Fisher Funds
Premium Service

Quarterly Update – September 2026

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Share markets grind higher despite resurgent oil prices and higher interest rates

Ashley Gardyne, Chief Investment Officer

The September quarter brought different experiences for share and bond investors. Strong company earnings helped equity markets withstand higher interest rates, while those same rates weighed on fixed income returns. In this more volatile and selective market, we were pleased to see an improvement in fund performance, with the majority of our funds outperforming their benchmarks in the third quarter.

Market drivers in the third quarter

The headline 1.9% gain in the MSCI World Index in the third quarter masked turbulence beneath the surface. Investors had to absorb sharply rising interest rates, escalating conflict in the Middle East, and a slump in the AI trade during the quarter. US Treasury yields also reached 20-year highs on rising government debt concerns and persistent inflation, weighing on interest-rate-sensitive sectors such as housing-related cyclicals, utilities and real estate investment trusts.

Global equity markets were supported by strong performances of large cap US tech companies, while US small cap stocks and markets in Europe, the UK, Australia and Emerging Markets declined during the quarter. Strong US corporate profit growth also helped offset what may have otherwise been problematic interest rate and inflation increases.

Selected AI-related stocks fell sharply in July, when the SOX Semiconductor Index slumped 21%. Investors are increasingly distinguishing between companies where heavy AI investment is driving accelerating revenue growth, such as **Microsoft** (+38% in the quarter) and **Meta** (+29%), from those where the returns remain less visible.

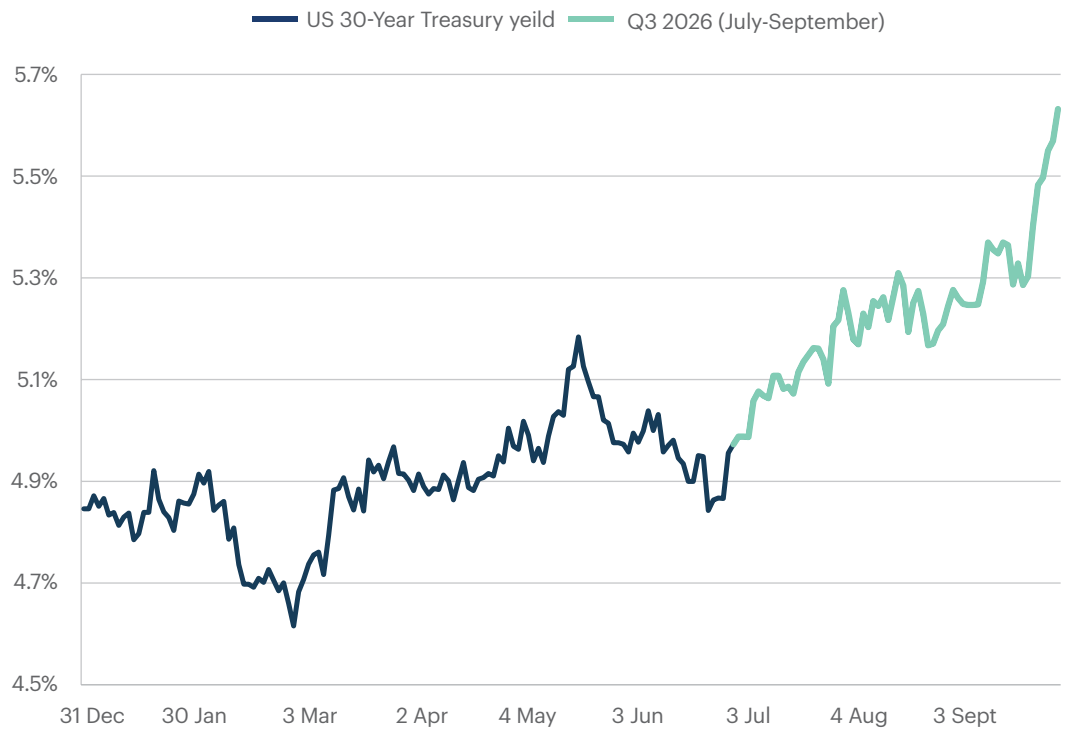
Our selective approach to the AI trend and focus on business quality and the sustainability of earnings helped our fund performance over the quarter.

Borrowing became more expensive

For bond markets, the pressure was more direct – with rising interest rates pushing bond prices lower in the quarter. Persistent inflation and elevated government debt burdens have led investors to demand higher yields. By the end of September, the yield on 30-year US government bonds had reached its highest level since 2002. Energy prices added to the problem, with Middle East tensions again pushing oil above US$100 a barrel, and central banks faced renewed pressure to contain inflation. Rate increases can restrain spending, but they cannot resolve disruptions to energy supplies. That leaves a difficult balance between containing prices and avoiding unnecessary damage to growth.

Substantial investment in AI infrastructure has also had consequences for interest rates. While spending on data centres has supported business activity and equity markets, it has also resulted in a surge in debt issuance to fund that construction. This elevated demand for debt capital is contributing to a more expensive financing environment.

US 30-year Treasury yield in 2026 (%)



Source: Bloomberg.

Attention now turns to whether companies can sustain growth as higher borrowing costs work through the economy. Investors will also be looking for further evidence that spending on AI is translating into stronger revenues and profits.

For fixed income, higher yields offer a better starting point for future returns. Over much of the last two decades, fixed income investments offered unattractive yields. That is starting to change and should provide improved results for investors with more conservative risk settings.

An encouraging improvement in fund performance

The investment team has been busy repositioning our portfolios in recent quarters, and it is encouraging to see an initial improvement in performance after a challenging 12 months.

Over the third quarter, our Premium Australia Fund returned 3.9% (+2.6% ahead of benchmark) and our Premium International Fund returned 3.3% (+1.0% ahead of benchmark). While our Property & Infrastructure Fund (-0.7% behind) and Premium New Zealand Fund (-1.4% behind) underperformed slightly in the quarter, they have both outperformed their benchmarks over the last 6 months.

