

Informed Investor

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Welcome to the May edition of our quarterly newsletter, Informed Investor.

Economic update

Market developments during April 2026 included:

Key Points

- Global equities rebounded strongly, looking through the geopolitical and oil price pressures.
- Inflationary pressures continue to cause markets to reassess the monetary policy paths of many central banks.
- Australian equities lagged global markets, with the Health Care and Consumer Staples sectors the main detractors.

Australian Equities

The S&P/ASX 200 Accumulation Index rose 2.2% in April, with seven of the 11 sectors closing higher. Information Technology (+13.2%), REITs (+8.6%) and Materials (+4.3%) led the gains, whilst Health Care (-8.7%), Consumer Staples (-4.1%) and Energy (-2.7%) underperformed. The S&P/ASX Small Ordinaries Index rose 3.3% in April, with a twelve month return of 15.3%, compared with the 10.1% rise in the S&P/ASX 200 Accumulation, as smaller companies continued to outperform large caps.

Zip Co Limited (ZIP) was the month's top performer, rising 56.8% after a better than expected trading update, with US credit losses controlled and strong top line momentum. Other technology names, including Codan Limited (+33.3%), NEXTDC Limited (+27.8%) and Megaport Limited (+26.3%), also performed strongly in April.

Cochlear Limited (COH) was the worst performer for the month, down 44.4% after a material downgrade to its FY26 earnings guidance due to a wide range of issues across its business. Whilst some were seen as short term, management guided to more structural issues, which have caused a de-rating in the share price.

FURTHER INFORMATION

Mosaic Wealth

Courtney Moores

0417 173 642

courtney@mosaicwealth.au

The annual inflation rate rose from 3.7% in February to 4.6% in March, below expectations of a rise to 4.8% and well above the RBA's 2 to 3% target. Goods inflation rose as fuel prices surged due to the conflict in the Middle East, whilst services inflation eased. The RBA's trimmed mean Consumer Price Index (CPI) held steady at 3.3%, as expected. Whilst some of the pickup in inflationary pressure is seen as temporary, inflation is expected to remain above target for some time, with risks skewed to the upside.

The unemployment rate held steady at 4.3% in March, in line with expectations, and remains at its highest level since last November. Total employment grew by 17,900, broadly in line with forecasts, with a 34,600 decline in part-time jobs offset by a 52,500 increase in full-time employment. The participation rate fell slightly to 66.8%, down from 66.9%. Given inflationary pressures, a tight labour market and capacity constraints, RBA monetary policy is expected to remain restrictive, with two more rate hikes tipped before year end.

Global Equities

Global equities rebounded in April, with developed market equities up 4.4% (MSCI World NR Index [AUD]). US equities outperformed, with the S&P 500 Index rising 10.4% in April, after being down 5.1% the previous month, as the market navigated the ongoing conflict in Iran. Returns were driven by a strong earnings season from the Financials and Technology sectors, with a rotation back into artificial intelligence (AI) stocks leading both the S&P 500 and Nasdaq indices to hit all time highs.

Across developed markets, Momentum (+15.6%) and Growth (11.6%) outperformed Quality (+8.3%) and Value (+6.4%). Global small caps slightly underperformed large caps in March, returning 3.9%.

European equity markets recovered but the UK's FTSE 100 Index lagged, with a 2.0% rise due to its exposure to energy and defensive stocks. Germany's DAX Index performed strongly, increasing by 7.1%, while Japan's Nikkei 225 rebounded from a 13.2% decline in March to gain 16.1% in April.

On the economic front, the US Federal Reserve kept interest rates unchanged again in April at 3.5 to 3.75%, marking the third consecutive meeting. Policymakers voted 8 to 4 on the decision, marking the first time since 1992 that four officials dissented. The central bank remains data dependent for future interest rate moves, noting that the war in the Middle East is creating high levels of uncertainty about the outlook for the economy. Attention now turns to first quarter Gross Domestic Product (GDP) growth numbers and Personal Consumption Expenditures (PCE) inflation data as key data points.

March inflation data showed headline CPI rising from 2.4% to 3.3%, in line with expectations and marking the highest level since May 2024. The rise was driven largely by higher energy costs, particularly gasoline and fuel oil, due to the war in the Middle East. The core inflation rate, which excludes food and energy, increased slightly from 2.5% to 2.6%, below the expected increase to 2.7%. Q1,26 GDP growth came in at 2.0%, up from 0.5% in the previous quarter but below expectations of 2.3% growth, with government spending rebounding significantly following the shutdown in the previous quarter.

