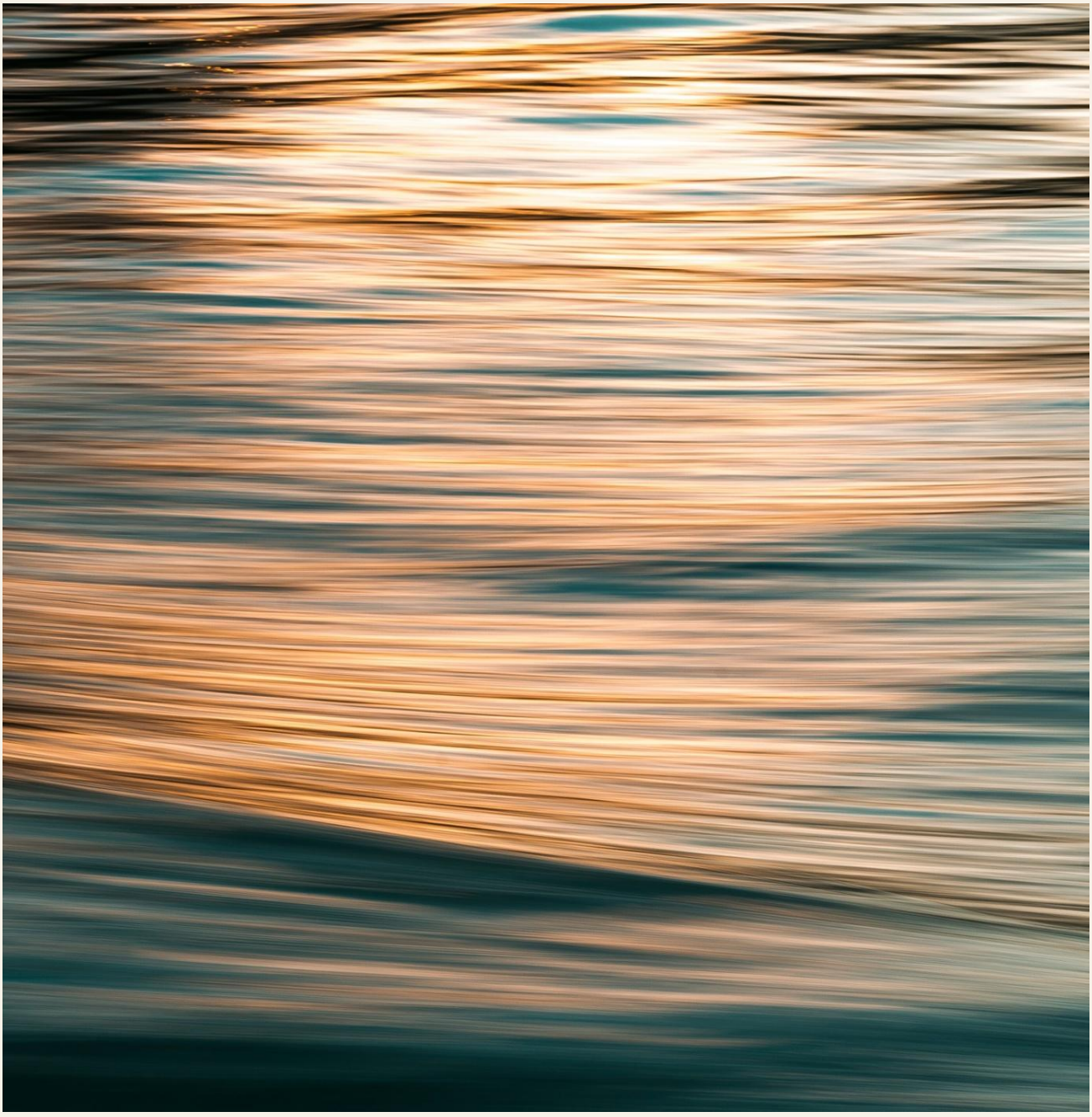
TenCap

Alpha Plus Monthly Update

October 2026



Building for the turn

Jun Bei Liu, CFA
Founder / Lead Portfolio Manager

TenCap

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October 2026

Building for the turn

The Alpha Plus Fund returned +1.03% in October, slightly behind the S&P/ASX 200' which rose 1.38%.

