



# MORROWS PRIVATE WEALTH MARKET & STRATEGY UPDATE SEPTEMBER 2025

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# MPW Market & Strategy Update – September 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.

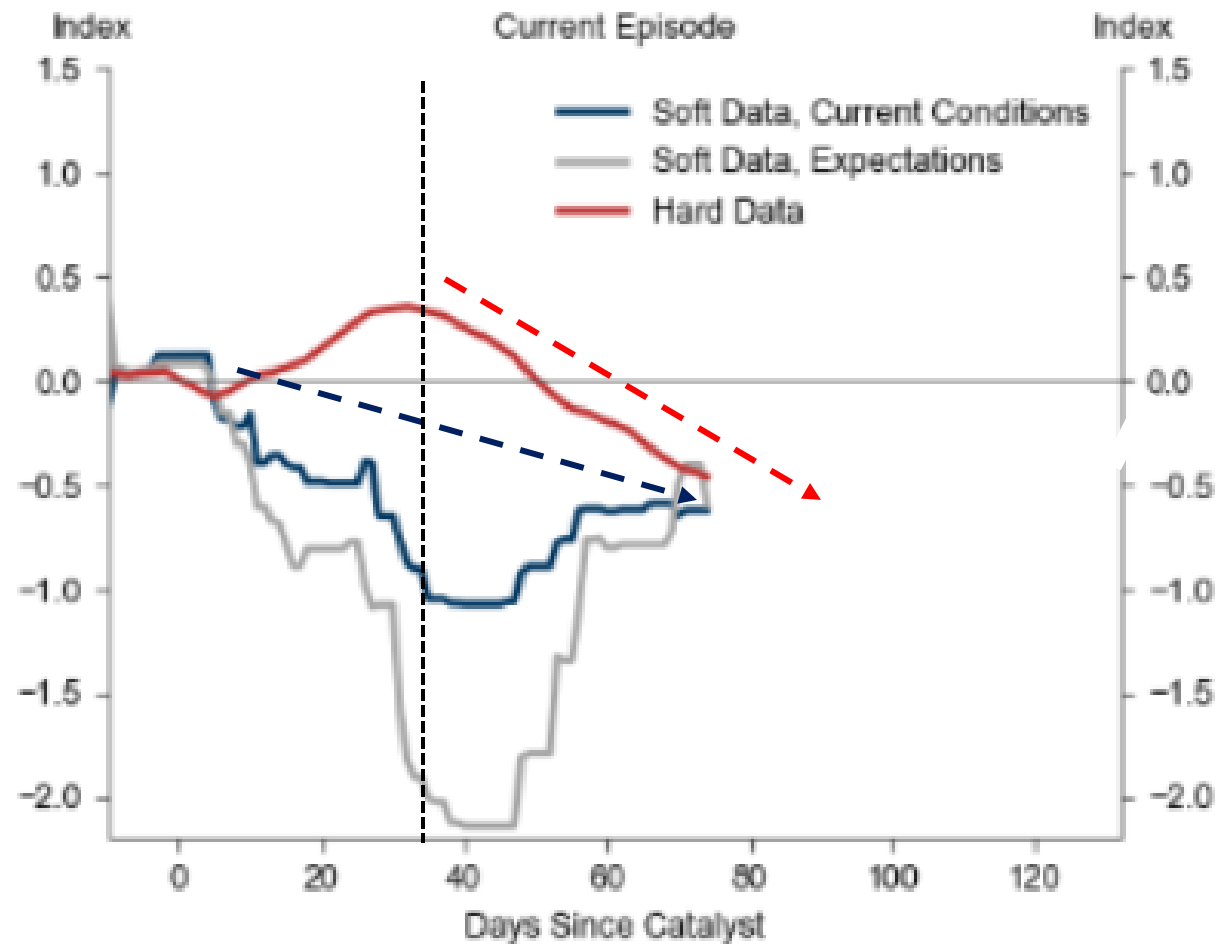
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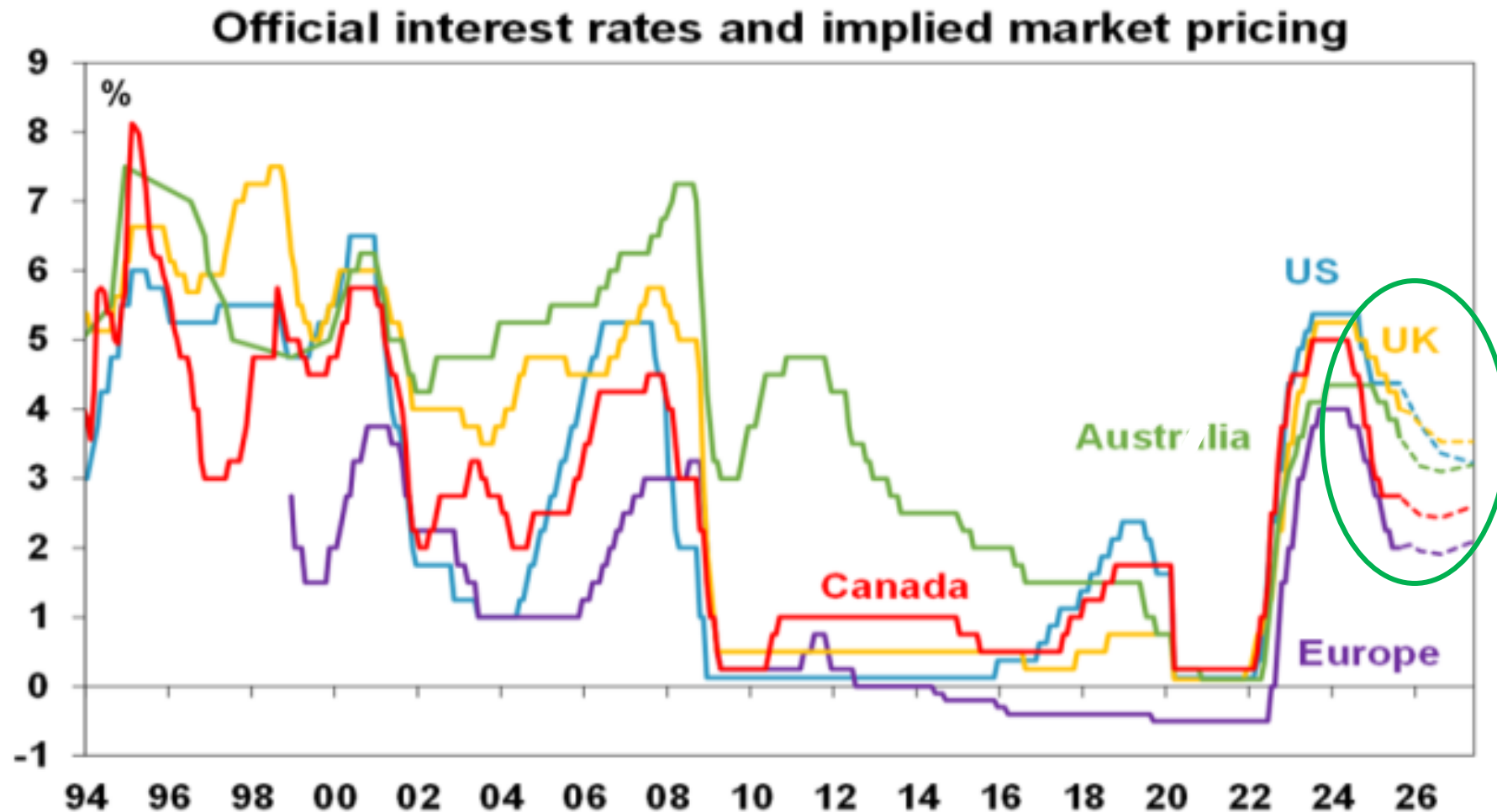
# What Do Economic Indicators Tell Us?

## Hard Data Has Begun to Converge With Weaker Soft Data



Source: Goldman Sachs GIR, as of June 23, 2025.

# Central Banks Are Expected To Cut Interest Rates



Source: Bloomberg, AMP

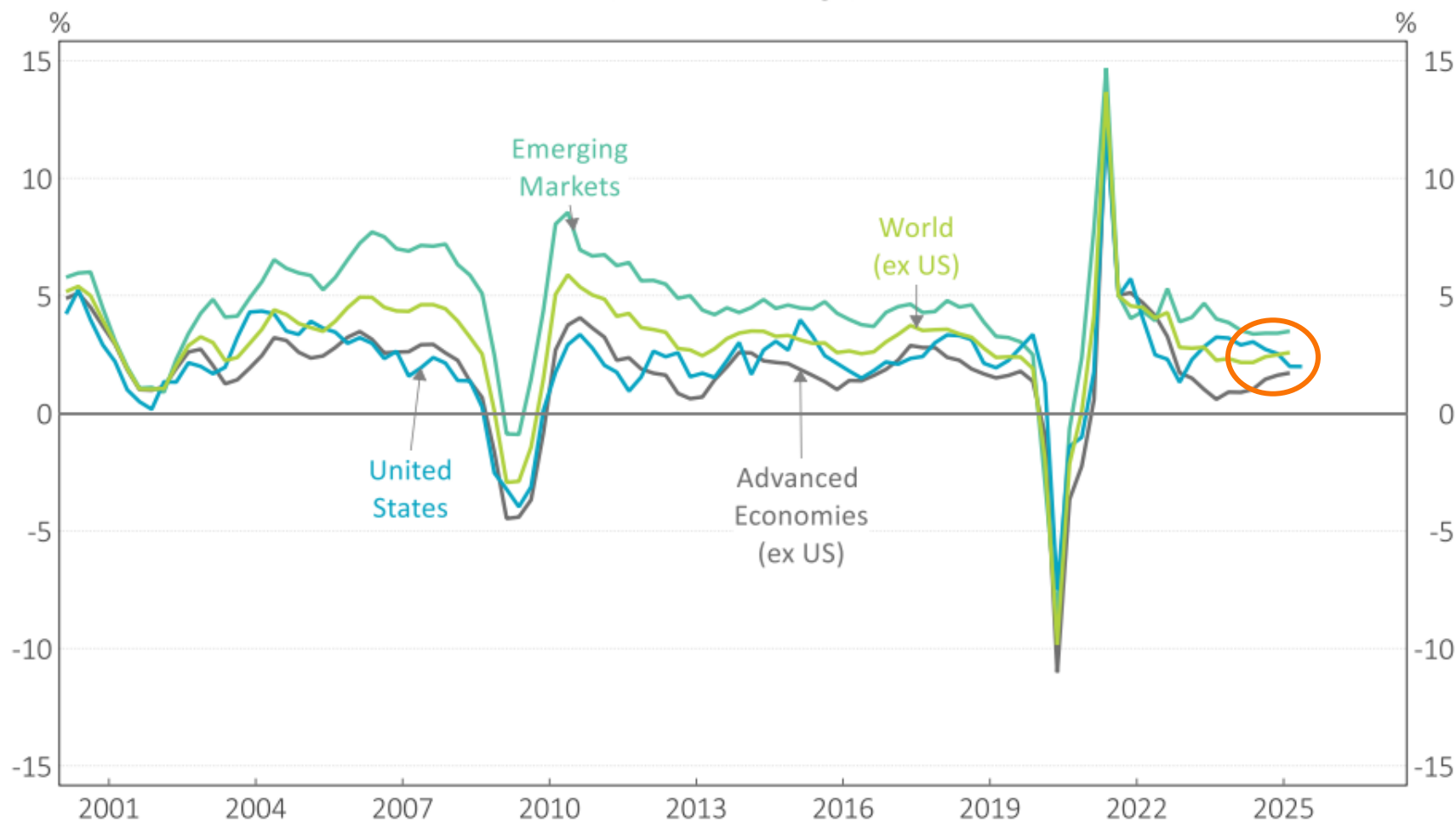


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# Global Economic Growth: Positive, But Subdued

## Real GDP Growth By Region

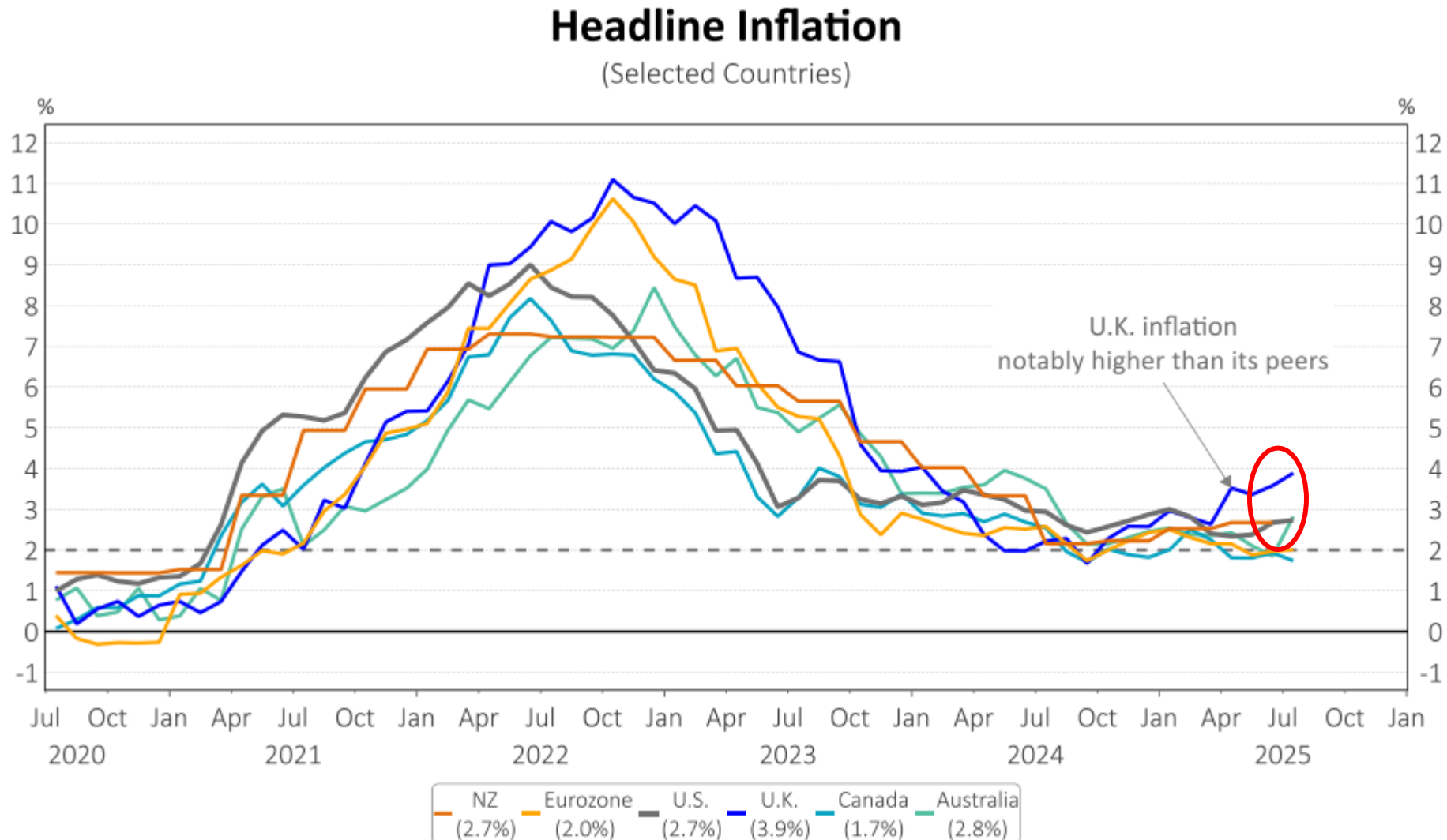
(Annual % Change)



Source: PinPoint Macro Analytics, Macrobond, Dallas Fed (data as at 1/09/2025)



# Global Inflation: Picking Up In The UK, US & AU



Source: PinPoint Macro Analytics, Macrobond (data as at 1/09/2025)

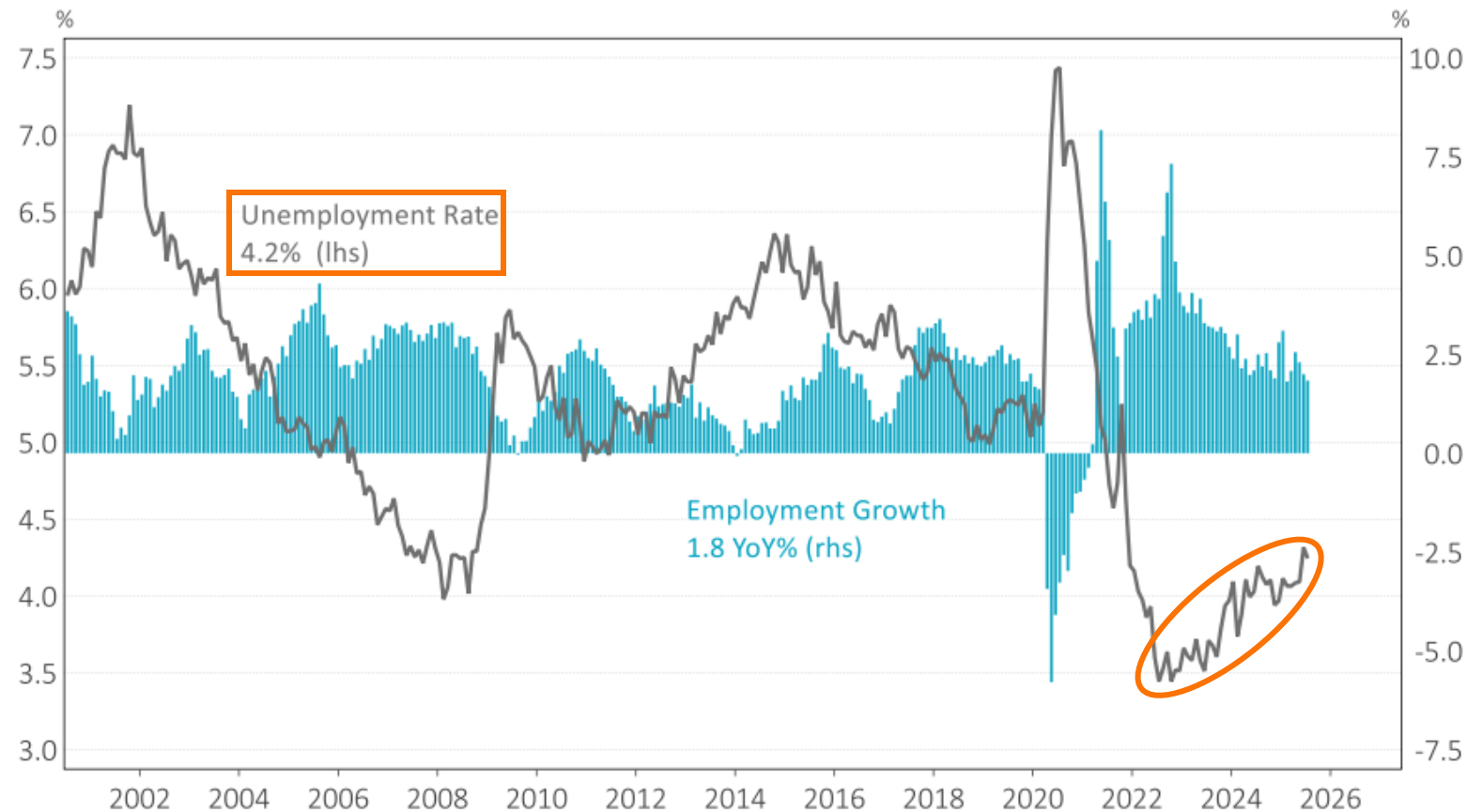


# Australian Recession Risk Is Low

GDP was better than expected in the June quarter and whilst unemployment has risen, it remains historically low.

