# CFS Flex 99 Portfolio

## CFS Edge Managed Accounts

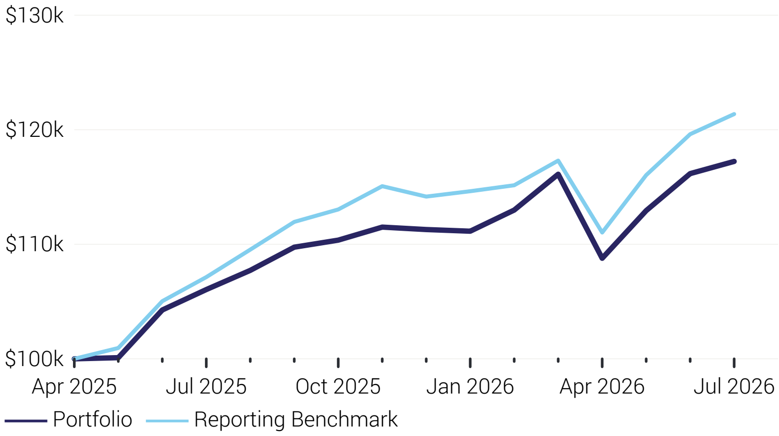
**Quarterly update for month ending: June 2026**

| | |
|---|---|
| **Investment Objective** | To outperform the portfolio's benchmark (before fees and taxes) over rolling five-year periods. |
| **Investment Philosophy** | CFS believes in active management, including active asset allocation. A flexible approach to portfolio construction, utilising active managers, smart beta and market cap index strategies, ensures portfolios are sophisticated, robust, but not overly complex. |
| **Reporting Benchmark** | Morningstar Aus Aggressive Target Allocation NR AUD |
| **Accelerate Series** | Accelerate 100 |
| **Asset Class** | Diversified |
| **Investment Approach** | Active AA \| Active & passive, listed |
| **Investment Style** | Core/Style neutral |
| **Holdings** | |
| – Managed funds | 9 |
| – ETF's | 3 |
| – Listed equities | 2 |
| – SMA's | nil |
| **Risk Measure** | 6 - High |
| **Minimum Timeframe** | 7 years |
| **Code** | EDGFLX99 |
| **Inception** | 12 March 2025 |
| **Min. Investment** | $10,000 |
| **Fees and Costs** | Refer to PDS |
| **Target Market Determination** | TMD |

**Quarterly Commentary**

## Performance History

$100,000 invested since inception[1]




## Performance Returns

Net of fees

| | Total Fund return (net)[2] | Benchmark return | Total excess return (net) |
|---|---|---|---|
| **1 month (%)** | 0.9 | 1.5 | -0.6 |
| **3 months (%)** | 7.7 | 9.3 | -1.6 |
| **6 months (%)** | 5.4 | 5.9 | -0.4 |
| **1 year (%)** | 10.5 | 13.3 | -2.8 |
| **3 years (% p.a.)** | - | - | - |
| **Since inception[1] (% p.a.)** | 13.5 | 16.8 | -3.2 |

Past performance is not a reliable indicator of future performance.

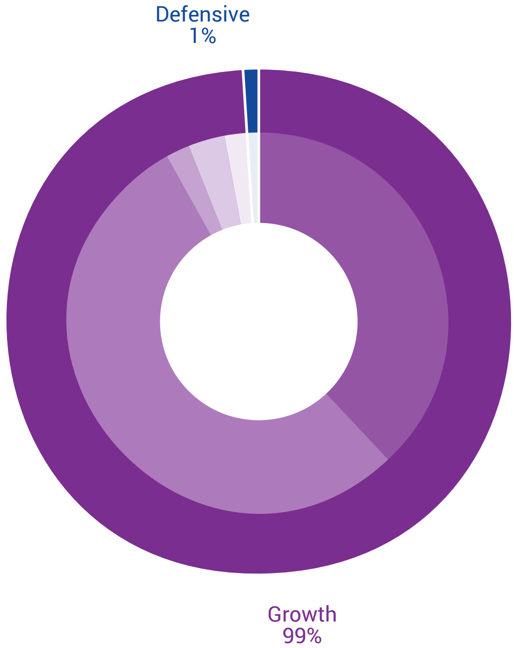
[1] From 1 April 2026, performance data is sourced using a new data vendor. Where a portfolio's inception date falls on or after the 2nd of the month, performance calculations will commence from the following month.

[2] The managed portfolio performance represents total return for the periods. Returns have been calculated using the time-weighted method after fees. Total returns include accrued distributions. Due to individual circumstances or customisation, your net returns may differ from the net returns quoted.

