Fisher Funds
Premium Service

Quarterly Update – March 2026

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Iran and the market reaction to conflict

Ashley Gardyne, Chief Investment Officer

The first quarter of 2026 saw more alarming geopolitical headlines, conflict and market volatility than we would expect in a typical year. For the month of March, the MSCI World Index fell 6.6%. What can we learn from Q1 and why don't markets wait for the all-clear?

An old investing saying (often attributed to Baron Rothschild) urges buying when there is "blood in the streets." It's deliberately confronting, but the lesson is familiar: markets typically recover from geopolitical shocks faster than most people expect. Q1 2026 with the war in Iran is shaping up as another example of this.

Momentum, then a shock

2026 opened positively. After a volatile but rewarding 2025, where global equities rose roughly 21% despite an April tariff-led sell-off, investors started this year with cautious optimism. Corporate earnings were growing, central banks remained supportive, and market leadership was broadening beyond US mega-cap technology stocks.

January and February delivered steady gains. In March, the escalation of conflict between the US and Iran jolted markets: oil surged, energy stocks rallied, and equities eased as investors revisited "stagflation" fears (higher energy-driven inflation alongside moderating growth).

The measured decline tells its own story

What's notable about the March sell-off was what it didn't become. Markets slid gradually through the month, but they didn't collapse. The decline was measured, not panicked. Despite the war and closure of the Strait of Hormuz, global markets fell less than 7% in March, and the US market fell just 5%. This matters, because the magnitude of a market's reaction to a geopolitical event often tells you how investors are collectively assessing the likely duration and severity of the crisis.

A moderate drawdown implies that investors see a base case of containment: a disruptive but short-term conflict, but not enough to derail global expansion. If investors expected a prolonged regional war, such as an extended closure of the Strait of Hormuz, the decline would likely have been faster and deeper.

The early April announcement of a two-week ceasefire has validated this assumption, at least for now. Global equities have rebounded meaningfully in the days since, recouping a significant portion of the March decline.

History's uncomfortable but reassuring pattern

Markets have digested armed conflict before, and they will again. Studies suggest the average geopolitical shock triggers roughly a 5-10% drop in markets, with recovery often within one to three months.

In 1990 (Iraq/Kuwait) the S&P 500 fell about 16% over three months, then rallied once the campaign proved swift. In 2003, markets bottomed around the start of the Iraq War. Crimea (2014), the Soleimani assassination (2020), and Russia's invasion of Ukraine (2022) also produced an initial shock followed by recovery as investors moved from worst-case fears to more realistic outcomes.

The reason for this pattern is that markets are forward-looking. They sell off on uncertainty, but they don't wait for perfect news to recover. As the range of outcomes narrows, even if headlines remain grim, investors begin pricing the most likely path, which is often less economically damaging than first feared.

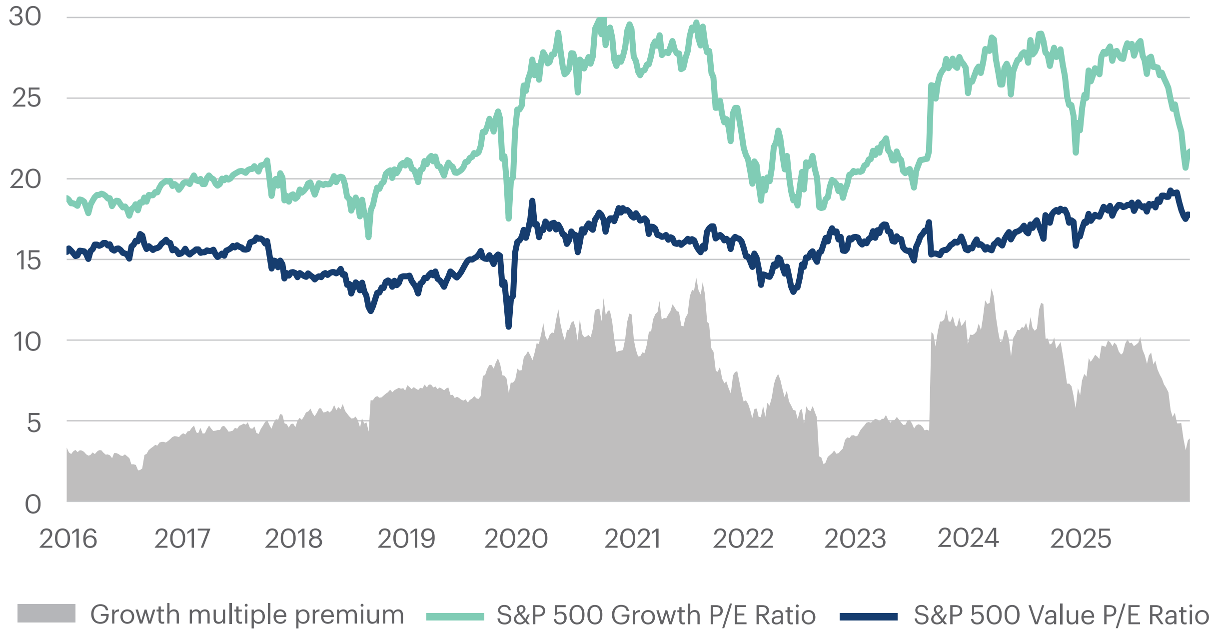
Volatility creates opportunity

While the human cost of conflict demands sober reflection, volatility can create opportunity for investors. March's pullback improved valuations in areas that had previously looked expensive.

