



## November Monthly Report

Dear Investors

We're pleased to provide you with the November 2025 Monthly Report for the Fawkes Capital Fund ("Fund"). In this monthly report, we:

- (1) Update our performance for November 2025; and
- (2) Provide a reflection on 2025

### Performance Update

November was a volatile month for global markets. After initial gyrations driven by trade disputes, markets largely moved sideways as investors grappled with growing concerns around a potential artificial intelligence (AI) bubble. While headline indices have traded within a relatively narrow range over recent months, weakness beneath the surface has become more apparent, with many AI-related stocks falling materially from their highs.

Nov-25	1 Mth	3 Mth	1 yr	2 Yrs	3 Yrs	SI (ann)	SI (cum)
<b>Fund (Net)</b>	-2.2%	14.2%	28.2%	26.7%	14.7%	12.1%	69.2%
<b>Blended Index</b>	-1.1%	-0.8%	5.1%	9.3%	7.1%	6.0%	30.1%
<b>All Ords</b>	-2.5%	-2.6%	5.8%	14.3%	10.0%	8.6%	45.9%
<b>RBA Cash</b>	0.3%	0.9%	4.0%	4.2%	4.1%	2.9%	14.0%

Returns are calculated net of fees and represent the combined income and capital returns over the specified period. All returns provided are in AUD. Blended Index returns are composed of 50% All Ords / 50% RBA Cash.

Against this backdrop, our Fund retraced, declining by 2.2% in November. The pullback was largely driven by weakness in our AI-related holdings, particularly in memory and infrastructure, ahead of our decision to reduce exposure. As outlined in our recent research note, we have become increasingly concerned about the long-term sustainability of AI economics. That said, market cycles rarely end abruptly. The sponsors of the datacentre buildout have deep pockets, and momentum can persist longer than fundamentals alone might justify. However, markets are inherently forward-looking, and in our view the risk-reward had become less compelling. Accordingly, we reduced exposure. Pleasingly, as at the time of writing in December, the Fund has recovered from the November pullback.

### Reflection on 2025

There are only a handful of trading sessions left in 2025. We're thankful for our investors' support in the growth of the Fund. This year has seen substantial improvement in performance. How to account for the cause? Is this change structural or once-off? These are precisely the questions we are asking ourselves as investors alongside you.

Over the past few years, the primary driver of our results has been a relentless focus on improving our investment process. This discipline has been deeply ingrained in how we operate. Performance, however, tends to follow with a lag. It takes time to refine a process, identify the right opportunities, and apply those improvements consistently. Our efforts have centred on strengthening our ability to identify emerging trends and regime changes, conduct deeper research, form well-founded inferences, monitor macro developments, sharpen intuition, hold investment convictions with greater clarity, manage emotional responses, and embed constructive habits. At a high level, we have been steadily working to improve our game, both on and off the court.

Improving our game "off the court" has been the most important element of this evolution. In our view of how markets function, performance is driven as much by behaviour as by investment insight. Long-term returns are often the result of disciplined, consistent decision-making, focusing only on the most compelling opportunities and avoiding unforced errors, rather than any measure of raw intelligence.



Technology has played a meaningful role in improving our investment process. We have integrated AI across multiple parts of how we research, analyse, and monitor investments. In this regard, we could not have asked for a better partner than Sanjay Govindan, whose ability to problem-solve through technology has helped us build what we believe is a sustainable competitive advantage. While we are understandably cautious about sharing the details of this work, we would be happy to walk investors through our approach via an explanatory call if helpful. The focus now is on scaling what has worked and pressing that advantage further.

Everyone actively involved in managing the Fund is continually searching for ways to improve. We spend a great deal of time thinking about how to collaborate more effectively, challenge one another's assumptions, and raise the overall quality of our decision-making.

During 2025, we also accelerated the expansion of our expert network. Industry specialists help us contextualise key developments and assess whether changes we observe are cyclical or structural in nature. In parallel, our collaboration with other funds, primarily in North America and Asia, has broadened our information set and improved the speed and depth of our fact-finding. The net effect has been an improved ability to identify attractive risk-reward opportunities earlier than many other market participants.

Religiously, we also track the investment mistakes we make through time. Over time, we have learnt to treat errors not as failures, but as the raw material for improvement. Accepting imperfect understanding as an inherent part of investing allows us to examine mistakes honestly rather than defensively. Only through this process does the true cause of an error come into focus. In our experience, this is the most reliable way to avoid repeating the same mistakes. In 2025, we successfully avoided the major forecasting errors made in 2023, and the improvement in outcomes was tangible.

Another important source of competitive advantage has been you, our investor base. Investing requires a certain degree of faith. Without it, one never stays the course long enough to see where the path ultimately leads. The destination may or may not prove desirable, but without conviction along the way, the journey ends prematurely. We do not take your trust or support for granted, and we are deeply aware of the role it plays in allowing us to invest with patience and discipline.

We would also like to take this opportunity to acknowledge the friends and family who have supported us throughout the year. There are many of you, and your contributions have come in different forms, whether through insight, encouragement, perspective, time, or simply belief. We have drawn both wisdom and emotional strength from these relationships. These qualities are not freely given, they are earned, and we are genuinely grateful that you are willing to share them with us.

Returning to the questions we posed at the outset, we cannot know whether the returns achieved this year can be replicated consistently over the long run. That uncertainty is inherent in investing. However, there are encouraging signs. Perhaps the most important is that our system was able to generate satisfactory outcomes despite the fact that we were still imperfect and error-prone throughout both 2024 and 2025. This suggests the presence of some margin of safety within the way our process is designed.

Systems fail when they lack the resilience to absorb the unexpected. Buildings collapse when their margin of safety proves insufficient. While the apparent robustness of our system is reassuring, it does not constitute a guarantee of future results. We do not know what the future holds, and only time will provide that answer. What we can commit to, unequivocally, is that we will continue to do everything within our control to deliver the best outcomes possible.

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2026 promises to be a tougher year for several reasons. First, the top-down outlook has become materially cloudier than it was even eight months ago. There are now legitimate arguments for the economy swinging in either direction. In our experience, the macro environment ultimately drives 60–80% of a stock's short to medium-term performance, which makes this uncertainty particularly consequential.



Second, after further research and extensive industry feedback, we increasingly believe that AI exhibits many of the characteristics of a bubble that will eventually deflate, even if it first experiences a further run-up. Because human behaviour is inherently difficult to predict, timing remains the most challenging aspect. There is a meaningful risk that AI stocks, and equity markets more broadly, move sideways for an extended period, removing what has historically been a relatively easy source of returns.

Third, market volatility is likely to increase. We are observing more pronounced herd-like behaviour, both at the macro level and in how market participants identify, evaluate, and crowd into stocks.

Despite these foreseeable headwinds, we will continue to do everything we can to protect and grow your capital over the medium term.

Kind Regards,  
Fawkes Capital Management

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