morrows
PRIVATE WEALTH

MORROWS PRIVATE WEALTH
ANNUAL MARKET UPDATE
AUGUST 2026

Your financial future,
tailored your way

MPW Annual Market Update – August 2026

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.

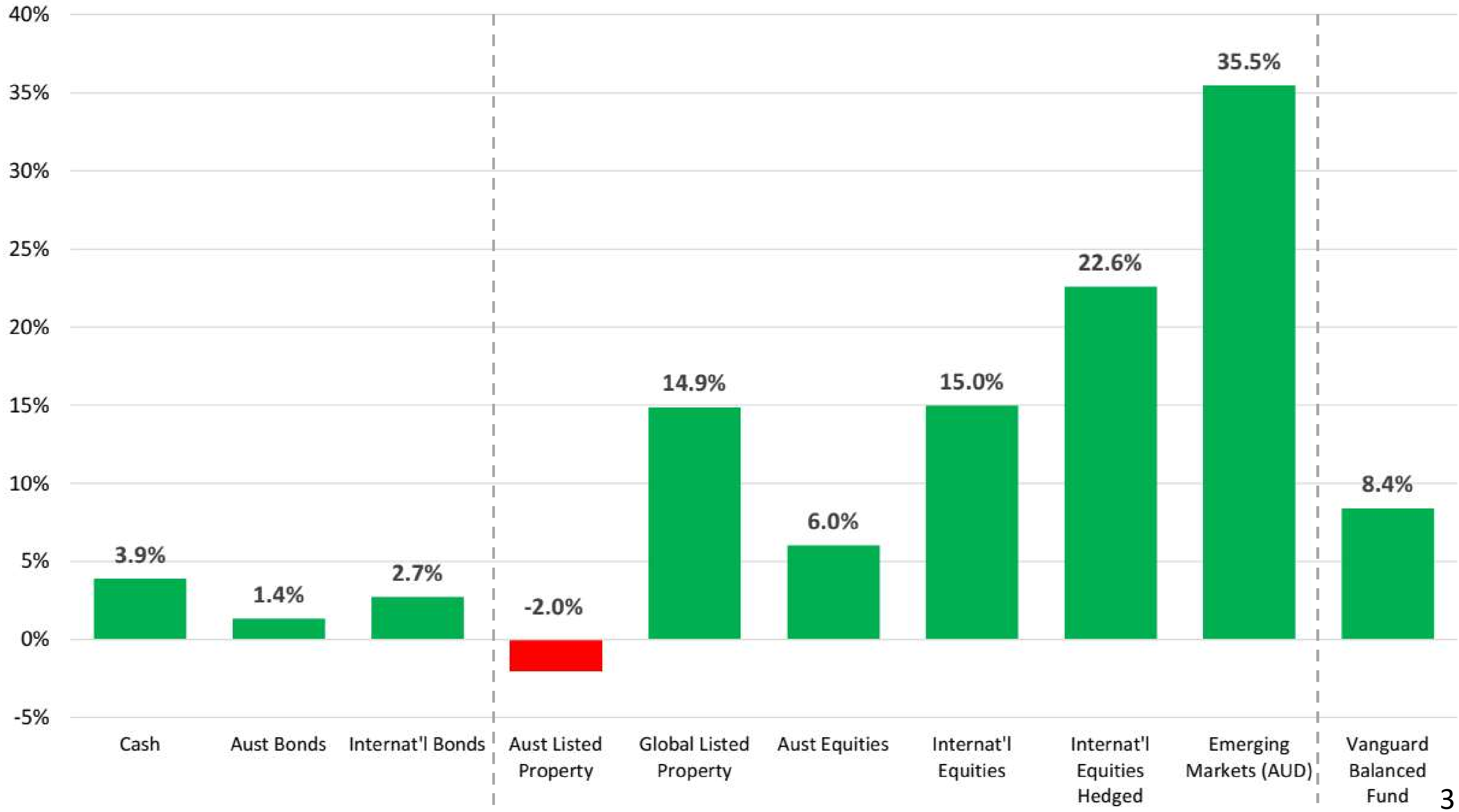
You should not act on any advice that has not been tailored to you or considered in light of your full individual personal circumstances, as there is a risk that such actions may not be appropriate for you or be in your best interests.

Where we provide personal advice and investment recommendations, these will be presented in a Statement of Advice (SoA) which will explain the basis of your personal advice recommendations, and any considerations or risks so that you can make an informed decision.

No representation is given, warranty made or responsibility taken about the accuracy, timeliness or completeness of information sourced from third parties.

morrows
PRIVATE WEALTH

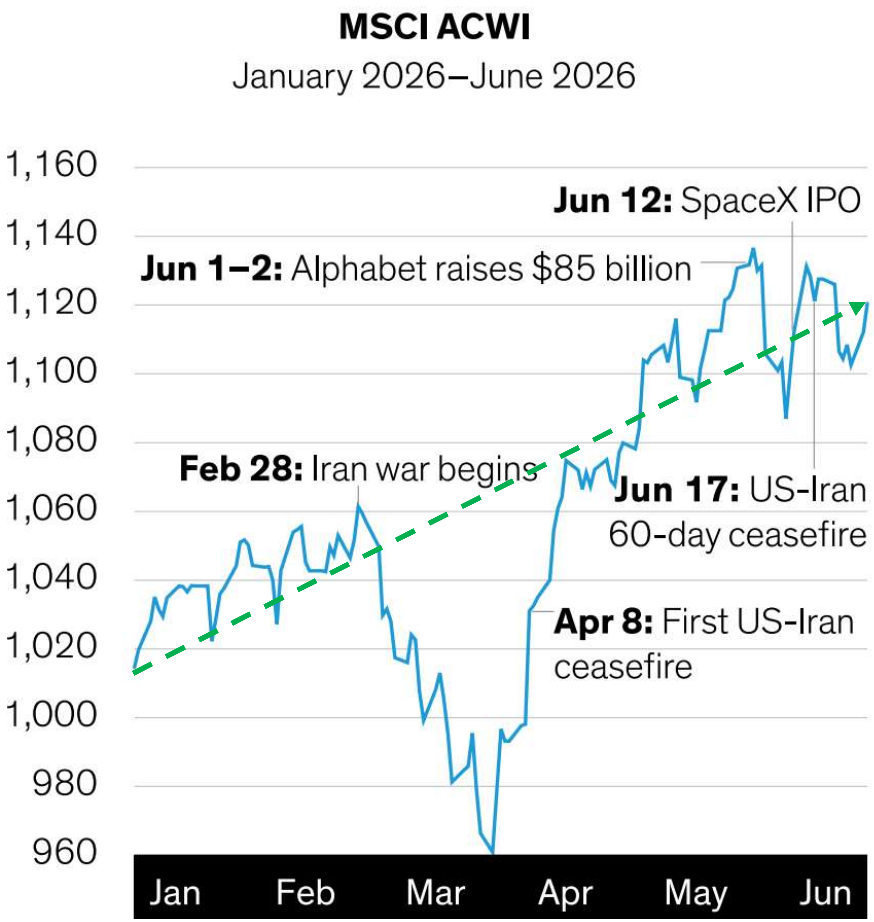
Asset Class Returns 12 Months to 30th June 2026



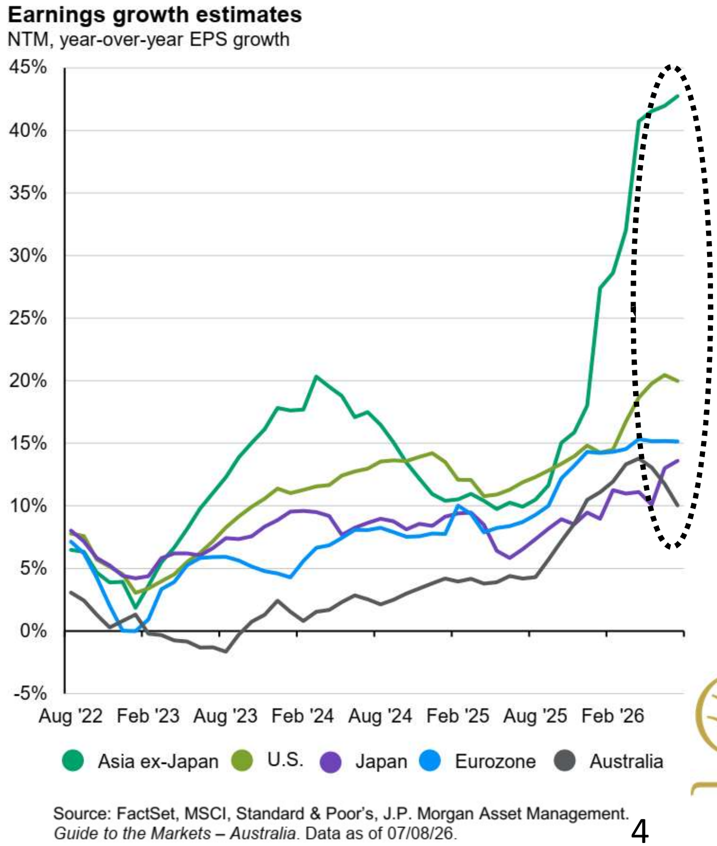
morrows PRIVATE WEALTH

Markets Shrug off Geopolitics, Focus on Earnings

The **first half of 2026** was volatile but positive for markets.



