

Alphinity Concentrated Australian Share Fund

MONTHLY REPORT – NOVEMBER 2025

Hail Mary

Market comment

A term often used to describe a desperate last-minute pass in a football match to save the game, the US equity market somehow managed to do just that in November with a stunning 5% reversal in the final few days to close the month in the green. The US S&P 500 index put on USD2.75 trillion of market cap gains in a week. Talk about buying the dip! Of course, in our game it never ends, but we are judged over time periods, so month-ends and quarter-ends are important. We were hoping for a few Hail Marys of our own in the Australian market, but all we got was the hail bit...and lots of it with wild Queensland storms putting a dent in our insurance stocks.

A bigger dent however was put into expectations for rate cuts as Aussie inflation printed higher than expectations (annualised CPI - Consumer Price Index was 3.8% in November versus expectations of 3.6%) which led to a rise in bond yields and some economists now calling for a rate hike as the RBA's next move. Our ASX 300 index (including dividends) fell 2.6% in November, its worst monthly fall since March and underperformed the MSCI World Index that essentially closed flat in AUD terms. European stocks outperformed (+1.3%), while Asian markets including Korea (-7%) and Taiwan (-4%) reversed some large gains made in the previous couple of months as profit-taking led to a reversal in the high-flying semiconductor tech stocks.

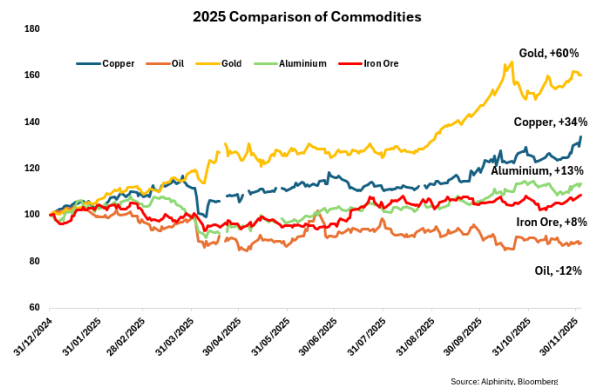
Increasing expectation of a rate hike from the Bank of Japan sent wobbles through its bond market with Japanese bond yields rising 14 basis points to 1.81%. Even a seemingly small move of 6 basis points in a day is enough to create some tension across global bond markets and currencies. The popular "carry trade", when investors borrow in low interest currencies (e.g. JPY) and invest in higher yielding markets (e.g. US or Australia) to capture interest rate differences can often be quick to unwind if rates move against the trade. For example, Japan yields (and rates) rise which makes the carry trade less attractive as the interest rate differential narrows.

In Australian sector performance, only 3 of the 11 sectors closed higher in November, with the recently underperforming Healthcare sector rebounding to take out top spot (+1.7%), while Materials (+1.6%) and Consumer Staples (+1.3%) also outperformed. Those sectors a little more leveraged to rates were weaker, with Technology (-11%), Financials (-7%), Property Trusts (-3.8%) and Consumer Discretionary (-2.8%) all underperforming the broader market. Insurance stocks (along with broader financials) have been a funding source for the rotation into the resources sector with concern over peak margins weighing on the group, along with the heavy storms in Queensland which drove further selling. Investors also

bought up some of the recently beaten down Healthcare names like Ramsay and Sonic Healthcare. Materials were the next best performing group of stocks, driven by continued strength in Lithium and Gold miners, although weakness in iron ore heavyweight BHP limited this strength. Some tension with China over iron ore pricing and risk around its bid for Anglo American put a larger risk premium on the stock and investors favoured other iron ore plays like Fortescue and Rio.

In addition to the rotation into commodities, defensives were also in favour like consumer staples with supermarkets Woolworths and Coles both outperforming. Within the tech space, Wisetech managed to gain (partially reversing a 50% fall the prior 3 months), although weakness in Xero, Technology One and Life 360 weighed on the sector.

Commodities were broadly stronger, with Gold resuming its upwards trend. The gold spot price has rallied 62% this year and only had 1 down month (which was only a mere -0.40% decline!). Iron ore prices recovered after some weakness in the first half of November to close near recent highs of USD102. Oil prices were a little softer, with Brent closing down 2.8% to USD62/bbl., while Copper and Aluminium continued to surge higher.



Portfolio comment

The Fund returned a little under the market in November. The biggest contributors were gold miner Newmont, property trust Charter Hall, being underweight in CBA and not owning Macquarie Group. Holdings in software services company Technology One, insurer Suncorp and not owning blood products manufacturer CSL were the largest detractors of relative returns.

