alpha
A part of the Infocus Group

At a glance

Global Shares rose slightly in the December quarter lead by healthcare and gold miners. Technology waned.

Resources performed well over the quarter due to rallies in gold, lithium and iron ore.

The US Fed cut interest rates again this quarter, as growth and employment worries outweigh inflation risks.

Geopolitical risk has lifted with Trump's incursion in Venezuela and generally more aggressive posture.

Markets Update

Over the December quarter financial markets reinforced the central themes of 2025, with performance concentrated in only a few sectors. Global shares delivered gains of around 2.5% over the quarter, Healthcare and Gold Miners outperformed while rate-sensitive sectors like Real Estate lagged. Technology stocks saw a wide dispersion in returns but were slightly negative overall.

In Australia, the S&P/ASX 200 declined by -1.0% over the quarter, the result of higher interest-rate expectations and cautious earnings revisions. Select resource and infrastructure shares outperformed while listed property was particularly weak as bond yields rose and valuations reset.

Artificial Intelligence (AI) shares softened as investors became more discerning about valuations and picking the winners in the race for future profits. Hyperscalers (Microsoft, Alphabet, Amazon and Meta Platforms) increasingly sought to reduce reliance on NVIDIA's chips, viewing their super profits as an effective 'tax' on the AI ecosystem. Investors rotated toward companies owning the physical infrastructure of AI e.g. data centres, specialised semiconductors and manufacturers of networking hardware. Notwithstanding, enthusiasm for the AI theme remains intact supported by abundant risk capital and relatively low debt levels.

Central bank policy divergence was a major driver of volatility. With the RBA pushing out expectations for rate cuts on concerns of persistent inflation. In contrast, the US Federal Reserve cut rates with concerns around slowing economic growth. In the rest of the world Japan continued interest rate hikes, Europe is in a steady state and the UK remains in a rate cutting cycle.

Geopolitical risk returned more forcefully and now a greater part of the investment decision. The US military operation in Venezuela and Iran's civil unrest potentially creating another flashpoint in early January 2025 underscored that political risk is elevated and very real, with the conflicts in Ukraine and Israel still ongoing. Gold outperformed over the quarter once again as demand for safe-haven assets increased, supported by rising geopolitical uncertainty and concerns over US debt levels. With multiple global flashpoints now active and an unpredictable US administration, geopolitical risk assessment has become a key market feature.

● HIGH RISK LEVEL
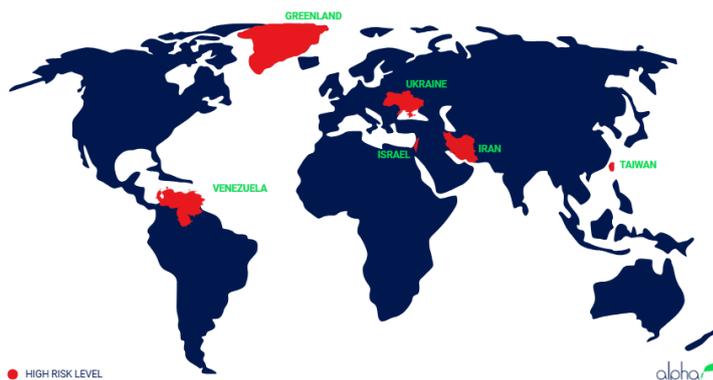
Looking Ahead

Share and credit markets are expensive by historical standards, and political risk has moved decisively back into the foreground. That said, share markets continue to be driven less by valuation discipline and more by momentum. As long as that trend remains intact, it is likely to continue dominating near-term outcomes, even in the face of elevated geopolitical uncertainty.

We expect economic growth and equity markets to remain positive but fragile in early 2026. The Federal Reserve appears increasingly focused on risks to growth rather than inflation. This policy stance is supportive for growth assets in the near term.

Locally, the RBA could raise interest rates, but more likely to be on hold through to mid-2026. Inflation concerns are being offset by easing household demand, still restrictive mortgage rates and rising unemployment, resulting in subdued growth for businesses outside of the technology and resources sectors.

China is expected to maintain a pro-growth policy bias in response to tariffs and broader trade uncertainty. While structural challenges remain, ongoing policy support should continue to help Asian equity markets.