As our portfolio managers cover in the fund updates that follow, growth stocks now trade at their cheapest relative valuations to the broader market since 2016. As a result, high-quality businesses with durable earnings and pricing power can be bought at more attractive prices than a year ago. Even the "Magnificent Seven" large US technology firms now look inexpensive relative to their own history. Our portfolios managers cover what we are doing specifically to take advantage of these opportunities.

For investors with appropriate risk tolerance and a long-time horizon, periods like this can reward adding to equities rather than retreating.

Valuation multiples for growth stocks now trade at modest premium to lower growth value stocks



Source:Bloomberg

But we're not out of the woods

That said, honesty demands that we acknowledge the risks. If the conflict escalates further, or if oil prices remain elevated for a sustained period, markets could face a more challenging environment. The parallel investors should have in mind is 2022, when a combination of rising energy prices, persistent inflation, and central bank tightening produced a prolonged bear market across both equities and bonds.

The most damaging scenario would be a return of stagflation, slower growth alongside rising inflation, leaving central banks with limited ability to support markets. We don't see this as the base case, but it warrants respect.

This is why it is so important that your portfolio positioning, whether you are a conservative or aggressive investor, aligns with your personal risk tolerance and investment time frame. The investors who navigated 2022 best were those who were appropriately positioned ahead of the downturn, not those who tried to adjust mid-crisis. This allows investors to play offence not defence when market volatility periodically arrives.

Volatility returns, overshadowing sound company fundamentals

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	-6.80%	-10.42%	-11.49%	-10.42%	-9.45%	2.96%	7.98%
Benchmark	-5.76%	-4.50%	-2.57%	-4.50%	5.94%	3.59%	7.62%

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

New Zealand equities experienced renewed volatility over the March 2026 quarter. Against this backdrop, the Premium New Zealand Fund returned -10.4%, underperforming its benchmark which returned -4.5%.

The key development impacting the share market (and portfolio) is the global macroeconomic backdrop becoming more uncertain after US strikes on Iran, with the benchmark down -5.8% alone in March since the onset. In these bouts of volatility, share prices can fall sharply as investors grapple with new news and attempt to 'price in' the probability of a wider range of outcomes, such as an extended war or global economic downturn.

While the most impactful for share prices, there were also other developments in the period. The release of new Artificial Intelligence (AI) tools particularly by Anthropic/Claude saw share prices down sharply for many software companies globally. Also, most portfolio companies provided financial updates during the period, which we generally viewed as 'on track' with some better than expected.

How does the war in Iran impact our New Zealand companies?

In response to US military strikes, Iran has effectively blockaded the Strait of Hormuz: a key Middle East thoroughfare, particularly for oil. This has triggered the largest global energy supply disruption since the 1970s and pushed New Zealand petrol and diesel prices up significantly, creating concern that supplies may run low.

Several economically-sensitive companies had showed emerging signs that conditions may be turning towards the end of 2025, albeit still fragile, prior to the risks posed by the Iran situation. New Zealand uses around 10 Olympic-size swimming pools' worth of petrol and diesel every day, and the higher cost paid away offshore means less income to spend in the local economy, weighing on demand. There is also the risk that cost pressures cannot fully be recouped from customers, squeezing profits (although key holdings like Mainfreight and Freightways have mechanisms to 'pass through' price increases to customers). If prices holistically rise in response to fuel costs it may lead to inflationary pressures and higher interest rates, which further weigh on economic activity.

This is why we have seen sharp falls in the share prices late in the quarter, particularly for those companies that are most exposed to consumer demand. These include **Mainfreight** (-16% total shareholder return in the quarter), **Freightways** (-15%), **Vulcan Steel** (-23%), **Delegat** (-17%), and **Summerset** (-27%, via the potential second-order risk to house prices and sales).

It is difficult for us to predict what direction the war will take, but there is now a degree of pessimism reflected in share prices.

Were the falls in our software businesses' share prices as a result of AI developments warranted?

In short, we don't think so. During the quarter, **Xero** (-34%), **Vista** (-35%), and **Serko** (-46%) all credibly laid out their approaches to incorporating AI developments in their businesses, but share prices fell regardless, similar to many software companies globally. These moves occurred in the absence of company specific issues: our companies are still largely performing as expected. That said, we acknowledge AI technology is evolving rapidly, and it may take time for AI-related fears to subside.

Both Xero and Vista provide critical software that helps their clients manage their businesses day-to-day. They have deep industry domain knowledge, proprietary data, integrations with critical systems, and customer trust. This means they are positioned well,delivering functionality and value that tools newly stood up with AI will struggle to reach. Both companies are already augmenting their leading offerings with AI tools, rather than seeing their functionality replicated or usurped.

Xero hosted an investor event where management delivered a strong presentation on the company's AI strategy and new US payments capabilities, alongside a reiteration of its unchanged medium-term targets. It has also unveiled a new partnership with Anthropic, including making its smarts available within the Xero platform to augment the way that customers use Xero and increase productivity benefits.

Vista's latest results demonstrated continued progress against its medium term strategy, including strong growth in cloud software deployments, improving profitability, and successful early progress in payments. The business remains deeply embedded in customers' operations, with significant domain expertise and high switching costs. The company provided guidance for 2026 that sees a continuation of revenue and profit growth and continues to credibly build towards its medium-term plan of revenue well over $300 million and free cash flow of around $75 million in 2030.