It is still early, and a single quarter is too short to judge a turnaround in performance, but it is pleasing to see some progress. Our focus remains on building on that improvement through careful investment selection, in order to deliver a sustained lift in results for clients.

In the following quarterly updates, our Portfolio Managers talk more about recent portfolios changes and drivers of performance.

Solid company performance underpins modest gains

Matt Peek, Portfolio Manager, Premium New Zealand Fund

Portfolio Performance

	1 month	3 months	6 months	CYTD	1 year	3 years	5 years	10 years
Fisher Funds Premium New Zealand Fund	-2.39%	0.51%	7.66%	-3.56%	-4.71%	5.49%	-1.47%	7.57%
Benchmark	-0.40%	1.86%	7.54%	2.71%	4.78%	7.75%	1.61%	7.41%

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 finished the September 2026 quarter in slightly positive territory, with the Premium NZ Fund return of +0.51% trailing its benchmark which returned +1.86%.

Market Commentary

What companies outperformed during the quarter?

Performance was underpinned by a range of positive updates from portfolio companies at annual meetings and through August's 'reporting season'.

Delegat (+22%) was the best-performing position in the portfolio for the quarter, after reporting its strongest profit in several years of $61.5m, representing 20% growth on the previous year despite tariff headwinds. It also provided maiden operating profit after tax guidance of $62-66m for its new financial year, which demonstrates confidence in continued growth. Delegat continues to outperform the overall wine category as consumers in key markets like the US increasingly prefer premium brands like its Oyster Bay. Even after the quarter's gains, the company trades at only 7 times the new financial year's expected earnings and has already planted the vineyards to support its expected volume growth over coming years.

Vista (+19%) delivered its first-half results, with revenue up 12% and core operating profit up 24% as it continued transitioning clients to its next-generation software. The strong start allowed Vista to lift its guidance for the full financial year. Since the result announcement, global box office has continued to be very strong in the third quarter from The Odyssey and the latest Spider-Man instalment, with cinema customers breaking many attendance and revenue records, which bodes well for their ability to reinvest in guest experience and core systems like Vista.

Fisher & Paykel Healthcare (+18%) updated its guidance in August, highlighting continued strength in its hospital division, with demand for its latest hardware platforms and ongoing consumable adoption driving a stronger-than-expected start to the financial year. First-half guidance implies revenue growth of 14% and underlying net profit growth of 24% (excluding tariff refunds), while full-year guidance was also increased.

Vulcan Steel (+8%) reported a 16% uplift in core operating profit for its financial year ended June, with the real improvement coming in the last six months (up 34%), despite ongoing challenging trading conditions. The improvement came in both New Zealand and Australia, and the company is cautiously optimistic this momentum will continue into the new financial year.

Mainfreight (+8%) delivered an impressive trading update at its annual meeting in July, a stark contrast to the last couple of annual meetings that have seen results meaningfully down year-on-year. Profit before tax was up an impressive 78% compared with a year earlier through the first 16 weeks of the new financial year, with double-digit profit growth in all three products and all five geographies.

Which companies' share prices detracted most from performance, and why?

The two companies that weighed most on the fund's performance in the quarter were **Xero** (-21%) and **Summerset** (-14%).

Xero's share price fluctuated significantly during the quarter, reflecting ongoing changes in investor sentiment towards software companies, and ended the period lower. The company hosted its annual meeting in August, reiterating its current financial

year's guidance and medium-term targets. It also hosted its flagship Xero event in Denver, which highlighted the release of further product features and a growing confidence it will be able to capture more of the lucrative US market as a result of recent product development.

In August, Summerset delivered a pragmatic pivot away from maximising its rate of new village development towards a better balance of growth, cash generation, and balance sheet strength. While the changes were initially received well, the share price subsequently weakened due to macroeconomic factors.

First, higher global interest rates continue to present a headwind to house prices and near-term house sales, which, at the margin impacts, sales of new retirement village units. Second, political parties are proposing a variety of different policies in the lead-up to the general election, which is creating uncertainty around what obligations may be placed on New Zealand retirement village operators.

Freightways (-8%) delivered a solid result for the year to June, with earnings per share up 17%, but like many Kiwi businesses has not been immune from the protracted economic recovery. Its New Zealand courier business has seen a slowdown subsequent to the onset of the conflict in the Middle East and the rise in fuel prices. Same-customer activity shifted from seeing volume growth of almost 3% year-on-year in the March quarter to a decline of more than 1% in the June quarter. Fortunately, the company continues to bolster existing customer activity with new customer wins. Looking forward it has said "it will be another year of 'softer for longer' than initially expected". We still anticipate profit growth in the next year, although at a more subdued rate.

Infratil (-8%) shares settled back after large gains so far in 2026, as the market remains sensitive to the expected pace of development of its Australian and New Zealand data centre pipeline to support the global AI industry. The key news flow during the quarter was a positive investor day in September, which provided updates on its largest three holdings: CDC Data Centres, local telecommunications provider One NZ, and US renewables developer Longroad. CDC increased its current year's expected core operating earnings from a prior range of A$680-720 million to A$710-750 million, in part driven by a previously unannounced 70 megawatts' worth of new contracts which will begin to contribute from late in the period. CDC is also looking to develop a Taranaki data centre campus in conjunction with portfolio company **Contact Energy** (-5%), in which Infratil also holds a stake. Longroad is now planning to develop 2.5 gigawatts of projects annually (up from 2.0 gigawatts previously), which is expected to take its core operating profit in 2029 to a run-rate of US$1.2 billion.

Skellerup has entered the portfolio

During the quarter we added Skellerup to the portfolio. In addition to making its iconic 'Red Band' gumboots, which are a staple on many Kiwi farms and back porches (although a relatively modest portion of the business), the company operates a globally diversified range of manufacturing businesses, focused broadly on the agricultural and industrial sectors.