## Australia Labour Market

(Key Indicators | July 2025)

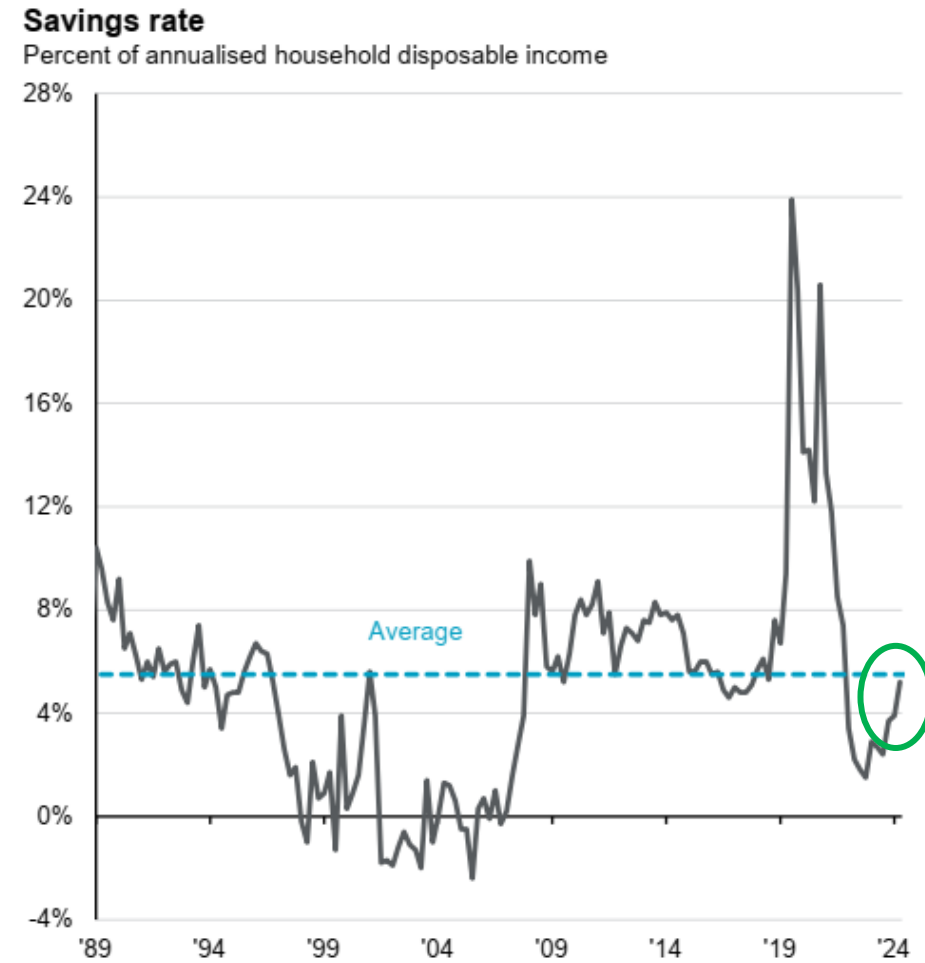
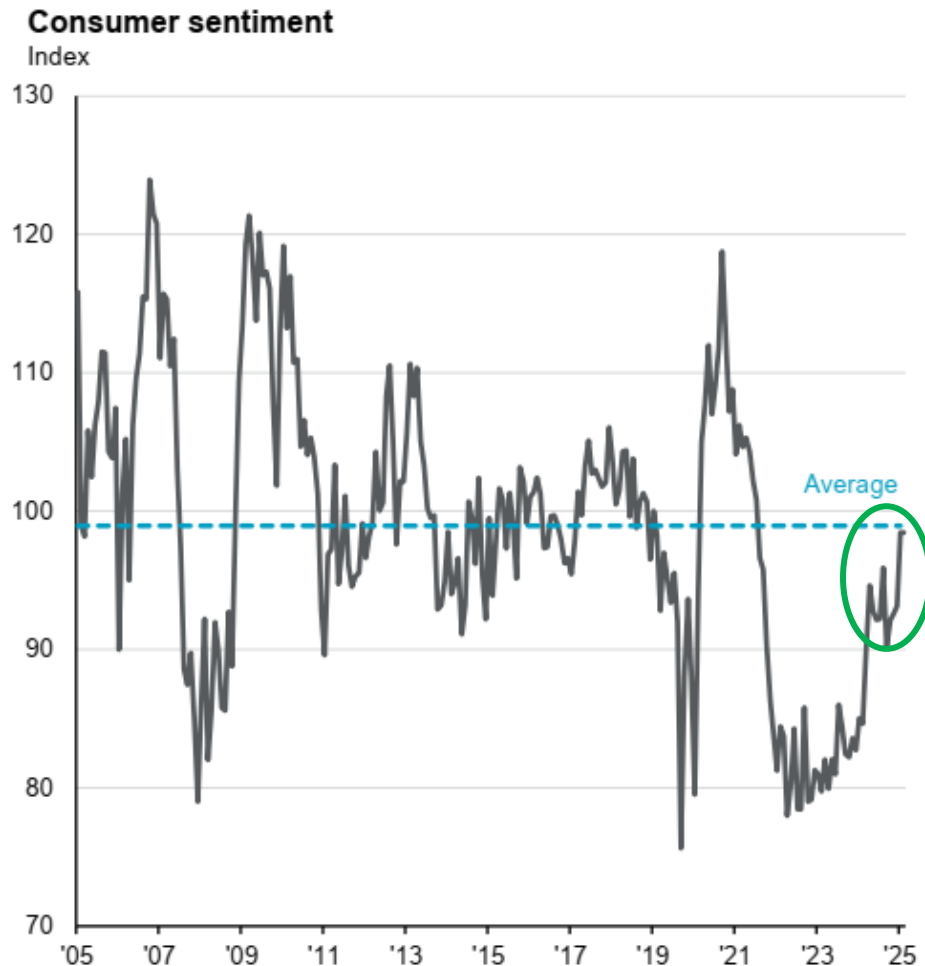


Source: PinPoint Macro Analytics, Macrobond, ABS (data as at 1/09/2025)



# Australian Consumers Have Been Resilient

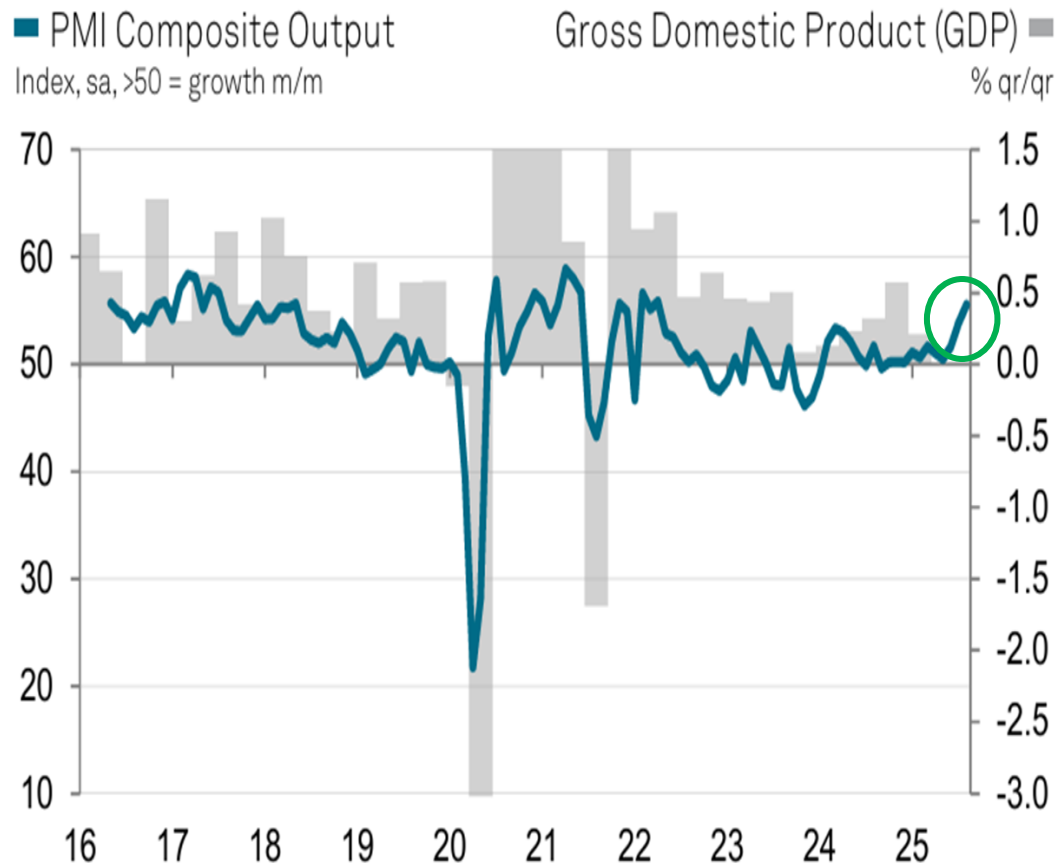
Consumer sentiment and household savings rates have improved with lower inflation and interest rate cuts.



Source: Australian Bureau of Statistics, BEA, FactSet, Reserve Bank of Australia, J.P. Morgan Asset Management.  
Guide to the Markets – Australia. Data as of 29/08/25.

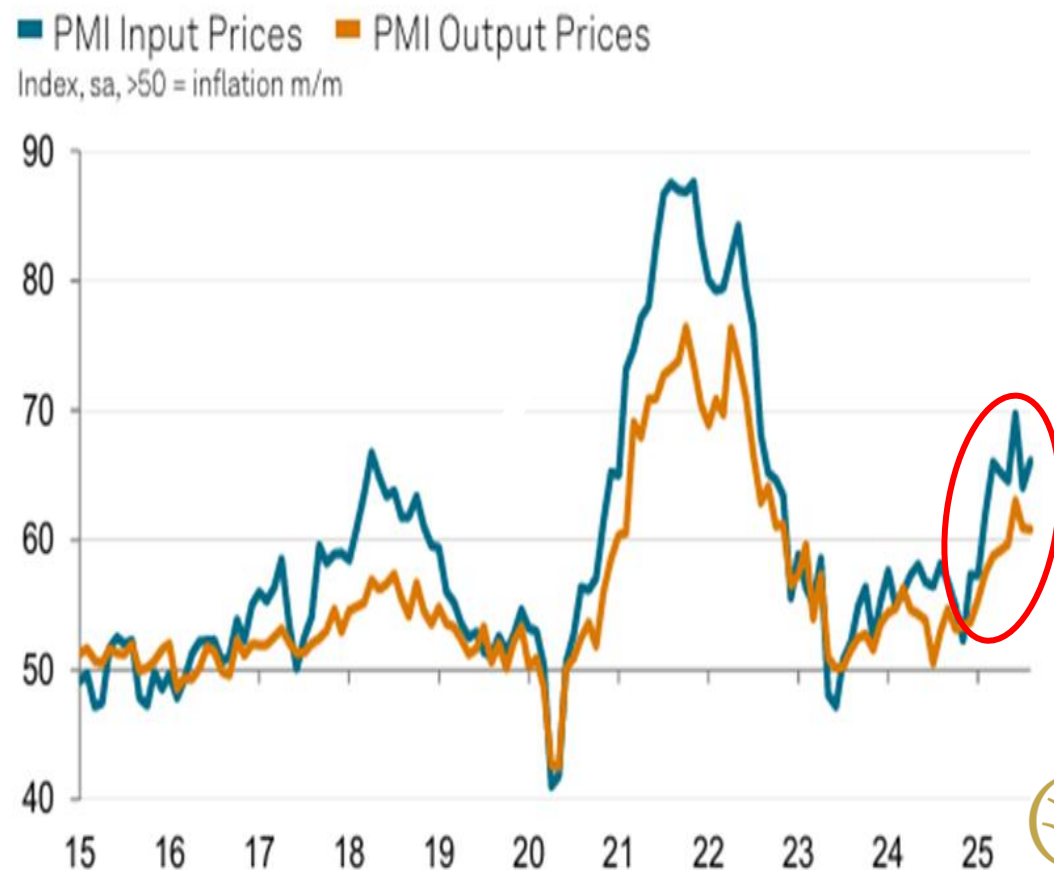
# Australian Manufacturing & Services Sectors

**AU Manufacturing and Services Sectors are picking up.**



Sources: S&P Global PMI, Australian Bureau of Statistics via S&P Global Market Intelligence.  
©2025 S&P Global.

**But so too are input and output prices which is inflationary.**

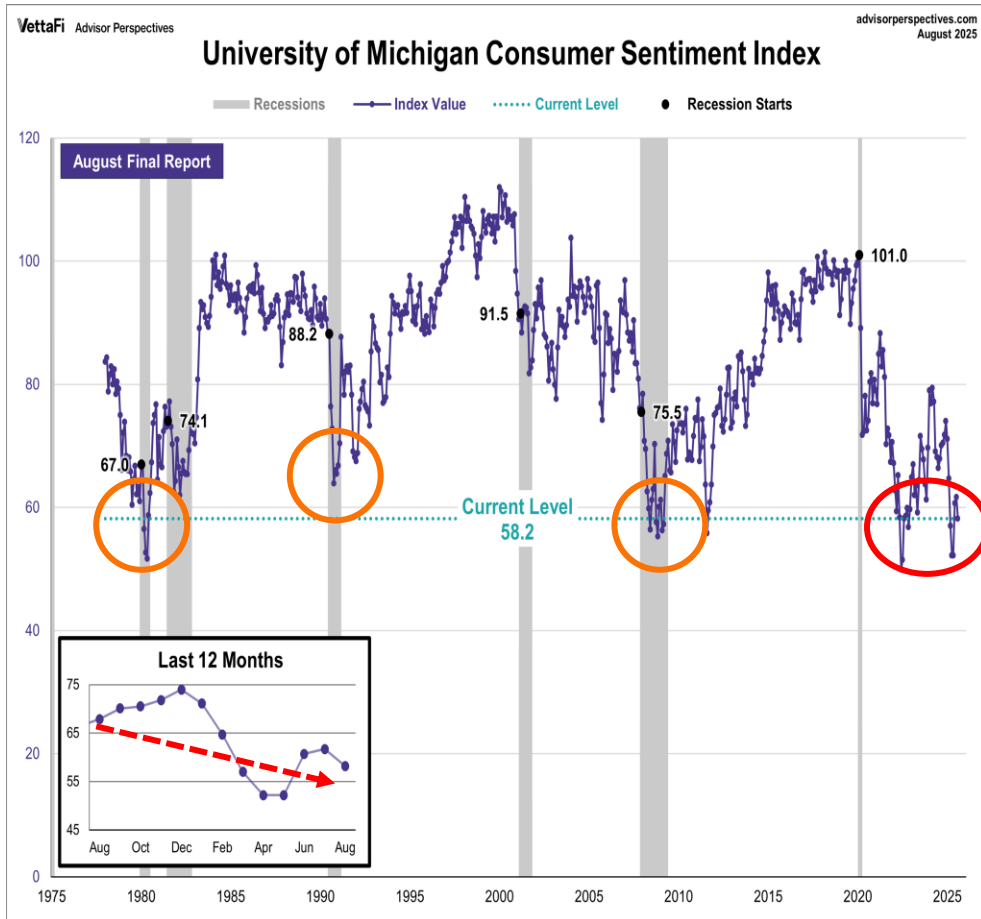


Source: S&P Global PMI. ©2025 S&P Global.