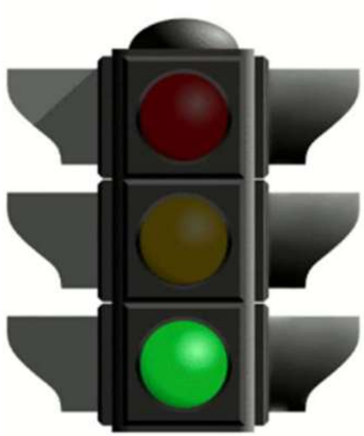
Corporate Earnings have been very strong and underpinned lofty but rising valuations.



morrows PRIVATE WEALTH

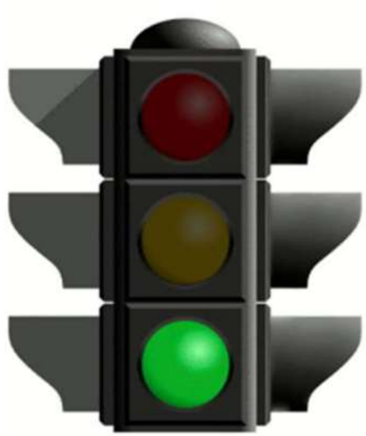
What Was Our Outlook 6 Months Ago? (Feb 2026)

Growth



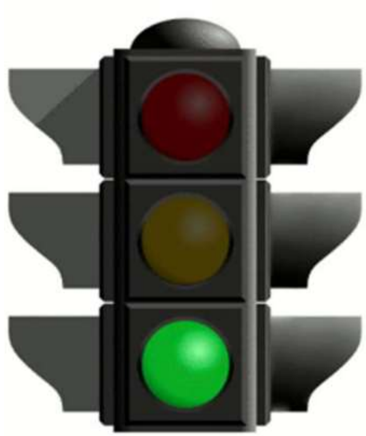
Cautious US

Central Bank Positioning



Watch the Fed

Financial Conditions

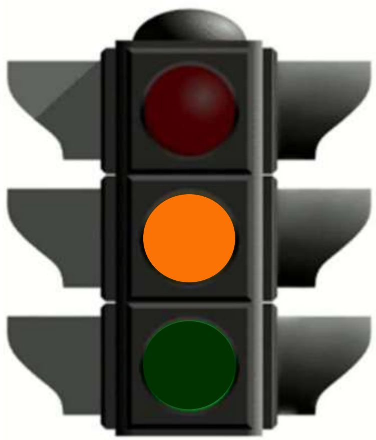


Inflation Risk

Valuations

Very High Risk

Geopolitics



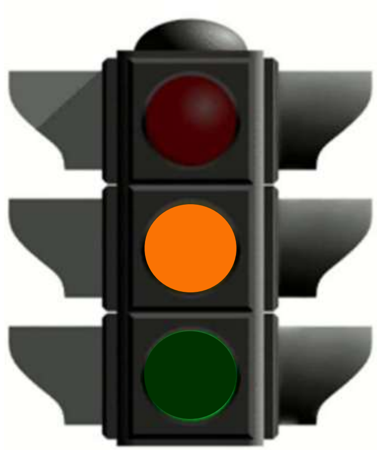
'Tail Risks'

What Is Our Outlook Today?

Growth

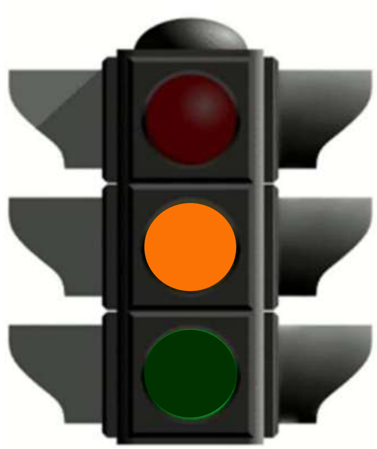
Low Global Growth

Central Bank Positioning



Biased Towards Rate Rises

Financial Conditions

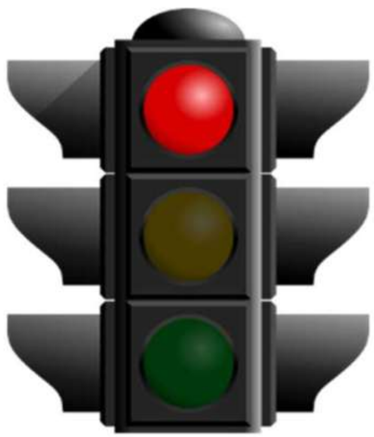


Inflation Risk To The Upside

Valuations

Historically Expensive

Geopolitics

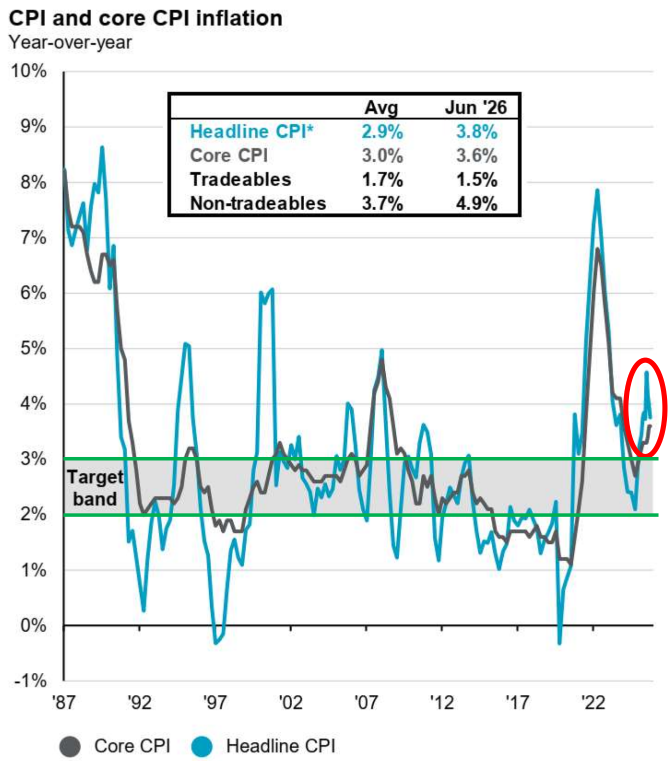


Highly Uncertain & Volatile

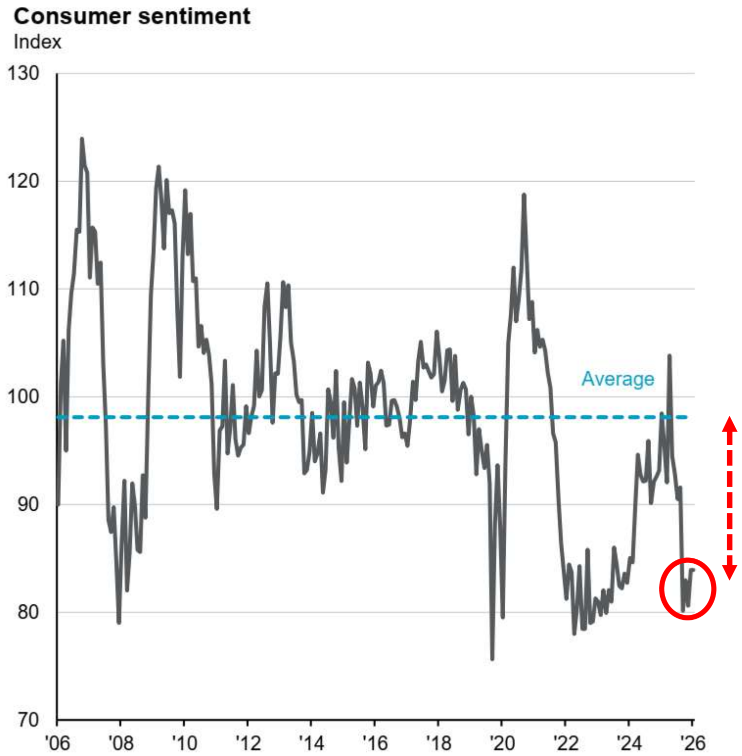
Inflation Is Hurting Australian Consumers

Core Inflation at 3.6% is well above the RBA's target band of 2-3%, with further upside risk.

Consumer Sentiment is well below the long-term average, as higher inflation and interest rates hurt.



Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management.
*CPI is the Consumer Price Index, core CPI is the trimmed mean measure of inflation.



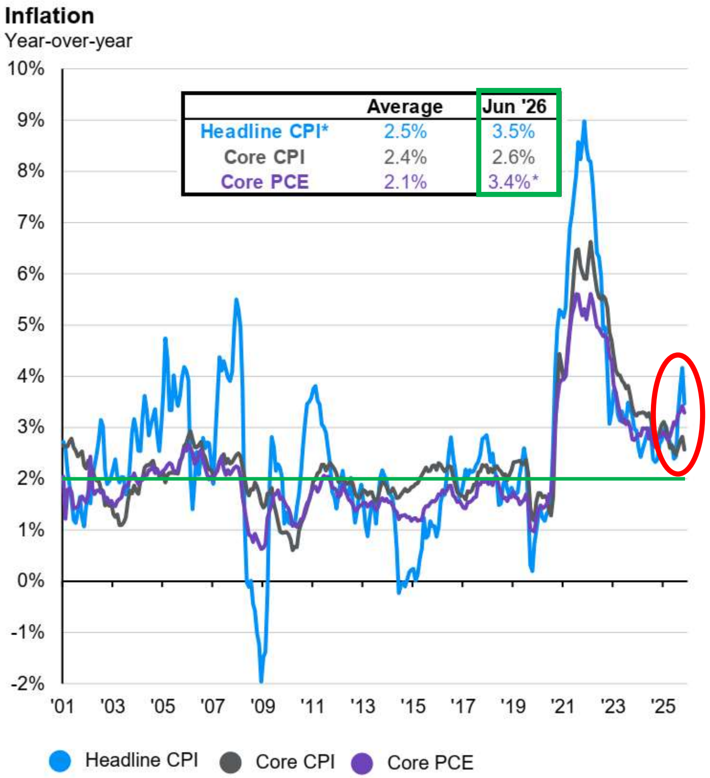
Source: Australian Bureau of Statistics, FactSet, Westpac, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 07/08/26.

