BLACKROCK HIGH CONVICTION AUSTRALIAN EQUITY FUND

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FUND UPDATE **30 November 2025**

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	2 Yrs pa	Since Manager Incep[3] pa	3 Yrs pa	5 Yrs pa	Since Incep[1] pa
Class D (Net of Fees)	-3.72	-5.30	4.93	2.37	13.30	11.33	7.70	1.37	5.49
Benchmark[2]	-2.64	-2.86	9.17	5.81	14.18	11.77	10.42	7.42	8.18
Outperformance (Net of Fees)	-1.09	-2.44	-4.24	-3.45	-0.88	-0.44	-2.72	-6.05	-2.69
S&P/ASX 300 (for comparative purposes)	-2.64	-2.86	9.17	5.81	14.18	11.77	9.66	9.79	9.67

[1] Unadjusted class D performance since inception date of 4th January 2016

[2] The Fund benchmark from inception to 9 March 2023 was the S&P/ASX300 Industrials Accumulation Ex Top 5 Stocks by Mkt Cap Gross Index. From 9 March 2023 the Fund benchmark was S&P/ASX300 Accumulation Index

[3] With an inception of 29th March 2023, Pendal Group took over management of this strategy on a sub-advisory basis

Please see ^^ in the footnotes of further information.

Performance Summary – November 2025

November Market Review

October's trimmed mean consumer price index (CPI) – the RBA's key measure of inflation – came in at 3.3% year-on-year, versus 3.2% the previous month and ahead of the 2.9% expected by consensus.

This, in combination with comments from the RBA noting the need for a cautious stance given inflationary pressure, saw expectations for further rate cuts dwindle which weighed on equity markets. The S&P/ASX 300 ended down 2.6% for the month.

The S&P 500 ended down -0.4%. It was a volatile month with markets initially down due to increased scrutiny around AI spending, but then rebounding after December Fed easing expectations increased. The lack of economic data from the government shutdown also contributed to the volatility.

Gold continued to rise (+5.9%) alongside copper (+2.4%) and lithium (+5.8%), while iron ore and oil fell -1.1% and -2.9% respectively.

The majority of domestic sectors retreated. Health Care (+1.7%) was one of the few to hold up relatively well, supported by some consolidation in CSL (CSL, +4.4%) and strength in Sonic Healthcare (SHL, +10.3%) and Ramsay Health Care (RHC, +14.7%).

Materials (+1.7%) also outperformed with strength in the gold and lithium sectors. The latter is seeing pricing buoyed by demand for greater energy storage capacity in China.

Technology (-10.8%) fell as the global software sector sold off on concerns over the impact of AI. In Australia, this was exacerbated by updates from Xero (XRO, -15.7%), Technology One (TNE, -17.6%) and Life360 (360, -18.8%) which disappointed the market.

Financials (-6.5%) were down after earnings updates from the major banks, where CBA (CBA, -11.1%) in particular highlighted competitive concerns.

Fund Performance

The Fund, net of fees, underperformed the benchmark (S&P/ASX 300) in November.

The largest detractions came from the portfolio's software exposure – Xero and Technology One. The software sector – where the portfolio has a modest overweight – has sold off on concerns about the impact of AI on demand. We see both Xero and Technology One as well placed and progressed in terms of developing AI capabilities to underpin demand and pricing. Both stocks also delivered solid results, but the market – already jittery around the outlook for tech – latched on perceived negatives in the outlooks for each. We retain conviction in the outlook and in each stock's ability to rebound.

The gold exposure, via Evolution, was a net positive, while there was a modest rebound in CSL. Elsewhere, the underweight in Commonwealth Bank and overweights in Viva Energy, Telstra, Downer and Santos were beneficial.

Contributors

Overweight Evolution Mining (EVN, +9.4%)

The gold price continued to strengthen in November, underpinning further gains in gold miners such as Evolution Mining. There was little in the way of material stock-specific news for the month. Operationally, EVN expect to deliver volumes for FY26 in-line with those for FY25, although there is potential for it to them to expand production at Northparkes and Ernest Henry in the longer term. Gold prices are underpinning a high free cash flow yield relative to most of the mining sector.

Overweight CSL (CSL, +4.4%)

CSL held a Capital Markets Day to help address investor concerns. It presented a confident outlook on the core, growth parts of their portfolio. Outlook for the all-important plasma-based products is high single digit growth over the medium term, and the company sees the market as balanced. It also gave further detail on the next phase of development to further improve yield from plasma donations. Management has committed to building further US capacity which should help with respect to discussions around tariffs and pricing.

Underweight Commonwealth Bank (CBA, -11.2%)

CBA 1Q26 pre-provision profit missed consensus by 2%, driven by one-off costs. Revenues were in line with expectations, but with strong markets offsetting modest margin pressure – with margins coming in at the lower end of the peer group. CBA referenced competitive impacts and consensus put through EPS downgrades of -1%. While modest, this was counter to 2-3% upgrades for peers, which was poorly received given the stock's elevated multiple.

Detractors

Overweight Xero (XRO, -15.7%)

XRO delivered a solid 1H26 result with decent operational execution. However this was overshadowed by market confusion and uncertainty around the outlook for the recently acquired Melio business in the US. While the long-term strategic opportunity is meaningful, the market is unsure on how quickly it will achieve break-even (being earnings dilutive in the near term) and the actions and pathway that will drive it there. Achieving clarity here will be an important factor in restoring market confidence. The stock price reaction was exacerbated by a broader sell-down in software stock on concerns over the impact of AI. We see XRO as well-placed with regard to AI and the development of tools which can take advantage of its strong data set.