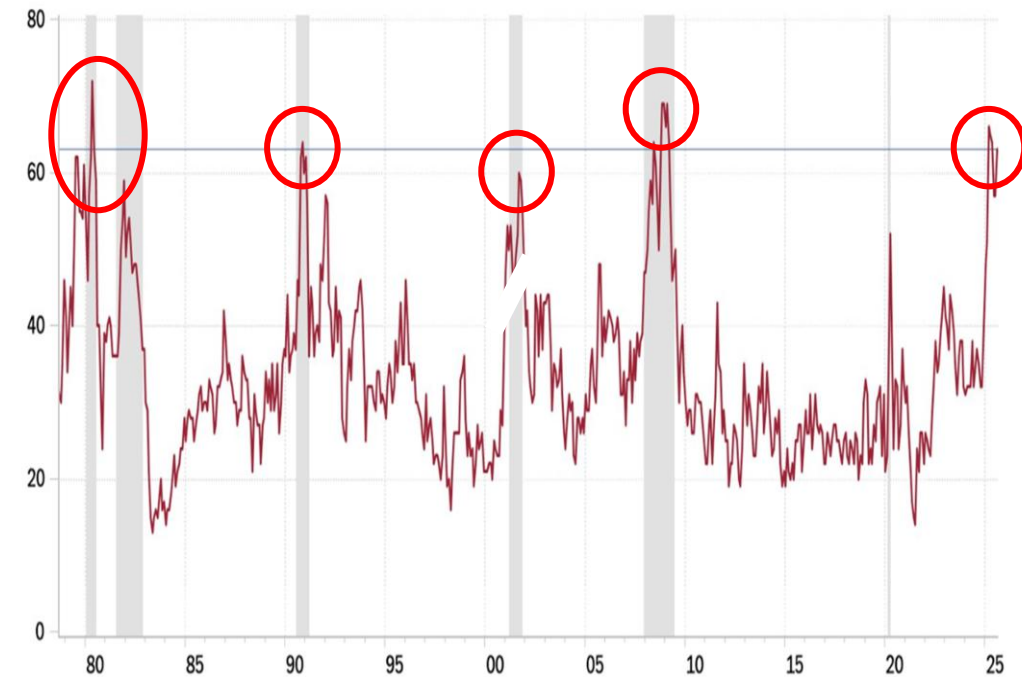
# US Recession Risk Is Rising

Consumer confidence is at recessionary levels and expectations for higher unemployment are at recessionary levels.



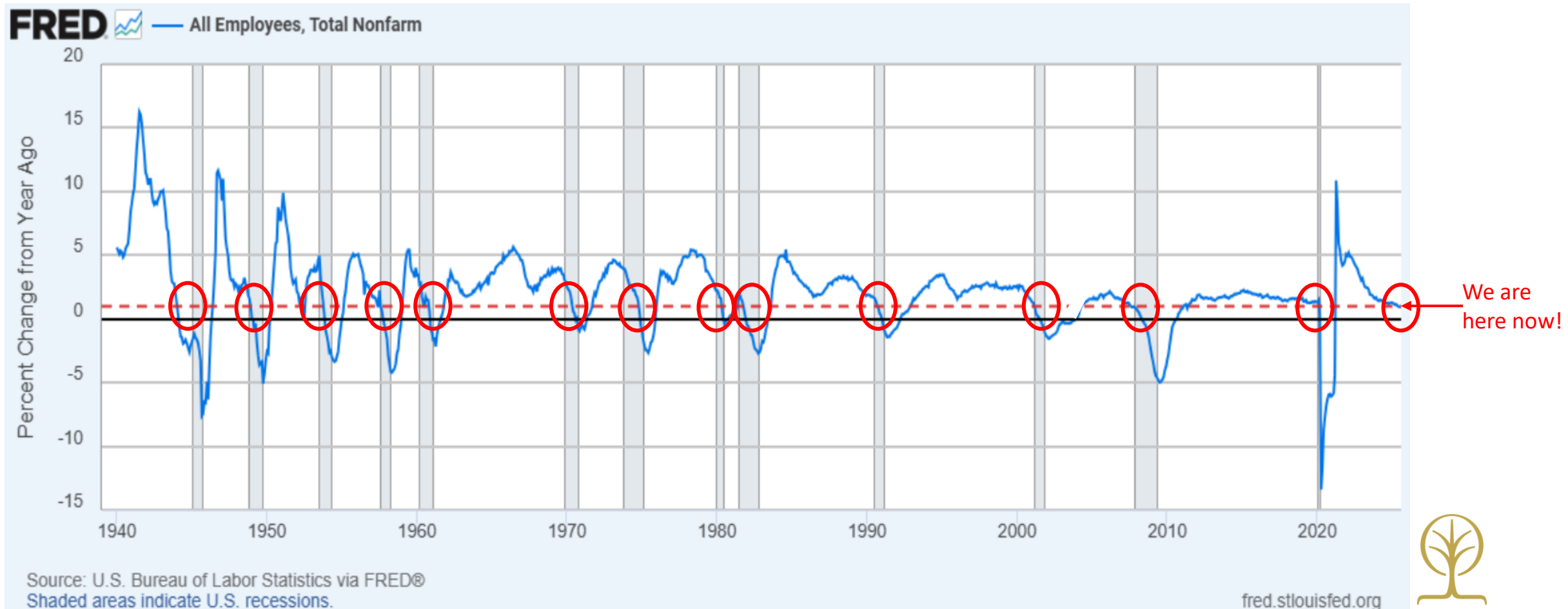
## 12-Month Expectations: More Unemployment

United States: University of Michigan Survey of Consumers  
(percent of respondents)



# Rising US Unemployment Is A Concern

US annual jobs growth falling below 1% has resulted in a recession every time in the last 80 years. It just triggered!



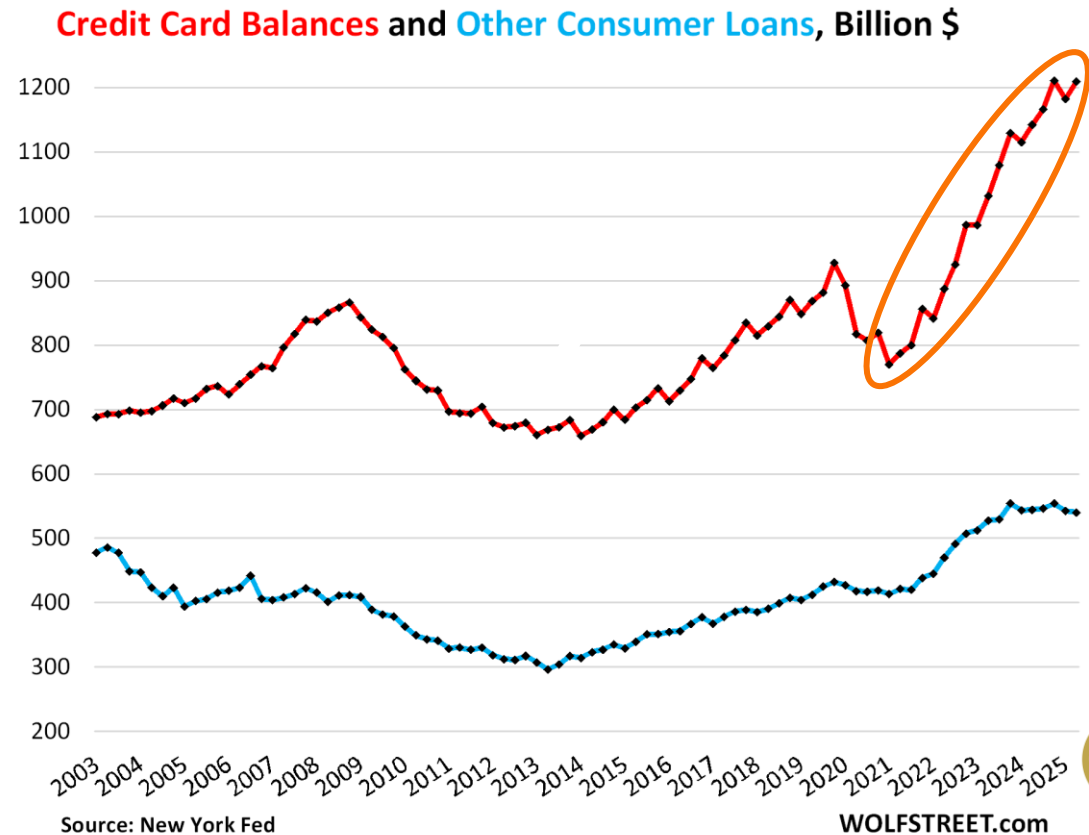
# US Consumer Spending And Credit Card Debt

US consumer spending has stalled this year (adjusted for inflation) whilst credit card debt continues to balloon.



\* SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA).

\*\* SOURCE: REAL RETAIL TRADE DATA FROM BUREAU OF ECONOMIC ANALYSIS (BEA). EXTENDED USING NOMINAL RETAIL SALES FROM CENSUS BUREAU (DEFLATED BY CHICAGO FED RETAIL PRICES).



Source: New York Fed

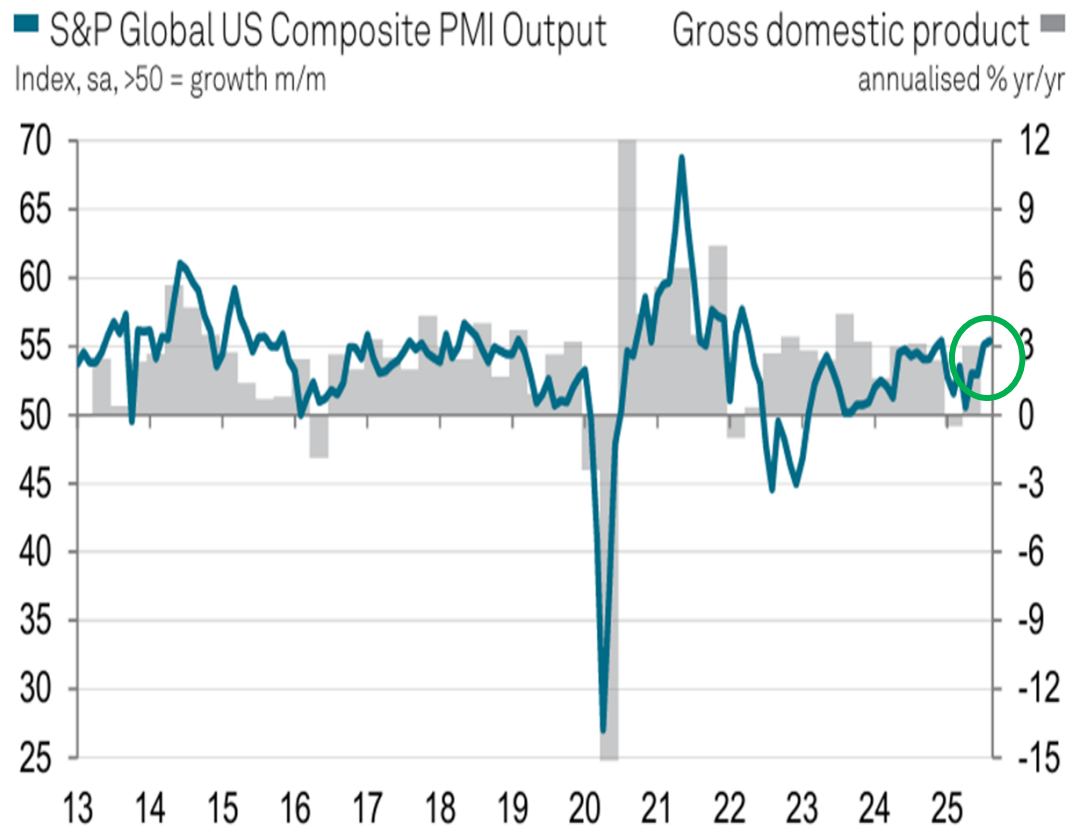
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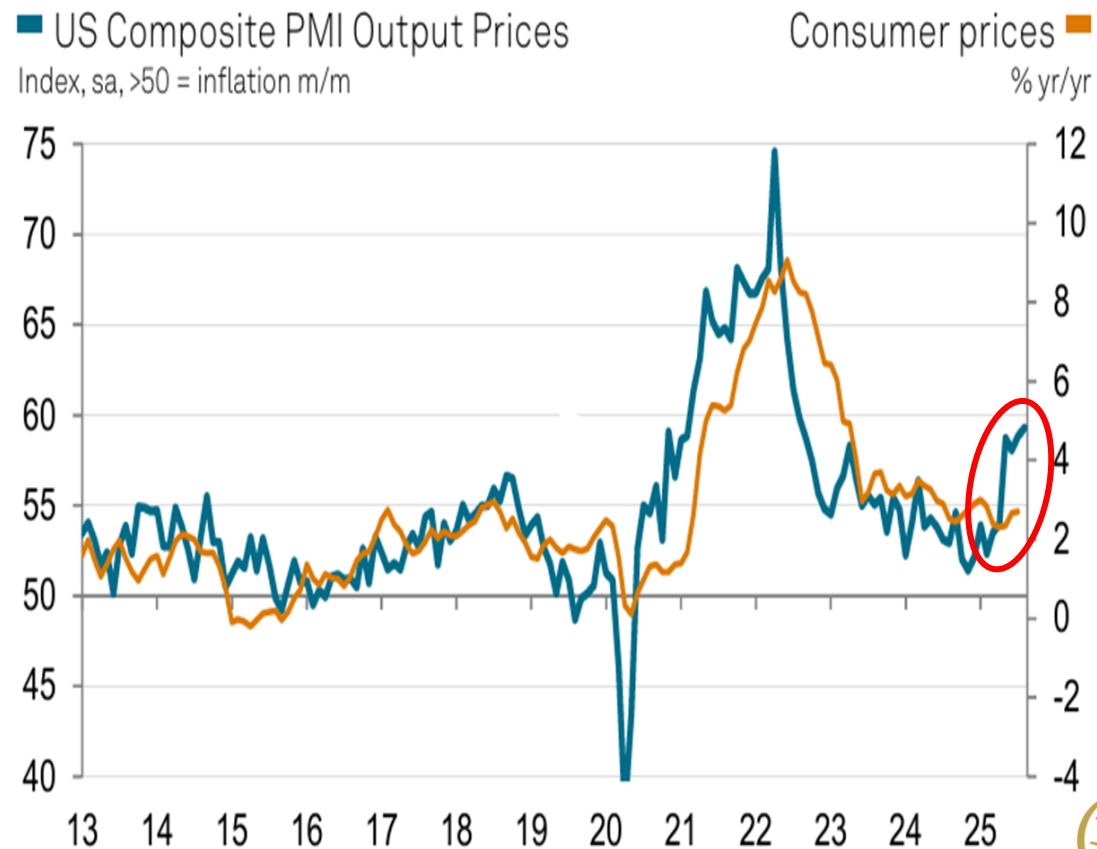
# US Manufacturing & Services Sectors

**US Manufacturing and Services Sectors are solid.**



Data were collected 12-20 August 2025.  
Sources: S&P Global PMI, Bureau of Economic Analysis via S&P Global Market Intelligence.  
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**But output prices suggest inflation is going to rise.**



