

Investment Update

September 2026

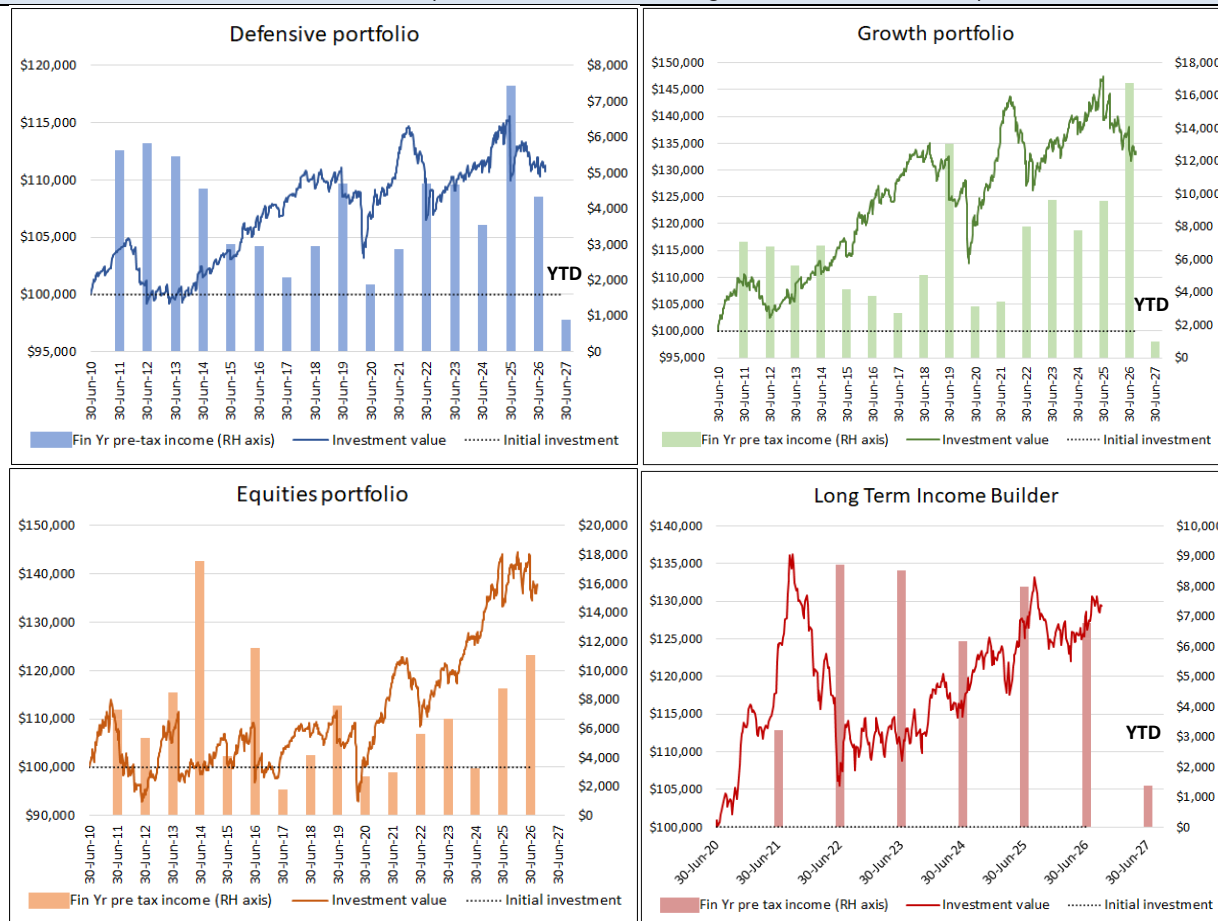
ARA INVESTMENT FUND RETURNS to 30 September 2026

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
Defensive	0.6	2.3	4.6	3.7	3.6	4.5 (April 2003)
Growth	0.0	3.6	7.2	5.8	5.9	6.2 (April 2003)
Equities	0.5	5.1	9.8	7.3	6.8	7.1 (August 2003)
Long Term Income Builder	1.6	4.7	9.4	3.9	n/a	8.8 (March 2020)

Returns in the table above exclude the value of franking credits. All ARA Investment Fund portfolios generated franking credits from investing in Australian shares, the benefit of which is realised by way of a credit against the investor's own tax liability. For an investor in the ARA Investment Fund for the full 2025/26 financial year, the value of the tax credit expressed as a percentage of their investment value was approximately:

	Defensive	Growth	Equities	Long Term Income Builder
Impact of franking credits	0.1%	0.5%	0.8%	1.7%

Illustration of income and capital returns received by an investor from an initial investment of \$100,000 since 1/7/2010 (or 1/7/2020 for the Long Term Income Builder):



September quarter results landed somewhere between flat and fair. We shouldn't read too much into quarterly outcomes, but at the recent round of investor updates it seemed that there was more than the usual level of concern in the room(s) at the general state of affairs out there in the investment world. So let's set down the main themes and challenges as we see them at present, and what we're doing about it.