Serko hosted an investor day where it demonstrated the capability of its newly reimagined product, Serko.ai, which incorporates AI smarts with the company's layers of domain expertise and connectivity. Its trading update for the 2026 financial year showed both revenue and costs are tracking better than its prior guidance.

All that aside, how have our companies actually been performing?

Through February reporting season and other key updates, we remain comforted by the underlying fundamentals across our businesses.

Fisher & Paykel Healthcare (-1%) delivered another strong operational update during the quarter, upgrading full year revenue and profit guidance on the back of stronger-than-expected performance across its range of hospital products.

Infratil (+5%) hosted an investor event in Sydney for CDC Data Centres, in which it holds a 49.7% shareholding worth around A$7 billion, making it the most significant asset for Infratil. The day highlighted how CDC has positioned itself well in the Australian market by getting ahead of evolving technical requirements (like closed-loop water cooling and high-power density) and using advanced planning and engagement to circumvent industry bottlenecks (such as planning approvals and power grid connections). CDC has a number of significant assets in its pipeline that are well placed to meet demand for increasing use of AI, in a market where capacity is very scarce. It had the confidence to increase its core operating earnings ('EBITDA') guidance for its upcoming 2027 fiscal year from around $660 million to $680-720 million.

Freightways delivered a strong half-year result, with net profit after tax rising +17% on revenue up +9%. with profit growth driven by improved New Zealand market conditions, share gains, and ongoing strong performance in its Australian express delivery operations.

Vulcan Steel's first half result confirmed that activity levels are starting to lift from depressed levels, with tonnes per day increasing and New Zealand profitability improving for the first time in several years. While still early in the recovery, the company's operational leverage and recent Roofing Industries acquisition provide meaningful upside as conditions normalise.

a2 Milk (+8%) continues to deliver strong results in the China infant formula market. Growth ahead of expectations prompted the company to lift revenue and profit guidance for the current financial year. The company also announced the launch of new products as it enters the $8 billion China paediatric supplements category. This expansion is supported by its strong brand recognition in infant formula and other products, including kids milk powder, adult milk powders, and senior supplements. We believe this positions the company to extend its growth runway in the large and lucrative China market.

Port of Tauranga (+2%) delivered a strong interim result and investor day, benefiting from pricing discipline and productivity improvements. The port's long term strategic position continues to support ongoing earnings growth.

EBOS (-17%) reported core operating earnings in line with expectations, however flagged that higher lease costs from its distribution centre renewal programme will continue to weigh on bottom line profit performance. This adds to caution about the new management team's command of the business, with the share price trading around a 25% discount to the average price-to-earnings ratio over the last 10 years (around 15x versus 20x). We think this appears attractive for what is fundamentally still a business with both attractive defensive and growth characteristics.

In times of volatility, 'fundamentals' — the sustainable performance outlook for our companies — tend to take a back seat. However, over time, as the fervour around AI developments subsides and the Iran war is resolved, these remain what will influence the share prices of our companies and investor returns over time. After the recent sell-off, our assessment is that the portfolio has rarely been offering the value we see today: many share prices are 'on sale' across the board. While it is never a nice feeling to experience these periods of volatility, we think the portfolio is positioned well for future returns.

Artificial Intelligence disruption fears and the Iran war were key themes in a soft Q1

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	-9.62%	-15.78%	-21.60%	-15.78%	-12.43%	0.33%	6.84%
Benchmark	-6.94%	-0.79%	-1.51%	-0.79%	13.93%	11.03%	10.02%

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

Artificial Intelligence disruption fears and the Iran war were key themes in a soft Q1 in 2026.

These themes were key determinants of the -15.54% return in Q1 for the Australian Premium Fund which significantly underperformed the ASX200 benchmark's -0.79% return.

Energy (+35%) was the best performing sector in Q1 driven by rising oil and gas prices on the back of the Iran war. The inflationary impacts of rising energy prices, alongside higher than expected domestic inflation data in Australia also bolstered the Utilities (+8%), **Consumer Staples** (+8%) and the mining dominated **Materials sector** (+3%). Conversely, AI disruption fears led to a rout for **the information technology sector** (-28%), the worst performing sector in Q1. Soft financial results dragged the **Healthcare** (-18%) sector sharply lower as well.

Compositionally, this mix of sector returns, along with the four major Australian banks whose share prices were resilient in Q1, largely explains our underperformance compared to the benchmark index. Our investment style is focussed on investing in high quality companies with strong durable earnings growth. This has resulted in our portfolio having meaningful positions in information technology and classified advertising companies. Both categories of companies are in the cross-hairs of AI disruption fears from an investing standpoint. We also have meaningful investments in large healthcare companies, leaders in their fields globally. We do have positions in the Australian banks, but smaller than their weighing in the ASX200 index.

Our investment style does not lend itself to investing extensively in mining companies, and ESG considerations exclude most of the Energy sector from our investible universe.

That said, we are cognisant that this complex investing environment could last for a while. Accordingly, over the second half of 2025 and through Q1, we have added more balance to our portfolio and increased our sector diversification. Although we have reduced our positioning in companies affected by AI-disruption risk, we still have meaningful positions in these businesses which we think have bright futures.