morrows
PRIVATE WEALTH

Inflation is Hurting US Consumers

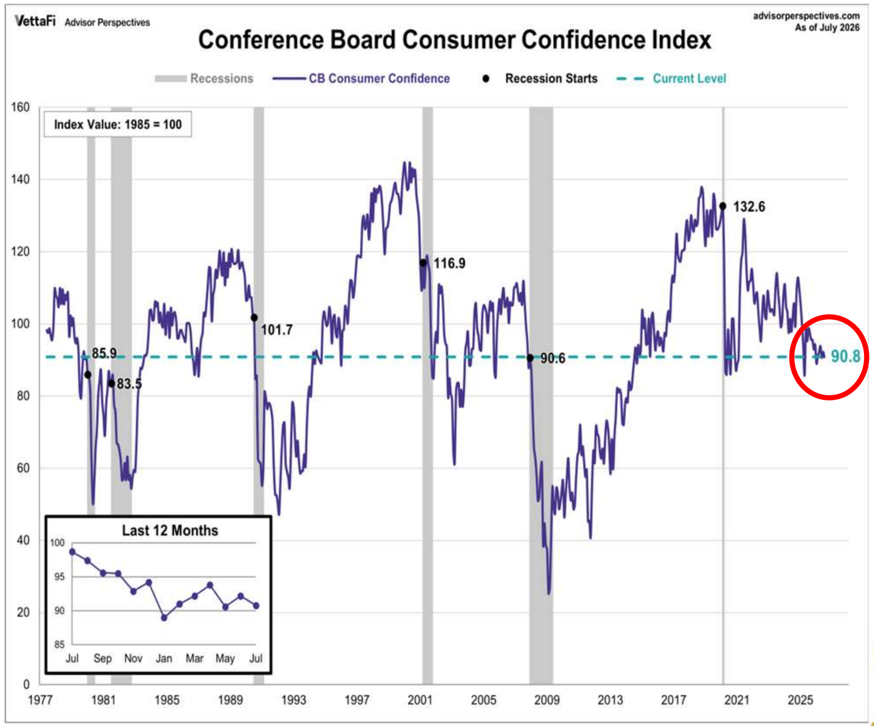
US inflation remains 'sticky' and despite a fall in July, risk is to the upside so Fed Rate hikes are still in play.

Consumer Confidence remains at recessionary levels despite equity markets trading at record highs.



	Average	Jun '26
Headline CPI*	2.5%	3.5%
Core CPI	2.4%	2.6%
Core PCE	2.1%	3.4%*

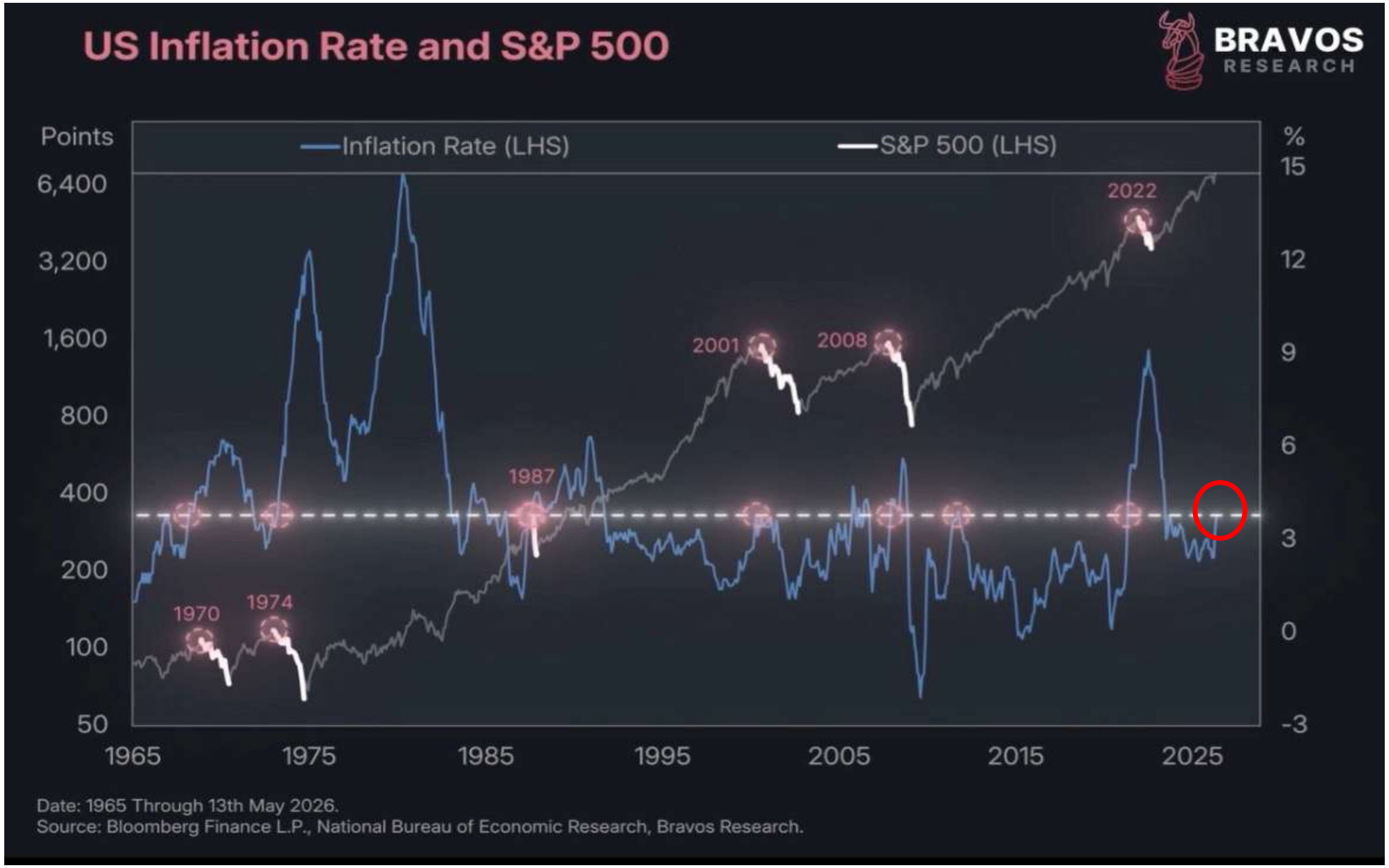
Source: BLS, FactSet, J.P. Morgan Asset Management. *CPI is the Consumer Price Index, PCE is Personal Consumption Expenditure. *Guide to the Markets – Australia*. Data as of 07/08/26.



morrows
PRIVATE WEALTH

Higher Inflation Is A Major Headwind For Markets

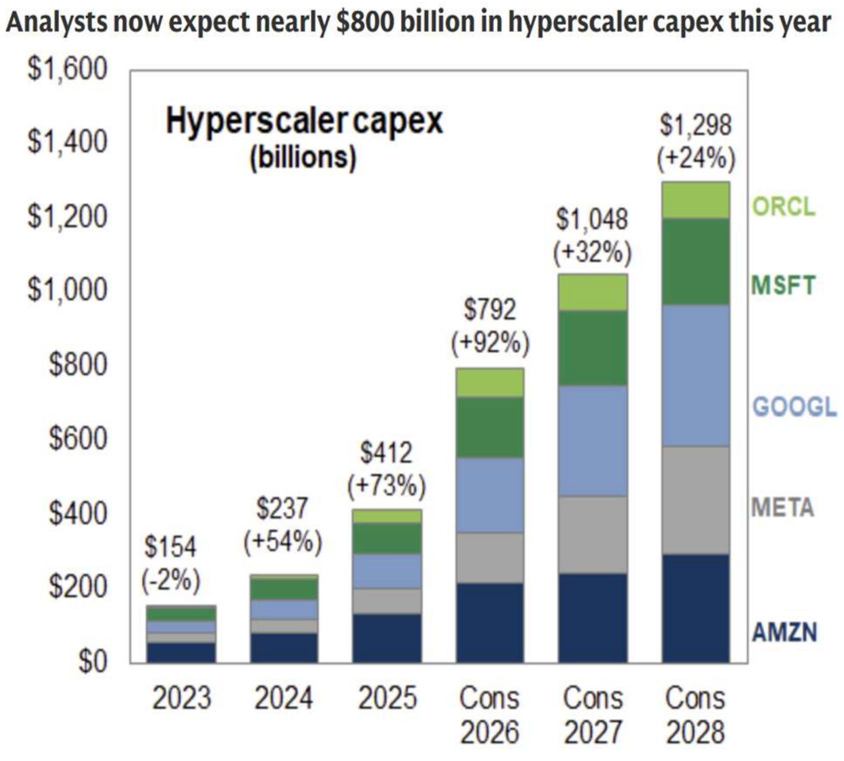
Higher Inflation is a catalyst for a near-term market correction, with current levels worth observing.



morrows
PRIVATE WEALTH

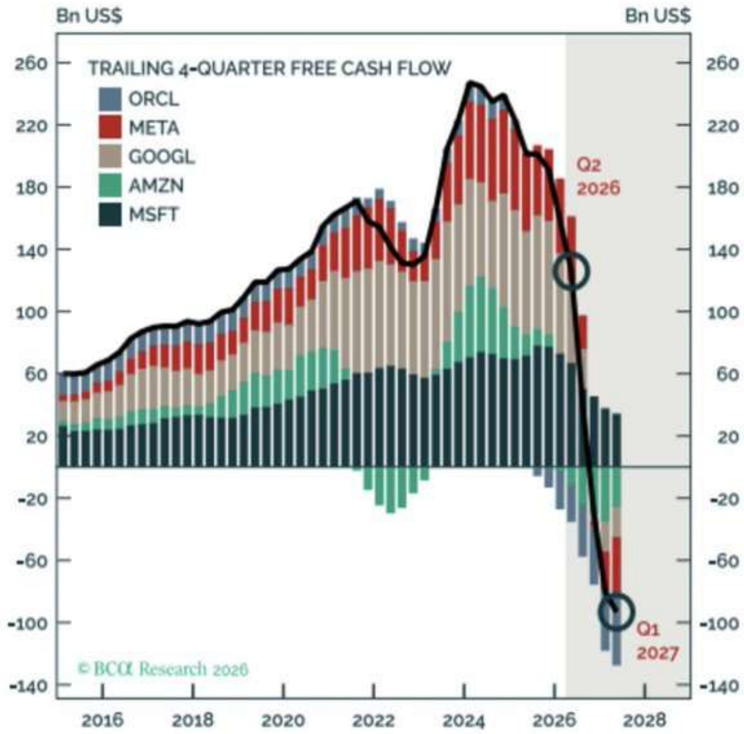
AI Is A Major Tailwind For Markets, But…

AI Capital Expenditure by US tech companies is growing at rapid rates, with no meaningful return on investment yet.



