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Portfolio Perspectives

December 2025

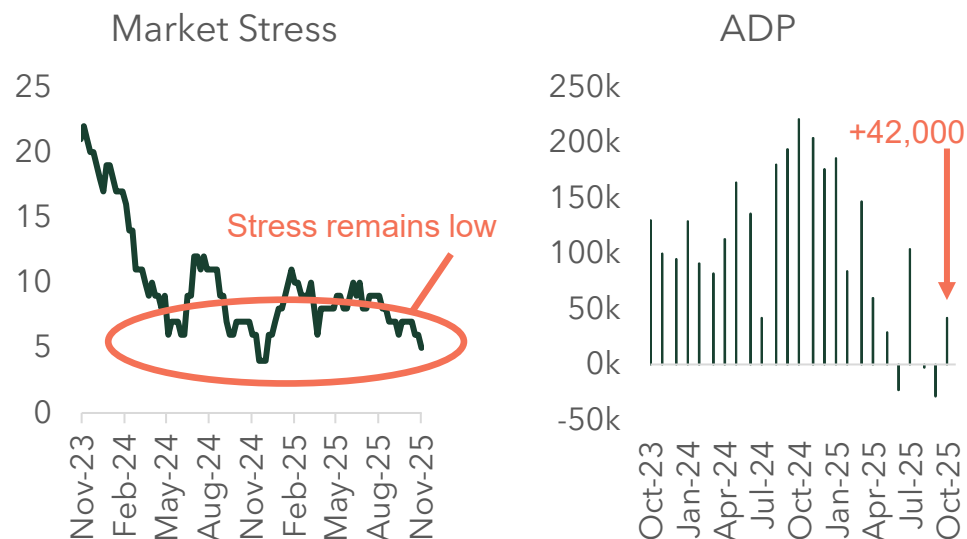
Key Messages for Investors

- The macroeconomic environment muddles on.
- Gold can play a valuable role in a multi-asset portfolio given its distinct risk/return drivers and its ability to provide protection against geopolitical, inflation and growth risks.
- Gold's meteoric rise has been predominantly supported by central bank buying, and more recently retail investors in the form of physical gold and ETF investments.
- We identify five demand drivers for gold which on balance are supportive for gold: central bank demand in particular is unlikely to be exhausted, especially among emerging markets with low gold reserve ratios.
- Despite exponential price gains, structural drivers such as US fiscal concerns, dollar status, and geopolitical risk remain, warranting a cautiously positive long-term view.

Benign macroeconomic picture continues

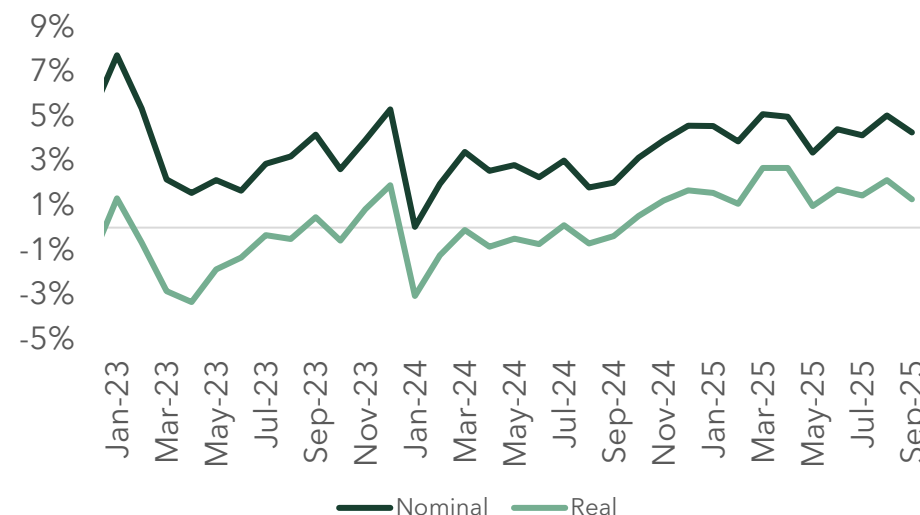
US employment conditions subdued (not crumbling), other indicators very pedestrian

Timely, alternative US labour indicators are not crumbling



- The delayed release of the September US employment data held a positive surprise, silencing critics that labour conditions are crumbling.
- Granted the official data is stale, alternative data sets like the US Federal Reserve Bank of San Francisco weekly labour market stress indicator and the ADP National Employment Report paint a more benign picture of US labour conditions that are subdued at worst.
- Labour market stress remains low and according to ADP, the US added 42,000 workers in October 2025.

