

At a glance

Global share markets rose despite the Iran war and severe disruption to shipping through the Strait of Hormuz.

The global energy supply shock has impacted the price of diesel and this has resulted in a significant increase in inflation.

The RBA raised interest rates in September, the fourth time this year, as did the US Fed, for the first time since 2023.

Technology, energy & mining led share markets higher, while interest rate sensitive sectors have lagged.

Markets Update

The September quarter was a mixed period for investors. With equities returning sub 2.0% while listed property and infrastructure fell 6.0% to 8.0% and fixed interest lost 1.5% in Australia and 2.5% globally. Higher oil prices, inflation concerns and rising interest rates weighed on bonds and property, while stronger earnings from technology companies and higher commodity prices supported share markets.

The Iran war and disruption to oil transiting through the Strait of Hormuz caused large swings in oil prices and pushed up fuel and transport costs. With US emergency oil reserves already at 40 year low levels, markets remained highly sensitive to any disruption in global energy supply.

Higher energy costs added to inflation concerns and prompted central banks to raise interest rates. In September, the US Federal Reserve increased rates by 0.25%, its first increase since 2023, while the Reserve Bank of Australia also increased the cash rate by 0.25% to 4.60%, its fourth this year.

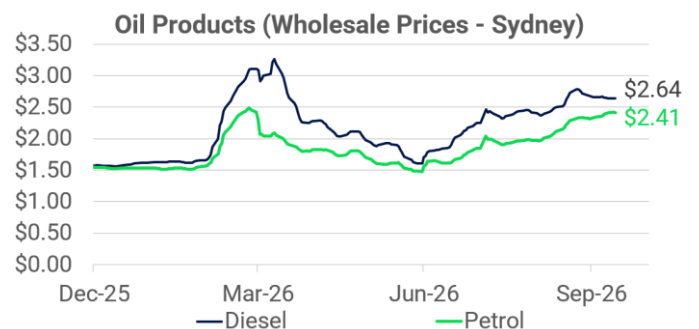
Fixed Interest markets eased as investors pushed bond yields higher (prices fell) as they adjusted to the prospect of inflation remaining elevated and interest rates staying higher for longer.

Credit investments generally held up better, as higher yields continued to attract investors looking for income. Gold also performed strongly as investors sought protection from geopolitical and inflation risks but softened later in the quarter as interest rates moved higher.

Property also succumbed to higher rates. In Australia, rising mortgage costs and weaker housing demand placed pressure on residential property, particularly in Sydney and Melbourne.

Share markets were more resilient. Continued investment in artificial intelligence (AI) supported large global technology companies, although investors are becoming more focused on whether the enormous amounts being spent on AI will ultimately generate sufficient returns on this investment.

Australian resource companies were among the stronger performers, supported by higher commodity prices, strong copper earnings from BHP and strength in gold miners. Australian bank share prices were more subdued as higher interest rates began to slow housing activity and credit growth.



Source: Australian Institute of Petroleum, LSEG

Looking Ahead

We have moved from being cautiously optimistic to more cautious.

Energy supply remains one of the biggest risks while the Iran war remains unresolved. With emergency oil reserves depleted, another conflict driven rise in energy prices could quickly place renewed pressure on inflation.

That matters because central banks appear more focused on controlling inflation than supporting economic growth. If inflation remains high, interest rates may need to stay elevated for longer, increasing the risk of a sharper slowdown in the economy.

AI remains an important support for global share markets. Strong spending on data centres, semiconductors and computing infrastructure continues to drive earnings growth across parts of the technology sector. However, higher interest rates are increasing the funding cost, and, at some point companies may become more selective about their preparedness to spend.

In Australia, higher commodity prices will support resource companies, while banks, property and interest rate sensitive sectors face a more difficult environment.

We are also seeing signs of stress in private credit and property development exposing weaker borrowers and projects, another reason we remain relatively cautious.

Overall, we still see selective investment opportunities, in areas benefiting from AI investment, healthcare and strong commodity demand. However, higher interest rates, energy prices and emerging credit stress mean the balance of risks has become less favourable.

Portfolio Commentary

The Alpha CFS Geared Growth Managed Account SMA delivered a total return (net of fees) of 0.02% in the September 2026 quarter, compared with the Morningstar Australia Aggressive Target Allocation Index return of 0.34%.