Skellerup is a global leader in the design and manufacture of niche of technical, precision-engineered polymer products. It caters to niche applications that demand high performance while conforming to technical standards, with its largest product category being dairy milking consumables. A high proportion of its products come into contact with dairy products and potable water, across many different jurisdictions, each with their own safety standards. However, its product ranges are truly diverse and include pipe gaskets in water infrastructure, roof flashings such as for solar installations, vacuum pumps, and various high-performance components for global OEMs (Original Equipment Manufacturers that make milking machines, tapware, consumer products, medical equipment, automobiles, and other devices).

The company has a good track record of profitable growth, historically driven by moderate revenue growth plus a strong focus on efficiency and process improvement. In recent years, the company has increased its investment in innovation and new product development, which has seen it accelerate revenue growth (particularly in its agricultural segment) and extend its profit growth trajectory beyond what would have been possible previously. The company has also recently undergone a successful transition from its long-time CEO to an impressive internal successor overseeing a capable executive team.

Skellerup has contributed positively to returns since its addition.

Performance rebounded further in Q3, supported by good financial results across the portfolio

Robbie Urquhart, Senior Portfolio Manager, Premium Australian Fund

Portfolio Performance

	1 month	3 months	6 months	CYTD	1 year	3 years	5 years	10 years
Fisher Funds Premium Australian Fund	-4.80%	3.90%	9.73%	-7.59%	-13.97%	1.37%	0.53%	7.28%
Benchmark	-2.03%	1.34%	5.60%	4.76%	4.01%	12.75%	8.88%	9.79%

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

Market Commentary

The Premium Australian Fund returned +3.9%, ahead of its benchmark index, which rose +1.34%.

Share prices in Q3 were strongly influenced by the August 'financial reporting season', during which our portfolio companies collectively delivered good results in aggregate. The portfolio recorded strong outperformance across July and August. This was offset by some weakness in September, driven by heightened investor caution due to tensions in the Middle East and sharply rising interest rates, rather than company-specific challenges. The Australian 10yr government bond yield rose from 4.7% to 5.4% over Q3, alongside rising US bond yields, dampening equity market performance.

We are pleased with the diversity of positions across different sectors that contributed to our portfolio performance in what was another volatile period for the Australian share market. We think our portfolio companies are well placed to grow earnings and deliver for investors over the next few years.

Our industrials positions contributed strongly to Q3 portfolio returns

Our industrial portfolio companies sell goods and services to a diverse range of customers globally and have different economic drivers. It was therefore especially pleasing to see each of these companies deliver strong financial results against a mixed global economic backdrop. This speaks to the strength of their underlying businesses as well as the quality of their management teams.

Glove manufacturer **Ansell** (+45%) delivered profit growth of +16% for the year despite a softening economic backdrop. It benefited from revenue growth and cost discipline, which bolstered after-tax profit growth. A feature of the year was Ansell's ability to raise prices to recover the cost of tariffs and Middle East-related raw material and freight inflation. This supports our view that Ansell's competitive position is stronger than many appreciate.

MAAS Group (+34%) is focused on serving civil engineering, infrastructure, and property customers through several divisions. Founder Wes Maas latched onto the rising demand for AI infrastructure early. He positioned the company to win over $1bn of electrical work servicing AI-specific data centre construction in Australia. Subject to the successful delivery of this work, MAAS is well positioned to win follow-on contracts in coming years. Firmus, a key customer, is in the process of raising funding to further this infrastructure build-out. Although its IPO ambitions have been shelved it is seeking funding from private investors.

PWR Holdings (+28%), a manufacturer of thermal cooling products and parts for automotive and aerospace applications, delivered an exceptional financial result, with revenue growing by more than 30% over the year. This followed a year of significant investment, including relocating its Queensland manufacturing operations to a larger and more efficient facility. The company is now primed for growth with plenty of capacity at the new facility. Regulatory changes in Formula 1 helped drive a 45% increase in motorsport revenue during the year. The burgeoning aerospace division likewise grew strongly as PWR secured multiple new tenders during the year. Helped by a strong culture of excellence across the team, PWR is well positioned to continue growing earnings over the coming years.

Healthcare rebounded in Q3 – focus remains on management execution

After a torrid year of poor share price performance, we saw a strong rebound in the share prices of all three of our healthcare investments. In the cases of both CSL and Cochlear, the market was highly focused on execution. Although neither company surprised to the upside, meeting investor expectations was enough for their share prices to rebound.

CSL's share price rose 62% in Q3 after its core plasma division underpinned a recovery in revenues in FY26. CSL expects earnings growth to continue through FY27, with profit growth of 5% expected despite facing headwinds in its iron deficiency and kidney care divisions.

Cochlear (+16%) delivered a reasonable, rather than stellar financial result in August with cochlear implant volume growth broadly meeting investor expectations. As with CSL, investor expectations were modest given a flurry of disappointing updates recently. Meeting expectations was therefore enough to drive the share price higher.

Both CSL and Cochlear are leaders in their fields. The management teams at both companies, CSL more so than Cochlear have disappointed investors over the past year. Both management teams have some way to go to restore investor confidence in their companies' earnings growth trajectories. The financial results delivered in August were a good start.

Management at **ResMed** (+11%), on the other hand has continued to deliver outstanding results over recent years including in this last quarter. Sales of sleep apnoea devices and masks grew strongly in all key markets and ahead of industry growth rates, suggesting that ResMed continues to gain market share globally. The business is cash generative, and management remains disciplined in allocating capital, with plans to return more than US$1.8bn to shareholders in the coming year via share repurchases. Investor concerns about the long-term impact that weight-loss drugs could have on ResMed continue to linger and weigh on the share price. To date, there has not been compelling evidence to support these concerns. We were pleased to see the share price rise after another strong period of financial performance from the ResMed team.

Good results but mixed share price reactions from tech and classifieds

Atlassian (+129% in A$ in Q3) was the standout performer amongst our technology and classified advertising holdings. It delivered another outstanding financial result, with revenue growing 28% as it added new customers and saw increased usage of its software among existing customers. The uptake of its artificial intelligence (AI)-related products was particularly pleasing. This speaks to the value that AI can bring to some (not all) large, well-established software companies.

