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PRIVATE WEALTH

MORROWS PRIVATE WEALTH ANNUAL MARKET UPDATE AUGUST 2025



Your financial future,
tailored your way





MPW Annual Market Update – August 2025



General Advice Disclaimer

The purpose of this presentation is to provide you general advice and insight into MPW's current market outlook and investment philosophy.

Where our presentation provides general advice, we must explain that this advice has been prepared at this time without taking into account your individual personal needs, objectives, or financial situation, and the personal information we hold about you has not specifically been considered in forming our views.

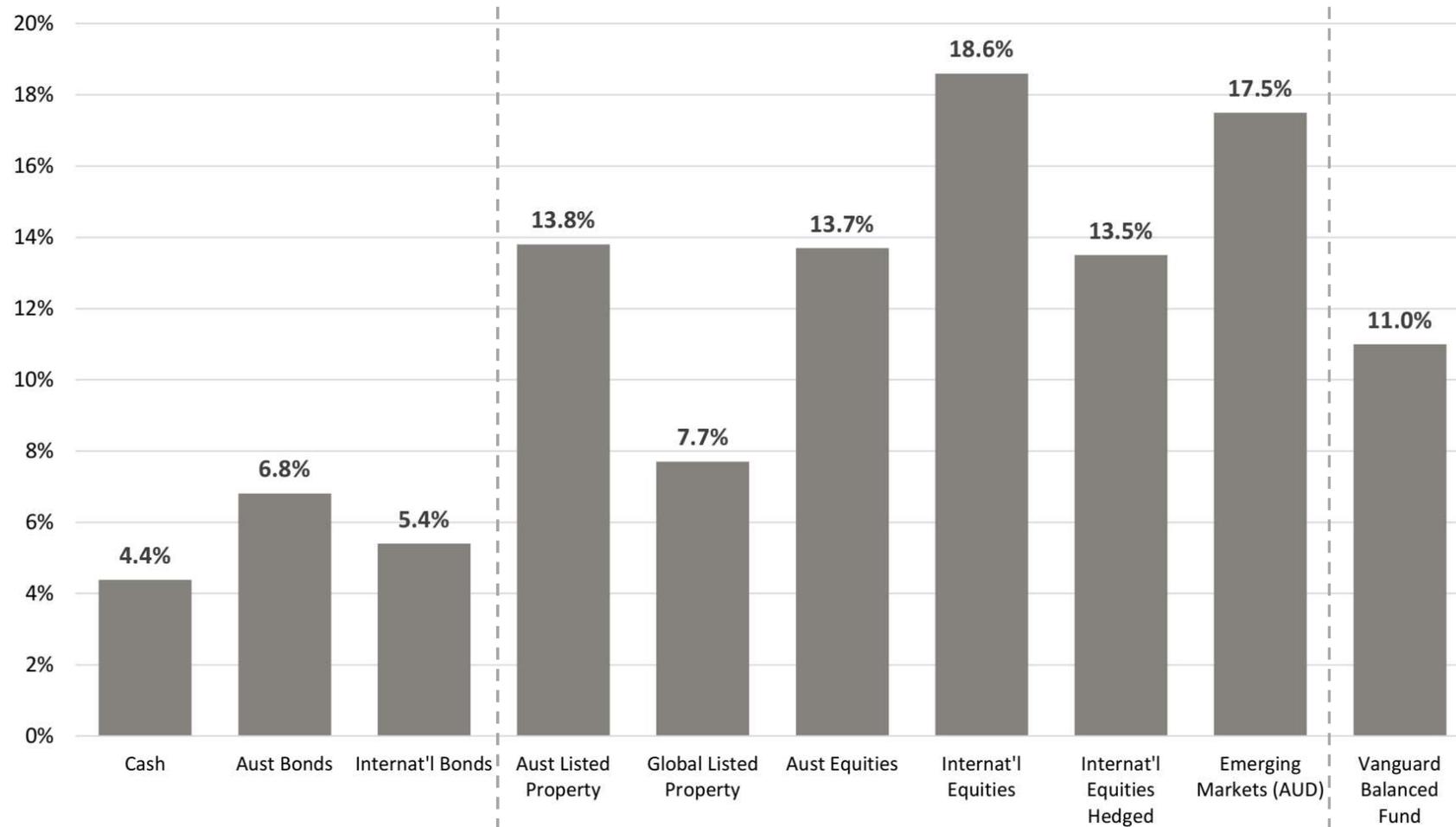
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Asset Class Returns 12 Months to 30th June 2025