We think this balance adds to our portfolio resilience whilst preserving the potential for our performance (relative to the ASX200 benchmark index) to snap back sharply when the market becomes more comfortable with the durability of earnings growth in our high-quality businesses (information technology, classifieds and healthcare in particular).

Key changes to our portfolio positioning in recent months

Mining companies by definition sell commodities, which means their earnings are susceptible to volatile price cycles. However, we did add diversified miners **BHP** (+14% in Q1 '26) and Rio Tinto (+13%) to the portfolio in 2H of 2025. Both delivered solid financial results in Q1 '26 and we have increased our weighting in both companies.

This has been done in part to add further diversification to our portfolio noting also that demand for copper, a key commodity for both companies, is rising as electrification demand accelerates. This adds a durable growth tailwind to their earnings growth. BHP and Rio Tinto also both benefit from scale advantages and in owning mines with high quality grades of ore, meaning they operate at the low end of the cost curve in their key commodities. This buffers their earnings to a degree from swings in commodity prices and underpins their quality from an investing standpoint.

We also reintroduced building materials company **James Hardie** (-5%) as a modest position to the portfolio, adding further diversification to the materials sector. Its share price has fallen sharply on fears of what the Iran war means for economic growth. James Hardie is in a strong position in its key US market. We think it proffers good upside notwithstanding potential near term economic weakness.

We like the long-term prospects of our software and classified advertising businesses. However, we have reduced our overall weighting in them. Ultimately if they keep delivering earnings growth, their share prices will respond accordingly. For now, the evolution and adoption of AI by businesses is still in its infancy so it may take time for these companies to allay market concerns about how AI could disrupt their long-term earnings power. Within software, we have also diversified the mix of our exposure by reducing our positioning in Xero and adding Technology One to the portfolio. We like both companies. With a different mix of customers, and pricing structure, we like the added diversification that Technology One brings to the portfolio.

Recognising the strong financial performance of the Australian banks we have selectively added to our positioning, adding **Westpac** (-3%) to the portfolio and increasing our weighting in **CBA** (+6%), **NAB** (-2%), **ANZ** (-1%) and **Macquarie** (-1%).

We have likewise been selective in changing our positioning in our healthcare companies by adding to **Cochlear** (-34%). We think the market over-reacted to a modestly softer result reflecting a delayed release of a new cochlear implant product which disrupted earnings in the period. This is a function of timing more than a material change in Cochlear's long-term earnings power.

In contrast we reduced our weighting in CSL (-17%) noting the abrupt change in both CEO and CFO in recent months. **CSL** is the largest manufacturer of plasma-derived therapies globally. It is well positioned to grow its earnings over coming years and it has taken steps to improve its recent financial performance which has missed market expectations. We are more cautious in our positioning noting that its executive leadership is still in transition with a search underway for a permanent CEO.

AI disruption fear is about the future, not about current financial performance

Our information technology/software and classified advertising companies delivered good financial results in Q1 that generally met or exceeded market expectations. The sharp drop over Q1 in the share prices of the likes of **Atlassian** (-58%), **Wisetech** (-44%), **SEEK** (-38%), **Xero** (-34%), **Fineos** (-25%), **CAR** (-25%) and **REA** (-14%) was indiscriminate.

This reflects the market concern about what AI disruption means for their earnings growth in in 5 years+ hence (for example, could an AI start-up create a better product than Xero at a lower price?).

Based upon our research and conversations with the management teams, we believe that in each case these companies are continually improving their products and value proposition to customers – including investing heavily in AI related capability. They are not standing still. These companies have large proprietary databases which helps inform how they develop and deliver products, services and ultimately value to their clients. Their products are also highly integrated into the operations of clients and their daily workflow, which is a significant barrier to switching.

In Xero's case for example, their business customers require a high degree of accuracy to compile accounts, file tax returns, and to gain insights into the financial health of their businesses. Government authorities are not normally so understanding if tax returns are inaccurate. Xero's investment in AI capability is making this work far more efficient for clients, saving them many hours in completing their accounts and managing payments and cash flows. The proprietary nature of Xero's large database restricts third party AI models from providing the same degree of insight, accuracy and client trust.

Wisetech's heavy investment in technology, including AI, is also benefitting its logistics customers who operate in a global trade environment with tremendous regulatory complexity (e.g. different customs regulations for different countries).

The customer costs and risks to switch from Xero or Wisetech's products to start-up AI equivalents seems material.

These software companies remain critical to their clients, and have significant room for continued earnings growth over the long-term.

Along with our other software and classified advertising shareholdings, they are also delivering strongly against our theses underpinning the investment in these companies.

Atlassian, for example, delivered another outstanding financial result: growing revenue +23% in Q4 and its forward order book accelerated even more, growing +44%. Atlassian continues to see rapid uptake of its AI products with over 5 million monthly active users. In 2025, Atlassian bundled its core products including Rovo AI Agents into a Teamwork Collection product. This serves as its primary AI monetisation channel, and this passed 1m in paid seats in Q4. It has expanded seat count by 10%+ over the standalone app footprint. The strong result saw Atlassian upgrade guidance for the 6th quarter in a row.

Employment classified advertising company SEEK likewise delivered an outstanding financial result in February. A modestly soft employment market (volumes -2% in ANZ) was strongly offset by +17% yield growth. A lift in pricing contributed some of this increase. The majority of the increase in yield was because customers are prepared to pay more for products that with the help of AI, are enabling them to find better suited candidates for vacant roles more quickly and efficiently than they have in the past. The benefits of SEEK's meaningful investment in technology over many years is evident in this yield uplift. Allied with strong cost control, SEEK's after-tax profit grew +35% in the period.

