Fisher Funds Premium Service

Quarterly Update – December 2025

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Contributors this month

Ashley Gardyne
Chief Investment Officer

Matt Peek
Portfolio Manager

Robbie Urquhart
Senior Portfolio Manager

Sam Dickie
Senior Portfolio Manager

Quin Casey
Senior Portfolio Manager

Investment lessons from 2025, and trends to watch in 2026

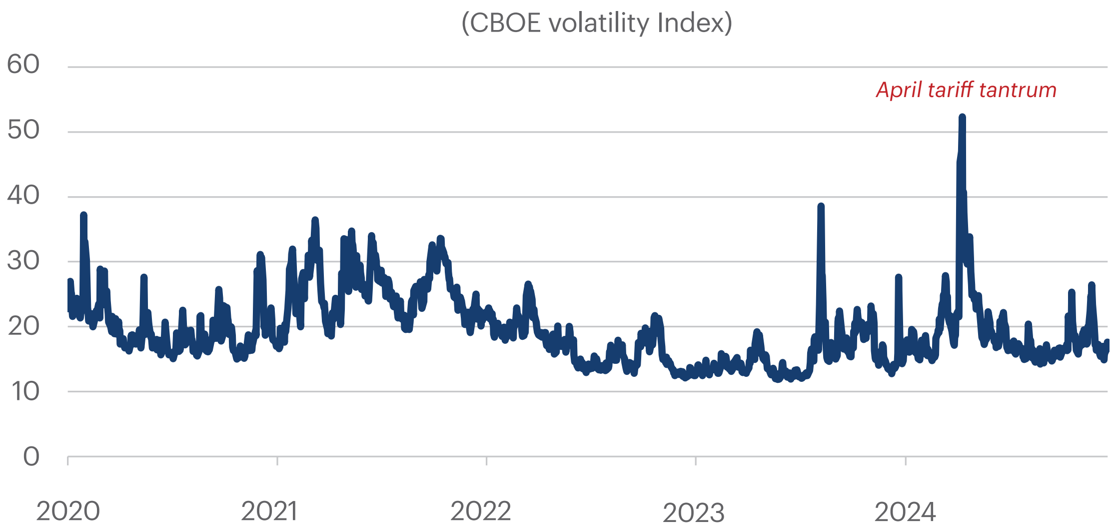
Ashley Gardyne, Chief Investment Officer

For investors, 2025 was a year that tested conviction, rewarded discipline, and reminded us – yet again – that markets can be humbling places. Both investor fear and investor greed were at play in a year defined by sharp, tariff-driven volatility, followed by a rapid AI-fuelled recovery. 2025 also delivered powerful lessons that should help shape how investors plan for 2026.

Volatility is not the enemy

If there was one defining feature of the first half of 2025, it was volatility. The April 'tariff tantrum' saw global markets sell off sharply amid fears of renewed protectionism. The S&P 500 fell around 12% in a matter of days, and almost 20% from its February highs. The VIX Index, known as 'Wall Street's fear gauge', spiked above 50 – a level usually associated with crisis. Investor sentiment surveys also recorded the most bearish results since 2020's COVID sell-off.

Wall Street's Fear Gauge



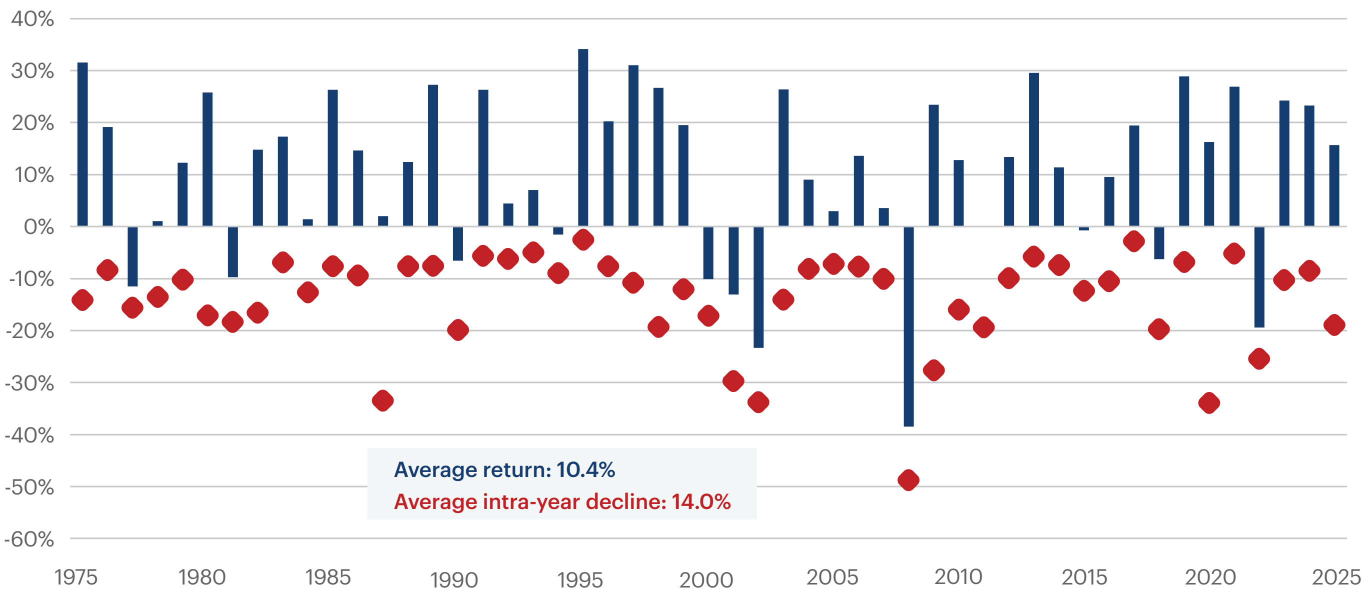
Source:Bloomberg

Yet, as history has repeatedly shown, the worst days often sow the seeds of the best ones. Markets recovered strongly in the months that followed: trade deals were struck and the US Federal Reserve eventually restarted interest rate cuts. Panic proved, once again, to be a signal – not to sell, but to lean into quality assets at better prices.

As the chart below shows, every year usually sees some significant market sell-off. Over the last two decades, investors have weathered the Global Financial Crisis, the European Debt Crisis, Brexit, two trade wars, COVID, and bouts of high inflation in 2021 and 2022. At the time, these events always feel alarming, yet markets typically rise in seven out of ten years –rewarding those with the fortitude to stay the course.