For most of the year Atlassian was deemed to be at risk from AI disruption. It has been methodical in articulating why and how its software will benefit from, rather than be disrupted by AI. The very sharp rebound in its share price is a reminder of how quickly market perceptions can change when it comes to AI and how it might impact different companies.

We also had solid financial results and updates from other technology holdings such as **WiseTech** (-1.3%) and **Xero** (-21%). Following these updates, both companies' share prices rose strongly (+22% for WiseTech and +15% for Xero) over July and August before falling back amid investor caution towards the software sector in September. This caution is likely a function of ongoing AI disruption fears as well as a reaction to the sharply rising interest rates, which can have an outsized impact on companies with faster-growing earnings.

During Q3, Xero held a flagship customer event in the US, where it highlighted the release of further product features. Management articulated a growing confidence that it would capture a meaningful share of the lucrative US market as a result of these developments.

WiseTech's financial results demonstrated resilient revenue and earnings growth. This was delivered during a disruptive period for customers transitioning to a new AI-centric pricing model for WiseTech's software. There are early signs that the disruption is subsiding and customers are becoming more comfortable with the new pricing model. This bodes well for an acceleration of revenue growth in the future given that WiseTech held off increasing prices while customers were in transition to the new model. We expect WiseTech to increase prices during FY27.

It was a similar Q3 for our classified advertising companies **REA** (+14%), **SEEK** (-9%) and **CAR** (-12%). Their share prices rose in the first two months of Q3 as each of them delivered sound financial results. SEEK delivered profit growth against the backdrop of a weak, cyclical job advertisement market in Australia and across Asia. The profit growth reflects improved 'yield' per job advertisement. This speaks to the benefit of SEEK's investment (including AI functionality) in its core product suite. However, as we saw with our technology investments, the share prices of our classified positions fell back in September.

The last year has been very tough for companies seen to be at risk of AI disruption including Xero, WiseTech and, the classified advertising businesses. We acknowledge that the range of long-term outcomes for these companies is broader in an AI world than it was before. While we believe these

companies are taking the right steps to embed AI into their businesses and are currently well positioned, we will continue to research and assess whether they are doing enough to thrive in an AI-centric world.

Repositioned Premium International Fund beats market in volatile quarter

Ashley Gardyne, Chief Investment Officer | **Sam Dickie,** Senior Portfolio Manager, Premium International Fund

Portfolio Performance

	1 month	3 months	6 months	CYTD	1 year	3 years	5 years	10 years
Fisher Funds Premium International Fund	-1.06%	3.25%	5.08%	-7.92%	-6.03%	6.73%	0.03%	8.92%
Benchmark	1.47%	2.21%	17.30%	14.02%	18.39%	22.84%	14.07%	13.16%

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 had a positive quarter, gaining 3.25% compared with its market benchmark return of 2.21%.

It was encouraging to see the Premium International Fund outperform during what was a more subdued and volatile quarter in global markets. As outlined in recent investment updates, we have significantly repositioned the portfolio in recent months by adding several new high-conviction positions, broadening sector and geographic diversification and expanding the global investment team to support the wider portfolio. While it is still early, stronger performance over the last quarter gives us confidence in the outlook for the repositioned portfolio.

Market Commentary

The headline 1.9% gain in the MSCI World Index in the third quarter masked turbulence beneath the surface. Global markets were supported by strong performances from large-cap US technology companies including **Meta** (+29%), **Microsoft** (+38%) and **NVIDIA** (+14%), while US small-cap stocks and markets in Europe, the UK, Australia and emerging markets declined during the quarter.

AI-related stocks fell sharply in July, with the SOX Semiconductor Index down 21%, before partially recovering in August and September as demand for AI computing capacity proved resilient and industry guidance improved. During the quarter, investors increasingly distinguished between companies where significant AI investment is accelerating revenue growth, such as **Microsoft** and **Meta**, and those where the potential returns remain less clear. We remain selective, focusing on business quality and the sustainability of earnings.

During the quarter, investors had to absorb sharply rising interest rates, escalating conflict in the Middle East and a slump in the AI trade. US Treasury yields also reached 20-year highs on rising government debt concerns and persistent inflation, weighing on interest-rate-sensitive sectors such as housing-related cyclicals, utilities and real estate investment trusts.

Portfolio Commentary

A defining feature of markets in recent quarters has been exceptionally narrow leadership, with a small group of AI-related stocks (semiconductors in particular) driving a disproportionate share of global returns. Alongside broader weakness in quality stocks and sectors like healthcare (as money flowed from blue chips to hotter parts of the market), this weighed on our relative performance earlier this year. This quarter's recovery in quality stocks and derating of crowded positions is consistent with the market broadening we have been positioning for.

Meta (+29%) was our top contributor to performance following the September launch of Muse, Meta's personal AI assistant. The stock surged as investors saw evidence of a consumer AI product that could justify Meta's large AI spending. While the route to material consumer monetisation is not yet clear, Muse has the potential to open substantial new markets for Meta beyond its core advertising business as the company rolls out AI agents to its 3 billion users and 200 million business customers.

Software stocks recovered as earnings results and industry announcements supported our view that established software platforms such as **Salesforce** (+46%), **Microsoft** (+38%) have a critical role to play in enterprise AI adoption. Microsoft is also benefiting from strong AI-related cloud growth,

while unchanged capital spending guidance provided encouraging evidence of improving returns on AI investment.

Our healthcare holdings also recovered during the quarter, led by **Dexcom** (+29%) and **Danaher** (+20%). Dexcom rebounded as revenue and profit margins came in ahead of expectations, while the company continued to gain market share in the continuous glucose monitoring market. Danaher benefited from the continued recovery in spending by its pharmaceutical and biotechnology customers.

Recruit (+50%), owner of **Indeed**, the leading US job listing site, delivered a standout quarter. US job listing revenue rose 35%, well ahead of expectations, as AI-driven matching improvements resonated with customers and margins expanded materially.

