



March 2026

Market Insights

The outbreak of conflict between the US-Israel coalition and Iran dominated financial markets in March, driving the S&P/ASX 200 Total Return Index down 7.1% for the month, its worst monthly result since June 2022. The index is down 1.6% for the first quarter of 2026.

Global markets were similarly pressured, with the US S&P 500 declining approximately 5% over the same period.

The consequent disruption to Strait of Hormuz shipping was the primary transmission mechanism, with oil finishing the month above US\$100 per barrel, a gain of roughly 50% in March. This energy shock has materially altered the inflation and monetary policy outlook globally.

In Australia, the RBA responded by raising the cash rate by 25 basis points to 4.10% at its March meeting, its second consecutive increase, though the decision was a narrow 5-to-4 vote.

Notably, all board members agreed a further increase was warranted to address domestic inflation pressures, which were present even before the conflict. Several major banks now expect further hikes, with forecasts for the cycle peak ranging from 4.35% to as high as 4.85% if second-round inflation effects persist.

February headline CPI was 3.7%, and is expected to rise further through mid-year as higher energy costs flow through the economy. Q4 GDP growth of 2.6% confirmed the economy entered this period from a position of strength, but higher rates and energy costs are expected to weigh on consumption and dwelling investment going forward.

Energy was by far the best performing sector in the S&P/ASX 200 for March, rising 20.4%.

Higher oil prices also supported the Utilities sector, up 4.9%, given Origin Energy's large weight and its exposure to oil price-linked LNG production. Defensives held up relatively well, with Insurance (+4%) and Staples (+2%) outperforming.

Less intuitively, Materials was the weakest sector in the month, partly driven by the decline in the gold price which fell almost 12%.

Possible technical factors were at play, with institutional investors potentially liquidating gold positions to meet margin or capital calls from losses in other asset classes. More fundamentally, higher interest rates and a stronger US dollar tend to be headwinds for the gold price. Outside of gold, higher energy costs, particularly in diesel, are a material cost headwind for miners, compounding concerns over a slowing global economy facing higher inflation and interest rates.

Sectors: Technology (-12.5%) and Property (-11.2%) were also material laggards, driven by the outlook for higher interest rates having a greater impact on valuations in both high growth stocks and bond-like stocks. The Size factor was notable: Small Ordinaries (-11%) and Mid Caps (-10%) both underperformed the Large Cap ASX20 index (-6%) by a significant margin, consistent with typical behaviour during market corrections.

Quality and Momentum were the weakest style factors in March, as the market rotated aggressively into low-beta, high-dividend yield names.

Quality returned -10.8% and Momentum -12.4% in the ASX 100. The spread between the best and worst performing sectors, Energy at +20.4% and Technology at -12.5%, was among the widest in recent years, underscoring the value of active stock selection in a market where index returns mask vastly different outcomes beneath the surface.

Outlook

As always, we premise our views with: We do not attempt to forecast markets, as we do not believe this possible. However, we do apply stringent risk and macroeconomic overlays to our investments. We train ourselves to think long term and not be distracted by short-term thinking or market fluctuations.

Although a resolution to the Middle East conflict remains uncertain, some things are known: damage to various energy infrastructure will take many months to years to repair. The recovery of oil field and refinery output should be within months of conflict resolution, but damage to facilities such as Qatar's Ras Laffan LNG complex, for example, will take years.

Continuation of the conflict, and further damage, would only serve to lengthen these timelines.

Elevated energy costs, combined with higher interest rates, represent material headwinds to household discretionary spending and business investment. In our view, the key structural themes for investors to consider include:

- Energy security and the re-pricing of energy supply chains globally, with Australian LNG and coal producers likely beneficiaries of supply disruption to Middle Eastern facilities.
- Inflation persistence and the RBA's tightening cycle, with further rate increases likely to pressure rate-sensitive sectors including property, technology and consumer discretionary.
- Quality differentiation in a slowing economy. Businesses with pricing power, strong balance sheets and enduring competitive advantages will pass on higher costs without losing undue volumes, while weaker business models with stretched balance sheets and poor cash flows will come under significant pressure.
- AI disruption and the ongoing reassessment of technology valuations. The share price correction in some quality Australian companies has created attractive valuation entry points for long-term investors willing to look through near-term noise.