Volatility may be uncomfortable. But, for long-term investors, it's simply the price paid for higher returns.

S&P 500 Index annual return and intra-year drawdown



Note: The chart shows the annual return for the S&P 500 Index each year from 1975 (blue bar), along with the maximum decline of the index at the worst point during each year (the red dot).

Source:Bloomberg

AI trade to the rescue

While tariffs, geopolitics, and recession fears dominated headlines in the first half of the year, a powerful structural trend was gathering momentum in the background. As markets fretted over policy risk, companies were quietly committing significant capital to the infrastructure that underpins AI – data centres, semiconductors, power generation, networking equipment, and cloud platforms.

This investment became a critical support for US economic growth and corporate earnings growth during 2025. Despite the tariff-induced fears, companies in the US S&P 500 Index grew corporate profits at 12-13% in each of the first three quarters of 2025. And corporate revenue growth accelerated as the year progressed.

The result was a striking disconnect between nervous sentiment and resilient fundamentals, which ultimately pushed the market higher. If nothing else, 2025 was a good reminder for investors to focus on the fundamentals – not the headlines.

Diversification had its moment – again

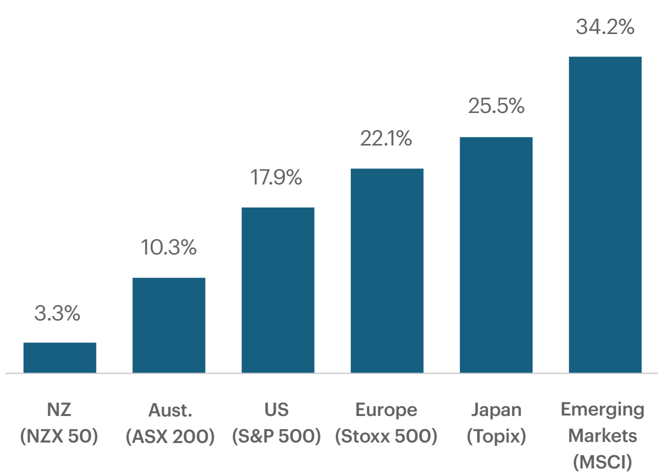
Another important lesson from 2025 was the value of diversification.

At the start of the year, a majority of professional investors surveyed by Goldman Sachs believed the US would be the strongest performing share market again in 2025. They got it wrong. After more than a decade of US dominance, leadership broadened materially. European equities and emerging markets have outperformed the US market by significant margins, despite having less exposure to the tech sector.

Investors with diversified global portfolios were rewarded – not only through better returns, but also through reduced volatility. Though unfashionable in recent years, diversification quietly did its job in 2025.

This is a timely reminder to stay diversified as we enter 2026. With roughly 40% of the S&P 500 now concentrated in just ten stocks (and 8% in Nvidia alone), too much exposure to the US would be a big bet on just a handful of companies.

Global share market returns 2025



Source:Bloomberg

Fund performance challenged in a narrow market

As you'll see in the fund updates from our portfolio managers that follow, 2025 was a challenging year for fund performance. The last few years have been characterised by a handful of AI and technology companies driving a large portfolio of market performance. AI-related companies account for an estimated 38% of the US share market. Since the launch of ChatGPT in November 2022, these AI-stocks have driven over 70% of US market gains.

Fisher Funds' cautious stance on AI valuations limited our participation in the sharp rally, particularly in chipmakers – an area that has historically proven highly cyclical and volatile. We focus on investing in high quality companies, instead of chasing those with the strongest share price momentum. This can result in underperformance during periods of animal spirits in markets, as we have recently seen.

Our overweight to healthcare, a sector that has long been a good hunting ground for us, was a headwind in 2025. Healthcare performed poorly, partly due to investors exiting defensive stocks to chase hotter parts of the market. Quality-oriented stocks, which are a hallmark of our investment style, also lagged more speculative parts of the market. By 'quality', we mean companies with strong balance sheets, durable competitive positions, and reliable profits – characteristics captured in the S&P 500 Quality Index below. As the chart illustrates, quality has trailed the broader market materially in recent months, weighing on the relative performance of our portfolios.

However, there's light at the end of the tunnel. After a period of underperformance in this part of the market, we're encouraged by the attractive valuations of many companies in our portfolios. We believe the year ahead presents good opportunities for active investors. Our portfolio managers share examples of these opportunities in the commentaries that follow.

Tech stocks and the US market materially outperformed Quality stocks in H2'2025

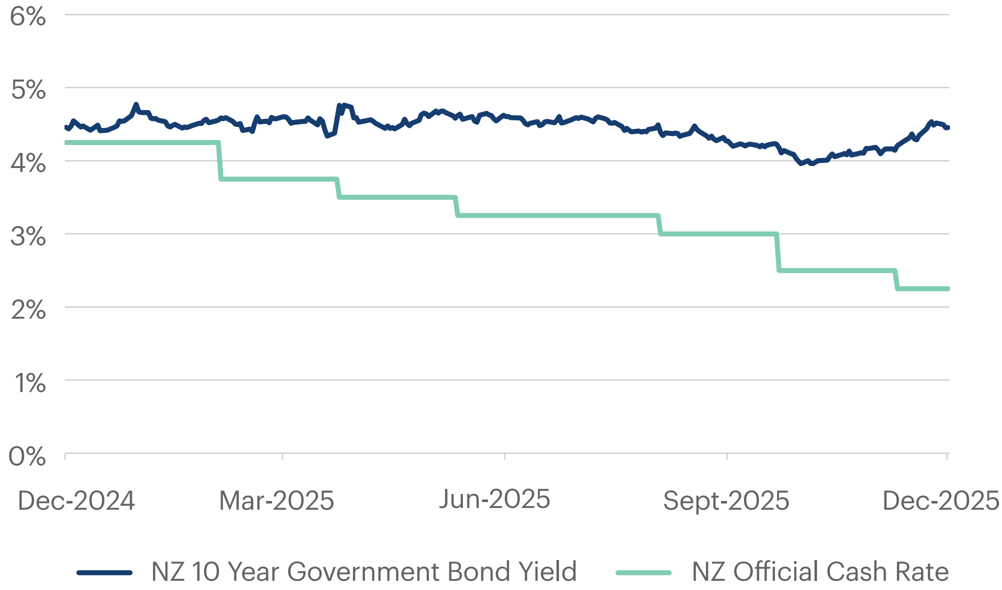
Outlook and trends to watch in 2026

Looking ahead to 2026, we've identified some key themes for investors to watch.