Our interest-rate sensitive holdings underperformed during the quarter as mortgage rates in the US passed through the psychological 7% level. These high rates are slowing new home construction, affecting portfolio companies such as **Martin Marietta** (-14%) and **Installed Building Products** (-14%), while reduced renovation spending is affecting **Floor & Décor** (-22%).

Higher interest rates also affected **NextEra Energy** (-12%), a leading US electric utility. As utilities are often viewed as bond proxies due to stable, high-dividend payouts, rising government bond yields reduce their relative attractiveness.

Portfolio activity

As discussed in prior newsletters, since taking over as portfolio manager in July, I have undertaken a detailed review of the portfolio with the team. As a result of this review and our assessment of other opportunities in the market, we have recently made several changes to the portfolio's construction. We have added several new high-quality businesses, many in the consumer, financial services and industrials sectors, areas where the portfolio has historically had lower exposure. We also exited several holdings where the investment thesis had played out or where we found a better opportunity.

We have also expanded the team to allow us to cover more ground globally as we look for new investments and monitor an enlarged portfolio. The addition of Harry Smith, Daniel Moser and Ashton Old to the International Growth team has also allowed us to move to a sector coverage model, helping us develop deeper industry insights and identify new investment opportunities.

The International Growth Fund now holds 56 companies across a wider range of sectors and regions. This increases diversification while keeping the portfolio concentrated by industry standards and invested in competitively advantaged businesses we expect to perform well over the medium to long term. These changes are also expected to reduce the volatility of the portfolio.

Every new portfolio addition must meet the same rigorous quality standards that have guided our investment process for 25 years. Many of the new additions to the portfolio are leaders in their industries and, in our view, amongst the highest-quality companies globally. Several of these new additions are discussed below.

New addition **S&P Global** is one of the world's most important financial infrastructure businesses, providing credit ratings, market data, indices and analytics that underpin global capital markets. S&P Global is a highly profitable and cash-generative growth business, and its products are deeply embedded in customers' workflows, supported by trusted brands, proprietary datasets and regulatory barriers that make competition difficult. As global capital markets continue to grow, we believe S&P is well positioned to benefit from rising demand for ratings, indices and mission-critical financial information.

Arthur J Gallagher & Co is one of the world's largest insurance brokers, serving businesses across property, casualty, employee benefits and specialty insurance markets. The company has built a leading position through decades of disciplined acquisitions and a strong focus on middle-market clients, where expertise and relationships are highly valued. Gallagher's scale provides access to industry data, systems and specialist knowledge that smaller competitors struggle to replicate. Its highly recurring revenue model, sticky client relationships and long runway for further consolidation make it an attractive long-term growth company in a fragmented industry.

Chipotle Mexican Grill is the leading fast-casual restaurant chain in the United States, offering fresh, high-quality Mexican-inspired food through a simple and highly efficient operating model. The company has built a powerful brand around food quality, convenience and value, enabling it to take market share from both traditional fast-food chains and independent restaurants. Chipotle's strong unit economics and substantial store expansion opportunity provide a long runway for growth, while operational innovations continue to drive productivity gains. We believe Chipotle represents a rare example of a restaurant business that combines a strong consumer brand with significant reinvestment opportunities.

Nu Holdings (Nubank) is Latin America's largest digital bank, serving well over 100 million customers across Brazil, Mexico and Colombia. Founded to challenge the region's highly concentrated banking sector, Nubank has built a cloud-native platform that delivers a superior customer experience at a fraction of the cost of traditional banks. The company has achieved scale advantages that are increasingly difficult for competitors to replicate, supported by vast amounts of customer data, leading digital

engagement and sophisticated underwriting capabilities. Despite its already impressive size, we believe Nubank still has a long runway to deepen customer relationships, expand lending and increase share of wallet across some of the world's most underpenetrated banking markets.

Broadcom Inc is a global technology leader whose products sit at the heart of modern digital infrastructure. The company holds leading positions in networking chips, custom AI processors and data centre connectivity, making it a critical supplier to many of the world's largest technology companies. As artificial intelligence drives unprecedented investment in data centres, Broadcom is emerging as one of the key beneficiaries through both its custom silicon capabilities and networking solutions. Its scale, deep engineering expertise and mission-critical products create significant competitive advantages and position the company to benefit from long-term growth in AI and cloud computing.

The quarter's improved performance is a welcome start, and we are encouraged by how the portfolio has responded. We have made these changes to build a more resilient portfolio without altering what has made our approach successful over the long term. We believe the changes leave the portfolio better balanced, better resourced and well placed to deliver for our clients over the long term.

Higher yields, lower prices: A de-rating, not a downturn

Michael Bacon, Senior Investment Analyst, Premium Property & Infrastructure Fund

Portfolio Performance

	1 month	3 months	6 months	CYTD	1 year	3 years	5 years	10 years
Fisher Funds Premium Property & Infrastructure Fund	-3.05%	-7.55%	-2.75%	-1.59%	-2.42%	7.95%	3.90%	8.22%
Benchmark	-2.84%	-6.88%	-3.04%	-2.13%	-1.55%	12.87%	7.19%	7.15%

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 Commentary

The Premium Property & Infrastructure Fund returned -7.55% for the quarter, compared to its benchmark index which returned -6.88%.

The September quarter was a difficult one for property and infrastructure equities. Bond yields rose sharply: the US 10-year Treasury yield climbed around 80 basis points to 5.3%, while New Zealand and Australian 10-year bond yields increased by 60 to 70 basis points, reaching 5.0% and 5.4%, respectively. Brent crude rose 31% to above US$100 a barrel as the Iran conflict kept supply at risk, and central banks stopped treating the inflationary impulse as temporary. The US Federal Reserve raised rates for the first time since 2023, the Reserve Bank of New Zealand raised the OCR twice, and the Reserve Bank of Australia delivered its fourth increase of the year.

