Mason Stevens House View

October 2025

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Wealth Platform

Managed Accounts

Outsourced CIO

House views

Recent developments

- Fed cut target rate by 25bps on 18 Sep
- Non-Farm Payroll (NFP) revisions – year ending 31 March 2025 saw 911k (76k per month) fewer jobs created
- **Inflation fears abating or seen as subordinate to softening jobs growth**
- NFP 3-month rolling average tracking at 38k per month -> low!
- **Strong Q2 US earnings season:** 80% beats, led by Big Tech and Financials
- **Mixed Q4 FY24 earnings season for Australian companies:** yoy earnings declined by -5.1%, beat consensus, dividend growth was +20% yoy
- China continues to add to gold holdings – gold trading at all-time highs
- **Spotlight on Australian private credit:** Metrics, LaTrobe etc. **We remain invested**

Key Investment Themes

- **Structural**
  - **AI** - still in the early innings, US market leadership, ongoing China and Asia EM investment + national champion status
  - **De-dollarisation** – lower US dollar translates to easier global financial and liquidity conditions, gold and reserve substitutes (incl. Bitcoin) as portfolio diversifiers
- **Cyclical**
  - **Expansionary fiscal policy** - One Big Beautiful Bill Act (OBBBA) - tax cuts and investment incentives set to flow through to the broader economy in 1H26
  - **Less restrictive monetary policy** – modest short term global easing bias combined with stabilising longer term yields will support earnings growth
  - **Broadening global equity rally** – small & midcaps, commodities

Regime Implications

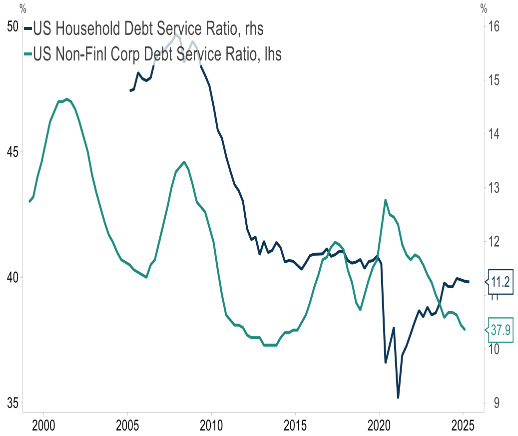
- **Growth Outlook: Positive, Constructive**
  - Fundamental Research:
    - Resilient household and corporate balance sheets
    - Risks to labour market somewhat alleviated by rate cuts
    - Substantial investment (AI and national security), fiscal policy and deregulation providing growth tailwinds
    - Upside risks to inflation remain, less material than previously feared & offset by AI-driven productivity gains
  - Quantitative Regime Signals:
    - **Risk-on** = 77%
      - Goldilocks = 41%, Reflation = 36%
      - Inflation = 8%, Deflation = 16%
    - Signal Strength = 95% (High)