Interest rates were the big news of the month. A firm September-quarter CPI (trimmed mean 3.7%) and hawkish RBA commentary pushed the odds of a November hike from 20% to 90% in the space of a few days (with the RBA lifting the cash rate to 4.85% on 3 November after the month end close).

The second major driver of market volatility was the failure of the Firmus float and the rising scepticism around the circular funding model that has supported the AI trade and in particular the global data centre build out.. Firmus pulled what would have been the second-largest float in Australian history after demand faded within days, and fears over how data centres will be financed spread quickly. NEXTDC almost halved in the month.

With the Fed also hiking in September, higher global yields have put debt-funded AI capex under the microscope. Building is still happening, but we expect delays as government adds more regulation, and investors are now demanding returns, not just spend.

At home the gloom runs deep. Households are the most pessimistic since the early 1990s, and the market's gains came from the very largest stocks: the ASX20 rose 2.7% while the Small Ordinaries fell 6.4%, with 52 stocks hitting 52-week lows against 17 new highs.

We are not waiting for the RBA's permission to turn. It has never called the turn, and by the time its language softens the market will have done the work. Forecasts for the RBA have also been wrong more often than right over the past 18 months, so we put less weight on calling the next move and more on what is already in the price and the direction of the next move.

For a growing number of domestic and rate-sensitive businesses, a lot of bad news is priced. The earnings downgrade cycle has further to run, and being early may mean some mark-to-market pain. But peak pessimism is when you start moving against the crowd, so we are scaling in gradually rather than paying up for certainty later.

	1 Month	3 Month	1 Year	2 Year p.a.	3 Years p.a.	5 Years p.a.	ITD p.a.
Alpha Plus*	1.03%	0.51%	-8.58%	0.79%	9.29%	5.61%	9.30%
Benchmark	1.38%	0.45%	3.69%	7.99%	13.35%	8.00%	8.85%
Value Added	**-0.35%**	**0.06%**	**-12.27%**	**-7.20%**	**-4.06%**	**-2.39%**	**0.45%**

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

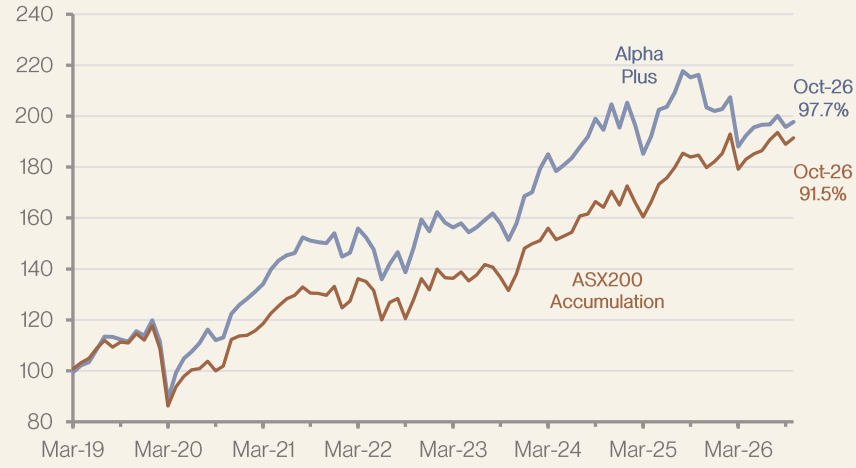
Lead Portfolio Manager

Jun Bei Liu, CFA



Alpha Plus vs ASX200 Accumulation Index

(Net Returns as at October 2026)



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

October Portfolio Commentary:

The Fund returned +1.03% against +1.38% for the ASX200, 35bps behind in a market led higher by the banks.

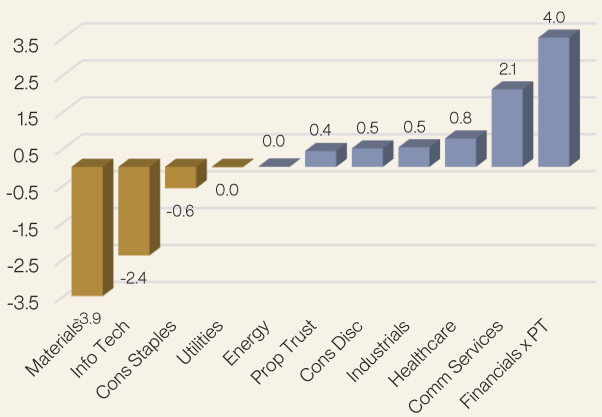
Materials was our best sector. Our holdings fell 6.9% against 7.8% for the sector, as being underweight iron ore and lithium protected us in the resources sell-off. Consumer Discretionary added through our overweight in gaming, with Lottery Corp, Aristocrat and Light & Wonder all up 8–15%. Health Care added through CSL and Pro Medicus.

