

# Growth Headwinds Remain

Jun Bei Liu, CFA

Founder / Lead Portfolio Manager



## Growth headwinds remain

January extended the rotation that began late last year, with performance increasingly concentrated in commodity-linked sectors. The S&P/ASX 200 closed the month +1.8%, supported primarily by Materials and Energy. Materials alone contributed more than 220 basis points to index returns, underscoring the narrow nature of market leadership.

In contrast, Information Technology declined 9.4% and Real Estate fell 2.7%, as duration-sensitive sectors continued to de-rate amid shifting rate expectations. Commodity strength was a defining feature of the month. Gold rose 13.3%, oil prices were materially higher, and base metals remained firm. Earnings momentum at the aggregate level also improved, with consensus FY26 earnings growth rising to +11.3%.

However, earnings upgrades were concentrated in Materials, reinforcing the cyclical tilt in index performance. The shift toward a higher-for-longer interest rate environment continues to influence capital flows. Bond yields have remained elevated and

markets have reassessed the likelihood of further easing, pressuring long-duration growth assets and widening style dispersion in favor of Value.

Against this backdrop, the Fund returned +0.35% in January, underperforming the broader index which rose 1.78%. While our increased exposure to resources provided some positive contribution, this was more than offset by weakness across several of our high-conviction growth holdings. Importantly, we view this underperformance as macro- and sentiment-driven rather than reflective of fundamental deterioration. Operating performance and earnings delivery across core growth positions remain resilient.

With the ASX 200 trading at 18.2x forward earnings and sitting only modestly below its 12-month high, we expect future returns to be increasingly earnings-driven. We remain focused on balancing selective cyclical exposure with ownership of high-quality structural growth businesses where long-term competitive advantages and earnings visibility remain intact.

	1 Month	3 Month	1 Year	2 Year p.a.	3 Years p.a.	5 Years p.a.	ITD p.a.
Alpha Plus*	0.35	-6.23	-1.21	9.19	7.71	9.58	10.76
Benchmark	1.78	0.36	7.37	11.20	9.81	10.21	9.34
Value Added	-1.43	-6.58	-8.58	-2.01	-2.10	-0.63	1.42

ITD = Inception to date (Mar-19 when Jun Bei took over as Lead Portfolio Manager for the Alpha Plus Fund).

2, 3, 5-year returns are annualized. Benchmark is ASX200 Accumulation Index

\* Net performance for Class A – based on month end unit prices in Australian dollars. Net return is after management and operating fees. Past performance is not indicative of future performance

## Lead Portfolio Manager

Jun Bei Liu, CFA



## Alpha Plus vs ASX200 Accumulation Index

(Net Returns as at January 2026)



Based at 100 as at inception (Mar-19)  
Alpha Plus is Net of fees and transaction costs

## January Portfolio Commentary:

January was a challenging month for the Fund, as several of our high-conviction growth leaders experienced meaningful share price weakness despite no material change in underlying fundamentals. Market leadership remained narrow, with strength concentrated in resources and select index heavyweights, while quality growth and long-duration assets saw renewed selling pressure.

Inflation data remained slightly elevated, tempering expectations around the timing of policy easing and contributing to volatility across growth sectors. Capital rotation was sentiment-driven, creating short-term dislocations between share price movements and company fundamentals.

While this weighed on monthly performance, it has not altered our conviction in the structural drivers underpinning our core holdings. Portfolio construction remains disciplined and diversified across mega-sectors, with risk actively monitored as we navigate a transitional phase in the interest rate cycle.

### Key Positive Contributors:

- **South32 (S32):** supported by stronger silver, aluminum and copper prices, S32 also delivered a solid quarterly update..
- **Newmont (NEM):** As a large-cap gold producer, NEM was a key beneficiary within the portfolio. We continue to view NEM as a core gold exposure, with management focused on cost discipline, balance sheet strength and capital returns to shareholders.

- **NexGen Energy (NXG):** Stronger uranium pricing and the emergence of near-term catalysts supported performance in January. The company is expected to conclude the federal approval process for its Rook I project in February, representing a key de-risking milestone. As a result, investor attention has returned to the name as permitting risk reduces and development visibility improves.
- **Bluescope Steel (BSL):** A joint takeover approach from SGH and Steel Dynamics was the primary driver of BSL’s share price performance during the month. The bid crystallized value that we believe was already evident, with BSL previously trading at an approximate 20% discount to its U.S. peers despite comparable asset quality and earnings leverage.

