

Alphinity Concentrated Australian Share Fund



MONTHLY REPORT – April 2026

Call Me, Maybe?

Market comment

The mixed messaging around the US / Iran negotiations to try and re-open the Strait of Hormuz continued in April, with markets responding daily (sometimes hourly!) to the changing dynamic of how these negotiations are working out. With reference to Alphinity's popular Venn Analysis tool, we can say with some confidence there is very little of the overlapping region between both sides that gives confidence that an agreement can soon be reached. In fact, it looks like two lonely circles floating in space, not destined to touch each other. Indeed, there appears to be disagreement within Iran's own ranks in regard to their nuclear ambitions. Trump says he's waiting for a phone call. Just pick up the phone and talk it out guys. From a market's perspective, it looks as though we've already moved on, kicking the energy and inflation can down the road and focussing on better than expected offshore quarterly earnings.

Despite the impasse on negotiations, and oil prices above USD100, markets were unphased. In fact, new all-time highs were reached during the month in the US. It was back to a similar theme we know well. The US mega cap tech stocks did the heavy lifting, with the Nasdaq closing up on 17 out of 21 trading days in April, culminating in a monthly gain of 15.3%. This was the second-best month in over 10 years, only passed by the Covid recovery month in April 2020. The broader US S&P 500 index gains 10.4% in USD terms, although a stronger AUD reduced the return to 5.9% in AUD terms. Our market was a notable laggard with the S&P/ASX 300 index (including dividends) rising 2.3%. Reasons for the relative underperformance of Australia versus the US lie not only in the different sector compositions (less Tech, more Commodities) but also some idiosyncratic factors such as disappointing demand outlooks affecting some of our biggest healthcare stocks: CSL and Cochlear. Some relative underperformances across the major banks as a more cautious outlook drove increased provisioning was also a factor, given our higher weight to banks than other jurisdictions.

At a sector level, recently challenged areas like Technology and Property Trusts were the top performers, up 12% and 8% respectively, while Materials (+4%) also outperformed. As we've unfortunately become accustomed to, Healthcare (-8%) was the worst performer, while Consumer Staples (-4%) and Energy (-3%) also lost value. A Woolworths downgrade on the last day of the month didn't help Consumer Staples, while Energy stocks couldn't take advantage of continued strength in oil prices.

You don't often see a month where forward oil prices rose 15% yet our biggest energy producers underperformed the market. Quite perplexing, especially given Woodside gave a solid quarterly update also. Other commodities were mixed, with Gold continuing to weaken in April after its 12% drop in March, while Iron Ore spot held up well on supply disruptions and steel prices were stronger, helping margins in the Steelmakers.

Despite generally stronger economic data both here and in the US, the focus was all about inflation and how far the RBA will go in its rate hiking cycle, with a widely expected third rate hike coming to fruition in early May. The RBA's nine-member board voted 8-1 in favour of the rate hike, which was even more hawkish than some expectations for a less dominant majority.

Portfolio comment

The Fund underperformed its benchmark in April. The biggest contributions came from not holding blood products maker CSL and hearing implant company Cochlear, along with positions in Property Trust Charter Hall and insurer Medibank. Holdings in A2 Milk, Macquarie Bank and not owning industrial and data centre property group Goodman were the largest 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)	0.1	-0.7	8.9	9.7	8.3	10.0	9.9
S&P/ASX 200 Acc. Index	2.2	-1.2	10.1	9.6	8.4	9.3	8.8

* 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 April 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

Are we still living in a Material world, or has the world moved on to virtual reality? The S&P 500 is reaching new records, propelled by ever-larger waves of AI investment — chips, data centres, infrastructure — and underpinned by considerable earnings beats for those exposed to that thematic, to the extent that one could be forgiven for thinking the old material economy has simply been left behind. Perhaps the age of oil shocks triggering recessions is over. Or perhaps everything is holding on the hope of a TACO trade on Iran that would miraculously reopen the Strait of Hormuz and restore normality overnight.

It is a disconcerting thought, because last time we checked, a large portion of the global economy still relies on hydrocarbons for transportation, freight, packaging, petrochemicals, fertilisers, and electricity generation — let alone on other critical materials such as helium, aluminium, and sulphuric acid. When 15% to 30% of those materials stop reaching shores — which is starting to happen — ‘material reality’ has a way of reasserting itself. The likely impact is a combination of price escalation destroying demand, lifting inflation, and potentially forcing the hand of central banks; and at the company level, cost escalation and potential demand destruction translating into profit downgrades. At home in Australia, we are already seeing both. Without the same AI halo effect enjoyed by the US, the consequences are already more visible: the RBA has signalled the next move in rates is up, again, and in recent weeks a number of companies have downgraded earnings expectations due to a combination of demand and cost pressures stemming from the Middle East crisis. A TACO trade could still avert the worst — but the longer the Strait of Hormuz remains closed, the direr the economic consequences could be. Australian companies and the Australian consumer entered this shock in a very strong position cashflow and balance sheet wise (which is why inflation was lifting in the first place). For now, confidence has taken a ‘material’ hit. The longer the uncertainty and higher fuel prices last, and the more rates rise, the more likely the low confidence turns into low activity, and in turn lower earnings. AI (in the US) tailwind notwithstanding, that is a tougher position for the Australian market level to fight against, especially as the market remains on the expensive side of history.