Industrials was the largest drag, almost entirely through stock selection. Our electrical contractors were sold hard as funding fears hit the data centre build-out. Communication Services cost us as shorts in online classifieds rallied, and our underweight in Utilities hurt as the sector rose 9.3%, the best in the market. In Technology, NEXTDC fell sharply after cutting guidance.

Key Positive Contributors:

- **Challenger (CGF):** Our top contributor, up 18%. We have owned Challenger for its annuity growth and capital return upside, while the market overlooked it. Now its largest shareholder, TAL Dai-ichi Life (20%), has proposed A$11.80 a share, and with first-quarter sales up 52% we think a higher bid is likely.
- **QBE Insurance (QBE):** Up 12% to a multi-year high. We backed QBE's disciplined underwriting and strong investment income well before the market did; this month investors bought it as a defensive earner.

Alpha Plus Sector Allocation Changes
(Month end: Sep-26 to Oct-26)



Source: Ten Cap, FactSet

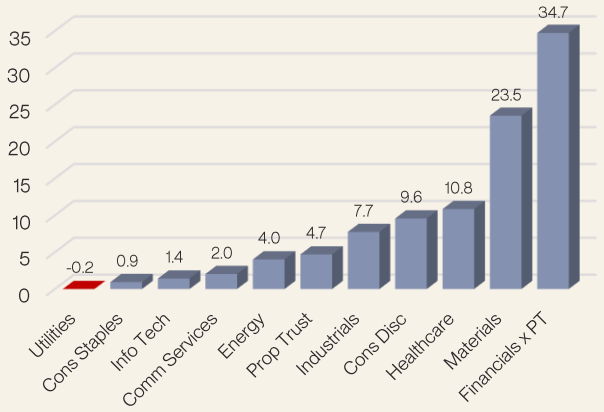
- **Treasury Wine Estates (TWE):** Up 13%. We bought into the turnaround while the stock was out of favour. The AGM confirmed first-quarter trading in line with plan, brands improving in China, the US and Australia, and A$100m of cost savings on track.
- **Charter Hall (CHC):** Up 9%. We added after a 40% de-rating, positioning for the peak in rates. Earnings are growing at double digits on about 15x, and the market is starting to see the same value.
- **Lottery Corp (TLC):** Up 11%. We bought when a run of poor jackpots left the stock cheap, seeing an infrastructure-like business with long-dated exclusive licences and steady cash flows.

  Fortescue (FMG): We increased our underweight early, seeing the risk in its standoff with China's state buyer, CMRG, which held September-quarter sales 8% below shipments. The stock fell 13% as iron ore slipped to US$91/t and Fortescue warned operations could be hit if talks run past year-end.

Key Negative Contributors:

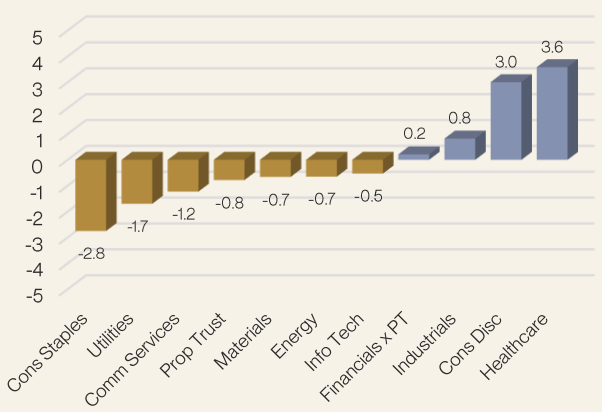
- **GemLife (GLF):** Down 13%, caught in the small-cap sell-off and the move to higher rates. The business itself is performing well, and directors bought more than $3.5m of shares on market. We see GemLife as the best vertically integrated developer and builder in retirement living.
- **Sandfire Resources (SFR):** Down 8%, caught in the resources sell-off as copper eased 2% for the month. The business is performing well, with copper still up 14% this year and supply tight. We see Sandfire as one of the best-placed copper producers on the ASX.
- **Metcash (MTS):** Our short rose 10% as investors crowded into defensive staples. Nothing in the business has changed, and earnings growth remains limited. We think this is a defensive bid, not an earnings story, and we remain short.
- **Codan (CDA):** Down 10%, giving back part of September's 40% gain in the small-cap sell-off. Demand for its drone communications technology is unchanged. We see Codan as a leading global defence communications business with a long runway of growth.

