30 SEPTEMBER 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	0.03	8.69	14.56	18.73	19.53	15.08
S&P/ASX 200 Total Return Index	-0.78	4.71	10.56	15.17	12.98	8.56
Excess Return	0.81	3.98	4.00	3.56	6.55	6.52

*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

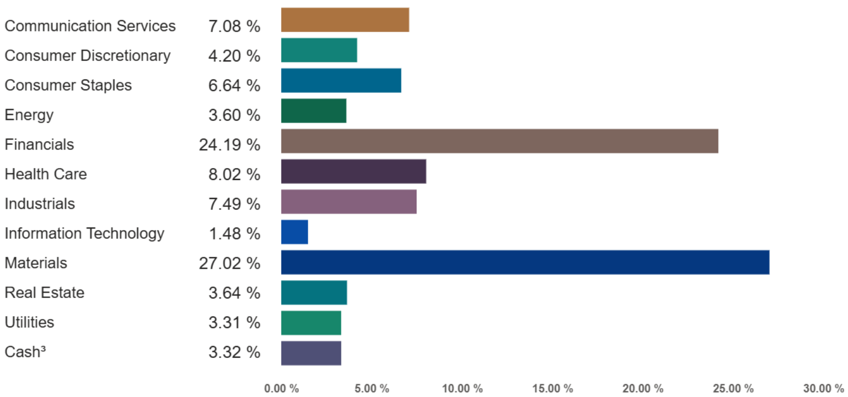
Tom Richardson

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	120.43
Short	-23.75
Net	96.68

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	89
Portfolio Dividend Yield	3.12%
Fund Size (AUD)	$ 272M
Redemption Price	$1.6217

TOP 10 POSITIONS	WEIGHT %
BHP Group Ltd.	11.53
Macquarie Group, Ltd.	5.72
Seek Ltd.	5.55
Treasury Wine Estates Ltd.	4.54
Newmont Corporation	4.40
Brambles Ltd.	4.27
Xero Ltd.	3.94
National Australia Bank Ltd.	3.92
GPT Group	3.52
Telstra Group Ltd.	3.44

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 Total Return Index rose 7.6% (in USD) and the S&P 500 Total Return Index gained 8.1% (in USD) in the September quarter vs prior comparable period. Markets were buoyed by a 25bp U.S. Federal Reserve rate cut, and as Trump's "Big, Beautiful Bill" advanced through Congress extending fiscal support. The NASDAQ Total Return Index jumped 11.4% (in USD) as the Artificial Intelligence spend broadened beyond chips to other infrastructure. MSCI China Total Return Index leapt 20.7% (in USD) as policy measures stabilised sentiment.

The S&P/ASX 200 Total Return Index gained 4.7%. Materials rose 20.5% mostly due to strength in gold producers. Consumer Discretionary lifted 10.0% as tax cuts and the rates outlook lifted customer demand. Healthcare dropped 9.3% on a disappointing CSL result and tough US government funding.

The Australian reporting season was volatile, with wide stock dispersion, as reactions occurred on thin liquidity. Large companies with notable share price falls experienced idiosyncratic market share losses: CSL, James Hardie, Woolworths, and Reece; while A2 Milk and Medibank rose on gains. New cost out programs were announced at: CSL, Domino's, Nine, Seven West, IDP Education, Worley, and Brambles. AI cost out plans were discussed by: IAG, Medibank, Origin, Telstra, and CBA. AI revenue opportunities were flagged by: ResMed, Pro Medicus, CAR, REA, and Wisetech. Bank Net Interest Margins at Westpac and NAB beat expectations largely on volatile Markets; but CBA's outlook was weaker. US Industrials showed ongoing strength: Brambles and Ansell. Domestic construction is currently soft, but in August developers and Wesfarmers forecasted a 2H FY26 pickup on lower rates. Domestic travel remains rational. Telco mobile subscriber growth has slowed. Liquor remained a challenged industry. The state of Victoria is suffering weak demand due to high taxes, poor productivity, and consumer theft. Consensus FY26 earnings expectations were trimmed ~2% to 6.5% growth over August.

The Bloomberg Commodities Index ticked up 3.6% (in USD). Gold rose 16.8% (in USD) on central bank demand. Iron ore rose 9.6% on Chinese stimulus and Lithium 9.5% on inventory restocking and solid EV demand (both in USD). Brent crude eased 0.9% as OPEC+ raised supply and LNG dropped 15.8% on soft demand due to mild weather (al in USD).

The JP Morgan Global All-Industry PMI dipped 0.5 points in September to 52.4. The U.S. Federal Reserve pivoted to a 'dovish' rate policy on slowing economic growth, and a deteriorating labour market, but with stable inflation. Although the U.S. ISM Services PMI improved to 52.0 in August versus 50.8 in June, the Manufacturing PMI dropped to 48.7 (with a reading below 50 signalling contraction), and unemployment rose to a cycle high of 4.3% (up 20bp since June). Core PCE inflation though held steady at 2.9%. Futures are pricing ~50bp more of cuts by year-end. U.S. Treasury yields rallied with the 2-year falling 11bp reflecting the policy pivot. In China, the Caixin PMI edged up to 52.5 in September (with both Manufacturing and Services expanding), from 51.3 in June, on policy measures.

Australia's economy held steady with the Composite PMI flat at 52.4 in September versus 51.6 in June. But the RBA held rates flat in September, and commentary was 'hawkish' after monthly CPI jumped to 3.0% in August, up from 1.9% in June, due to persistent government spending. Futures now don't imply another rate cut until April 2026, which is a pushout by six months versus June's expectations.