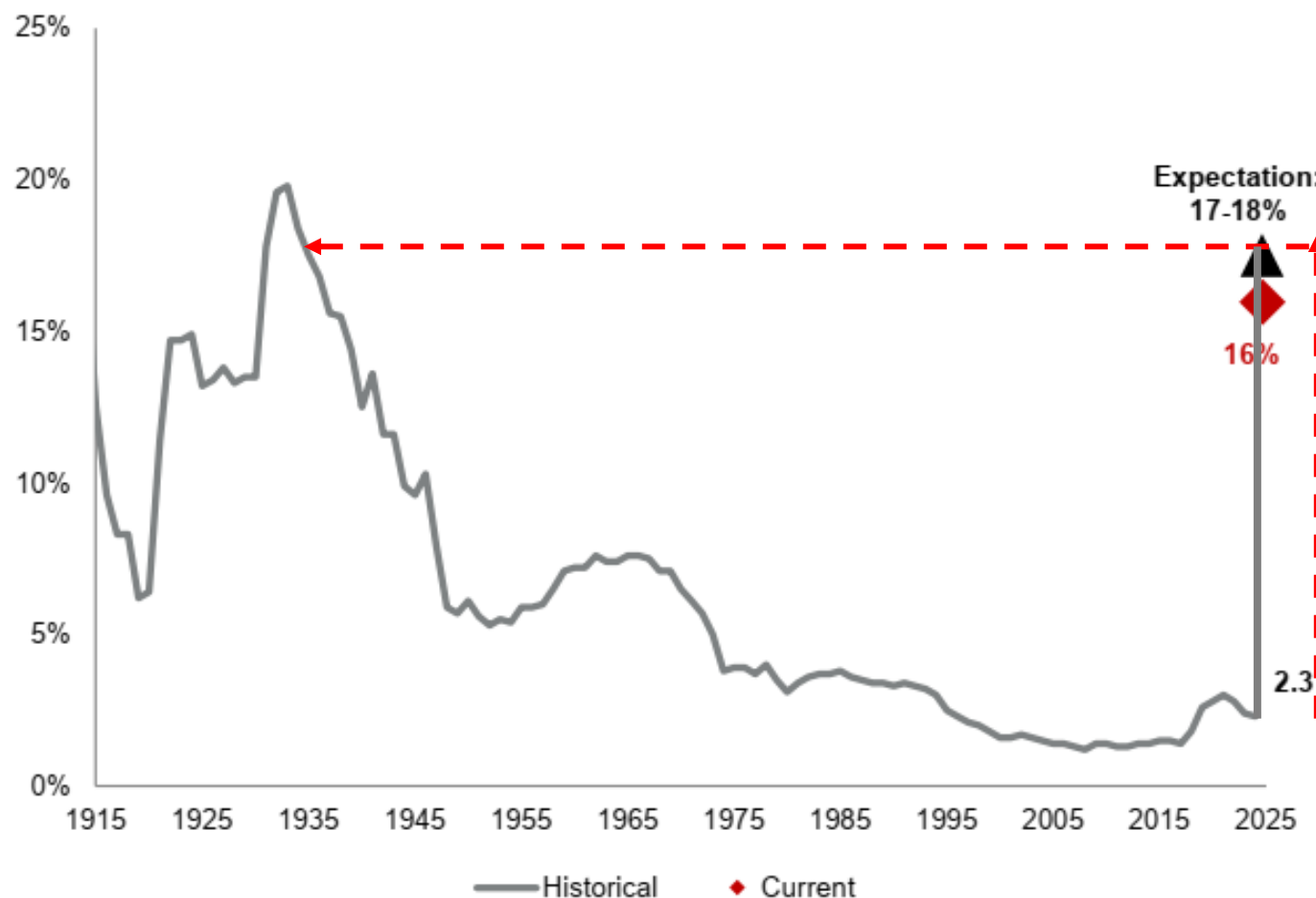
Sources: S&P Global PMI, Bureau of Labor Statistics via S&P Global Market Intelligence.  
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# Tariff Implications Are Yet To Be Seen

The averaged effective tariff rate on imports into the US is expected to be around 18%, last seen back in 1934!



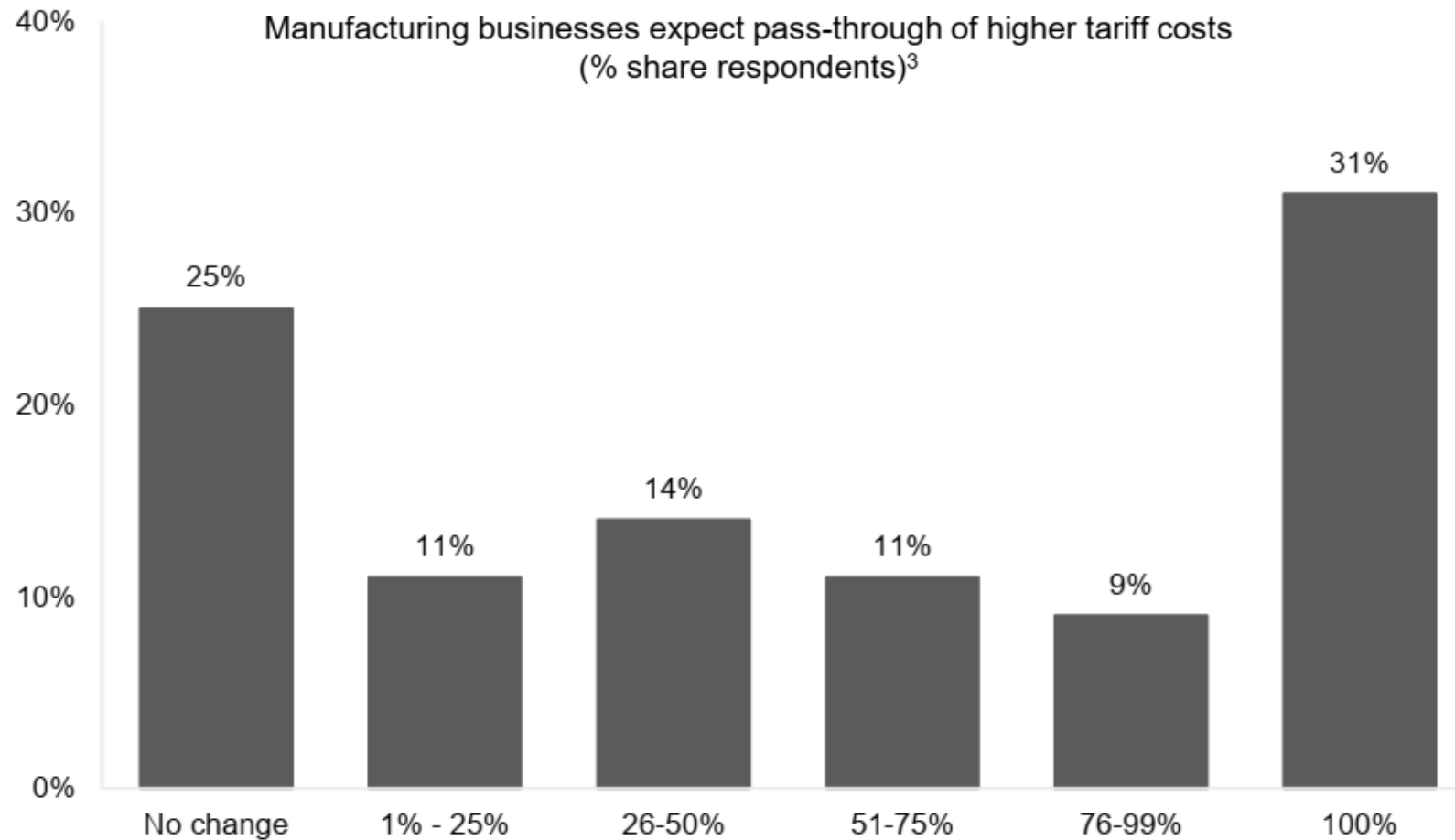
Source: Census Bureau (May 2025). World Bank and World Development Indicators (July 2025).



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# Who Will Pay For The Tariffs?

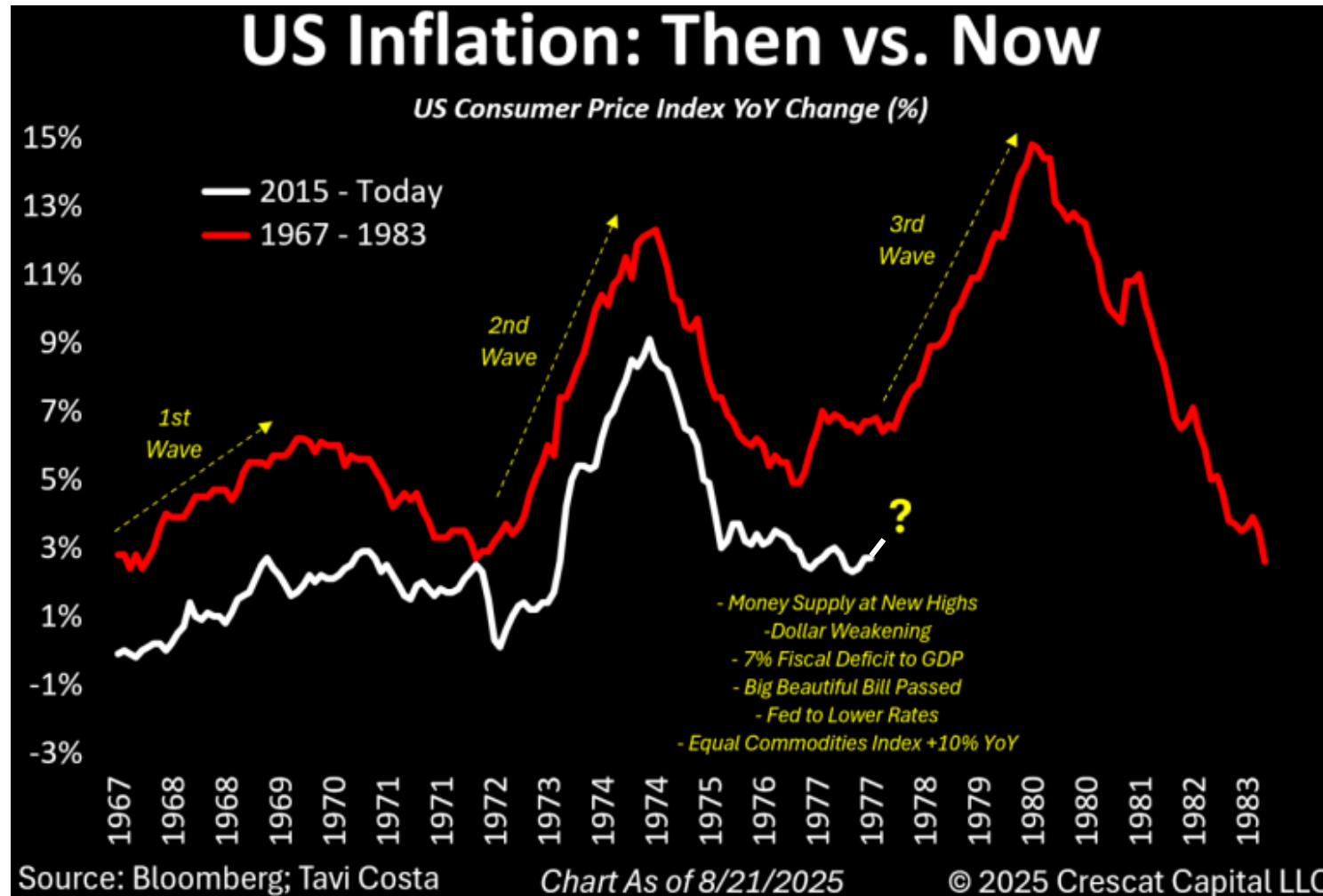
**25% of US businesses plan to absorb the tariff costs, 75% plan to pass some or all of this onto consumers.**



# US 1970's Inflation vs Today's Inflation



Will the current uptick prove to be transitory like the US Fed thinks, or does it become more entrenched?





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

# So What Does This Mean For Markets?

US economic data has softened but near-term recession risks seem low, so long as inflation keeps falling and the Fed cuts interest rates in line with market expectations.

BUT...

If stagflation (low growth & higher inflation) lies ahead and the Fed takes longer to cut interest rates, markets may need to reassess their optimistic risk-on outlook.



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



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

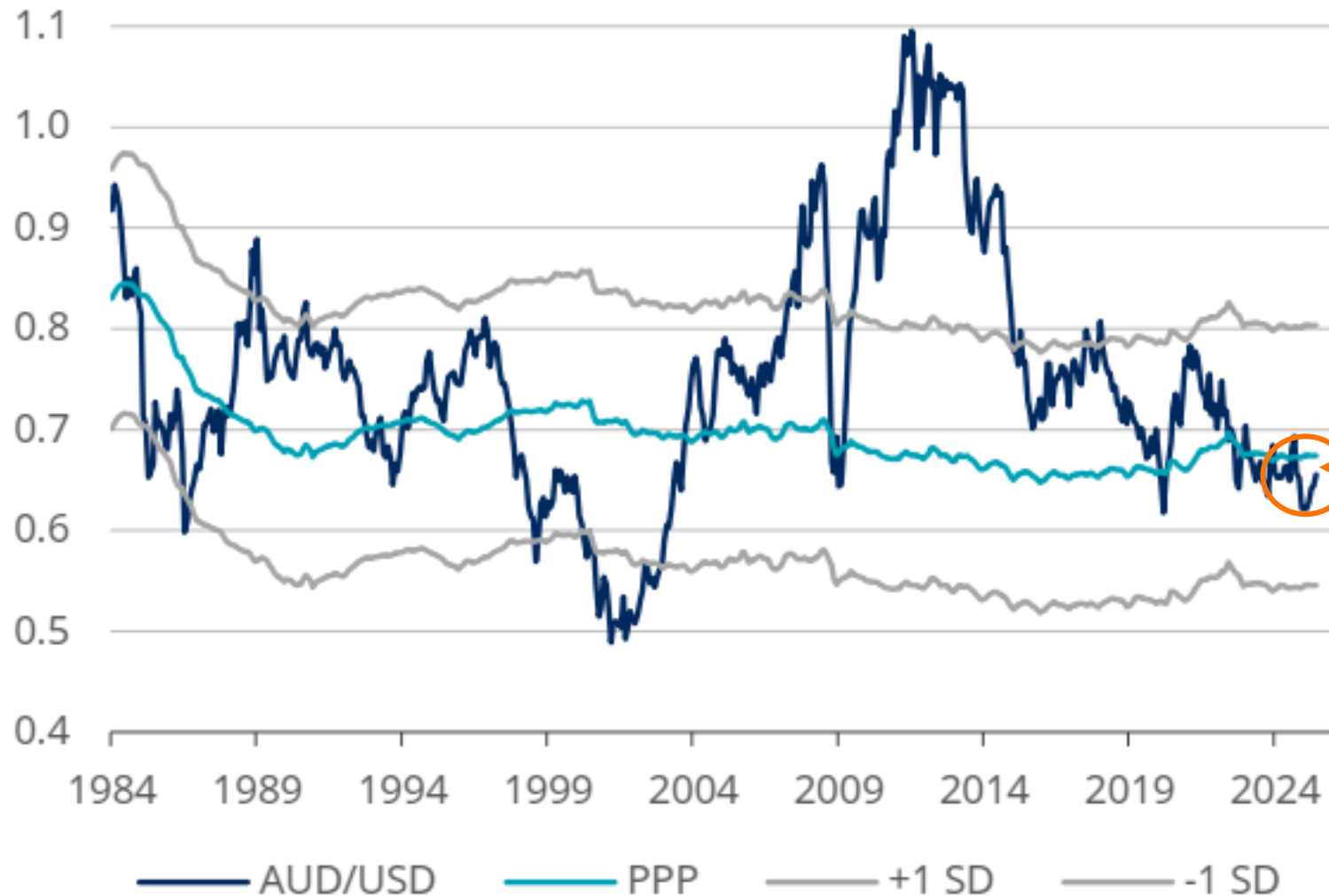
# MPW Recommended Portfolio Strategy



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



# Australian Dollar and Fair Value

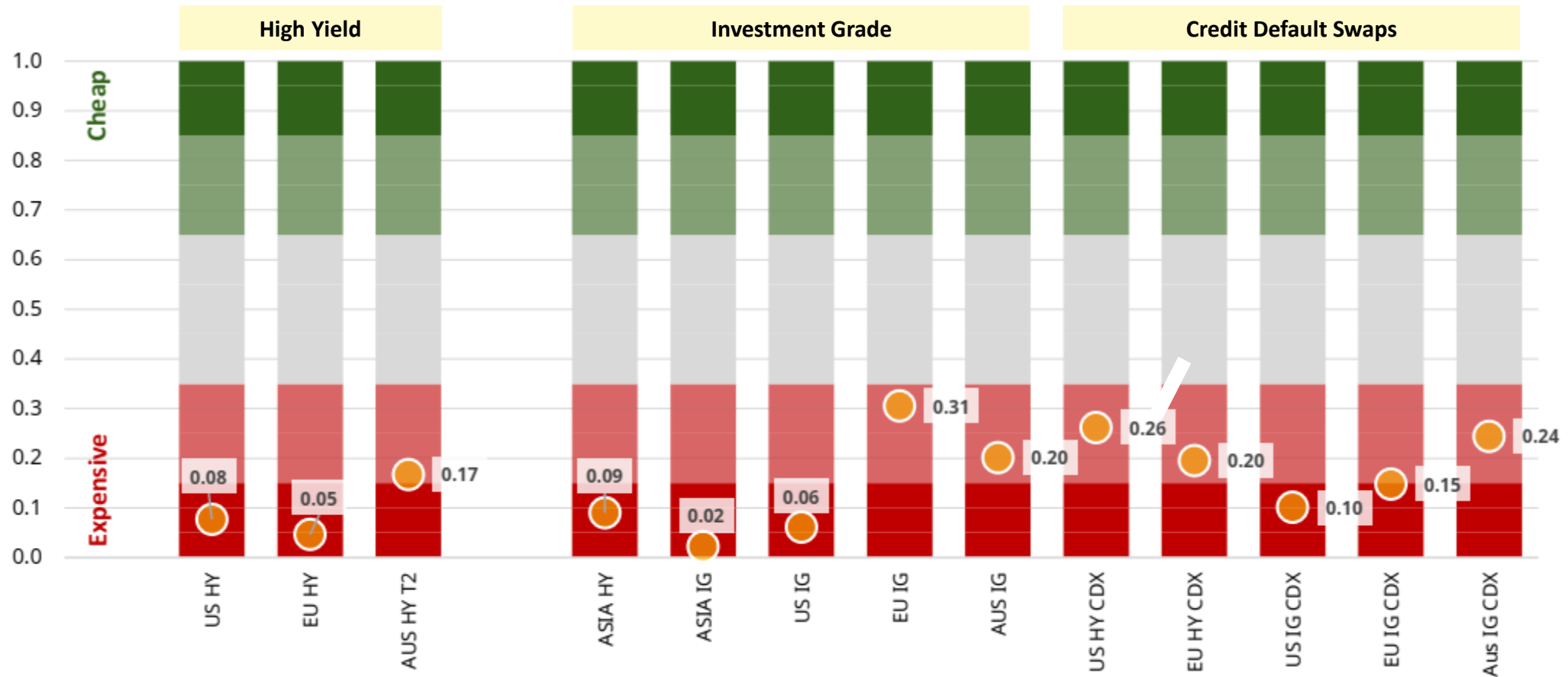


The AUD is marginally below its long-term purchasing power parity (PPP) with the USD