Source: FactSet, Goldman Sachs Global Investment Research

Free Cash Flows from this AI-driven capital expenditure has evaporated, leaving this to now be funded by debt.



SOURCE: BLOOMBERG FINANCE L.P.
NOTE: SHADED AREA DENOTES FORECASTS.

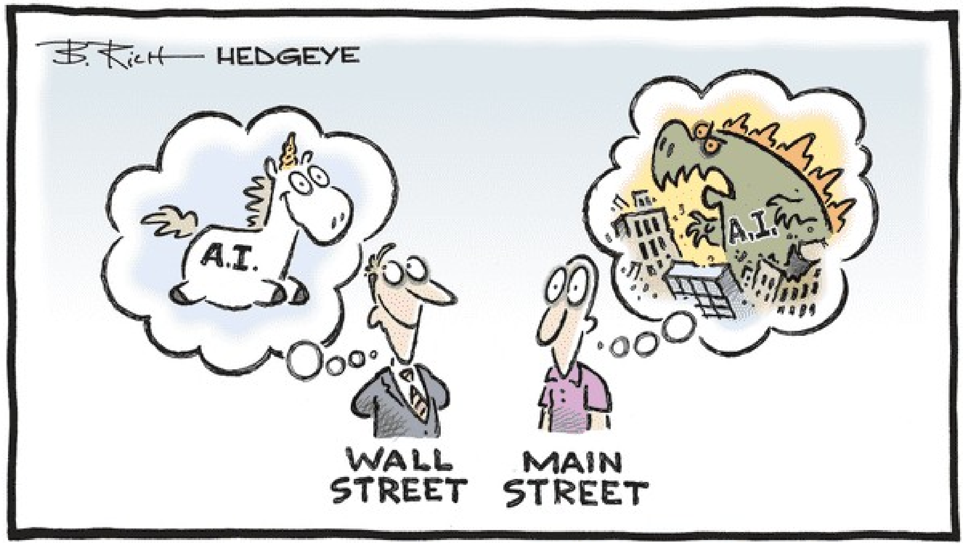
morrows
PRIVATE WEALTH

So What Does This Mean For Investors?

Strong corporate earnings and AI tailwinds support markets moving higher from here, and geopolitical risks are largely being shrugged off as transitory.

BUT...

If stagflation (low growth & higher inflation) lies ahead and global central banks raise interest rates, markets may need to reassess their optimistic risk-on outlook.



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

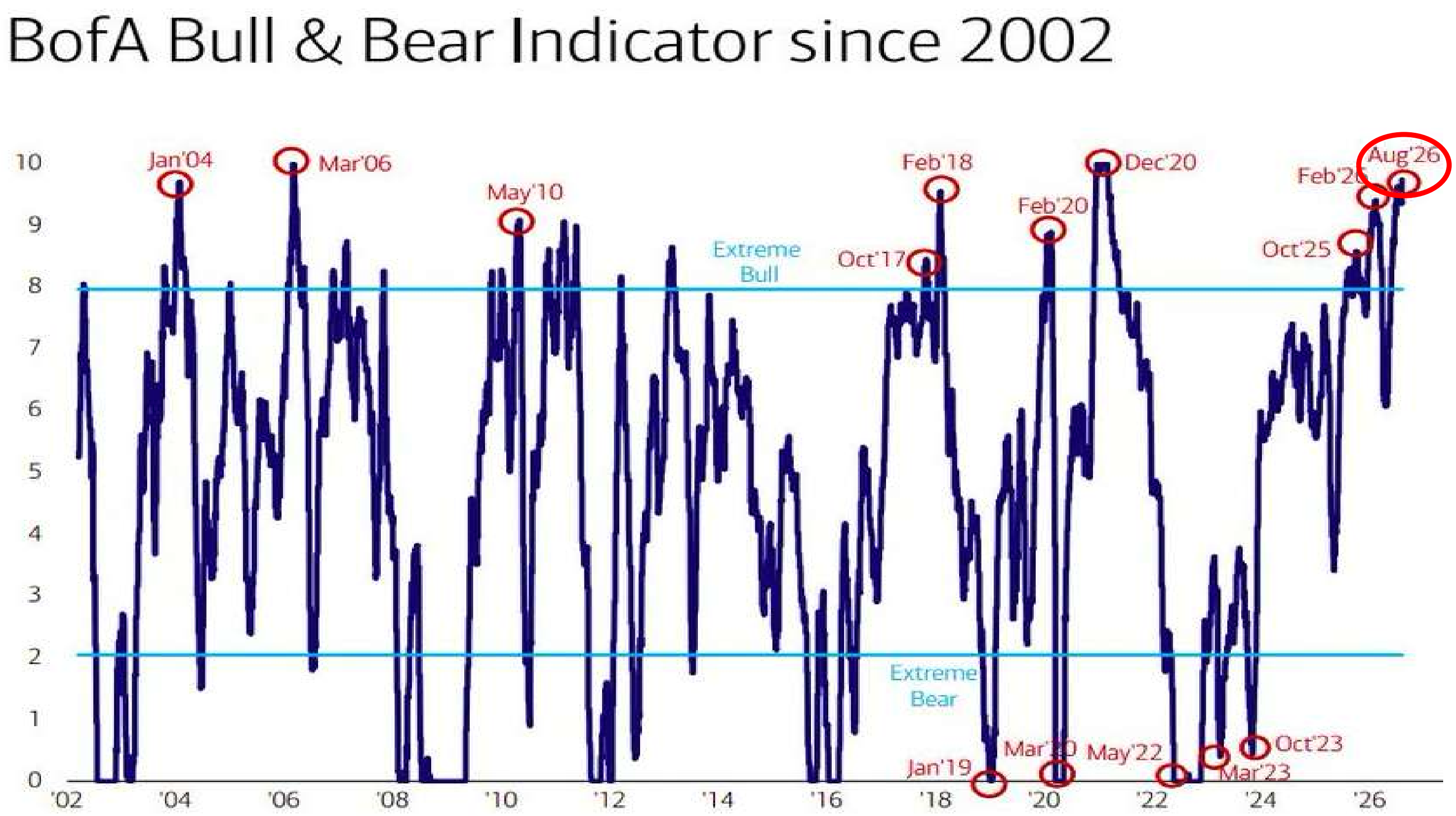
Sticky Inflation = Fed raises rates, growth scare
Outcome: Growth assets likely revalue down

MPW Recommended Portfolio Strategy

Asset Class	Tactical Position	Comment
Currency (AUD vs USD)	Neutral / Hedged	Hedging USD is preferred, AUD risks are to the upside from here, watch AU & US inflation
Cash & Liquidity	Neutral / Rising	RBA is expected to raise rates during 2026 but cash will likely underperform other assets
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 in recent years, prefer to own selective unlisted assets
Listed Australian Shares	Underweight	Expensive, like value and growth, resources over banks, and small caps over large caps
Listed International Shares	Underweight	Expensive, Emerging Markets cheapest, like value and growth, 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

Equity Investors Are Extremely Bullish

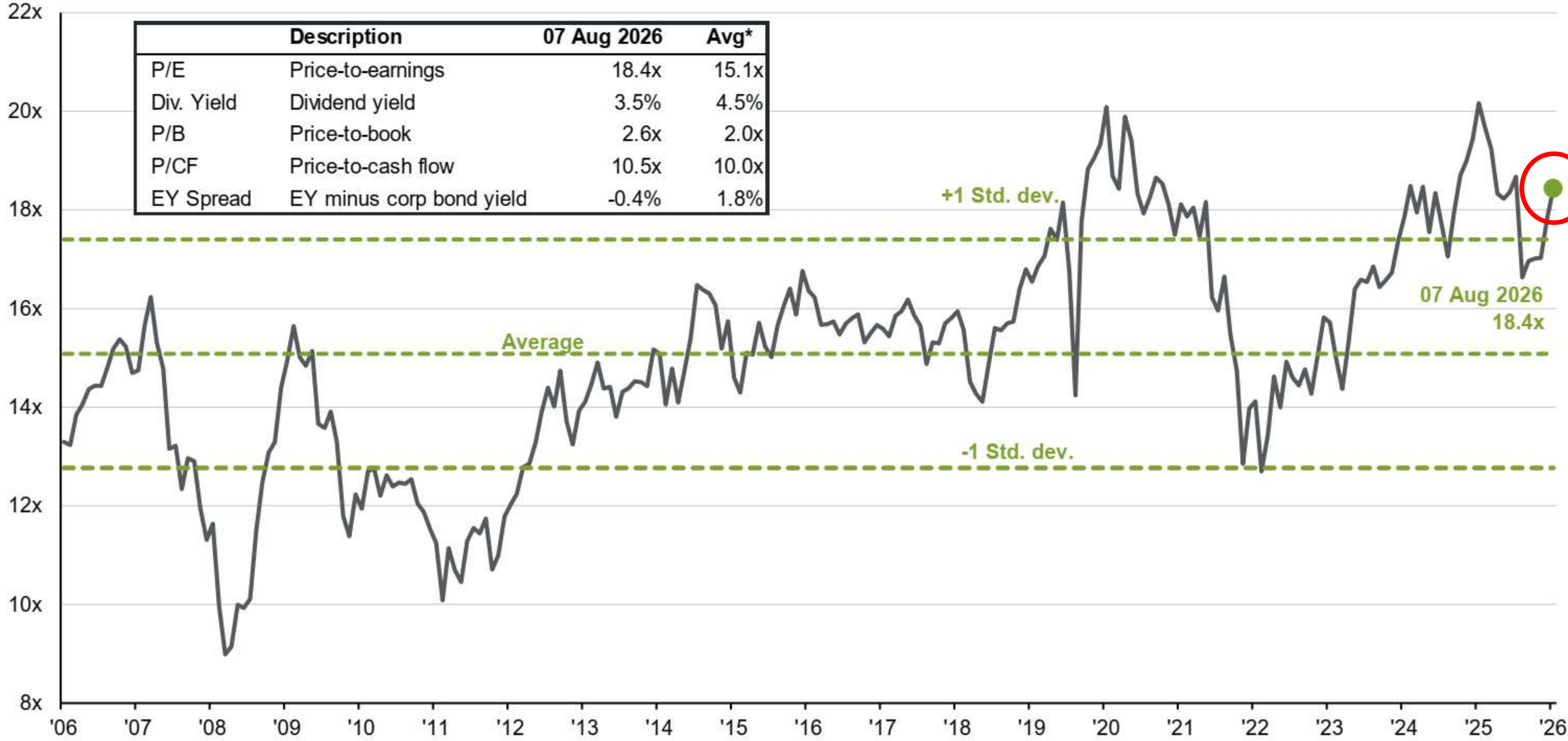
The Bank of America (BOFA) Bull and Bear Indicator level is 9.70. Market complacency or further gains ahead?



