31 MAY 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	0.36	-3.11	10.74	14.56	12.92	13.91
S&P/ASX 200 Total Return Index	1.15	-4.03	6.89	11.02	8.10	7.81
Excess Return	-0.79	0.92	3.85	3.54	4.82	6.10

*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

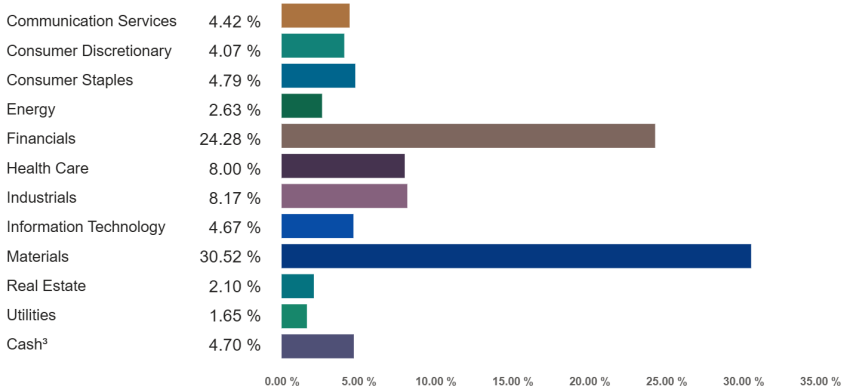
Tom Richardson

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	113.47
Short	-18.17
Net	95.30

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	86
Portfolio Dividend Yield	3.09%
Fund Size (AUD)	$ 493M
Redemption Price	$1.6594

TOP 10 POSITIONS	WEIGHT %
BHP Group Ltd.	14.86
Macquarie Group, Ltd.	7.48
Xero Ltd.	4.75
National Australia Bank Ltd.	4.47
QBE Insurance Group Ltd.	3.87
Seek Ltd.	3.36
Insurance Australia Group Ltd.	3.35
Woolworths Group Ltd.	3.13
GPT Group	3.12
ResMed Inc.	3.03

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

The Fund rose 0.36% in May underperforming the Index which increased 1.15%[1]. Our long book narrowly underperformed in the month with positive ASX 20 returns offset with mid and small cap exposures. BHP (overweight), CSL, CBA and WBC (all underweight) were the top contributors for the month. Brambles was the largest detractor in May as a surprise announcement sent the stock down 20%, its largest one day move in almost 25 years. The issue relates to pallet availability, and the company is confident the issue is transitory. We have not bought or sold since the fall, but we do expect management to remedy the situation. Our reluctance to increase our holding is driven by multiple examples where stocks continue to fall on small earnings changes. A2 Milk was also a drag in May as the stock continued to fall after supply challenges announced in early April. Short term product availability remains challenged, but in our view, there may be some green shoots appearing into June and July. We have recently increased our holding after the stock has nearly halved in value since March this year, the company holds a large net cash position, and therefore the equity fall is severe. IDP Education also weighed on performance. The stock continues to face headwind in their Student Placement business but suffered a 16% fall on the last day of the month in response to a broker downgrade. We believe the stock offers attractive long-term value and have maintained our position. The Short book outperformed in the month which detracted from returns. While no one stock caused concern, a handful of positions in the IT and Materials sector rallied over 10%.

MARKET WRAP

The MSCI World Total Return Index gained 5.2% (USD) in May as investor confidence improved further, following robust US earnings in April, ongoing AI optimism following Nvidia's demand outlook update that helped propel the NASDAQ Total Return Index 8.4% (USD), and a relatively stable geopolitical environment, which saw Brent oil fall 19.3% (USD).

The S&P/ASX 200 Total Return Index rose just 1.15% given its smaller technology weighting, and as the Australian government announced proposed tax reforms impacting capital gains on shares at a higher level. They also announced plans to remove property investment negative gearing taxation benefits, which has the potential to reduce the pace of credit growth and Bank earnings, which drove the Financials sector down 2.9%. Although the RBA lifted the cash rate 25bp in the month, 2-year Treasury yields rallied 25bp, as the 4.2% April monthly inflation was less aggressive than March, which in turn lifted the rate sensitive Consumer Discretionary sector 4.7% and Real Estate 2.5%. Materials though were the best performing ASX 200 sector, rising 10.5%, as investors appeared to rotate into the major bulk producers. Aluminium rose 5.2% and Copper 4.6% (both in USD), which may in part reflect expectations of growing AI electricity network needs. Spodumene rose 4.9% (USD) potentially supported by expectations on EV demand. Healthcare dropped 9.1% following a Cochlear profit warning and, in our view, poorly received CSL strategic review.

In our view recent macro data suggests that there is an increasing divergence between Australia and the US, where AI investment is boosting demand, and Australia where restrictive government fiscal policy is creating a new drag. The US ISM Manufacturing PMI improved to 54.0 in May and Services to 54.5. China's Caixin Manufacturing PMI held roughly flat. However, the Australian PMI composite dropped back to a contractionary 48.7.

LOOKING FORWARD

Global share markets have rallied considerably since we witnessed de-escalation in the Middle East conflict. Earnings growth through the US reporting season has been very strong, ultimately driving their market higher. Australia has lagged amid three rate rises, and a taxing budget may contribute to driving of softer consumer results and earnings downgrades from the major banks. While we believe we are in an inflationary growth environment which supports commodities, we reduced our Materials exposure in the month as several stocks appeared extended. The Fund remains exposed to SaaS companies that have suffered large de-rates on AI fears. Xero is currently the largest active position in the portfolio.

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

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