# Listed Corporate Credit Is Expensive

## Spread Levels by Percentile



- Light red – the tightest 15<sup>th</sup> to 35<sup>th</sup> percentile of spreads, representing moderately expensive spread valuations
- Dark red – the tightest 15<sup>th</sup> percentile of spreads, representing expensive spread valuations

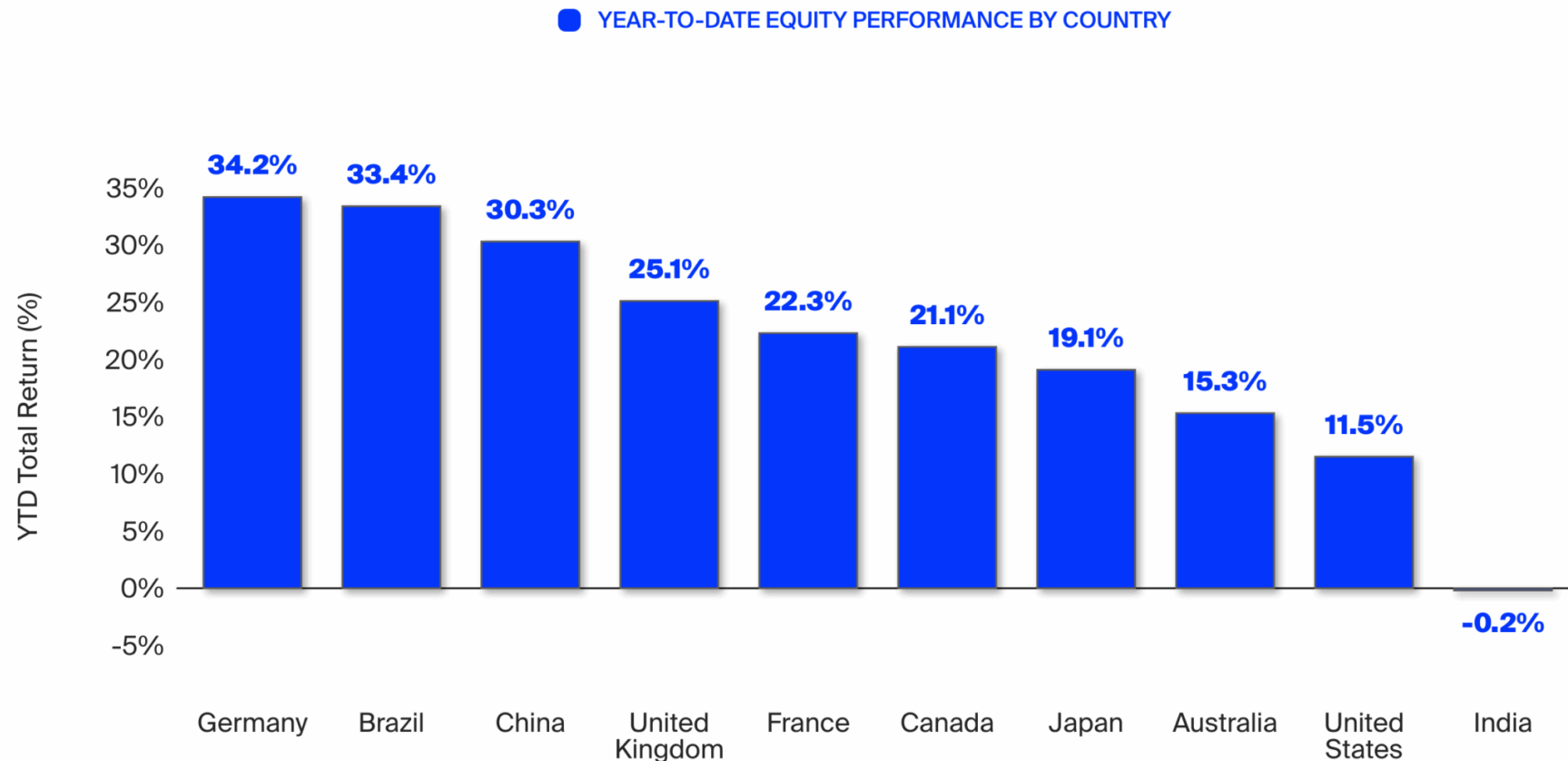
08-Aug-25



# Equity Market Returns By Country 2025 CY

## Major Country Equity Performance in 2025

United States, Germany, Brazil, France, China, United Kingdom, Japan, Canada, Australia, India year-to-date (YTD) Equity Total Returns  
YTD 2025



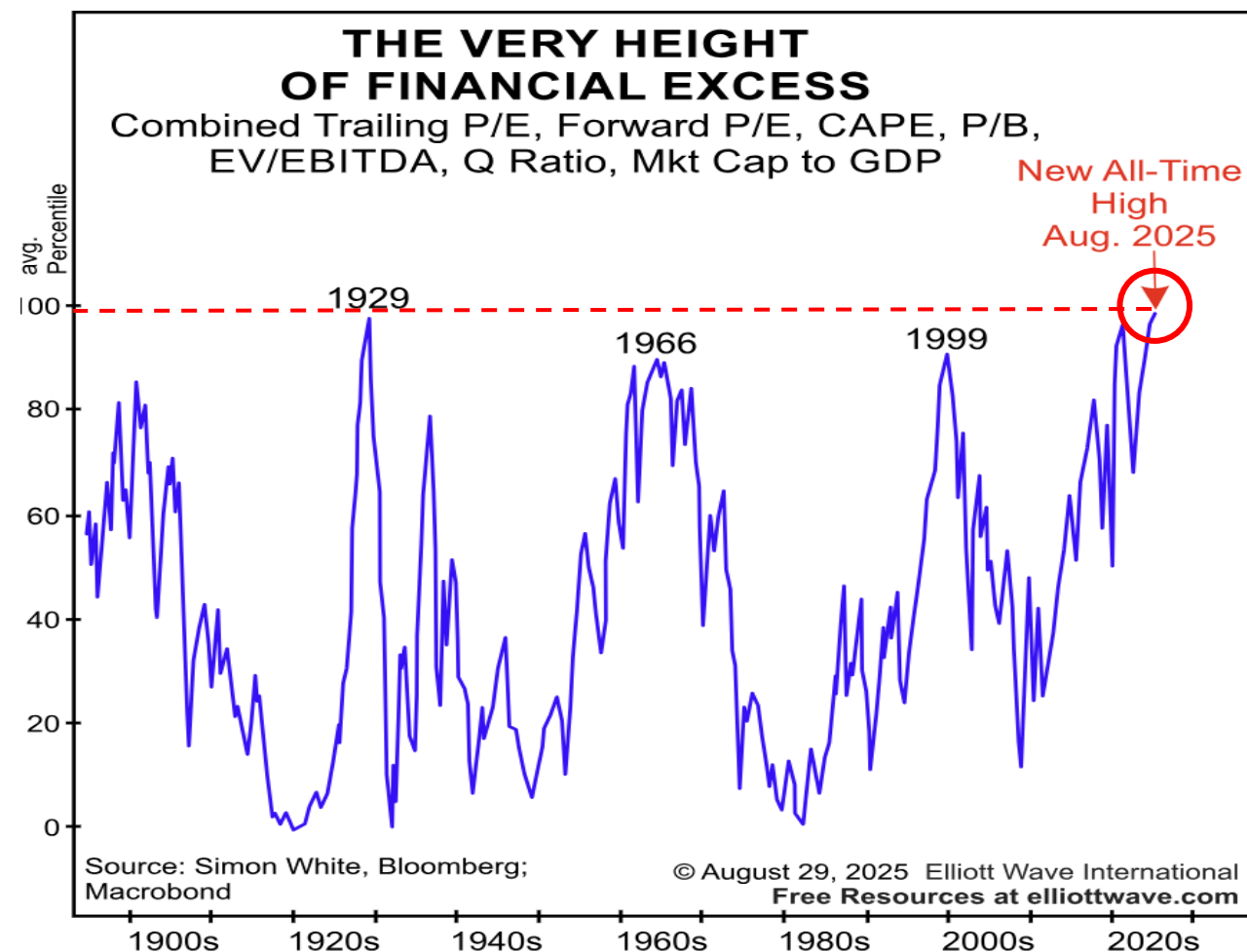
Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2025-08-29



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# US Share Market Valuations Are The Highest Ever!

US valuations have primarily been driven by large-cap tech stocks, but there are some pockets of valuation left.



P/E ratio of the top 10 and remaining companies in S&P 500

Next 12 months, 1996 - present



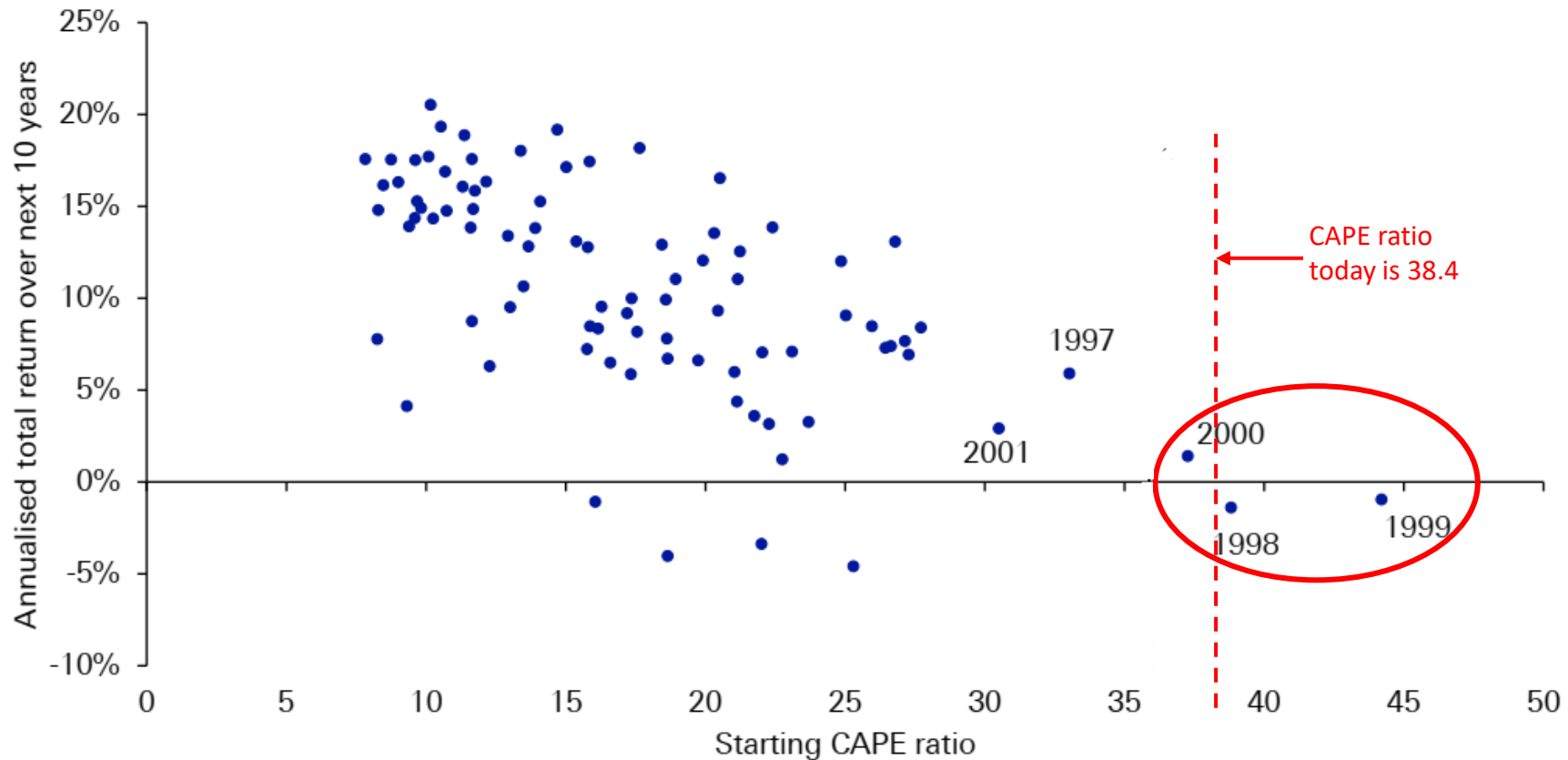
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.



# Valuation Matters To Long-Term Returns

The current Shiller PE Ratio has only been higher in the late 1990's dotcom boom... future returns look poor!

