PARADICE
INVESTMENT MANAGEMENT

30 JUNE 2026

EQUITY ALPHA PLUS FUND

Quarterly Fund Factsheet

Performance Net (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	SI* P.A.
Equity Alpha Plus Fund	2.83	6.27	14.37	15.01	13.19	14.19
S&P/ASX 200 Total Return Index	0.67	4.05	6.11	10.62	7.76	7.82
Excess Return	2.16	2.22	8.26	4.39	5.43	6.37

*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

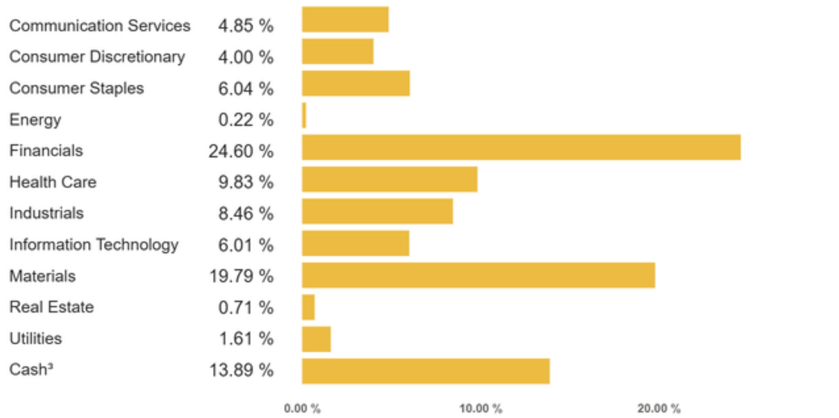
This Fund uses a detailed fundamental research process to invest in stocks that are well placed for the future (longs) and take advantage of stocks we believe have cyclical and structural headwinds (shorts). The Long/Short investment style is designed to enhance returns and manage downside risks.

Key Details	
Number of Holdings	85
Portfolio Dividend Yield	2.96%
Fund Size (AUD)	$ 539M
Redemption Price	$1.6361

Top 10 Positions	Weight %
BHP Group Ltd.	12.86
Macquarie Group, Ltd.	7.59
National Australia Bank Ltd.	5.33
Xero Ltd.	5.16
Seek Ltd.	4.24
ResMed Inc.	3.50
Woolworths Group Ltd.	3.44
Insurance Australia Group Ltd.	3.43
Aristocrat Leisure Ltd.	3.40
QBE Insurance Group Ltd.	3.36

Market Exposures	
Long	106.61
Short	-20.50
Net	86.11

Sector Allocation



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%

[1]The management fee is effective 3 April 2020. Prior to this date the management fee was 1.15% p.a. [2]Applies to the investment performance achieved by the Fund (after management fees and costs) in excess of the Benchmark. Refer to PDS for more information. [3]The Cash percentage in the Sector Allocation chart is inclusive of derivatives held in the Fund, if any.

MARKET REVIEW

The S&P/ASX 200 Total Return Index rose 4.0% in the June 2026 quarter, recovering strongly from the sharp sell-off that closed the March quarter. The dominant event of the quarter was the escalation of conflict in the Middle East, with direct hostilities involving Iran driving a spike in oil prices and a bout of risk aversion as markets weighed the potential for a broader regional war and disruption to energy supply through the Strait of Hormuz. As the quarter progressed, however, signs of de-escalation and a potential resolution saw oil prices reverse sharply lower, unwinding the earlier spike and apparently easing fears of an energy-driven inflation shock. The prospect of contained inflation, in turn, appeared to support a recovery in risk appetite, with the sectors that had been sold hardest in the March correction — high-multiple growth and cyclical names — leading the rebound as the peak of geopolitical and trade policy uncertainty appeared to ease.

The rotation within the quarter was pronounced. Consumer Discretionary (+19.0%), Information Technology (+17.0%), and Real Estate (+12.9%) led the market higher, a sharp reversal of the prior quarter's de-rating of growth and rate-sensitive sectors. Materials (+7.5%) also performed well, supported by resilient base metal prices and perceived AI demand, though gold consolidated after its extended multi-year rally. At the other end, Energy (-16.5%) was by far the worst performing sector, as the sharp reversal in oil prices following the Middle East de-escalation weighed heavily on energy equities. Health Care (-6.0%) and Utilities (-6.6%) also declined. Notably, Financials (+1.7%) lagged the broader market, with the major banks giving back some of their premium valuations — Westpac fell approximately 9% and Commonwealth Bank declined modestly against a rising market.