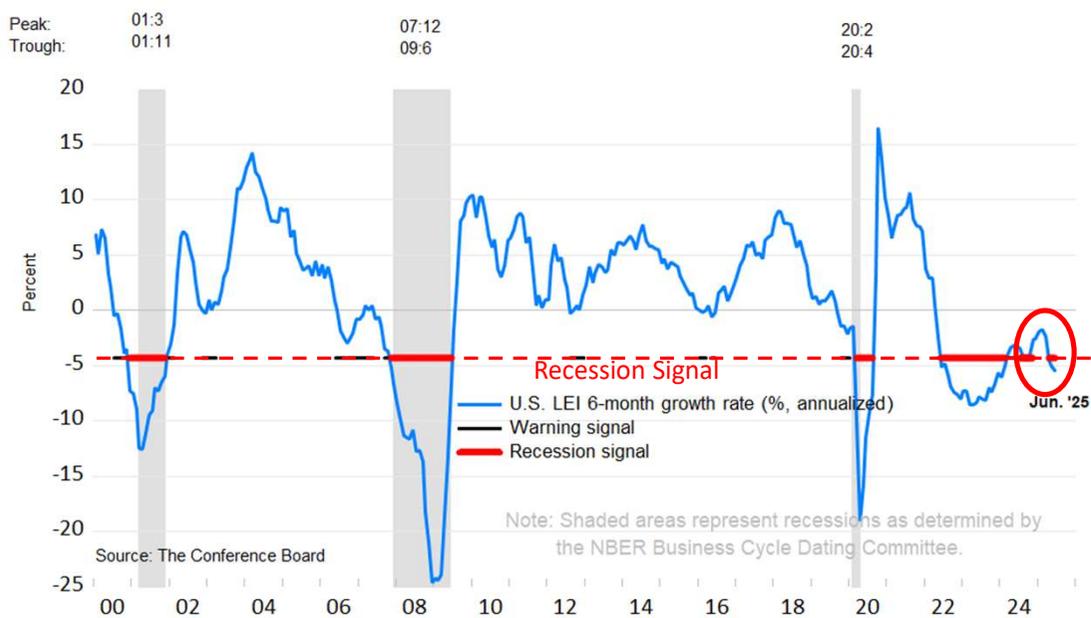




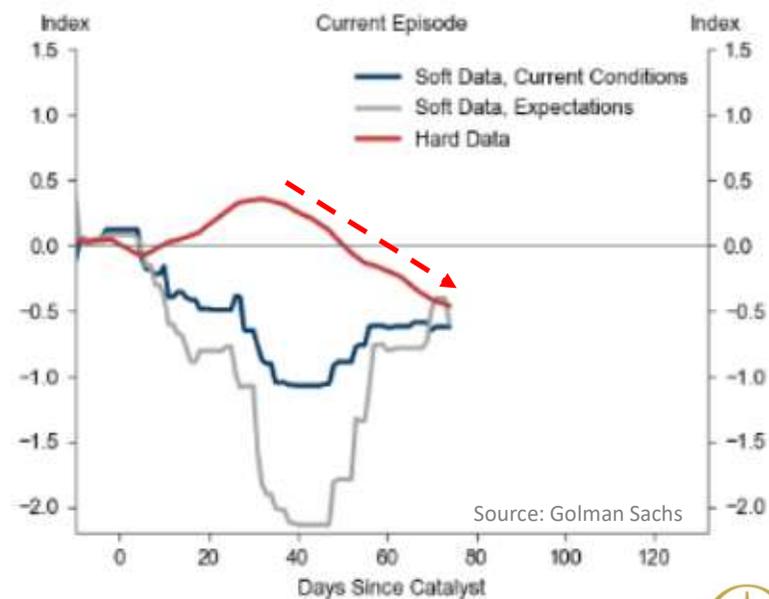
Markets Shrugged Off Tariffs & Weaker Economic Data

US Leading Economic Indicators (LEI's or 'soft' data)

US lagging economic indicators (the 'hard' data)



Hard Data Has Begun to Converge With Weaker Soft Data

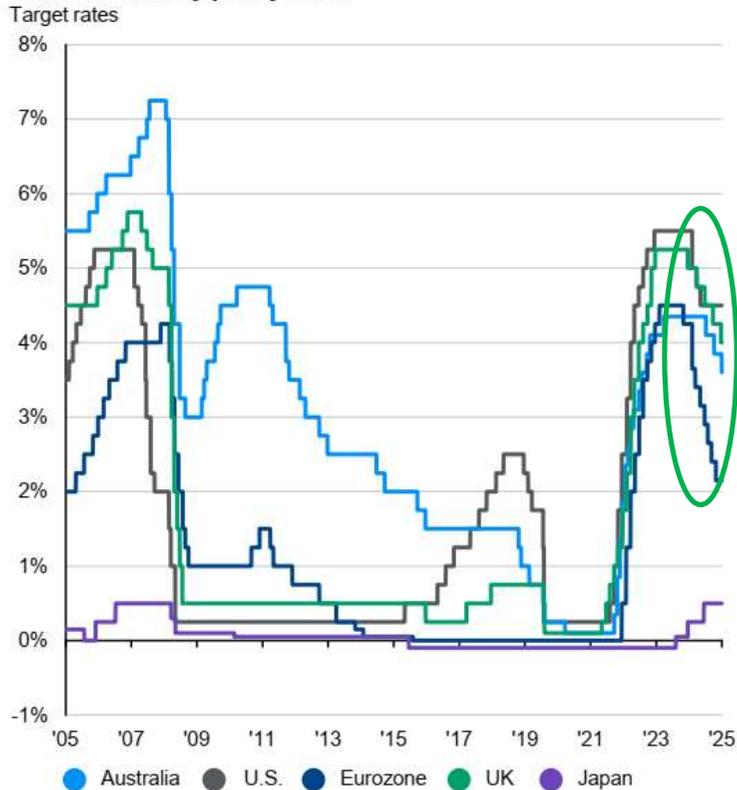


Despite weaker economic data, global share markets continued to make all time highs!