1. Broadening, not necessarily booming: With valuations elevated, 2026 may be a year of modest index returns, but with richer opportunities beneath the surface. The winner-takes-all market, led by a handful of AI-linked companies, may fade as the focus moves from hype to fundamentals. Those high-flying stocks will need to deliver on their promises (by achieving datacentre build-outs, revenue targets, and tangible returns on capex) or risk their share prices declining materially. Selective stock-picking will matter. If trends from the last few weeks continue, this broadening out may also benefit previously out-of-favour sectors – such as healthcare, small cap, and value stocks – as fundamentals return to the fore.

2. Fixed income becoming more attractive than cash: Cash has lost its shine. With recent interest rate cuts and inflation around 3%, the real return on term deposits is eroding, particularly after tax. Bonds are becoming relevant again, offering improved income and diversification as yield curves normalise. For conservative investors, fixed income now looks more compelling than sitting in cash.

The divergence between short term and long term interest rates have diverged materially in 2025



Source: Bloomberg & Fisher Funds

<u>3. A potential turning point for New Zealand:</u> For Kiwi investors, 2026 could mark a recovery year. With recessionary pressures easing, interest rates falling, and support arriving from the rural sector and lower mortgage costs, economic conditions are stabilising. After years of underperformance, New Zealand equities may offer better prospects in the years ahead.

The end of a tougher-than-expected 2025 shows economic tides are turning

Matt Peek, Portfolio Manager, Premium New Zealand Fund

Portfolio Performance

	1 month	3 month	6 month	1 year	3 year	5 year	10 year
Fisher Funds Premium New Zealand Fund	-0.37%	-1.19%	-1.30%	-5.60%	9.02%	0.53%	9.59%
Benchmark	0.50%	2.02%	7.92%	4.08%	6.53%	1.46%	8.87%

Net returns

Benchmark: S&P/NZX 50 Gross with Imputation Index

Fund performance figures have been annualised where the performance period is more than one year

The December quarter saw the Premium New Zealand Fund return -1.19%, compared to the +2.02% return of the S&P/NZX50G index.

The return for the 2025 calendar year was -5.6% against the benchmark of +4.1%. This follows two years of superior returns (+24.6% versus +12.2% in 2024, and +9.6% versus +1.7% in 2023). So, despite having a disappointing year, the fund continues to outperform over the longer term.

After many years of investing, including almost 9 years with the Premium NZ Fund, I've come to appreciate that progress isn't typically a straight line. It would be nice to think we could deftly manage away yearly variability in returns. But our ability to weather uneven returns is why equity investors expect superior returns over time. This dynamic is part and parcel of investing in shares – as opposed to the lower, but more predictable returns of term deposits or government bonds.

We remain confident in the companies within the fund. Most have made significant progress in their businesses over the last year, despite some disappointing share price returns. Given this backdrop, we're optimistic heading into 2026.

The performance of several large positions impacted overall returns in 2025

A number of our largest positions underperformed at the same time, which was unexpected. The simple average return of the companies in the fund during the year was around +2% – much better than the overall return of -5.6%. This demonstrates that position sizing was a key factor. Over time, our differentiated position sizing has added value to the fund, but this has not been the case in every year (including 2025).

The companies that detracted most from performance, by virtue of their position size and return, included software companies Xero (-32%) and, to a lesser degree, Vista (-16%) and Serko (-21%). However, other key detractors included businesses in a variety of other sectors, such as medical wholesaler EBOS (-23%), as we discussed last quarter. Then there's retirement village operator Summerset (-4%) and freight and logistics business Mainfreight (-3%). New Zealand's nascent economic recovery saw them rebound strongly in the December quarter, but they continued to weigh on overall performance for the year.

International infrastructure investor Infratil (-10%) has a longstanding track record of growing value for shareholders. But – like the fund itself – Infratil experienced a year of negative shareholder returns, despite progress in its operating businesses.

CDC Data Centres grew its operational capacity, boosted its development pipeline, and increased new leasing to key cloud clients. Opinions around artificial intelligence (AI) related investment waxed and waned in 2025, but the current wisdom tells us that significant additional spend will be required on AI datacentres –CDC is well-positioned to benefit from this. Infratil's portfolio company, One NZ, outperformed rival Spark in the New Zealand mobile market. Overall, One NZ has shown resilient performance despite the tough climate. Infratil's third key asset, US renewables developer Longroad, faced an uncertain landscape after President Trump re-took office in 2024. By securing tax credits for a large portion of its development through to 2027, Longroad now has a clear path forward. Finally, I'd be remiss not to mention that Infratil also successfully crystallised its longstanding investment in electricity generator Manawa at a premium valuation.

Some of the fund's smaller positions performed admirably

The fund's best performers for the year were a2 Milk (+76%), Freightways (+42%) and Port of Tauranga (+24%). However, on average, these only accounted for around 8% of the fund over 2025.

All three companies saw stronger than expected sales performance over the year. They also maintain an outlook for ongoing growth, which underpinned their strong share price performance. Freightways and Port of Tauranga remain leveraged to an accelerating New Zealand economy.

Other notable performers included electricity company Mercury (+14%), which we added early in the year, and Vulcan Steel (+8%). Trading conditions for Vulcan Steel failed to improve over 2025, but it has seen sentiment lift heading into the new year and will benefit from improving economic conditions.

Xero's performance has been overshadowed by investor nerves after it acquired Melio

Xero's business has continued to perform strongly, despite the disappointing share price performance both in the December quarter (-28%) and overall for 2025 (-32%). It delivered annual revenue growth of over 20% and even higher profit growth, thanks to sound cost management since Sukhinder Singh Cassidy took over as CEO in February 2023. This has largely been from 'organic' subscriber growth and increasing the delivery of valuable new features, which have enabled price rises and encouraged customers to upgrade to higher tier plans. So far, Singh Cassidy and her team have an excellent record of meeting the financial goals they have set – and often exceeding their targets.

The company's medium-term goal includes building a scale business in the US market, including with payments capabilities. This is a key job to be achieved with small business subscribers (and millions of potential new customers). In June, Xero announced it was buying Melio – a rapidly growing, but currently unprofitable, US payments business – for around US$2.5 billion.