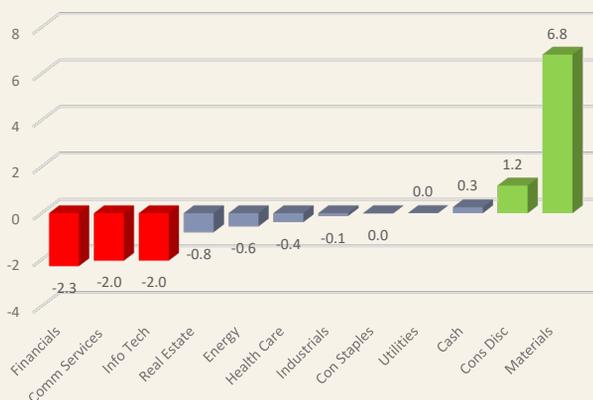
### Key Negative Contributors:

- **Zip Co (zip):** share price remained under pressure in January despite recent guidance upgrades and continued strength in underlying U.S. trading data, which supports its growth trajectory. The weakness reflected a combination of regulatory uncertainty in the U.S., investor concerns around the resilience of the U.S. consumer, and broader de-rating across higher-multiple growth stocks.
- **Pro Medicus (PME):** PME underperformed during the month amid continued rotation away from high-multiple growth stocks. PME remains a global leader in enterprise imaging, with strong recurring revenues, high margins and a robust balance sheet. We continue to view the long-term growth runway as intact, supported by structural digitization trends in healthcare.

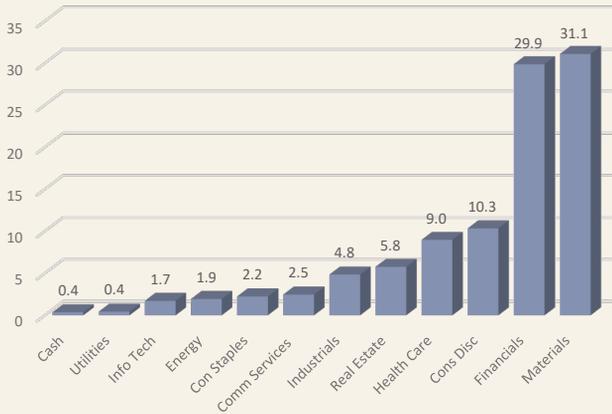
- **A2 Milk (A2M):** Weakness was driven by softer-than-expected China birth data and investor concerns following product recalls affecting other Western infant formula brands. We believe recent product disruptions among competitors may, in fact, create an opportunity for A2M to gain incremental market share, supported by brand strength and distribution reach. We remain focused on underlying demand trends and management’s continued execution in key markets.

## Alpha Plus Sector Allocation Changes

(Month end: Dec-25 to Jan-26)

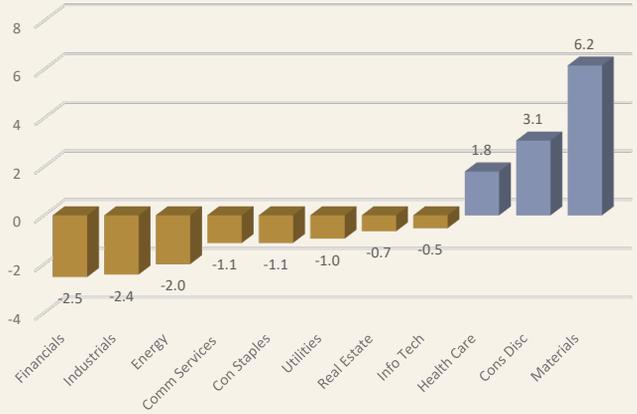


## Alpha Plus Sector Allocations (As at month end Jan-26)



Source: Ten Cap, FactSet

## Alpha Plus Sector Bets vs ASX200 (%) (As at month end Jan-26)



Source: Ten Cap, FactSet

## Major Portfolio Changes

### Increased Positions:

- **Light and Wonder (LNW):** We initiated a position in LNW during the month following recent share price weakness, which we believe created an attractive entry point into a high-quality gaming technology platform.
- **Woolworths (WOW):** While the supermarket sector remains competitive, we believe the risk-reward has improved meaningfully at current levels, particularly relative to Coles, where margin upside appears more limited. WOW offers defensive earnings, cash flow stability and improving operational traction.
- **Amcor (AMC):** We initiated/increased our position in Amcor ahead of its result, reflecting what we viewed as an attractive risk-reward setup into earnings. Expectations had been reset, valuation was undemanding relative to history and peers, and input cost pressures appeared to be stabilizing.