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



Source: Ten Cap, FactSet

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



Source: Ten Cap, FactSet

Major Portfolio Changes

Increased Positions:

- **HUB24 (HUB):** Added. Platform flows were hit by the May Budget changes and by market volatility weighing on adviser and investor confidence. We see this as temporary. HUB24 keeps winning adviser market share from the legacy platforms, and we view it as a long-term structural growth story.
- **CAR Group (CAR):** Added during the month as the valuation presented an opportunity. The company continues to grow around 10% a year, despite a slower second-hand car market, as it lifts yield across its marketplaces. The recent de-rating gave us an attractive entry point into a market leader.
- **NRW Holdings (NWH):** Added, with strong valuation support after the shares fell 18% in October. Work in hand is diversified across mining and civil infrastructure, and we see continued growth even if the data centre build-out slows.
- **Monadelphous (MND):** Added. We expect an upgrade at its AGM, supported by a strong pipeline of maintenance and construction work. The sell-off in the shares was not justified by the business.

Decreased Positions:

- **Capstone Copper (CSC):** Reduced ahead of its quarterly result, which we expect to be soft. The shares are up around 30% over six months, and we may look to rebuild the position after the result, as we remain positive on its growth.
- **Cleanaway (CWY):** Took profit after EQT's agreed A$3.095 cash offer, a 32% premium to the undisturbed price. With the board recommending the deal and the shares trading close to the offer, little upside is left, so we recycled the capital.
- **Suncorp (SUN):** Took profit. Suncorp has performed strongly, and we are concerned that earnings expectations have moved too high, leaving little room for disappointment at its next update. We see better value elsewhere.
- **Woolworths (WOW):** Took profit after a strong run, with the shares up around 18% over six months. The supermarket recovery is now largely reflected in the valuation, and we would revisit the position on any pullback.

Key Portfolio Statistics*

	Alpha Plus	ASX200
Market Cap ($billion)	106	105
# of holdings	89	200
Div Yield (trailing)	2.8	3.3
Price to Earnings (FY1 est)	18.9	18.1
Price to Cashflow (trailing)	11.8	11.8
Forward EPS growth (3-5yr)	5.9	4.2
Return on Equity (ROE)	17.3	14.5

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

Sector outlook

Shortly into the November, the RBA lifted the cash rate to 4.85% for the 5th time this year. Markets now treat this as the peak, and so do we. Our base case is that rates hold through most of 2027, with the first cut priced for late in the year but this will be data dependent. Bond yields have already started to moderate their inflation outlook, with the Australian 10-year falling 23bps in October. With the Fed still tightening, we do not expect a straight-line recovery.

That changes how we position. For two years the right call was to avoid anything rate-sensitive. With the peak in sight, we are gradually adding to domestic companies where earnings have held up but share prices have not. The market has historically moved well before the first cut.

We still avoid the classic bond proxies across utilities, telcos and infrastructure, which cost us in October as Utilities rose 9.3%. Their valuations already reflect lower rates, and we would rather own companies that can grow earnings into a recovery.

On AI, October was a reality check. Firmus pulled its float, NEXTDC cut guidance on grid connection delays and the data centre contractors fell 20-30%. Building is still happening, but we expect delays as government adds regulation on power, water and planning approvals. We have become more selective, favouring companies with diversified work in hand over pure data centre exposure.

In Industrials, we prefer contractors whose order books do not depend on data centres. NRW and Monadelphous both sold off with the sector, yet most of their work is in mining and civil infrastructure for well-funded clients, and both trade on undemanding multiples. Earnings delivery at the AGMs should help the market separate them from the data centre names.

In Resources, we remain underweight iron ore. Fortescue's standoff with China's state buyer, CMRG, is hurting its sales and realised prices, and we see little reason to add until it is resolved. Our underweights in iron ore and lithium protected the portfolio as Materials fell 7.8% in October. We reduced Capstone ahead of what we expect to be a soft quarter, but copper remains our preferred commodity over the long term.