However, the Xero share price has since fallen – from A$194 before the Melio transaction to A$114 at year-end. This is the result of several factors reflecting 'nervy' investors:

First, Xero has paid a relatively full price, and Melio will reduce its overall profitability in the short term. It's fast-growing, but yet to reach breakeven.

Second, there are no proof points as yet on how the Melio integration with Xero will alter the company's growth trajectory in the US.

Finally, and more broadly, some software companies have seen softer share prices due to concerns about how AI might impact their businesses.

We won't debate the fact that Xero has paid a large price for Melio, but this has now been eclipsed by the sell-off in Xero shares. The Xero team have outlined what it expects to achieve in its 2028 financial year – essentially a continuation of the profitable growth we've become accustomed to over the last three years. In our opinion, this would justify a much higher share price.

We acknowledge a degree of uncertainty remains around everything AI-related. On this front, Xero moved quickly to launch its AI agent JAX ('Just Ask Xero') in partnership with OpenAI in February 2024. Small businesses place a high degree of trust in Xero as their core system of record, and JAX is integrated with critical functions like payments and tax. For these reasons, we think it's unlikely this trust will be disrupted, even if AI capability accelerates.

In our opinion, Xero's current decline represents an opportunity to add to a high-quality business at attractive valuation levels we've rarely seen. Further, the CEO has a pay package that clearly incentivises her to create value, with the most lucrative portion only delivering if Xero's share price returns to above A$171.

Summerset and Mainfreight are well placed for an accelerating recovery in New Zealand

This time last year, I wrote that 'in 2025 it appears as if local business conditions may improve' but 'the key question will be how meaningful this will be, as households are still licking their wounds and unemployment has been ticking up as companies react to tougher conditions'.

As it transpired, the Kiwi economy remained sluggish for most of the year. We did see activity levels pick up in the second half, but this was from admittedly depressed levels. It was a surprise to see Summerset's weak share performance this year, given the business has continued to grow by building and selling more retirement and aged care units, while other players have pulled back. The management team have delivered in line with expectations.

Meanwhile, Mainfreight has seen generally tougher-than-expected trading conditions across its international freight markets, and has invested in additional capacity in New Zealand during the downturn. This means its path back to earnings growth is taking longer than expected.

However, after a reversal in sentiment, both Summerset (+15%) and Mainfreight (+11%) rebounded strongly in the December quarter. Lower interest rates and a more positive economic outlook may see the New Zealand housing market finally return to price growth in 2026. In November, Mainfreight commented that it's seeing improved trading from

New Zealand customers, and it's won a number of new accounts to contribute to volumes (not least IKEA).

It appears as though the worst may have passed for the New Zealand economy. While the slope of a recovery is unclear, these businesses and others in the portfolio will perform better with an economic tailwind.

Tough end to 2025, but we're optimistic looking ahead to 2026

Robbie Urquhart, Senior Portfolio Manager, Premium Australian Fund

Portfolio Performance

	1 month	3 month	6 month	1 year	3 year	5 year	10 year
Fisher Funds Premium Australian Fund	-1.93%	-6.91%	-5.96%	-6.79%	8.79%	5.58%	8.77%
Benchmark	1.70%	-0.73%	5.64%	11.43%	12.65%	10.76%	9.94%

Net returns

Benchmark: ASX 200 Accumulation Index 70% hedged into NZD.

Fund performance figures have been annualised where the performance period is more than one year

Rounding out a difficult 2025, the Premium Australian Fund returned -6.91% in Q4, well behind the benchmark index which fell -0.73%. Given the poor scorecard for Q4, why are we optimistic about 2026?

We acknowledge that our portfolio has had a tough year. As we've written in previous quarterlies, some of the portfolio's 'problem children' – such as Wisetech, CSL, Domino's and James Hardie – gave us headaches during the year. They've driven a meaningful part of the portfolio's poor performance during the year. We recap the active steps we've taken to address these positions below.

However, in Q4, the worst share price performances were largely delivered by technology and classified advertising businesses – each of which is performing very well operationally. They're growing their earnings strongly, and they each reiterated earnings guidance in Q4. We really can't criticise management for their Q4 share price performance.

Instead, we believe their weakness can be partly explained by market concerns about how artificial intelligence (AI) will impact their businesses.

We also observe that the resources-heavy Materials (+13% in Q4) and Energy (+1%) were the best performing sectors on the ASX in Q4. Materials returned +32% over 2025 overall – by far the strongest on the market. The rally in commodity prices, and in particular gold and lithium, accounted for the sector's performance. Investors chasing the rally have likely sold shares in other sectors to buy into resources companies. This amplifies the difference in relative performance.

We recently added high-quality diversified miners BHP (Q3) and Rio Tinto (Q4), so we've gained some benefit from this rally in the last few months. However, our investment approach does not lend itself to investing broadly in commodity producers. Resources companies have their day in the sun from time to time – this year was one of them. But they're also hostages to commodity price cycles, which remain out of their control. BHP and Rio have narrow moats predicated on scale, and on being the lowest cost producers in their key commodities. They meet our investment threshold; many other resource companies are not endowed with these advantages.

Over longer time periods, we think companies with economic moats, great management teams, and long runways for earnings growth deliver more durable share price performance. Clearly, this price performance doesn't always trace a straight line – 2025 proves that.

But as we discuss below, we think our technology and classified advertising businesses do have those strong moats. They're embedding AI functionality into their businesses. These companies are now trading at far cheaper valuations than they were earlier in the year. We're confident in their runways for earnings growth, which remains stronger than many other companies in the benchmark index.

Timing is always difficult to judge. Reference the discussion on NextDC below, for example. But history tells us share prices (and our portfolio returns) will ultimately follow long-term earnings growth.

Technology businesses faced both sector-wide anxieties and company-specific wrinkles in 2025

Our technology companies, including software providers Xero (-28% in A$ in Q4) and Wisetech (-24%) and data centre operator NextDC (-26%), all fell sharply in Q4. A few company-specific wrinkles contributed to this performance.

In Xero's case, the market was unenamoured with the steep US$2.5 billion price it paid to acquire US payments business Melio. While the price was rich, we think the acquisition has merit, and it positions Xero well to compete in the key US market.

Wisetech was negatively impacted by an ASIC (Australian Securities and Investment Commission) investigation into share sales by founder Richard White. This investigation could take time to resolve. In the meantime, Wisetech has made substantial progress in addressing the succession planning and governance challenges that arose during 2025. We were impressed with the calibre of the new Board members we met at its investor day in December.