Recommended
Lonsec Research

## Portfolio Allocation

| Asset Class | Allocation |
|---|---|
| Growth | 99.0% |
| Australian Equities | 38.0% |
| International Equities | 53.9% |
| Property | 2.0% |
| Infrastructure | 3.1% |
| Alternatives and Other[3] | 1.9% |
| Defensive | 1.0% |
| Australian Fixed Income | 0.0% |
| International Fixed Income | 0.0% |
| Cash | 1.0% |




[3] Alternatives and Other are included under 'Growth Assets' for ease of representation but may at times refer to 'Defensive Assets'.

## Top 10 Portfolio Holdings

| Asset class | Investment | Weight (%) |
|---|---|---|
| Australian Equities | CFS Index Australian Share-Class A | 27.6% |
| International Equities | CFS Index Global Share - Hedged-Class A | 12.4% |
| Australian Equities | Yarra ex-20 Australian Equities - Class E | 10.4% |
| International Equities | RQI Global Share Value - Class E | 9.7% |
| International Equities | GQG Partners Global Eq - Hgd - Class E | 9.5% |
| International Equities | VANECK INVESTMENTS LTD AUS ANECK MSCI MULTIFACTOR EMERGING MKT EQ E | 7.0% |
| International Equities | Royal London Core Global Share - Class E | 6.1% |
| International Equities | Bell Global Emerging Companies - Class E | 5.8% |
| International Equities | BETASHARES CAPITAL LTD S&P 500 EQUAL WEIGHT ETF | 3.4% |
| Infrastructure | CFS Index Global Listed Infrastructure Securities - Class A | 3.1% |

# CFS Investments

At Colonial First State (CFS), investment management is centred around providing a comprehensive suite of investment solutions that cater to diverse investor needs. With a team of over 20 investment professionals, CFS specialises in constructing and managing portfolios that offer a convenient and simple way to diversify investments. The investment offerings span single-sector and multi-sector options across index, smart beta, and fully active products, with a range of risk/return characteristics. CFS specialises in constructing and managing multi-asset portfolios.

# Quarterly Commentary

## What happened over the quarter?

- 2026 has been a tug-of-war between condition favouring active vs passive so far
- US Small-caps had their strongest start to a calendar year in decades by some measures
- Emerging Markets has been the standout, boosted by their ‘Mag 3’. However, we are concerned by this concentration risk.

2026 is shaping as a fascinating horse race between ‘broadening’ trades. In the "Rotation" months (January, February, June), markets rewarded diversification - Value, Small Caps and non-US equities all outperformed the US megacap complex. In the "Iran" months (March, April, May), that trade reversed sharply as geopolitical risk and a renewed AI earnings narrative drove capital back into concentrated US Tech, viewed by some investors as a relative safe haven (from the oil price shock).

Loosely speaking, Q2 began with two ‘Iran’ months and ended with one ‘Rotation’ month in June. The latter changed the scorecard materially, particularly through a ‘size’ lens:

- US Small caps outperformed large caps by 8.5% in June alone
- The other 493 stocks in the S&P 500 outperformed the Mag-7 by 13% in June alone

Recent small-cap rallies have been short-lived, but policy support for Industrials, M&A expectations in Financials and Healthcare, and the resilient performance despite inflation worries and a scaling back of rate-cut hopes under new Fed Chair Kevin Warsh give us confidence this rally has durability. Conversely, we believe the continued transition of the Mag-7 towards more asset-intensive business models will weigh on valuations, particularly as markets look through the one-off asset revaluations that boosted recent hyperscaler earnings.

Beyond the US, new pockets of risk and opportunity have emerged. An intriguing story has been the AI trade finding new expression in merging Markets, where the ‘Mag 3’ of TSMC, Samsung and SK Hynix dominated returns. The VanEck Multifactor Emerging Markets ETF (EMKT) benefited disproportionately. We will continue to review EM positioning closely, mindful of concentration risk within what should be a diversifying trade.

Elsewhere Australian Equities lagged Global, REITs strongly outpaced listed infrastructure and fixed income returns were muted in absolute sense. The biggest laggard was Gold (down ~13% for the quarter), which saw two key tailwinds (rate-cut expectations and safe-haven demand) fade in recent months. This was the biggest test Gold has faced since the portfolios were launched – we continue to hold for now.