On the rates front, the US Federal Reserve gave little comfort to those hoping for near-term easing. At the quarter’s meeting, the Fed Chair signalled no immediate rate relief, emphasising that the Committee would wait for clearer evidence that tariff-related and energy-driven price pressures were not becoming embedded before adjusting policy. This measured tone tempered expectations for rate cuts in the second half of the year. The Federal Budget handed down during the quarter was a further consideration for the domestic outlook, with proposed changes to capital gains tax and negative gearing arrangements raising the prospect of a drag on domestic demand — particularly through the housing market and household investment activity — at a time when household budgets remain under pressure from cost-of-living dynamics. The AUD was relatively stable over the quarter, balancing improved global risk sentiment against a softer commodity complex in energy.

PERFORMANCE

The Fund rose 6.27% in the June quarter, outperforming the Index which rose 4.05%, delivering excess returns of approximately 222 basis points. Pleasingly, both the Long and Short books contributed to relative performance.

The Long book outperformed by 2.68%, with the outperformance driven by a combination of strong stock selection — most notably in Health Care and Financials — and the long-held underweight to the major banks finally paying off.

Macquarie Group (MQG) was the largest contributor for the quarter as the stock rallied 26%. Strong operational momentum across asset management and capital markets, together with elevated global infrastructure deal activity, seemingly drove earnings upgrades. Macquarie remains a key holding, and while we have trimmed modestly into strength, we continue to see the earnings growth profile as attractive relative to the broader Financials sector. The Fund's underweight position in CSL Limited (CSL) also contributed. Having held no position through the period, the Fund avoided the 18% decline in the stock as the market reassessed the earnings recovery timeline in Behring, the pharmaceutical division of CSL. Following this de-rating, we have recently initiated a position in CSL. While we believe some earnings risk remains, the stock may now offer a compelling entry point given the quality of the franchise and the earnings trajectory over the next three years. The Fund's underweight position in the major banks was also a meaningful contributor. The underweight in Westpac and Commonwealth Bank aided performance this quarter. We have maintained this underweight for an extended period on valuation grounds, at times to our detriment, and this quarter saw the beginning of the multiple compression we have anticipated as earnings growth failed to justify 35-year valuation highs in our view. We have a more detailed note on the Banks below.

Treasury Wine Estates (TWE) contributed this quarter, rallying 28% as the market seemingly began to reward the strategic reset undertaken by the new CEO. The inventory rebase announced in December cleared a key overhang, and improving Penfolds momentum in China supported upgrades. Having added to the position in the December quarter weakness, we have been rewarded and have trimmed modestly into the rally.

The Long book again, was not without its detractors. IDP Education (IEL) was the largest detractor for the quarter as the stock fell 44% despite announcing a strong first half result in February. International student volume headwinds intensified as policy settings in key destination markets tightened further, driving material earnings downgrades. We have not added to the position acknowledging that the recovery timeline has extended. The Company is in our view managing the business well and recently confirmed FY26 guidance and announced a $50 million buyback. While external headwinds remain, our assessment is that the stock is looking attractive at current levels. Not owning Wesfarmers detracted as the stock rallied 24%, and the underweight in Goodman Group also detracted as the stock rose 22% with the recovery in Real Estate. Wisetech Global fell 13% amidst ongoing governance concerns and softer guidance; we used the weakness to add to our position, as we believe the underlying logistics software franchise remains high quality and the valuation has become more attractive. A2 Milk fell 22% on near-term China infant formula channel dynamics. We retain conviction in the brand strength and market share trajectory and have increased the position.