Performance*	1 Month %	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception^ % p.a.
Fund return (net)	-2.9	-5.2	4.4	9.5	10.2	9.9	10.0
S&P/ASX300 Acc. Index	-2.7	-3.0	5.5	9.7	9.9	9.5	8.9

* Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance. Source: Fidante Partners Limited, 30 November 2025.

^ The Fund changed investment manager and investment methodology on 12 July 2010, at which time Alphinity Investment Management commenced managing the Fund and started the transitioning of the portfolios to a structure consistent with Alphinity's investment views. The transition was completed on 31 August 2010. The inception date for the returns for the Fund is 1 September 2010. For performance relating to previous periods, please contact the Fidante Partners Investor Services team on 1300721637 during Sydney business hours.

Market outlook

“Life moves pretty fast. If you don’t stop and look around once in a while, you could miss it.” - Ferris Bueller’s Day Off, a movie that also brought us the great classroom scene about the dire lessons of tariffs in the 1930’s - but we’ve all moved on from tariffs, haven’t we? The market, and it seems the economy, certainly has.

While rewatching the classic, it occurred to us that you could replace “Life” with “The market” in the famous quote and it sums up being an investor pretty well at the moment. Whether it be where earnings leaderships lies, the macro-economic environment, the direction of rates, the consumer health, the market direction (blink and you missed the US market sell off in November), AI capex and bubble (is it, or isn’t it), the yen carry trade, or Trump’s tweets – things are moving pretty fast. So, like Ferris, sometimes we just need to stop, and take stock. What do we actually know?

The clearest trend in the Australian market, which looks like persisting for some time in our view, is the rotation into resource stocks. Why? Because resource company earnings revisions have turned positive and appear sustainable for the first time in years: a typical earnings leadership change in the market. This comes from a combination of some capitulation in commodity price expectations through the year by analysts, with global and Chinese economies hanging in better than expected – while China property remains soggy, exports continue to be strong. Tariffs have not to date, despite all expectation, killed global growth or brought China to its knees. We’re all friends again. Throw in a bit of ‘anti-involution’, a dash of AI data centre build-out frenzy, topped with the odd mine shutdowns, and we get upgrades – and as usual the analysts are playing catch up. While we have seen some broadening of upgrades generally in the market, and the market as a whole is seeing upgrades for the first time in years, the majority of sectors are still in negative territory. Metals and Mining stand out now as having by far the best upgrades. While Financials and REIT’s revisions remain positive, and it is fair to say Financials are waning in part. Short of a Trump induced global economic meltdown (not a zero probability!) it is pretty clear where the leadership now lies. A rising A\$/weakening USD would also support the sector, which seems like a strong possibility if US is cutting rates and Australia has stopped, yet alone hiked which is becoming an increasing possibility.

The other side of the rotation is a little more complex. What is funding the earnings leadership rotation currently is not necessarily companies whose earnings have rolled over the other way, which is typically the pattern (although there was a bit of that in August as we saw a number of high-profile blow-ups sold down). It has been largely through companies that worked in the recent past and where valuations have been dragged up. Think technology, financials (particularly insurance) and domestic consumer discretionary – some of which still have earnings holding up well, if not improving which makes getting too negative on those names a little harder. What you might expect to be the obvious funder, the banks, have only really recently joined in post reporting and going ex-dividend in November, and even then, it has been largely CBA.

So, a good old fashioned value rotation for now, but earnings will ultimately sort out where it goes in the future. After the initial rotation, where all similar stocks get lumped in together, we expect to see more differentiation of the winners and losers within sectors come through in the new year. Banks remain expensive on some measures, but in a relative sense, ex CBA, look reasonable. Upgrades continue to be likely which will provide some support.

Domestic cyclical share prices on the other hand have been having it tough as interest rate expectations have rapidly changed from cuts to no cuts, to potential rate rises in 2026.

We have been mentioning for some time now that the domestic economy has turned out better than expected and the consumer pretty much bottomed out in Australia this time last year. Nothing like a Black Friday sale to get some spending going, and the initial feedback this year is much the same; reasonably positive. The average consumer is fine. While rate rises would be a headwind, they are by no means locked in, and the consumer continues to be relatively strong and has shown strong resilience and adaptation through various rate environments. Remaining employed and having a strong improving wealth effect is likely overcoming rate jitters. It is worth remembering that inflation is strong partly because the economy is relatively good. That helps the consumer.

We expect domestic profits to continue to look pretty decent and domestic cyclical to hold up well into 2026 supporting the market overall.

