31 DECEMBER 2025

AUSTRALIAN MID CAP FUND – ACTIVE ETF

PARADICE
INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	SI* P.A.
Australian Mid Cap Fund - Active ETF [1]	-0.53	-0.08	21.45	13.71	9.86	11.38	10.44	9.65
S&P/ASX Mid-Small Total Return Index [2]	0.04	0.56	20.41	13.02	9.29	11.75	11.01	7.17
Excess Return	-0.57	-0.64	1.04	0.69	0.57	-0.37	-0.57	2.48

*Since Inception date (SI) – 25 September 2006

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. The performance of the Paradice Australian Mid Cap Fund – Active ETF is calculated using the NAV price. Returns greater than 1 year are annualised

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX Mid-Small Total Return Index [2] over a three to five year period (after management costs and before tax).

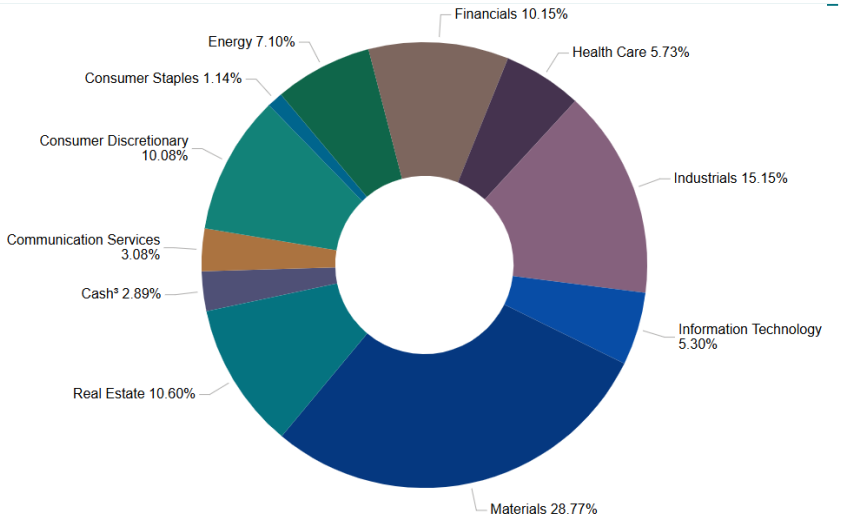
LEAD PORTFOLIO MANAGER

Matthew Riordan

FUND OVERVIEW

The highly experienced team have a focus on downside protection and aim to generate strong, long term risk-adjusted returns.

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	42
Portfolio Dividend Yield	1.63%
Fund Size (AUD)	$ 71M

TOP 10 POSITIONS	WEIGHT %
ALS Ltd.	5.57
Orica Ltd.	5.54
Charter Hall Group	4.75
Vicinity Centres	4.03
PLS Group Ltd.	3.68
Genesis Minerals Ltd.	3.67
Ramelius Resources Ltd.	3.64
SGH Ltd.	3.42
Light & Wonder, Inc.	3.38
Capricorn Metals Ltd	3.33

FUND DETAILS	
APIR Code	ETL9086AU
Distribution Frequency	Semi-Annually
Management Fee	0.90% p.a.
Performance Fee[4]	15% p.a.
Buy Sell Spread	+/- 0.25%
Minimum Investment	$20,000
Stock Range	Typically 40–60
Cash Range	0–10%

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Performance in AUD unless otherwise noted[1]

MARKET REVIEW

Markets over the quarter were shaped by a dynamic push and pull between growing optimism around an approaching easing cycle and persistent uncertainty surrounding global policy settings. Into year-end, expectations for US monetary policy became increasingly constructive, culminating in the Federal Reserve delivering a rate cut at its December meeting. This shift helped support broader risk appetite and underpinned equity market sentiment, particularly in interest-rate-sensitive segments of the market.

At the same time, commodities markets were influenced by a renewed focus on inputs critical to the global energy transition. In particular, stronger interest in copper - driven by long-term electrification and decarbonisation themes alongside near-term supply constraints - flowed through to improved sentiment across materials-linked equities.

Global returns

Global equity markets finished the quarter higher, supported by easing inflation trends, improved rate expectations, and resilient corporate earnings. The MSCI World Index rose 3.3% (USD) over the period. In the US, both the S&P 500 and NASDAQ gained 2.7% (USD), reflecting steady earnings delivery despite some moderation in growth expectations.

Developed markets outside the US outperformed, with the MSCI EAFEIndex rising 4.9% in USD terms, benefiting from more attractive valuations and improving economic momentum in parts of Europe and Japan. In contrast, Chinese equities lagged, with the MSCI China Index falling 7.4% (USD) as ongoing property-sector challenges and subdued confidence weighed on investor sentiment.