Property is where we are most active. Charter Hall rose 9% in October but still trades on around 15x earnings, roughly 40% below its late-2025 high, while growing earnings in the double digits. We continue to avoid pure duration exposure, preferring managers and developers whose earnings grow as transaction activity recovers.

In Consumer, we are starting positions in domestic retailers with resilient earnings. Wesfarmers has de-rated from 34x to 26x while still adding categories and lifting margins through direct sourcing. Retailers have historically bottomed near the end of a hiking cycle, and consumer cyclicals have lagged staples by more than 30% over the past 12 months. We took profit in Woolworths and continue to hold the gaming names, Lottery Corp, Aristocrat and Light & Wonder.

In Financials, the banks carried the market in October, adding 2.28% to the index, and we remain modestly underweight CBA on valuation. We prefer Macquarie ahead of its next result, Challenger, where we think a higher bid is likely, and QBE, which continues to deliver on underwriting. We took profit in Suncorp, where earnings expectations look too high.

Healthcare rose 6.3% in October and now trades at 24.2x, the top of its 12-month range. CSL and Pro Medicus both added to returns. We continue to hold names where the earnings recovery has further to go, such as Ansell, but we are disciplined on valuation after the sector's strong run.

TenCap

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October 2026

Summary & Outlook

We think the rate cycle has peaked. The RBA lifted the cash rate to 4.85% on Melbourne Cup Day, its fifth increase this year, and markets now price that as the top, with the first cut expected in late 2027.

Bond yields have already started to look through the cycle. Offshore tightening may not be finished, but the direction of the next big move in Australian rates is becoming clearer.

Sentiment has not caught up. Households are the most pessimistic since the early 1990s, small caps fell 6.4% in October and the market's gains came almost entirely from the banks. History says the best time to buy domestic businesses is when the news is worst, and the RBA has never called the turn. With the market on 18.1x and earnings estimates rising again, a lot of bad news is already in the price outside the largest stocks.

We continue to favour quality balance sheets, pricing power and earnings we can see. October showed why: our best performers rose on company-specific news, not the rotation. We used the sell-off to add to quality businesses whose share prices fell further than their earnings warranted, funded by taking profit in names where the upside is now in the price. We remain underweight the bond proxies, and we are building positions in the domestic companies we expect to lead when the turn comes.

Being early may mean some short-term pain, but we would rather build the portfolio for the turn than chase it once it is obvious. AGM season should help separate the companies that are delivering from those that are not, and this market is giving us more opportunities to choose from.

Jun Bei & the Investment Team

Net Portfolio Performance: Alpha Plus (as at October 2026)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Bench	Rel Perf
2026	0.4%	2.3%	-9.3%	2.2%	1.8%	0.5%	0.0%	1.7%	-2.2%	1.0%			**-2.2%**	**5.2%**	-7.3%
2025	5.0%	-4.3%	-5.7%	3.7%	5.4%	0.6%	2.8%	4.0%	-1.2%	0.5%	-5.9%	-0.7%	**3.4%**	**10.3%**	**-7.0%**
2024	0.9%	5.5%	3.1%	-3.6%	1.3%	1.6%	2.3%	2.2%	3.8%	-2.2%	5.2%	-4.5%	**15.9%**	**11.4%**	4.5%
2023	4.9%	-2.5%	-1.2%	1.1%	-2.2%	1.3%	1.8%	1.7%	-2.5%	-4.0%	4.2%	6.8%	**8.9%**	**12.4%**	-3.5%
2022	-6.0%	1.0%	6.6%	-2.3%	-3.1%	-7.9%	4.4%	3.3%	-5.5%	6.8%	7.7%	-2.9%	**0.5%**	**-1.1%**	1.5%
2021	1.9%	2.1%	2.3%	4.3%	2.6%	1.4%	0.6%	4.2%	-0.8%	-0.4%	-0.3%	2.7%	**22.4%**	**17.2%**	5.1%
2020	5.3%	-7.0%	-20.4%	11.9%	5.7%	2.6%	3.2%	4.7%	-3.6%	0.9%	8.2%	2.9%	**10.6%**	**1.4%**	9.2%
2019			-0.6%	2.7%	1.3%	4.8%	4.7%	0.0%	-1.0%	-0.8%	3.8%	-1.5%	**13.8%***	**12.1%***	1.7%*
Per annum since Inception*													9.30%	8.85%	0.45%

*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

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.

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

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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