Wisetech modestly exceeded market expectations in delivering 12% underlying revenue growth in its core software product suite. Overall revenue grew +76%, bolstered by the acquisition of software business e2Open. Pleasingly, it delivered US$50m of annualised cost synergies from the integration of e2Open 18 months ahead of schedule. Wisetech also outlined how its key AI products have seen a four-fold increase in adoption by customers within a few months of their release. By embedding AI into its software and arguably through identifying further cost efficiencies in the e2Open integration, Wisetech announced it will be making 30% of its staff redundant – this will significantly boost earnings growth in 2027.

Volatile markets and shifting AI narratives drove a tough quarter but created value in quality growth stocks

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	-5.78%	-12.37%	-10.58%	-12.37%	-4.65%	6.63%	8.95%
Benchmark	-4.61%	-2.80%	0.93%	-2.80%	18.88%	18.72%	11.97%

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

Market backdrop

Markets had a volatile start to the year, with most major global stock indices ending the first quarter lower. It has been a very tough quarter for investors; one defined by the most extreme style headwinds our investment process has faced in over a quarter-century. The AI disruption narrative broadened from software into wealth management, clinical research and credit card networks, punishing quality growth companies. And the outbreak of the US-Iran conflict in early March caused the largest monthly oil price spike in four decades (+63% for Brent crude in March) and the largest quarterly rally in energy stocks (which we don't own) in at least 30 years.

Global equities fell 3% for the quarter, but the divergence beneath the surface was dramatic. **Value stocks** (+1%) outperformed **growth stocks** (-8%), driven by a surge in energy, materials and utilities. High-quality companies underperformed lower-quality stocks by an even wider margin for the fourth consecutive quarter (45% underperformance in the last 12 months). After the worst relative stretch in 30 years, quality/growth companies now look attractively valued versus the broader market. We are excited about the opportunities this is creating.

Portfolio Commentary for the quarter

Old Dominion (+25%) has continued to navigate a prolonged freight recession — the longest in over twenty years. Ignoring Iran, the recent stabilising volume growth coupled with weak supply of trucks drove the stock. As the most efficient operator in the industry, Old Dominion is well placed to benefit from any recovery, with meaningful operational leverage expected to drive a strong rebound in profitability as volumes return.

Netflix (+3%), having withdrawn its bid for Warner Brothers Discovery, can refocus on delivering the best content offering in the industry. In March, Netflix implemented its annual price increase — justified by a leading value proposition as the cheapest streaming platform on a per-hour-viewed basis.

ASML (+22%) was a key driver of portfolio returns, driven by overwhelming demand for its chip-making equipment. ASML received $13 billion of orders in the fourth quarter — nearly double market expectations — as AI chip manufacturers rapidly build capacity. Leading customer and chipmaker TSMC is running near 100% utilisation, while memory chipmakers like Micron are sold out through year-end. We reduced our position in ASML after strong share price performance (+90% since August).

Healthcare was the main drag on performance, driven largely by sentiment rather than fundamentals. **Boston Scientific** was impacted by near-term growth concerns around pulsed field ablation and its product Watchman, though we remain confident given its breadth of platforms and large cardiovascular end markets. **ICON** fell sharply after an accounting investigation and AI disruption fears — an overreaction in our view — and has since partially recovered. Overall fundamentals remain intact: **Intuitive Surgical** delivered 17% procedure growth last quarter; **Dexcom's** Type 2 penetration remains early on the adoption curve; and **Edwards** is guiding confidently into 2026. Innovative healthcare companies delivering more cost-effective treatments will continue to grow irrespective of Government budget pressures — catheter labs and robotic surgical systems remain among the highest hospital investment priorities, and the strong biotech funding recovery reinforces our conviction in **Danaher**. We had previously almost halved our healthcare weighting from peak and are now seeing attractive opportunities.

Software saw a sharp, indiscriminate sell-off (-24%) as investors reassessed business models vulnerable to AI disruption. **Salesforce** was caught up in this (-29%) after Anthropic's AI agent launch reignited competitive concerns, while **Microsoft** had its steepest single-day drop since 2020 amid delayed AI capex payback concerns. We have reduced software exposure over the past 18–24 months, including exiting Gartner this quarter, and are concentrating on platforms where AI strengthens moats. Microsoft 365 is entrenching itself as the default enterprise AI deployment layer — controlling both the user interface and data governance stack. Salesforce's moat resides in its system-of-record status for customer data, a position AI automation reinforces; its Agentforce product reached ~$0.8bn in annualised revenue last quarter, growing >2.5x YoY. The sell-off also created an opportunity to reinitiate in **Tyler Technologies** — another franchise where AI deepens rather than disrupts competitive advantage.

Mastercard (-13%) and **Hermès** (-24%) are two further examples of quality companies that underperformed. Mastercard faces competitive pressures from stablecoins and European alternative payment initiatives, but its strong value proposition, trusted brand and powerful network effects — merchants accept it because consumers use it; consumers use it because merchants accept it — underpin a durable moat. Hermès has been impacted by weakness in Asia Pacific ex-Japan (42% of sales) and Middle East conflict (8% of sales), but its ability to steadily gain share of luxury spending, supported by unmatched product quality and excess demand over supply, remains intact. The Hermès family's significant ownership stake and recent management share purchases amid the weakness reinforce long-term alignment.

