

# Funds SA Quarterly Comment

March 2026

## Investment options

Most diversified investment options delivered negative returns over the March quarter, reflecting the sharp equity market sell-off late in the period. Investment options with lower allocations to equity markets were more resilient.

Diversified investment options were supported by broader exposure to Property, Infrastructure and Alternatives, helping to cushion the impact of weaker equity markets.

## Asset class highlights

Infrastructure was one of the strongest performing asset classes over the quarter. Performance was driven by a valuation uplift in Heathrow Airport reflecting strong operating performance. Returns were broad based, with assets in the energy and digital sectors, including data centres and regulated assets, also adding value.

Property delivered positive returns over the quarter and broadly in line with the benchmark. Performance was supported by valuation uplift across sectors, particularly retail, reflecting increased transaction activity.

Alternatives delivered positive returns and outperformed the benchmark over the quarter. Performance was supported by broad contributions across strategies, with insurance-linked, equity long/short, quantitative and global macro strategies the strongest contributors.

Australian Equities detracted over the quarter and underperformed the benchmark, following a sharp selloff in March when the asset class declined -7.2%. Performance earlier in the quarter was more supportive but was more than offset by the March selloff. Relative performance was mixed, with an overweight to Energy and an underweight to Materials detracting in January and February, before contributing to outperformance in March.

International Equities detracted from returns and underperformed the benchmark amid weaker global equity markets. Relative performance earlier in the quarter benefited from positive stock selection in Information Technology and Financials partly offset by an underweight to the stronger performing Energy sector. Relative returns were further weighed down by stock selection in Materials as gold prices retraced.

### Table 1: Taxable investment option returns to 31 March 2026

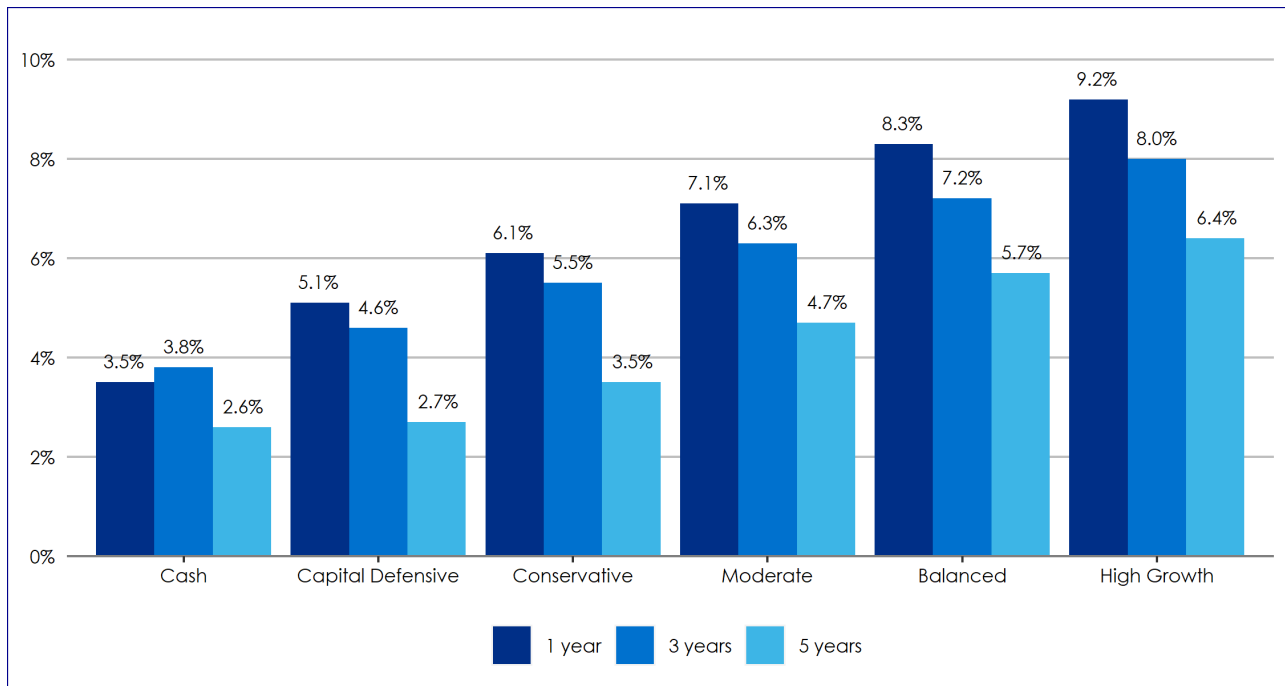
Returns are net of fees and tax, based on the post-tax unit pricing model detailed in the MOA