This was a de-rating of our asset class rather than a broad market sell-off. Global equities rose around 2% over the quarter, while every component of our blended benchmark fell: global infrastructure -7%, Australian property -8% and New Zealand property -4%. Almost every sub-sector we track declined. US utilities were the weakest, down 12%, hit by higher yields and growing political resistance to data centre development, which challenges the demand growth priced into the sector (see below). Airports and midstream energy also fell, with the latter declining despite the oil price. Only towers and emerging market infrastructure finished the quarter higher, with railroads roughly flat.

Within the portfolio, our towers, data centre, railroad and UK utility holdings all added value. However, the fund fell behind the benchmark for the quarter due to negative returns from a handful of large positions, notably **CMS Energy** (-17%), **NextEra** (-13%), **Goodman Group** (-13%), and **Vistra** (-13%), together with the Arena REIT exit discussed below.

Quarters like this are uncomfortable, but they allow us to buy our favourite companies at discounted prices, and we were active in doing so.

Portfolio Commentary

Targa Resources locks in future growth with key customer ExxonMobil

Targa Resources (+1%) signed 20-year, fee-based midstream agreements with ExxonMobil across the Permian Basin, materially extending its growth runway. The agreements support three new processing plants and a new pipeline, underpinning double-digit medium-term earnings growth. The announcement came alongside second-quarter earnings which beat market expectations, with adjusted EBITDA (cash earnings) roughly 9% ahead.

The ExxonMobil deal is a strong endorsement of our investment thesis: pairing the best assets with the best customers to deliver sector-leading returns on capital. It also helped catalyse a shift in our midstream holdings. Earlier in the year we added **Targa and Williams** (-8%) as the best operators with top-tier growth rates, and during the quarter we sold our residual positions in **Kinder Morgan** (-5%) and **Enterprise Products** (-2%). Both remain solid companies and return to the fishing pond.

Earnings momentum remains robust at CPKC as it enters a favourable freight environment

Canadian Pacific Kansas City ('CPKC', -2%) reported second-quarter earnings which modestly beat market expectations. Revenue rose 13%, supported by volume growth of almost 4%: grain volumes lifted 19% on a record Canadian harvest, whilst

coal volumes fell 29%. Pricing remained the more important driver, with revenue per tonne-mile (the price earned for moving a tonne of freight one mile) up almost 9%. Around 4% of that increase was attributable to pure price rises, at the top end of CPKC's long-term target range. Management reaffirmed full-year guidance for low-double-digit earnings growth, and CEO Keith Creel reiterated his opposition to the proposed Union Pacific-Norfolk Southern merger. We made no change to our position in CPKC but exited our small remaining holding in Union Pacific (+1%).

Equinix raised its medium-term growth targets barely a year after setting them

Equinix (-2%) delivered a solid quarter, lifting margins 3% and bookings 23%, but the more significant development was management lifting its 2027-2029 growth targets barely a year after setting them. It now expects annual revenue growth of 10-13% (up from 7-10%) and AFFO per share (a property trust's cash profit) growth of 9-12% (up from 5-9%). Annual capital investment is expected to increase by a third to meet demand. The driver is AI inference, the day-to-day running of trained AI models close to where they are used, which is lifting volume, pricing and margins. While some may fret that this upgrade leans on hyperscale capital spending, we see Equinix's demand as resilient, supported by its enterprise-led, diversified customer base and the sticky, distributed nature of inference demand, and we increased our position.

We also exited **Crown Castle** (-11%) following the departure of two senior managers with a short tenure. Whilst its shares are cheap, the timing of an inflection in tower leasing keeps being pushed out, and with elevated debt at a time of rising long-term interest rates, we see better opportunities elsewhere.

Politics and interest-rate sensitivity led to a weak quarter for our US utilities

CMS Energy (-17%) and **NextEra Energy** (-13%), our two largest US regulated utilities, fell with their sector as long-term bond yields rose and politics intruded on data centre demand. Both reported second-quarter earnings in line with market expectations and held their guidance, so this was a de-rating (a lower earnings multiple) rather than an earnings problem. For NextEra, the overhang is political: Virginia's governor has taken the unprecedented step of intervening in its proposed merger with Dominion Energy, and its Florida rate settlement is under appeal. For CMS, leading candidates from both parties for Michigan governor have called for a pause on new data centres, several townships have adopted moratoria, and the regulator has signalled concern over customer bills. The pushback reached Texas too, where Governor Abbott ordered an audit of every data centre project seeking a grid connection before any is approved, depressing forward power prices and hitting Vistra (-13%). We modestly reduced both CMS and Vistra during the quarter to buy European utilities, and to acknowledge the increased regulatory risk faced by Vistra.

The Australian childcare industry is in poor shape, leading us to exit Arena REIT

We exited **Arena REIT** (-30%) in August, having reduced the position by more than half over the past year. Australia's childcare industry has suffered a series of safety scandals, which, together with a softer economy has led to declining enrolments and rising staff costs, making it harder for operators to afford rent. Despite this, Arena kept reporting robust tenant and portfolio metrics, including 100% occupancy, and our inability to reconcile the two drove the earlier reductions. In August, Edge Early Learning, which accounted for 14% of Arena's rent, requested rent relief and by month end had entered administration. That settled the question for us and we sold the remaining position. It is a frustrating outcome, and a sad reflection on the state of Australian childcare, but position sizing meant the impact on the fund was contained.

It was an active quarter. We exited six holdings where our thesis had weakened or better opportunities existed and recycled the proceeds into our highest-conviction ideas, adding to Equinix, Targa Resources and Williams, while building **SSE** (+4%) and **National Grid** (-8%) into full positions.

Rising yields bruise the quarter but brighten the outlook.