### Decreased Positions:

- **Coles Group (COL):** We exited our position in Coles as we saw limited near-term upside at current valuation levels. Earnings momentum has moderated and competitive intensity remains elevated. Margin expansion appears constrained.
- **Aristocrat (ALL):** We reduced ALL holding and redeployed capital into Light & Wonder, where recent share price weakness presented a more compelling entry point. In our view, LNW offers similar structural exposure to gaming content and digital growth, but at a more attractive valuation and with greater operating leverage potential.

### Sector Outlook:

We are entering FY26 with a constructive, yet disciplined, view on Australian equities. Corporate earnings remain resilient, balance sheets are generally strong, and commodity demand continues to provide an important underpinning for the domestic market. However, the macro backdrop has evolved. With inflation proving more persistent than previously anticipated and labour markets remaining tight, we expect equity returns to be more closely aligned with underlying earnings growth - in the order of 8–12% - rather than driven by valuation expansion. In this

## Key Portfolio Statistics\*

	Alpha Plus	ASX200
Market Cap (\$million)	97.1	100.0
# of holdings	140	200
Div Yield (trailing)	2.2%	3.1%
Price to Earnings (FY1 est)	20.2	19.1
Price to Cashflow (trailing)	13.1	12.9
Forward EPS growth (3-5yr)	6.5	5.8
Return on Equity (ROE)	15.4	13.9

\*All figures are harmonic weighted averages as at 31st January 2026

environment, stock selection and sector allocation become increasingly important.

A key shift in our thinking occurred late last year when we formed the view that the interest rate cutting cycle had effectively concluded. Earlier expectations of policy easing have not materialized, and recent inflation prints, wage pressures and domestic demand resilience have altered the trajectory.

We now see an increased probability that policy settings remain restrictive for longer, with a non-trivial risk of further rate increases should inflation fail to moderate sustainably. While we are not forecasting an aggressive hiking cycle, we believe the direction of risk has shifted from easing to tightening.

This change in view has driven deliberate portfolio repositioning. We have reduced exposure to Australian domestic cyclicals, where earnings are most sensitive to higher borrowing costs and consumer pressure. Additionally, we have lowered our exposure to A-REITs, recognizing their duration sensitivity and refinancing risk in a higher-for-longer rate environment. This reduces the portfolio's exposure to domestic rate volatility and balance sheet stress.

Conversely, we have increased our exposure to resources as we begin the new financial year. Valuations across parts of the sector remain compelling, and supply-demand dynamics in key commodities - particularly copper and diversified

commodities - particularly copper and diversified base metals - continue to tighten. We maintain a meaningful allocation to gold as a structural hedge against geopolitical uncertainty, currency volatility and policy risk.

Our resources positioning includes overweight allocations to BHP Group, Sandfire Resources, and South32. We see medium-term support from electrification demand, infrastructure investment and constrained new supply. During the period, portfolio holding BlueScope Steel received a corporate takeover approach, crystallizing value. We redeployed part of those proceeds into a new position in Sims Limited, which offers exposure to the recycling and circular economy thematic with improving operational leverage and asset backing.

## Growth continues to underperform

Daily price index (indexed to 100 as at 13/2/25)



Source: Bloomberg, MSCI

Within technology and structural growth, we have moderated overall exposure given heightened sensitivity to interest rate expectations. However, we continue to hold select high-quality franchises where competitive moats are durable and earnings visibility remains strong. Core positions include Xero, Pro Medicus, REA Group, and Technology One. In our view, these businesses are less vulnerable to AI-driven disruption and more likely to benefit from productivity enhancements enabled by technology adoption. Each operates within mission-critical ecosystems, enjoys high switching costs, and continues to demonstrate pricing power and margin resilience.

## Summary & Outlook

We remain constructive on the equity market outlook but as we have seen during late 2025 / early 2026, there will be a large divergence in stock and sector performance which is likely to require a more flexible and pragmatic approach to stock and portfolio positioning.

Australia should continue to benefit from positive global tailwinds as economic growth tracks back closer to trend and as the Fed continues to loosen policy rates – albeit it remains close to the end of its rate cut cycle. However, with the RBA now firmly in a rate hike cycle – dependent on the inflation outlook – there is risk that we see some cyclical headwinds.

We don't think this leads to a meaningful slowdown in domestic cyclical activity but rather prevents some areas overheating. Irrespective, it does raise caution towards domestic cyclical areas that maybe priced for further upside surprises.