Source: BofA Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI.

Australian Shares Are Historically Expensive

ASX 200 Index: Forward P/E ratio

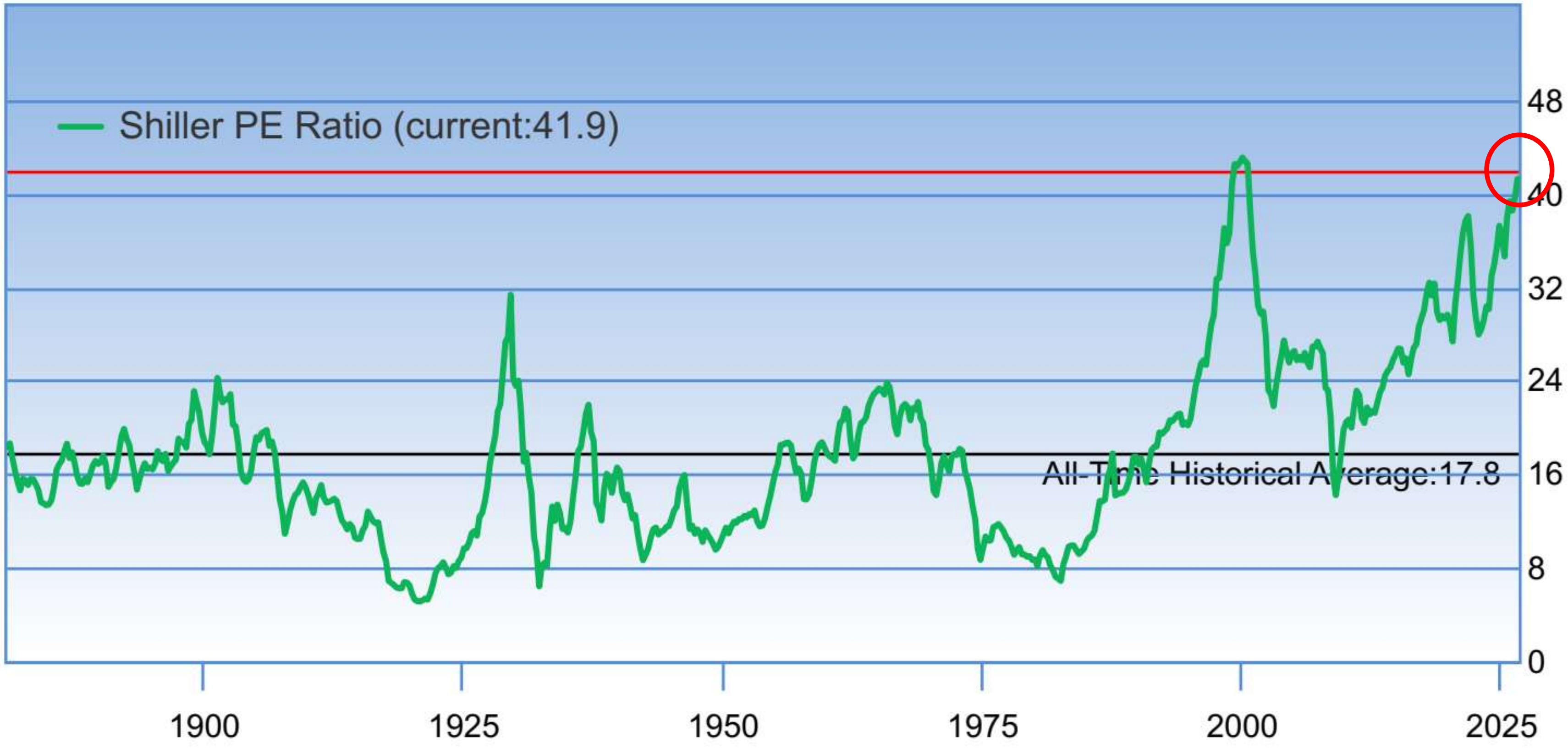


	Description	07 Aug 2026	Avg*
P/E	Price-to-earnings	18.4x	15.1x
Div. Yield	Dividend yield	3.5%	4.5%
P/B	Price-to-book	2.6x	2.0x
P/CF	Price-to-cash flow	10.5x	10.0x
EY Spread	EY minus corp bond yield	-0.4%	1.8%

morrows
PRIVATE WEALTH

US Shares Are Historically Expensive

The last time valuations reached this level, annualised US market returns were negative for the next 10 years!



morrows PRIVATE WEALTH

The Role of Alternative Assets In Portfolios

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

	Fixed income-like	Hybrids	Equity-like
RETURN ENHANCERS Global diversification and tactical/ opportunistic returns	Distressed credit	Special situations	Private Equity & Venture Capital
CORE COMPLEMENTS Added diversification and/or enhanced returns	Subordinated or mezzanine loans	Hedge funds	Noncore real assets
CORE FOUNDATION Stable Income with lower volatility, diversification ad inflation sensitivity	Core senior private credit	Core private infrastructure	Low volatility core equity

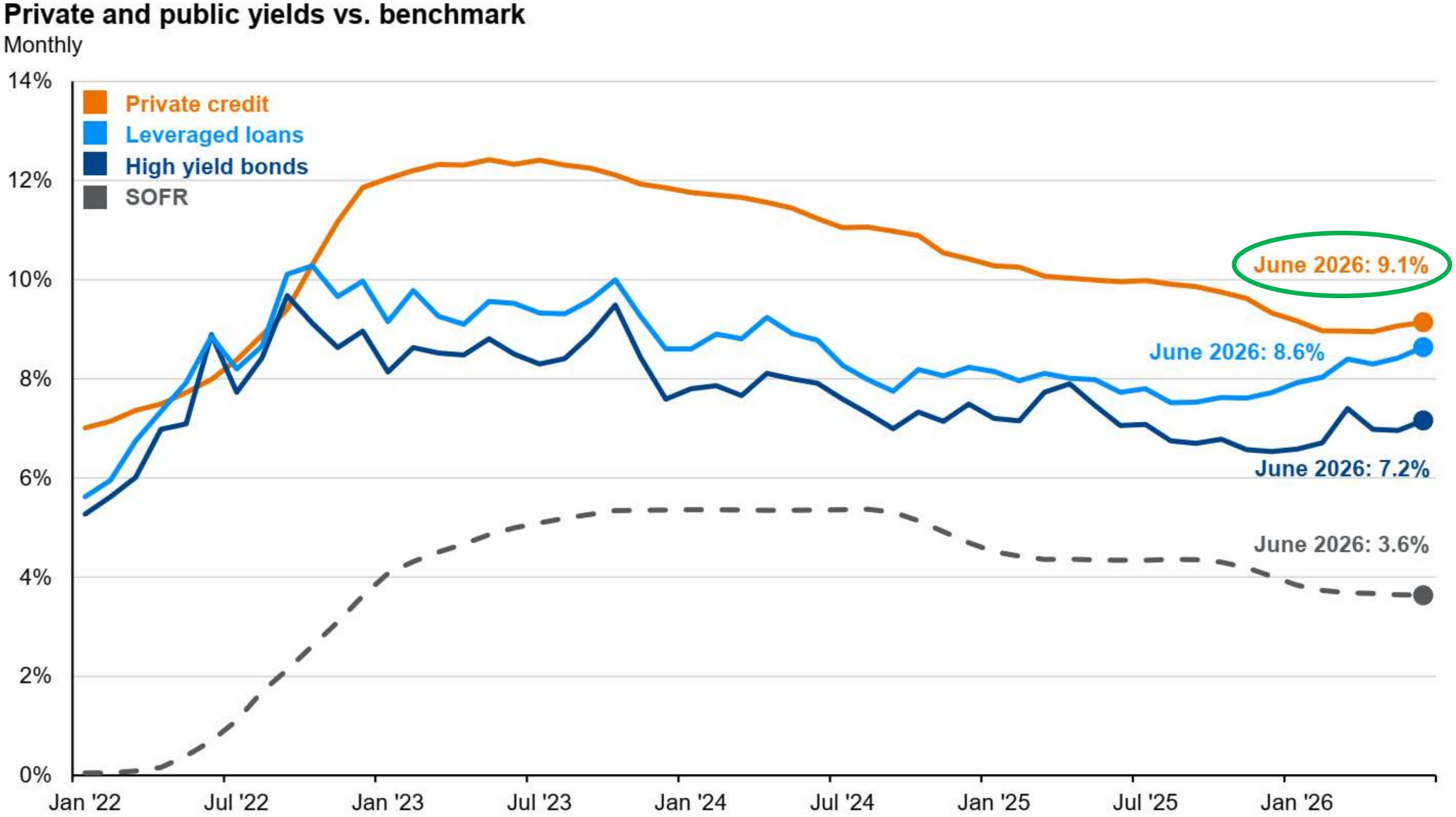
LOWER Income/ HIGHER Volatility

HIGHER Income/ LOWER Volatility

■ = MPW High Conviction Overweights

Source: JP Morgan Asset Management Alternative Solutions Group & MPW

Why We Like Private Credit



Source: Bloomberg, FactSet, Federal Reserve Bank of New York, J.P. Morgan Credit Research, KBRA DLD, J.P. Morgan Asset Management.