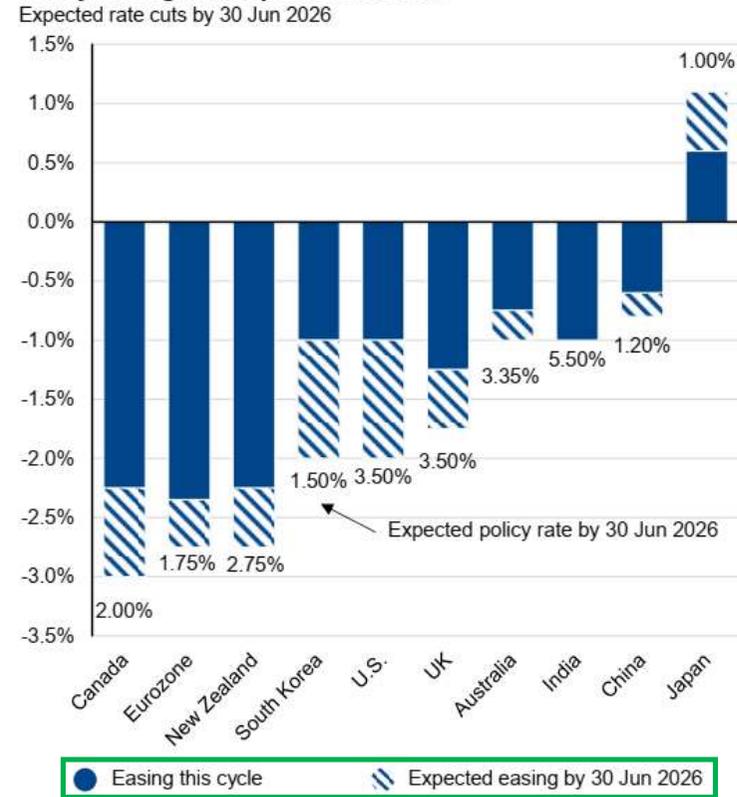
Markets Are More Focused on Interest Rate Cuts

Global central banks have been cutting interest rates, and market expectations are for more to come.

Central bank key policy rates



Policy easing and expected rate cuts



Source: Bank of Japan, European Central Bank, FactSet, Reserve Bank of Australia, U.S. Federal Reserve, J.P. Morgan Asset Management.



MPW Outlook: Expect Volatility, But No Recession



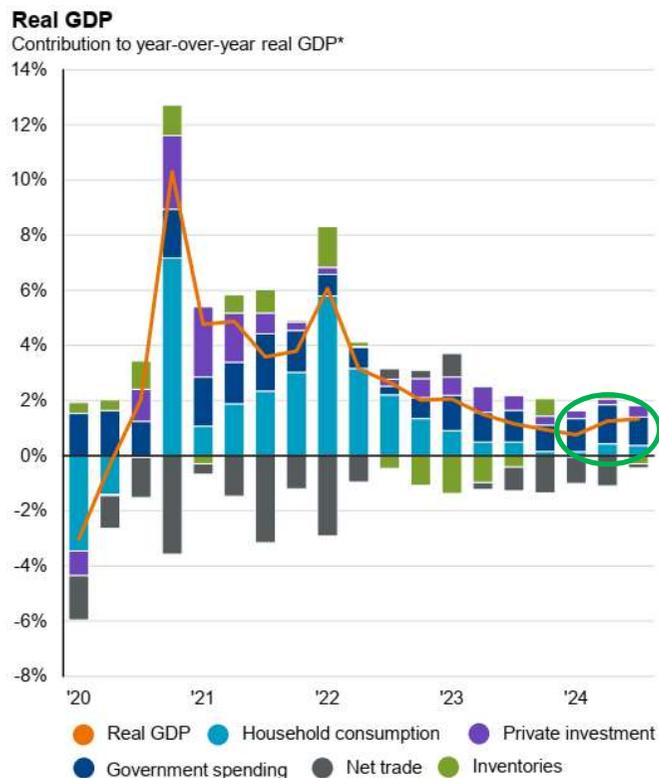
1. Negative Growth (Recession) MPW Probability = Low	2. Trend Growth (Current) MPW Probability = Medium	3. Strong Growth (Bull Market) MPW Probability = Medium
<ul style="list-style-type: none">• Inflation is sticky and moves higher• Central banks hold or raise rates• Unemployment rises 1-2%• Savings rates evaporate• Consumer spending slows sharply• Economic data deteriorates• Corporate earnings fall• Geopolitical risks intensify (wars)• Tariffs create global trade wars	<ul style="list-style-type: none">• Inflation is sticky but moderates• Central banks slowly cut rates• Unemployment rises marginally• Savings rates are neutral• Consumers continue to spend• Economic data not too hot or cold• Corporate earnings remain positive• No further sanctions or conflict• Tariff impacts are moderate	<ul style="list-style-type: none">• Inflation falls to central bank targets• Central banks are accommodative• Employment growth remains strong• Savings rates increase• Consumer confidence picks up• Economic data strengthens• Companies improve productivity• Geopolitical risks and conflict abates• Low tariffs and global trade picks up
Markets are <u>not</u> priced for this, expect further decline from here (~-20% plus)	Markets are <u>priced</u> for this, value can be selectively found at current levels	Markets are <u>starting to price</u> this, risky assets will perform very strongly