"Weak" US Retail Sales in September

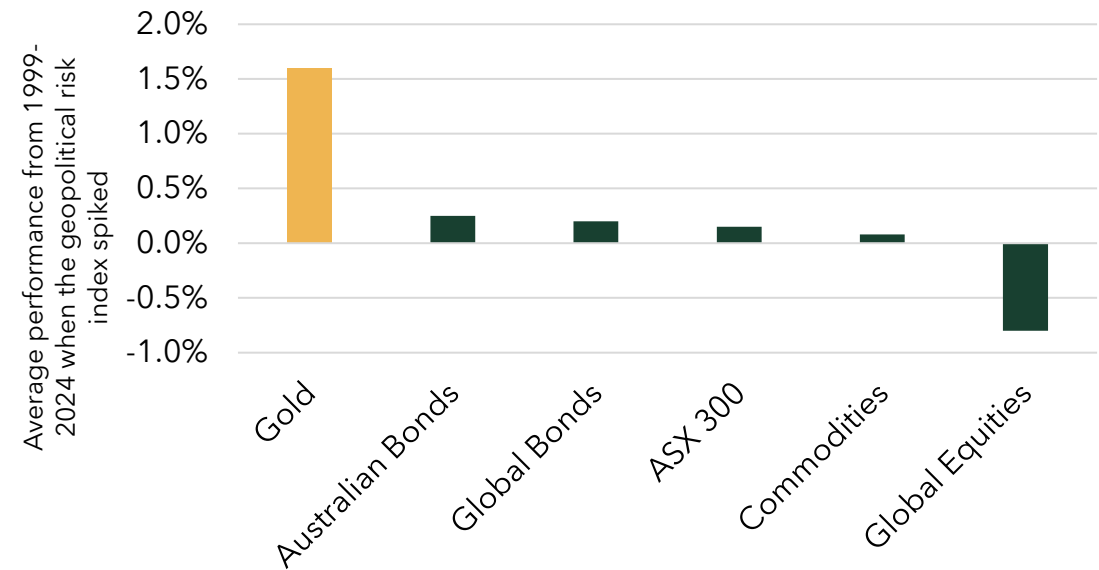


- The services sector (the dominate portion of their respective economies) for the Big 4 (US, China, Europe and Japan) remains healthy = Services Purchasing Manager's Index (PMI) remains well above 50.
- Retail sales remain broadly positive as a sign that household consumption continues to hold up.
- The "weak" September US retail sales figure still represented 4.3% YoY nominal growth or 1.3% in real terms which is hardly alarming.
- Our broad set of indicators paints a benign macro picture with the potential for upside surprise.

Gold can play a valuable role in a multi-asset portfolio

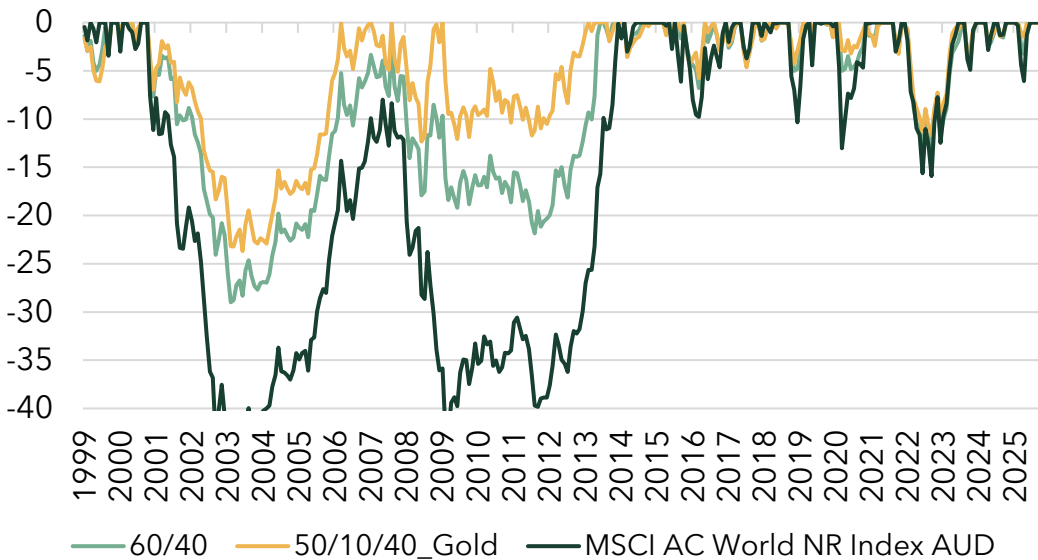
Improves portfolio robustness and provides protection against geopolitical, inflation, and growth risk

