31 MARCH 2026

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	-6.25	-1.70	12.89	13.22	13.74	13.72
S&P/ASX 200 Total Return Index	-7.15	-1.61	11.67	9.54	8.63	7.48
Excess Return	0.90	-0.09	1.22	3.68	5.11	6.24

*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

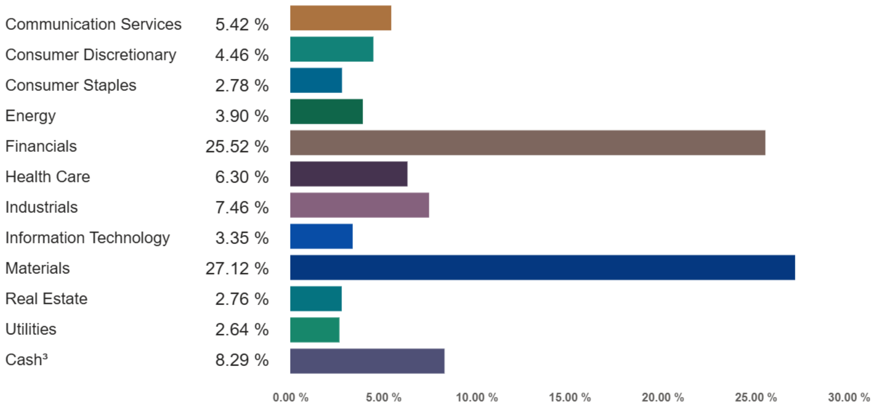
Tom Richardson

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	106.89
Short	-15.18
Net	91.71

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	77
Portfolio Dividend Yield	3.32%
Fund Size (AUD)	$ 421M
Redemption Price	$1.6057

TOP 10 POSITIONS	WEIGHT %
BHP Group Ltd.	13.14
Macquarie Group, Ltd.	6.28
National Australia Bank Ltd.	4.92
Xero Ltd.	4.11
QBE Insurance Group Ltd.	3.48
Insurance Australia Group Ltd.	3.19
Brambles Ltd.	3.16
Woodside Energy Group Ltd.	3.09
Seek Ltd.	3.08
Commonwealth Bank of Australia	2.97

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.

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MARKET REVIEW

The MSCI World Total Return Index dropped 3.2% (USD) and the S&P/ ASX 200 Total Return Index eased 1.6%[1] in the March quarter as the USA went to war with Iran. Brent oil prices spiked 94.5% (USD) as the Strait of Hormuz closed, which skewed inflation risks to the upside and drove US 2-year Treasury yields 32 bps higher. The NASDAQ Total Return Index (USD) fell 7.0% as concerns of Artificial Intelligence (AI) disruption were an additional headwind to valuation compression from higher rates. Concerns around Private Credit also surfaced as retail investors requested redemptions more than 'gate' limits at some funds, with these fears only exacerbated by the conflict.

Macro data deteriorated in March around the world in response to the Middle Eastern conflict but does remain solid. The JP Morgan Global All-Industry PMI in March dropped 2.3 points sequentially, which is the largest one-month drop since the invasion of Ukraine. Both the Global Manufacturing and Services PMI indices dropped, and declines occurred across all major global regions. However, the PMI reading of 51.0 does remain expansionary and is consistent with 'trend-like' 2.5% global GDP growth. Inflation prints in the quarter were largely too backward-looking to be relevant given the jump in oil prices that is yet to flow into inflation. The US Fed held rates flat and said, "inflation progress is disappointing, risks are rising, and cuts may not come". US futures removed the more than two 25bp cuts previously priced into the calendar year and now imply an approximately flat outcome. In Australia, the RBA rose rates 25bp to 4.1% as monthly CPI inflation for February at 3.7% remained high versus their 2-3% target. Futures here now imply over two 25bp rate hikes over the year, which is an increase from roughly one previously.