## Performance: Managers

| Asset Class | Manager | 3m return | 1y return | since inception |
|---|---|---|---|---|
| Global Equities | VanEck Multifactor EM ETF | 35.7% | 46.6% | 61.1% |
| Global Equities | Royal London Core | 13.6% | 15.1% | 16.3% |
| Global Equities | Betashares S&P500 Equal Weight ETF | 12.2% | 13.2% | 14.0% |
| Listed Real Assets | CFS Index Global Listed Infra | 9.7% | 25.2% | 28.6% |
| Global Equities | RQI Global Value | 9.0% | 17.3% | 16.8% |
| Listed Real Assets | CFS Index Global Prop Sec | 7.8% | 12.6% | 10.7% |
| Aust Equities | CFS Index Aust Share | 7.2% | 9.3% | 15.6% |
| Aust Equities | Yarra ex-20 | 5.5% | | |
| Global Equities | CFS Index Global Share - Hedged | 4.5% | 13.8% | 18.5% |
| Global Equities | Bell Global Emerging Cos | 0.6% | -12.9% | -9.1% |
| Global Equities | GQG Global Equity (Hedged) | -2.9% | 3.4% | 0.5% |
| Alternatives | GlobalX Gold Bullion ETF | -13.3% | 14.9% | 15.0% |

The Mag 3 tech stocks of Taiwan Semiconductor, Samsung and SK Hynix drove the VanEck Multifactor Emerging Markets ETF to an astonishing 36% for the quarter.

At the other end of the Global Equities spectrum, GQG and Bell were the big underperformers. Both portfolios were underweight tech names, and so missed out on the rally.

Real assets performance diverged. After the Iran conflict raised rate expectations in Q1, REITs benefitted as these fears eased in in Q2, while Listed Infrastructure lagged as investors rotated out of defensive assets in a risk-on quarter.

## Rationale for Flex building blocks

| Asset class | Holding | Rationale |
|---|---|---|
| Australian equities | Yarra ex-20 | We see Yarra as a suitable 'core' ex-20 building block, with an edge in managing risk exposures relative to other ex-20 managers in the market. A more balanced style exposure in ex-20 Australian Equities is desirable because (i) it mirrors the more style-neutral approach we take in the Top 20 (passive replication), and (ii) the move away from an outright Growth tilt (with the previous manager) should allow us to capture the broadening in equity markets we've observed since late 2025. |
| Global equities | RQI Global Value | Allows us to play the 'broadening' theme away from Growth-oriented US megacaps into more diversified and attractively-valued exposures (more Value and Quality oriented, more Developed Markets ex-US oriented, and with greater exposure to sectors such as Industrials, which are set to benefit as the AI theme moves into the equipment and manufacturing phase). The choice of a systematic exposure is cost-effective. |
| | GQG (hedged) | High-turnover megacap manager, with demonstrated ability to risk-control through highly active sector rotation and concentrated positions. Defensively positioned (overweight Healthcare and Utilities and underweight Tech since mid-2024), they have now lagged the broader market for an extended period. |
| | Royal London Core | Acts to diversify large cap exposure and reduce overall portfolio turnover from GQG. Conviction in Core strategy maintained following Peter Rutter's departure from Royal London in 2024, as much of the IP remains with Royal London (unlike the concentrated strategy, which carried more key person risk). The tight risk control is valuable in an environment of major sectoral and country rotation within global equities. |
| | Betashares Equal Weight S&P 500 ETF | Also part of our 'broadening away from US megacap' thematic, but complements RQI Global in two key ways. One, softens RQI's Financials tilt without adding IT exposure. Two, offsets the US underweight from RQI. Maps neatly to our conviction in the underlying US real economy, but caution around megacap valuations in particular. |
| | Bell Global Emerging Companies | Quality growth global small and mid-cap (SMID) fund should counterbalance megacap bias of GQG and mirrors its fundamental approach in a different market cap segment. We currently favour an active approach in the SMID space as we see it as a 'target-rich' environment. |
| | VanEck EM Multifactor ETF | Lower-cost systematic Emerging Markets exposure aligns with CFS Investments' research-backed view that factor premia are stronger and more persistent in Emerging Markets than in Developed Markets. Multifactor exposure should offer more stable returns than single-factor exposure, and minimises country bets (which we believe are often unrewarded risk). |
| Alternatives | GlobalX Gold Bullion ETF | Complements the listed real assets (REITs and Infrastructure) in the portfolio by enhancing the inflation-protection within the broader portfolio. |
| Fixed income | GlobalX US High Yield Bond ETF | Cost-effective way to proxy the fully active Syndicated Loan strategies we have in the more active portfolios. The US exposure aligns well with our view that attractive risk-adjusted returns are on offer in this market. |
| | Bentham Global Income | Continues to play a dual role - broad active IG credit exposure with a well-regarded manager, and active duration which helped preserve fixed income's 'defensive' qualities during the 2022 selloff. Current exposure is an attractive combination of US Credit, and Aust/UK/NZ/European duration. |

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| | | |
|---|---|---|
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