CAPE Ratio since 1927 and annualised S&P 500 total return over the next 10 years

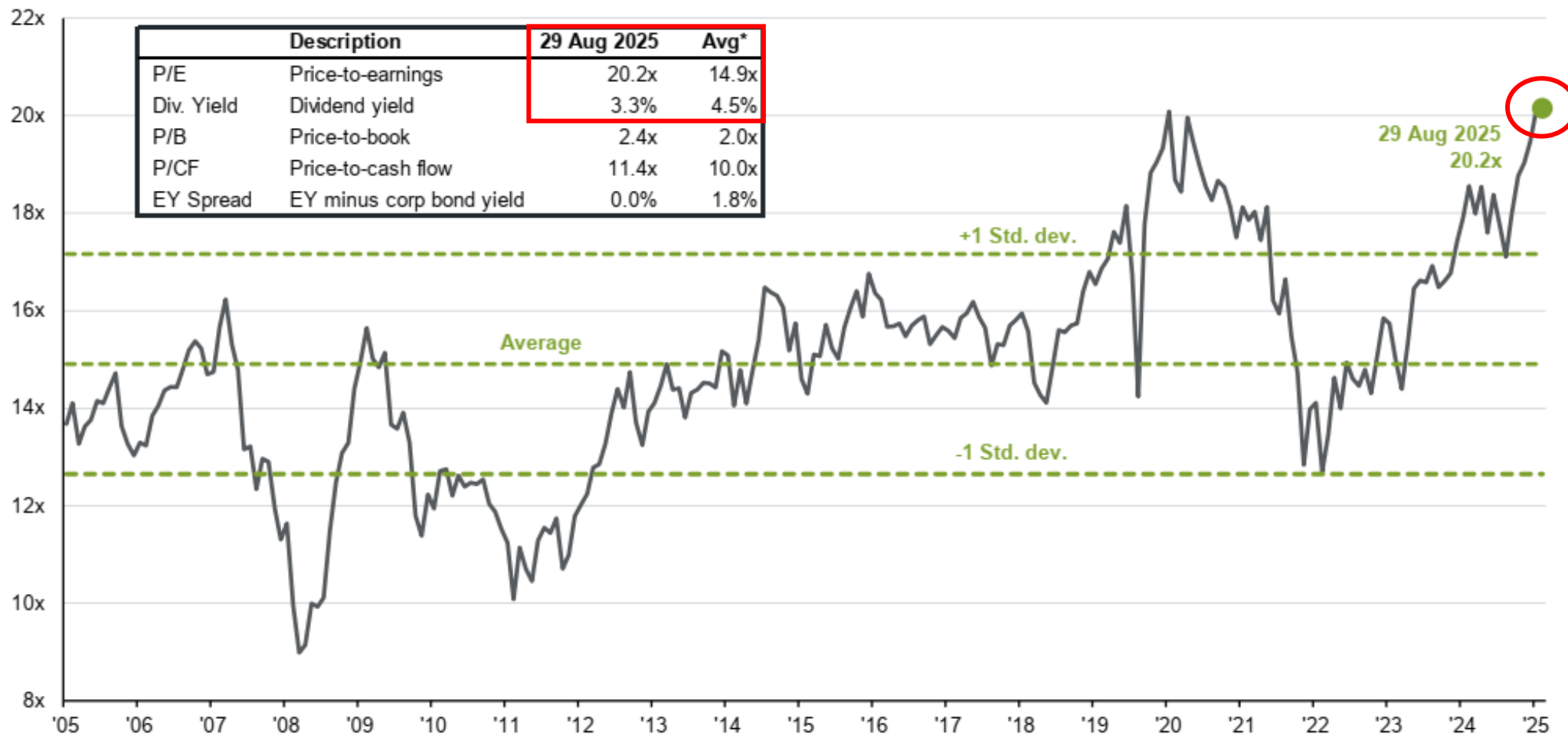


# Where To Next For The US Market?



# Australian Shares Are Also Very Expensive

ASX 200 Index: Forward P/E ratio



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

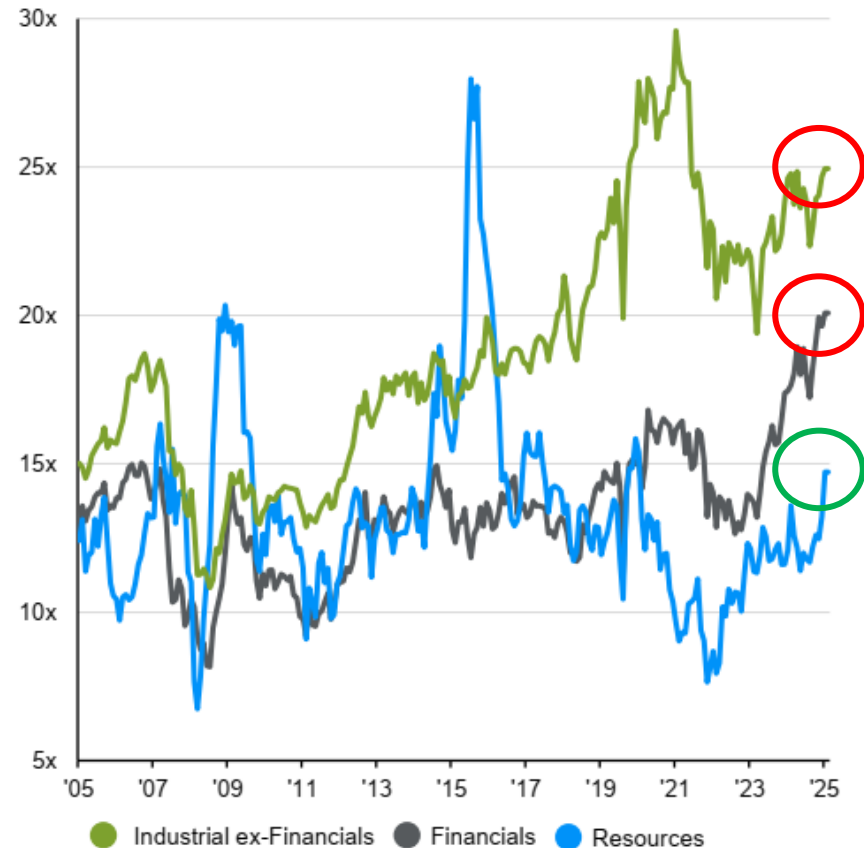


# Australian Shares And Earnings Growth

Australian shares are not cheap by historical measures and earnings growth has been negative for 2 years.

ASX 200 valuations

Forward price-to-earnings



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Australian Market EPSg (%YoY)



Source: Macquarie Research, July 2025.

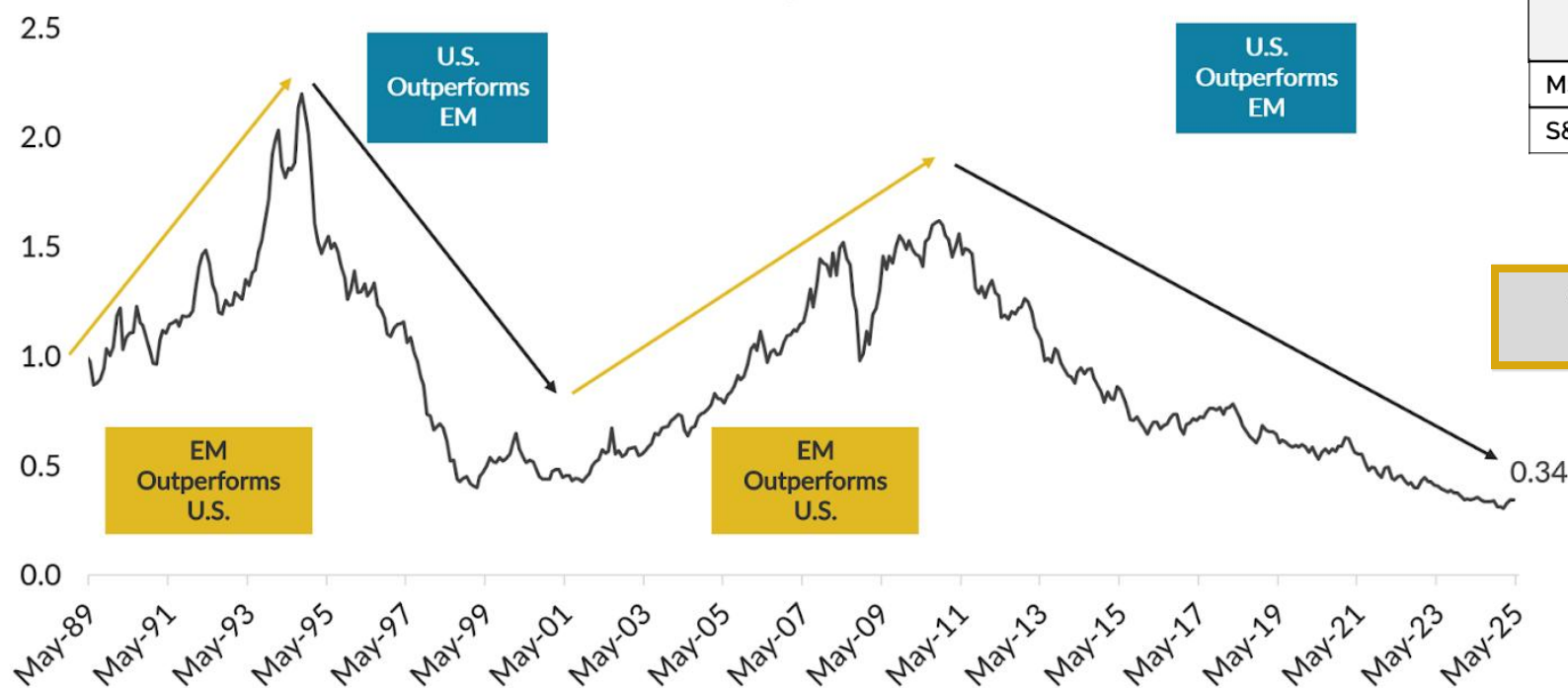


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# We Are Positive on Emerging Markets

Emerging Market earnings growth is expected to be higher than other regions and they are also cheaper on a relative basis.

Performance Ratio: MSCI EM Index vs S&P Index  
(as of May 2025)



2025 Est			
Index	Forward PE	Est YoY Earnings Growth	PEG
MSCI EM Index	12.6	12.7%	1.00
S&P Index	21.8	11.5%	1.90

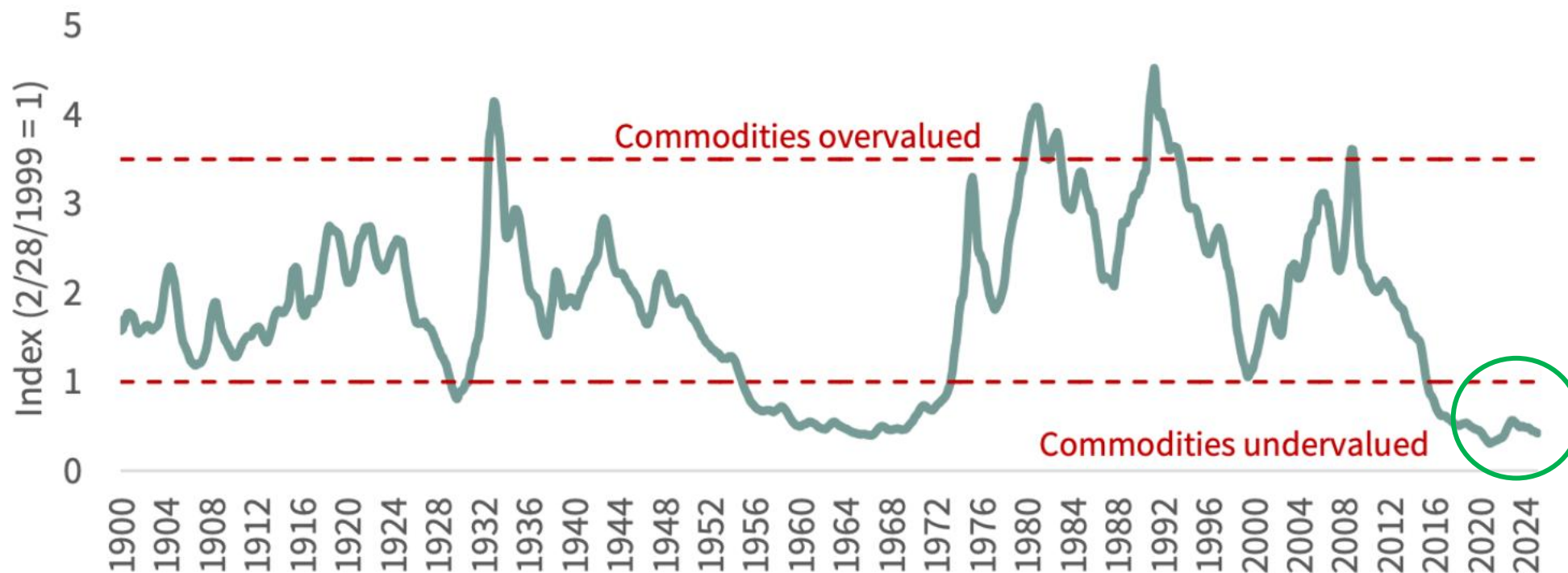
Source: Bloomberg; EMQQ Global Analysis - April 30, 2025



# Commodities Are Cheap Relative To Equities

Commodities are the cheapest they have been ever relative to US equities. Will this narrative change?

Commodities - Dow Ratio

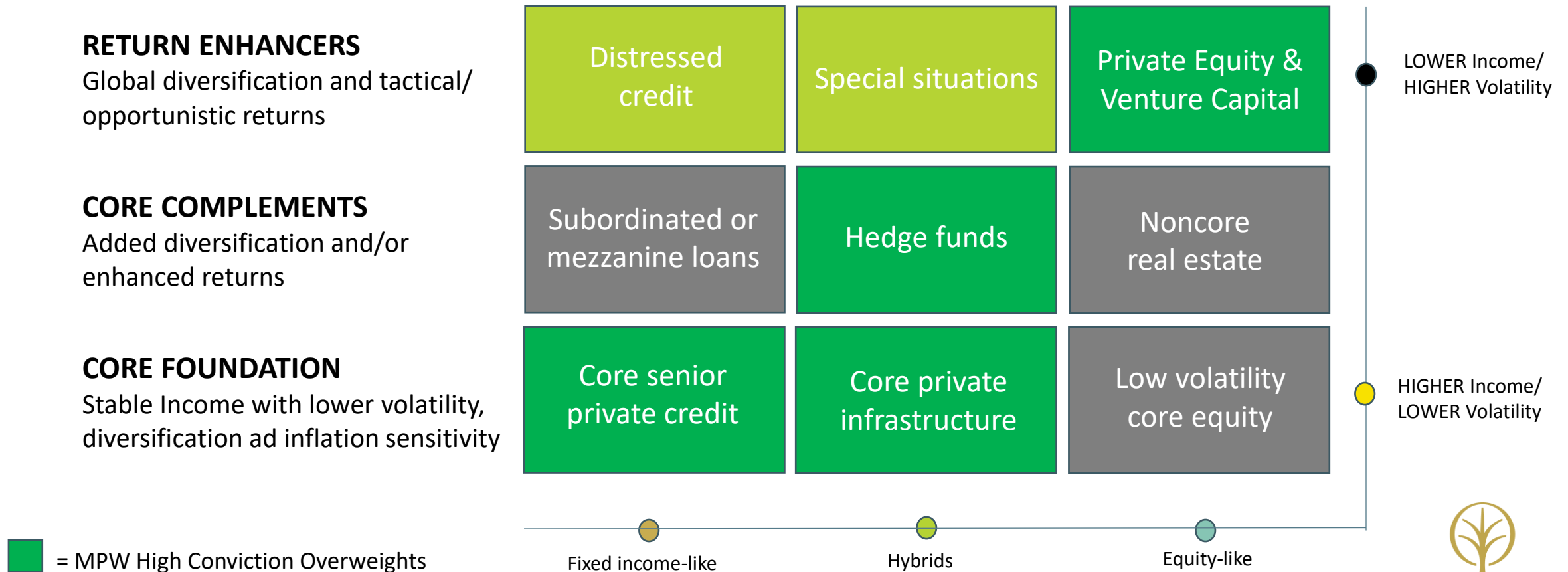


Source: Bloomberg and G&R Models.



# The Role of Alternative Assets In Portfolios

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



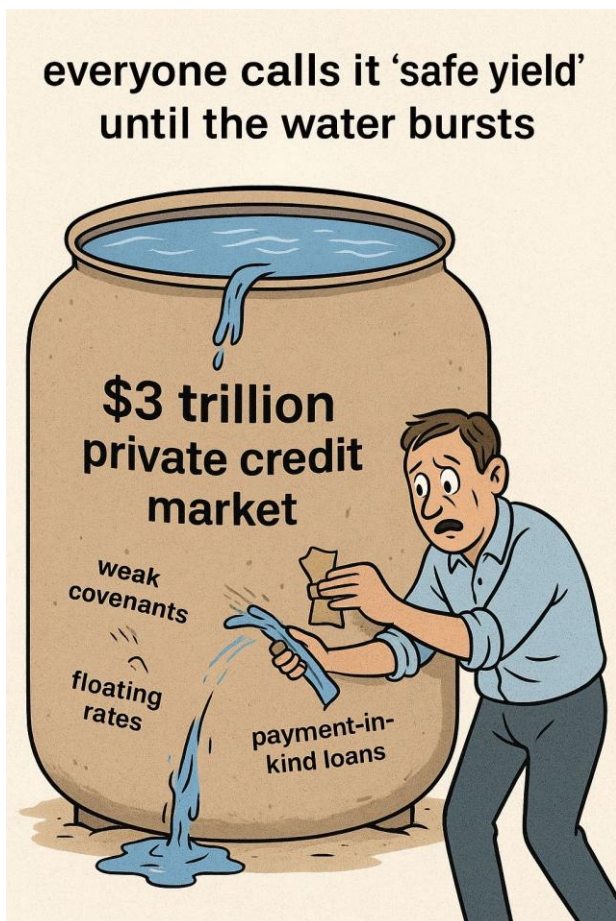
# Alternative Asset Class Returns – 10 Years to 2024 CY

										2015-2024	
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ann.	Vol.*
Infra. 15.5%	Infra. 14.2%	Private Equity 22.9%	Venture Capital 21.2%	60/40 Portfolio 22.4%	Venture Capital 58.3%	Venture Capital 49.8%	Transport 12.1%	60/40 Portfolio 18.0%	60/40 Portfolio 15.5%	Venture Capital 14.1%	Venture Capital 13.1%
Venture Capital 15.1%	Private Equity 12.2%	Venture Capital 14.8%	Infra. 11.6%	Venture Capital 20.3%	Private Equity 24.1%	Private Equity 37.6%	Infra. 9.6%	50/30/20 Portfolio 15.3%	50/30/20 Portfolio 14.0%	Private Equity 14.0%	60/40 Portfolio 10.3%
U.S. Core RE 15.0%	Direct Lending 11.2%	60/40 Portfolio 14.5%	Europe Core RE 9.9%	50/30/20 Portfolio 20.3%	60/40 Portfolio 14.0%	U.S. Core RE 22.2%	U.S. Core RE 7.5%	Direct Lending 12.1%	Direct Lending 11.3%	Infra. 10.3%	50/30/20 Portfolio 8.8%
Europe Core RE 12.8%	APAC Core RE 10.4%	50/30/20 Portfolio 14.3%	APAC Core RE 9.3%	Private Equity 16.8%	50/30/20 Portfolio 13.9%	50/30/20 Portfolio 17.7%	APAC Core RE 6.8%	Private Equity 9.6%	Infra. 10.7%	Direct Lending 9.0%	Private Equity 8.5%
APAC Core RE 11.8%	U.S. Core RE 8.8%	Infra. 12.2%	Private Equity 9.0%	Infra. 11.5%	Hedge Funds 11.4%	60/40 Portfolio 16.6%	Direct Lending 6.3%	Transport 8.9%	Hedge Funds 10.6%	50/30/20 Portfolio 8.7%	Hedge Funds 5.9%
Private Equity 8.8%	50/30/20 Portfolio 8.5%	APAC Core RE 11.5%	U.S. Core RE 8.3%	Europe Core RE 9.4%	Transport 6.8%	Europe Core RE 14.2%	Hedge Funds -1.1%	Infra. 7.9%	Transport 7.4%	60/40 Portfolio 8.1%	U.S. Core RE 5.6%
Transport 8.8%	60/40 Portfolio 8.2%	Transport 10.6%	Direct Lending 8.1%	Direct Lending 9.0%	Direct Lending 5.5%	Direct Lending 12.8%	Private Equity -1.5%	Hedge Funds 7.6%	Private Equity 4.9%	Transport 7.9%	Transport 4.7%
Direct Lending 5.5%	Europe Core RE 8.1%	Europe Core RE 9.8%	Transport 5.2%	Hedge Funds 9.0%	Europe Core RE 4.8%	APAC Core RE 11.8%	Europe Core RE -2.4%	Venture Capital -2.2%	Venture Capital 4.8%	Europe Core RE 6.5%	Europe Core RE 4.1%
50/30/20 Portfolio 3.0%	Transport 7.8%	Direct Lending 8.6%	50/30/20 Portfolio -0.4%	APAC Core RE 6.6%	U.S. Core RE 1.2%	Infra. 10.5%	50/30/20 Portfolio -12.6%	APAC Core RE -2.3%	Europe Core RE 4.7%	APAC Core RE 6.4%	Infra. 3.2%
Hedge Funds 2.5%	Hedge Funds 5.0%	Hedge Funds 8.0%	Hedge Funds -1.6%	U.S. Core RE 5.3%	APAC Core RE 0.3%	Transport 10.3%	60/40 Portfolio -16.1%	Europe Core RE -4.9%	APAC Core RE -1.0%	U.S. Core RE 5.9%	APAC Core RE 3.0%
60/40 Portfolio 1.1%	Venture Capital 0.6%	U.S. Core RE 7.6%	60/40 Portfolio -2.6%	Transport 1.5%	Infra. 0.2%	Hedge Funds 7.8%	Venture Capital -20.5%	U.S. Core RE -12.0%	U.S. Core RE -1.4%	Hedge Funds 5.8%	Direct Lending 2.9%