The Australian February reporting season was solid with an ~1% EPS beat on average but again is relatively backward looking. During the quarter Energy stocks leapt 37.7% on the 94.5% (USD) surge in Brent Oil and 109.6% (USD) spike in JKM Asian LNG. Materials rose 3.9% on a 49.5% (USD) rise in Spodumene, 18.2% (USD) advance in Aluminium and 8.1% (USD) rise in Gold, while Iron Ore was flat. Banks increased 2.2% on faster credit growth and persistent low loan losses. AI disruption risks weighed heavily on IT stocks which fell 28%. Consumer Discretionary stocks eased 14.6% on more cautious outlooks due to a weakening consumer. AREITS underperformed on the higher rate outlook.

PERFORMANCE

The Fund fell 1.70% in the March quarter narrowly underperforming the Index which fell 1.61%. The Long book disappointingly underperformed, however the Short book offset this with a meaningful contribution to returns. The Materials sector was the best performing for the Fund. Lynas was the largest single contributor to Fund performance for the quarter. The stock continued to benefit from increasing strategic interest in ex-China rare earth supply chains, underpinned by ongoing US-China trade tension and the growing critical minerals agenda. Lynas's unique position as the world's largest producer of separated rare earth materials outside of China continues to attract a valuation premium, and we believe the long-term structural demand for rare earth elements, particularly in electric vehicles, defence systems, and wind turbines, remains highly supportive. BHP Group (BHP) was also a key contributor as iron ore prices held firmer than feared and copper exposure attracted significant investor interest amid the global infrastructure and energy transition thematic. BHP's diversified commodity exposure and strong free cash flow generation continue to underpin our conviction in the position. We trimmed the holding modestly through the quarter following the strong share price move.

The Long book was not without its detractors. Seek Limited, the largest detractor from the Fund, fell sharply through the quarter, driven by a combination of macro concerns around employment activity and persistent fears of AI disruption to the online jobs market.

[1] For the purposes of comparison commentary is quoted in Australian dollar terms and Australian sector returns refers to the S&P/ASX 200 Total Return Index unless stated otherwise.

We maintain a high-conviction position in Seek. The Company's network effects and data moat provide meaningful barriers to AI displacement, and the business has demonstrated disciplined cost management. We believe the valuation at current levels does not reflect the long-term earnings potential and have maintained our position. Xero continued its de-rating from elevated valuation levels. Concerns around the cost of the Melio acquisition, near-term earnings dilution, and broad sector pressure on high-multiple software names weighed on the stock. We retain high conviction in Xero's long-term US market opportunity and have used the weakness to build our position at more attractive entry levels. The US remains a materially underexploited market for Xero and we believe the Melio integration will ultimately accelerate their competitive positioning. Treasury Wine Estates continued to face near-term earnings headwinds as channel destocking impacts its premium wine divisions. We believe the Penfolds brand remains highly valuable and that the strategic reset underway by management has the potential to position the Company well for recovery. We hold the position as the valuation is compelling, although we will need to see more rapid evidence of the strategy re-set to maintain the position.

The Short book delivered strong absolute and relative performance during the quarter, contributing approximately +223 basis points to Fund returns. This was a significant contributor to outperformance, reflecting the value of the short portfolio in a volatile and declining market environment. In aggregate, the Short book fell approximately -13.8% over the quarter, representing meaningful alpha generation. Unsurprisingly, Short positions in the Technology sector were amongst the key contributors. Consumer Discretionary and Financials also fell considerably in the quarter.

ESG ENGAGEMENT[2]

During the quarter we undertook a total of 44 engagements in which we discussed ESG matters with 31 companies relevant to the strategy. The majority of meetings during the quarter were held at the board or executive level, with most with the CEO following the release of financial results. In addition to climate change, ethical conduct and environmental management were notable topics of interest for the team.