Gold has outperformed during geopolitical crises



- Gold has been a reliable hedge in geopolitical crises, reaffirming its status as a safe haven asset. Over the last 25 years, gold returned 1.5% on average when the geopolitical risk index spiked.
- Gold also performs well during recessions, with an average gain of 9% in the six months following the start of a recession.
- Gold tends to be negative correlated to equities and real assets and only moderately correlated to fixed income. Gold's role as a portfolio diversifier has grown with equity-bond correlations turning positive in 2022.

A gold allocation has resulted in shallower drawdowns



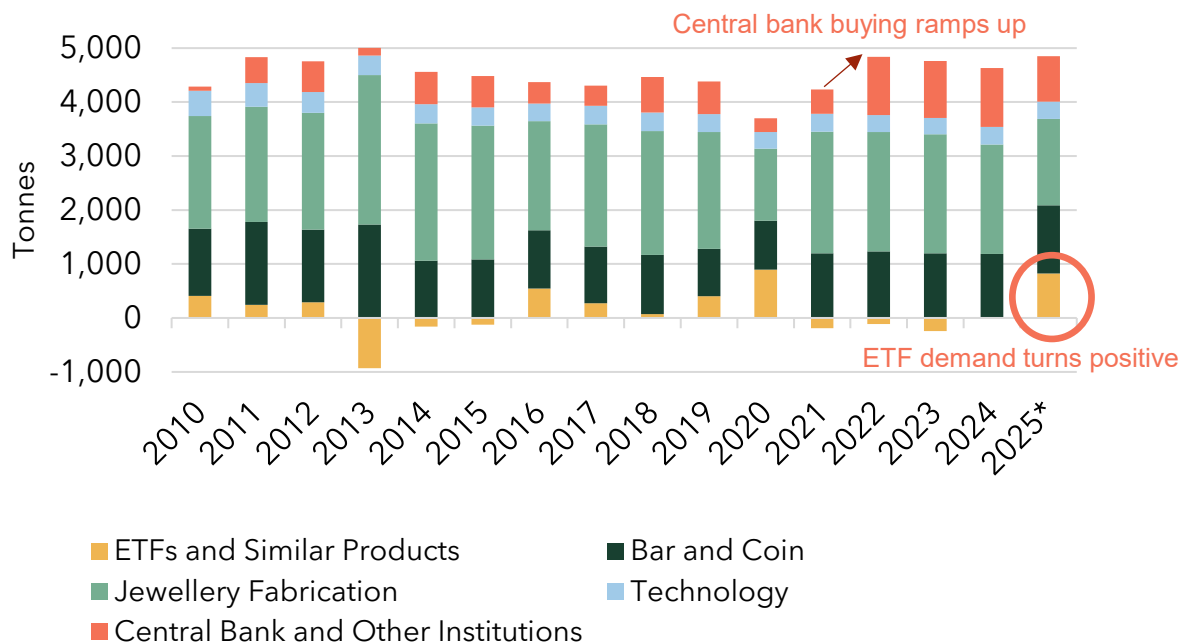
- A multi-asset portfolio with a 10% gold allocation* has experienced less severe drawdowns compared to a traditional 60/40 bond-equity portfolio, as exhibited in the 2001, 2007 and 2020 recessions.
- The portfolio with gold outperformed while exhibiting lower volatility, resulting in a higher median Sharpe ratio of 0.42 versus 0.38 for the traditional portfolio.