Overweight Technology One (TNE, -17.6%)

TNE delivered a solid and inline FY25 result with a great set up heading into FY26. Annual Recurring Revenue ("ARR") grew 18% with upfront investment in their new SaaS+ holding margins flat and hence delivering 19% PBT growth. However the market focused on a slow-down in ARR growth in Asia Pacific. We see this as an issue relating to supply, where TNE has been focused on the UK market, rather than an issue with demand. The company is progressing initiatives to improve delivery speed and unlock more capacity to sell.

Overweight NextDC (NXT, -13.9%)

Broad concerns about the pace of investment in AI and the ultimate returns weighed on the sector in November – including on data centre providers such as NXT. We believe that NXT continues to scale its operations appropriately. In early December it announced that due to recent contract wins, total contracted utilisation has increased by 71MW to 316MW since 30 June 2025, a 29% increase. Its pro-forma forward order book has increased by 53% since the same date. It has also announced a partnership with OpenAI.

Performance and Outlook

The domestic economy looks to be in good shape with business investment and credit growth remaining firm.

However, all this is also driving persistent inflation, which has seen the market remove any expectations for rate cuts.

The RBA's challenge is that the stickier components of inflation are getting higher. Rents, which have been decelerating, may re-accelerate as advertised rents are above those in the CPI calculation. Market services – those provided in competitive environments rather than government regulated areas like education and health – were also picking up in the October CPI data.

This indicates that inflation is set to be above RBA target. The key question is whether they feel holding rates is sufficient to address this issue, or if rate hikes will be necessary.

Weaker economic data, benign inflation and rhetoric from the Fed all add to support to the expectation of a further three to four rate cuts in the US. At the same time, the Fed has brought an end to quantitative tightening, potentially adding further liquidity support to markets.

This all provides a supportive backdrop for US equities. US equity valuations are full, but corporate earnings remain strong and are showing some signs of broadening out from the megacap tech stocks, which is supportive for the market.

Australian equity valuations have pulled back from recent highs, but still remain at elevated levels by historical standard, making it harder for a re-rating to continue driving markets. However a reasonable economic backdrop and earnings growth can help it hold the rating.

The earnings outlook is positive and can support the market. Consensus expects 7.9% EPS growth for the ASX200 in FY26, helped by resources returning to positive earnings and 9% growth in industrials ex-financials.

Elevated market volatility in response to corporate results and announcements is a challenge for both companies and investors – however it is ultimately driving significant mispricing and opportunities to add value at a stock-specific level.

Top 10 Holdings Alphabetically

Stock
ANZ GROUP HOLDINGS LTD
BHP GROUP LTD
COMMONWEALTH BANK OF AUSTRALIA
CSL LTD
EVOLUTION MINING LTD
GOODMAN GROUP UNITS
NATIONAL AUSTRALIA BANK LTD
QANTAS AIRWAYS LTD
TELSTRA GROUP LTD
XERO LTD

Source: BlackRock

Sector Exposure

Sector	Weight %
Financials	25.92%
Materials	22.06%
Industrials	8.19%
Communication Services	8.16%
Health Care	8.12%
Information Technology	7.86%
Real Estate	5.69%
Energy	3.66%
Consumer Discretionary	3.48%
Consumer Staples	1.49%
None	0.13%
Utilities	-

Source: BlackRock

About the Fund

This strategy is sub-advised by Pendal Group. The strategy is operationally managed by BlackRock and aims to replicate the Pendal Focus Australian Share Fund as closely as possible.

Investment Objective

The Fund aims to provide a return (before fees, costs and taxes), that significantly exceeds the S&P/ASX300 (TR) Index over the medium to long term.

Description of Fund

This Fund is designed for investors who want the potential for long term capital growth and tax effective income from a concentrated portfolio of primarily 15-30 Australian shares and are prepared to accept higher variability of returns. The Fund may also hold cash and may use derivatives.

Pendal's investment process for Australian shares is based on our core investment style and aims to add value through active stock selection and fundamental company research. Pendal's core investment style is to select stocks based on our assessment of their long term worth and ability to outperform the market, without being restricted by a growth or value bias. Our fundamental company research focuses on valuation, franchise, management quality and risk factors (both financial and non-financial risk).

Derivatives may be used to reduce risk and can act as a hedge against adverse movements in a particular market and/or in the underlying assets. Derivatives can also be used to gain exposure to assets and markets.

Fund Positioning

The Fund is designed to complement a conventional, core share portfolio by providing satellite exposure to selected Australian equities with the potential for performance enhancement.

Investment Team

Pendal's nineteen member Equity team is one of the largest in the Australian fund's management industry. The portfolio manager for the Fund is Crispin Murray, who has more than 31 years' industry experience. Crispin is also Head of Equity.

Fund Details

BlackRock High Conviction Australian Equity Fund	
APIR Code (D Class)	BLK0012AU
Fund Size/strategy Size	$9m/$184m
Buy/Sell Spread	0.25%/0.25%
Liquidity	Daily

Investment Guidelines	
Ex-ante tracking error	3.0% - 6.0%
Max absolute stock position	15%
Min/Max sector position relative to Index	+/- 15%
Min/Max BARRA style factors	+/- 0.5 SD
SIRA style factors	Within 1 SD
Maximum cash level	30%
Shorting	No
Borrowing	No

^^ Performance figures represent past performance and are not indicative of future performance. Current performance may be higher or lower than that shown. Net performance figures are calculated after fund management fees and expenses, and assume reinvestment of distributions. Unless otherwise stated, performance for periods greater than one year is annualised and performance calculated to the last business day of the month.

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