

Alphinity Concentrated Australian Share Fund

MONTHLY REPORT – JANUARY 2026



From TACO to TUNA

Market comment

If the financial markets were hoping for a quiet return to work from a relaxing holiday, then they were sadly mistaken. So much happened during January, it is hard to know where to begin. There was the predawn Operation Absolute Resolve raid that captured Nicolás Maduro and turned him into a one-time fashion influencer (demand for Nike Tech tracksuits surged after Maduro was photographed in one). The Iranian uprising met a swift and lethal government crackdown that was temporarily concealed by a nationwide internet blackout, drawing threats of US military intervention. This was followed by the international standoff over Greenland, including escalating tariff threats to proposed countermeasures and subsequent de-escalation. And of course, the ICE operations and terribly tragic fatal shootings in Minnesota. It has been a long month.

However, we couldn't overlook the shift from TACO to TUNA which of course relates to well publicised Trump acronyms. TACO (Trump Always Chickens Out), which refers to repeatedly watering down tariffs, was updated to TUNA (Trump usually negates announcements), in response to several new announcements. These included a proposal to cap US credit card interest rates, stopping institutional investors from competing with retail homebuyers and directing Fannie Mae & Freddie Mac to acquire \$200 billion of mortgage-backed securities to help reduce mortgage rates. The hastily tweeted affordability agenda pragmatically responds to rising cost of living concerns and aims to position Republicans for the upcoming midterm elections. If recent Texas run-off election results are any indication, more might be required.

However, the Trump policy-by-tweet approach appears to be impacting the very consumer confidence it is trying to restore. Some commentators have gone as far as saying it is undermining market efficiency. Our (possibly optimistic) interpretation is this inefficiency should only increase the upside from investing in a portfolio of quality, reasonably valued business in an earnings upgrade cycle!

Australian shares closed the month up 1.7% and the AUD was the strongest performing major currency, surging 4.4% against the USD to close near 70c.

Global markets also performed strongly, although the large AUD currency move adversely impacted offshore returns in AUD terms. The US market rose 1.4% in local currency (translating into a 3% loss in AUD terms). Emerging markets also outperformed and there was a broadening out of leadership away from Asian Tech stocks, with a strong performance in Brazil given its commodities and banks' exposure.

Back home, the Australian market carried on where it left off in 2025, with miners surging on the back of rising commodity prices. Precious metals like gold and silver rose to record highs on the back of a weaker USD, central bank buying and more recently a speculative retail frenzy. Given such a huge run, the probability of a correction increased, and this occurred on the final day of the month when Trump surprised markets with his pick of a more (in)dependent (?) Kevin Warsh as the next US Federal Reserve Chair to replace Jerome Powell. This surprise Fed pick led to a sharp reversal (strength) in the USD which drove a sell-off in gold and silver. Gold prices fell -9% and silver prices fell -26%. However, even despite the sharp correction, gold still closed the month 13% higher. Copper had another strong monthly move, closing up +6% while the Iranian tensions caused oil to jump 15%, ending 5 consecutive months of declines.

Within Aussie sectors, Energy (+11%) and Materials (+9%) were the best performers while Technology (-9%) and Property (-2.7%) were the biggest laggards, the latter not helped by recent increases in bond yields. Australian 10-year bond yields have risen 50 basis points over the last 3 months as higher inflation data has led to greater expectations the Reserve Bank of Australia will embark on a rate hiking cycle. The RBA confirmed those expectations and hiked in early February, with more expected.

Portfolio comment

The Fund underperformed the benchmark in January. The biggest contributions came from gold miner Newmont, diversified miner BHP and not owning CBA that underperformed. Holdings in milk products manufacturer A2Milk, tracking app developer Life 360 and retailer JB HiFi were the largest performance detractors.

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)	1.0	0.3	5.9	9.8	10.4	10.4	10.1
S&P/ASX 200 Acc. Index	1.8	0.4	7.4	9.8	10.2	10.1	9.0

* 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, 31 January 2026.