Quin Casey, Senior Portfolio Manager, Premium Income Fund

Portfolio Performance

	1 month	3 months	6 months	CYTD	1 year	3 years	5 years	10 years
Fisher Funds Premium Income Fund	-0.31%	-0.30%	1.36%	1.32%	1.93%	6.09%	3.39%	3.05%
Benchmark	-0.26%	-0.31%	0.98%	0.90%	1.15%	4.78%	2.93%	2.25%

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

Market Commentary

The Premium Income Fund returned -0.30% over the quarter which was flat to the benchmark return of -0.31%.

Higher bond yields created a challenging quarter for fixed income investors as bond prices around the world declined. While this weighed on short-term returns, the resulting increase in yields has improved the income and return potential available from bonds. Looking ahead, we believe the combination of attractive yields, healthy corporate balance sheets and an improving New Zealand economy create a constructive environment for active fixed income investing.

A bumpy quarter

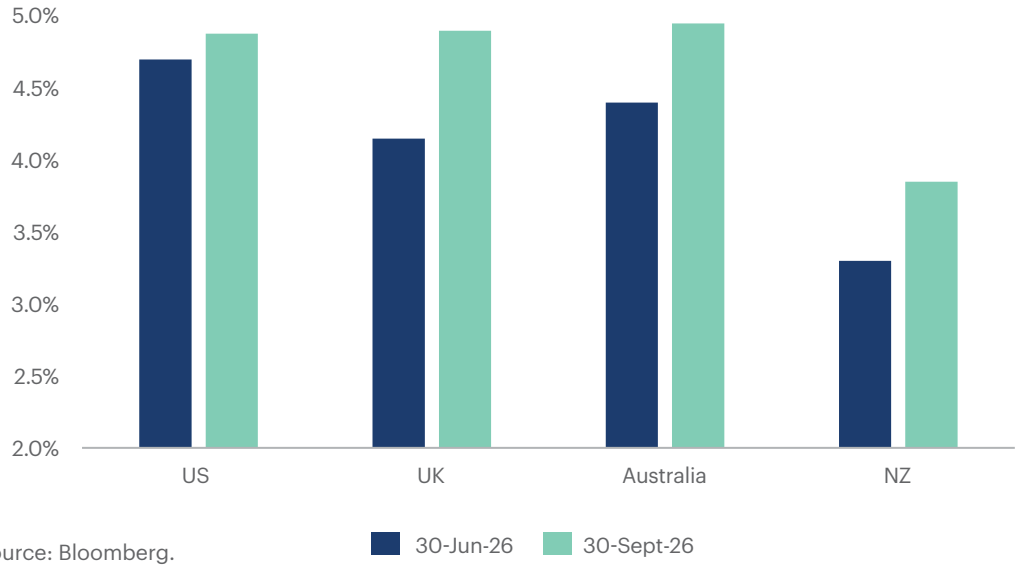
Q3 2026 was relatively turbulent for financial markets as investors contended with competing narratives around growth, inflation, and monetary policy. Fixed income investors faced headwinds as bond yields rose and investors reassessed the outlook for inflation and central bank policy, while equity markets navigated geopolitical tensions, artificial intelligence developments and growth concerns. Credit fundamentals remained broadly resilient, although higher borrowing costs and economic uncertainty created uneven pressures across industries.

Yields go up – pain today, gain tomorrow

For bond investors, rising yields can be uncomfortable.

When market interest rates rise, the prices of existing bonds fall, which can result in negative returns - even though existing bonds continue to pay coupons.

That is what investors have experienced in recent months, with bond yields moving higher across the US, UK, Australia and New Zealand, as shown in the chart below.



Source: Bloomberg.

However, higher yields also create opportunities for investors. Income received from existing investments can be reinvested at better rates of return, while newly purchased bonds offer more attractive prospective returns. If yields eventually stabilise or fall, investors may also benefit from capital gains. This is why higher yields are painful in the short term but potentially beneficial over the longer term. While higher yields do not guarantee positive returns, they improve the starting point from which future returns are generated. Indeed, at the end of June 2026, the yield on the fund was 4.4%. The current yield is just over 5.0%, providing a stronger foundation for future returns.

Looking beyond a single quarter, as explained above, higher yields mean lower bond prices in the short term, which can be frustrating when looking at quarterly returns.

But this is where time matters. While short-term market movements can dominate quarterly returns, the income generated by a bond portfolio over time is often the primary driver of long-term outcomes. Recent years have demonstrated both sides of fixed income investing higher yields can lead to short-term price declines, but they also improve future return potential.

Today's higher-yield environment presents a more attractive starting point for long-term investors than the low-yield world that existed only a few years ago. For the fund, our focus remains on the basics: earning attractive income, managing interest-rate and credit risk, and investing where we believe markets are mispricing the outlook.

Although rising yields weighed on returns this quarter, we are increasingly optimistic about the opportunities available across fixed income markets. Higher starting yields, a slowly improving domestic economy and selective opportunities in global credit markets provide a stronger foundation for future returns than bond investors have enjoyed for many years.

Goodman Property Trust – benefiting from high-quality real estate

Goodman Property Trust owns and manages a portfolio of industrial and logistics properties across New Zealand. The company benefits from high-quality assets, a diversified tenant base, and conservative financial management. While parts of the commercial property sector continue to face challenges (e.g., office buildings), demand for well-located logistics facilities remains supported by long-term structural trends. During the quarter, we added to our position in Goodman bonds as yields reached levels (5.2%) that we believe provide attractive compensation relative to the underlying credit risk. We continue to view Goodman as a resilient issuer with strong asset backing and a sound financial profile.

CoreWeave – financing the growth of AI infrastructure

CoreWeave has become an important provider of cloud infrastructure supporting artificial intelligence applications. Demand for computing capacity continues to expand rapidly as businesses increase investment in AI technologies and data processing capabilities. Although the company continues to invest heavily to support future growth, we believe its strategic market position and strong customer relationships support an attractive long-term credit profile. Following the company's better than expected Q2 2026 results, we invested in CoreWeave's euro high-yield bonds as we believed investors were being more than adequately compensated for the associated risks (the current NZ yield is circa 12.0%).

