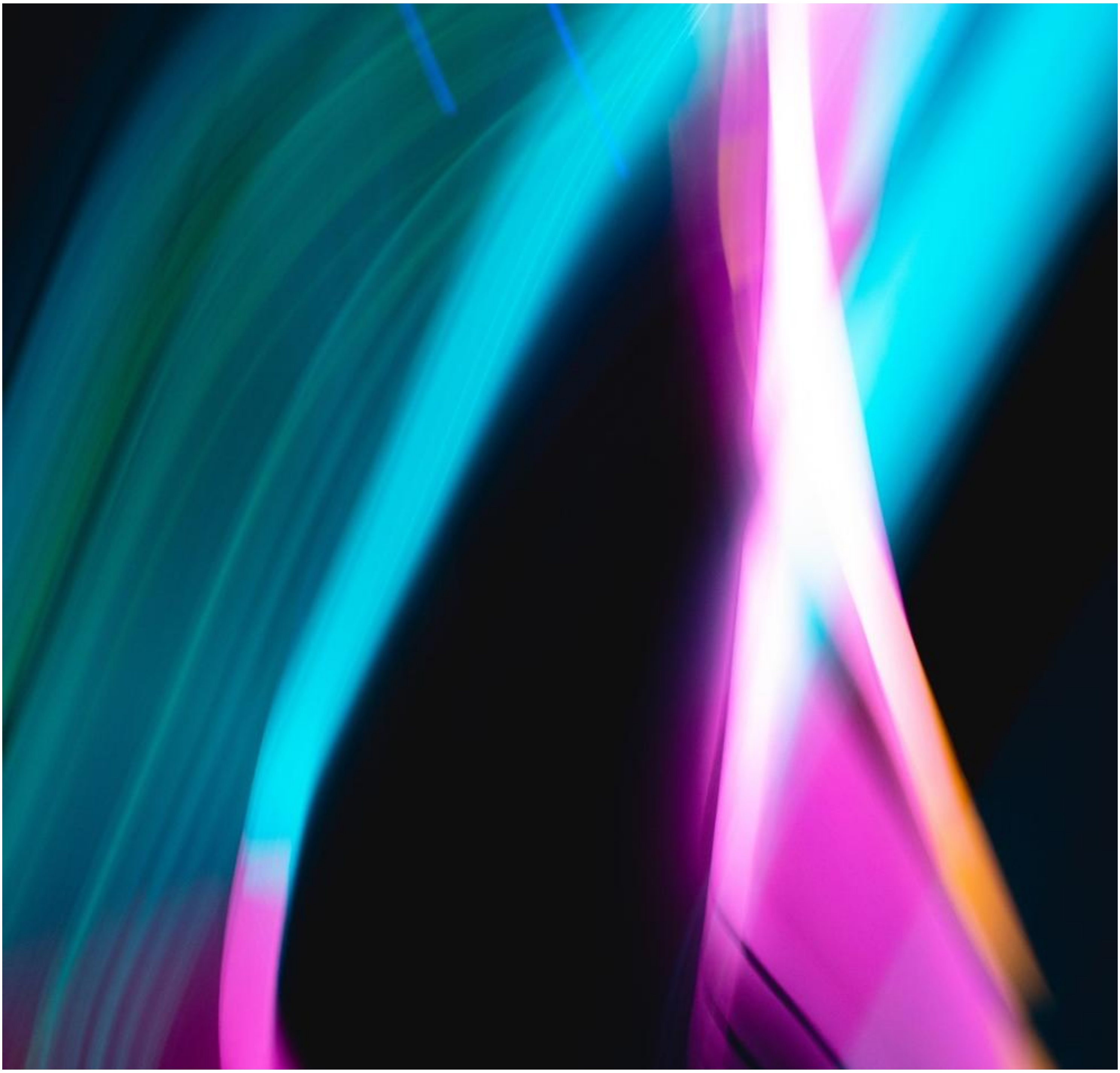
INVESTMENT ENVIRONMENT UPDATE

NOVEMBER 2025

PATRIZIA ADVISERS



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Investment Environment Update