Domestic interest rate and market moves

Domestically, the Reserve Bank of Australia left the cash rate unchanged at 3.6% throughout the quarter, maintaining a cautious and data-dependent policy stance. Australian equity markets were mixed, with the S&P/ASX 200 Index (ASX200) declining 1.0% over the period, while smaller companies outperformed. The S&P/ASX Small Ordinaries Index (ASX Small Ordinaries) rose 1.8%, and the S&P/ASX Mid Cap 50 Index (ASX Mid Cap 50) finished broadly flat, highlighting divergent performance beneath the surface.

This divergence across the Australian equity market has been a feature during 2025. Over the last 12 months the ASX200 returned 10.3% compared to ASX Mid Cap 50 up 18.3% and the ASX Small Ordinaries up 25.0%. The strength within the ASX Small Ordinaries can be attributed to resources (S&P/ASX Small Resources Index), which rose 73.0%.

Bond yields rose meaningfully across the curve, reflecting a combination of global rate repricing and domestic inflation uncertainty. The Australian 2-year and 10-year government bond yields increased by approximately 57 basis points and 45 basis points respectively, creating a more challenging backdrop for valuation-sensitive sectors.

Key sector and stock moves[2]

Sector performance was notably differentiated during the quarter. Materials and Real Estate emerged as the strongest contributors, supported by resilient earnings outcomes, improving commodity sentiment, and growing confidence in cyclically exposed balance sheets. Improved visibility on cash flows and valuations also helped attract investor interest.

In contrast, Information Technology and Financials were the largest detractors. Technology stocks faced pressure as investors rotated away from select growth exposures amid higher bond yields and renewed focus on valuation discipline. Parts of the Financials sector were similarly impacted by margin and earnings sensitivity to changes in the yield curve and competitive dynamics.

Consumer conditions

Consumer spending patterns remained selective throughout the quarter. Value-seeking behaviour persisted, with households prioritising essential and discounted purchases, particularly through the key retail period. Promotional intensity remained elevated, reflecting competitive pressures across consumer-facing sectors.

While certain pockets of demand proved relatively resilient, ongoing discounting continued to weigh on margins. Management commentary across a range of consumer-exposed businesses remained cautious, particularly with respect to discretionary volumes and near-term demand visibility

Commodity moves

Commodity markets delivered mixed but generally supportive outcomes. Gold rose 11.9% (in USD) over the quarter, underpinned by safe-haven demand and easing real interest rate expectations. Copper gained a strong 21.4% (in USD), driven by ongoing supply tightness and sustained focus on its role in the global energy transition.

Iron ore prices increased 4.9%, supported by steady demand and supply discipline, while Brent crude oil declined 9.2% over the period as global growth concerns and supply dynamics weighed on energy markets (both in USD).

Global economic trends

Global economic indicators continued to signal expansionary conditions. The JP Morgan Global Composite PMI was last reported at approximately 52.7 in November, slightly higher than the September reading of 52.5, indicating modest but stable growth momentum.

As the year drew to a close, investor focus increasingly shifted toward the speed and extent to which easing monetary policy could translate into improved economic activity and corporate earnings growth in 2024.

Australian economic trends

Australian economic activity softened modestly but remained in expansionary territory. The Composite PMI declined to 51.1 in December from 52.6 in November, reflecting some moderation in momentum across both manufacturing and services.

Inflation continued to ease at the margin, reinforcing expectations that restrictive policy settings are having the intended effect. The RBA maintained its data-dependent approach, while market participants continued to debate the timing, pace, and magnitude of potential future easing.

PERFORMANCE

The Fund was down 0.08% during the December quarter, underperforming the benchmark by 0.64%. Over 1 year the Fund is up 21.45%, outperforming the benchmark by 1.04%.

Positives[3]

- Orica Ltd. (ORI) – Overweight: outperformed as improved trading conditions and stronger execution supported earnings expectations, particularly across the mining services portfolio.
- SRG Global Ltd. (SRG) – Overweight: performed strongly on a resilient order book and continued margin discipline, with contract wins underpinning confidence in forward workload.
- Genesis Minerals Ltd. (GMD) – Overweight: benefited from a constructive gold backdrop and ongoing operational progress, with investors responding positively to delivery against near-term milestones.

[1] Index Returns are Total Return unless otherwise noted.
[2] Relative to the S&P/ASX Mid-Small Total Return Index for the quarter
[3] Positives and negatives may not represent the most material contributors or detractors to the Fund for the quarter.

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Negatives

- Life360 Inc (360) – Overweight: underperformed amid a broader de-rating of higher growth names and investor caution on slowing monthly active user growth.
- IGO Ltd. (IGO) – Nil Holding: strengthened on the back of rising lithium prices.
- Zip Co Ltd. (ZIP) – Overweight: underperformed as risk appetite for consumer credit remained subdued and funding/credit concerns persisted despite ongoing progress on profitability.

PORTFOLIO CHANGES[4]

Purchases

- Light & Wonder (LNW): We initiated a position in Light & Wonder following a strong profit performance combined with an attractive valuation, its move to a sole listing on the Australian market and as we gained more comfort over their legal case with competitor Aristocrat.
- Ramelius Resources Ltd. (RMS): We added to Ramelius on the back of solid update on their expansion plans and a constructive gold price environment, improving the risk-reward for near-term cashflow delivery.
- Ramsay Health Care Ltd. (RHC): Ramsay Health Care was purchased as early signs of operational stabilisation emerged in Australia.