Source: Mason Stevens OCIO, Bloomberg, 42 Macro

Macroeconomic Regime - Growth

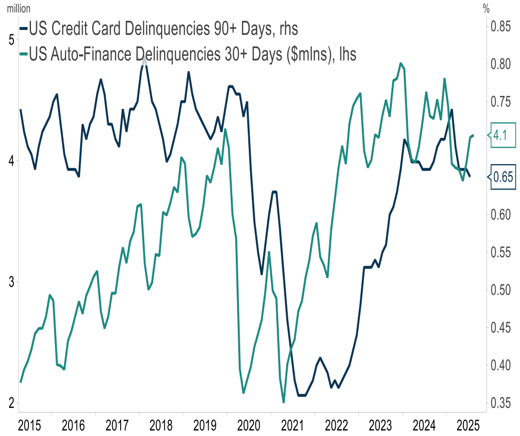
Low Debt Servicing Ratios

Household and corporate balance sheets remain in good shape



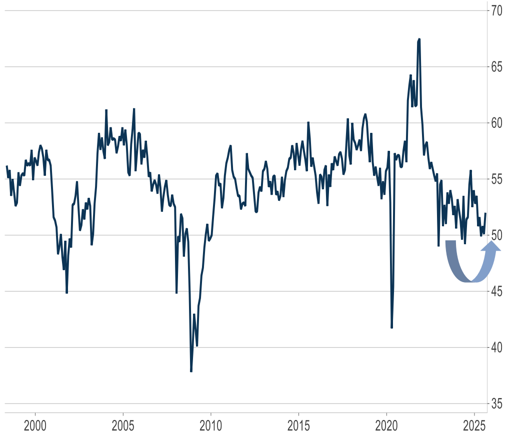
Delinquencies in check

Rate cuts set to provide further relief



ISM Services stable/rising

Strong New Orders component in August

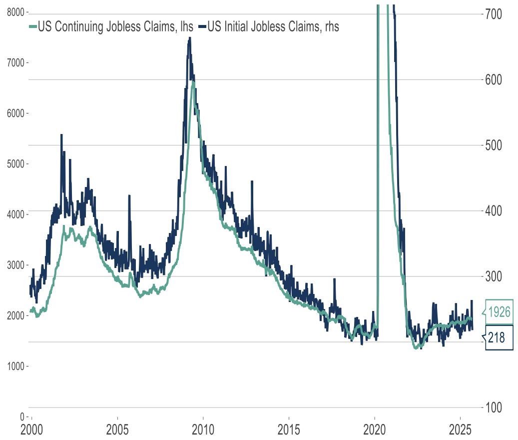


Source: Mason Stevens OCIO, MacroBond

Macroeconomic Regime - Growth

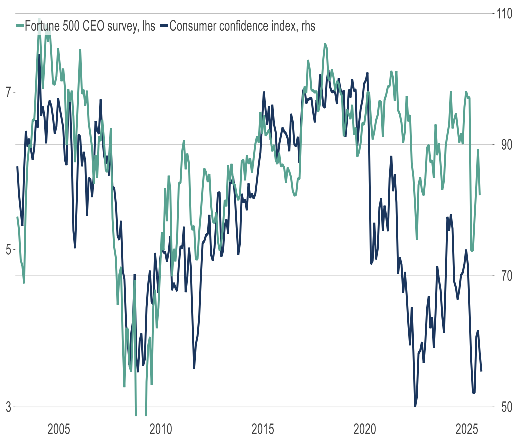
Low Jobless Claims

Level and rate of change not currently a source of concern



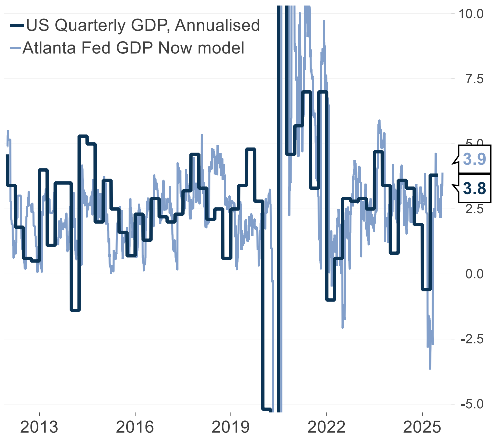
Trend CEO and Consumer Confidence

Protest vote skewing the University of Michigan survey – not a concern



Strong GDP growth

Real disposable income growth fuelling retail spending → strong economy

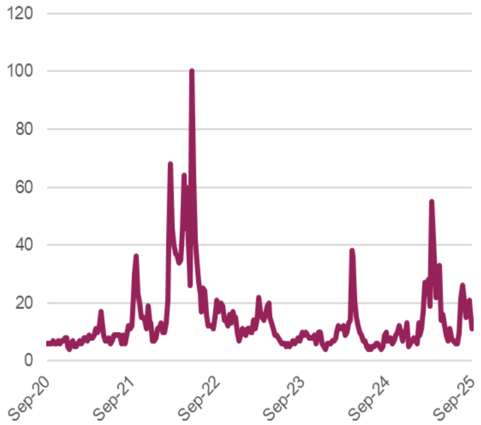


Source: Mason Stevens OCIO, MacroBond

Macroeconomic Regime - Inflation

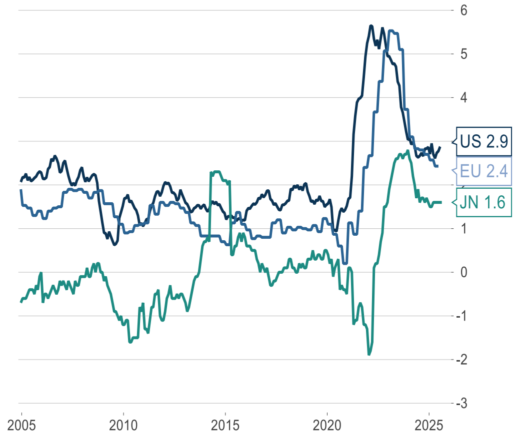
Stagflation concerns receding

Google Trends 'stagflation' searches dipped in early Sep



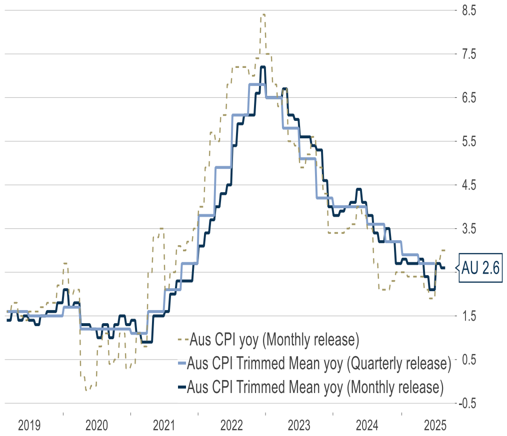
Sticky US, falling ex-US inflation

Modest tariff-related price increases passing through the US in late 2025 & 2026



Australian CPI

We still expect a 25bps cut in November



Source: Mason Stevens OCIO, MacroBond, Google Trends

A Global Economy Undergoing a Structural Shift

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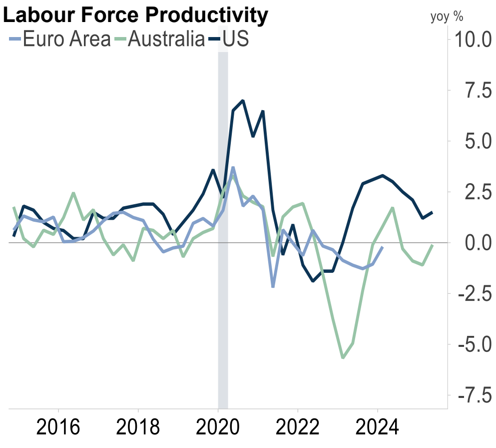
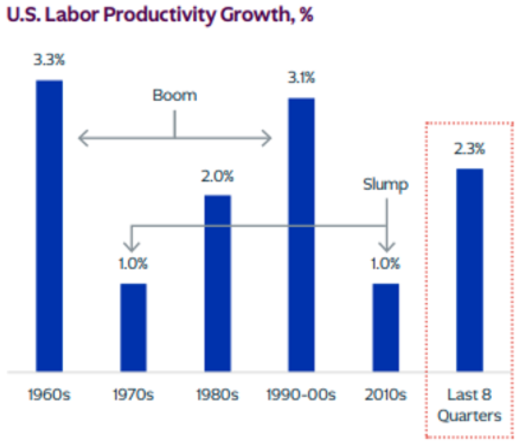
The US is leading a global productivity revival…



Comparable to the post-WW2 and Internet booms



Ingredients of a Productivity Boom:

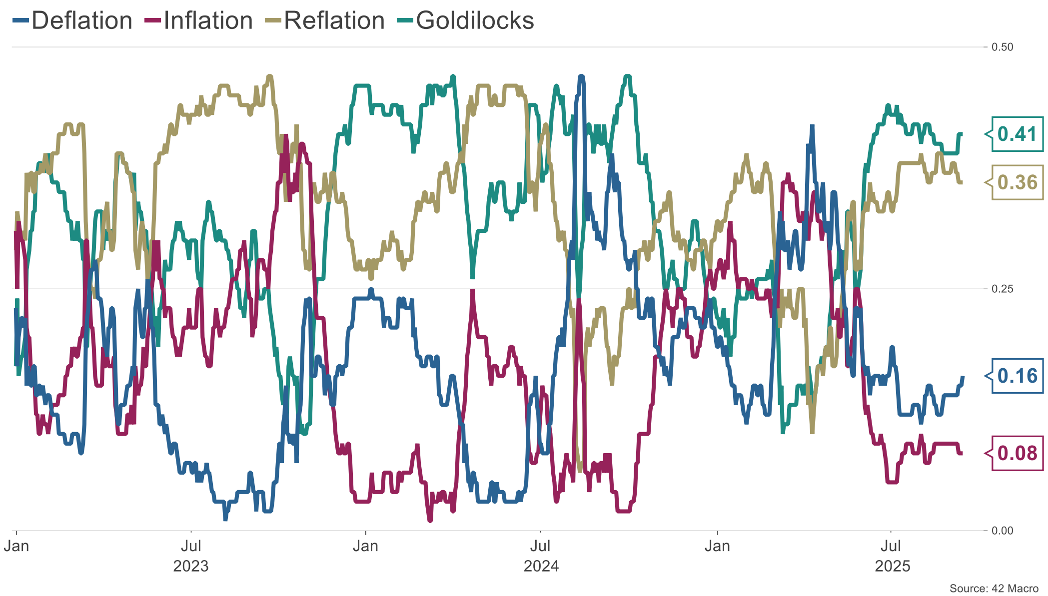
- ✓ Capital Spending
- ✓ Technological Innovation
- ✓ Skilled Labour
- ✓ Efficient Allocation of Resources
- ✓ Cheap Energy

Measured GDP understates the impact of AI by 0.5-0.7%p.a. because key inputs like semiconductors and cloud services investment are excluded from the GDP calculation or counted as imports

Source: Mason Stevens OCIO, Bloomberg, MacroBond, KKR Global Macro & Asset Allocation, Federal Reserve Bank of San Francisco, Goldman Sachs

‘GRID’ Regime

Goldilocks and Reflation the dominant regime signals



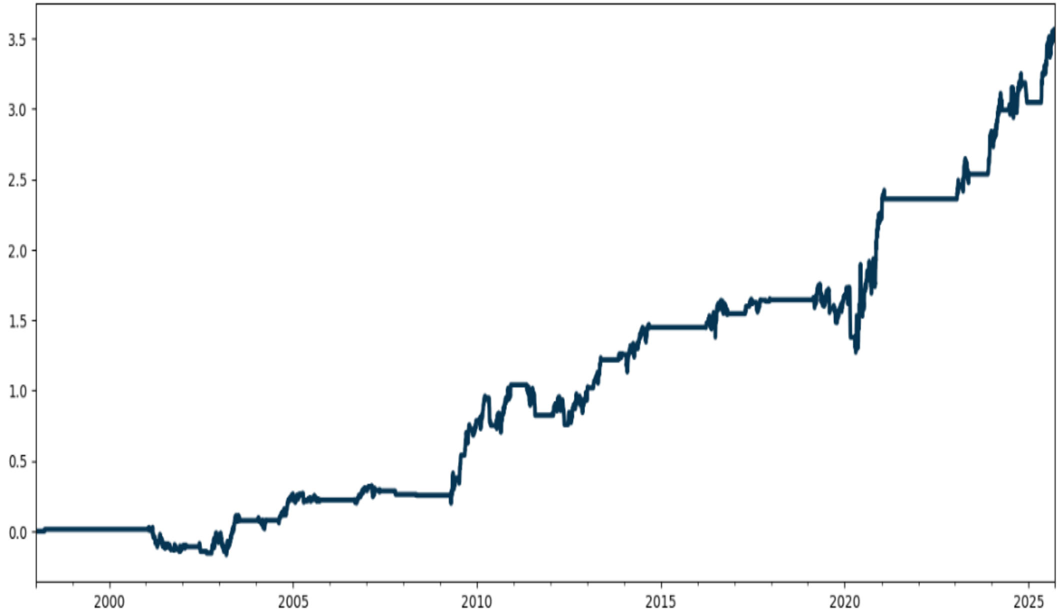
GRID Regime summary:

- **Risk On = 77% (High)**
- **Signal Strength = 95% (High)**
- **A period a regime stability: good for risk appetite and Momentum**
- **Being invested in risk assets has historically been rewarded**

Source: Mason Stevens OCIO, MacroBond, 42 Macro

‘GRID’ Regime - Backtesting

Strategy: Invest when Goldilocks is the dominant regime



Assumptions:

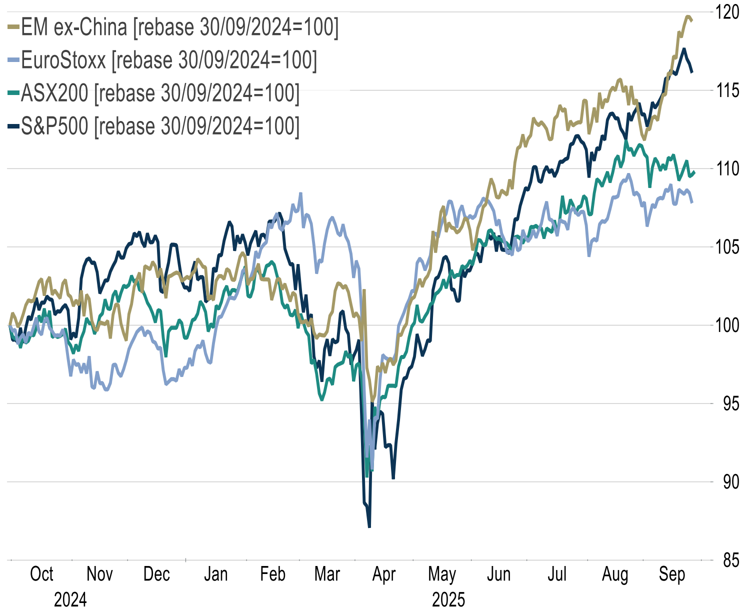
- **Goldilocks is the dominant GRID regime**
- **Invest in the S&P500 Equal Weighted Index**
- **Transaction costs = 0.05%**
- **Fully systematic implementation**

