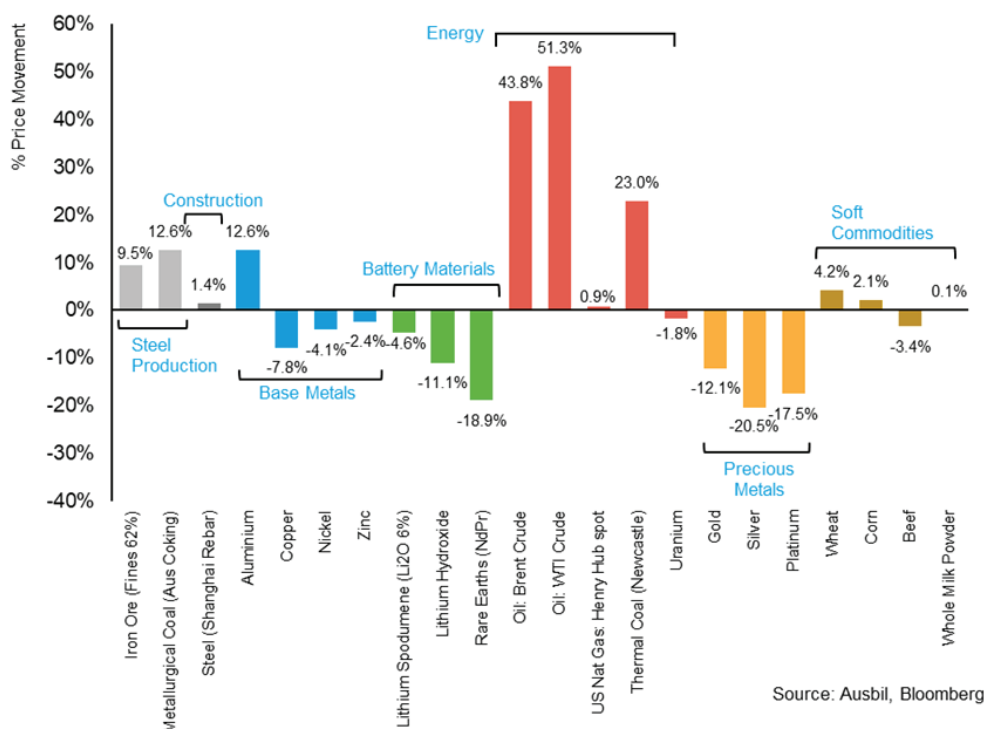
Chart 3: Sector returns – March Quarter 2026



Equity Market Review

Across the commodities complex, the oil supply shock saw some expected and unexpected reactions, as illustrated in Chart 4. Expected was the rise in oil and gas prices which have given a temporary boost to oil and petrochemical producers and distributors. Unexpected by most market operatives was the 12 – 20% fall in precious metals against a sharp rise in global risk. Iron ore and metallurgical coal, Shanghai rebar and aluminium were all up in contrast to the remaining metals complex that was down on uncertainty.

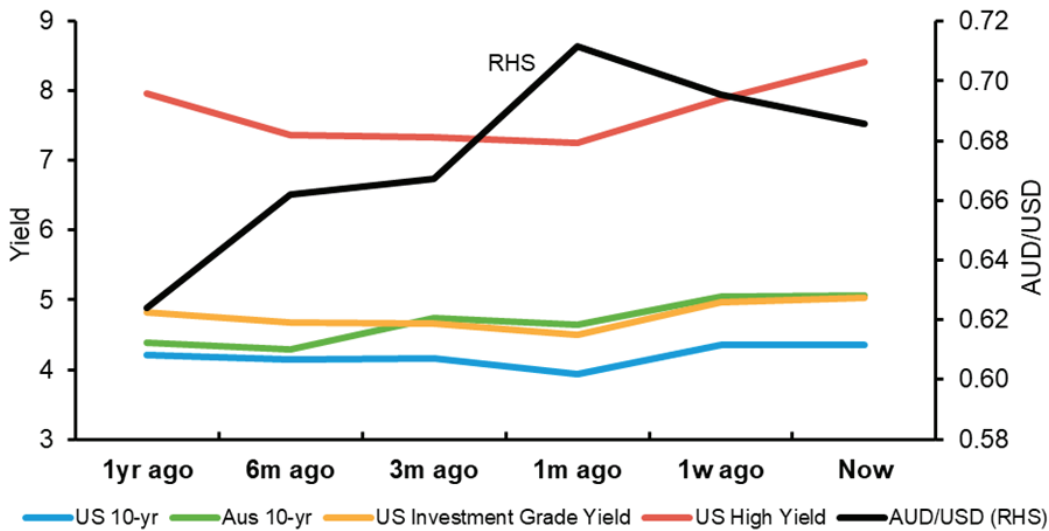
Chart 4: Commodity markets – March Quarter 2026



Critical minerals agreements between the US and Australia, and rising defence spending is feeding into commodity demand, as is the re-arming of Europe and increased global spending on defence worldwide, a theme that has only strengthened with the action in Iran. On a fundamental basis, we believe decarbonisation and the energy transition remain significant themes that will drive underlying value across resources, energy, utilities and the mining services sector with respect to critical commodities. In the short term, we remain focused on the duration of the current oil supply shock.