Australian Recession Risk Is Low



Australian GDP growth remains soft



Australian Unemployment has risen but remains low



Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 15/08/25.

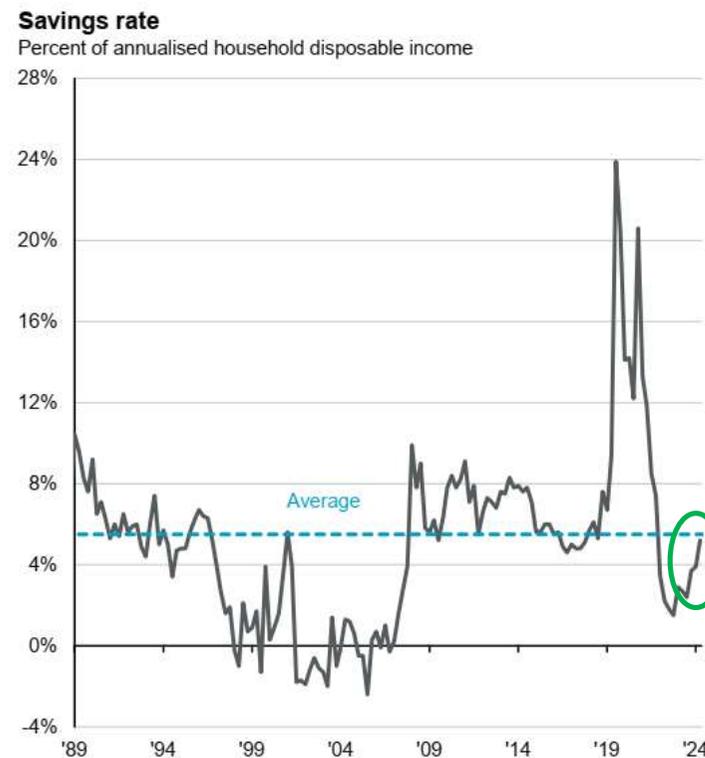
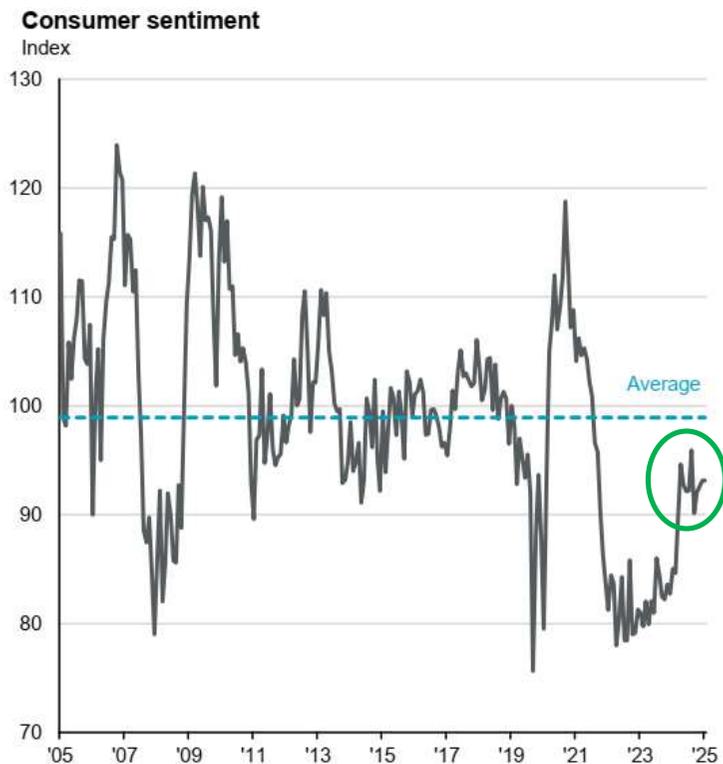


Australian Consumers Have Been Resilient



Consumer Sentiment is picking up

Household savings continue to rise



Source: Australian Bureau of Statistics, FactSet, Westpac, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 15/08/25.



