30 JUNE 2025

EQUITY ALPHA PLUS FUND

PARADICE INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	SI* P.A.
Equity Alpha Plus Fund	-0.43	4.90	17.12	16.49	18.05	14.16
S&P/ASX 200 Total Return Index	1.41	9.50	13.81	13.56	11.85	8.10
Excess Return	-1.84	-4.60	3.31	2.93	6.20	6.06

*since Inception date (SI) - 12 July 2019

Past performance of the Fund is not a reliable indicator of future performance. The value of an investment in the Fund may rise or fall. Returns are not guaranteed by any person. Fund returns are calculated before tax, after ongoing management costs and any accrued performance fees, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX 200 Total Return Index (after fees and before taxes) over the long term.

LEAD PORTFOLIO MANAGER

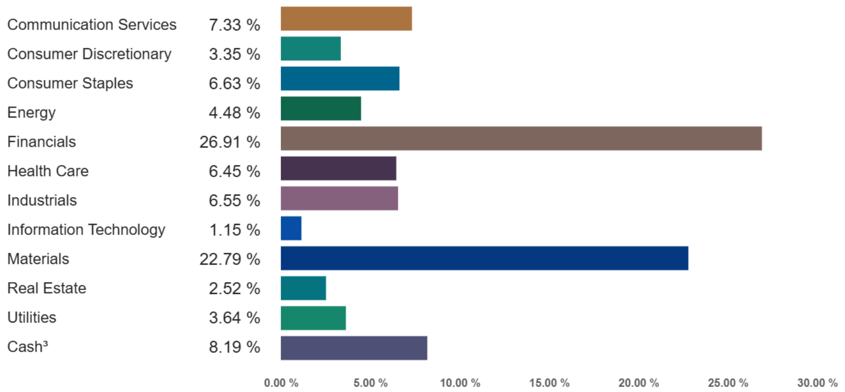
Tom Richardson

FUND OVERVIEW

This Fund uses a detailed fundamental research process to invest in stocks that are well placed for the future (longs) and takes advantage of stocks we believe have cyclical and structural headwinds (shorts). The Long/Short investment style is designed to enhance returns and manage downside risks.

MARKET EXPOSURES	
Long	118.85
Short	-27.04
Net	91.81

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	91
Portfolio Dividend Yield	3.63%
Fund Size (AUD)	$ 230M
Redemption Price	$1.4920

TOP 10 POSITIONS	WEIGHT %
BHP Group Ltd.	8.87
Macquarie Group, Ltd.	5.40
Seek Ltd.	5.01
Xero Ltd.	4.55
Telstra Group Ltd.	4.43
Brambles Ltd.	4.38
Insurance Australia Group Ltd.	4.21
QBE Insurance Group Ltd.	4.12
Treasury Wine Estates Ltd.	3.91
National Australia Bank Ltd.	3.66

FUND DETAILS	
APIR Code	ETL8096AU
Distribution Frequency	Semi-Annually
Management Fee[1]	0.99% p.a.
Performance Fee[2]	15% p.a.
Buy Sell Spread	+/- 0.30%
Minimum Investment	$20,000
Stock Range	Long 20–60, Short 0–50
Cash Range	0–20%

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Performance in AUD unless otherwise noted.

MARKET REVIEW

The MSCI World (in USD) and the S&P/ASX 200 (in AUD) Total Return Indices leapt 11.5% and 9.5% respectively over the quarter. The period began with Liberation Day, where fears of a global recession, plummeting sentiment and escalating geopolitical risks saw a global sell off in risk assets. However, markets “climbed a wall of worry” through the quarter as an Iran truce was brokered, progress and deferrals were made on tariffs, and Trump’s ‘Big, Beautiful Bill’ moved closer to legislation. After 20.0% (in USD) declines, from intraday highs, the S&P 500 Index recorded its fastest ever recovery. Quite remarkable.