Wrinkles aside, we saw share price weakness across the Information Technology sector on the ASX in Q4. As a group, the sector fell -26%. This indicates that AI concerns and investor aversion to 'traditional' software companies drove share price weakness in Q4, more than any company-specific factors.

This was most acutely observable in data centre operator NextDC. In its financial results in early Q3, NextDC announced that its contracted utilisation of capacity with clients sat at 245MW, as at the end of June. This was 40% higher than at the same point in 2024. Growth in contracted utilisation is a key metric for the market, as it translates into future revenue and profit growth. By the time of its last market announcement on 22 December, NextDC had lifted this by a further 68% to 412MW.

NextDC has had a stellar year in terms of delivering on its promise. It will accelerate earnings growth materially over the next few years. Yet, by the end of 2025, its share price was 17% lower than at the start of the year.

Globally, markets are questioning how sustainable the growth in demand for data centre capacity really is (and how this capacity will be funded) – particularly where that demand relates to large AI firms. Our analysis – backed up by NextDC's contract announcements – suggests that, in Australia at least, the demand for capacity far exceeds the logistical challenges of bringing on additional supply. This mismatch between supply and demand bodes well for NextDC's future.

Xero and Wisetech have positioned themselves smartly for the AI age

In the case of our software investments, Xero and Wisetech, the AI concerns are different. Here, the market seems concerned about whether their software will be disintermediated by AI. We've spent a lot of time with their management teams in recent months, including at investor days held for both companies. In both cases, the companies are deeply embedded in their customers' businesses and, importantly, control their customer data. This limits other third-party AI tools from accessing this data. Xero and Wisetech are both partnering with the major AI companies to augment their own AI software development, which they're now rolling out to customers.

In other words, while it's possible, we don't see their core value proposition being disrupted by ChatGPT or other AI models. We note that both Xero and Wisetech are expected to continue growing their earnings strongly through the next few years.

Our classified advertising investments are weathering similar AI-based volatility

In a similar vein, all three classified advertising companies – REA Group (-21%) for housing, SEEK (-19%) for employment, and CAR Group (-16%) for vehicles – were affected by market AI concerns in Q4. These companies also control the key data required by customers using their websites. They have strong brand presence in their respective markets. And, like Xero and Wisetech, they've embraced AI and built their own functionality by augmenting the best that ChatGPT or other large AI models can provide.

All three companies have also reiterated earnings guidance and outlook commentary recently.

Investors and the market will remain focused for some time on AI, and how it might disrupt businesses across many different industries. This will likely bring volatility to share prices in the near term as these concerns wax and wane. Our Fund companies are investing in AI to enhance their customers' experience, and we think they're likely to grow earnings strongly in coming years.

AI, and the impact it could have on all our portfolio companies, will remain a key focus area for our research agenda in 2026.

What of our problem children from 2025?

As noted above, Wisetech has made strides to address its governance and succession challenges. It is, in our view, one of the most exciting companies on the ASX, and we've retained it as a key position in our portfolio. We think it will deliver well for shareholders in time.

However, having lost faith in our investment theses, we exited both Domino's and building materials company James Hardie during the year.

As discussed in the Q3 update, biotechnology company CSL is taking sensible steps to manage the efficiency of its capital allocation and leverage its scale advantage over peers. That said, CSL's management team have a credibility gap with the market which will take time to close.

Although cheap, we reduced our CSL position size into year-end. We re-deployed the proceeds across some of our other companies which are screening similarly cheaply, but where management are performing well.

Our Industrial & Resources companies finished the year strongly

Construction materials company Maas Group (+23%) was our best performing company in Q4. In December, it announced a A$200m electrical contract with AI company Firmus, which is establishing a major data centre facility in Tasmania. Maas is working hard to deliver high voltage electrical infrastructure to its client within 12 months. This puts them in a good position to win a further A$1bn of electrification work that Firmus is expected to require over the next few years.

After a volatile Q3, it was pleasing to see plumbing supplies company Reece (+20%) rebound. Reece's recent trading update pointed to improving underlying trends in its Australian division. The Board has also been aggressively deploying capital into buying back shares at what we agree are depressed levels. Having already undertaken a A$365m buyback in Q3, the Board supplemented this with a further A$85m on-market buyback in Q4. This speaks to good alignment between the Board and shareholders.

And, as touched on earlier, recent portfolio additions Rio Tinto (+15%) and BHP (+7%) benefited from the commodity rally into year-end.

Lastly, gloves manufacturer Ansell's (+10%) finished the year strongly as the market gained comfort in its ability to pass on tariff-related costs to its US customer base. Helped by favourable currency exchange rates, Ansell increased its full year profit guidance by 3% during Q4.

A tough year, well-positioned for the future

Sam Dickie, Senior Portfolio Manager, Premium International Growth Fund

Portfolio Performance

	1 month	3 month	6 month	1 year	3 year	5 year	10 year
Fisher Funds Premium International Fund	0.91%	2.04%	3.47%	0.12%	15.45%	4.87%	9.73%
Benchmark	0.78%	3.84%	14.61%	19.59%	22.85%	14.16%	12.14%

Net returns

Benchmark: S&P Global LargeMidCap Index (50% hedged into NZD).

Fund performance figures have been annualised where the performance period is more than one year

The Premium International Fund returned +2.04% in the December quarter, compared to the benchmark return of +3.84%.

Market backdrop

Global stock markets finished with a solid but more muted December quarter (+3%) compared to the previous nine months (+19%). The US market underperformed non-US markets for both the quarter and the year. We have lowered our weighting to US stocks and continue to drive high quality diversification across our now 29 holdings.

2025 was a tough year for the portfolio, notwithstanding the better performance in the latter part of the quarter which continues into 2026. A key drag for the year was the most extreme underperformance of quality or bluechip companies (our style) vs riskier and in some cases unprofitable companies in 30 years. We have not invested your capital in these higher risk companies. We don't think its prudent.

STEEPP has worked well over its 28-year history. After the worst relative stretch in 30 years, bluechip or quality companies now look attractive versus the broader market, so we are excited about the opportunities ahead.