***The asset allocation is illustrative in nature and does not represent an actual, target or recommended allocation.**

Breaking down gold's demand drivers

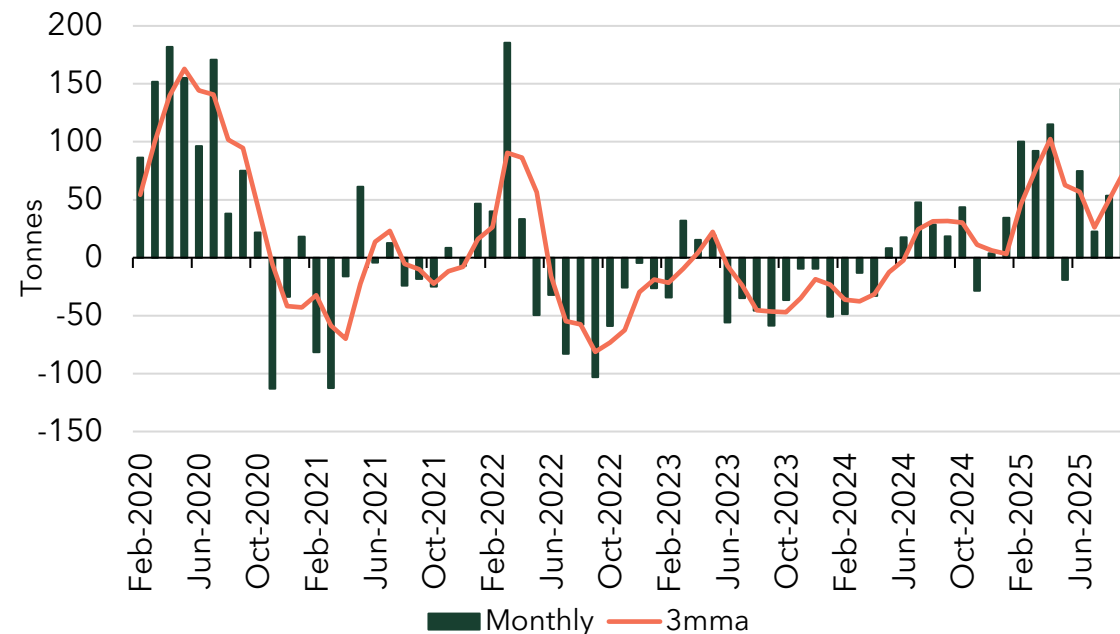
Central bank and ETF demand have been the two dominant drivers of return

Sources of Gold Demand



- Gold's meteoric rise has been predominantly supported by central bank buying since 2022, and more recently retail investors in the form of physical gold and ETFs investment.
- The elevated price environment will weigh on jewellery demand.
- Resilient Chinese retail investment demand may provide a modest tailwind for bar and coin consumption.

ETF gold demand turned positive in 2H 2024



- ETF flows are highly volatile and can have an outsized influence on prices.
- After a prolonged period of outflows, sentiment turned positive in the second half of 2024, buoyed by expectations of policy easing.
- Despite its strong rally, ETF gold holdings remain below their April 2022 peak, indicating that ongoing restocking could continue to support prices.
- Falling real yields and a weaker USD will benefit gold.