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Chart 5: Key fixed income, credit and FX levels since last year



Source: Bloomberg as at 31 March 2026. The chart shows yield expectations (real rates plus inflation) looking forward (LHS) and the AUD/USD currency pair (RHS).

At the end of March, the AUD/USD was down -3.3%, but remains up over +10% for the year, closing at US\$0.6885. In fixed income markets, US 10-year Treasury yields closed at 4.3% and Australian 10-year Government Bond yields closed the month at 5.0%. In credit markets, investment grade credit spreads closed at 63 bps and high yield spreads at 385 bps.

Fixed Interest and Cash Rates

Fixed Interest and Cash Rates

The March quarter was dominated by geopolitical events, initiated entirely by US President Trump. At first, starting with Venezuela and culminating with the war in the Middle East between the US/Israel, Iran and Lebanon. The resulting oil supply shock triggered a surge in energy prices which saw equity markets correct, bond yields move higher, gold decline and the US dollar benefit as a safe haven currency. Subsequently, the major central banks shifted their policy bias commentary from pause to contemplating tightening, in order to ensure that long dated inflation expectations remain anchored. Meanwhile, China released their 15th Five Year Plan for 2026 to 2030. At the centre of the national strategy is the goal of modernisation through high-quality technological development and sustained long-term productivity gains for growth.

Unexpectedly, the US Justice Department commenced a criminal investigation of Federal Reserve Chair Jerome Powell over his congressional testimony regarding building renovations to the Fed's headquarters in Washington DC. This was subsequently followed by President Trump announcing former Federal Reserve Board member Kevin Warsh as the nominee for the Federal Reserve chairmanship opening in May.

At March quarter end, the Japanese 10-year bond rose by 29bps climbing to close at 2.35%. The US 10-year yield rose 15bps to 4.32%, the 2/10-year curve flattened by 17 bps to close at 52bps, corporate investment and high yield credit spreads widened at respective margins over treasuries of 63bps and 385bps, 10-year inflation-protected real yields rose 11bps to 2.01% and the US dollar index appreciated 1.7%. In Australia, the 10-year bond yield rose 23bps to 4.97%, the 2/10-year yield curve flattened on rate hikes by 36bps to close at 31bps, and the 10-year bond spread to the US widened by 8bps to close above at 66bps. The Australian/US dollar appreciated by 3.2% to 0.689 cents and the trade-weighted index appreciated by 3.4%.

Central banks leaving policy settings unchanged were the US Federal Reserve in the range of 3.50%-3.75%, the European Central Bank at 2%, Canada at 2.25%, England at 3.75% and Japan at 0.75%. Governor Ueda of the Bank of Japan reiterated that rate hikes will continue should economic developments meet their forecast outlook. The Reserve Bank of Australia raised rates by 50 basis points to 4.10%, highlighting that inflation has materially picked up, reflecting excess demand adding to "greater capacity pressures."

On tariffs, the US Supreme Court ruled 6-3: declaring as unconstitutional the Trump administration's "reciprocal" and "fentanyl" tariffs implemented under the International Emergency Economic Powers Act (IEEPA 1977). The Trump administration violated the separation of powers doctrine, with the executive branch unconstitutionally exercising the power to tax via tariffs, which resides exclusively with the US Congress. The ruling did not affect sector specific tariffs on product and industry under section 301 authority of the Trade Act of 1974. The court did not rule on whether the administration will need to refund US businesses the US\$175 billion raised under the IEEPA tariffs. In response, Trump imposed a 10% (up to 15%) global tariff under section 122 of the Trade Act of 1974 for up to 150 days.

On industrial policy, the Trump administration launched a US\$12 billion critical minerals stockpile to be called 'Project Vault', the objective being to provide certainty on long term offtake, stabilising access to critical minerals for customers and reducing the influence of China on global supply chains.

Fund Review

Fund Review

The Balanced Fund underperformed its benchmark index for the March quarter 2026, returning negative -4.06% (gross of fees) versus the benchmark of negative -3.02%. Over the past 12-months, the Balanced Fund outperformed returning +10.73% (gross of fees) versus the benchmark of +9.08%.

The month of January saw Trump sanction military intervention in Venezuela, expressing a strategic desire to annex Greenland, threatening to impose tariffs on the European Union and the Department of Homeland Security escalating immigration tensions. Collectively, these events triggered a speculative run into precious metals with skyrocketing prices for gold, silver and oil funded from outflows from the tech sector as doubts began to emerge on the extent of AI investment value and associated funding risks. The US dollar depreciated sharply on raised concerns for the outlook on US inflation and fear that global investors may reduce their exposure to US assets. Compounding matters for the worse was the surge in higher Japanese bond yields with the calling of a snap election for February 8th, clearing the way for further expansionary fiscal policies.