The global economy continues to show surprising resilience in the face of persistent uncertainty, while becoming accustomed to the reality of slower growth and structural recalibration. However, disruption remains an ever-apparent threat amid simmering trade tensions and heightened fiscal financing risks as global public debt levels soar. For businesses, the message is becoming increasingly clear: strategic pivoting is critical. Firms in the US are increasingly embedding AI as a strategic initiative, and this AI boom has accelerated dramatically in 2025, fuelled by the tech giants whose massive investments in generative AI and cloud infrastructure have also triggered an unprecedented data centre capacity expansion. This surge is reshaping real estate and energy markets, as companies race to secure land, power, and cooling capacity for AI workloads. While the boom underpins tech sector valuations and US equity strength, it also raises concerns about sustainability, grid strain, and whether current growth reflects a durable paradigm shift or an emerging bubble. This boom was reflected in NVIDIA's latest earnings report which smashed expectations, driven by surging demand for AI infrastructure. Additionally, the company provided positive guidance for the upcoming quarter.

On the commodities front, the oil markets are pricing in a structural shift toward lower prices and heightened volatility as the geopolitical risk premium unwinds due to the prospect of a US brokered Russia-Ukraine peace deal. Gold & copper were up 4.5% and 2.8% respectively in the month, supported by an easing of US dollar and growing optimism around global economic activity.

Against this backdrop equity markets were relatively subdued in the month with both S&P 500 and the UK FTSE close to flat. The S&P/ASX 300 was a relative underperformer as the market digested weaker than expected earnings updates from the major banks as well as the higher-than-expected inflation data. Additionally, the performance gap between large and small cap listed companies in Australia this financial year has been striking. The S&P/ASX 300 Index has delivered a modest 2.6% in the financial year to date, while the S&P/ASX Small Ordinaries Accumulation Index surged 15.8%. This divergence reflects a strong risk-on sentiment among investors, favouring smaller companies with higher growth potential.

Asset Class Returns	November (%)	3 Months (%)	12 Months (%)	3 Years (% p.a.)
Cash	0.30	0.89	4.04	4.09
Australian Fixed Income	-0.88	-0.42	4.35	3.22
International Fixed Income	0.18	1.61	3.76	3.60
Australian Equity *	-2.64	-2.86	5.81	9.66
International Equity - Developed (unhedged) *	0.17	5.55	16.49	20.16
International Equity - Developed (hedged) *	0.32	6.34	15.75	18.00
International Equity - Emerging (unhedged) *	-2.56	8.75	28.65	15.52

** Returns reflect the relevant accumulation indices.*
Source: Bloomberg, Datastream, PATRIZIA.

The Trump administration is snapping up ownership shares of private companies it deems essential to national security by targeting companies in the semi-conductor chips, minerals and steel sectors. It is an unusual new strategy that has already committed more than US$10 billion in taxpayer funds and shows little sign of slowing. Many of the companies are facing financial headwinds, and some could take years to become profitable, but the aim is to ensure that the reliance on other countries, especially China, is reduced in the long run.

The US unemployment rate increased to 4.4% in September 2025 from 4.3% in August. Conversely, US nonfarm payrolls rose by 119,000 in September 2025, rebounding from a revised 4000 decline in August. Due to the unavailability of recent data because of the US government shutdown, the US Federal Reserve will have to rely on the available numbers from the previous months to decide whether to cut rates at their December meeting. On the other hand, the markets are increasingly pricing in a potential US Fed rate cut in December, driven by signs of moderating inflation and a cooling labour market.