Australian earnings revisions turned positive for the market six months ago, driven by commodity prices and bank profits. Since the Iran conflict erupted, the Energy sector has taken over the earnings leadership, while the banks have shifted to a more cautious stance, raising provisions rather than releasing them. Resources continue to benefit from earnings upgrades for now, but should global growth deteriorate toward stagflation or recession, the outlook will become considerably more differentiated across commodities.

The Macquarie Australia Conference in early May brings together most ASX 200 companies for a trading update, and true to its reputation as the ‘confession’ conference, we expect a number of those companies to flag emerging headwinds. Those with limited pricing power and/or significant consumer exposure — at a time when households face rising interest rates, higher fuel costs, and broader inflation — are likely to feel the most pressure. We will be meeting with most CEOs face to face to take the pulse of the real economy and refine our earnings outlook.

Portfolio outlook

Over the past month, we have risk-adjusted the portfolio without making wholesale changes. In response to the rising economic uncertainty, we have moderated our Resources overweight, concentrating exposure in large miners sitting at the bottom of the cash cost curve, with strong supply chain risk management and exposure to commodities we view as more defensible in the current environment: iron ore, aluminium, and lithium. We have also added exposure to the US steel sector.

We are neutral on Oil & Gas producers but retain an overweight in energy through refineries and aluminium — the latter also serving as an indirect energy storage proxy. Our underweight in large energy consumers, such as airlines, provides additional insulation.

Following strong share price runs and a revised earnings outlook, we have moved the banks to a small underweight. We have also increased our underweight in consumer discretionary, and added selectively to defensive exposures — including staples, telecoms, and industrials with genuine pricing power. We remain well underweight healthcare, where idiosyncratic headwinds persist.

As always, positions and their sizing will continue to be driven by our bottom-up assessment of expected earnings relative to market expectations.

Top five active overweight positions as at 30 April 2026	Index weight %	Active weight %
Rio Tinto Limited	2.4	3.2
Westpac Banking Corporation	5.0	3.2
Newmont Corp	0.5	3.1
National Australia Bank Limited	4.6	2.7
National Australia Bank Limited	0.4	2.6
Asset allocation as at 30 April 2026	%	Range %
Securities	98.5	90-100
Cash	1.5	0-10

BTW

Initial Public Offerings (IPOs) have had a rough few years. A lot of companies have looked at public markets and essentially said: “Thanks, but we’re good staying private for now.” After the frenzy of 2020–2021, the IPO market fell into a pretty brutal hangover from 2022 through 2024. Listings dried up, investor appetite weakened, and many businesses decided the benefits of staying private outweighed the benefits of ringing the opening bell on an exchange.

For large companies especially, there often isn’t the same urgency to go public as in the past. Private capital markets have grown considerably, and once a business reaches a certain scale there is often enough liquidity available through private equity firms, sovereign wealth funds, venture capital, or secondary share sales to keep things ticking along. If a company can raise money privately, why deal with the extra regulation, disclosure requirements, and quarterly earnings interrogations that come with being publicly listed? Avoiding analysts grilling you every three months probably doesn’t hurt either (of which we are proud contributors as we believe in keeping management honest and aiding price discovery!).

At the smaller end of the market, the problem is different. Smaller companies can still list, but increasingly they struggle to attract meaningful liquidity after the IPO. One big reason for this is the enormous shift from active investing toward passive index-tracking funds.

As more money flows into passive strategies, a growing pool of capital can only buy stocks that sit inside an index benchmark. That creates a problem for new IPOs because many are initially excluded from major indices like the S&P 500 or the S&P/ASX 200. If a stock is not in the benchmark, many passive funds simply cannot buy it. The result is that newly listed companies — particularly smaller ones — can find themselves starved of capital right when they need it most.

This shift toward passive investing is quietly reshaping market structure in a huge way. In some cases, index inclusion matters more than company fundamentals in the short term. Stocks can rally harder on being added to an index than they do on reporting strong earnings. That says a lot about how markets have evolved. Flows increasingly drive prices, and benchmark inclusion has become a major event in itself.