[^] 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

While most Australians were lazing on the beach, (or skiing in Japan; go the AUD!), the markets, and Trump in particular, decided it was no time for a rest. While it is not unusual for the northern hemisphere to use January as a time to set the tone in markets for the year, if this January was any indication, then this year is going to be very 'interesting' again. Venezuela; Greenland; Iran; gold price (and silver for that matter); US\$ weakness; new Fed Chair (and a criminal investigation into the current one!); calls to cap credit card rates in the US; software sector meltdown; Japanese bond yield volatility; high inflation here in Australia followed by a rate rise; the break-up of the Coalition; and as if we hadn't endured enough, the release of the Melania documentary! Just another month in the new world order.

That being said, seemingly nothing is stopping the market's move up at the moment. Below the surface the major economies, including our own, continue to be resilient to the wildest of headlines. Earnings ultimately tell the story. Upgrades everywhere, and Australia has joined in the party recently after 3 years of negative earnings growth. We're not booming by any stretch, but we are steady and importantly better than expected. Of course, we needed it because equity market valuations have been looking stretched and vulnerable.

That is exacerbated by the fact it is looking more likely that we are closer to the bottom of the interest rate cycle for now in many regions (and now past the bottom in Australia), as central banks turn their minds to making sure inflation is contained in this robust world. While better earnings growth usually wins initially, it can cause some market volatility if a steady growth outlook begins to turn on rate rises. Also let's see what Trumps new Fed 'independent' governor is going to do. Any material rate cuts into a strengthening growth and inflation environment may not be ideal for stability. Then again, has AI turned traditional economic thinking on its head? Probably not in reality, but the expectation can last for longer than we might be comfortable with.

In Australia at least it has been the 'value' side of the market that has taken up the challenge to date and assumed leadership over the more expensive 'growth' side, which makes some sense at this point in the cycle. We will fully admit that whether it is early or late cycle is open to interpretation. We'll just follow the earnings instead. On that front, it really has been largely Commodities where the big change in Australia has come from earnings wise, joining Financials which continue to see earnings tick up - the death of the banks' trade has been greatly exaggerated! We do see the trend continuing as long as expectations do not catch up to the more elevated stock commodity prices and fundamentals remain robust. In that scenario, the Resources rise will provide support for the Australian market despite some valuation pressures persisting in pockets.

Reporting season is also back this month. Whether it be increased passive investing, more ETF's, the rising influence of hedge fund pods, Super fund internalised funds growth, or lack of confidence in active managers, the trend of the last few reporting seasons has been increased volatility. We are not sure it can get much more volatile than the last one, but we aren't holding our breath for anything calmer either. As such it is more important than ever to be conscious of earnings risks. The other side of a rotation into earnings leadership (currently commodities) is that it needs to be funded somehow, and that is typically from sectors or stocks with disappointing earnings, especially if their valuation is already stretched.

To date it has largely been individual stocks disappointing and getting sold off. On top that anything with a high PE that shows weakness in any measure is also being used as funding. So, reporting season will no doubt sort the true earnings 'rotators' from the 'funders', something we are looking forward to. For now, we expect it all to be largely more of the same for the foreseeable future.

Portfolio outlook

As previously noted, we have made reasonably large changes to the portfolio over the last 3-4 months in line with the sustained rotation in earnings leadership towards Commodities. That being said, in any rotation where everything in the new leadership group moves as one, regardless of quality, the next stage tends to be a bit more idiosyncratic towards those companies where the earnings revisions are more sustainable and of better quality. As such we continue to optimise our exposures within commodities.

We continue to take down our insurance exposure as the cycle slows. Elsewhere in financials we continue to see upgrades coming through for the banks, resulting in small additions to the sector. We are now neutral to slightly overweight. Interest rates rising in Australia is initially a further positive for Australian banks' earnings (they can charge more on loans than they have to pay out on deposits). We are conscious though that any material increase in rates can flow through to lower loan demand or credit quality issues – but these are far off for now.

The consumer is another difficult sector to navigate. We know aggregate demand remains healthy but with first talk of a rate rise and now one coming through it does muddy the outlook. Increased price sensitivity is likely putting pressure on margins in some areas even as sales hold up. We remain underweight the sector for now, trying to focus on some of the more defensive parts of consumer.