Portfolio outlook

Given the change in earnings leadership into resources, the portfolio has over the last couple of months further increased its exposure to the sector. While we had already moved neutral to overweight iron ore earlier, we have now joined that with more exposure to copper (our preferred long-term commodity), aluminium (supply constrained by China cap) and post a recent trip to China, back into Lithium given the shift in supply/demand dynamics turning more favourable.

As we have been noting for some time, we were getting quite deep into the insurance profit cycle and had started to take a bit out of that sector. That trend continues. While underlying earnings are likely to remain pretty resilient, we see parts where price is looking softer again. Add to it some increased catastrophe loss activity after 2 years of benign conditions, and we have taken more out of that sector. We remain a little underweight Banks but are positive on a couple of the individual names on better earnings outlook.

We are slightly overweight technology, however concentrating more in our preferred exposures where we see strong earnings upside going forward.

In consumer we are most positive around domestic electronics and furniture as the economy improves and the consumer remains resilient. We stay away from international exposures where the consumer is under more pressure, especially the US.

While we have taken some profits in parts of REITs (Real Estate Investment Trusts) after a strong run, and in response to change in rate expectations, we remain relatively neutral with underlying improving strength in their business growth. The rest of the portfolio is taking advantage of a better positive earnings outlook into 2026 to find idiosyncratic earnings upgrade stories across sectors.

Top five active overweight positions as at 30 November 2025	Index weight %	Active weight %
BHP Group Limited	8.1	5.0
National Australia Bank Limited	4.7	4.1
a2 Milk Co Ltd	0.3	3.3
Rio Tinto Limited	1.9	3.3
ResMed Inc	0.9	3.0
Asset allocation as at 30 November 2025	%	Range %
Securities	98.9	90-100
Cash	1.1	0-10

BTW

Remember not so long ago, any company that could slip “AI” (Artificial Intelligence) or “data centres” into their earnings announcements were often handsomely rewarded with immediate share price gains? This was of course relevant for chipmakers (Nvidia), or data centre property plays (Goodman Group), but then a whole host of other companies jumped on the bandwagon, eager to exploit the benefits of AI to their own advantage, despite many of these businesses having nothing to do with AI. Move over Nvidia or Goodman Group...what about toothpaste or electric shavers with their special “AI” tech? I wouldn’t mind my kids’ toothbrush reprimanding them for not brushing for as long (or as frequently) as they should. But it’s nonsense and has even given rise to the term “AI Washing”: where companies falsely claim their product to have AI technology when in reality it’s just a piece of plastic hooked up to a Wi-Fi connection.

But recently, a curious change in sentiment towards AI and data centres has taken hold. Just as quickly as ‘AI’ and ‘data centres’ became the biggest buzz words on Wall St, their popularity has taken a bit of a nose-dive in recent months, finding themselves as hot potatoes at the centre of US domestic politics. How did AI Washing turn so quickly into AI Bashing?

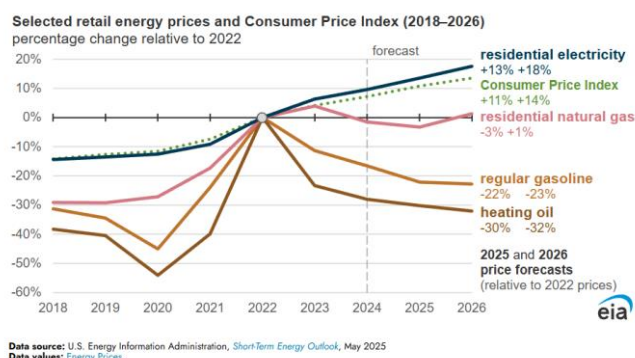
Like most things, much of the answer to this question can be found by listening to how people feel about their own future prosperity, and also broader environmental concerns. While we would argue the consumer is at a relatively better spot in Australia than in other markets like the US, the cost-of-living pressures are real. While many letters have been used to describe economic recoveries, the current one in the US seems to be K. The K-shaped recovery refers to one part of the economy continuing to strengthen while another part continues to weaken. In the current environment, financials and large cap tech companies continue to take market share and drive gains. The luxury consumer space is also doing reasonably well (ultra wealthy people can still afford ultra wealthy things), but the lower end consumer is struggling. We’ve seen evidence of this from the commentary from various retailers including Chipotle, Home Depot, Lowes, and Kraft Heinz which all said similar things about a more value-oriented consumer who was more sensitive to price. The recent lower consumer confidence numbers in the US supports the commentary from the retailer CEOs (Chief Executive Officers)

On the surface, it may not seem that AI and data centres are really connected to how consumers feel. But in the US, there is somewhat of a backlash against AI and the power required to build data centres to run the AI models. The threat of job losses and increased power bills have become a very important topic in the US, and one that both Democrats and Republicans are increasingly aware of. Senators are becoming worried about using the term “AI” for fear of a voter backlash and possibly losing their seat. As a recent article in Heatmap (‘The Data Centre Backlash is swallowing American Politics’) said, “US political leaders remain dedicated to the global race for AI domination, but cracks are beginning to show when it comes to support for the infrastructure necessary to get there.”

