

Monthly Performance Commentary, January 2026

The model portfolio delivered a solid positive return in its first month since inception, finishing up 5.57% on an absolute return basis. A 2.3% FX drag left a total return for the month at 3.27%

US equities advanced in January, the S&P 500 was up 2%~ for the month as investors patiently wait for quarterly earnings announcements from mega cap technology companies and key cyclicals.

At the January meeting The Fed has maintained a target range for the federal funds rate at 3.5%-3.75% with current chairman Jerome Powell noting in his address "inflation remains somewhat elevated".

President Trump has announced Kevin Warsh as the next Fed chairman once Powell's term ends in May. We feel this is a strong selection. Warsh is likely to cut rates immediately. The argument being that President Trump's deregulation has increased supply side output allowing the economy to run and growth to accelerate without stoking inflation. (USD GDP 4.4% Q3 2025, projections for Q425 4.5-5.4%).

The AUD strengthened to .70 US cents per 1 AUD.

Australian equities benefited from commodity prices as we saw continued rotation into the miners.

We recently wrote in our reflection piece ([Active vs Passive, are the risks understood?](#)) how passive investing has driven recent domination of the ASX200 (particularly banks) and how perhaps how the banks weighting on the index had stepped to far from reality.

CBA was down 5.98% for the month of January, conversely BHP was up 8%. Westpac, ANZ and NAB were flat.

As of the 30th of January, the market is now pricing in a 72% chance of an increase in the RBA cash rate to 3.85% as inflation proves perhaps stickier than anticipated. We are reminded when the first rate cut in four years came in February 2025 how many thought rates would continue to be cut throughout 2025. The RBA delivered three interest rate cuts in 2025, a move that now appears premature if not a mistake, with the outlook shifting from whether rates will rise to when.

We are minded of the words by Mark Twain

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so".

Now the RBA faces a delicate balance between curtailing inflation and risk stalling the economy. Cost pressures such as increases in electricity costs (following the expiry of government rebates via the Energy Bill Relief Fund), holiday spending and early rate cuts appear to have restimulated the economy.

The portfolio's tilt toward quality cyclicals, infrastructure and selective growth assets was supportive over the month, with several holdings delivering outsized contributions.

New Hope Corporation was a strong performer during the month. The stock benefited from higher thermal coal prices (up 5% through January) and is well positioned given its strong balance sheet and free cash flow.

PWR Holdings performed well, up 16.96% for the month as they announced a US\$9.1M (~A\$13.5M) follow on contract to supply advanced cooling solutions for a US government project. Their aerospace and defense projects offer an exciting scale opportunity as the business continues to deliver returns on capital despite significant investment in growth initiatives and capex.

Infratil underperformed relative to the broader portfolio (-2.36%). While we believe the fundamentals remain positive, the stock was weighed down as the S&P/ASX Infrastructure Index, fell by 0.76% during the month despite the S&P/ASX 200 rising 1.8%. We look forward to IFT reporting full year financials on the 27th of May. (NZ Year End 31 March)

Despite being a model portfolio, this process acts as an education tool, helping link investment outcomes back to conviction, positioning and risk. Which we believe can ultimately improve future decision making.

By examining which securities both under and over performed for the month, and considerations on current market conditions, investors can consider for themselves, which drivers mattered, how those drivers interact with portfolio positioning, and what that implies for future risk and opportunity.