

## 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

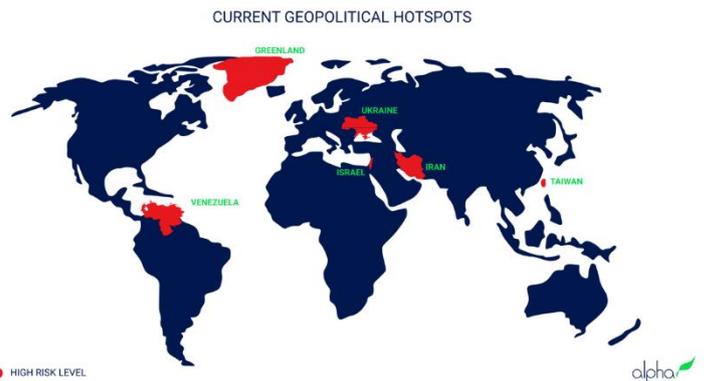
Over the December quarter financial markets reinforced the central themes of 2025, with performance concentrated in only a few sectors. Global shares delivered gains of around 2.5% over the quarter, Healthcare and Gold Miners outperformed while rate-sensitive sectors like Real Estate lagged. Technology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



## 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.

## Portfolio Commentary

The Alpha CFS Conservative Managed Account delivered a return of 0.01% in Q4 2025, outperforming the Morningstar Australian Conservative Target Allocation Index by +0.36%.

The portfolio's key contributors over the quarter were Global Shares and Janus Henderson Tactical Income Fund.

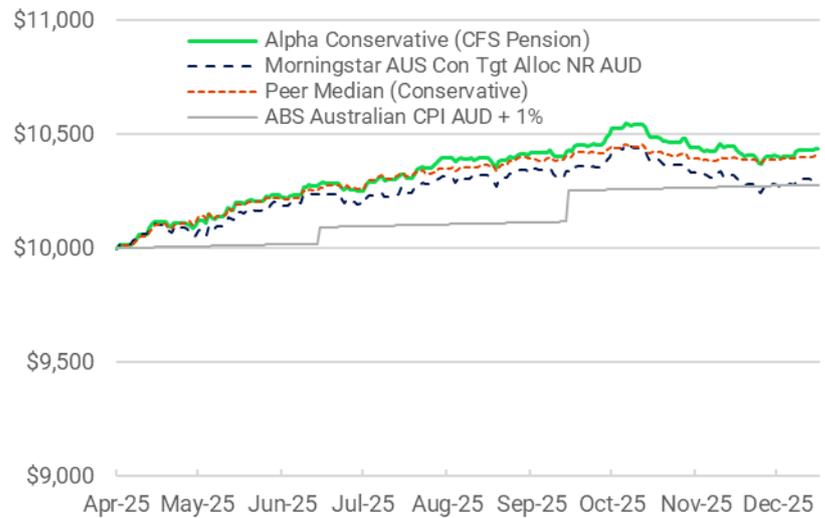
The main detractor was Australian Bonds (Macquarie Australian Fixed Interest Fund) which fell after Australia delivered high than expected inflation. The other key detractor was the Ausbil Australian Active Equity Fund.

## Portfolio Changes

No changes were made to your portfolio during the December quarter. This decision followed the adjustments made to your portfolio in the previous quarter which were designed to diversify sources of return and position your portfolio for a range of potential market environments, in particular those resulting from anticipated economic and geopolitical volatility.

Although these prior adjustments benefited your portfolio during the December quarter, certain specialist investment managers, selected for their strong long term track records, experienced weaker performance as some market sectors experienced heightened volatility.

## Performance over time



## Trailing returns

| Portfolio Performance                        | 1mth   | 3mth   | 6mth  | 1yr | 2yr | Inception |
|--|--------|--------|-------|-----|-----|-----------|
| Alpha Conservative                           | -0.14% | 0.01%  | 1.48% | -   | -   | 4.34%     |
| Morningstar AUS Con Target Allocation NR \$A | -0.18% | -0.37% | 0.65% | -   | -   | 3.02%     |
| Peer Median (Conservative)                   | 0.05%  | 0.42%  | 1.78% | -   | -   | 4.15%     |
| ABS Aus CPI + 3% p.a.                        | 0.08%  | 0.25%  | 1.85% | -   | -   | 2.79%     |

**Disclaimer:** Net performance figures are shown after all fees and expenses, assuming reinvestment of distributions. Past performance is not an indicator of future performance

## Your Portfolio

## Underlying Investments

| Alpha Conservative Managed Account           | Neutral Allocation | Current Allocation |
|--|--------------------|--------------------|
| <b>Australian Equity</b>                     | 9%                 | 7%                 |
| CFS Index Australian Share Fund              |                    | 2.0%               |
| Ausbil Australian Active Equity Fund         |                    | 4.9%               |
| <b>International Equity</b>                  | 1%                 | 6%                 |
| CFS Index Global Share Fund                  |                    | 3.1%               |
| GQG Partners Global Equity AUD (Hdg)         |                    | 2.9%               |
| <b>Property &amp; Infrastructure</b>         | 0%                 | 2%                 |
| Magellan Infrastructure Fund                 |                    | 2.0%               |
| <b>Fixed Income</b>                          | 59%                | 65%                |
| CFS Macquarie Australian Fixed Interest Fund |                    | 24.7%              |
| Janus Henderson Tactical Income Fund         |                    | 15.1%              |
| PIMCO Diversified Fixed Interest Fund        |                    | 25.0%              |
| <b>Cash</b>                                  | 31%                | 20%                |
| FSI Strategic Cash Fund                      |                    | 20.2%              |