Benefits of private credit:

1 Enhanced Yield

2 Low Correlation

3 Diversification

4 Inflation and Interest Rate Risk Protection

morrows PRIVATE WEALTH

Not All Private Credit Is The Same

The Headlines

Bloomberg	**Private Credit's Sketchy Marks Get Warning Shot From Wall Street's Top Cop**
BARRON'S	HIGH YIELD **Wall Street Eyes Credit Market 'Cockroaches' as Corporate Debt Rally Wobbles**
WSJ	*A Private-Credit Winter Is Coming* Lenders quietly rewrite their collateral rules, which suggests a crisis waiting to happen.
The Economist	Finance & economics | Pest control Why Wall Street is fearful of more lending blow-ups Both banks and private-markets giants are on cockroach-watch
Bloomberg	**Jeffrey Gundlach Warns of 'Garbage Lending' as Private Credit Booms**

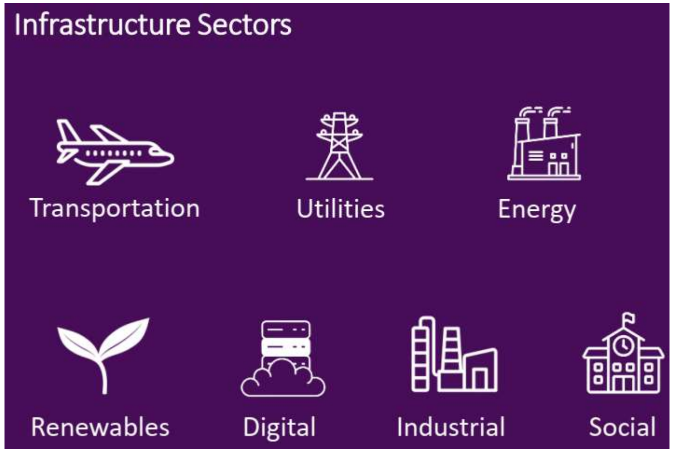
The Reality

- ✔ Structural Evolution
- ✔ Supports Real Economy
- ✔ Source of Relatively Stable Capital
- ✔ Risk Framework

- Senior Secured Debt ✔
- Secured Debt ✔
- Senior Unsecured Debt ✔
- Subordinated Debt
- Convertible Debt
- Equity

Analysis of KKR Credit.

Why We Like Private Infrastructure



Capital Preservation

Consistent Cash Distribution

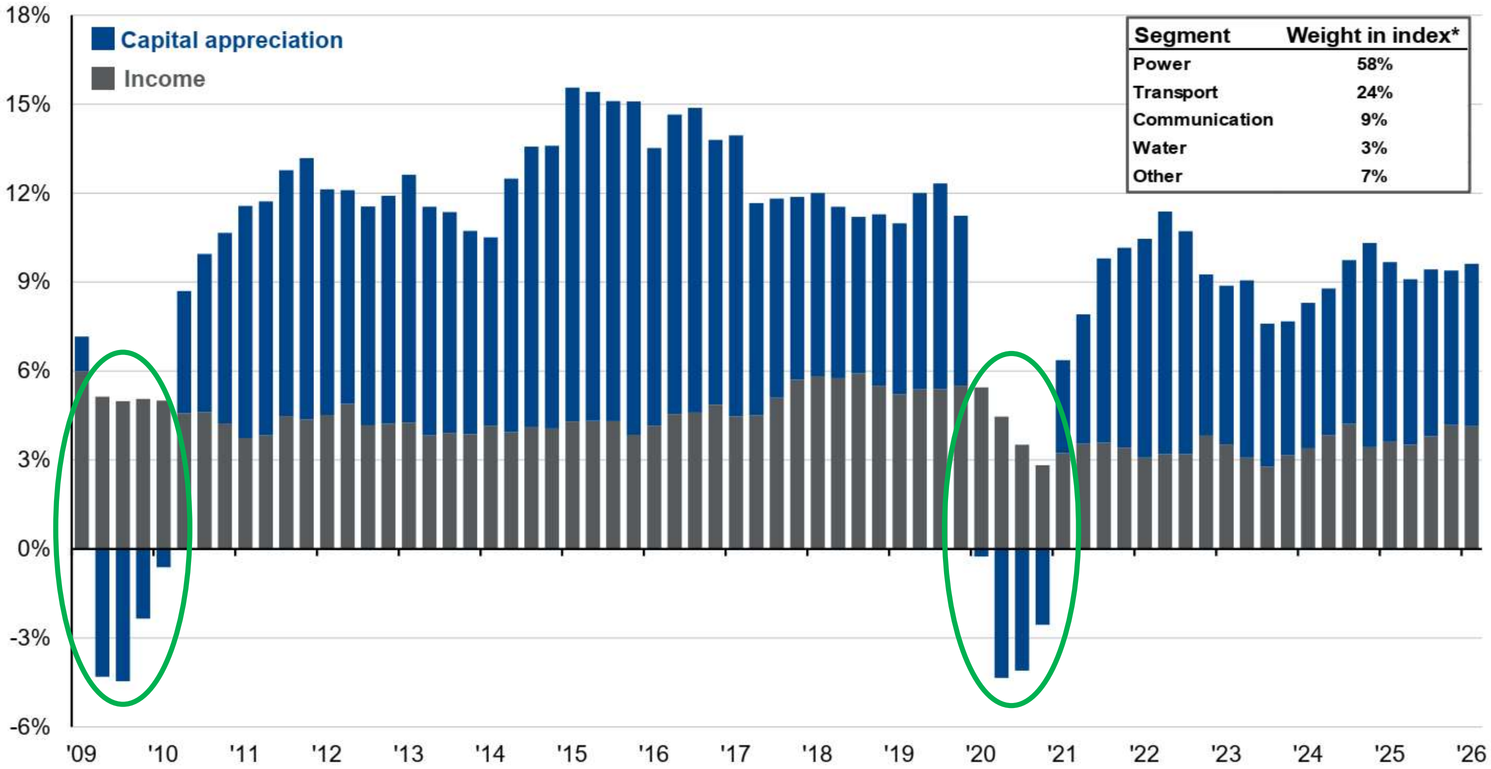
Inflation Hedging

Diversification

Upside Potential

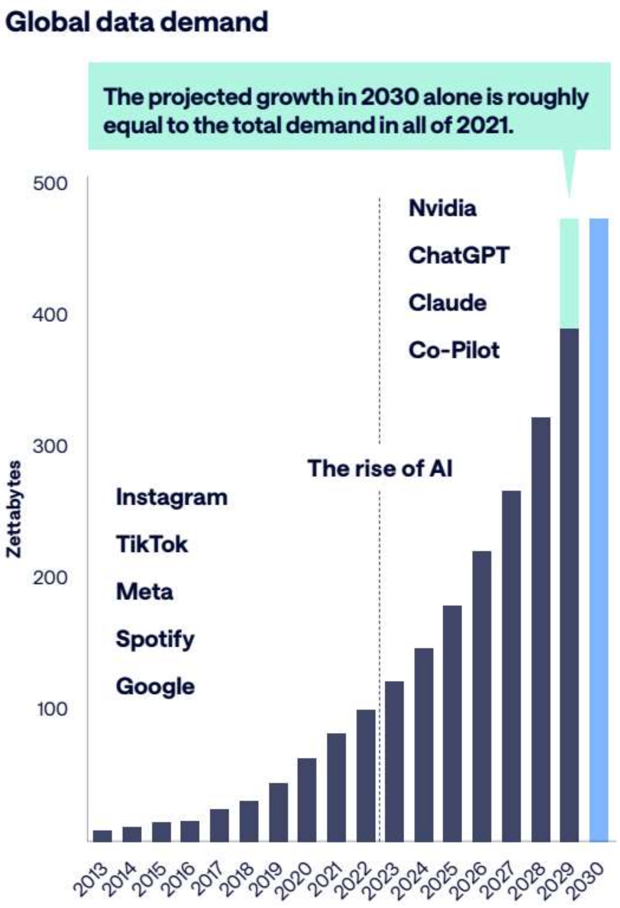
Global infrastructure returns

Rolling 4-quarter returns from income and capital appreciation

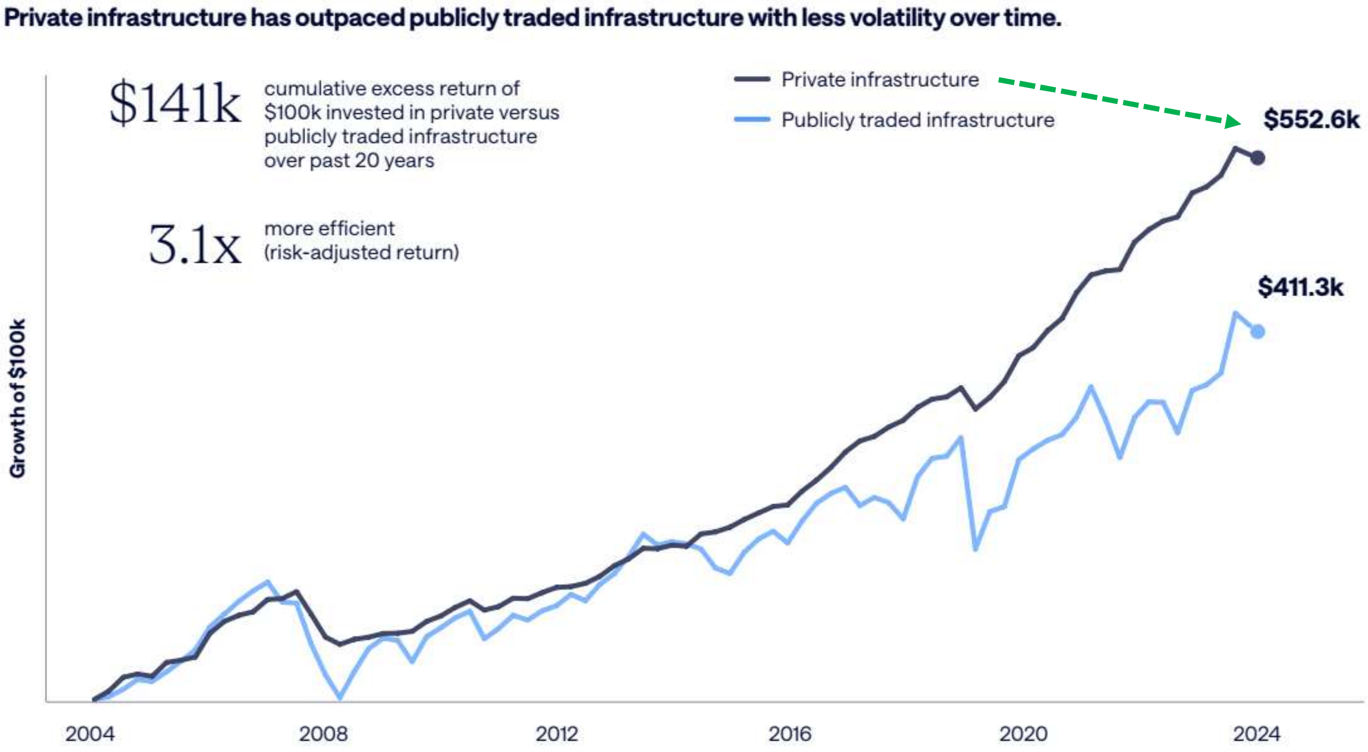


Source: MSCI, J.P. Morgan Asset Management. Data are based on availability as of July 31, 2026.