Portfolio update

Alphabet (+29%) continued its recent performance as it is increasingly seen as a leader in the AI race, with dominant positions across the whole AI value chain. During the quarter, Google launched Gemini 3, its latest artificial intelligence model, to high acclaim – with Salesforce CEO Marc Benioff singing its praises. This model was trained using Google's internal semiconductor chips (or TPUs), creating a possible alternative to Nvidia GPUs in some use cases. And with companies including Meta and Anthropic both signing deals to use Google's TPUs this creates a further revenue tailwind for the business. That said, we appreciate that the AI market is a dynamic and fast-moving space and have reduced our position size given the outperformance.

Intuitive Surgical (+27%) and **Danaher** (+16%) reminded us how quickly sentiment on stocks can change, even if the underlying earnings power of the business has not. They had been among our bigger drags on performance earlier in the year. And both companies have done nothing other than continue to execute well against poor sentiment and/or a tough macro backdrop. ISRG had been weak due to concerns over hospital spending and procedure growth, but strong earnings results put those concerns to rest. Procedure volumes are still growing 17% per annum, twenty-six years after the first Intuitive surgical robot was sold in 1999, highlighting the large growth runway for surgical robotics. DHR had been weak because its big pharma customers had been under pressure to cut costs. In short, nothing had structurally changed around the key pillars of the moat, the growth runway or the people so we had used the weakness earlier in the year to add to the positions.

Old Dominion Freight Line (+12%) was driven by a tightening trucking market. The combination of fewer drivers (due to new limits on foreign drivers), lower supply of new trucks, and increased bankruptcies after an exceptionally long trucking recession is constraining supply. We haven't yet seen a rebound in demand, but the sharp move in the stock on only a slight tightening in supply highlights how poor the sentiment in the trucking sector has been.

Zoetis (-14%) faced a combination of new product concerns, competitive headwinds and slower than expected vet visits for the industry. While two competitive product launches in the last twelve months have been a headwind, actual market share losses have been limited. Zoetis's new flagship pain drug Librela is facing slower-than-expected growth given social media concerns around safety (despite positive data from real-world outcomes). While we reduced our position size slightly given the worse than expected headwinds, the steady pipeline of Zoetis own new drug launches gives us confidence growth will accelerate in the medium term.

Floor & Décor (-17%) fell as its long running CEO Tom Taylor stepped down. We have cut our position size as the incoming CEO Brad Paulsen is a relatively unknown entity. The flooring market has been in a 2-3 year severe recession and through that period, FND has continued to take market share from its competitors and will emerge stronger when the cycle turns. Like ODFL, ISRG, DHR and GOOGL, when sentiment is this bearish, it doesn't take much improvement for these stocks to move -> FND is already up 20% in the first few days of 2026 as mortgage rates continue to fall and the market is becoming less bearish about the US flooring market.

Netflix (-22%) was our worst performing position in the quarter. The market is concerned Netflix will overpay for Warner Bros Discovery (WBD) as it goes head-to-head with Paramount Skydance to buy the assets. The combination of NFLX's strong balance sheet, unparalleled distribution reach for WBD's quality content and ability to remove costs from the combined entity is attractive. This, along with the fact we had cut the position size to a minimum at higher prices earlier in the year, gave us the opportunity to begin rebuilding the NFLX position in December.

New portfolio additions in the quarter

Equifax is one of the three leading credit bureaus in the US and globally. It collects data from multiple sources to form a database of individual consumers that businesses like banks use to make better lending decisions; or Governments and employers use to run automated background and income verification checks. EFX continues to see increased penetration of these data services from customers. Several of Equifax's key end markets including mortgages and employee verifications are currently depressed, which we anticipate will improve over the next few years.

MercadoLibre is the largest e-commerce player in Latin America, while also offering payments solutions for retailers and credit for consumers and business via its fast-growing fintech business. It is taking market share off incumbents in e-commerce given its faster shipping and lower product prices, underpinned by the largest distribution centre network. It leverages its moat in the e-commerce business to acquire under-served customers efficiently in the fintech business. This strong competitive position, combined with a long growth runway (given ecommerce and banking penetration in Latin America lag other developed markets) makes MercadoLibre an attractive investment

Uber is the dominant ride-share player globally, operating in over 70 countries with 189 million customers. Its scale and self-reinforcing network effects (more riders -> more drivers -> more riders) underpin its moat. Autonomous vehicles (AVs) pose both a risk and an opportunity for Uber. We initiated a position in late December after a 20% fall from highs due to concerns that AV companies like Tesla and Waymo will reduce reliance on Uber's demand aggregation platform. We think AVs will be a fragmented market and AV fleet owners and AV car manufacturers will require Uber's dominant platform to drive volume.

Economic recovery and AI narratives drove 2025; pockets of weak sentiment provide opportunity into 2026

Sam Dickie, Senior Portfolio Manager, Premium Property & Infrastructure Fund

Portfolio Performance

	1 month	3 month	6 month	1 year	3 year	5 year	10 year
Fisher Funds Premium Property & Infrastructure Fund	-0.76%	-0.84%	1.82%	6.13%	7.98%	5.81%	9.63%
Benchmark	-0.66%	0.59%	7.81%	15.51%	13.32%	9.46%	8.74%

Net returns

Benchmark: 65% S&P Global Infrastructure Index (70% hedged to NZD), 15% S&P/ASX200 A-REIT Index (70% hedged to NZD) and 20% S&P/NZX All Real Estate Index.

Fund performance figures have been annualised where the performance period is more than one year

The Property & Infrastructure Fund returned -0.84% in the December quarter, compared to the benchmark return of +0.59%.

Market backdrop

Global infrastructure rose +3.2% over the December quarter, outperforming New Zealand property (-3.8%) and Australian Property (-1.4%). New Zealand utilities also underperformed. Fears of an artificial intelligence (AI) 'bubble' impacted datacentre stocks, which we discuss further under below.

In Australasia, the underperformance of defensive, interest-rate-sensitive sectors, such as property and utilities, in part reflects diverging fortunes in fixed income markets. Commentators continue to debate whether we're at the end of the Central Bank easing cycle. The US Federal Reserve delivered 50bps of interest rate cuts over the quarter, yet 10-year US Government Bond yields were flat. Conversely, 10-year Government Bond yields rose in New Zealand (+21bps) and Australia (+44bps), despite a 75bps reduction in the Official Cash Rate (OCR) by the Reserve Bank of New Zealand (RBNZ) and no change to the cash rate from the Reserve Bank of Australia (RBA). In short, the market is saying we are close to the end of the Central Bank interest rate easing cycle in Australasia. This aligns with commentary from the banks themselves.