The month of February saw equity market volatility spike, long bond yields decline and higher oil and gold prices. Factors driving this were the hyperbole on the potential AI disruption for industry leaders and likely employment losses, a selloff in equities listed in the category 'software as a service', and the return of private credit 'cockroach' anxieties with the collapse of UK mortgage firm Market Financial Services.

The month of March saw war break out between the Us and Iran. President Trump extended to 10 days his ceasefire deadline for Iran to reopen the Strait of Hormuz and prospects jumped on his preparedness to end the military campaign, "even if the Strait is closed." Trump urged oil impacted nations to get involved, whilst China and Pakistan jointly called for restoring 'normal navigation'.

Investment Market Review

Table 3: Key benchmark returns by asset class - total return

Asset Classes	3 months %	12 months %
Australian Equities (Benchmark)	-2.85	13.16
Australian Bonds (UBSA Composite Bond Index)	-0.34	1.51
Australian Property - Direct Property	2.36	8.98
Australian Property - REITS	-16.63	-2.26
Global Equities (Benchmark)	-5.05	10.23
Cash	0.91	3.80

Strategy and Outlook

Strategy and Outlook

The Balanced Fund strategy will maintain its current asset class positioning favouring growth.

Ausbil is closely assessing the key implications around the strike on Iran, including impacts on oil markets, global economic growth, and the broader outlook for equities. Given the fluid and unpredictable nature of the situation. The following summarises what we know today.

Our base case is that with the increase in the oil price, we expect to see incrementally higher inflation, which may put some drag on GDP, and central banks may need to act to adjust for this. At the outset, we note that our expectations are currently for the conflict to be short-lived and the implications temporary in nature. The impact of changes in the oil price can be negative for economic growth, but equally, as these shocks pass, which tends to be faster than usually expected at the time, then the impact of the lower oil price has a positive impact.

As a rule of thumb, a sustained twelve-month change in the oil price of \$US10 per barrel will see US inflation increase by 0.15% and a commensurate decline in US real GDP of 0.10%. For 2026, Ausbil's initial forecast of accelerating synchronised global growth will not be realised due to the oil shock with a price level shift in Brent oil to \$90. Our 'oil scenario' GDP forecasts will see US growth lower at 2.1% (was 2.4%), Europe at 0.9% (was 1.4%), China at 4.2% (was 4.5%). Australian growth slows with the front-loading of rates hikes to 2.3% (from 2.8%) and allowing for the subsequent oil hit it slows further to 1.8%. It should be noted that in this case, the supply shocks experienced during COVID are a multiple of the potential impact, in our current assessment, of this concentrated military action in the Middle East.

Given the heightened uncertainty, we see the US Federal Reserve being on an extended pause as a risk management option, patiently assessing the potential impact on inflation expectations. Ultimately, the Federal Reserve must decide between responding to weaker growth by lowering rates or to higher inflation by raising rates.

Ausbil's outlook for Australian rates, at this stage remains the same as forecast back in Q4 2025, which is for the Reserve Bank of Australia to complete three rate rises in the current tightening cycle, totalling 75 basis points, of which the 50 basis points has already occurred – with a greater likelihood of the third consecutive increase occurring at the May meeting. At the 17th of March RBA meeting Governor Bullock in the press conference stated, “we must ensure that higher inflation does not turn into higher inflation expectations in the longer term”.

Fund Overview

Fund Return

Period	Fund Return %	Fund Return %	Bench- mark* %	Out/Under performance %	Out/Under performance %
	Gross	Net		Gross	Net
1 month	-7.10	-7.17	-4.65	-2.45	-2.52
3 months	-4.06	-4.27	-3.02	-1.04	-1.25
6 months	-4.29	-4.71	-2.40	-1.89	-2.31
1 year	10.73	9.75	9.08	1.65	0.67
2 years pa	6.39	5.45	7.16	-0.77	-1.71
3 years pa	9.63	8.67	9.70	-0.07	-1.03
5 years pa	8.22	7.27	7.81	0.41	-0.54
7 years pa	9.12	8.16	8.11	1.01	0.05
10 years pa	9.65	8.68	8.58	1.07	0.10
15 years pa	9.64	8.67	8.20	1.44	0.47
20 years pa	8.10	7.24	6.73	1.38	0.51
25 years pa	8.64	7.74	7.12	1.52	0.62
Since inception pa	8.97	8.06	7.34	1.64	0.73

Date: July 1997

* The benchmark returns represent the neutral strategic asset allocation return.

Asset Allocation



Notes:

- 1) As at 31 March 2026, hedged currency exposure amounts to 19.5%. This is made up of International shares 13.8% and Global Infrastructure 5.7%.
- 2) As at 31 March 2026, the Australian Fixed Interest portfolio modified duration is 4.63 years compared to the benchmark index of 4.71 years.

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