Tech also deserves a mention given the software sell off driven from the US (and caused by fear of AI replacing or more easily replicating software companies' products). We are largely neutral the sector but do have investments impacted by the sell off. We feel we are invested in the more defensive parts of tech focused on families, social media, government and education. More importantly those tech companies that are seeing strong growth and upgrades and taking share.

Through the noise, earnings outcomes continue to be the best guiding light.

Top five active overweight positions as at 31 January 2026	Index weight %	Active weight %
BHP Group Limited	9.5	6.1
National Australia Bank Limited	4.9	4.5
Westpac Banking Corporation	4.9	3.5
Rio Tinto Limited	2.1	3.0
Newmont Corp	0.6	2.9
Asset allocation as at 31 January 2026	%	Range %
Securities	98.5	90-100
Cash	1.5	0-10

BTW

In August we wrote a BTW on the declining trends in the liquor industry, especially wine and whisky sales in the US. With demand waning from the younger cohort of drinkers, there are oversupply challenges across the wine and spirits industries. Some attributing factors are cost, health or simply that “it’s just not cool any more”. Here we look at some of the possible beneficiaries of these changing consumer tastes. While demand for wine and beer is declining among younger cohorts, demand for energy drinks is growing strongly.

When you think of energy drinks most people rightly think of Red Bull which pioneered the space with its incredible adrenalin sports branding. “Red Bull Gives You Wings” was a highly successful advertising campaign which likely resonated with many readers.

However, the market has grown materially as Monster Energy and, more recently, Celsius have each created their own powerful lifestyle brands, carving out distinct cultural groups in the process. Celsius has expanded the market by targeting health-conscious performance driven consumers that historically avoided ‘unhealthy’ energy drinks, while Monster Energy targets the youth counter-culture market with its “Unleash the Beast” branding. Each aims to have consumers define themselves through their choice of beverage, rather than just approaching the market as functional caffeine.

It is big business. Both Monster Beverage (owner of Monster Energy) and Celsius Holdings are publicly traded on the New York Stock Exchange, with market capitalisations of USD80 billion (around twice the size of Telstra) and USD13 billion (just a bit smaller than Coles) respectively. Red Bull has always been a private company so it’s a little more difficult to get a true valuation, but the company sold 14 billion cans in 2025, which is approximately 40% of the global energy market, and is estimated to be worth more than USD25 billion (closer to Woolworth’s size).

The industry traces its roots back to a Japanese ‘functional tonic’ called Lipovitan D that was launched in 1962 by a pharmaceutical company. It was packaged in small medicine-like bottles and sold to truck drivers and factory workers to help them endure long shifts. In the 1970s, Lipovitan D was exported to Thailand, where it enjoyed strong sales among the middle class. In 1976 Thai businessman Chaleo Yoovidhya wanted to pivot from pharmaceuticals to consumer products, so he studied Lipovitan D and created his own sweeter version that was more affordable for the working class. He named his product Krating Daeng, Thai for “red bull.” During a trip to Asia, Austrian marketer Dietrich Mateschitz came across the drink and discovered it helped him ease his jet lag.



The two teamed up to found Red Bull in 1984, adapting the formulation to western tastes (including carbonating it), before launching the product in Austria. The Yoovidhyas still control 51% of Red Bull, while the remaining 49% belongs to Mateschitz’s son, who became Europe’s richest millennial after Dietrich’s death in 2022.

Nobody can deny the marketing genius behind Red Bull, as Mateschitz himself told *The Economist* in 2002, they “don’t bring the product to the people, we bring people to the product.” All three energy drink companies have adopted similar marketing approaches, favouring sponsorship and event-based marketing over traditional television or radio ads. They immerse themselves in specific communities to make their brand feel like a community member rather than just a product.

