

Market Watch

Domestic Equities finish 2025 strongly

Australian Equities outperformed global markets in December despite rising bond yields as Banks and Materials performed strongly. The Material sector is the standout sector for the year delivering 36% in 2025 supported by strong gold (+146%) and copper prices (+39%). Strong Copper prices offset stagnant Iron ore prices (-2%) helping our biggest minders BHP (+15%) and Rio Tinto (+25%). Australian Smaller Companies outperformed their global counterparts, topping off a strong year. Smaller Material companies, especially gold explorers and producers assisted performance. Other small cap companies benefited from the strong Australian economy and labour market combined with the relatively attractive starting valuations.

International shares in local currency terms (hedged) ended the year on a positive note as Europe, UK and Japan more than offset a flat return from the US stock market. However, the relative strength of the Australian dollar negatively impacted unhedged global equities resulting in a negative month for Australian Investors. Over the past 12 months the strength of the Australian dollar has resulted in a 6.2% return headwind for unhedged equities. December saw solid gains from Emerging markets countries benefiting from the AI related demand (Korea & Taiwan) and countries with exposure to strong commodity prices (South Africa, & Chile). The attractive valuations at the start of 2025 helped support this year's EM performance.

Global listed property and listed Infrastructure both declined in December as rising long term developed country bond yield weighed on relative attractiveness of the asset class. Despite these declines both sectors delivered robust returns over the year.

Bond markets faced pressure in December. Australian bond yields rose as November's inflation figures remained above the RBA's target band. Globally, the Federal Reserve reduced its official cash rate as expected in December. However, global bonds delivered negative returns for the month as yields rose across the longer-term bonds in most developed countries (especially US Europe and Japan). Global Corporate bonds partially offset weakness in global government bonds as they benefited from a positive risk sentiment into year end

The Australian dollar rose against all currencies in December, supported by rising bond yields and strong commodity prices. The USD was generally weak against the British Pound, Euro and AUD, as its December rate cut partially offset the increase in bond yields at the longer end of the yield curve.

Economics:

U.S.

- The US unemployment rate increased to a slightly higher than expected 4.6% in November. This is the highest unemployment rate since September 2021 reflecting a resilient but slowing economy.
- The US annual inflation rate came in at 2.7% in November below expectations of 3.1%. The government shut down means that inflation data was not collected during October, however officials stated that inflation increased 0.2% between September and November 2025.

Locally

- Australia's inflation rose to ease to 3.4% p.a. in November, below expectations, but still above the RBA's target band. The RBA's preferred metric, the trimmed mean inflation came in at 3.2% in November, also above the RBA target.

- Australia's seasonally adjusted unemployment rate was stable in November, marking the 5th month out of the last 6 months of unemployment at 4.3%.

Major Asset Class Performance

Asset classes	1 Mth %	1 Yr %	3 Yrs (p.a.) %	5 Yrs (p.a.) %
Australian Shares	1.3	10.3	11.4	9.9
Australian Small Companies	1.4	25.0	13.4	6.9
Global Shares (unhedged)	-0.7	13.7	21.5	14.6
Global Shares (hedged)	0.7	19.9	19.9	11.2
Global Small Companies (unhedged)	-0.7	11.3	15.1	10.3
Global Emerging Markets (unhedged)	1.3	24.0	17.1	7.3
Global Listed Property (hedged)	-1.4	7.5	6.0	3.1
Listed Infrastructure (hedged)	-2.4	11.6	7.7	7.0
Australian Fixed Income	-0.6	3.2	3.7	-0.4
International Fixed Income	-0.2	4.4	4.0	-0.6
Cash	0.3	4.0	4.1	2.7

Source: Lonsec iRate, Rhombus Advisory, 31 December 2025.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Heded AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/12	1 Mth change %	1 Yr change %	3 Yrs change %
AUD/USD	0.6693	2.03	7.84	-0.69
AUD/GBP	0.4973	0.08	0.17	-4.20
AUD/Euro	0.5704	0.62	-4.94	-3.72
AUD/Yen	104.83	2.20	7.47	5.37

Source: Reserve Bank of Australia, Lonsec iRate, Rhombus Advisory, 31 December 2025.

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