Sales

- Fisher & Paykel Healthcare Ltd. (FPH): We exited Fisher & Paykel Healthcare over concerns of potential tariff hikes from a Section 232 investigation by the Trump administration as well as the potential renegotiation of the current USMCA agreement in North America. Outside of this the company's operational performance remains strong.
- Washington H. Soul Pattinson and Company Ltd. (SOL): We sold SOL following its exit from the ASX Mid Cap 50 Index.
- Lynas Rare Earths Ltd. (LYC): Lynas was sold as rare earth pricing and near-term earnings visibility remained uncertain, with the portfolio prioritising positions with clearer demand and margin support. The company has also recently exited the ASX Mid Cap 50 Index.

TRIP TAKEAWAYS

During our recent trip to China, we sought to gain on-the-ground insight into the evolving policy, economic and investment landscape. A clear theme from meetings with corporates, policymakers and market participants was a deliberate shift in policy priorities. Rather than pursuing broad-based stimulus, authorities are increasingly focused on improving corporate profitability, achieving greater technological self-sufficiency, and fostering sustainable, higher-quality asset growth. This reflects a longer-term mindset aimed at resilience rather than short-term economic acceleration.

From a macro perspective, there was a notable sense of calm regarding external pressures such as tariffs and trade frictions. Confidence appears to be growing in China's ability to adapt its economic model and maintain leadership across critical global supply chains, particularly in strategically important industries. Key areas of investment and policy support include electrification, artificial intelligence infrastructure, and energy independence, all of which are seen as foundational to China's next phase of growth.

Commodity markets remain closely aligned to these themes. Copper and aluminium are well positioned given their central role in electrification and infrastructure build-out, while coal continues to play an important role in ensuring energy security.

Lithium markets are experiencing short-term volatility, but industry participants highlighted increasing capital discipline, which should support a more balanced long-term outlook.

The property sector appears to have stabilised following a prolonged period of weakness, although recovery is expected to be gradual rather than rapid. Meanwhile, consumer behaviour remains cautious and value-driven, with spending increasingly focused on domestic brands and services. Encouragingly, policymakers are aiming to rebuild household confidence over time, including through a steady and orderly re-rating of domestic equity markets.

ESG ENGAGEMENT[5]

During the quarter, we undertook a total of 19 engagements in which we discussed ESG matters including 17 companies relevant to the strategy. A majority were held at either board or executive level, and some with members of the sustainability team. The engagements covered a range of issues with most covering multiple ESG matters. In this period, the most discussed topics were the climate transition, human capital management and executive pay.

We continued our ongoing engagement with Mineral Resources (MIN) on corporate governance and transparency during the quarter in a pre-AGM meeting with the new Chair. In addition to seeking an update on his latest thinking on succession planning and timing, we sought greater understanding of the updated whistleblower processes given some more recent media reporting. The Chair explained the legacy nature of some of these matters and the refreshed board has enhancement processes, including to directly oversee every whistleblower complaint through the recently formed Ethics and Governance Committee. We also briefly discussed capital allocation to decarbonisation activities.

OUTLOOK

The Australian economy is entering 2026 with momentum building, albeit against a still-constrained supply backdrop. While headline employment growth has moderated, the labour market remains historically tight. The unemployment rate has drifted higher from its 2022 lows, but this largely reflects increased workforce participation rather than a material easing in conditions. Broader measures of labour utilisation remain well below pre-COVID levels, and businesses continue to report difficulty sourcing labour, pointing to ongoing pressure on wages and services inflation.

At the same time, private domestic demand is strengthening. Business investment is recovering, supported by increased spending on technology and AI, while residential construction is showing early signs of improvement. Together, these dynamics suggest Australia may be entering the early stages of a new domestic economic cycle, driven more by the private sector than by fiscal stimulus. The durability of this upturn, however, will depend critically on productivity. Without meaningful improvement, stronger demand risks colliding with capacity constraints, keeping inflation elevated and limiting the scope for easier monetary policy.

Against this backdrop, the Reserve Bank faces a delicate balancing act. With inflation still above target and the labour market resilient, the prospect of interest rate cuts appears more limited than many anticipated six months ago. This shift has already been partially reflected in market valuations, with the December quarter pullback representing a healthy correction following a period of valuation expansion in select areas of the market.

Looking ahead, underlying earnings growth remains the key driver of returns. Consensus forecasts point to robust earnings growth for the ASX Mid Cap 50 over the next 12 months. In an environment where P/E re-rating may be less supportive, we believe companies with strong, sustainable earnings growth and valuation discipline should continue to outperform. This remains a defining characteristic of the portfolio's core holdings.

4. Portfolio changes may not represent the most material changes to the Fund for the quarter.

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

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