Private Infrastructure Demand & Outperformance



Sources: Inframation, GSMA, The Mobile Economy 2023.



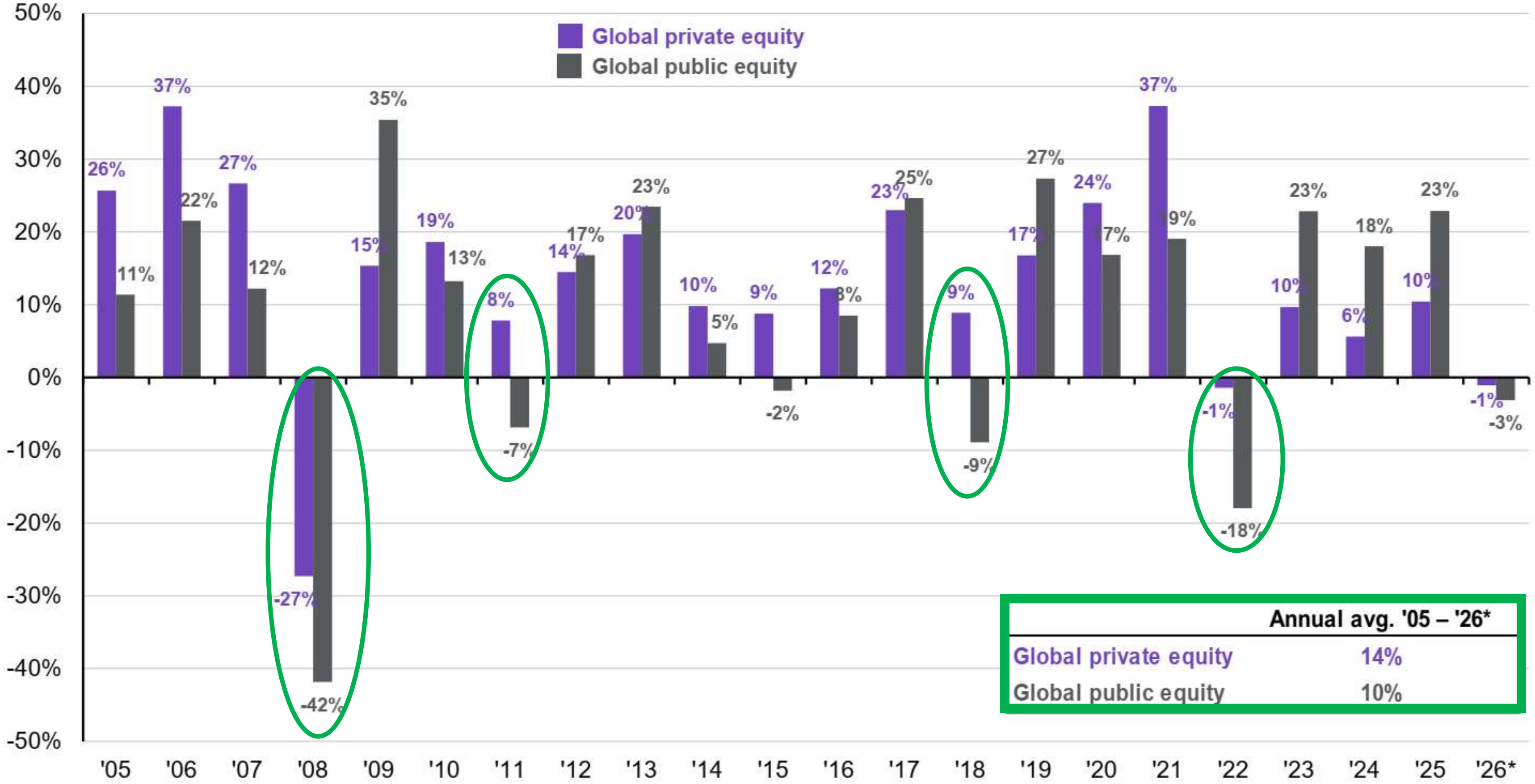
As of December 31, 2024. Sources: Burgiss and Bloomberg. Publicly traded infrastructure = S&P Global Infrastructure Index. Private infrastructure = Burgiss All Infrastructure Index.

morrows PRIVATE WEALTH

Why We Like Private Equity

Global private and public equity annual performance

USD total return, net of fees



	Annual avg. '05 – '26*
Global private equity	14%
Global public equity	10%

Source: Burgiss, FactSet, MSCI, J.P. Morgan Asset Management. Data are based on availability as of July 31, 2026.

morrows
PRIVATE WEALTH

MPW Concluding Summary

MPW Outlook: Uncertainty ahead, downside risk is high but so too is a continuation of the current cycle.

Inflation is the key: *AI is both deflationary and inflationary, but geopolitical factors are intensifying the inflation inputs.*

- Earnings bode well for growth assets and AI is real, but be careful what you pay for it. Valuation matters to long term returns, and.. Geopolitical risk has not gone away!

Stagflation Scenario: *Higher inflation and low growth could still see interest rates rise, and this is not a good outcome for equity markets which are priced for perfection (no rate hikes).*

- After a strong multi-year run, expect a market pullback of 10-20% if inflation trends higher. Protect against downside.

Portfolio Implications:

- Expect higher market volatility, the outlook is very uncertain.
- Own alternative assets, private markets & inflation hedges.

morrows
PRIVATE WEALTH

morrows
PRIVATE WEALTH

WEBINAR APPENDICES

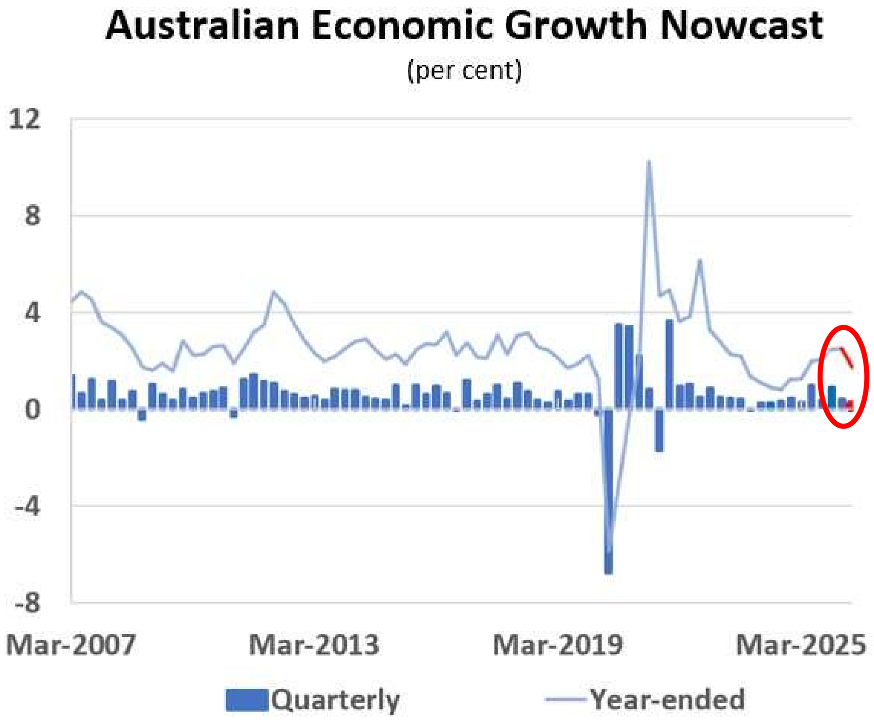
Your financial future,
tailored your way

MPW Outlook: Uncertainty Ahead = Higher Volatility

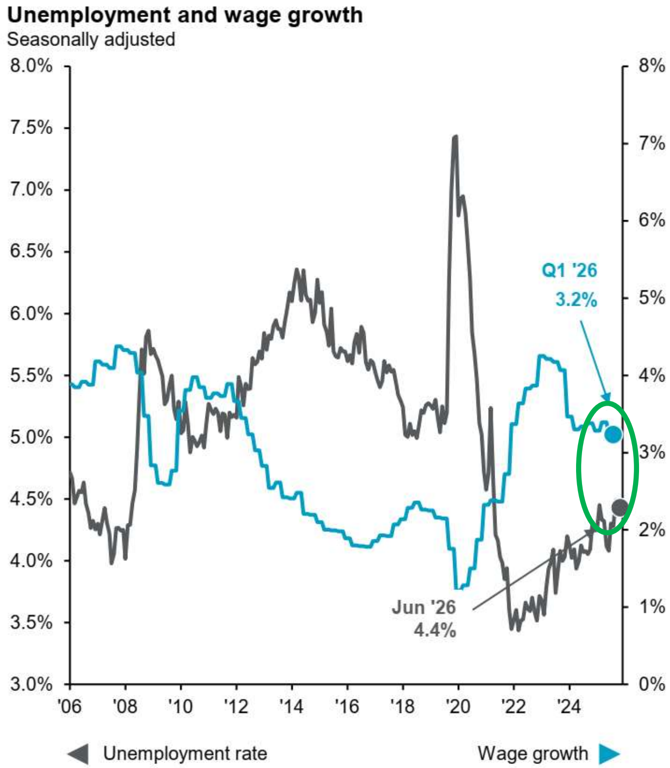
1. Negative Growth (Recession) MPW Probability = 20%	2. Trend Growth (Current) MPW Probability = Our Base Case	3. Strong Growth (Bull Market) MPW Probability = 20%
• Inflation is sticky and moves higher	• Inflation is sticky but moderates	• Inflation falls to central bank targets
• Central banks hold or raise rates	• Central banks slowly cut rates	• Central banks are accommodative
• Unemployment rises 1-2%	• Unemployment rises marginally	• Employment growth remains strong
• Savings rates evaporate	• Savings rates are neutral	• Savings rates increase
• Consumer spending slows sharply	• Consumers continue to spend	• Consumer confidence picks up
• Economic data deteriorates	• Economic data not to hot or cold	• Economic data strengthens
• Corporate earnings fall	• Corporate earnings remain positive	• Corporate earnings grow strongly
• AI is a bubble that bursts	• AI transforms to revenue growth	• AI increases revenue & productivity
• Geopolitical risks intensify (wars)	• No further sanctions or conflict	• Geopolitical risks and conflict abates
Markets are <u>not priced for this</u>, expect markets to decline (~-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**

Australian Recession Risk Is Low, But So Is Growth

GDP growth is forecast to be 1.7% year on year in June 2026, with further downside risk ahead.