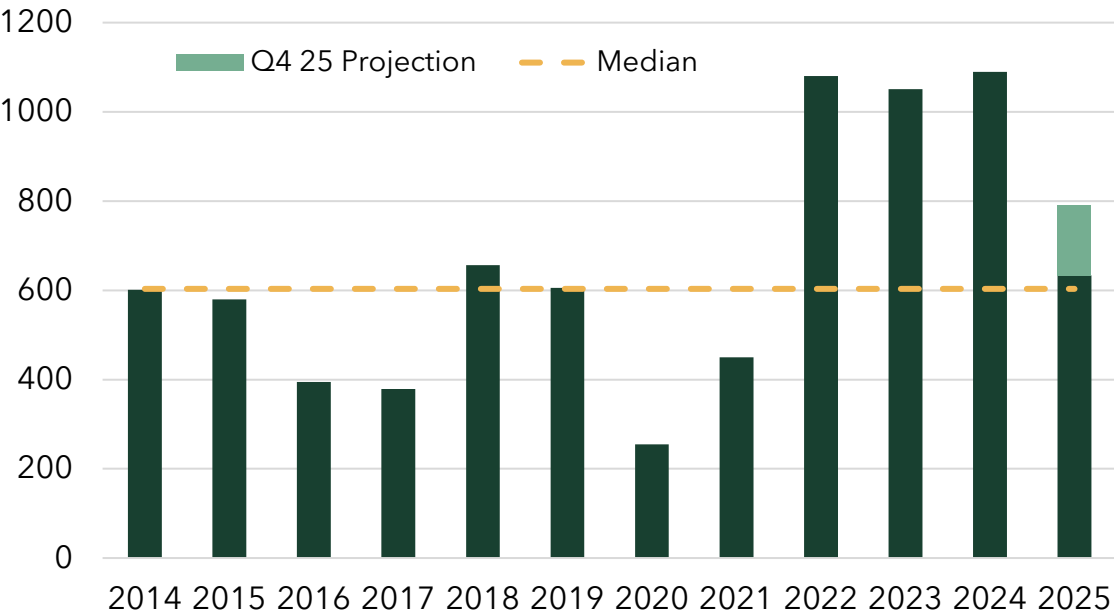
Source: World Gold Council, Evidentia Group estimates

*2025 figures are projected by annualising Q1 to Q3 demand

Central bank demand is unlikely to be exhausted

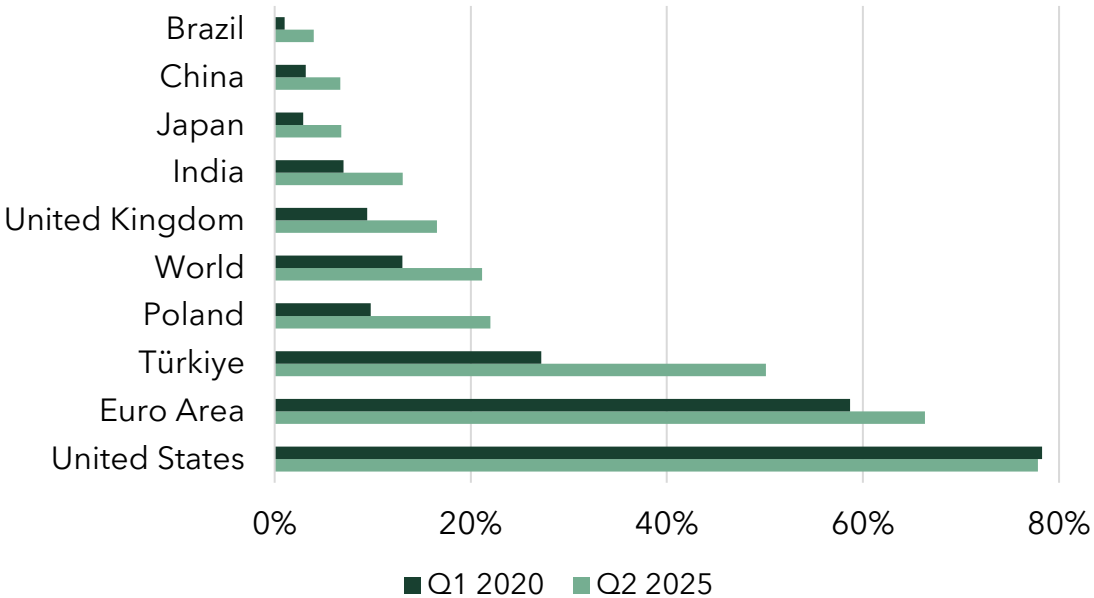
EMs with low gold reserve ratios are likely to continue building their gold allocations.

Central bank net gold purchases



- Central banks purchased >1,000 tonnes annually (~USD 12T) from 2022 to 2024, lifting their share of total demand from 12% to 24%. Expect higher structural demand compared to pre-2022 levels of 400-500 tonnes.
- Countries are diversifying away from the USD, as concerns around the US' fiscal trajectory, political stability, and interest rate volatility mounts.
- This trend forms part of a broader "de-dollarisation" movement, as central banks seek to reduce exposure to potential sanctions or asset freezes.