A declining oil price weighed on US midstream pipeline companies in the quarter (for example, London Brent Crude fell from US$67 to US$61 per barrel over the quarter). The portfolio benefited from holding smaller positions in this category than the benchmark. The US' recent intervention in Venezuela will cause more macro volatility for oil markets. Many experts expect limited near-term supply impacts: Venezuela currently accounts for just 1% of global oil supply. Longer-term, Venezuela has 18% of the world's reserves, but a massive infrastructure deficit. Consultants Rystad Energy place the cost to return the country's output to its strength of 15 years ago at around US$110 billion – twice the amount US oil majors invested, combined, worldwide in 2024.

Portfolio Commentary

Napier Port is experiencing strong profit growth, supported by pricing gains and an improving export economy

Napier Port (+20%) reported full-year 2025 financial results during the quarter, with 36% earnings growth during the year. This growth was driven by a combination of pricing gains, volume growth, and operating efficiency. Average pricing lifted 9% in the container business and 7% in the bulk business. Container volumes lifted 9% and bulk volumes declined -2%. The Port experienced significant headwinds from Cyclone Gabrielle in 2023, but it used the crisis as an opportunity to reset the cost base and improve operational efficiency – a smart move which is now bearing fruit. Whilst the result was in line with expectations, it shows continued execution, and the market rewarded Napier Port by decreasing the valuation discount to peer **Port of Tauranga** (+3%).

A new Mexican airport group addition recently acquired CBX – an attractive, unregulated, and highly cash-generative business

Grupo Aeroportuario del Pacifico (GAP) (+11%) was added to the portfolio during November. GAP operates and maintains 14 airports in the Pacific and central regions of Mexico and Jamaica. Its facilities serve major cities like Guadalajara and Tijuana, as well as tourist destinations, such as La Paz, Los Cabos, Manzanillo, and Puerto Vallarta. GAP's shares sold off sharply in October (-12%) after announcing a US$2.2 billion deal with some of its minority shareholders. The deal sees the company acquire 100% of Cross Border Xpress (CBX), a foot bridge and border crossing at Tijuana – San Diego. CBX provides real benefits for travelers: accelerated border crossing (20 minutes instead of several hours overland), improved access to car parking, and much cheaper airport charges in Tijuana, compared to the US. CBX is unregulated and highly cash-generative. The market was initially concerned with the transaction, but we consider it to be accretive, and the land bank acquired with the transaction could provide future upside. The share price recovered strongly in October and November.

Groupe ADP (-1%) experienced a rollercoaster Q4 – at one point up +17%, before selling off at the end of the quarter. This reflects a sharp change in expectations for regulated profits at its main Paris airports business. Early in December, the company announced its proposal for a new 8-year regulatory period (2027-2034), with significant new investment and robust above-CPI price rises. Groupe ADP expected a higher regulated rate of return, in part due to the long tenure of the plan. However, the regulator rejected the company's proposal for its 2026/2027 pricing, and changed the way some costs were treated, effectively reducing the prices and profits in the regulated business in Paris. This clearly has negative implications for the 2027-2034 regulatory plan. We had bought shares during the quarter given favourable valuations (the market values the regulated business at a significant discount to asset value), anticipating a positive regulatory outcome.

Datacentres experienced weaker sentiment, impacting Equinix, Goodman, and Infratil

Fears of an AI 'bubble' increased sharply over the quarter. Press articles proliferated, and share prices of key 'AI winners' took a tumble, including Nvidia (flat, previously +11% intra-quarter), Oracle (-31%) and CoreWeave (-48%). None of these companies are in the portfolio. However, the shift in sentiment spread to the broader datacentre market, including portfolio holdings **Infratil** (-10%), **Goodman Group** (-5%), and **Equinix** (-2%).

Most of the portfolio's datacentre business are not exposed to AI directly, hence more muted share price reactions relative to the 'AI winners'. Infratil's CDC investment has been benefiting from nascent AI demand in Australia, including a recent deal with Firmus – an Australian 'neocloud' similar to CoreWeave.

Equinix is seeing increased AI-related deal activity, but its business is cloud-focused. Equinix serves the retail market, with hundreds of diverse customers in a datacentre. Contrast this with 'AI factories', which are typically in far-flung locations (such as West Texas) and built for single customers. These face elevated risk of 'stranded' assets should long-term demand disappoint. In short, we see Equinix as much more defensive than businesses building datacentres solely for AI.

Goodman Group's datacentres will be built for cloud use cases, rather than AI. Goodman has been building datacentres with its own capital ahead of signing customer contracts, which makes it more exposed to a market slowdown. On 23 December, Goodman announced the establishment of a A$14 billion 50/50 partnership with Canada Pension Plan Investment Board to develop four datacentres in Europe. This is a key proof-point for Goodman's strategy, and de-risks future earnings growth. The stock finished December up 5% for the month.

Infratil reported its half-year 2026 result in November. Overall, the result was a mild disappointment, with increasing debt levels and small asset sales below expectations, yet the overall earnings trajectory of Infratil's portfolio is still intact. We remain confident in Infratil's outlook, particularly the broad-based demand in the Australian datacentre market.

We decreased our positions in Equinix and Goodman Group in late October as part of a wider portfolio review. The fund owns Goodman Group at a weight below the benchmark. We subsequently increased our Equinix position in December, as valuation levels were much more attractive. We decreased our position in Infratil during November as part-funding for the addition of GAP.

Customer lawsuit overshadowed sound earnings for US tower companies

Our US tower businesses **American Tower** (-7%) and **Crown Castle** (-6%) reported third quarter earnings which modestly beat expectations. Market expectations for 2026 earnings were broadly unchanged. The results, however, were overshadowed by American Tower revealing that DISH Network served a letter stating it will stop paying for tower leases because the Federal Communications Commission (FCC) forced it to sell its spectrum (the right to use airwaves to transmit mobile data). DISH represents 5% of revenue for Crown Castle and 2% for American Tower. We believe the market is pricing no recovery of the DISH obligations. We upgraded our position in both companies during the December quarter due to their attractive valuations, We previously sold at higher levels in the September quarter, when growth risks began to emerge.