The Big Three, with some obvious cross-pollination, are these:

1. The Fracturing and Re-shaping of the World Order – Geopolitics writ large. And is there a changing of the guard away from the US and its currency?
2. Indebtedness – We have witnessed, in several of the major economies of the world, decades of seemingly unrestrained growth in debt and the cost of servicing it.
3. AI – Real or Not? Threat or Opportunity? Friend or Foe?

As demand for debt and the risks associated with debt servicing rise, interest rates tend to go up - not helped by supply disruptions like oil shocks and war-mongering. Australia looks to be later in the cycle (that is, closer to the peak) than the US.

A good way to avoid the pitfalls of debt like this is to avoid investing in government, or corporate bonds, and indeed we hold no such bonds at this time. The vast majority of our fixed interest exposure is by way of bank term deposits and guaranteed annuities. And we have been bolstering our spread of deposits now that interest rates have climbed out of the cellar they were in a couple of years ago, and are perhaps nearing their peak.

There's no argument that instability and volatility have grown, probably even by design in certain quarters, which makes forecasting even more difficult. For example, apparently JP Morgan's oil price modelling software has been moth-balled, at least temporarily, because the old rules no longer apply. And it's widely touted that the USA and its currency might be slipping from their place at the head of the global economic pack. But right now there is no-one really ready to take the reins, so there is some breathing space.

Years of economic dominance and reliance on the US financial sector, and the hay that was made while the sun was still shining, take time to break down. It's still the case that if you want to be in certain sectors, notably technology, in a meaningful way, really you have to look to the US, notwithstanding the giant strides being made elsewhere.

Which is a neat segue into the AI question. Most new technologies have their critics and doomsayers as well as optimists regarding their broader impact, but as an investment opportunity the AI phenomenon is one you ignore at your peril. Fortunes are there to be made, missed or lost.

As in many a gold rush in the past, a reliable way to play the game is to sell shovels to the miners rather than dig the holes yourself.

Alert readers will notice that names such as Google, NVIDIA and now Apple have worked their way into the list of major holdings below. While this is counter to our long held "underweight" view on the US, it acknowledges the pre-eminence of the US technology sector, and targets well-established companies in prime position to benefit from AI without running the risk of landslides at the coalface.

The Equities portfolio holds a couple of more opportunistic plays, via recent additions such as the Apis Global Small Companies Fund and the US Opportunities Fund. The ARA approach sees exposure to Equities as suited to long term, more risk-tolerant money that is not expected to be drawn on. But for Defensive and Growth we will stand by the long-held mantra of erring on the side of caution even if there might be an opportunity cost in the short term.

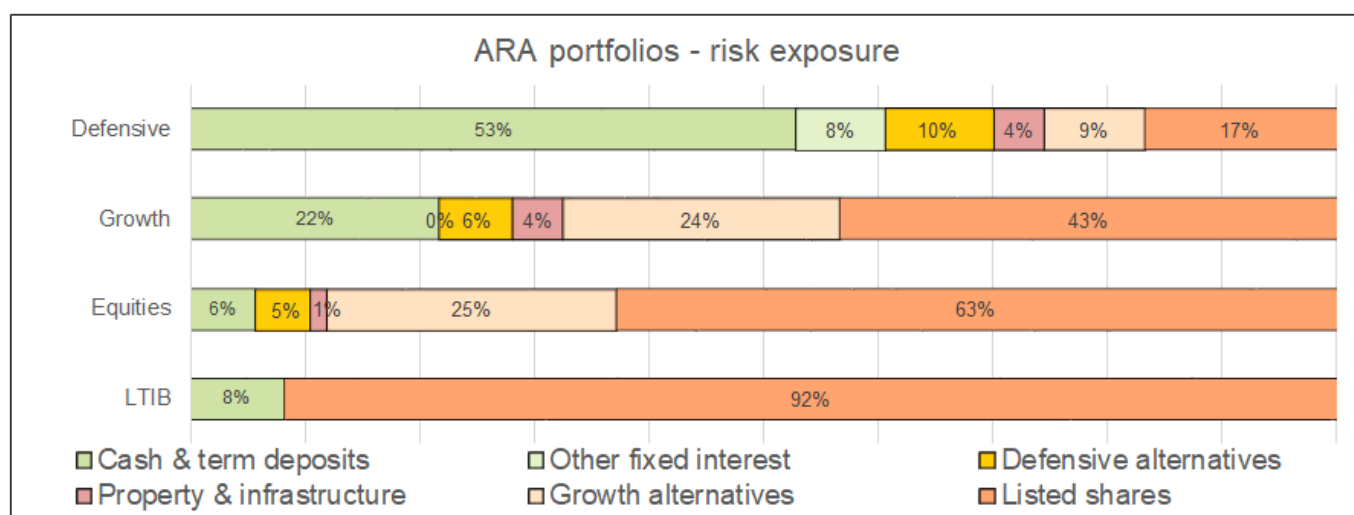
Difficult markets are when active portfolio management really earns its keep. Passive or index management techniques by design deliver what the targeted market does. In good markets everyone does well. But when things get tough it's critical to be continually alert to the diversification, value and risks inherent right across the portfolio, and right down to asset level, rather than be tossed around with the market tides.