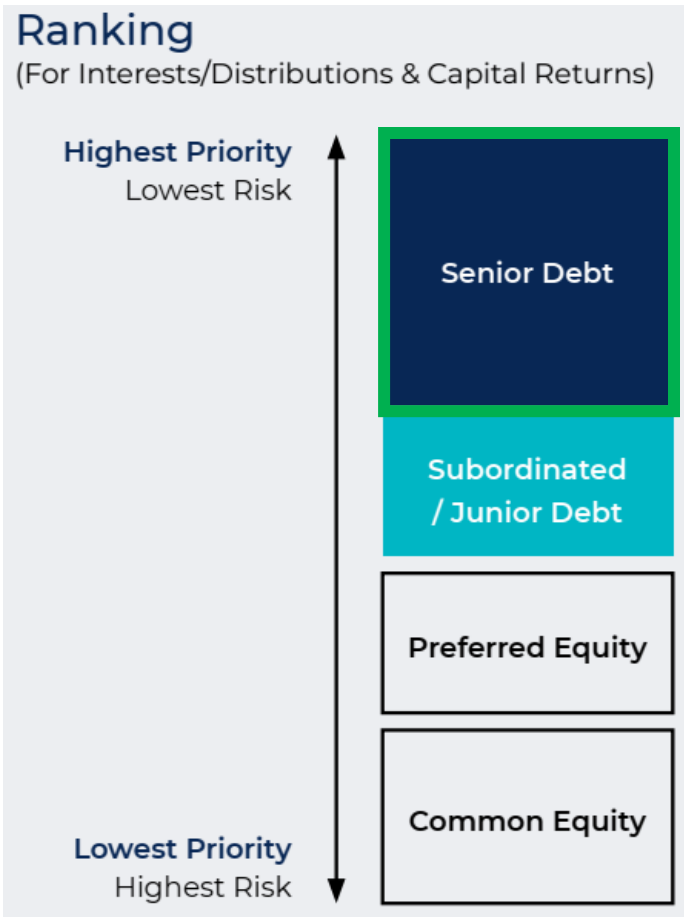
Source: Bloomberg, Burgiss, Cliffwater, FactSet, HFRI, MSCI, NCREIF, J.P. Morgan Asset Management.

# Why We Like Private Credit

## Debunking the negative press



## Senior secured debt is less risky



## Private credit is illiquid

Benefits of private credit:

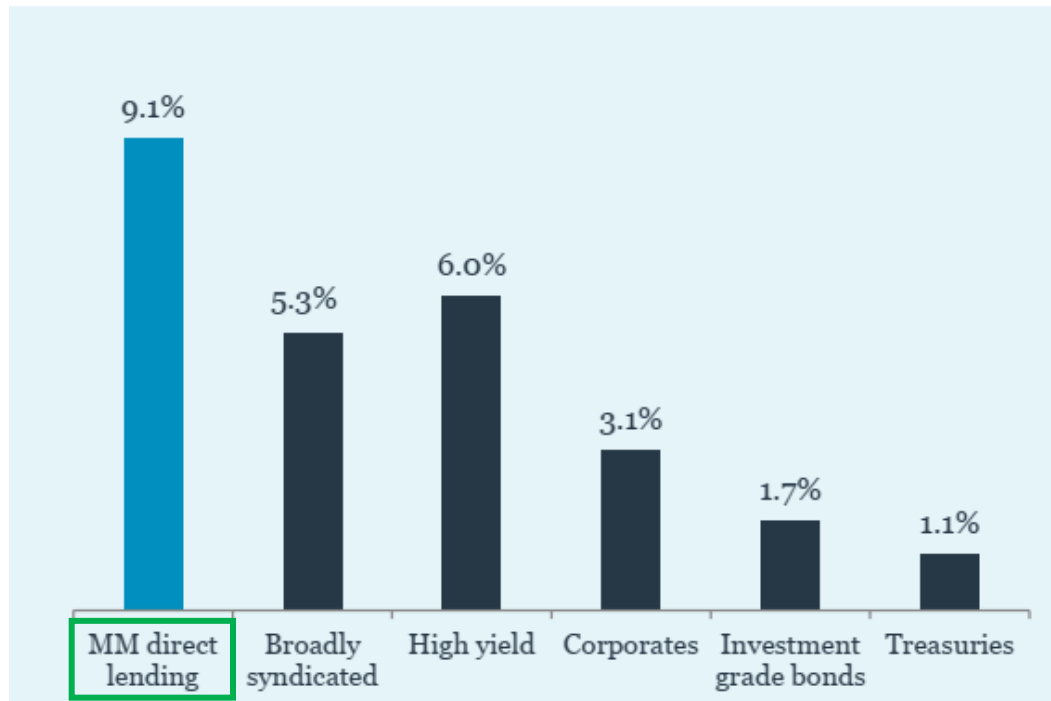
- 1 Enhanced Yield
- 2 Low Correlation
- 3 Diversification
- 4 Inflation and Interest Rate Risk Protection



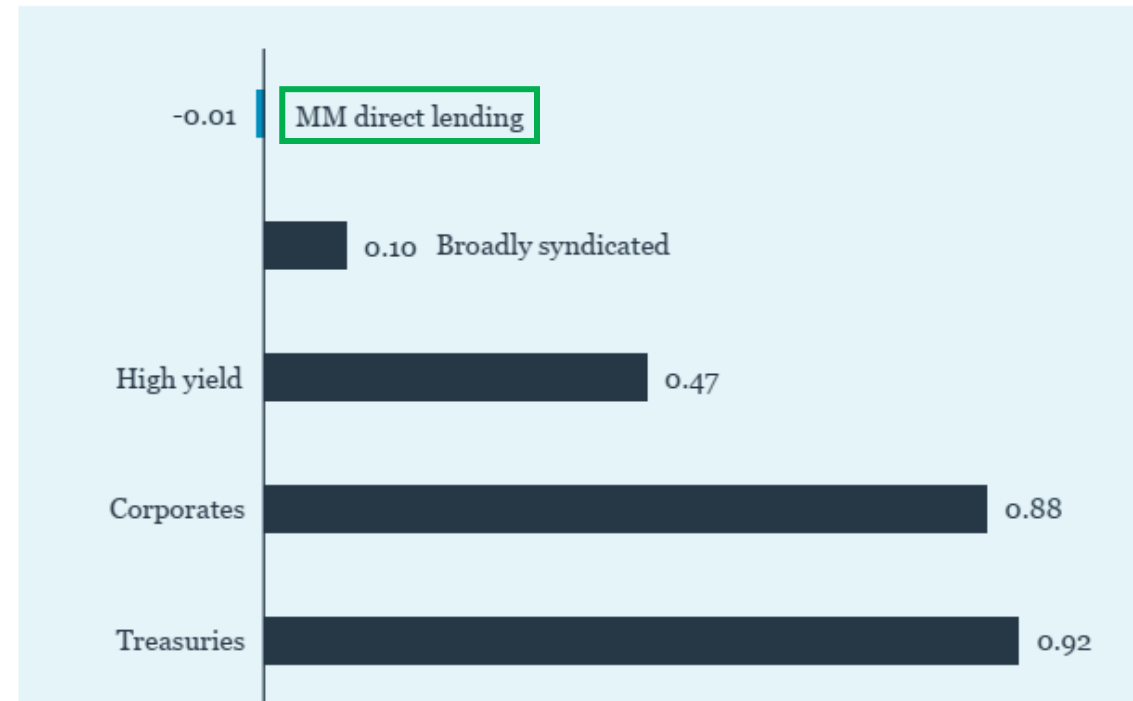
# Private Debt Expected Outcomes

Private lending strategies are yielding ~9% pa (equity-like returns) with low correlation to public market debt.

**Returns**  
(9-Years, Annualized)



**Correlation to Investment Grade Bonds**  
(9-Years, Annualized)



Index data is presented for the period since earliest common inception date on 01 Oct 2015 through 30 Sep 2024. Sources: "MM Direct Lending" is represented by the Cliffwater Direct Lending Index.



# Why We Like Private Infrastructure

## Infrastructure Sectors



Transportation



Utilities



Energy



Renewables



Digital



Industrial



Social

Capital Preservation

Consistent Cash Distribution

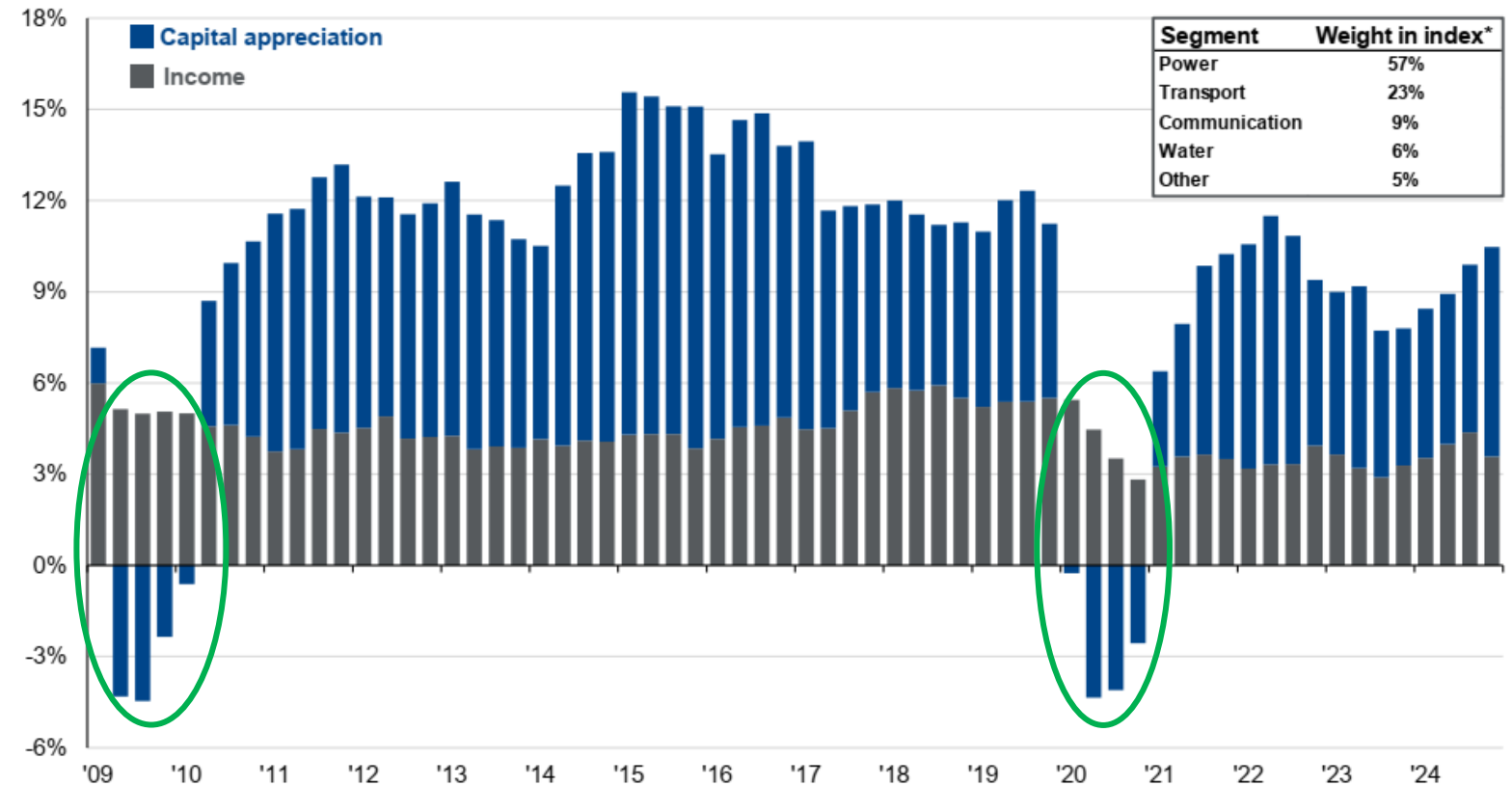
Inflation Hedging

Diversification

Upside Potential

## Global core infrastructure returns

1Q09-4Q24, rolling 4-quarter returns from income and capital appreciation



Source: MSCI, J.P. Morgan Asset Management.



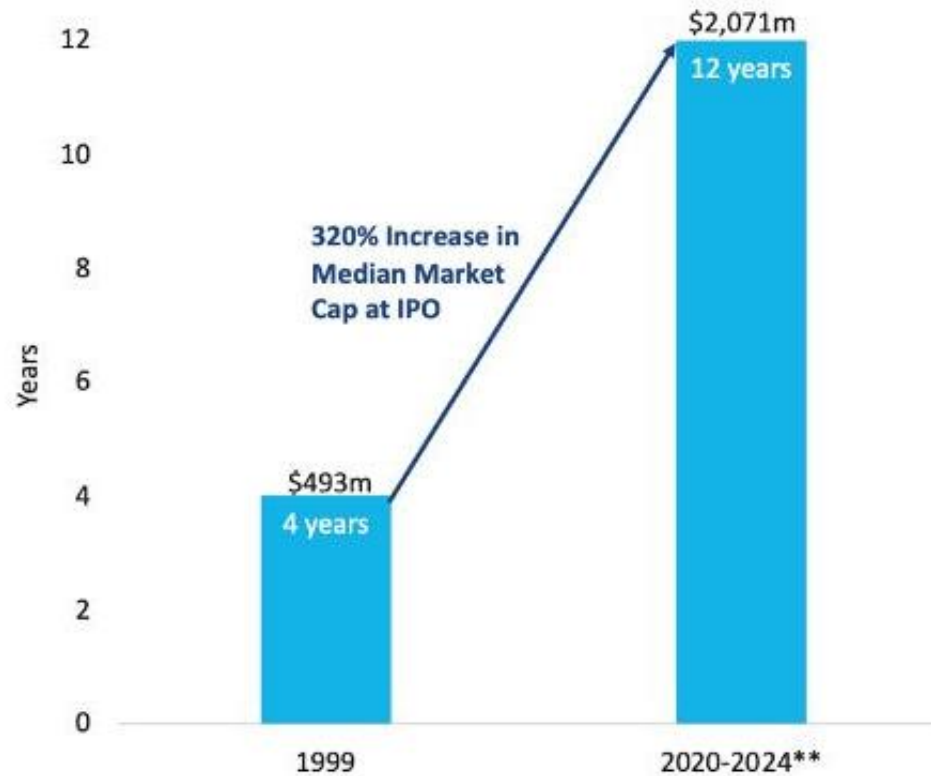
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# Why We Like Private Equity

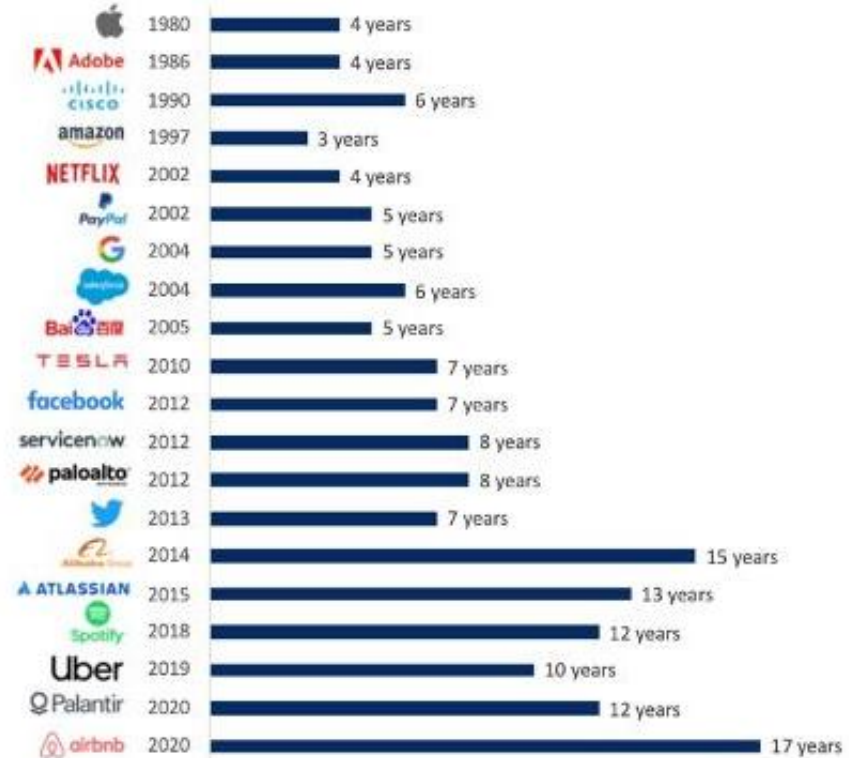


Companies are staying private for longer, so many of the best opportunities are not in the public listed markets.