There are plenty of examples of IPOs that struggled badly after listing. In the US, names like Rivian Automotive, Snowflake, Robinhood Markets and Allbirds all disappointed investors for long periods after their IPOs. That does not necessarily mean they are bad businesses. Some have continued innovating and growing despite difficult market conditions and regulatory headaches. Even some of the biggest IPO success stories — companies like Alibaba Group, Uber Technologies and Meta Platforms — went through painful periods after listing.

Australia has had its fair share of IPO disasters too. Companies like Nuix, Latitude Financial Services, Kogan.com, Adore Beauty and even more recent listings like Guzman y Gomez have all had difficult stretches after listing. Some may recover over time, but history suggests that jumping into an IPO on day one is often not the safest strategy.

Research from Nasdaq found that roughly two-thirds of IPOs underperformed the broader market three years after listing, with many lagging by more than 10%. So why does this happen so often?

The Good US	The Not So Good
	
The Good Australia	The Not So Good
	

Which column will Firmus end up in?



Part of the answer comes down to incentives.

By the time a company reaches IPO stage, founders and early investors have often spent years — sometimes decades — building the business. Naturally, they want to maximise the value of their shares when they finally sell part of their stake to the public. Investment banks underwriting the deal also benefit from larger valuations because their fees are tied to the size of the offering. Nobody in the process is exactly incentivised to say: “You know what? Let’s price this one cheaply.”

Of course, IPOs cannot be priced so aggressively that investors refuse to participate altogether. That would be disastrous for the market. But there is still an obvious tension between insiders seeking exit liquidity and new investors trying to buy into the business at a reasonable valuation.

BTW (Cont'd)

Structural shifts in the market have also created another issue: index concentration. Marc Rowan, the CEO of Apollo Global Management, once joked that “we have levered the entire retirement of America to Nvidia’s performance. It doesn’t seem smart.” He is obviously talking his own book to some extent — private equity firms would love retirement funds allocating more capital to private markets — but the broader point is still worth considering.

The US market has become increasingly concentrated in a handful of giant technology companies. That concentration has been amplified by passive investing because index funds naturally allocate more capital toward the biggest companies as they rise in value. Success breeds more inflows, which can then drive even more success. It becomes a powerful feedback loop.

And this is where things get really interesting. Despite all the doom and gloom surrounding IPO markets, the US may soon see three of the biggest IPOs in history: SpaceX, OpenAI, and Anthropic. The numbers being discussed are staggering. Depending on when they eventually list, valuations could potentially sit around or above the trillion-dollar mark for both SpaceX and OpenAI, while Anthropic could still arrive with a valuation measured in the hundreds of billions. Even allowing for relatively low free floats, these IPOs could collectively raise well over US\$100 billion.

If these companies list, the market structure implications will be fascinating. Does the “Magnificent Seven” suddenly become the “Magnificent Ten”? Do investors reduce exposure to existing mega-cap tech companies to make room for the newcomers? How quickly would benchmark providers include these stocks in their indices? Those questions matter enormously because index inclusion could trigger massive waves of passive buying.

SpaceX appears to be the company most likely to move first, with speculation building around a possible listing in 2026.

Some estimates suggest a valuation between US\$1.5 trillion and US\$1.75 trillion, alongside a potential IPO raise of roughly US\$50 billion. At that size, excluding the company from major indices for an extended period could become extremely awkward for benchmark providers.

Interestingly, index providers already seem to be preparing for this possibility. Earlier this year, Nasdaq released a consultation paper discussing potential methodology changes for large newly listed companies, including possible “fast entry” rules and adjustments for low free-float stocks. Shortly afterwards, FTSE Russell floated similar ideas around accelerated index inclusion for very large IPOs.

That leaves the S&P Indices in an interesting position. If rival benchmarks quickly include these companies while the S&P refuses to adapt, does it risk missing out on one of the biggest waves of investor enthusiasm in years? Benchmark FOMO is probably not a phrase the index committee wants to hear, but it may become very real.

The next phase of the IPO market could end up being a major test for modern public markets. On one hand, it would be healthy for extraordinary companies like SpaceX, OpenAI, and Anthropic to become accessible to a much broader group of investors rather than remaining locked away in private markets. Public markets work best when everyday investors can participate in the growth of transformative businesses. On the other hand, investors still need to remember a simple reality: by the time many companies finally go public, often a large portion of the value creation has already happened behind closed doors in private markets. The excitement around owning a slice of an incredible business should always be balanced against the likely earnings potential and valuation.

Because in the IPO market, you never want to be the person providing perfect exit liquidity to insiders right at the top.

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