US Recession Risk Is Low, But Rising

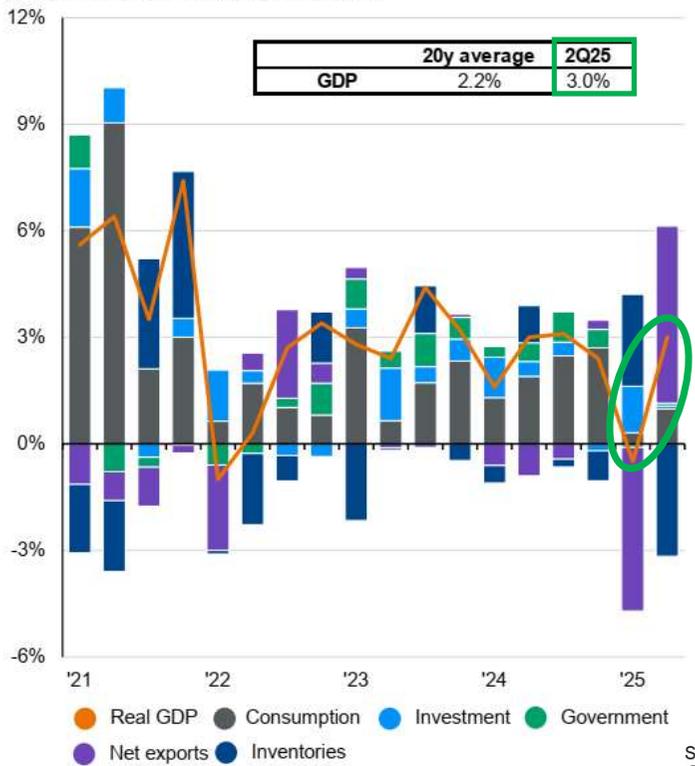


US GDP Growth bounced strongly in Q2

US unemployment is historically low, but rising

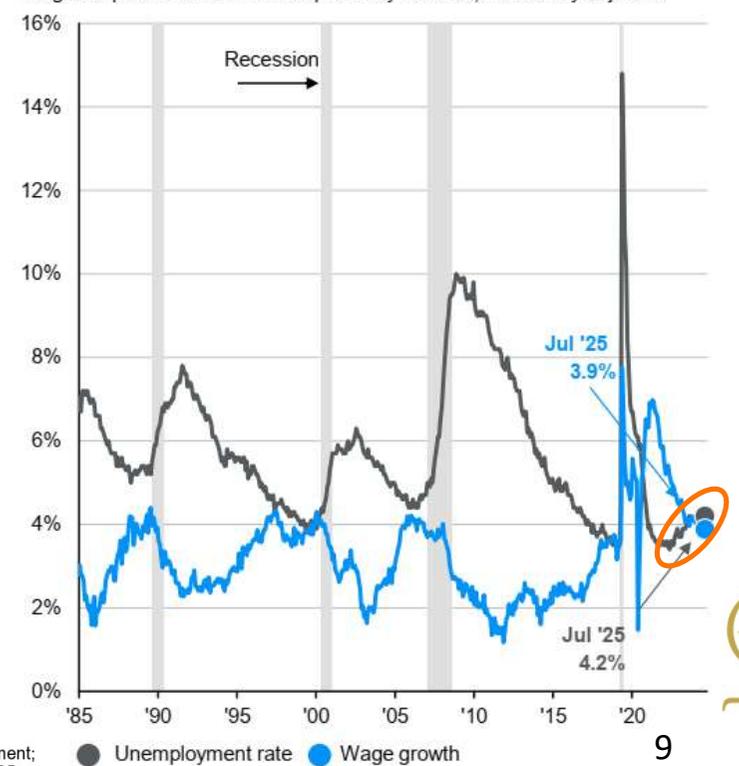
Real GDP

Contribution to quarter-over-quarter, SAAR



Unemployment rate and wage growth

Wages of production and non-supervisory workers, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management; Guide to the Markets – Australia. Data as of 15/08/25.