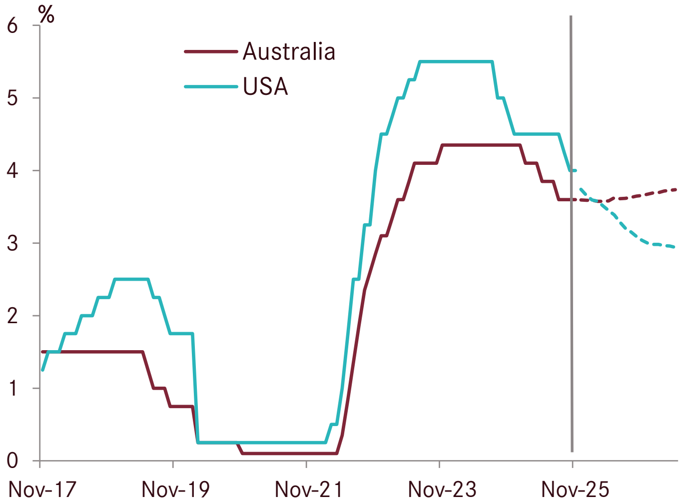
US retail trade growth slowed to 4.3% year-over-year in September 2025 from 5.0% in the previous month. The ISM Services PMI for the US edged up to 52.6 in November 2025 from 52.4 in October, pointing to the strongest growth in the services sector in nine months. The ISM Manufacturing PMI for the US fell to 48.2 in November 2025, the lowest in four months, compared to 48.7 in September, showing that the manufacturing sector contracted for the ninth consecutive month and at a faster pace, led by pullbacks in supplier deliveries, new orders and employment.

The S&P Global Australia Manufacturing PMI rose to 51.6 in November 2025 from 49.7 in October, confirming the sector's return to expansion. The S&P Global Australia Services PMI Business Activity Index rose to 52.8 in November from 52.5 in October, indicating faster expansion in the services sectors. The improvement reflected stronger new business inflows supported by better underlying demand.

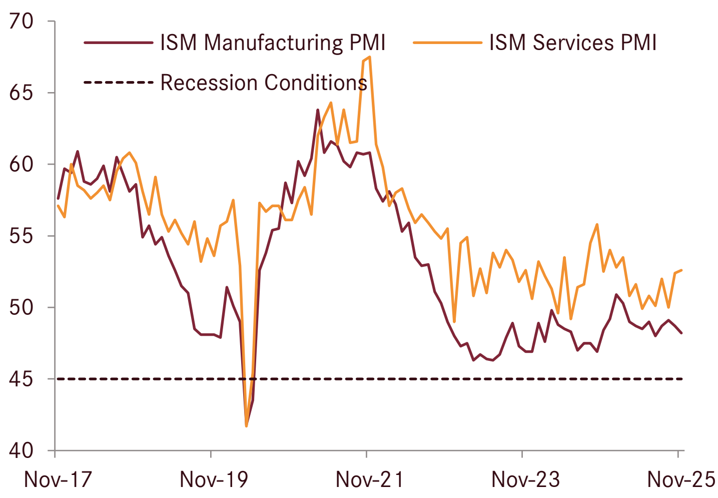
GDP in Australia expanded by 2.1% in Q3 2025 since the same quarter of the previous year. The economy continued its upward momentum, growing at the fastest annual rate in more than two years on the back of private investment, including the investment boom in data centres and artificial intelligence, as well as household consumption and government spending. Annual inflation rose to 3.8% in October 2025, which was the first full monthly CPI report from the Australian Bureau of Statistics; inflation remains above the Reserve Bank of Australia's 2–3% target. The high inflation numbers reflected the expiry of government rebates on electricity prices in some states and without this impact, inflation would have been around 3.2%. These inflation numbers are indicative of an economy nearing its "speed limit" and may reduce the probability of future rate cuts.

The HCOB Flash Eurozone Manufacturing PMI slipped to 49.6 in November, a five-month low, down from 50.0 in October. The HCOB Eurozone Services PMI rose to 53.6 in November 2025, up from 53.0 in October. This was the sixth consecutive month of growth and the fastest pace since May 2023. The faster increase in activity was supported by stronger sales growth, as demand improved for a fourth straight month and at the quickest rate in 18 months.