David Sacks, a prominent tech investor and recently appointed by Trump into the White House as the official AI and Crypto czar, is obviously all-in on the AI trade (pun intended given his podcast). He recently tweeted that AI-related investment accounts for half the recent US GDP growth, citing a WSJ (Wall Street Journal) article.

He then went onto say “A reversal would risk recession. We can’t afford to go backwards.” Sacks was also referring to the AI arms race with China, where China is less encumbered by State politics all having different agendas. We’re not sure that’s a good thing. In fact, it’s actually somewhat alarming, especially as he was so vocal in defending Open AI’s CFO Saraf Friar who recently caused a stir when she used an unfortunate choice of words such as a “government backstop” or some sort of government guarantee to allow financing to continue happening. To be fair, she quickly acknowledged the poor choice of phrasing and Open AI’s CEO Sam Altman later confirmed that the company doesn’t want government guarantees for its data centres. Sacks later said that no AI company is “too big to fail” and that intense competition is healthy. Still, if all AI-related investment accounts for half of GDP (Gross Domestic Product) growth, then that is still a pretty alarming number. It’s not just Sacks that’s all-in on this trade. Sounds like the whole US economy is too.

Rising power prices are increasingly becoming a more important political issue. This image below from the EIA (Energy Information Administration (US)) shows that residential electricity prices are now increasing faster than the overall rate of inflation post 2022, while other heating sources have actually declined. The other complication is that electricity price moves vary widely by each state. The most populous states like New York and California are experiencing much higher increases than many states in the mid and south of the country.



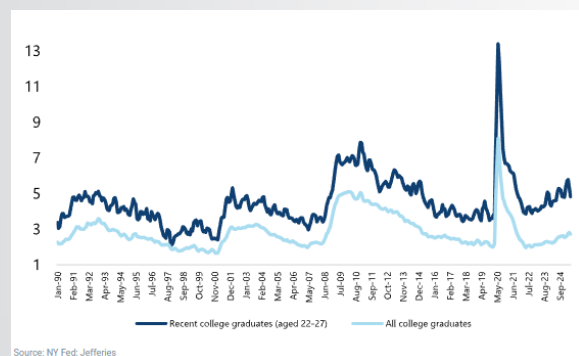
The other question in the back of people’s minds is what if we’ve been sold a lie? The Trump MAGA (Make America Great Again) alliance are angry about a lot of things, not least of all the hundreds of billions of dollars in value from AI investments that are tied up in a small handful of companies with billionaire CEOs having dinner parties at the Whitehouse. Those optics just don’t sit well with a struggling consumer who were hopeful that AI will cure cancer among other life changing breakthroughs. Sam Altman, the CEO of Open AI recently announced plans to introduce erotica via sexualized AI chatbots. What if this is what AI has come to? Helping to search and summarise more efficiently while adding in adult-based content? Of course, the limits of AI are yet to be tested and to be fair to Sam, ChatGPT among many other models are doing very impressive work, which would undoubtedly involve trying to solve the biggest healthcare problems of our generation. But until we see evidence of this, some people are beginning to question how the wealth and trillions of dollars (yes trillions) of this great revolution will be distributed.

BTW (Cont'd)

Back to politics, and Virginia (the number 1 state for data centre development) recently ousted its Republican leader in favour of a Democrat who promised to make AI companies pay more for their electricity usage. Also in Georgia, two Democrats won seats on the Public Service Commission on campaigns focused on rising energy bills. Heatmap also conducted a survey to find out how Americans feel about data centres, and the results were interesting. While the younger cohort of responders were more likely to embrace AI, they were also the same cohort most opposed to the build-out of data centers, presumably based on environmental or social concerns. Both make sense, despite the contradiction. Younger people embrace the technology but are more resistant when finding out about what is required to get there.

In addition to rising power prices, unemployment rates among younger people and college graduates in the US continues to rise. While it's stretching a long bow to suggest that AI is directly responsible for the rise in youth unemployment, the numbers speak for themselves. Some recent Jefferies research concluded that in the post ChatGPT era (Dec 2022 to June 2025) unemployment rates have increased for recent college graduates (+18.3%) and All College graduates (+28%) after having dropped from COVID highs.