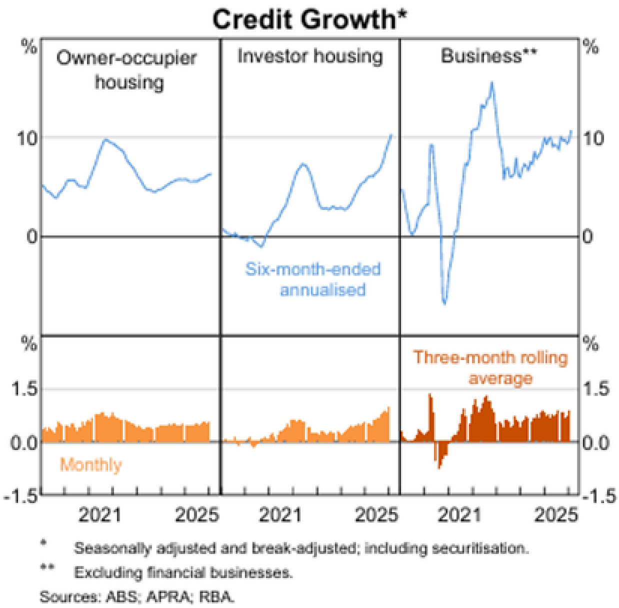
The Short book rose 3.8%, slightly less than the Index, which represents a solid outcome in a strongly rising market. Returns within the book were sharply bifurcated. Shorts in the gold and Resources space were the key contributors as the sector consolidated. Conversely, the sharp recovery in Technology and growth names squeezed several positions. We covered a handful of positions through the quarter as the risk and reward became unattractive, and we have redeployed capital into new shorts where valuations have again become extended following the rally. The AI and data centre build out thematic has rapidly increased the valuations for several companies. We have built a few small positions where share prices look extended.

Banks

We think the domestic banks transitioned in April from a bull market where interest rate rises were supportive of margin expansion and further EPS upgrades to a bear market where interest rate increases contribute to a deterioration in credit quality and present material earnings risks. It is our view that the Federal Government budget changes to negative gearing and Capital Gains Tax (CGT) as it relates to investment property will only accelerate a lower earnings trend that was already becoming evident.

For the housing market, Paradice believe the changes in negative gearing (NG) and CGT reduce housing turnover, reduce investor demand and contribute to outright house price declines. Housing turnover could decline as investor participation in the market retrenches on the back of effectively higher net funding costs post the removal of the NG tax benefits. Based on recent industry discussions the NG changes for an investor is an effective increase of 1-1.5% in their funding costs or alternatively a 25% reduction in the price they can afford to pay for property. Higher effective funding costs for investors will reduce their demand for established dwellings in particular which we do not think will be offset by higher demand for new dwellings. New dwellings typically have much lower capital gains and are thus less attractive to investors. Lower investor demand and participation in housing markets will also lead to lower house prices overall.

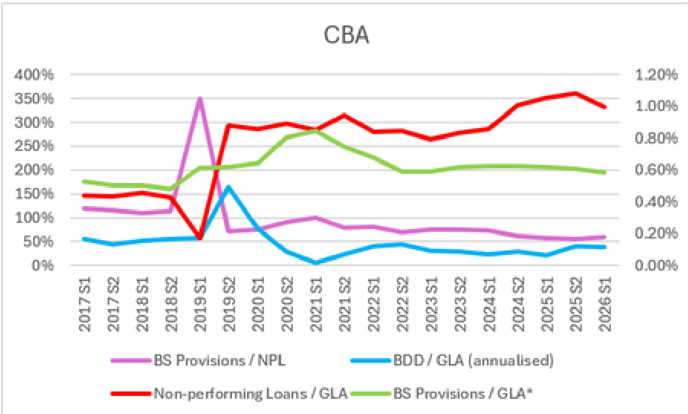
Chart 1: Investor credit growth has been flying. That is about to change.



As investors pull back from investing in residential property as a form of wealth creation, and informed by recent property industry discussions, we anticipate a deceleration in credit growth from the current 7-8% to around 3-4% as investor credit growth, currently estimated at around 40% of new lending flow, converges towards zero. Investor lending is around 20% of the banks back book but estimated at 40% of the flow highlighting what a key driver of bank volumes and margins investors have been over the last 2 years.

