

At a glance

The USA and Israel are at war with Iran, and the Strait of Hormuz has effectively been closed – creating a significant global energy supply shock

Despite the ongoing war, global markets remain relatively resilient, with Energy the strongest sector

The RBA continues to raise rates, being more concerned about inflation than a potential growth shock for the time being.

Geopolitics, the Iran war, inflation and interest rates are the drivers of sentiment and market direction

Markets Update

2026 has been marked by the outbreak of war in the Middle East involving the USA, Israel and Iran, with the conflict also spilling into neighbouring countries. The war disrupted shipping through the Strait of Hormuz – a water way carrying roughly 20% of global oil supply – sending oil prices higher as markets priced in the risk of prolonged supply disruption.

The USA has also maintained an aggressive foreign policy stance, including military intervention in Venezuela at the start of the year targeting its oil sector. This has reinforced energy security as a key strategic theme for investors. At the same time, President Trump's hard-line bargaining style – aggressive threats followed by negotiation – has added to geopolitical volatility and kept markets on edge.

Despite these risks, global equity markets have remained relatively resilient. 2025 December quarter corporate earnings were positive broadly followed recent historical patterns, although results within the technology sector were mixed. Microsoft and Amazon both disappointed as the cost of building AI infrastructure continues to rise.

Australian shares have also been resilient, and our banks delivered strong earnings in the reporting season, although CSL again disappointed the market. Technology shares were volatile. Rapid advances in AI have raised questions about the long-term economics of traditional software companies. If software becomes significantly cheaper and faster to build, traditional software-as-a-service business models that dominated the past decade may face greater competitive pressure. This weighed on several previous local market darlings including WiseTech, Xero, REA and Pro Medicus.

Gold (and gold miners) were particularly volatile. Gold prices initially rose in anticipation of hostilities but then fell sharply during March despite the conflict escalating. The decline appeared largely positioning-driven, with leveraged traders forced to reduce exposure as volatility increased, while some countries sold reserves to fund rising energy import costs.

Bond markets also reacted to the energy shock, with yields rising as inflation expectations increased. Central bank policy divergence remained a key market theme. The US Federal Reserve has held interest rates steady despite solid economic growth. In Australia, persistent inflation saw the Reserve Bank raise interest rates in both February and March.



Looking Ahead

Financial markets are finely balanced, with asset prices heavily dependent on developments in the Middle East and stability of global energy supply. The disruption to the Strait of Hormuz is a genuine external shock with the potential to influence inflation, growth and central bank policy simultaneously – often in conflicting directions.

If the conflict remains contained and shipping routes reopen in the coming months, oil prices could retreat and financial markets may stabilise. In that environment, the growth slowdown could avoid recession. However, the Federal Reserve would still face a stagflationary dilemma: energy-driven inflation argues against rate cuts, while weakening growth argues in favour of them.

The Reserve Bank of Australia faces a similarly complex backdrop. Inflation remains above target and economic growth has been running above trend, while rising energy costs and deteriorating global growth prospects add further uncertainty to the outlook.

A prolonged disruption to shipping through the Strait of Hormuz would change the calculus significantly. Sustained high oil prices would squeeze household spending, compress corporate margins and limit the ability of central banks to respond with lower interest rates – conditions consistent with a stagflationary environment.

Key Features

Name	Alpha Moderate Fund
APIR Code	ETL3086AU
Inception Date	2 April 2007 (Merger 9 September 2021)
Perf Benchmark	Morningstar AUS Moderate Tgt Alloc NR \$A
Peer Group	Australia Fund Multisector Moderate
Mgmt Costs	0.73% p.a.
Buy/sell Spread	0.20% / 0.20%
Platforms	Insignia, Praemium, HUB24, PlatformplusWRAP
Fund Size	\$7.7m

Quarterly Commentary

The Alpha Moderate Fund delivered a total return (net of fees) of -1.70% in the March 2026 quarter, underperforming the Morningstar Australian Moderate Target Allocation Index by -0.49%.

Share markets were volatile during the quarter as the Middle East conflict, rising energy prices and shifting interest rate expectations weighed on investor sentiment. Energy-related sectors benefited from the oil and gas price spike, while broader markets were pressured by inflation concerns and geopolitical uncertainty. Bond markets were weaker as rising energy prices lifted inflation expectations.