The chart below from Jefferies shows the recent upward trend in unemployment in younger cohorts of workers.



Like we said above, there could be a number of factors driving this increase in the unemployment rate, but it's certainly a contributing factor to the growing level of angst as to how this all ends up playing out. Time will tell, but one thing we know for sure, is that nothing moves slowly in the world of AI. Even governments, naturally the slowest movers of all, are scrambling to keep up with regulatory frameworks. We expect political pressure from all sides of politics to be ramped up and AI could end up finding itself at the top of policy importance as we head to the polls in future elections.

Travellers' Tales

Monique's travels last month took her up to the Hunter Valley. Unfortunately, no wine tours (Beverages not her sector), but who needs a drink when you have the option to tour a power station! Monique travelled in the scorching heat to tour AGL's Bayswater Power Station and the under-construction Liddell Battery. At least the high vis coats were breathable in the temperatures that reached above 30 degrees.

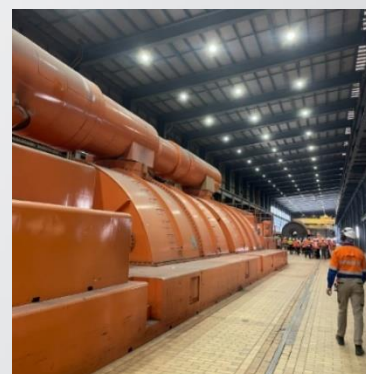


The battery sits on the site of the Liddell coal power station, which was retired in 2023 as part of AGL's transition plan and to form the Hunter Energy Hub concept.

Not for the faint-hearted, she climbed nine floors with just one handrail and a see-through metal floor between her and a serious drop! With electricity demand rising thanks to electrified homes, more EVs (Electric Vehicles), and a boom in data centres, the tour highlighted how AGL's fleet is adapting to this new, more volatile energy market.



Bayswater's coal plant, set to close by 2033, now operates "two-shifts"—shutting down midday when solar is plentiful and prices drop, then ramping up for the evening peak to optimize margins. Meanwhile, the Liddell Battery (500 MW, 2 hours) is part of AGL's move toward lower-carbon energy. These batteries can jump in instantly when needed (usually when prices are high), with lower operating costs and capital intensity, making for strong cash conversion and solid risk-adjusted returns.



Travellers' Tales (Cont'd)

Chris recently travelled to the US where he focussed on industrials, defence and housing sectors. He summed up his trip with 4 words "not much has changed". It is very difficult to pinpoint exactly what is going on in the US economy, primarily because there are multiple individual economic forces all moving in different directions. To sum it up succinctly, if you are selling to rich consumers or data centres, you are feeling somewhere between confident to outright euphoric. Anything outside of this and 2025 has been a second or in some cases third tough year. Most are clinging onto the hope that rate cuts will spur demand, but it is just a hope at this point.

Outside of data centres, the aerospace & defence sector continues to benefit from increasing defence budgets. Here is Chris at Northrop Grumman's manufacturing facility for Defence Satellites getting direct feedback on the strength of defence spending. The Green hat was to identify himself as a foreigner!



Infrastructure demand (including renewables) was clear to see. Anecdotally, Chris jumped in a hire car and drove approximately 8 hours and there were roads being worked on everywhere. A similar thing was seen in airports, with only 40% of IJIA funds (Infrastructure Investment and Jobs Act) being distributed so far.

The office market appears to have bottomed and is improving. While investigating office dynamics, Chris made a slight detour to the Federal Reserve—you know, as one does—to get the inside scoop on their somewhat infamous renovation project. Remember that awkward moment when Trump and Fed Chairman Powell publicly disagreed over the costs? The project budget ballooned from USD1.9bn to USD2.5bn, but we'll let you draw your own conclusions about who won that debate!



Automation companies were also sounding better given the benefit from increased onshoring activity. Interestingly, RFPs (Requests for Proposal) for new automotive production lines have also picked up considerably despite the current soft auto end markets. In fact, any industrial companies selling to consumer end markets are having a tough time. This is most notable in large ticket sectors such as Housing which is very soft and directionally still deteriorating.

On the positive side, however, companies appear to be getting price increases through and inventory levels in the various channels don't appear to be a problem. There are no material problems with labour markets although there are increasing concerns regarding the impact AI will have on labour requirements going forward. The government shutdown finally came to an end (until next year at least!). Another positive was anecdotal feedback that many companies have sufficient unutilised capacity to grow in the near term without material investment required.

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