Portfolio additions in the quarter

Tyler Technologies is the leading provider of essential software to over 15,000 US local and state governments — from property tax and court management systems to 911 dispatch. With two-thirds of local governments still running in-house or unsupported legacy systems, security concerns and rising maintenance costs are driving a long growth runway toward modern platforms. Tyler is the only vendor offering a full suite of products across most client needs. We previously owned Tyler in 2019–2020 and used the indiscriminate software sell-off to reinstate the position.

Capital One is a leading US credit card issuer that has grown market share from 4% in 2010 to 14% today. Following its merger with Discover, it is now the third largest card issuer in the US. Capital One has been a data-driven company from day one — operating almost entirely as a digital bank, fully in the cloud — delivering superior credit underwriting and cost advantages over traditional banks. The Discover merger strengthens its moat, drives meaningful earnings growth, and supports higher capital returns.

Keyence is a global leader in industrial automation and inspection equipment — cameras, sensors and microscopes that help manufacturers improve productivity and quality control across automotive, food and other end markets. Its large direct salesforce, IP portfolio, broad product range and disciplined culture create a durable competitive moat, positioning it well for the global factory automation trend.

TSMC is the global leader in outsourced semiconductor manufacturing and a critical enabler of the AI supply chain. Its scale, process technology leadership, advanced packaging capabilities and trusted ecosystem create very high barriers to entry.

HDFC Bank is the largest private sector bank in India — one of the highest quality banks globally. With 100 million customers, it has grown market share from 7% to 14.4% since 2016, sustaining industry-leading returns and consistently low non-performing loans. Recent headwinds from higher oil prices and a leadership change are temporary in our view; we used the sell-off to add this high-quality franchise.

Portfolio exits in the quarter

We exited **Costco** due to its elevated valuation and will monitor for a more attractive re-entry point. We exited **KKR** and **Gartner**, having previously reduced both to minimum sizes given AI disruption risks to their core businesses. While both remain quality franchises, we redeployed capital into what we believe are higher-quality opportunities.

Geopolitical conflict and rising oil prices powered infrastructure gains while property and emerging assets lagged

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

Portfolio Performance

	1 month	3 month	6 month	CYTD	1 year	3 year	5 year	10 year
Fisher Funds Premium Property & Infrastructure Fund	-3.67%	1.19%	0.34%	1.19%	7.46%	7.70%	5.38%	9.17%
Benchmark	-3.78%	0.94%	1.54%	0.94%	16.31%	12.50%	9.19%	8.16%

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

Market backdrop

Global infrastructure strongly outperformed in the March quarter: the S&P Global Infrastructure Index was +13%, compared to the S&P 500 (flat), **European equities** (+1%), **NZX50** (-5%), **ASX200** (-1%) and the **S&P Global REIT Index** (+1%). In part this can be attributed to the 'HALO trade' (Hard Asset, Low Obsolescence), where investors have moved out of sectors considered AI-exposed (e.g. software) into those considered relatively immune such as infrastructure, where natural monopolies, regulation and unique assets offer a source of durable moats. Many infrastructure assets also benefit from inflation-pass through mechanism, which help in a higher inflation environment.

The key development driving markets in the March quarter was the outbreak of war between the US, Israel and Iran on 28 February. The Brent crude oil price almost doubled from the end of 2025. This was good news for midstream energy pipelines, which were the strongest performing infrastructure sector during the quarter. Kinder Morgan rose 23% and Enterprise Products Partners 20%, helped by both higher oil prices and stronger pipeline volumes.

The US dollar strengthened on safe-haven demand, reaching its highest levels since May 2025. This development, and general risk-off sentiment, was a headwind for emerging market infrastructure including the Mexican airports we own. US 10-year bond yields rose during the quarter, and particularly sharply during March, as higher oil prices fed into inflation expectations.

Datacentres were a bright spot. Equinix rose 29% and Infratil 5%, both benefiting from continued strong demand for datacentre capacity from AI customers. Tower companies told a very different story, with American Tower -2% and Crown Castle -7%, weighed down by higher long-term bond yields.

Property was weak across the board. The NZ REIT index fell -9% and the Australian REIT index fell -17%. Higher long-term interest rates in New Zealand and Australia, relative to the US, continue to weigh on the sector. Airports were mixed, with Mexican and Spanish airports performing well, while Auckland Airport and Groupe ADP (Paris airports) underperformed on a relative basis due to greater Middle East exposure than peers.

Portfolio Commentary

Equinix delivered the revenue growth re-acceleration we have been looking for

Equinix (+29%) reported fourth quarter results and 2026 guidance that exceeded expectations. Record annualised gross bookings of $474 million in Q4, up 42% year-on-year, demonstrated accelerating demand. Approximately 60% of the largest deals were driven by AI workloads, up from 50% in the prior quarter. Full-year 2026 revenue guidance of 9–10% growth was meaningfully ahead of targets outlined at the June investor day, and adjusted EBITDA margins are expected to expand approximately 2% to 51%.

The result was encouraging given our concerns following the investor day last year around execution risk and elevated development costs. With bookings accelerating and the "build bolder" capacity expansion now translating into visible revenue and earnings growth, we increased our position during the quarter.