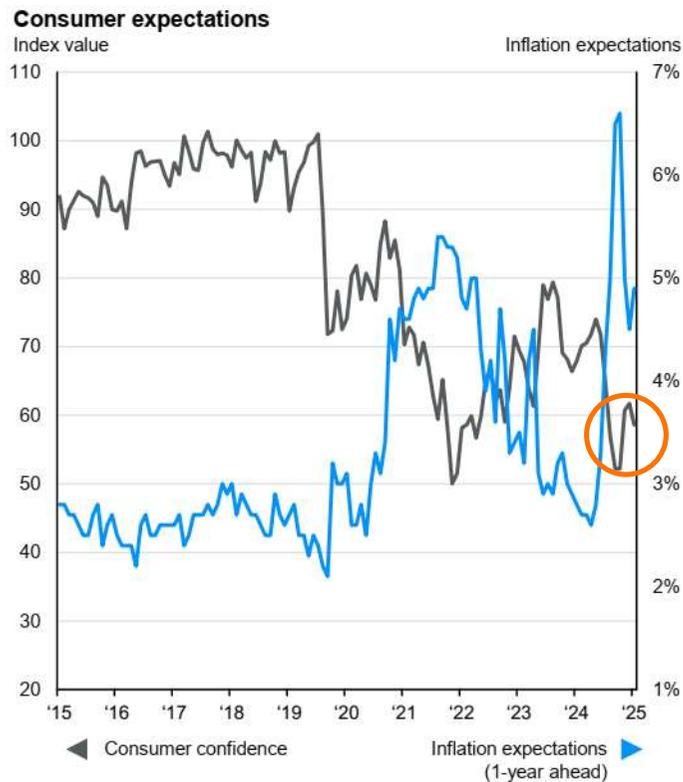


US Consumers Continue To Borrow & Spend



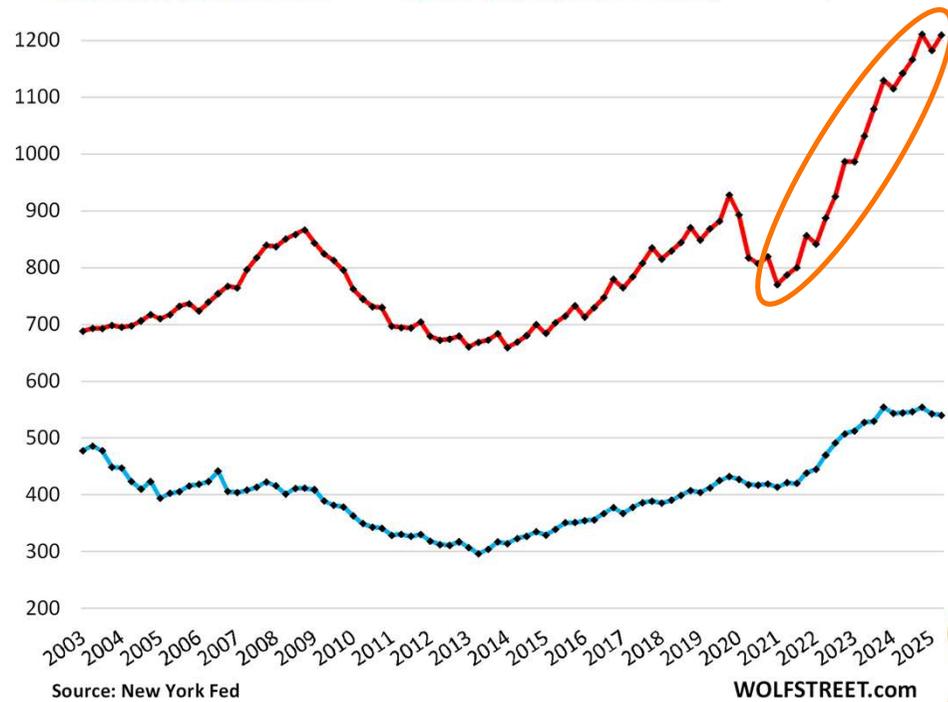
Consumer Confidence remains low

US credit card balances have risen sharply



Source: FactSet, J.P. Morgan Asset Management; (Left) University of Michigan;

Credit Card Balances and Other Consumer Loans, Billion \$



Inflation Has Fallen... Will It Continue?

Australian Underlying Inflation fell to 2.7%

CPI and core CPI inflation

Year-over-year

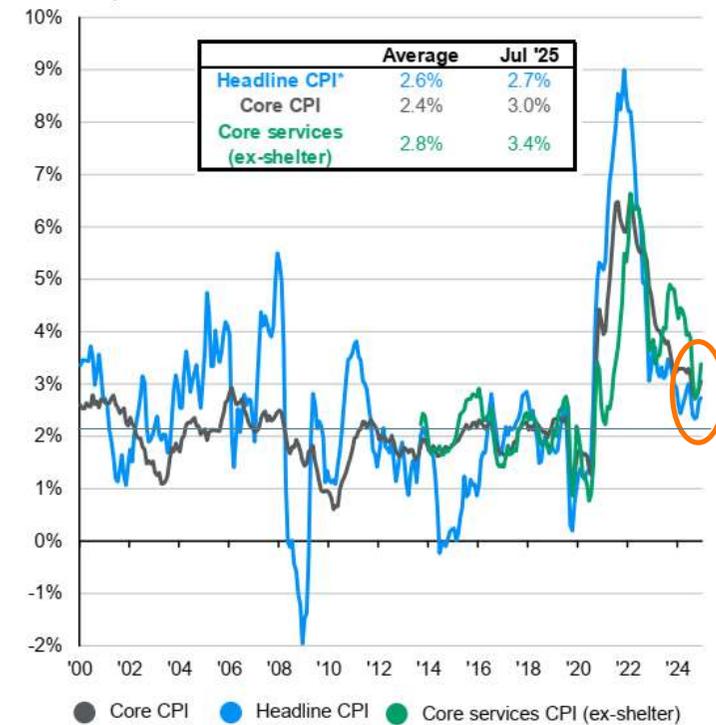


Source: Australian Bureau of Statistics, FactSet, Westpac, J.P. Morgan Asset Management. Guide to the Markets – Australia. Data as of 15/08/25.