This is likely to see market volatility remain elevated with a particular focus on earnings deliverability and the price paid for this certainty. We remain focused on areas of structural growth despite the sell-off and with a more valuation continues bend towards the domestic market.

### Jun Bei & the Investment Team

## Net Portfolio Performance: Alpha Plus (as at January 2026)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Bench	Rel Perf
<b>2026</b>	0.4%												<b>0.4%</b>	<b>1.8%</b>	<b>-1.4%</b>
<b>2025</b>	5.0%	-4.3%	-5.7%	3.7%	5.4%	0.6%	2.8%	4.0%	-12%	0.5%	-5.9%	-0.7%	<b>3.4%</b>	<b>10.3%</b>	<b>-7.0%</b>
<b>2024</b>	0.9%	5.5%	3.1%	-3.6%	13%	16%	2.3%	2.2%	3.8%	-2.2%	5.2%	-4.5%	<b>15.9%</b>	<b>11.4%</b>	<b>4.5%</b>
<b>2023</b>	4.9%	-2.5%	-12%	1%	-2.2%	13%	18%	17%	-2.5%	-4.0%	4.2%	6.8%	<b>8.9%</b>	<b>12.4%</b>	<b>-3.5%</b>
<b>2022</b>	-6.0%	10%	6.6%	-2.3%	-3.1%	-7.9%	4.4%	3.3%	-5.5%	6.8%	7.7%	-2.9%	<b>0.5%</b>	<b>-1.1%</b>	<b>15%</b>
<b>2021</b>	19%	2.1%	2.3%	4.3%	2.6%	14%	0.6%	4.2%	-0.8%	-0.4%	-0.3%	2.7%	<b>22.4%</b>	<b>17.2%</b>	<b>5.1%</b>
<b>2020</b>	5.3%	-7.0%	-20.4%	119%	5.7%	2.6%	3.2%	4.7%	-3.6%	0.9%	8.2%	2.9%	<b>10.6%</b>	<b>14%</b>	<b>9.2%</b>
<b>2019</b>				2.7%	13%	4.8%	4.7%	0.0%	-10%	-0.8%	3.8%	-15%	<b>14.6%*</b>	<b>11.3%*</b>	<b>3.3%*</b>
<b>Per annum since Inception*</b>													<b>10.8%</b>	<b>9.3%</b>	<b>1.4%</b>

\*ITD = Inception to date (Mar-19 when Jun Bei took over as Lead Portfolio Manager for the Alpha Plus Fund). \* Returns from Mar-19

## Fund Information

### Investor Relations

The Ten Cap Alpha Plus Fund (ARSN 120 567 544) is an Australian Equity, long/short strategy with the typical asset classes held by the Fund being cash and cash equivalent instruments, Australian listed shares and other equity like securities and exchange traded Derivatives.

The Fund aims to achieve positive returns in excess of the Fund Benchmark, before fees and expenses, over the long term by taking both Long Positions and Short Positions in selected Australian shares.

<b>Inception:</b>	September 2006
<b>Minimum Investment:</b>	AUD \$25,000, no minimum for ASX:TCAP
<b>Subscriptions:</b>	Daily
<b>Redemptions:</b>	Daily
<b>Management Fee:</b>	0.97% per annum
<b>Performance Fee:</b>	20% of return above the fund benchmark
<b>Responsible Entity:</b>	Ironbark Asset Management (Fund Services) Ltd
<b>Custodian &amp; Admin:</b>	J.P. Morgan Chase Bank N.A. (Sydney Branch)
<b>Auditor:</b>	PwC

# Let's Keep Talking

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### Material Matters:

On 29 September 2025, Ten Cap Investment Management Pty Ltd ACN 682 019 987, the investment manager of the Fund, was granted its application to vary its Australian financial services license, to provide general financial product advice to retail and wholesale clients. There have been no material changes to the Fund in terms of key service providers, the risk profile, investment strategy or changes to individuals in the investment team who play a key role in the investment decisions of the Fund. The Fund is classified as a hedge fund in accordance with the Australian Securities and Investments Commission, Regulatory Guide 240 'Hedge funds: Improving disclosure'. This classification is based on the fact that the Fund currently exhibits two or more characteristics of a hedge fund, being: 1) complexity of investment strategy or structure; 2) use of leverage; 3) use of derivatives; 4) use of short selling; 5) charges a performance fee. This information contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's personal financial circumstances, objectives or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current target market determination and offer document before making an investment decision to acquire or to continue to hold units in the Fund.

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