Infratil hosted an upbeat investor day for CDC Data Centres, with significant contracts expected to land soon

Infratil (+5%) hosted an investor event in Sydney for CDC Data Centres, in which it holds a 49.7% shareholding worth around A$7 billion, making it the most significant asset for Infratil. The day highlighted how CDC has positioned itself well in the Australian market by getting ahead of evolving technical requirements (like closed-loop water cooling and high-power density) and using advanced planning and engagement to circumvent industry bottlenecks (such as planning approvals and power grid connections).

CDC has a number of significant data centre campuses in its pipeline that are well placed to meet demand for increasing use of AI, in a market where capacity is scarce. It had the confidence to increase its core earnings ('EBITDA') guidance for its upcoming 2027 fiscal year from around $660 million to $680-720 million.

The market is ignoring the pricing upside for Vistra, which we added to the portfolio

We added **Vistra** (-7%) to the portfolio during the quarter. Vistra is a US independent power producer with a diversified fleet of nuclear, gas, and solar generation assets, predominantly in the PJM (mid-Atlantic) and ERCOT (Texas) electricity markets. It is one of the largest generators of electricity in the US and the second-largest operator of nuclear power plants.

Vistra's share price has declined meaningfully from its September 2025 highs, driven by political concerns around electricity affordability and slower-than-expected datacentre contracting across the sector. At current levels, the stock offers a low-double-digits free cash flow yield and does not require further datacentre deals to justify its valuation – an important distinction from peers like Constellation Energy.

Management has demonstrated sound execution, including an attractively priced nuclear power purchase agreement with Meta and value-accretive M&A. Capacity revenue represents only around 20% of EBITDA, limiting downside risk from potential changes to the PJM capacity market framework. Near-term free cash flow generation is strong and can be recycled into buybacks and acquisitions, whilst the company retains meaningful optionality should datacentre contracting accelerate. We consider the current valuation to offer an attractive entry point.

Waste Connections continues to face elevated costs at a recently closed landfill site

Waste Connections (-7%) reported fourth quarter earnings. Earnings margins expanded to industry-leading levels. Price-led organic growth in solid waste and ongoing operational improvements – including record-low employee turnover and safety incident rates – drove the result. Management guided to double-digit adjusted free cash flow growth in 2026 (11–15%), with core pricing of 5.0–5.5% expected to maintain a healthy spread above cost inflation. The acquisition pipeline remains robust, with $330 million of annualised revenue acquired across 19 deals in 2025 and balance sheet leverage of 2.75 times providing significant capacity for further activity.

We have been building our position in recent months as the share price has been weak on sentiment factors including lower recycled commodity prices and investor rotation away from defensive businesses. We consider the earnings trajectory to be intact and continued to buy shares during the quarter.

Arena's tenants continue to deal with the fallout from safety issues

Arena REIT (-7%) reported first half 2026 earnings which were in line with expectations. Net operating profit rose 9% and operating earnings per security grew 5.4%, supported by a 12% increase in property income from rent reviews and capital deployment. Like-for-like rental growth of 3.6% was underpinned by market rent reviews averaging 7.6%, with a further 28 market reviews expected in the second half. Full year distribution guidance was reaffirmed.

Arena performed poorly in the March quarter mainly due to wider market sentiment issues. Rate hikes have weighed on investor appetite for property stocks. Some of Arena's tenant are also experiencing occupancy issues, due to controversy around safety in some childcare centres. Arena has long-term contracts with high-quality tenants, and structural protections in its leases largely insulate it from issues at the centres impacted. However the weakening health of tenants has weighed on market sentiment regarding Arena.

Higher oil prices are a headwind but higher yields a tailwind

Quin Casey, Senior Portfolio Manager, Premium Income Fund

Portfolio Performance

	1 month	3 month	6 month	CYTD	1 year	3 year	5 year	10 year
Fisher Funds Premium Income Fund	-0.69%	-0.03%	0.56%	-0.03%	3.66%	6.51%	3.21%	3.30%
Benchmark	-0.63%	-0.07%	0.17%	-0.07%	3.20%	4.80%	2.49%	2.46%

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

Conflict across the Middle East disrupted oil & gas prices, and in turn, fixed income markets during the first quarter of 2026. Global and local bond yields increased sharply – especially short-term interest rates – as investors adjusted expectations regarding the future path of central bank policy rates. However, the need to adjust policy rates will differ by region and we think there is no requirement for the RBNZ to increase the Official Cash Rate materially over the course of 2026. Indeed, for New Zealand, persistent inflation risks are lower today relative to conditions that underpinned the inflation spike which occurred during 2022.

A tough start to 2026

The **Premium Income Fund** generated a -0.03% return (after fees and before tax) this quarter, roughly in line with the benchmark return of -0.07%.

Energy shock – another headwind for the NZ economy

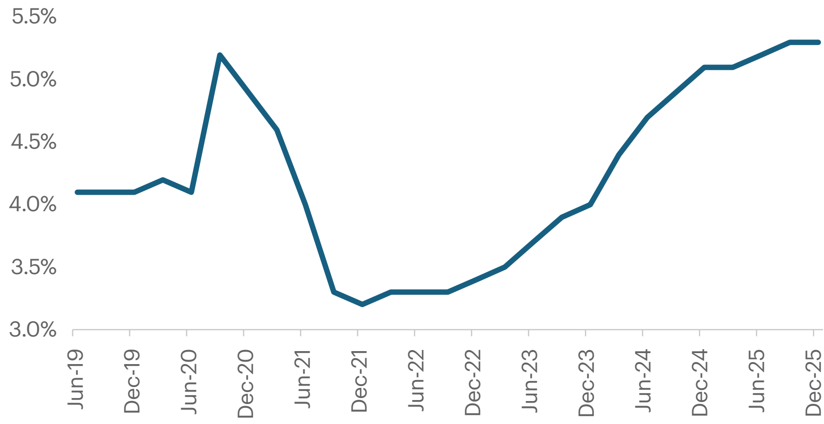
The escalation of conflict in the Middle East during the quarter led to a surge in global oil and gas prices, reintroducing an important source of inflation risk for investors to monitor. However, the extent to which higher energy prices translate into broader inflation will vary significantly across countries.