The Kiwi economy is ready for take-off, but soaring to new heights will take time

Quin Casey, Senior Portfolio Manager, Premium Income Fund

Portfolio Performance

	1 month	3 month	6 month	1 year	3 year	5 year	10 year
Fisher Funds Premium Income Fund	0.33%	0.60%	2.52%	4.97%	7.28%	3.05%	3.51%
Benchmark	0.18%	0.24%	2.10%	4.16%	5.45%	2.46%	2.86%

Net returns

Benchmark: S&P/NZX 2 Year Swap Total Return Index

Fund performance figures have been annualised where the performance period is more than one year

The New Zealand fixed income market sparked into life during the final quarter of 2025. Local bond yields increased sharply as investors reacted to a relatively upbeat outlook from the Reserve Bank (RBNZ) for domestic economic activity. An increase in bond yields causes bond prices to decrease, which puts investment returns under pressure in the short-term. However, with higher yields on offer, we increased our investment into bonds issued by local companies, which will support the fund's return profile as we head into 2026.

Portfolio Characteristics

Fixed Income Strategy	AUM	Yield		Duration	
	($M)	31/12/2025	30/11/2025	Fund	+/-
Income Fund	421	4.08%	4.09%	2.0	0.1
New Zealand Fixed Interest Fund	2938	4.17%	4.18%	5.1	0.4
Global Fixed Interest Fund	2506	3.60%	3.39%	6.4	0.0
Global Credit Fund	625	4.51%	4.37%	4.9	-0.1
Australasian Private Debt Fund	155	6.15%	6.17%	0.3	0.3
Cash Fund	2320	3.19%	3.20%	0.3	0.3

Par for the course this quarter

The Premium Income Fund generated a 0.60% return (after fees and before tax) this quarter, ahead of the benchmark return of 0.24%.

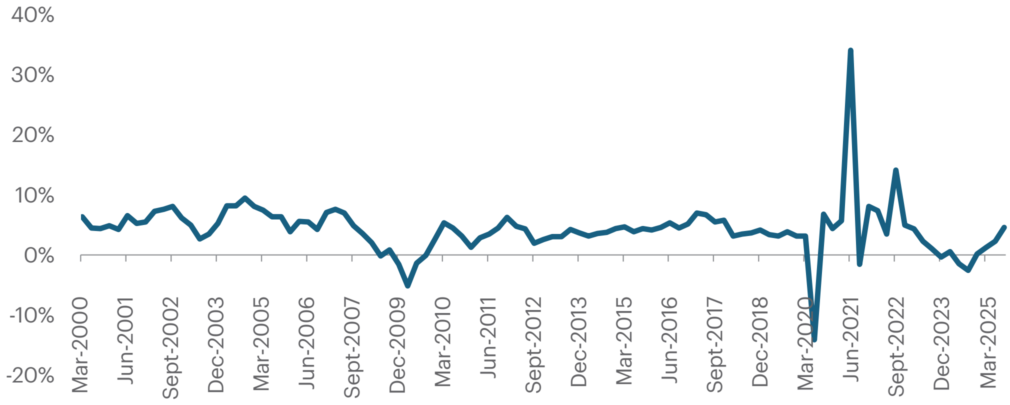
Is the Kiwi economy ready to fly?

When the RBNZ cut the Official Cash Rate (OCR) to 2.25 percent on 26 November, many market commentators breathed a sigh of relief. The additional support for a recovery in economic activity was seen as the right call from the central bank.

Lower interest rates should help households loosen the purse strings, encourage borrowing, and spur spending — potentially kick starting the next leg of economic growth.

And there are signs that some sectors are picking up: retail sales are recovering, residential building consents are lifting, and the housing market has shown hints of life after a difficult few years.

Retail trade sales y/y%



Source: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2025/nov-261125/monetary-policy-statement-november-2025.pdf

In response, markets have begun to re price interest rate expectations. Wholesale and longer term borrowing costs ticked higher during December, suggesting tailwinds from lower interest rates may already be reversing. Indeed, major New Zealand banks announced increases in longer-term fixed mortgage rates – not the Christmas gift households were hoping for!

Despite some enthusiasm in the growth outlook, let's not forget the local labour market is still weak. Unemployment is elevated, job vacancies remain subdued, wage growth is modest, and – for young people – even summer jobs are getting hard to find.

Youth unemployment rate (15-24 years)

Source: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2025/nov-261125/monetary-policy-statement-november-2025.pdf

The RBNZ also slightly increased its average unemployment rate estimate for 2026, relative to its August 2025 projection.

Overall, conditions for take-off have improved, but the economy still lacks clear lift until households loosen spending and businesses regain confidence to hire. In short, while the runway is starting to clear, the wings of the Kiwi economy are only just beginning to flap.

Oceania Healthcare – paying down debt

During the quarter, we added to our investment position in Oceania Healthcare Limited. Oceania Healthcare is a major provider of retirement-village and aged-care services in New Zealand, with demand tailwinds reflecting the country's aging population. The company's recent H1 2026 results were solid, and the executive team is focused on paying down debt by selling retirement units on hand and divesting from non-core villages.

We like when companies prioritise debt reduction. Reducing debt supports operating discipline and improved financial resilience. With this in mind, we bought more bonds at a yield of over 5.0% – an attractive return for a company actively seeking to improve its credit risk profile.

TR Group Limited – old friend, new bond

At Fisher Funds, we aim to support local companies with growth aspirations that require financial capital – including debt funding.

Since 2019, we've been keen supporters of TR Group Limited, New Zealand's market leading heavy-vehicle leasing business. The company sits in the fast lane of economic hustle, as freight keeps moving, businesses keep rolling, and TR keeps the wheels of commerce turning. During December, TR issued a new bond to support investment into its vehicle fleet. We added the bond to the fund at an initial yield of 5.45%. In doing so, we gained exposure to a business backed by long-term customer relationships and essential-service demand. Indeed, we think the bonds will be a sturdy chassis for the fund in the years ahead.

Voyage Care – bond voyage

Voyage Care Limited is a UK-based business providing specialist social-care and support services for people with learning disabilities and other complex needs. Toward the end of the quarter, the company announced a plan to refinance its 5.875% bonds in early 2026 via a new bank-based financing structure. With its business rooted in essential care services, the company's bond has been a steady performer within the fund, and less volatile relative to cyclical businesses. While it will be bond voyage to the Voyage Care position early in 2026, we will actively hunt out new opportunities to replace this investment when we return from the Christmas holiday period.

Thank you for your confidence in us over the past year. We wish you all an enjoyable summer season and a prosperous year to come.

Contact: Private Bag 93502,
Takapuna, Auckland 0740
0508 347 437
enquiries@fisherfunds.co.nz