Commodity prices kept climbing in April, with the S&P Goldman Sachs Commodity Index (USD) rising by 3.1%. Oil prices went up by 3.6%, reaching USD\$105.10 per barrel, a 61.1% increase over the last three months, mainly due to the closure of the Strait of Hormuz in the Middle East. Iron ore and gold both declined slightly by 1.0%, while copper gained 5.3%.

Emerging Market Equities

Emerging market equities outperformed developed markets in April, erasing March losses and finishing up 9.3% (MSCI Emerging Markets Index [AUD]). Gains were led by Taiwan and South Korea, up 14.7% and 26.2% respectively, as a large share of their markets is tied to the global AI supply chain.

In China, the CSI 300 rose 8.0% in April, rebounding from the 5.5% fall in March, as economic data continued to point to improving conditions. The NBS Manufacturing Purchasing Managers' Index (PMI) fell slightly from 50.4 to 50.3 but came in above expectations of a fall to 50.1 and, more importantly marked the second consecutive month of expansion. Q1,26 GDP growth came in at 5.0% year over year, up from 4.5% and above expectations of 4.8%, the fastest annual growth in the last three quarters, supported by strength in exports. However, the impact of the war in the Middle East is yet to be captured in the data.

Property and Infrastructure

The S&P/ASX 300 A-REIT Accumulation Index rose 8.5% in April, rebounding from the 11.2% fall in March. Global real estate equities were also strong, gaining 7.4% for the month, as shown by the FTSE EPRA/NAREIT Developed NR Index (AUD Hedged). Global infrastructure underperformed, rising 1.6% in April, as measured by the S&P Global Infrastructure TR Index (AUD Hedged).

Fixed Income

Fixed income performance was muted in April, lagging the strong global risk on rally. Government bond performance was mixed in April, heavily dependent on exposure to rising energy prices and renewed inflation fears.

The US 10-year Treasury yield rose 5 basis points (bps) to 4.37%, while the Federal Reserve held rates steady at 3.5% to 3.75% as it continues to balance persistent inflation and ongoing uncertainty.

Japanese government bond yields rose again, closing the month at 2.5%, near their highest level since 1997, as surging oil prices fuelled inflation concerns and expectations that the Bank of Japan may need to raise rates. The Bank held its short-term rate unchanged at 0.75% during the month; however, several members supported a rate hike. UK government bond yields also rose, now above 5.0% and at the highest level since mid 2008, as the market prices in interest rate hikes by the Bank of England to help control inflation.

Australian 10-year yields increased by 9bps to 5.06% by month end, as markets continue to anticipate additional interest rate hikes this year to combat inflation. In March, the annual inflation rate rose sharply to 4.6%, driven by higher fuel prices linked to the Middle East conflict, which added to existing consumer price pressures. The RBA's decision making remains data dependent but ongoing uncertainty in the Middle East makes it difficult to gauge precise impacts.

Alternatives

Preliminary estimates for April indicate that the index decreased by 0.5% (on a monthly average basis) in Sales Development Representative (SDR) terms, after increasing by 3.5% in March. The rural and non rural subindices decreased in the month, while the base metals subindex increased. In Australian dollar terms, the index decreased by 0.8% in April.

Over the past year, the index has increased by 15.7% in SDR terms. Increases in the price of rural commodity prices and base metal prices have more than offset declines in liquefied natural gas and alumina. The index has increased by 4.6% in Australian dollar terms.

Source: Lonsec, May 2026 (April update)

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Payday Super: the simple change that can boost your retirement savings



From 1 July 2026, super contributions are getting a refresh. Payday Super means your employer will pay your super at the same time they process your pay, rather than relying on the current minimum rule of quarterly payments. While some employers already pay super more frequently, this will become the standard from July 2026.

The result? Your super reaches your super fund sooner and starts working for you earlier.

By making contributions more consistent, more transparent and better aligned with your working life, Payday Super helps increase your balance steadily over time – giving your retirement savings a little extra momentum along the way.

What is Payday Super?

Payday Super is a government reform that sets a new standard for how often employers must pay Superannuation Guarantee (SG) contributions.