Source: Mason Stevens OCIO, Bloomberg, 42 Macro

Major Asset Classes – Equities & Bonds

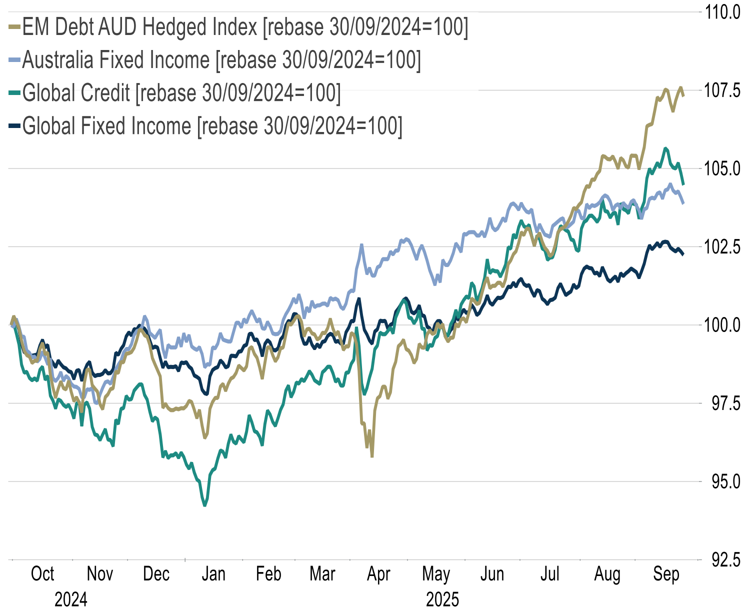
Key Equity Markets

Selective broadening



Key Fixed Income Markets

Risk appetite has been rewarded

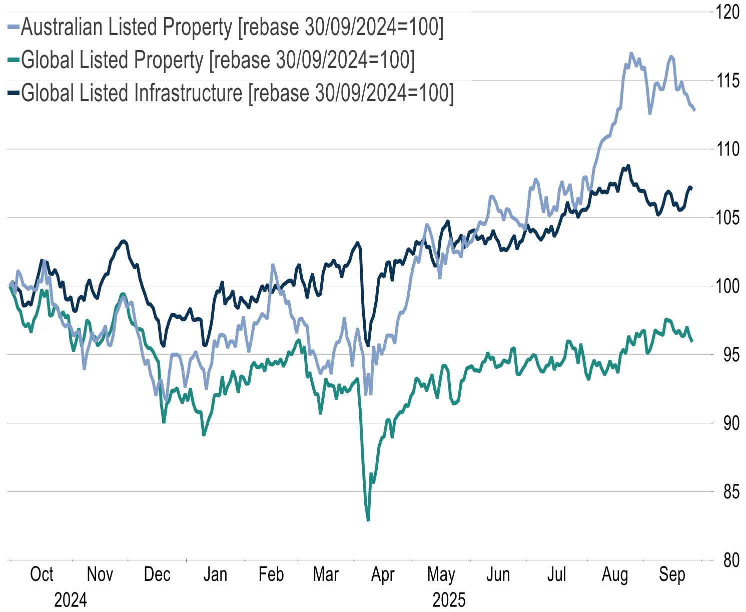


Source: Mason Stevens OCIO, MacroBond, Bloomberg

Major Asset Classes – Other Growth Assets

Listed Real Asset Markets

AREITS benefitted from local rate dynamics



Commodity Markets

Precious Metals strength

Source: Mason Stevens OCIO, MacroBond, Bloomberg

Corporate Earnings Snapshot – US Equities

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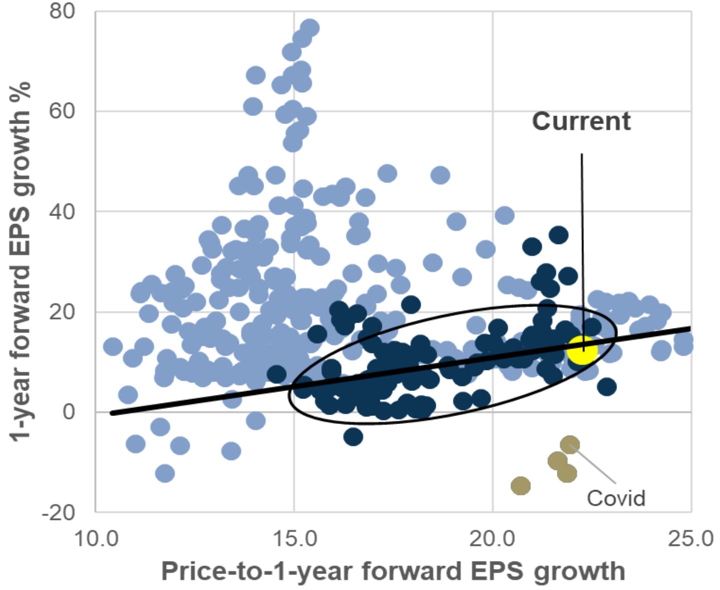
S&P500 Valuations are elevated