The S&P/ASX 200 was led by Information Technology, which rose 28.4% as the market sought high beta stocks. Materials (-0.7%) and Utilities (+2.6%) and other low beta names lagged. Financials gained 15.8% led by CBA, which rose to all time high on international demand. Real Estate, including AREITS, rose 13.1% on lower interest rate expectations and better international demand for Australian assets. Santos rose on a takeover bid, however, the current share price only implies a 50% probability of success due to FIRB issues. James Hardie announced a US$8.7 billion acquisition of US decking company AZEK and underperformed significantly due to anticipated earnings dilution and corporate governance.

The Bloomberg Commodities index declined 3.1%. Gold rose 5.8% as a safety trade against economic uncertainty and on central bank demand, and Copper and Aluminium followed, rising 3.8% and 3.3% respectively. Despite heighted volatility due to the Middle East conflict, Brent closed the quarter down 9.5% due to OPEC+ increasing supply (all in USD).

Global macro data remained solid despite uncertainty. The JP Morgan Global Composite Purchasing Managers Index (PMI) was 51.7 in June, relatively flat verses 52.1 in March. The US Federal Reserve maintained rates citing increased economic "uncertainty” and despite US Core PCE inflation remaining flat at 2.7% in May versus March. The futures though are still pricing ~75 of cuts by 2025 year-end as at 30 June, which is only 15bp less than in March, and the US 2-year Treasury yield rallied 16bp. Despite unsettled tariffs, China seems to have stabilised their economy, as the CAIXIN PMI was 51.3 in June, approximately flat versus March.

The USD continues to edge lower, down -7.0% for the quarter. As previously discussed, investors may be concerned about 1) Fiscal concerns around US debt which is exacerbated as foreign investors reduce holdings of Treasury bonds, forcing issuances at possibly higher rates. 2) Weakening investor confidence due to political instability and trade uncertainty; and 3) Rising share of alternatives to the USD.

Australian economic growth remains stable. The Australian Composite PMI was 51.6 in June, flat versus March. The Monthly Consumer Price Inflation was 2.1% in May, down from 2.4% in February, which gave the RBA comfort to ease the cash rate 25bp in May. The futures as at 30 June assume another 80bp of cuts in by year-end, which is an additional cut versus March expectations.

PERFORMANCE

The Fund underperformed by 0.43% over the June month, giving back the outperformance we saw in the first quarter of the calendar year. The Long book underperformed the market and the Short book outperformed the market. In essence, the portfolios were not positioned for a bull market. The Long book underperformance was driven by three key stocks. Treasury Wine Estates (TWE) fell despite reiterating FY25 earnings. The global wine market, particularly the US, continues to struggle. Financially, TWE has outperformed its global peers, however, the stock has continued to de-rate. Penfolds is an iconic brand which we believe underwrites the current valuation. While management change is afoot, we take solace in a hands-on Chairman in John Mullen. IDP Education (IEL) impacted the Fund in the quarter. We initiated a small position in IEL earlier this year as we saw UK student visa applications inflecting positive. However, the trends dissipated in the fourth quarter and combined with poor cost management the Company had a sizeable downgrade sending the stock down 61.0% for the quarter. We added to our position (currently c. 1.2% of the Fund) as believe the stock is oversold. We will need to have more conviction in cost-out or witness Visa application growth to increase the position from here. Lastly, CBA rallied 22.4% in the quarter and our large underweight was a drag on performance.

The Short book rallied 12.0%, outperforming the market which rose 9.5%. We had several successful shorts in the quarter, however this was outweighed in aggregate by high-beta shorts which rallied considerably with the market. We reduced some of the beta in the Short book through the period.

OUTLOOK AND POSITIONING

Macroeconomic risks have been decreasing with a truce in Iran brokered, progress made on US trade deals at reasonable tariff levels and Trump’s ‘Big, Beautiful Bill’ legislated kicking the ballooning US Government debt problem down the road again. US inflation and jobs data in May were solid despite all the uncertainty. As such, US company EPS revisions were in fact positive in May. As we move forward, the worst-case economic scenarios of stagflation or recession seem back off the table.