While some employers already pay super monthly or fortnightly, the current minimum requirement is quarterly. From 1 July 2026, employers will be required to pay SG contributions in line with each pay day, with payments reaching your super fund within seven business days.

There are a few limited exceptions – such as the first contribution for a new employee, which may take up to 20 business days, but for most people this means super will now follow your pay cycle.

The new system comes into effect 1 July 2026.

How Payday Super benefits you

Your retirement savings grow sooner

With your super arriving more frequently, your money starts working for you earlier. More frequent contributions mean your super is invested sooner, giving your balance more time to grow through compounding returns.

Improved protection against unpaid super

Payday Super makes it harder for unpaid or underpaid super to go unnoticed. More frequent payment deadlines for employers and improved visibility help reduce the risk of missed contributions – an issue that affects many workers and can impact long-term savings.

Clearer, more timely tracking

Because contributions must reach your fund account shortly after payday, you can check your super account and see payments coming in regularly. Super funds also need to allocate contributions faster, meaning they appear in your account sooner.

Greater confidence for your financial future

With more consistent contributions flowing into your account, you gain a stronger sense of control and clarity over your growing retirement savings.

Get Payday Super ready

While most of the changes occur behind the scenes, there are a few simple steps you can take to make the most of Payday Super.

1. Make sure your details are up to date

Check that your employer and your super fund have your correct personal and contact details. This helps ensure your contributions arrive smoothly and on time.

2. Consider consolidating your super

If you have multiple super accounts, combining them into one may avoid paying multiple sets of fees and make managing and tracking your super much simpler.

Before making a decision to combine your super, it's important to consider what you might be giving up – such as insurance cover, fund features, fees or investment performance. Taking the time to check these details can help you avoid any unintended downsides.

3. Turn on notifications from your super fund

Many super funds offer alerts when contributions arrive. Check if you can set up alerts from your super fund account to let you know when your employer contributions arrive in your account.

4. Keep an eye on your account from 1 July 2026

Once Payday Super begins, take a moment to check that contributions are appearing shortly after your pay hits your bank account. If something seems out of place, you can follow up with your employer.

Legislative change that benefits you

Payday Super is a legislative change that can help strengthen your retirement savings over time. With more frequent contributions and clearer oversight, you'll have a better view of your super – and more potential for your balance to grow.

Source: MLC

Living with higher for longer interest rates



Interest rates are rising and the Reserve Bank of Australia (RBA) has hinted that they could stay elevated for longer than expected.

While people who live off their investments, including self funded retirees welcome the rise, homebuyers must think about what higher rates will mean for them, especially if those rates stay higher for longer.

Many households put their lifestyles and financial decisions on hold until rates eventually start to come down – notably those who are looking to buy a home.

This might seem the wisest strategy, but can in fact, be financially risky. For example, property prices are often lower during periods of high interest rates. This means that buying at this time may mean borrowing less, which over the course of a 20 to 30 year mortgage, could see borrowers potentially save thousands.

If you already have a mortgage, the government's [Moneysmart](#) website recommends you review it at least every year. This is not just to identify any features and benefits your lender offers that you may not have considered but to keep abreast of other lenders' deals that may work better for you, particularly when interest rates are on the rise.

Here's a five point checklist to evaluate your financial position in relation to your current or future housing loan. Some of these points you may have already considered, others you may not have. But as we buckle up in preparation for what could be higher for longer rates, it's worth taking a look.

Higher for longer homebuyer five point checklist

1. What's your current position?

Conduct a review of your current financial situation. If you have a loan, understand its terms and conditions.

- How much do you currently owe or plan to borrow?
- What's your current or anticipated loan type: fixed, variable, split?
- What is the current interest rate?
- What fees are you paying or expecting to pay; ongoing, break costs for fixed loans, etc?
- Anything else

2. Repayment strategies

Which of the following does your lender/potential lender offer?

- Fortnightly repayments
- Can you make extra repayments?
- Do you have a redraw facility and can you access redraw money?
- Do you have an offset account? What are the limitations, if any?

3. Stress test your budget

Assess your current financial position.

- Calculate your current/anticipated repayments if rates were to rise 0.5% or 1% higher than current. Could you manage?
- Do you have an emergency fund with 3 to 6 months of repayments?
- Do you have a household budget? This will help you identify areas where you can cut back discretionary spending.