Private Company Median Age & Market Cap at IPO\*



Tech Companies from Founding to IPO (IPO year)\*\*\*



Source: Initial Public Offerings: Updated Statistics, Jay R. Ritter, Cordell Professor of Finance, University of Florida, 7/2/2025.

Source: Pitchbook.



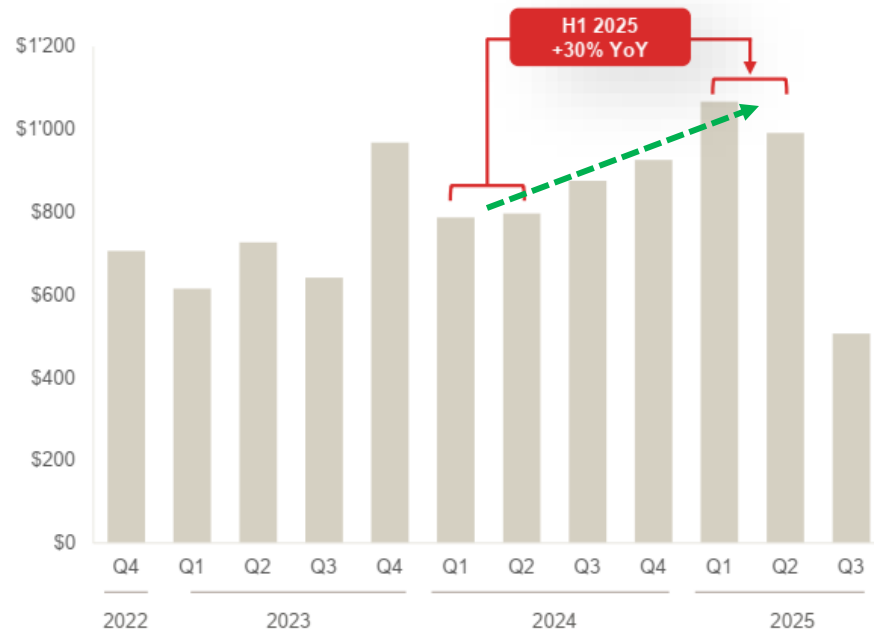
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# Private Equity Exit Activity Is Improving

Global M&A activity increased 30% and IPO's increased by 21% over the year to June 2025.

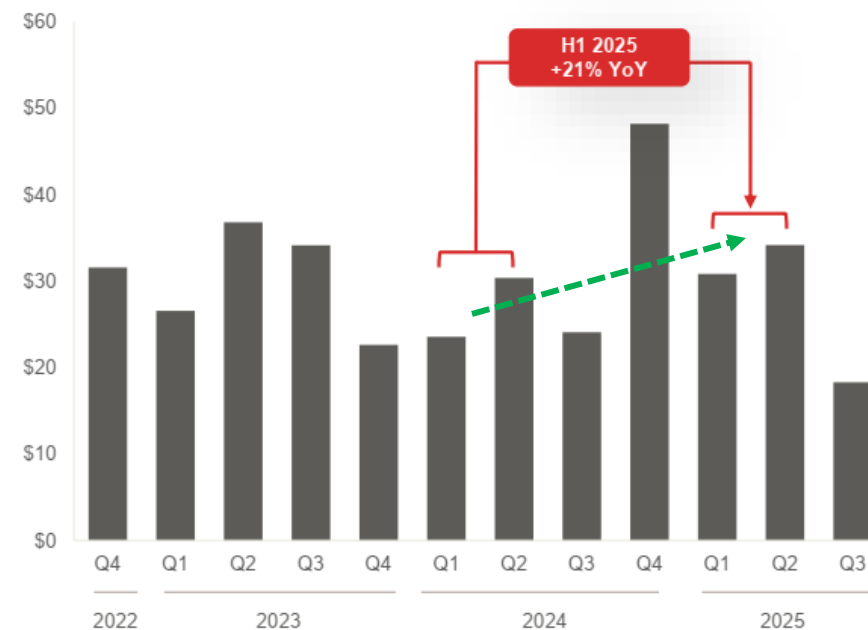
M&A transactions volumes have been robust YTD despite the uncertainty

Global M&A by quarter in USD bn



Strong public market performance YTD should support the IPO market

Global IPO by quarter in USD bn

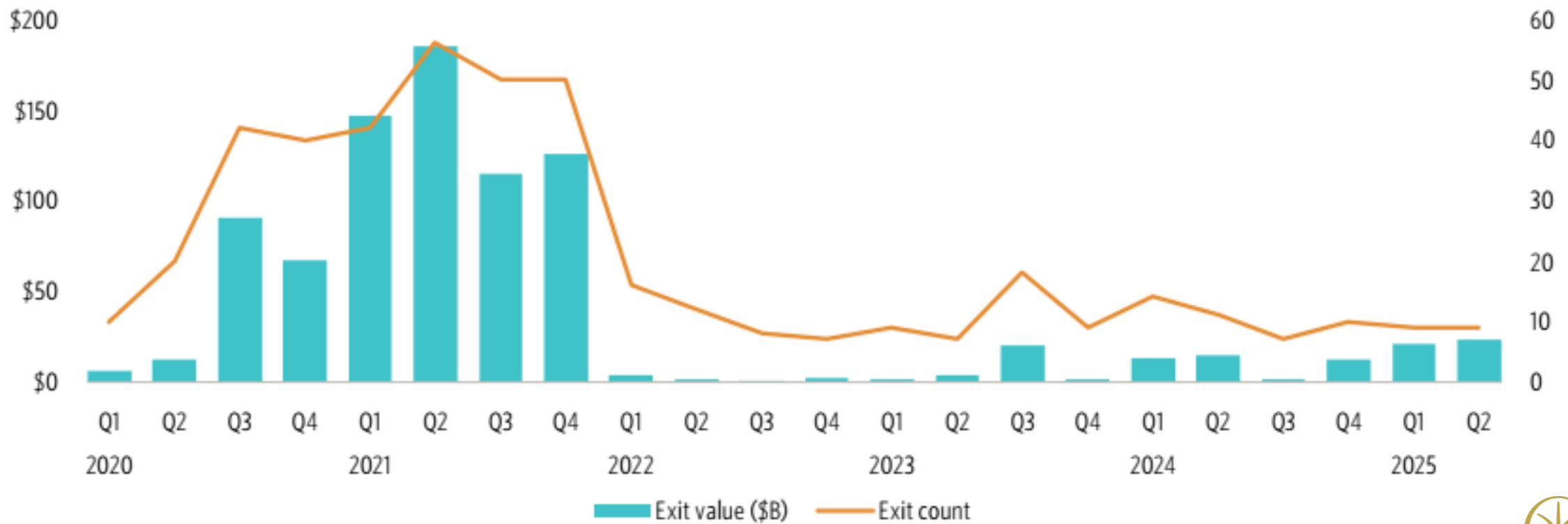


Source: Dealogic/ION Analytics (2025). For illustrative purposes only. Q3 2025 data reflects figures available as of the date of writing this Chartbook.

# US Venture Capital IPO's Have Been Muted

The US Venture Capital Market has been shut out of exits given the lock of public market listings (IPO's).

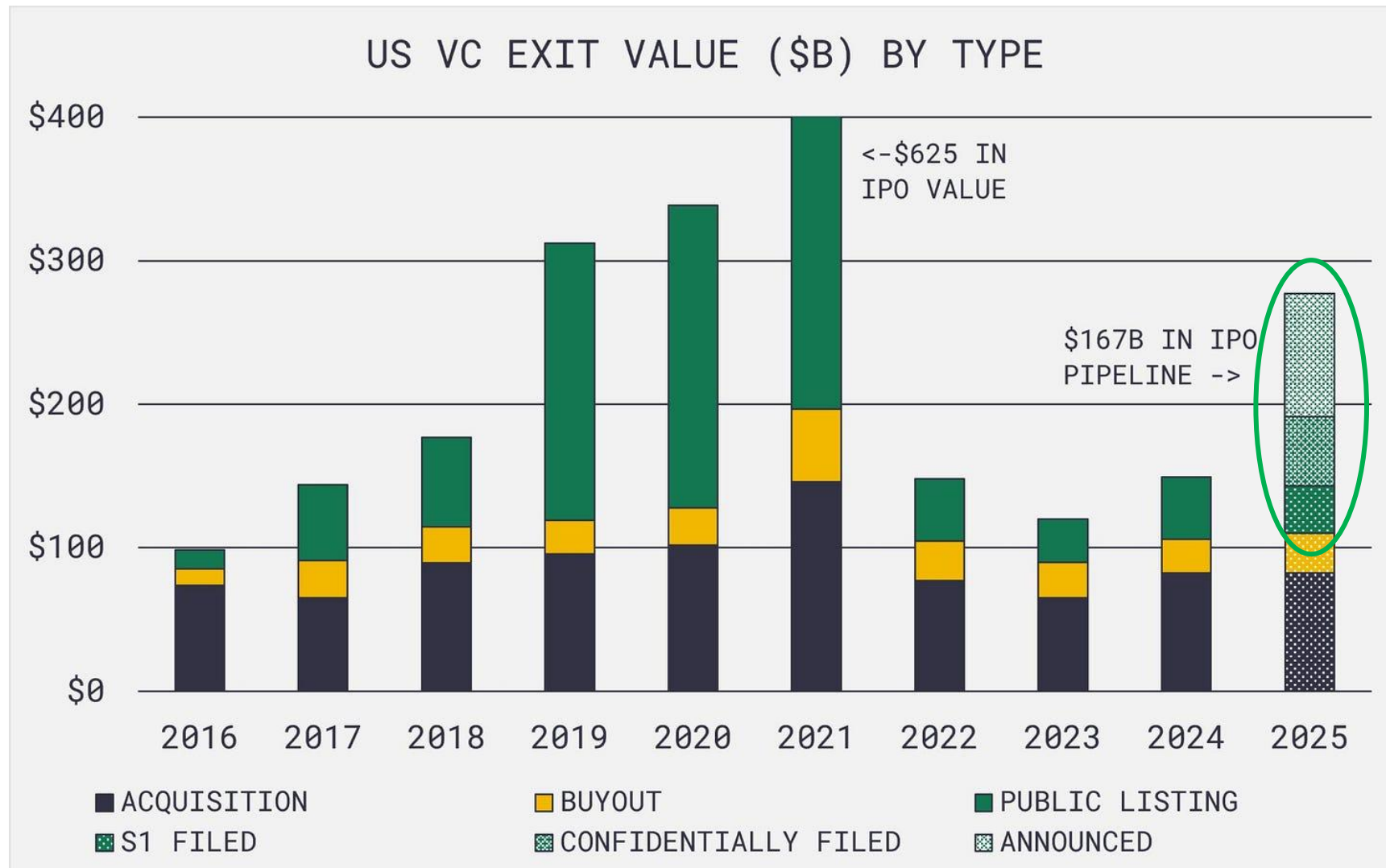
VC IPO activity by quarter



PitchBook-NVCA Venture Monitor • As of June 30, 2025



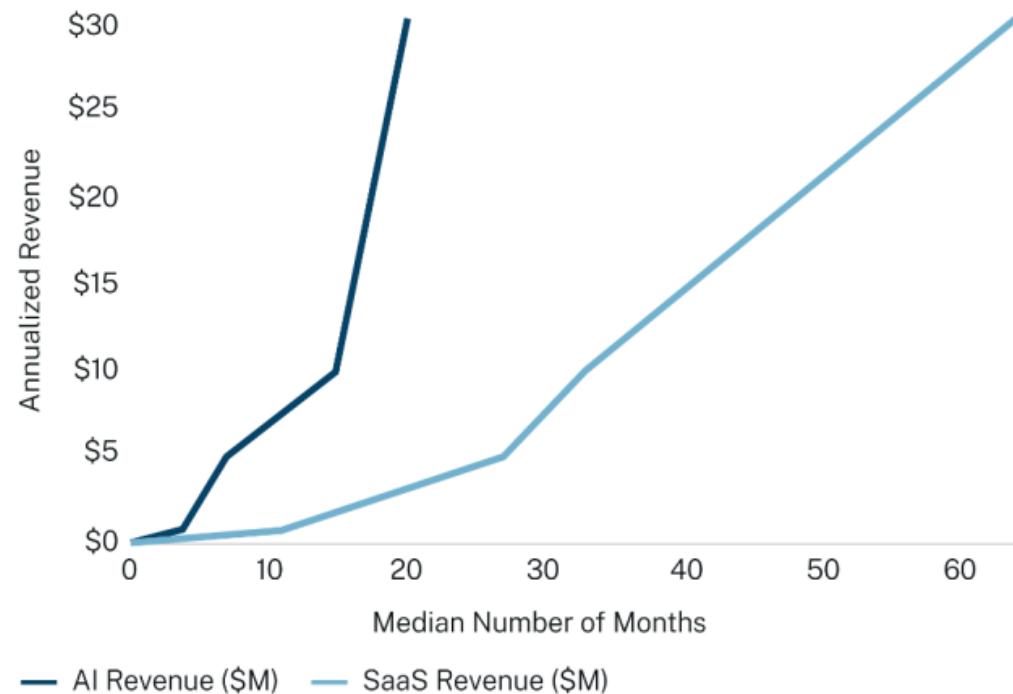
# But The US VC IPO Pipeline Is Growing



# The AI Revolution: Fact or Fiction

AI companies are generating revenue at much faster rates than traditional technology SaaS companies.

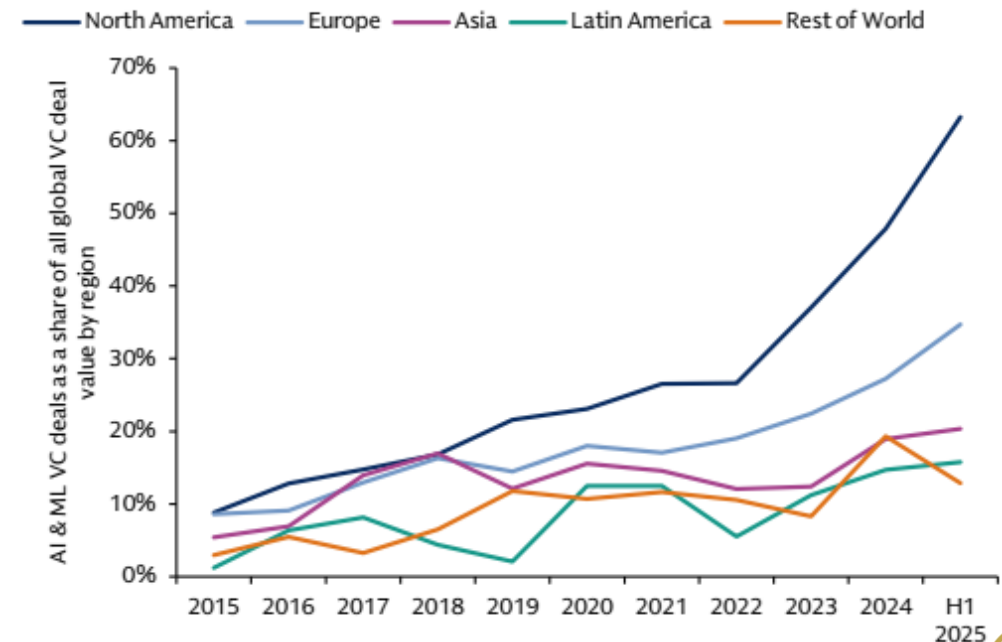
Time to \$30M Revenue (AI vs Historical SaaS)<sup>1</sup>



Source: 1 Financial Times

AI is seeing outsized capital flows and valuations relative to the rest of the private ecosystem.

AI Startups Are Attracting an Increasing Share of VC/Growth Capital, Particularly in North America and Europe



PitchBook, as of June 30, 2025.



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# MPW Concluding Summary

**MPW Outlook: US recession risk is rising, market optimism is high, but inflation may surprise to the upside.**



**Economic policy hangs in the balance, and so does the direction of markets.**

## MPW Recommended Portfolio Strategy:

- Prioritise downside risk over upside returns
- Now is not the time for complacency
- Listed markets are historically very expensive
- Private markets over public listed markets
- Alternative assets for diversification
- Be very selective, quality over speculation

# Any Questions?

If you have any questions regarding this presentation or would like to discuss your investment strategy, please reach out to your Morrows advisor.



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