Gold allocations have increased materially across the board

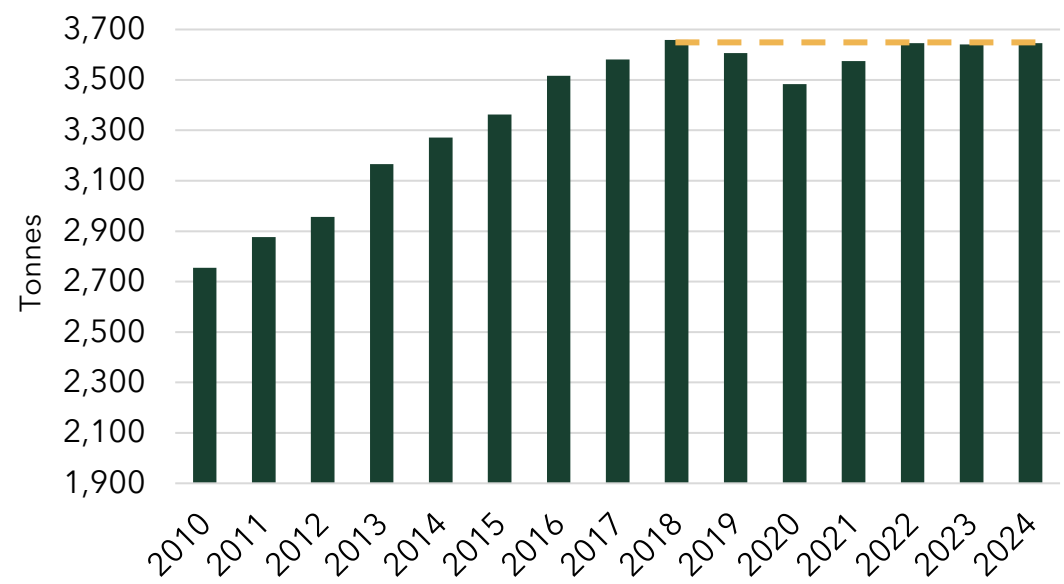


- Persistent central bank buying has increased gold's share of global central banks' reserves from 13% to 21% over the five years to Q2 2025.
- EM economies are leading the way, particularly China, Turkey, Poland and India, which accounted for 83% of global purchases during the period.
- Gold's share in EM countries' reserves (~10-15%), however, are still modest compared to US and the Euro Area.
- Continued reallocation from US Treasuries to gold should sustain robust demand.

Supply has struggled to keep pace with strong demand

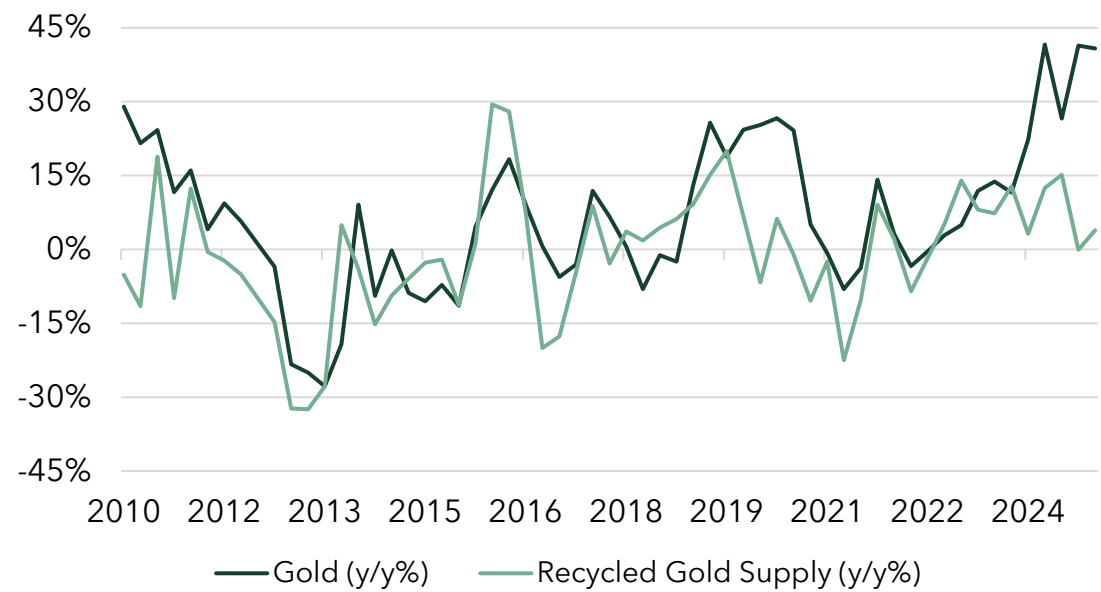
Mine output is constrained, and recycling has, so far, only been partially responsive.