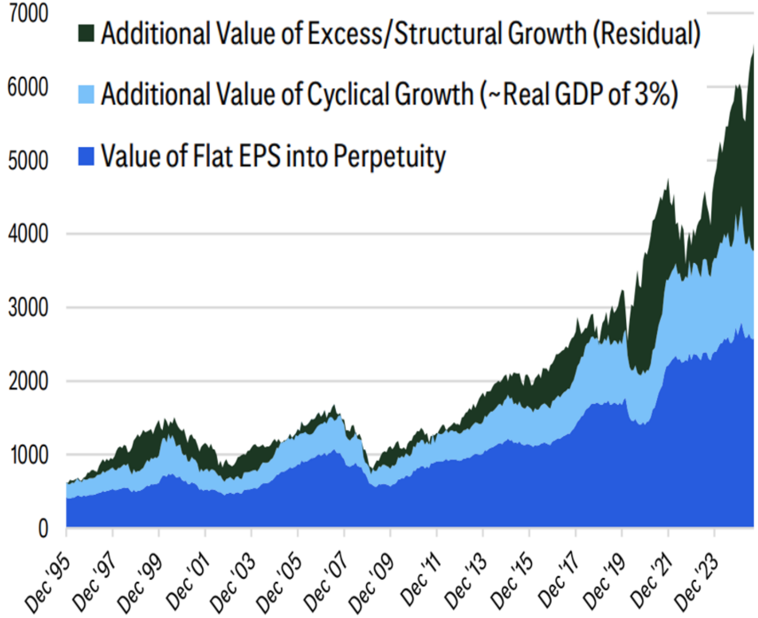
But consistent with strong earnings growth in the era of US exceptionalism



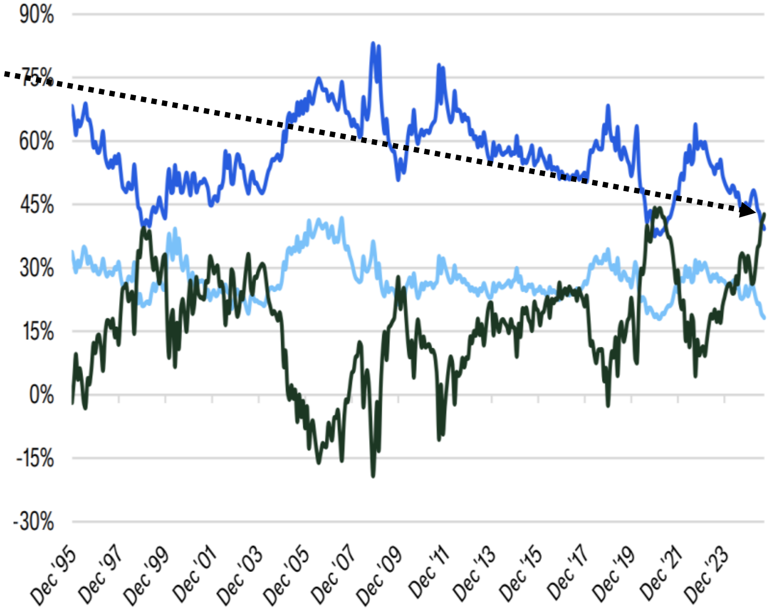
Source: Mason Stevens OCIO, MacroBond, Bloomberg

Corporate Earnings Snapshot – US Equities (Citi Research)

Citi Research: Excess returns (future growth expectations) are elevated



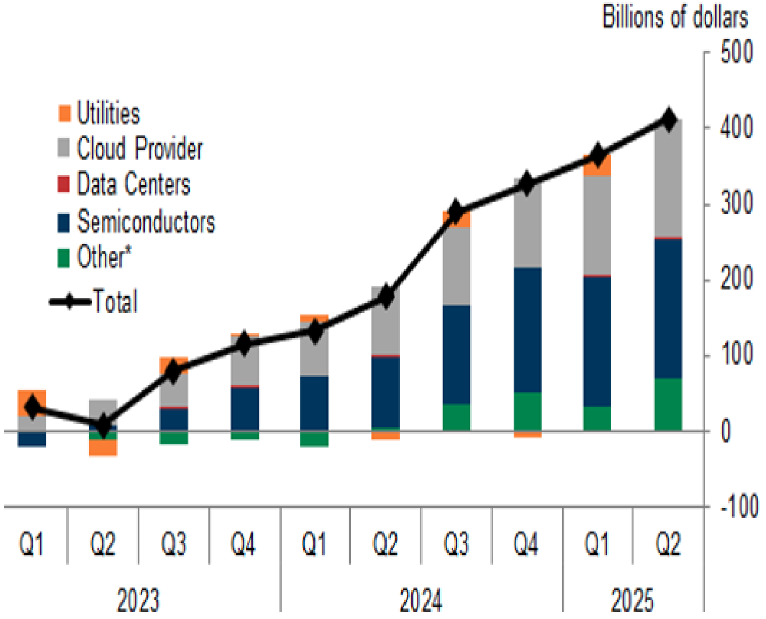
We believe comparisons to the Tech bubble are misguided



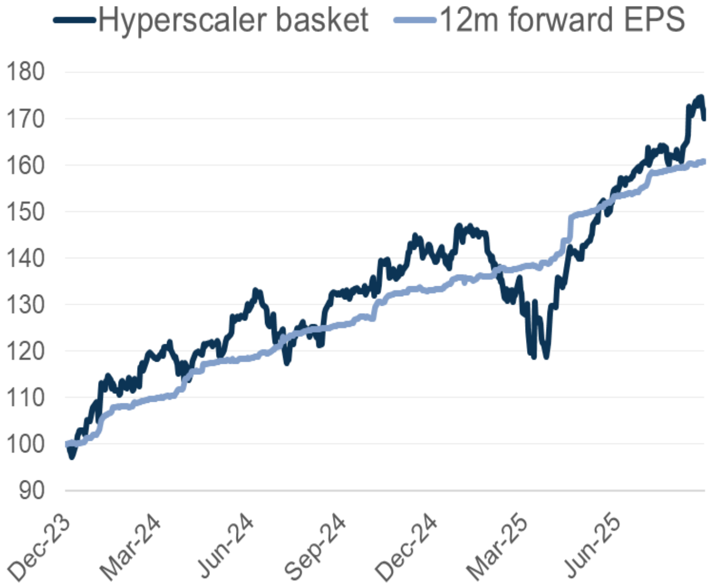
Source: Mason Stevens OCIO, Citi Research (US Equity Strategist Scott Chronert), Bloomberg, Factset