PERFORMANCE

The Fund rose 8.69% in the September quarter outperforming the Index which rallied 4.71%. Our Long book was the key driver of performance, rising 9.13%. We had a broad range of contributors with a particularly pleasing reporting season in August. Lynas Rare Earths was the largest contributor in the period with three key events driving the share price.Firstly, rare earth supply was a key factor in the US – China trade negotiations, highlighting the strategic nature of ex-China supply.

Secondly, Lynas announced production of Dysprosium (Dy) and Terbium (Tb) from their facility in Malaysia – the only producer outside of China. Thirdly, the US Government took a direct stake in peer MP Materials. The demand backdrop is increasingly positive and ex-China pricing for commodities is increasingly likely. We have trimmed our position as the stock has doubled but it remains a key holding. Interestingly, we visited the Lynas Advanced Materials Plant in Malaysia last month. The trip confirmed the highly technical capability of the team and their competitive advantage. Newmont was again a key contributor to the Fund as the gold price made new highs. We like the simplicity of Newmont following their acquisition Newcrest and subsequent as asset sales. The company is generating considerable cashflow at these prices and is returning this to shareholders via dividends and buyback. CBA was a key contributor to the Fund following its underperformance in the quarter. While there was minimal stock specific news we are happy to be writing this as our underweight position had been painful for 18 months.

The Short book rose by 6.60%, less than our Long portfolio but more than the Index, which detracted from Fund returns. We had a broad range of contributors and detractors in the Short book but ultimately a handful of volatile small cap shorts had sizeable rallies. It is not surprising in a backdrop where the S&P/ ASX Small Ordinaries Total Return Index rallied over 15% in the quarter – its highest quarterly return since 2010.

ENGAGEMENT

During the quarter we undertook a total of 46 engagements in which we discussed ESG matters, including 32 companies relevant to the strategy. The majority of meetings during the quarter were held at the board or executive level, with some being post-results meetings and others with the Chair in advance of the AGM. In addition to climate change, environmental management, ethical conduct and stakeholder relations issues were notable topics of interest for the team.
In addition to our post-results meeting in the quarter, we met with members of the Coles Group (COL) sustainability team for a deep dive on responsible sourcing, especially of Tasmanian farmed salmon. In June we went to Tasmania to see practices and speak to salmon suppliers first-hand, which informed our questioning of Coles' due diligence. While Coles is being more cautious around ethically sourced labelling given salmon from Macquarie Harbour in particular is a source of some community concern, we were pleased to see the robustness of the company's approach. It has strong relationships with a range of Tasmanian stakeholders and undertakes thorough due diligence to understand potential environmental harms from salmon farming.

Additionally, we three engagements with the Commonwealth Bank (CBA) during the quarter, covering the FY25 financial results and a number of ESG topics. We discussed AI and potential job impacts, compliance and non-financial risk management, as well as how CBA has successfully driven cultural change. We also discussed the refreshed physical climate risk analysis that had been undertaken, and sought more detail on how CBA is responding to the potential for under-insurance in the home loans portfolio to affect the bank's own risk profile. CBA is looking to collaborate with the insurance sector and government stakeholders on this given the shared nature of the problem.

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OUTLOOK AND POSITIONING

We are moderately cautious of markets short-term (over the next quarter) on emerging exuberance especially around artificial intelligence stocks, extended valuations, and outstanding trade deals between the U.S. and China and Canada. Recent volatility in the long end of the yield curve and surging gold prices also portend some level of risk off / aversion may be pending. The US S&P500 market is back on an expensive 25.0x December 2025 Price/Earnings ratio. The portfolio's beta is slightly below 1.0x or moderately cautious. U.S. Government debt is still a medium-term problem, complicated by Trump's pressure on the Fed Chair.

On the economic front, the U.S. data has been mixed of late resulting in the FED's evolving stance towards interest rate cuts. Futures are pricing ~50bp more of cuts by year-end, which may support economic activity. There is nothing in the data to suggest any economic dislocation with the U.S. economy weathering tariff related uncertainty quite well thus far and inflation pressures in prices paid seem manageable at this stage. The USA economy is expected to grow real GDP at a below trend 1.8% in 2026.

In Australia, the economic picture is also resilient with signs that the domestic consumer is in good shape after an 18-month period of 'cost of living' increases. We are seeing signs of job ad declines moderating and consumer discretionary spending increasing, which all point to a consumer in reasonable shape. However, the recent jump in inflation to 3.0% in August, and 'hawkish' commentary from the RBA in September, has resulted in a pushout of rate cut expectations to April 2026, so the economy won't get any further rate relief short-term. Australia also faces the prospect of weak productivity, due to regulation and government transfers crowding out private demand. The Australian economy is expected to grow real GDP at a modest 2.2% in 2026.

The portfolio is overweight Materials. It is overweight Gold, via Newmont, Greatland Resources and Ramelius, which is a hedge against inflation and crisis. The portfolio is also overweight iron ore, as Chinese demand is stimulated, via BHP and Fortescue. It holds a reduced position in Aluminium via Alcoa, and rare earths through Lynas.

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 insurance hardening pricing cycle. The portfolio holds positions in Block on bottom-up fundamentals and Macquarie on earnings growth.

The portfolio 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.

Within the Consumer sectors, the portfolio is overweight A2 Milk, Treasury Wine and Qantas (under Industrials). A2 Milk is capitalising 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. We also own Nanosonics as it grows its Trophon offering and for the CORIS (new product) opportunity.