4. Consider timing

What's your level of risk tolerance?

- What's the risk if you wait for rate cuts?
- What's the risk if you renegotiate with your existing lender or seek a better deal with another lender? How will a long period of high rates affect your lifestyle, savings goals, retirement plans, etc?

5. Seek professional advice

A financial adviser and/or mortgage broker can be the difference.

- A mortgage broker will help you renegotiate your existing loan or identify a more appropriate lender. They can help you understand the features and benefits on offer and assist with the application process.
- A financial adviser will help with household budgeting enabling you to unlock your savings potential, maximise offsets, redraws and redirect savings. They can produce a written plan detailing repayment scenarios and cost projections.

According to a 2025 survey conducted by Finder.com.au, over the previous two years, 28% of Australians abandoned plans to buy a property due to high interest rates.

Naturally, one of the greatest concerns associated with investments is timing the purchase and/or sale. The real estate market is no exception.

While the reality of higher for longer rates can be daunting, and it's understandable that so many homebuyers are leaning towards playing it safe, it is possible to remove some of the fear factor.

Take control by consulting a professional who will help you understand your options, reduce uncertainty and run the sums to see how you can still achieve your financial goals.

Bottom line: whether you choose to wait for rates to drop or you decide to act anyway, making uninformed decisions is never a good strategy.

And remember, it's not always about the interest rate itself, it's how you work with it.

Source: Financial Writers Australia

How much cash should you hold vs invest? What's the right mix?

There are always two ways for individuals to hold cash, emergency fund cash and investment cash. This needs to be clarified before discussing any investment mix.

Emergency cash (not in your portfolio)

Life has a habit of delivering the unexpected, so it's a good idea to keep 3 to 6 months of living expenses in cash, readily accessible in a savings account or mortgage offset account. Make that 6 to 9 months if your income is variable and you would like extra peace of mind. Other reasons for setting aside cash might include saving for a particular goal, such as a car purchase, an overseas holiday or a wedding. This emergency or special purpose cash does not count as part of your investment portfolio.

Cash as part of your investment portfolio

Once your emergency fund is established, the question becomes how much investment cash, in savings accounts (preferably high interest savings accounts) or term deposits, to hold as part of your overall investment mix? While cash investments certainly earn their keep as a very low risk option, the interest rate you earn will usually trail behind the inflation rate over the medium to long term, which means that even if you reinvest all your interest income back into cash, the value of your investment will be constantly eroded.

That's because, generally speaking, the lower the risk, the lower the rate of return. And the converse is also true: the higher the risk, the higher the potential for asset growth, meaning that shares for example, typically offer a higher return than cash over the long term. But this does not mean that cash does not have a place in your portfolio. It's just a question of balancing your investment mix with your financial goals.

Cash equivalents in your portfolio

Fixed interest investments such as government bonds, corporate bonds and debentures are regarded as 'cash equivalents'. They are riskier and not as liquid as a purely cash investment, since selling listed bonds and debentures usually requires 2 to 3 business days before settlement and the proceeds for unlisted products may not be available before their agreed maturity date.



However, fixed interest investments will usually offer better rates than savings accounts or term deposits to compensate for the higher risk, thus providing better capital preservation.

Match your mix to your investment horizon and financial goals

With the question of what is and isn't cash established and the role cash plays in your portfolio, it's time to get serious about the mix in 2026. There's no 'one size fits all' answer.

- Younger individuals with high risk tolerance investing for long-term goals could be well served by 5% cash, 20% fixed interest, around 65% to 70% shares and 5% to 10% property.
- A balanced portfolio for those in midlife with family responsibilities might tend towards 10% or more in cash, with a lower allocation of shares.
- Those approaching retirement or already retired, are usually aiming to avoid risk and preserve capital and income. They might consider holding 30% or more of their portfolio in cash and defensive cash equivalents such as fixed interest bonds.

The key to cash investment is to get your emergency fund in place first and then decide what proportion of your portfolio to allocate to cash, based on a definite strategy rather than either fear or optimism. But don't over allocate to cash, because you may miss out on growth opportunities.

Find out what's right for you

Actual portfolio mix advice can only be constructed around your personal financial profile and aims, not on generalisations. Seeking guidance from a licensed financial adviser is highly recommended to ensure that your 2026 investment portfolio meets your needs and protects your future.

Source: Financial Writers Australia