O-I Glass – moving on

O-I Glass is one of the world's largest manufacturers of glass containers for the food and beverage industry. While the business maintains leading market positions, demand conditions have remained challenging and growth prospects have become less certain – especially related to the company's European operations. Although management has worked to improve profitability and strengthen the balance sheet, we believe there are more attractive opportunities elsewhere in the corporate bond market. During the quarter, we exited our position in O-I Glass high-yield bonds and redeployed the proceeds into investments that we believe offer stronger long-term risk-adjusted return potential.

Quality companies perform well amid higher rates and AI disruption

Ashley Gardyne, Chief Investment Officer | **Mark Brighouse,** Chief Investment Strategist | **Harry Smith,** Senior Portfolio Manager,
Premium Diversified International Equity Fund

Portfolio Performance

	1 month	3 months	6 months	YTD	1 year	3 years	5 years	10 years
Fisher Funds Premium Diversified Int Equity Fund	0.26%	2.27%	11.99%					
Benchmark	1.47%	2.21%	17.30%					

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 Diversified International Equity Fund has a positive quarter, gaining 2.27% compared with its market benchmark return of 2.21%.

Market Commentary

Global share markets gained over the September quarter despite heightened geopolitical and economic uncertainty. Escalating conflict in the Middle East pushed energy prices higher, while persistent inflation and resilient economic growth reinforced expectations that interest rates would remain higher for longer. Government bond yields rose, credit spreads widened and interest-rate-sensitive areas of the market came under pressure.

The US remained a key driver of developed market growth, supported by robust corporate earnings, resilient consumer spending and continued investment in artificial intelligence. However, headline gains masked considerable variation across regions, sectors and companies. Developed markets outperformed emerging markets, while Japan performed strongly compared with North America and Europe.

Technology companies recovered from weakness earlier in the quarter, supported by renewed strength among semiconductor companies in South Korea and Taiwan and resilient demand for AI computing capacity. Investors also became more discerning, distinguishing between companies where AI spending is driving revenue growth and those where the potential returns remain less clear. We remain selective, focusing on business quality, sustainable earnings and the ability to generate attractive long-term returns.

Portfolio Commentary

The portfolio benefited from its exposure to quality companies across a range of investment styles, sectors, and regions. Returns were led by our technology holdings, with further support from selected healthcare companies, stock-specific strength in industrials and a tilt towards Japan. These gains were partly offset by companies sensitive to higher interest rates, particularly those linked to US housing, and by underweight positions in some of the larger semiconductor companies that performed well during the quarter.

Microsoft, Meta and Recruit Holdings were the portfolio's largest contributors. Microsoft benefited from strong AI-related cloud growth, while unchanged capital investment guidance provided encouraging evidence of improving returns from its AI spending. Use of Microsoft 365 Copilot also continued to grow. Meta performed strongly as investors responded positively to the potential for its AI investment to support new products and revenue opportunities beyond its core advertising business. Software companies more broadly also recovered as financial results and industry developments reinforced the important role established platforms are expected to play in enterprise AI adoption, with Salesforce among the stronger performers.

Recruit Holdings showed that the benefits of AI extend beyond the technology sector. The owner of US employment platform Indeed continued to use AI to improve how its platform matches employers and candidates, while revenue per US job advertisement increased as more employers purchased premium listings.

Beyond technology, the portfolio diversification added to returns. Selected healthcare companies recovered after a period of broader weakness among quality healthcare names earlier in the year. Dexcom delivered stronger-than-expected revenue and profit margins as it continued to gain share in the continuous glucose monitoring market, while Danaher benefited from an ongoing recovery in spending by pharmaceutical and biotechnology customers.

The main detractors shared a common cause: higher interest rates. Building materials company Martin Marietta declined as higher mortgage rates weighed on US housing activity, while rising diesel prices increased operating costs. Investor reaction to the company's acquisition of Lhoist also reflected concerns about the acquisition's valuation and its implications for Martin Marietta's strategy. We believe the acquisition has attractive qualities, including access to significant aggregate deposits that are not currently being fully utilized. Other housing-related companies, including Installed Building Products and Floor & Decor, were affected by slower new home construction and reduced renovation spending. Elsewhere, while AI-related holdings drove much of the portfolio gains, the underweight position in NVIDIA detracted from relative performance as the company's shares rose during the quarter.

The quarter highlighted the value of the portfolio's diversified approach, with strength in technology, healthcare and Japan helping to offset weakness among rate-sensitive holdings. The portfolio brings together value, growth, and core components. The core component retains greater exposure to healthcare, materials and consumer staples, alongside a tilt towards Japan and away from the US, while the growth component provides exposure to high-quality companies with durable competitive advantages and attractive long-term growth opportunities. Together, these complementary approaches provide exposure to a broad range of opportunities while maintaining a disciplined focus on quality, valuation, and long-term returns.

The primary challenge during the quarter was the extraordinary performance of semiconductor stocks. While the portfolio maintains exposure to several high-quality beneficiaries of long-term AI adoption (e.g. Nvidia, TSMC and Microsoft), it has generally had less exposure to the more speculative areas of the market and remains selective regarding businesses whose future earnings expectations appear difficult to sustain. This 'underweight-AI' positioning detracted from relative performance as semiconductor-related stocks significantly outperformed.

Healthcare holdings delivered mixed results. While some companies benefited from improving operational performance and favourable industry trends, others faced near-term pressures from changes in healthcare utilisation, competitive dynamics, and softer consumer spending. The portfolio continues to focus on businesses with strong competitive advantages and exposure to long-term structural growth drivers within the sector.

During the quarter, portfolio activity focused on maintaining diversification while taking advantage of valuation opportunities created by market dislocations. Exposure was selectively reduced in areas where valuations appeared stretched, particularly within parts of the semiconductor sector, while capital was redeployed into high-quality businesses across financials, consumer, industrial and services sectors. The result is a portfolio that remains diversified across industries and regions, retaining exposure to long-term themes such as artificial intelligence, healthcare innovation, and rising consumer wealth.

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