The upside scenario rests on confidence in AI translating into broader sustained earnings growth and rising capital expenditure. The downside risks are equally clear: an AI earnings disappointment, evidence of softer hyperscaler demand, a renewed escalation in trade policy or further geopolitical flare-ups could prompt a broader repricing of growth assets.

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Key Features

Name	Alpha Balanced Fund
APIR Code	ETL4308AU
Inception Date	30 December 2021
Perf Benchmark	Morningstar AUS Balanced Tgt Alloc NR $A
Peer Group	Australia Fund Multisector Balanced
Mgmt Costs	0.74% p.a.
Buy/sell Spread	0.20% / 0.20%
Platforms	PlatformplusWRAP
Fund Size	$12.0m

Quarterly Commentary

The Alpha Balanced Fund delivered a total return of 0.33% for the December 2025 quarter, compared to the Morningstar Australian Balanced Target Allocation Index of 0.63%.

Global shares delivered modest gains in the quarter, with Gold Miners, Resources and Healthcare outperforming. Australian shares lagged slightly with CSL and CBA declining and rising bond yields weighing on smaller growth companies and listed property.

Central bank divergence was a key driver of volatility. The RBA remained hawkish, citing persistent inflation and pushing out expectations for rate cuts, while US fiscal policy continued its contradictory path — with large deficits supporting near-term risk assets but compounding longer-term imbalances.

The Fund's biggest contributors were AI-related companies (Alphabet, AMD, TSMC & Lam Research), Australian Resources (Rio Tinto, BHP, South32, PLS Group & IGO), and Healthcare (Roche, GSK, Novartis, AstraZeneca & Merck).

The biggest detractors were across a range of sectors and industries, including in Global Technology (Microsoft, Meta Platforms, Nintendo) Chinese Technology (Alibaba, Tencent & JD.com), Consumer (Wesfarmers & Bath & Body Works) and Australian Technology (REA Group, WiseTech & CAR Group). Other key losers were Grand Canyon Education and CSL. Australian fixed income positioning also detracted as bond markets shifted to pricing higher interest rates this year.

The Fund remains well balanced and diversified across sectors and asset classes. This positioning reflects elevated equity valuations and ongoing concerns about economic momentum, which appears concentrated in a narrow group of sectors — particularly AI and resources. That said, the market remains in a bull phase driven by AI-related growth, and we continue to emphasise the importance of maintaining a long-term investment horizon and staying invested.

> 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 Balanced	-0.28%	0.33%	8.09%	10.10%	9.67%	7.14%
Perf Benchmark	0.06%	0.63%	8.60%	9.35%	9.72%	4.57%
Peer Median	0.11%	0.66%	7.70%	8.70%	9.09%	4.47%

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.
Peer Median: Morningstar Category: Australian Multisector – Balanced
Source: Morningstar Direct (to 31 December 2025)

Asset Class Exposures
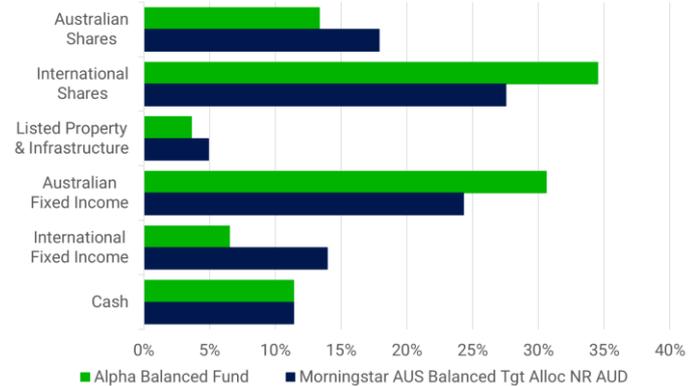
Top 10 Holdings

Security	Ticker	Country	Weight
BHP Group	BHP	Australia	1.8%
Microsoft Corp	MSFT	United States	1.6%
NVIDIA	NVDA	United States	1.4%
National Australia Bank	NAB	Australia	1.1%
Rio Tinto PLC	RIO	United Kingdom	1.1%
Westpac	WBC	Australia	1.0%
Alphabet	GOOGL	United States	1.0%
CSL Ltd	CSL	Australia	1.0%
TSMC	TSM	United States	1.0%
ANZ Group	ANZ	Australia	0.9%