Red Bull has set the standard. From humble beginnings placing empty cans outside trendy bars to create illusory popularity, they have moved onto not just sponsoring events but creating their own, which has helped them build media assets. In 2012, they funded Felix Baumgartner’s freefall from the stratosphere which drew 8 million viewers. Their YouTube channel is now one of the largest brand-run platforms globally, featuring extreme sports rather than product commercials. The channel supports Red Bull sporting teams and over 750 sponsored athletes across Formula 1, stunt flying, wingsuits and BASE jumping, motocross, cliff diving, football and esports.

Despite the huge success Red Bull has not been without controversy. Chaleo’s grandson, Vorayuth (aka “The Boss”), remains a fugitive after fleeing Bangkok in his private jet back in 2017 following a hit and run accident while driving his Ferrari. A police officer was tragically killed in the accident. Following protracted legal proceedings, Thai officials temporarily dropped the charges citing new evidence; however, a subsequent prime ministerial investigation uncovered a conspiracy to manipulate evidence which has landed some officials behind bars and seen the charges reinstated. So today Vorayuth remains on the run (or jet, as the case maybe). Despite Interpol’s best-efforts investigators have previously tracked him to London, Austria and France via social media and sightings at Formula 1 races. Red Bull gives you wings.

Red Bull’s 40% market share is particularly impressive considering they do their own distribution. Both Monster and Celsius took a different path, signing distribution partnerships with The Coca-Cola Company and PepsiCo respectively. These distribution agreements leverage their distribution and marketing power, including allowing them access to Coke & Pepsi branded fridges commonly found in independent retailers, which, subject to national competition laws, otherwise provide little to no access for competing brands such as Red Bull.



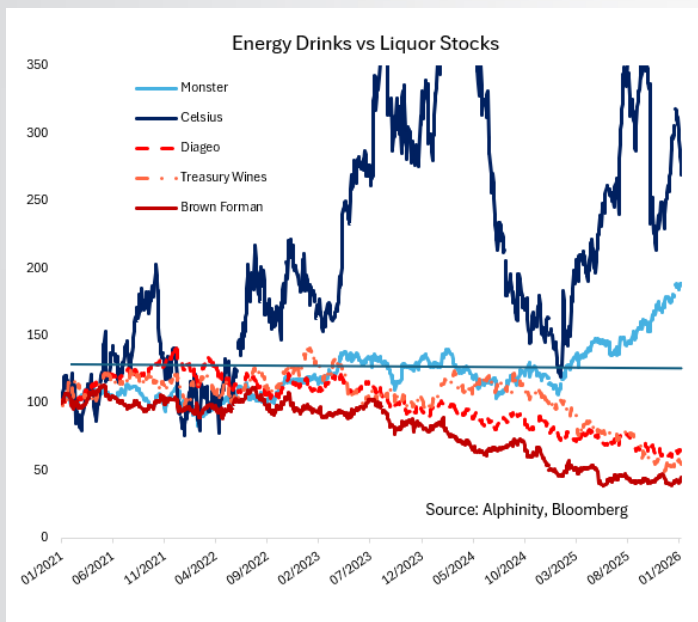
BTW (Cont'd)

To counter the "Big Cola" dominance, Red Bull has its own fleet of branded fridges to ensure their energy drinks are sold in a dedicated, highly visible space, often right at the checkout counter.

These marketing efforts and product placement initiatives from all the major brands are helping grow the segment. The energy drink segment is currently one of the fastest-growing categories in the global beverage industry, with a projected growth rate of approximately 7% to 9% through 2030. This has helped make them

pretty decent investments too. We compared the returns of the biggest energy drinks (Monster and Celsius) to those of the biggest listed alcohol companies like Diageo, Brown Forman and our own Treasury Wines.

Looking at around 5 years of history, the distinction is pretty clear. If you invested in Monster or Celsius, you would've enjoyed returns of 90% and 170% respectively over that timeframe. On the other hand, if you preferred wine, whisky or spirits companies, these lost 31% (Diageo), 41% (Treasury Wines) and 55% (Brown Forman). Consumer preferences are indeed changing. Perhaps not even poaching the Red Bull marketing team can help the liquor industry, despite beer ads having long been some of the best on TV (who can forget the Budweiser beers ads at the Superbowl or the genius behind the ads for Stella Artois). These may too be a thing of the past.



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