In the quarter, we had two executive-level meetings, and one ESG-focused meeting with BHP Group (BHP). We continued our engagement on Traditional Owner relationships and permitting in the iron ore business, seeking updates on agreement modernisation efforts. We also met the new CEO, whose appointment was announced in the period, and were pleased to hear him state that safety was his top priority and a prerequisite to BHP maintaining operational excellence. Timelines for its heavy fleet decarbonisation appear to be slipping, however, which may cast doubt on the achievability of its interim emissions target so we will closely monitor the next climate update at the full year results.

Additionally, we had two meetings with Insurance Australia Group (IAG). In our post results meeting we got an update on management of perils exposure, while we also met with members of IAG's natural perils team for a deep dive on the insurer's understanding and management of physical climate risk. The team supported our understanding of how the increase in secondary perils due to climate change is changing the reinsurance market. IAG also demonstrated how it could reduce risk through product design and direct interventions, which is complemented by its policy advocacy work. In particular, advocating for government investment in adaptation and climate-informed town planning which is significantly more cost effective than disaster response. We also tested IAG's response to managing social licence as affordability becomes an issue in climate-exposed areas.

[2] This fund is not an ESG product please see the PDS for further information on our ESG considerations.

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OUTLOOK AND POSITIONING

At the time of writing, the US and Iran have just announced a two-week ceasefire, although details remain unclear on many issues, including the reopening of the Strait of Hormuz, and so concerns are likely to remain over whether the ceasefire will stick. At this point we are concluding that we are likely past 'peak fear', on the basis that neither side can continue to take further war pain, but the risk of further spikes in warring activity remains.

The outlook for equity markets over the next quarter therefore could be volatile and the portfolio's beta is 1.0x consistent with a broadly neutral risk stance. We see moderate economic growth, fiscal stimulus in the US and Australia, stable interest rates in the US and small increases in Australia. Valuations have become more attractive in some sectors, while higher inflation and even possibly stagflation are the main risks to equity markets.

The JP Morgan Global Composite PMI reading of 51.0 is consistent with 'trend-like' 2.5% GDP growth. US real GDP growth is expected to be ~2% in 2026 boosted by greater fiscal stimulus from Trump's OBBB. The US S&P500 market trades on 19.6x December 2026 Price/Earnings ratio.

Australian GDP is also expected to grow at ~2%, aided by fiscal stimulus. The RBA's more 'hawkish' rate policy reflected in our futures market pricing of over two 25bp rate increases this year will be a headwind for the consumer and rate sensitive sectors. The duration of elevated fuel prices and inflation data will be important drivers of further changes to rate policy. Divergent rate outcomes between Australia and the USA should result in upward pressure on the AUD and support higher commodity prices. The S&P/ASX200 trades on 16.6x June 2026 Price/Earnings ratio.

The Fund is overweight Materials and overweight Bulk Commodities including aluminium, via BHP and Fortescue, as Chinese demand is stimulated, and via Alcoa. PLS and Elevra Lithium is held as lithium demand accelerates. Lynas is held for strategic rare earth opportunities. We are now underweight gold equities, owning Newmont and Ramelius.

Financials are underweight, via the major banks, but we have narrowly reduced the size of the underweight adding to NAB on the recent pullback. Banks are trading on record valuations, both absolute and relative. The banks have performed as defensive assets through the recent pullback. We question the sustainability of the outperformance should conditions materially worsen. The Fund is overweight insurers QBE and IAG as they may benefit from an insurance hardening pricing cycle. The Fund holds Macquarie on solid earnings growth via their commodities trading business and asset realisations.

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, SGH where earnings are supported by a sustained equipment replacement cycle, and Qantas who enjoys robust domestic demand and pricing power.

The Fund holds key overweight positions in Xero and Seek, following underperformance and becoming oversold on AI concerns that we conclude are now overdone.

The Short book shrunk in the quarter as we covered several positions after material falls. We will look to rebuild the positions as opportunities present themselves. Areas of focus remain in Financials, Consumer Discretionary and Technology.