Corporate Earnings Snapshot – Hyperscalers

For one, this is a Revenue and FCF led capex cycle - not IPO led



Further, prices have tracked (not detached from) earnings growth



Source: Mason Stevens OCIO, Goldman Sachs Investment Research, Bloomberg

Investment Themes We Are Acting On

AI

Still in the early innings, markets underestimating capex (US & abroad)

Big tech 2025 capex may hit $200 billion as gen-AI demand booms

October 4, 2024

Bloomberg Intelligence

Tech megacaps plan to spend more than $300 billion in 2025 as AI race intensifies

CNBC

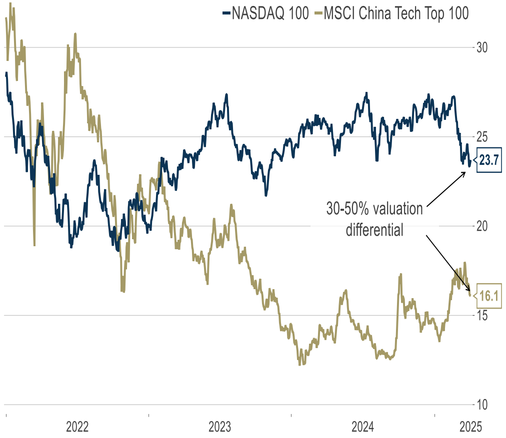
Estimates for hyperscaler 2025 capex have increased by $100bln YTD to $368 billion currently.

4 September 2025

Goldman Sachs

National Champions

Prudent to diversify exposure. AI is not a zero-sum game



National Security

European Defence set to grow at 7-10%p.a.

Theoretical growth, on top of GDP (i.e. keeping 2024 GDP constant), to ... of GDP, by .....

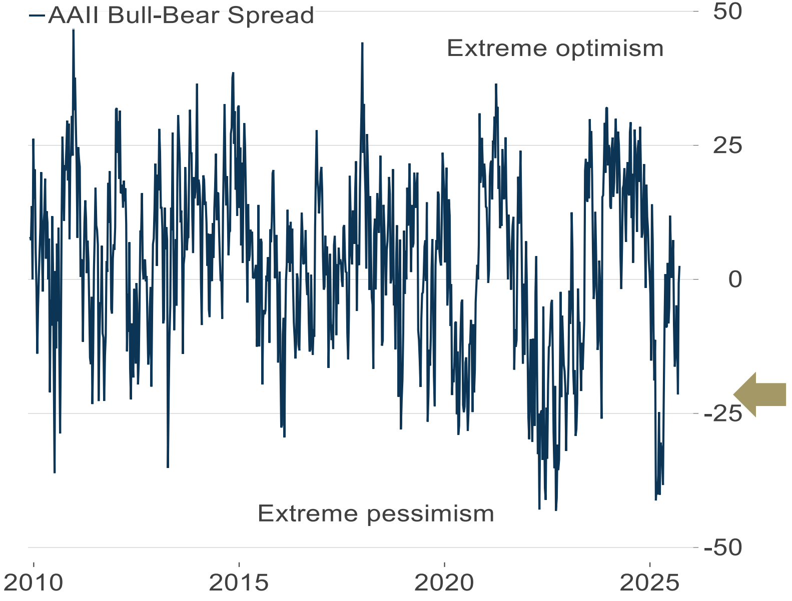
% of GDP	2.5%	3.0%	3.5%	4.0%
2027	7.7%	14.4%	20.5%	25.9%
2028	5.7%	10.6%	15.0%	18.9%
2029	4.5%	8.4%	11.8%	14.8%
2030	3.8%	7.0%	9.8%	12.2%
2031	3.2%	5.9%	8.3%	10.4%
2032	2.8%	5.2%	7.2%	9.0%
2033	2.5%	4.6%	6.4%	8.0%
2034	2.2%	4.1%	5.7%	7.2%
2035	2.0%	3.7%	5.2%	6.5%

Source: NATO, Jefferies

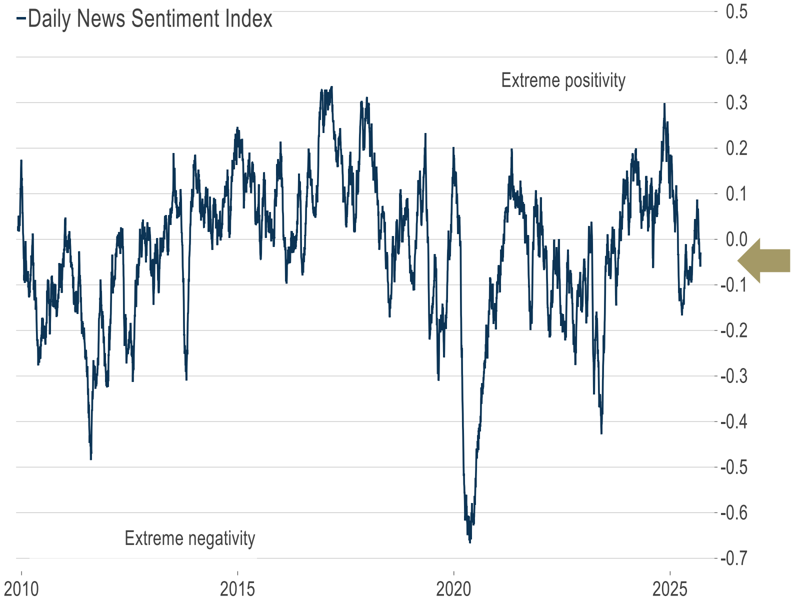
Source: Mason Stevens OCIO, MacroBond, Bloomberg, CNBC, Goldman Sachs, NATO, Jefferies