We remain focused on companies that can compound value irrespective of economic noise, with genuine network effects, pricing power, and entrenched ecosystems. Strong balance sheets, enduring competitive advantages, aligned management teams, and attractive valuations continue to guide our portfolio construction across all funds.

Commentary on Blackwattle's Funds

We will make mistakes and missteps. But rather than hide from our mistakes, as an investment team we strive to learn from them. This is one of our unwavering commitments.

This month, our Funds underperformed their respective benchmarks.

Fund Performance (Net of fees)	1 month	3 months	6 months	1 Year	Since Inception ¹
Blackwattle Small Cap Quality Fund	-10.66%	-13.36%	-13.73%	11.32%	11.75%
Blackwattle Small Cap Long-Short Quality Fund ²	-12.10%	-14.35%	-16.47%	10.54%	7.17%
Blackwattle Mid Cap Quality Fund	-8.75%	-11.96%	-14.93%	1.54%	7.16%
Blackwattle Large Cap Quality Fund	-7.78%	-5.43%	-7.38%	8.49%	7.69%
Blackwattle Long-Short 130/30 Quality Fund	-8.93%	-5.52%	-7.66%	10.71%	9.15%
Blackwattle Equity Income Fund	-5.76%	-	-	-	-3.39%

Fund Relative Return vs Benchmark (Net of fees)	Since Inception ¹	Benchmark ³	Value Add	Inception Date
Blackwattle Small Cap Quality Fund	11.75%	10.30%	1.45%	12-Sep-23
Blackwattle Small Cap Long-Short Quality Fund ²	7.17%	9.29%	-2.11%	21-Nov-23
Blackwattle Mid Cap Quality Fund	7.16%	6.20%	0.96%	08-Aug-23
Blackwattle Large Cap Quality Fund	7.69%	9.84%	-2.15%	08-Aug-23
Blackwattle Long-Short 130/30 Quality Fund	9.15%	9.84%	-0.68%	08-Aug-23
Blackwattle Equity Income Fund	-3.39%	-3.10%	-0.28%	12-Feb-26

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1: The Blackwattle Mid Cap Quality Fund, Large Cap Quality Fund, and Long-Short 130/30 Quality Fund's inception dates are 8 August 2023. The Blackwattle Small Cap Quality Fund's inception date is 12 September 2023. The Blackwattle Small Cap Long-Short Quality Fund's inception date is 21 November 2023. Blackwattle Equity Income Fund inception date is 12 February 2026. 2. Small Cap Long-Short Quality Fund Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund. There was a six-month transition period beginning 21 November 2023 and ending 21 May 2024, following the transition of Investment Manager of the Fund. During this transition period, the Fund Benchmark was 50% cash rate as determined by the Reserve Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index 3. Benchmark: Long-Short 130/30 Quality Fund and Large Cap Quality Fund is S&P/ASX 200 Accumulation Index, Mid Cap Quality Fund is S&P/ASX300 Accumulation Index-S&P/ASX20 Accumulation Index, Small Cap and Small Cap Long-Short Quality Fund is Small Ordinaries Accumulation Index, Equity Income Fund is S&P/ASX 100 Total Return Index: 75% / RBA Cash Rate: 25%. All returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. Source: Apex.

Blackwattle Large Cap Quality Fund

The fund returned -7.78%, underperforming the benchmark by 0.63% net of fees.

Key Contributors: Materials exposures contributed positively to relative performance, aided by the Fund's underweight position in the underperforming sector.

Stock selection within Materials, including a long position in Dyno Nobel (DNL), also contributed to performance. A long-term gas supply agreement insulates DNL's Moranbah facility from higher gas input prices and provides a competitive advantage. The sale of the company's fertiliser business in March also simplifies the company structure and improves transparency.

Key Detractors: The Fund's exposure to the Technology sector detracted from performance, primarily through its long position in Life360 (360). While the company reported full year profits that were better than consensus expectations, concerns around near-term monthly active user growth and longer-term threats from AI saw the share price under pressure. We remain confident in the longer-term outlook.

The Energy sector also detracted, with the Fund's overweight position in Santos underperforming index constituents with greater oil price exposure such as Woodside and Viva Energy.

Blackwattle Long-Short 130/30 Quality Fund

The fund returned -8.93%, underperforming the benchmark by 1.79% net of fees.