Within the portfolio, the main contributors were Energy Infrastructure (Cheniere Energy and Williams Companies). Early in the conflict we increased exposure to energy infrastructure given the risk of a sharp energy price spike. These positions performed well as markets repriced global energy supply risks. Other strong contributors during the quarter included holdings across Australian resources (BHP, Rio Tinto, South32), semiconductors (TSMC, Lam Research, Applied Materials and ASML) and healthcare (Moderna, Johnson & Johnson, Novartis, United Therapeutics and GSK).

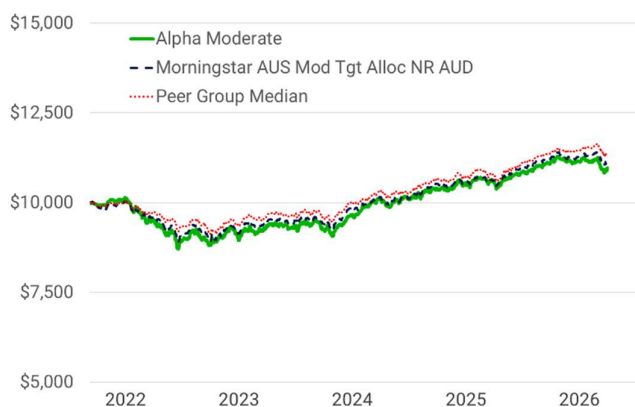
The main detractors included Microsoft, WiseTech, Meta Platforms, Amazon, NVIDIA, Alphabet, Intuit and Adyen, which fell amid concerns that advances in artificial intelligence could disrupt the business models of traditional software and technology platforms. CSL also continued to underperform during the quarter. Bond holdings were also slightly negative as yields moved higher during the quarter.

We also reduced currency hedging during the period, reflecting concerns around the outlook for the Australian economy and the potential for further weakness in the Australian dollar.

The portfolio remains positioned relatively defensively, with reduced exposure to growth assets. We expect market volatility to be higher in the near term because of the impact of the Iran War on the global energy markets.

Your financial adviser will take the time to discuss this report with you and answer any questions you may have.

Performance



Performance	1mth	3mth	1yr	2yr	3yr	Inc
Alpha Moderate	-2.58%	-1.70%	3.66%	4.01%	5.36%	2.04%
Perf Benchmark	-2.66%	-1.21%	4.89%	4.63%	5.48%	2.37%
Peer Median	-2.62%	-0.78%	5.19%	4.76%	5.57%	2.91%

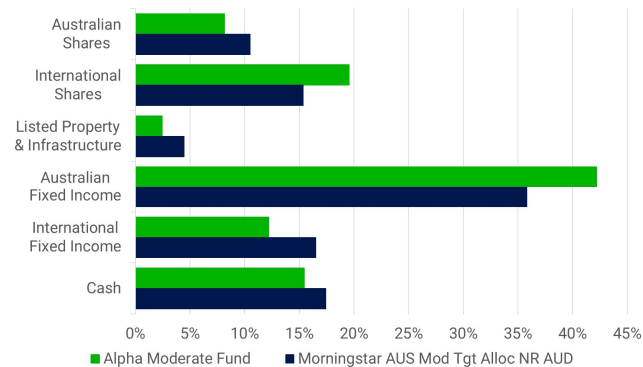
Disclaimer: Net performance figures are shown after all fees and expenses. Past performance is not an indicator of future performance. Returns for periods 1 year or greater are calculated on an annualised basis.

Inception*: The date refers to the fund merger on 9 September 2021

Peer Median: Morningstar Category: Australian Multisector – Moderate

Source: Morningstar Direct (to 31 March 2026)

Asset Class Exposures



Top 10 Holdings

Security	Ticker	Country	Weight
BHP Group	BHP	Australia	1.7%
Cheniere Energy	LNG	United States	1.1%
Williams Companies	WMB	United States	0.8%
Alphabet	GOOGL	United States	0.8%
Westpac	WBC	Australia	0.7%
National Australia Bank	NAB	Australia	0.7%
CSL Ltd	CSL	Australia	0.7%
Microsoft Corp	MSFT	United States	0.6%
TSMC	TSM	United States	0.6%
Amazon.com	AMZN	United States	0.6%