Mine output has not grown since 2018



- Mine supply is slow to respond to price movements, as bringing a new gold mine into production can take decades.
- Production growth has stagnated since 2018, reflecting a prolonged period of underinvestment, limited new discoveries, and rising costs.
- Geopolitical and operational risks in EMs further constrain mining activity.

Recycled gold supply tends to move with prices



- Recycled gold scrap, primarily from jewellery, accounts for around 25% of annual supply, and tends to respond quickly to prices.
- Higher gold prices encourage more recycling as households and investors liquidate holdings to capitalise on gains.
- Recycling volumes have been modest so far in 2025, up about 6% year-on-year to Q3 but could surge higher given gold's elevated price.

Gold Outlook

Price inelastic buyers (i.e. central banks) coupled with price elastic sellers (i.e. recycling supply) create the conditions for persistent price support.

	Drivers	As at end 2024 Composition	Outlook			Rationale
			Negative	Stable	Positive	
Demand	Technology	7%		●		Stable and predictable source of demand. AI-chip related demand may be a marginal positive.
	Bars & Coins Investment	26%			●	Robust retail demand, particularly from China, as investors seek security and a reliable store of wealth.
	Jewellery	44%	●			Elevated price periods tend to weigh on jewellery demand.
	ETFs & similar products	17%			●	Strong momentum in ETF inflows across regions supports prices, though flows remain the most volatile demand component.
	Central banks & other institutions	17%			●	Official sector demand is unlikely to be exhausted despite slowing ytd, especially among EMs with low gold reserve ratios.
Supply	Mine Production	72%		●		Output projected to be flat y/y with no significant lift in production growth expected.
	Recycling Scrap	28%			●	Higher prices should raise volumes which has not yet materially picked up.
Overall Outlook	Short-term			●		After strong gains, expect elevated volatility and potential profit-taking, though dips may attract sidelined buyers, limiting depth of reversals. A near-term downside risk is an improvement in US growth sentiment.
	Long-term				●	Despite exponential price gains, structural drivers such as US fiscal concerns, dollar status, and geopolitical risk remain, warranting a cautiously positive view.

Outlook and Positioning

Stretched valuations require rotation to where we believe there is better relative value

Growth Assets	Underweight		N	Overweight	
Australian Equities – Large Cap					
Australian Equities – Small Cap					
Developed Market (DM) Equities – Large Cap					
Developed Market Equities – Small Cap					
Emerging Market (EM) Equities					
Global Listed Property					
Global Listed Infrastructure					
Growth Alternatives					

Defensive Assets	Underweight		N	Overweight	
Australian Bonds					
Global Bonds					
Diversified Income					
Defensive Alternatives					
Cash					

Growth Assets

- Australian Equities: Weak profit growth in Banks and Resources, with stretched valuations elsewhere, makes this market unattractive versus global alternatives.
- Small Caps: Dominated by unprofitable junior miners; while China's recovery may help, exposure is better gained directly. Gold strength adds froth to valuations.
- Global Equities: Tariffs remain a mild headwind, but overall growth fears have eased as economic indicators stabilise.
- Emerging Markets: China-led markets benefit from stronger consumption policies, reduced U.S. dependence, and appealing valuations.
- Global Listed Property: Requires active management; while offices face structural challenges, rental growth is improving in sectors like aged care and logistics.
- Global Listed Infrastructure: Attractive valuations, solid dividend yield, and defensive traits make it a beneficiary of lower interest rates.

Defensive Assets

- Australian bond yields offer good value and provide safety from overseas volatility. Positive supply/demand dynamics further supported by demonstrable better fiscal discipline relative to peers.
- US fiscal and monetary policy uncertainty is distorting the defensive qualities of Global Bonds. Japan is still in hiking mode.
- Gold acts as a risk-diversifier against a further deterioration in economic conditions or escalation in geopolitical tensions.

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