A key distinction lies in whether an economy is a net importer or exporter of energy, as well as the inflation dynamics already in place at the start of the year. For net energy importers, rising fuel costs tend to feed quickly into transportation, production, and household expenses, placing upward pressure on headline inflation. Energy exporters, on the other hand, often see a more muted impact. Higher global energy prices increase export revenues, strengthen the country's terms of trade, and can even support a stronger currency, which makes imports cheaper. Together, these effects help absorb some of the cost shock, meaning domestic inflation rises less than it would in an energy-importing economy.

In addition to this dynamic, economies that entered 2026 with stubborn inflation and strong demand conditions are more vulnerable to a renewed inflation impulse than those that were set on a disinflation path.

In this regard, persistent inflation risks should be lower in New Zealand relative to other countries. Recent activity levels across the economy have been subdued, and inflation was trending lower as we exited 2025. This weaker starting point reduces the risk that higher energy prices will trigger a sustained inflation rebound, and the employment situation reinforce this view. For example, the labour market currently displays considerably more slack compared to 2022, when capacity constraints and wage pressures were more acute (see chart).

NZ Unemployment Rate



Source: RBNZ

At the same time, the New Zealand housing market remains muted - in contrast to the strong price growth and demand that preceded the 2022 inflation cycle. These factors together act as a buffer, limiting the transmission of global cost shocks into persistent domestic inflation.

Another important difference when looking back at the 2022 inflation shock is the policy response. Fiscal support measures in reaction to rising energy costs have so far been limited compared to the substantial stimulus deployed during the pandemic period. This more restrained approach reduces the risk of demand being artificially boosted at a time when a supply side shock is putting upward pressure on prices.

Overall, while higher oil and gas prices present a clear upside risk to global inflation, New Zealand's weaker growth backdrop, softer domestic conditions, and more measured policy response suggest the inflation impact is likely to be more contained than in many other economies.

Arvida Group Limited – value on offer

In our view, Arvida presents a compelling fixed income investment case, underpinned by its exposure to New Zealand's structurally growing aged care sector. Demand for retirement living and care services continues to rise with an ageing population. Arvida's diversified portfolio of villages and care facilities are capturing this demand which should ensure stable earnings and balance sheet strength in the years ahead. Indeed, the company has demonstrated prudent balance sheet management and access to funding which will enable continued asset growth. Arvida's defensive characteristics and recurring income profile make it an attractive investment opportunity, and we added to the fund's position at yields above 6.0% during the quarter.

Verizon Communications – strong and stable

We invested in a Verizon Australian dollar investment grade rated bond that was issued during March at a yield of 4.65%. Verizon is a leading US telecommunications provider with highly predictable cash flows. Its subscription-based wireless and broadband services generate stable, recurring revenue, underpinning strong debt servicing capacity. The essential nature of connectivity services provides resilience across economic cycles, while ongoing demand for data supports long-term growth. Verizon has also demonstrated commitment to balance sheet discipline, with a clear focus on deleveraging following spectrum investments. For fixed income investors, the combination of scale, defensive earnings, and consistent free cash flow generation supports attractive risk-adjusted returns and as such, we felt comfortable adding the new Australian dollar bond to the portfolio.

Applied Digital – building AI infrastructure

Applied Digital presents an emerging fixed income opportunity, supported by its positioning as a "picks and shovels" provider within the rapidly expanding AI supply chain. As demand for artificial intelligence and high-performance computing accelerates, the need for scalable data centre infrastructure and power capacity is becoming critical. Applied Digital is focused on developing purpose-built facilities to meet this demand – essentially providing backbone AI infrastructure rather than taking direct technology risk. This positioning supports contracted revenue streams as capacity is leased to AI and cloud customers. Given structural growth tailwinds and the company's infrastructure-like characteristics, we added to the company's new US dollar issue during the quarter (at a yield of circa 6.8%).

O-I Glass – cracked but not shattered

O-I Glass euro denominated bond weakened during the quarter (-3.0% total return), reflecting renewed pressure from higher energy prices following conflict in the Middle East. Glass production is highly energy intensive, requiring sustained high temperatures with limited scope for substitution, leaving margins exposed to input cost volatility. This dynamic increased investor concerns around near-term earnings and cash flow coverage.

However, the longer-term credit outlook remains more constructive. O-I Glass benefits from strong market positions, contractual pass-through mechanisms over time, and ongoing cost optimisation initiatives. As energy markets stabilise and pricing adjustments flow through, earnings resilience should improve. While the negative return is disappointing, O-I Glass remains a fundamentally sound issuer with recovery potential, and we will look to increase our exposure to the company should the bonds experience undue selling pressure in the months ahead.

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