

Changes within your portfolio

We have a number of adjustments to your **Alpha Balanced First Choice Managed Account**.

As 2026 gets underway, markets have become more unsettled. In Australia, interest rates remain higher than in most other countries (other than Japan), and some technology and AI shares are now showing mixed results.

Based on our view of the current market and to prepare for what may lie ahead, we have made a number of changes to your portfolio. While none of the changes are particularly large individually, collectively the changes result in a moderate amount of turnover within your portfolio. These changes have been designed to help increase the resilience and diversification of your portfolio.

The updates to your portfolio focus on a few key themes which are explained below:

- Introduced a dedicated allocation to Global Healthcare: While healthcare shares have lagged in the AI-driven rally, **they are now looking more** attractively priced. Healthcare companies are generally higher quality businesses with a range of income sources, that benefit from long-term trends such as an aging global population. They also tend to bring defensive characteristics to your portfolio during periods of market uncertainty. To gain exposure to this thematic, we have allocated to the **Wellington Global Health & Biotech Fund** which is one of the largest and longest-tenured healthcare investors in the world with many of the portfolio management team having scientific and medical backgrounds.
- Reduced your exposure to US Technology and AI shares: Some technology and AI shares have risen quickly and, in some cases, prices are now ahead of what the underlying businesses can support. Notwithstanding we still see long-term potential in AI, but after the recent strong rally it is apparent that there will be winners and losers. From here, we believe it is important to be more discerning about the opportunities within this sector and as such have reduced this allocation across both **Hyperion Global Growth Companies Fund, Wellington Global Tech & Comm Fund** as well as the broad index in favour of other preferred actively managed funds in your international & infrastructure equities.
- Introduced a dedicated allocation to Global Smaller Companies: As part of our decision to reduce exposure to technology and AI shares, we have used part of that allocation to invest in global smaller companies. This helps improve diversification and provides access to higher quality smaller companies that are currently attractively priced. To do this we have allocated to the **Fidelity Global Future Leaders Fund**, a highly regarded manager with a strong track record of adaptability in response to changing market conditions.
- Replaced **Fidelity Asia Fund** with **RQI Emerging Markets Fund**: We have rotated away from the Fidelity Asia Fund in favour of the RQI Emerging Markets Value Fund to give you broader exposure across emerging markets. This change also reflects our decision to reduce your exposure to large US technology shares with a small increase. We have selected a value style approach within emerging markets as it has historically delivered more stable and reliable performance in this part of the market compared with growth-oriented strategies.
- Introduced a dedicated Australian Mid-Cap strategy to gain targeted exposure to mid-sized Australian listed companies: We have added a new investment in Australian mid-sized companies through the **Eley Griffith Australian Mid-Cap Fund**. This gives your portfolio greater exposure to high-quality growth businesses that sit between smaller companies and the large, well-known names on the share market. To fund this change, we have slightly reduced your exposure to large Australian companies, which are dominated by the highly priced big four banks. Mid-sized companies often offer stronger growth potential, with proven business models and superior earnings growth compared to their larger, more mature peers. Consequently, to fund this allocation we have reduced your holdings in the **OC Premium Small Companies Fund**. This also helps reduce reliance on a single manager across the small and mid-cap sectors of the market, while maintaining diversification across your portfolio.
- Introduced a dedicated exposure to Gold Bullion: We have added an investment in physical Gold through the **Global X Physical Gold ETF**. This investment is intended to act as a form of protection for your portfolio during periods of market uncertainty, such as economic disruptions or geopolitical events. Ongoing growth in US government debt levels (now in excess of US\$38 trillion) and the expectation of further interest rate cuts in the first half of 2026, may place continued downward pressure on the US dollar. Historically, this type of environment has been supportive for gold prices. While gold has performed strongly during 2025, our preference has been to focus on AI as our primary driver of excess returns, with some exposure to gold miners in your portfolio. At this point in the market where AI-related investments have become more expensive and outcomes less certain, the allocation to gold bullion is intended to help reduce volatility and improve diversification across your portfolio.

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- Increased your exposure to income-producing assets and reduced your allocation to cash: Changes in the CFS portfolio rules now allow us to invest a larger proportion of the Cash balance held in your portfolio. To make better use of this opportunity, we have increased your allocation to higher quality credit securities, typically Government and Australian Bank issued investment grade and higher securities. To achieve this we have increased your allocation to the **Macquarie Australian Fixed Interest Fund**.

Alpha Balanced Managed Account	Previous Allocation	New Allocation
Australian Equity	18.00%	17.00%
CFS Index Australian Share Fund	4.00%	4.00%
RQI Australian Value Fund	5.00%	4.00%
Ausbil Australian Active Equity Fund	5.00%	3.00%
Eley Griffiths Group Mid Cap	0.00%	3.00%
OC Premium Small Companies Fund	4.00%	3.00%
International Equity	26.50%	27.60%
CFS Index Global Share Fund (Hedged)	6.50%	5.70%
GQG Partners Global Equity AUD (Hedged)	3.00%	3.00%
Hyperion Global Growth Companies Fund	6.00%	3.00%
Fidelity Global Future Leaders	0.00%	2.00%
RQI Global Value Fund	2.00%	3.40%
CFS Wellington Global Tech & Comm	5.00%	3.00%
CFS Wellington Global Health & Biotech	0.00%	2.50%
Fidelity Asia Fund	4.00%	0.00%
RQI Emerging Markets Value	0.00%	5.00%
Property & Infrastructure	5.50%	6.00%
Pendal Property Investment Fund	2.50%	2.50%
Magellan Infrastructure Fund	3.00%	3.50%
Alternatives	0.00%	2.00%
Global X Physical Gold Structured	0.00%	2.00%
Fixed Income	45.00%	44.40%
CFS Macquarie Australian Fixed Interest Fund	20.00%	22.50%
Janus Henderson Tactical Income Fund	16.10%	13.00%
PIMCO Diversified Fixed Interest Fund	5.00%	5.00%
Bentham Global Income Fund	3.90%	3.90%
Cash	5.00%	3.00%
FSI Strategic Cash Fund	5.00%	3.00%

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