DAA Indicators

Investor Sentiment: Neutral



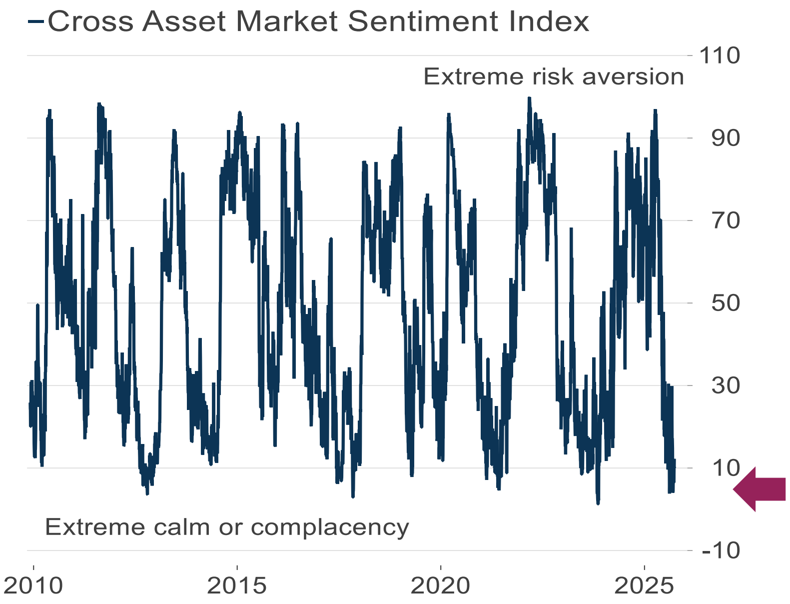
News Sentiment: Neutral



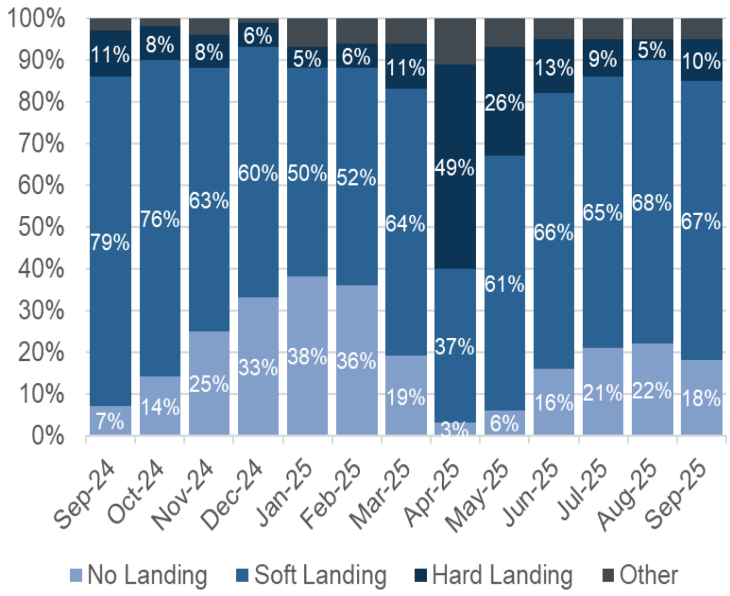
Source: Mason Stevens OCIO, MacroBond, Bloomberg

DAA Indicators

Market Sentiment: Contrarian Negative



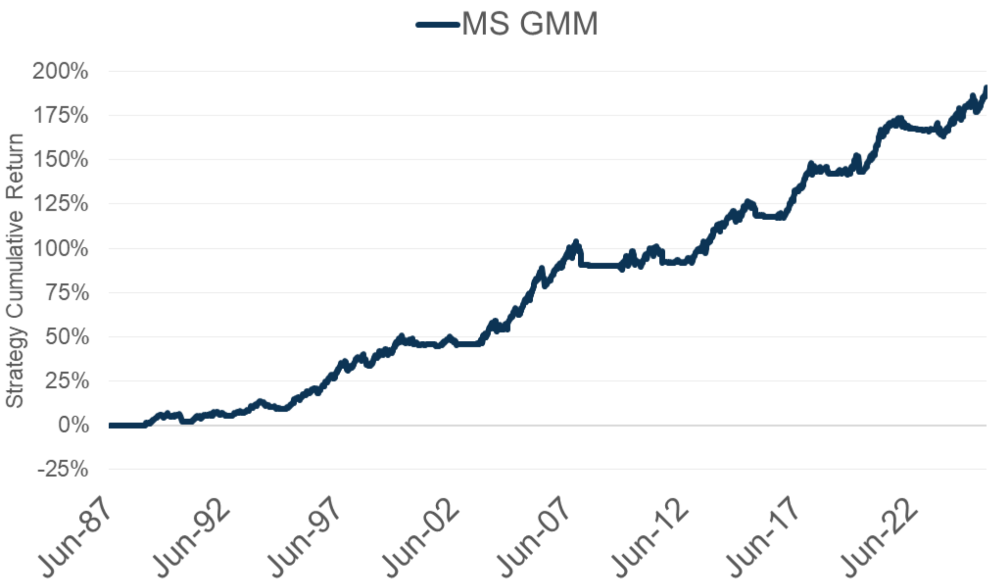
Fund Manager Positioning: Neutral



Source: Mason Stevens OCIO, MacroBond, Bloomberg

MS OCIO Global Momentum Model (GMM) - Backtesting

Strategy: Invest in an equal-weighted basket of global equity indices



Summary:

- **Invest in an equally weighted basket of 12 global and regional benchmark equity indices**
- **Transaction costs = 0.05%**
- **Fully systematic implementation**
- **12/12 basket constituents currently active**

Source: Mason Stevens OCIO

Bringing It All Together

70% Risk On (Regime) + Neutral DAA Signals = 2-3% Overweight (O/W) Growth Assets

	Risk On		Risk Off	
	Goldilocks (Soft Landing) Growth – up Inflation - down	**Reflation (No Landing)** Growth – up Inflation - up	**Inflation (Stagflation/technical recession)** Growth – down Inflation - up	**Deflation (Global Real Recession)** Growth – down Inflation - down
Probability	**40%**	**30%**	**17.5%**	**12.5%**
Drivers, monetary and fiscal environment	Robust consumer and corporate balance sheets, combined with productivity growth and continued disinflation allow central banks continue to cut rates as disinflation trends continue. Tariffs impacts are modest and do not negatively impact global economic growth in concert with other policies.	Pro-business policies, re-onshoring and tariffs propel the global economy amidst a backdrop of persistently above target or structurally higher (albeit not destructive) inflation.	Global trade tensions, including tariffs, cause inflation to rise and global growth to slow resulting in recession. Global bonds markets may also experience a period of heightened volatility on debt sustainability concerns. Pro-growth fiscal and tax policies, and the self-regulating effects of higher inflation, eventually kick in to underpin a recovery.	Household and business confidence declines and investment stalls, resulting in swiftly rising unemployment causing and a deep recession. Central bank may be late to respond potentially due to lingering inflation concerns. This scenario also captures exogenous shocks, e.g. the Chinese economy collapsing.