US inflation remains 'sticky' and rose in July

Inflation

Year-over-year



Source: FactSet, J.P. Morgan Asset Management;

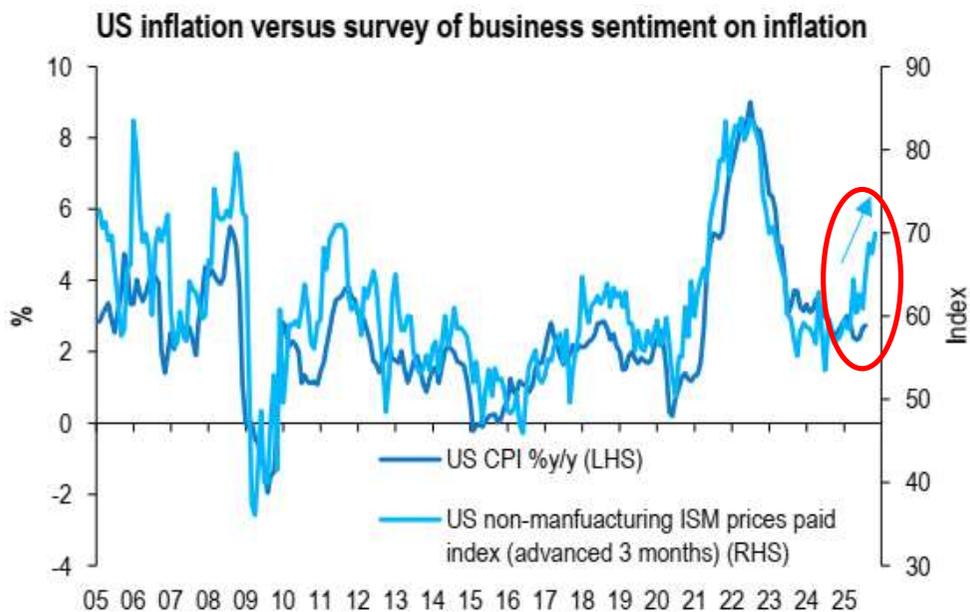


Higher US Inflation Remains A Risk

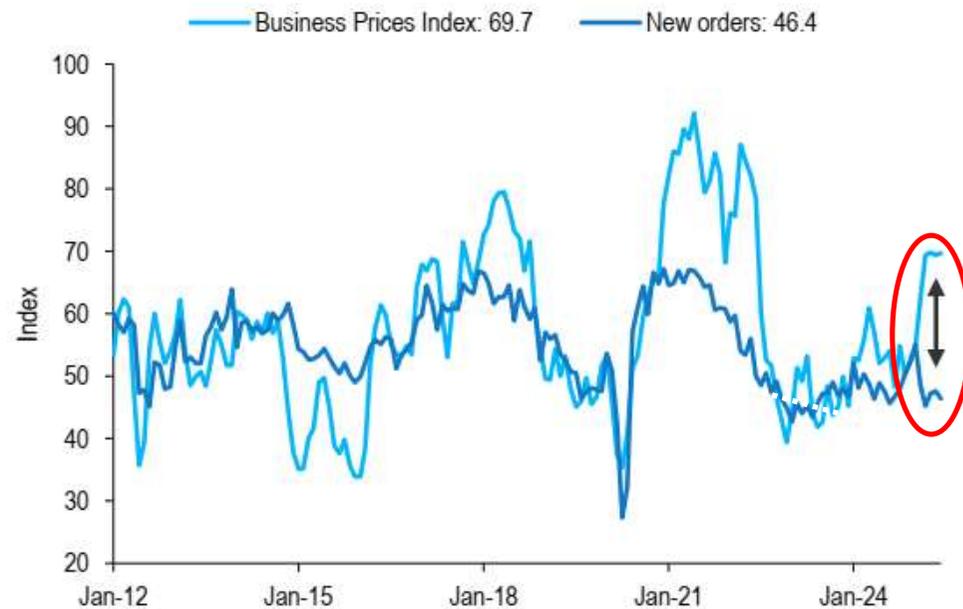


Business surveys suggest inflation may pick up soon

Businesses are seeing **higher prices and weaker new orders**



Source: FactSet, MWM Research, August 2025



Source: Bloomberg, MWM Research, July 2025





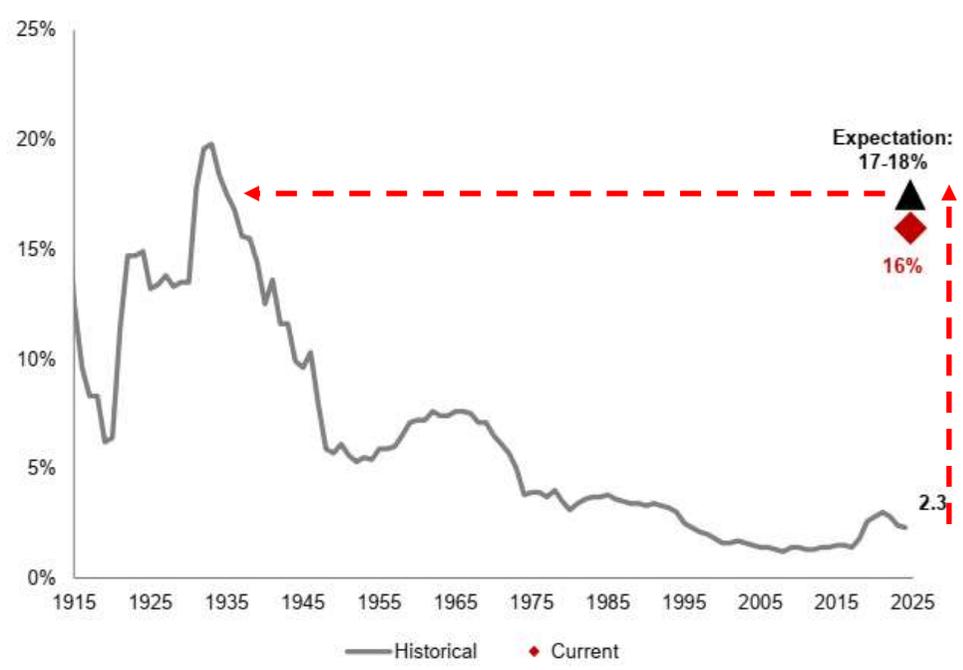
Trump's Trade Tariffs Might Be The Catalyst



The **US average tariff rate** is the highest since 1934!

The **US equity market** looks very expensive

Average effective tariff rate on imports into U.S. (%)



S&P 500 P/E multiple
x 12 month forward consensus EPS



Source: FactSet, MWM Research, August 2025

So What Does This Mean For Markets?

US economic data has softened but near-term recession risk seems low



Falling Inflation = Fed cuts rates, pro-growth
Outcome: **Growth assets likely outperform**

BUT...

If stagflation lies ahead markets may need to reassess their optimistic outlook.



Sticky Inflation = Fed holds rates, growth scare
Outcome: **Growth assets likely revalue down**

MPW Recommended Portfolio Strategy



Asset Class	Tactical Position	Comment
Currency (AUD vs USD)	Hedged	Hedging USD at current levels, AUD may fall further but it is below the long-term average
Cash & Liquidity	Neutral	RBA is expected to cut rates once more into year end, hold cash for buying opportunities
Government Bond Duration	Underweight	Long-duration bonds are not pricing in higher for longer inflation. Prefer private debt
Corporate Credit & Debt	Underweight	Listed credit spreads are very low by historical measures, so higher risk. Prefer private debt
Listed Property & Infrastructure	Underweight	Listed assets have had a strong run on rate cuts, prefer to own selective unlisted assets
Listed Australian Shares	Underweight	Expensive, prefer value over growth, resources over banks, and small caps over large caps