However, some risks remain. US trade deals with China and Canada are yet to be settled. The current uncertainty has seen some slowdown in capital investment plans in some sectors. The ballooning US Government debt still seems a massive problem medium term. The threat of tariffs has seen the US Federal Reserve pause its easing cycle despite benign inflation. The US S&P500 market is back on an expensive 23.2x December 2025 Price/Earnings ratio.

The potential negative impacts on Australia from the above offshore issues now look relatively muted. In fact, Australia has benefited from increased investment flows in Banking and in the AREITS. China will be a key swing factor. Although a framework for a trade deal has been proposed, Beijing’s formal response has been limited. To date, stimulus has underwhelmed expectations, and any further support—particularly in infrastructure or property—will be closely watched. The Australian market's current 19.3x June 2025 Price/Earnings ratio has expanded but remains relatively attractive versus international markets.

The Fund is overweight Materials, particularly Aluminium via Alcoa and South32 as we see favourable supply / demand dynamics. The portfolio is overweight Gold through Newmont and Greatland Resources. Gold is favoured as a store of value against both inflation and crisis.

Financials are underweight, via Banks. Banks have re-rated to 35-year valuation highs yet have minimal growth outside one-off lower loan losses. The portfolio is overweight insurers QBE and IAG as they benefit from an ongoing insurance hardening pricing cycle. The portfolio holds a (reduced) position in Block on bottom-up fundamentals and Macquarie on earnings growth.

The Fund is positioned in selective Industrial stocks with growing earnings and attractive valuation. These include Brambles as it continues to grow earnings and generate free cashflow, and SGH where earnings are supported by a sustained equipment replacement cycle.

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Within the Consumer sectors, the portfolio is overweight A2 Milk, Treasury Wine and Qantas. A2 Milk is capitalizing on market disruptions to grow market share. Treasury Wine is attractively valued for the expected growth in Penfolds as it returns to the Chinese market. Qantas continues to enjoy robust domestic demand and pricing power.

Within Healthcare, the portfolio is overweight ResMed as it continues to deliver strong earnings growth in a benign competitive environment, and Ansell as it delivers earnings growth post a severe Covid-induced destocking cycle.

The Fund is underweight Real Estate Investment Trusts where earnings growth remains muted, but we see opportunities in both Stockland Group and GPT.

Two large holdings for the Fund are Seek and Xero. Seek is a key beneficiary of rate cuts domestically, and we have been impressed with the recent results of management where cost discipline has been introduced. We increased our position in Xero following their acquisition of Melio. While the valuation was high, we believe it will accelerate the Company's standing in the US market. The US market remains a key source of potential upside for Xero.

ENGAGEMENTS

During the quarter we undertook a total of 17 engagements in which we discussed ESG matters, with 14 companies relevant to the strategy. A majority of meetings in the quarter were held at the board or executive level. The engagements covered a range of issues, with most involving multiple ESG matters. Ethical conduct and stakeholder relations was the most discussed topic of interest for the team, alongside climate change.

In the quarter we had a meeting with Qantas Airway's (QAN) climate team. We discussed in detail market developments in sustainable aviation fuel (SAF) and the company's own SAF strategy. For now, supply remains overseas although Qantas continues to advocate for the establishment of a local SAF industry. It recently reached an important milestone by importing a SAF shipment to be blended with jet fuel for domestic flights departing from Sydney Airport; it provided an opportunity to test logistics and airport infrastructure. We also discussed the company's procurement of carbon credits, both for its Fly Carbon Neutral program as well as to meet its own climate commitments and compliance obligations.

Additionally, we had three separate meetings in the quarter with various BHP Group (BHP) representatives, including the CEO and the Chair of the People and Remuneration Committee (PRC). In our discussion with the CEO, we addressed permitting and securing cultural heritage approvals in the Pilbara, while our other meetings were more ESG-focused. With the PRC Chair topics included remuneration, industrial relations and the re-unionisation push in the Pilbara, and workplace culture, as well as the management of psychosocial safety and sexual harassment. It was apparent that Board oversight of people issues is very strong and includes a program of site visits and regular reporting.