Portfolio Implications:

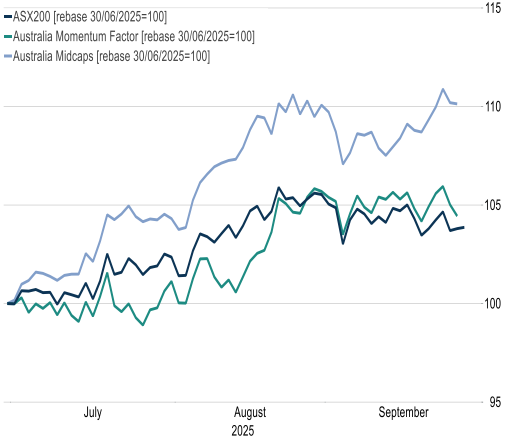
- **+2-3% O/W Growth Assets**
- **Expressed across Australian and Global Equities**
- **Neutral Australian and Global Duration – Private Credit for yield enhancement**
- **Slight Underweight to Growth Alternatives – preference for Gold and Private Equity**

Source: Mason Stevens OCIO, 42 Macro

Investment Themes We Are Acting On and Watching

Factors

Small and MidCaps, Momentum



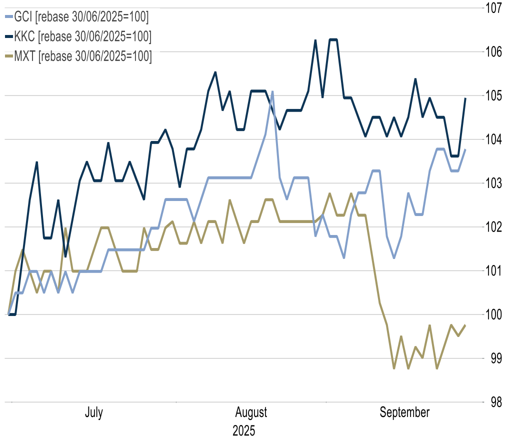
Cyclicals & Diversifiers

Active or Watchlist Holdings:

- Cyclicals: US Banks, US Industrials, Rare Earths, Uranium (Watchlist)
- Diversifiers: Gold, Quant and Long/Short Equity strategies, Private Equity, Global Healthcare

Risk

Private Credit – Listed and unlisted strategies are annualising at 7-10%

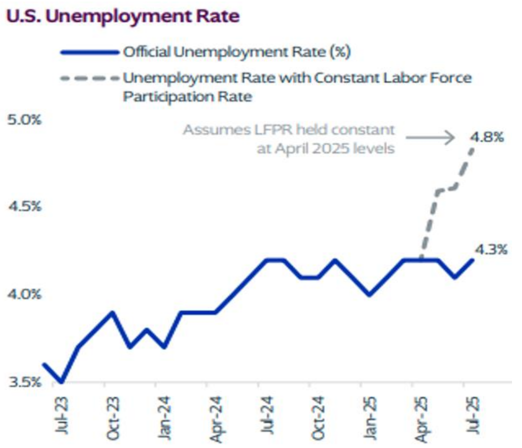


Source: Mason Stevens OCIO, MacroBond, Bloomberg

What Could Go Wrong?

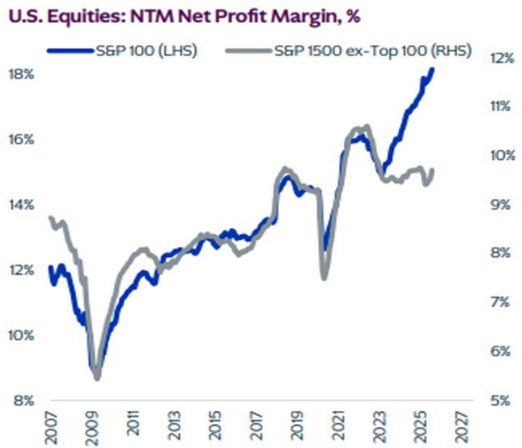
Accelerating Unemployment

Assessing underlying strength more complicated than usual



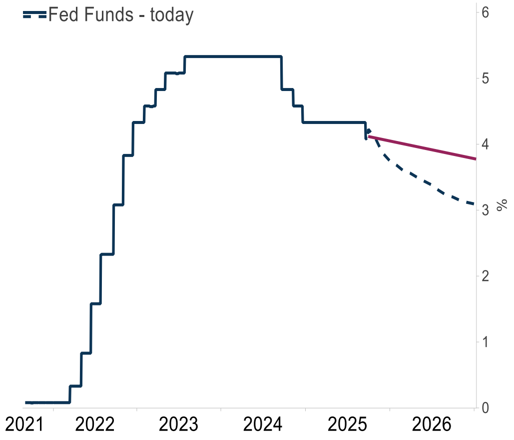
Narrow Breadth

Setbacks to the AI trade, i.e. capex disappoints



Inflation Risks

Frontloading blurring the lines re tariff-induced inflation?



Source: Mason Stevens OCIO, MacroBond, KKR Global Macro & Asset Allocation, S&P, US Bureau of Labor Statistics, Bloomberg

Thank you

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