Listed International Shares	Underweight	US very expensive, Europe and Emerging Markets cheaper, small caps over large caps
Liquid Alternative Assets	Overweight	Hedge funds, private debt, private infrastructure, private equity, selective commodities
Illiquid Alternative Assets	Overweight	Private market assets such as venture capital can provide a long-term return premium





The Role of Alternative Assets In Portfolios

Framework-driven portfolio construction: What role do different categories play in the portfolio?

RETURN ENHANCERS

Global diversification and tactical/
opportunistic returns

Distressed
credit

Special situations

Private Equity &
Venture Capital

CORE COMPLEMENTS

Added diversification and/or
enhanced returns

Corporate
mezzanine loans

Hedge funds

Noncore
real assets

CORE FOUNDATION

Stable Income with lower volatility,
diversification and inflation sensitivity

Core
private credit

Core private
infrastructure

Low volatility
core equity

● LOWER Income/
HIGHER Volatility

● HIGHER Income/
LOWER Volatility

■ = MPW High Conviction Overweights

● Fixed income-like

● Hybrids

● Equity-like

Source: JP Morgan Asset Management Alternative Solutions Group & MPW



MPW Concluding Summary

MPW Outlook: Recession risk has subsided, market optimism is high, but inflation may surprise to the upside.

Inflation Keeps Falling Scenario: This is the consensus view and markets are pricing this outcome, believing further interest rate cuts are coming alongside strong fiscal spending.

- Risk assets should do well but will need earnings growth to support valuations. Valuation matters to long term returns!

Stagflation Scenario: Higher inflation and low growth will likely see interest rates remain on hold, and this is not a good outcome for equity markets which are priced for perfection.

- After such a strong run, expect a sizeable market pullback if inflation remains sticky or trends higher.

Portfolio Implications:

- Expect higher market volatility as tariff impacts play out.
- Own alternative assets, private markets & inflation hedges.





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