Australia and US Cash Rates



US ISM Purchasing Manager Indices



Source: Bloomberg

The Eurozone annual inflation rate rose to 2.2% in November from 2.1% in October, staying close to the European Central Bank's 2% target and the unemployment rate in the Euro Area remained unchanged at 6.4% in October. The Eurozone economy grew 1.4% year-on-year in Q3 2025 compared to 1.5% in Q2.

The S&P Global UK Manufacturing PMI rose to 50.2 in November 2025, up from 49.7 in October. This marks the highest reading since September 2024 and signals a return to growth for the sector, with output expanding for the second consecutive month, driven by stronger domestic demand. The S&P Global UK Services PMI dropped to 51.3 in November 2025 from 52.3 in October. This indicates a slowdown in business activity growth across the UK service economy amid weakening demand conditions. Survey participants noted that fragile client confidence, elevated risk aversion, and Budget-related uncertainty, combined with difficult global economic conditions, were weighing on business.

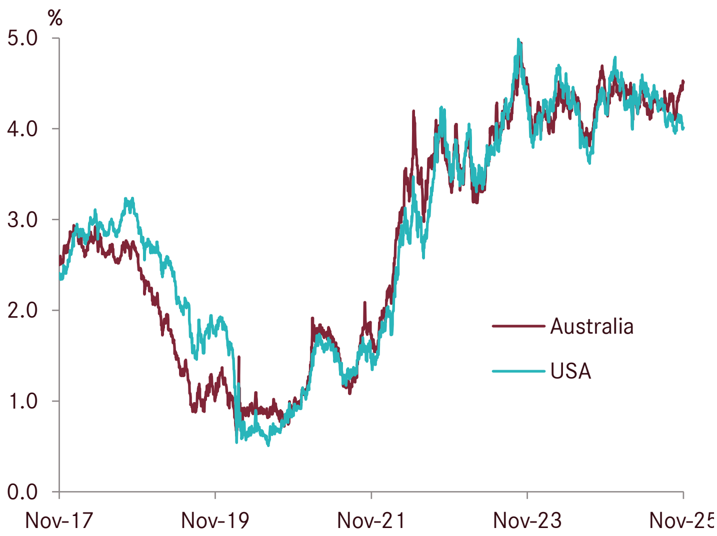
The UK's annual core inflation rate eased to 3.4% in October 2025 from 3.5% in the previous month, marking the lowest level since March. GDP in the UK rose by 1.1% in the year to September 2025, following a downwardly revised 1.2% growth in August.

The S&P Global Japan Manufacturing PMI increased to 48.7 in November 2025 compared to 48.2 in October, which had marked the weakest level in 19 months. The latest reading signalled the fifth consecutive month of contraction in factory activity, though the recent observations reflect a move toward stabilisation. By contrast, Japan's S&P Global Services PMI rose to 53.2 in November 2025, signalling the eighth straight month of expansion.

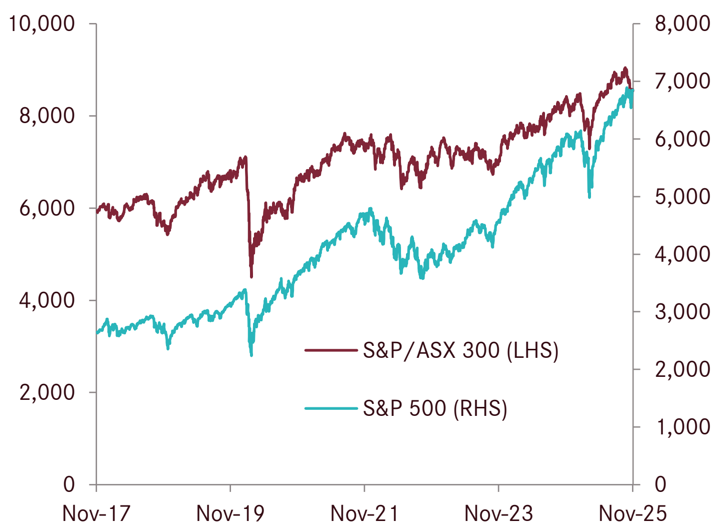
Japanese government bonds and the yen have been under pressure in recent weeks on concerns over a public spending surge under Prime Minister Sanae Takaichi. Last month she unveiled a ¥21.3 trillion package designed to spur economic growth and shield households from the rising cost of living. However, sentiment shifted after Bank of Japan governor Kazuo Ueda gave one of his clearest indications yet that the central bank might raise interest rates this month. The yen subsequently strengthened against the US dollar and bonds prices declined. This hawkish tilt is reinforced by recent data, as the unemployment rate stood at 2.6% in October 2025, unchanged from the previous two months and the annual inflation rate edged up to 3.0% in October 2025 from 2.9% in September, marking the highest reading since July.