Investment Option	3 Months %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.
Cash	0.8	2.5	3.5	3.8	2.6	2.1	1.9
Capital Defensive	0.1	2.8	5.1	4.6	2.7	2.8	3.2
Conservative	-0.4	3.2	6.1	5.5	3.5	3.8	4.3
Moderate	-1.1	3.2	7.1	6.3	4.7	5.0	5.5
Balanced	-1.8	3.4	8.3	7.2	5.7	6.3	6.8
High Growth	-2.4	3.5	9.2	8.0	6.4	7.1	8.0

\*Financial year to date

**Chart 1: Taxable investment options annualised returns to 31 March 2026**

Returns are net of fees and tax, based on the post-tax unit pricing model detailed in the MOA



## Investment update

### Equities

Global equity markets were volatile over the March quarter. Strength in January and February gave way to a sharp sell-off in March following an escalation of conflict in the Middle East and disruption to energy supply through the Strait of Hormuz. The resulting oil price shock led to higher inflation expectations and a broad repricing of risk across global markets.

United States equities declined over the quarter, with the S&P 500 Index down 4.6%. Weakness was concentrated in mega-cap technology stocks, with the Nasdaq falling 7.1%, while the Russell 2000 was marginally positive, indicating greater resilience across the broader market. Energy, Utilities and Consumer Staples outperformed as investor positioning shifted towards more defensive sectors. In contrast, Technology, Financials and Consumer Discretionary were the weakest sectors as growth assets were pressured by tighter financial conditions.

European equity markets recorded mixed outcomes. The STOXX Europe 600 Index fell 1.5% over the quarter, as sharp declines in March offset gains earlier in the period. The DAX declined 7.4%, while the FTSE 100 rose 2.5%, supported by its higher exposure to energy and resource stocks.

Asian equity markets were also volatile over the quarter. Strong gains in North Asian markets earlier in the period, led by AI-related technology stocks in South Korea and Taiwan, were largely reversed in March. The MSCI Asia Pacific ex Japan Index finished the quarter slightly negative. India and Indonesia underperformed as capital shifted away from higher-risk markets, while South Korea and Taiwan retained modest gains despite the late-quarter sell-off.

Australian equities declined over the quarter, with the S&P/ASX 200 Index falling around 2%. While markets weakened later in the period, the index proved relatively more resilient than many international markets, reflecting its higher exposure to energy and resources. Energy was the strongest performing sector, while Utilities and Consumer Staples also delivered relative outperformance. In contrast, Technology and smaller capitalisation stocks underperformed as weaker risk sentiment and higher interest rates weighed on more valuation-sensitive sectors. Financial conditions tightened further after the Reserve Bank of Australia (RBA) increased the cash rate twice during the quarter, weighing on overall equity market confidence.

### Fixed Interest

Global government bond yields rose over the quarter as inflation expectations increased and markets reassessed the outlook for monetary policy. While periods of geopolitical uncertainty provided some support for government bonds, resilient economic data and persistent inflation pressures drove yields higher across most developed markets, resulting in negative returns for fixed interest assets.

In Australia, the 10-year government bond yield rose around 0.4% to 4.8% over the quarter. Yields increased following the RBA rate rises, reflecting ongoing inflation pressures and a resilient domestic economy. As a result, markets priced interest rates to remain higher for longer.

United States Treasury yields also rose over the quarter, although by less than in Australia. The US 10-year yield increased by approximately 0.1% to around 4.2%, with the yield curve flattening as expectations for policy easing were pushed further out. While markets continued to anticipate eventual rate cuts, inflation concerns and firm economic data led investors to price a slower and more gradual easing cycle.

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