For the banks we expect lower house prices, lower credit growth and higher interest rates to pressure lending volumes, margins and credit quality. This may manifest in earnings downgrades in coming quarters the severity of which are likely to be determined by where interest rates and credit growth ultimately settle. The direction of travel however is now abundantly clear. In relation to credit quality and provisioning the banks will tell you they are well provided for. We believe that they are not, except in all but the most benign of economic outcomes. Non-performing loans have been increasing for the last four halves, with the principal reason they have not translated into higher levels of impairment being high asset prices. In other words, high house prices have meant few are likely to have had to take a loss. As house prices retreat financial stress often increases and the level of provisioning may need to increase with it, as they have in past economic cycles.

Chart 2: CBA Non-performing loans to gross loans and acceptances have been elevated since post covid. These have not resulted in ultimate losses principally as a result of elevated asset (house) prices.



Bank earnings downgrades will potentially put a spotlight on extended valuations that are arguably unsupportable in any economic backdrop, let alone a deteriorating one. At the time of writing, banks were trading from 1.5-3.5x book value whilst returns on equity would suggest valuations closer to book value is fair.

In summary we believe the changes to negative gearing and CGT are negative for the domestic economy and by extension the Australian banking sector.

OUTLOOK AND POSITIONING

The de-escalation of the Iran conflict has seen a rapid retrace of the oil price. This is beneficial for the global economy that is suffering from sustained higher inflation. The lower prices could help disinflationary trends in the second half of 2026. This would be supportive of Consumer stocks, long duration Technology names and Healthcare.

On the flipside, Materials have been a key inflationary hedge and if disinflation continues, the sector may underperform. The higher oil price fed through cost curves and pushed up commodity prices across the board. As oil prices fall, we are seeing the same in reverse with base metals prices softening in recent times.

As outlined above, domestic consumption has an added headwind of the budget changes. US consumer exposure currently appears more attractive, and our exposure is through Aristocrat and Block. We are looking for opportunities to increase this exposure.

The AI thematic has been the driving force of global share markets in the first half of the year. We expect a broadening out of returns in the second half, driven by decelerating enterprise adoption as costs have moved up without the commensurate returns to date.

Having been overweight for an extended period, the portfolio is now underweight Materials, reflecting our view that several commodity prices have peaked. We have taken profits across the sector and reduced our overall exposure. Within our remaining positions, we hold BHP as our key iron ore and copper exposure, and Lynas in rare earths, where the strategic case for ex-China supply continues to build. Our gold exposure remains small, with Newmont now a more modest position. We retain smaller positions in Elevra Lithium and PLS Group following their strong contributions over the past year. We expect to rebuild our exposure to the sector should we see a meaningful pullback in commodity prices.

We remain underweight Financials via the major banks. This quarter provided the first evidence of the multiple compression we have long anticipated, and with the banks still trading near historical valuation highs against minimal earnings growth, we believe there is further to go. The portfolio remains overweight the insurers QBE and IAG as the pricing cycle remains favourable, and we hold Macquarie on earnings growth and Block on bottom-up fundamentals.

Within Technology, our key positions remain Xero and Seek (via Communication Services). Our conviction is unchanged, both businesses have durable competitive positions, large addressable markets, and valuations that remain attractive relative to their long-term earnings power. We also added to Wisetech during the quarter, using the share price weakness to build the position in a high-quality logistics software franchise at a more attractive valuation.

Within the Consumer sectors, the portfolio is overweight Aristocrat, Treasury Wine Estates, A2 Milk, Woolworths and Qantas (within Industrials). There is evidence that Treasury Wine's reset is now being rewarded and Penfolds momentum in China continues to build. A2 Milk's recent weakness reflects near-term channel dynamics rather than deterioration in its market share trajectory, and we have maintained the position.

We are overweight Healthcare. The portfolio is now benchmark positioned in CSL as the remaining earnings risk is outweighed by what is, in our opinion, a compelling valuation, ResMed for its strong earnings growth in a benign competitive environment, and Ansell as it continues to deliver post the Covid-induced destocking cycle. Artrya has been an exceptional contributor since initiation and we have trimmed the position into strength while retaining meaningful exposure to its unique coronary diagnostics platform.

The Short book remains an important source of alpha and risk management. Following the quarter's strong market recovery, we are again finding attractive short opportunities in high-valuation, low-earnings-quality names across Technology, Industrials, and Materials, and the book has been actively repositioned accordingly.