Unemployment has risen but remains historically low at 4.4% and wages growth is stable at 3.2%.



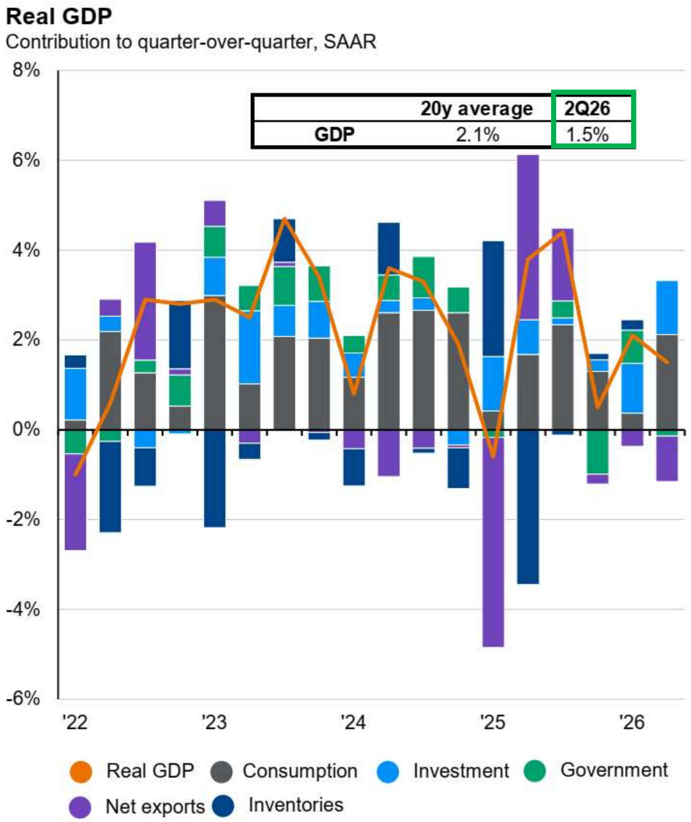
Source: Australian Bureau of Statistics, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – Australia. Data as of 15/08/25.

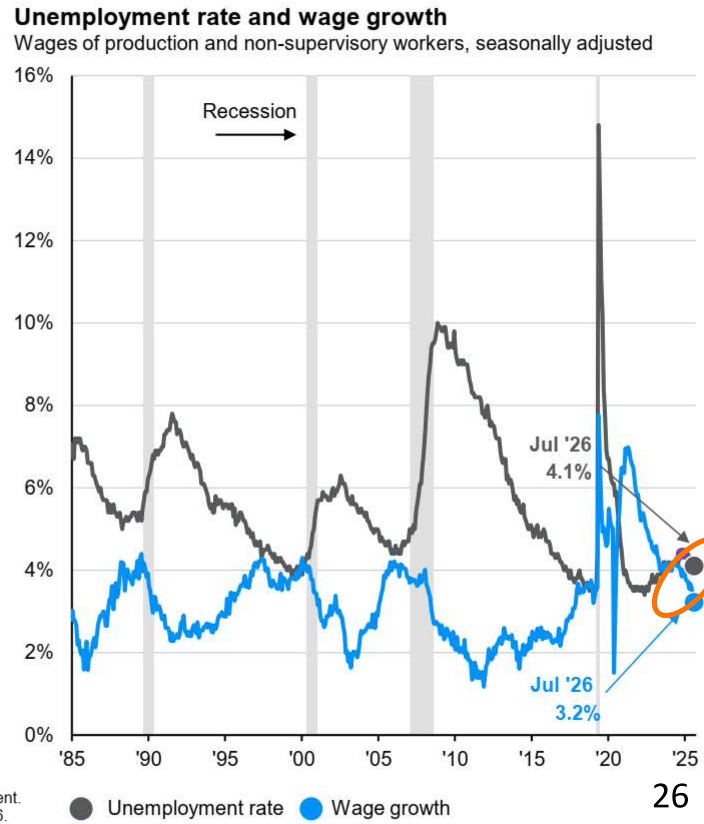
morrows
PRIVATE WEALTH

US Recession Risk Is Low, But Stagflation Looms

US GDP Growth remains below 2% and could be challenged with potential higher interest rates.

US unemployment is historically low at 4.1%, but wages growth at 3.2% continues to fall.



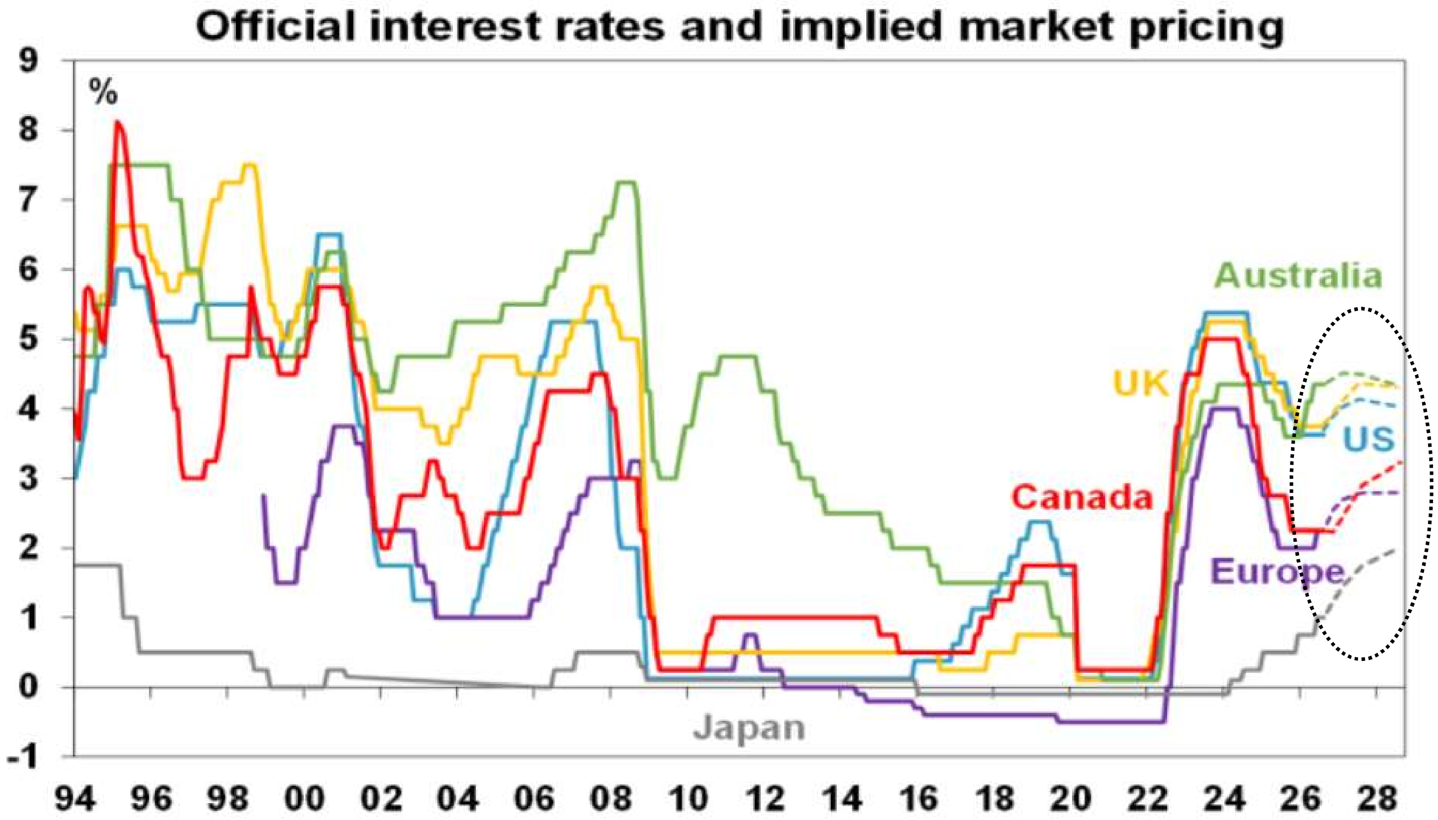


Source: BLS, FactSet, J.P. Morgan Asset Management. *Guide to the Markets – Australia*. Data as of 07/08/26.

morrows
PRIVATE WEALTH

Global Interest Rates Are Forecast To Go Higher

The war in Iran has resulted in higher inflation and global central banks are now focused on raising interest rates.



Source: Bloomberg, AMP

What We Are Monitoring In 2026

- **Inflation** (Australia and US)
- **US economy & labour market** (soft landing, expansion, recession)
- **Fiscal deficits & long-end yields** (structural concerns)
- **Political & policy uncertainty** (New Fed Chair, geopolitics, tariffs)
- **Monetary policy divergence** (RBA and Fed)
- **The AI capex supercycle and software disruption** (productivity shock)