Key Contributors: Materials exposures contributed positively, driven by stock selection including short positions in the sector, as well as a long position in Dyno Nobel (DNL). The long-term gas supply agreement and fertiliser business sale provided both competitive insulation and structural simplification.

Key Detractors: Technology detracted through Life360 (360), with near-term MAU growth concerns and AI-related headwinds weighing on the share price despite strong operational results. Santos (STO) also detracted, as LNG-weighted exposure lagged oil-weighted peers. In a declining market, while short positions added absolute returns, the short book detracted from relative performance as shorted stocks fell by less than the market decline.

Blackwattle Mid Cap Quality Fund

The fund returned -8.75%, outperforming the benchmark by 1.48% net of fees.

Key Contributors: Whitehaven Coal (WHC) was one of the largest positive contributors. WHC rallied 18% as energy prices surged, with thermal coal rising 23% as buyers sought alternative energy sources. We continue to view WHC as one of the highest quality mining companies on the ASX, with strong financials and an excellent management team. The portfolio's balance between quality growth and quality cyclical and defensive businesses helped navigate the challenging environment.

Key Detractors: Newmont Corporation (NEM) fell 14% as the Iran conflict drove USD strengthening and a sharp rise in bond yields, both headwinds for gold. However, we continue to see material upside for NEM as an 'enduring high-quality' business and the highest quality gold miner globally, with organic production expansion, operating cost reductions, and a net cash balance sheet providing multi-year internal levers.

Blackwattle Small Cap Quality Fund

The fund returned -10.66%, outperforming the benchmark by 0.30% net of fees.

Key Contributors: Lindian Resources (LIN) rose 67.0%, with the announcement of a JV with a rare earths processor materially increasing the company's value by capturing more of the value chain and tapping into Western markets pivoting away from China supply. Tasmea (TEA) rebounded 16.5% following a period of underperformance, with the company's founder-led model and structural tailwinds from the energy transition supporting the investment thesis. An underweight position to the gold sector also contributed.

Key Detractors: Broken Hill Mines (BHM) fell 40.3%, reversing December gains. We remain bullish on BHM's long-term outlook, offering rare ASX exposure to silver production. Vysarn (VYS) declined 24.1%, largely retracing an inexplicable February spike. Vulcan Steel (VSL) fell 24.8% as inflation concerns drove rate hike expectations in New Zealand, though building consents have risen by double-digits in each of the last five months, suggesting green shoots in activity.

Blackwattle Small Cap Long-Short Quality Fund

The Fund returned -12.10%, underperforming the ASX Small Ordinaries Accumulation index by 1.14% net of fees.

Key Contributors: Lindian Resources (LIN), Tasmaea (TEA), and an underweight position to the gold sector.

Lindian Resources (+67%) rose on its low-cost, near-term rare earths project and value-adding JV, while Tasmaea (+16.5%) rebounded on resilient maintenance demand and energy transition tailwinds despite acquisition concerns.

Key Detractors: Broken Hill Mines (BHM), Vysarn (VYS) and Vulcan Steel (VSL) detracted from performance. The same fundamental theses described above continue to underpin our conviction in these positions.

Blackwattle Equity Income Fund

The Fund returned -5.76%, underperforming the of index of 75% S&P/ASX 100 Total Return Index / 25% RBA Cash Rate by 0.68% net of fees.

Key contributors: Performance was supported by energy exposure led by Santos (STO) benefiting from higher oil prices alongside defensive holdings like IAG (IAG) and Coles (COL), which proved resilient amid rising inflation and market volatility.

Key detractors: Returns were weighed down by Northern Star (NST) following a weak production update and falling gold prices, as well as National Australia Bank (NAB) amid concerns over its agricultural exposure.

Gratitude and Commitment

To our clients and partners - Thank you.

It is a privilege to represent your capital and hold your trust. We remain committed to investing alongside you, ensuring our interests are always aligned with your own. We re-iterate the commitments to our investors:

- We will always commit our own capital alongside your own.
- We will never allow personal trading.
- We will always constrain the capacity of our Funds.
- We will learn and improve from our mistakes.
- We will act with transparency.

Kind regards,



Michael Skinner CIO and Managing Director, and the entire Blackwattle Team

How to Invest

To invest please click on the link
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