Share markets remained resilient in the quarter despite the ongoing war in the middle east, higher inflation, rising interest rates and volatile Fixed Interest markets. US technology and Australian Resources outperformed, while our banks faced pressure from declining property markets. Listed property and infrastructure shares declined due to rising interest rates, as did fixed income as bond yields rose (prices fell) lead by inflation fears in turn driven by higher oil prices.

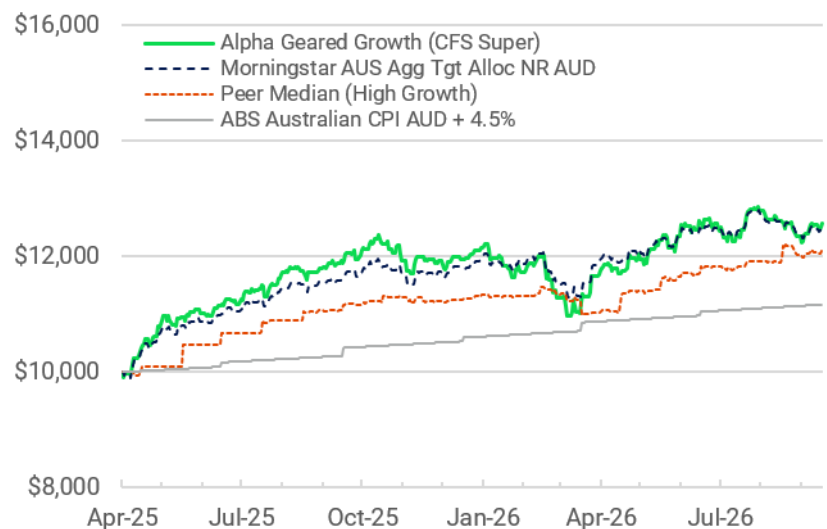
The portfolio has been positioned relatively defensively most of this year, but they have benefited from a number of our key thematics continuing to outperform. The key winners over the quarter were our positions in value shares (RQI Emerging Market Value Fund, RQI Global Value Fund and RQI Australian Value Fund) and exposure to Gold Bullion. The GQG Partners Global Equity Fund also outperformed.

The main detractors were the most interest rate sensitive components of the portfolio, including Pandal Property Investment Fund and Magellan Infrastructure Fund. Also detracting were exposures to smaller companies, including OC Premium Small Companies Fund and Fidelity Global Future Leaders Fund. The Wellington Global Technology & Communications Fund also underperformed and detracted. The impact of gearing was slightly negative for the portfolio.

Portfolio Changes

Despite the volatility we opted to make no changes to the portfolio over the quarter as markets gyrated. We are now more cautious than we were previously, remain vigilant and stand ready to respond when prudent to this dynamic environment.

Performance over time



Trailing returns

Portfolio Performance	1mth	3mth	6mth	1yr	Inception
Alpha Geared Growth	-0.14%	0.02%	12.48%	5.82%	25.82%
Morningstar AUS Agg Target Allocation NR \$A	-0.60%	0.34%	9.68%	7.73%	25.15%
Peer Median (Aggressive)	-0.60%	0.81%	8.63%	6.89%	20.96%
ABS Aus CPI + 5% p.a.	0.36%	1.11%	2.84%	7.20%	11.66%

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 Geared Growth Managed Account	Neutral Allocation	Current Allocation
Australian Equity	38%	31%
CFS Geared Index Australian Share Fund		8.6%
Realindex Australian Share Value Fund (Class A)		8.2%
Ausbil Australian Active Equity Fund		6.5%
Eley Griffiths Mid Cap Fund		3.7%
OC Premium Small Companies Fund		3.9%
International Equity	49%	60%
CFS Geared Index Global Share Fund		20.2%
GQG Partners Global Equity Fund (Hdg)		1.9%
Hyperion Global Growth Companies Fund (Class B)		2.8%
Realindex Global Share Value Fund (Hedged)		5.6%
Fidelity Global Future Leaders Fund		3.4%
CFS Wellington Global Health & Biotech Fund		7.3%
CFS Wellington Global Tech & Comm Fund		8.8%
RQI Emerging Markets Value Fund		10.1%
Property & Infrastructure	8%	7%
Pandal Property Investment Fund		3.0%
Magellan Infrastructure Fund		4.4%
Alternatives	0%	2%
Global X Physical Gold Structured ETF		1.6%
Fixed Income	5%	0%
Cash	0%	0%