This is a brief overview of themes we will revisit in updates throughout the year.

So, who's got what?

The table below shows the ARAIF's investments at the time of writing. Please note, the percentages refer to the proportion of each portfolio allocated to that investment, not its rate of return.

	Asset Type	Defensive Portfolio	Growth Portfolio	Equities Portfolio	L/T Income Builder
National Australia Bank Cash account	Cash & Tier 1 Fixed Interest	8.6%	2.0%	5.8%	8.2%
Bank Term Deposits		3.1%	3.2%	0.0%	
Challenger Life Guaranteed Annuities		33.3%	14.6%	0.0%	
First Sentier Cash Fund		3.9%	0.0%	0.0%	
Mutual Cash Fund		3.9%	2.0%	0.0%	
Coolabah Active Credit Fund	Other Fixed Interest	7.7%	0.0%	0.0%	
Sterling Equity	Listed Securities	8.1%	10.3%	7.6%	
Anacacia Wattle Fund		6.5%	11.6%	6.3%	
Dimensional Sustainability Aust		0.0%	0.4%	11.5%	
Vanguard World Ex-US ETF		1.6%	2.7%	8.0%	
Anacacia Global Fund		0.7%	1.9%	1.8%	
Dimensional Sustainability Gbl Unhedged		0.0%	8.3%	10.4%	
Dimensional Sustainability Gbl Hedged		0.0%	8.2%	11.2%	
Ironbark Apis Global Small Companies		0.0%	0.0%	3.3%	
Aoris International Fund		0.0%	0.0%	2.7%	
Listed Investment Companies		0.0%	0.0%	0.0%	71.7%
Vanguard Aust Shares High Yield ETF	Alternative assets (Growth)	0.0%	0.0%	0.0%	20.1%
Anacacia Capital		3.7%	15.3%	10.5%	
Polaris Marine		1.6%	2.3%	0.7%	
Morrison Utilities Trust		4.4%	4.3%	1.5%	
Proserpine Resources Trust		0.3%	0.6%	0.1%	
Performance Equity Mgrs Fund 4		2.1%	3.7%	2.9%	
US Opportunities Fund		0.0%	0.0%	3.0%	
Luxury Escapes		1.1%	2.3%	1.5%	
Cheesecake Shop		0.0%	0.0%	2.0%	
The Memo Fund		0.0%	0.0%	2.0%	
River Capital Co-Inv Fund 1	Alternative assets (Defensive)	0.0%	0.0%	2.4%	
Infradebt		5.6%	5.3%	4.3%	
Quota Trust		3.8%	1.0%	0.5%	
		100.0%	100.0%	100.0%	100.0%



Major Holdings – diversified portfolios

Apart from bank deposits and other interest-bearing accounts, Defensive, Growth and Equities portfolios invest in a range of assets through the fund managers listed in the table above. If we drill through to the assets selected and overseen by those managers, there are in fact over a hundred individual securities providing diversification of risk and exposure to a wide range of opportunities.

The table below shows the 20 largest individual holdings and what proportion of each portfolio they represent. These are the investments that will have the biggest impact on the portfolios' returns.

Investment	Type	Principal Activity	Defensive Portfolio Exposure	Growth Portfolio Exposure	Equities Portfolio Exposure
MGI Golf	Private company	Golf equipment	2.6%	6.8%	5.0%
Infradebt	Private trust	Infrastructure lending	5.6%	5.3%	4.3%
Opteon	Private company	Property services	0.0%	2.6%	1.6%
Sureway	Private company	Employment services	0.0%	2.3%	1.4%
Polaris Marine	Private company	Marine services	1.6%	2.3%	0.7%
Luxury Escapes	Private company	Travel agency	1.1%	2.3%	1.4%
Uber	US listed company	Rideshare/Tech	1.6%	2.1%	1.5%
Google	US listed company	Technology	1.2%	1.9%	2.1%
Florabelle	Private company	Homewares	0.6%	1.7%	1.2%
Procal	Private company	Dairy manufacture & dist'n	0.6%	1.6%	1.2%
Perth Airport	Infrastructure	Transport hub	1.2%	1.1%	0.4%
IDP Education	ASX listed company	Education services	0.8%	1.0%	0.8%
Reece	ASX listed company	Plumbing supplies	0.8%	1.0%	0.8%
Schaffer	ASX listed company	Diversified industrial	0.8%	1.0%	0.8%
Quota trust	Private trust	Statutory fishing rights	3.8%	1.0%	0.5%
Transgrid	Infrastructure	Electricity transmission	1.0%	1.0%	0.3%
Duncan Technologies	Private company	Parking technology	0.0%	1.0%	0.6%
REA	ASX listed company	Online real estate adv	0.7%	0.9%	0.7%
NVIDIA	US listed company	Technology	0.0%	0.8%	1.1%
Apple	US listed company	Technology	0.0%	0.8%	1.1%

Returns quoted in this report are after all costs, and before the application of management fee rebates. Return figures are pre-tax and assume the re-investment of distributions. 3-month return figures are for the period to 30 September 2026 and are not annualized. Data source ARA Consultants Pty Ltd & Context Capital (except where indicated)

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