China's official NBS Non-Manufacturing PMI slipped to 49.5 in November 2025 from 50.1 in the previous month, pointing to the lowest figure since December 2022 and the first decline in nearly three years. China's official NBS Manufacturing PMI edged up to 49.2 in November 2025 from October's six-month low of 49.0. However, it marked the eighth straight month of decline in factory activity, as manufacturers faced persistently weak demand, intensified price competition at home, and cautious export sentiment amid global tariff uncertainty. Beyond geopolitical risks, weak domestic demand is still casting a shadow over the outlook for Chinese factories. The rate of growth in retail sales slowed for the fifth straight month in October, the longest such streak since the country shuttered shops because of the COVID-19 pandemic more than four years ago.

10 Year Government Bond Yields



S&P/ASX 300 (Aus.) and S&P 500 (US) Equity Indices



Source: Bloomberg

Index Returns to 30 November 2025

	MONTH (%)	3 MONTHS (%)	FYTD (%)	12 MONTHS (%)
Australian Equities				
S&P/ASX 300 Accumulation Index	-2.6	-2.9	2.6	5.8
S&P/ASX Small Ordinaries Accumulation Index	-1.5	3.8	15.8	19.4
International Equities				
MSCI World (ex Australia) Index (hedged AUD)	0.3	6.3	10.8	15.8
MSCI World (ex Australia) Index (unhedged AUD)	0.2	5.5	9.8	16.5
MSCI Emerging Markets Index (unhedged AUD)	-2.6	8.7	12.4	28.6
Property				
S&P/ASX 200 A-REIT Accumulation Index	-3.8	-6.3	1.1	0.8
FTSE EPRA Nareit Developed ex Aus Rental hedged AUD	1.9	1.9	4.6	-0.4
FTSE EPRA Nareit Developed ex Aus Rental unhedged AUD	1.7	1.1	3.7	0.2
Infrastructure				
FTSE Developed Core Infrastructure hedged AUD	3.4	5.2	7.5	6.8
Australian Fixed Interest				
Bloomberg AusBond Composite Index	-0.9	-0.4	-0.1	4.4
Global Fixed Interest				
Barclay's Global Capital Aggregate Bond Index (hedged AUD)	0.2	1.6	2.0	3.8
FTSE WGBI ex-Aust (hedged AUD)	0.2	1.6	1.6	2.7
Cash				
Bloomberg AusBond Bank Bill Index	0.3	0.9	1.5	4.0
Commodities				
Gold (USD per ounce)	4.5	22.2	27.5	58.1
Copper (USD per metric tonne)	2.8	13.0	13.4	24.2
WTI Crude Oil (USD per barrel)	-3.8	-8.4	-9.9	-14.7

Australian Dollar versus Foreign Currencies to 30 November 2025

AUSTRALIAN DOLLAR VERSUS	AS AT 30 NOVEMBER 2025	MONTH (%)	THREE MONTHS (%)	FYTD (%)	12 MONTHS (%)
US Dollar	0.66	0.2	0.2	0.1	0.7
British Pound Sterling	0.49	-0.7	2.2	3.5	-3.4
Euro	0.57	-0.4	1.1	1.2	-8.4
Japanese Yen	102.34	1.5	6.5	8.1	4.6

Source: Bloomberg

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