31 MARCH 2026

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]	-12.26	-12.55	7.85	8.52	6.38	7.73	8.83	8.77
S&P/ASX Mid-Small Total Return Index [2]	-10.59	-10.14	11.10	8.86	6.82	8.47	9.55	6.50
Excess Return	-1.67	-2.41	-3.25	-0.34	-0.44	-0.74	-0.72	2.27

*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).

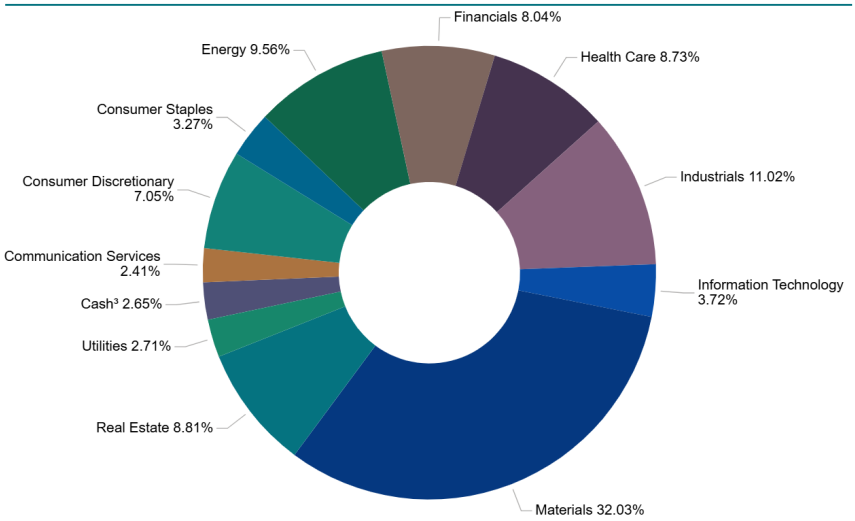
LEAD PORTFOLIO MANAGER

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	45
Portfolio Dividend Yield	2.03%
Fund Size (AUD)	$ 65M

TOP 10 POSITIONS	WEIGHT %
ALS Ltd.	5.47
Whitehaven Coal Ltd.	3.94
Charter Hall Group	3.74
Ramsay Health Care Ltd.	3.65
Orica Ltd.	3.63
Mineral Resources Ltd.	3.52
Ramelius Resources Ltd.	3.42
Genesis Minerals Ltd.	3.41
a2 Milk Company Ltd.	3.27
Ampol Ltd.	3.22

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

2026 thus far has been dominated by a cross-current of market-moving themes: AI disruption, fissures in private credit, and volatility across precious metals. The March quarter added geopolitics and an energy shock to the mix, with the outbreak of US-Iran hostilities driving another leg of uncertainty through global risk assets. Importantly, this was a quarter of multiple compression rather than earnings deterioration.

The year began with a degree of optimism: AI enthusiasm remained elevated, US policy setting appeared supportive, and inflation was moderating leaving markets positioned for rate cuts. That narrative shifted swiftly.

The surprise nomination of Kevin Warsh as Federal Reserve Chair, an avowed "QE hawk", catalysed volatility in precious metals and reverberated across duration-sensitive assets. Then advances in agentic models triggered indiscriminate sell-offs across technology, particularly in software, as investors reassessed long-term earnings durability.

Late in the quarter, the situation in the Middle East escalated materially: US-Israeli strikes on Iran were met with retaliation, and Iran declared the Strait of Hormuz closed to all traffic, cutting off approximately 20%[2] of global oil and gas supply and key commodities such as fertilisers, reshaping the market's expectations of inflation, monetary policy, and risk premia overnight.

Global returns

Against this backdrop, global equity markets posted negative returns. The MSCI World Index fell 3.2% (USD) over the period. In the US, the S&P 500 declined 4.3% (USD), while the NASDAQ bore the brunt falling 7.0% (USD) as markets rotated away from technology leaders and into defensive 'HALO' sectors (heavy assets, low obsolescence).

Emerging markets outperformed developed markets boosted by Korea[3] up 16.5% (USD) for the quarter on corporate governance reform expectations and supportive memory chip dynamics, while Taiwan advanced on continued strength in technology hardware. In the first two months of the quarter the MSCI Korea Total Return Index rose 56.3% (USD), before dropping 25.4% (USD) in March making it both the best-performing index to start the year and one of the weakest performers in March.

Domestic interest rate and market moves

Domestically, the Reserve Bank of Australia delivered two consecutive rate hikes taking the cash rate to 4.1%. The February CPI print served as a pointed reminder that inflation was already running uncomfortably hot before the global energy shock materialised. The RBA made it clear it viewed the conflict and higher oil prices as inflationary, compounding an already elevated domestic inflation backdrop. The timing of this spike is just ahead of the Fair Work Commission's mid-year wage decision introducing a further layer of upside risk to the wage-price dynamic.

Australian equity markets fared marginally better in a global context, aided by the market's low technology weighting and meaningful materials exposure. The S&P/ASX 200 declined 1.6% during the quarter. As is typically the case in risk off environments, the sell-off was broad-based but not uniform with large caps outperforming small caps. The S&P/ASX 50 Total Return Index gained 0.6% compared to the S&P/ASX Mid Cap 50 Total Return Index down 9.5% and the S&P/ASX Small Ordinaries Total Return Index down 10.9%.

Bond yields rose across the curve, reflecting a confluence of global rate repricing and domestic inflation uncertainty. Australian 2-year and 10-year government bond yields increased by approximately 61 basis points and 23 basis points respectively, with the curve flattening as the front end repriced more aggressively to reflect the RBA's tightening posture.

1. Index Returns are Total Return unless otherwise noted.
2. Source: Rapidan Energy, CNBC 9 March 2026.
3. MSCI Korea Total Return Index

Key sector and stock moves[4]

Energy was the strongest performing sector during the quarter. The US-Iran conflict and the closure of the Strait of Hormuz propelled WTI crude oil up 76.6% (USD), while thermal coal prices surged 32.5% (USD). Aluminium rose 18.2% (USD) as Iranian strikes on Gulf smelters disrupted supply. Historically, energy being the best-performing sector is rarely a benign signal for broader equity markets, particularly when driven by supply shocks rather than demand strength.

In contrast, Information Technology was one of the weakest performing sectors and the worst performing sector for the Fund. Concerns around AI disruption and competition drove an indiscriminate sell off across the sector. Recent advances in models such as Claude and ChatGPT raise questions around the longer-term earnings power of software businesses. For a sector where most of the value rests in the longer-term assumptions a small change in expectations can drive outsized moves. We see this as a de-rating, not a near-term earnings event.

Consumer conditions

Consumer spending patterns softened as the quarter progressed. The CommBank Household Spending Insights (HSI) Index recorded its first decline since September 2024 in February. We saw a similar trend during reporting season with Nick Scali and JB Hi-Fi reporting robust trading through the Black Friday promotional period but offered weaker trading updates for January.

Commodity moves

Commodity markets delivered volatile returns across the quarter, with macro and geopolitical forces creating sharp intra-quarter swings.

Gold rose 8.1% (USD) over the quarter masking the intra-quarter volatility. After an initial decline following the nomination of Kevin Warsh as Fed Chair, higher oil prices lifted inflation expectations, firmed the US dollar, and pushed real yields higher. ETF outflows compounded the pressure. Copper fell 2.8% (USD) on global growth and inventory concerns. Brent crude surged 94.5% (USD) on the closure of the Strait of Hormuz, with thermal coal also rallying 32.5%. Aluminium advanced 18.2%, driven by supply disruptions to Gulf-based smelters. Spodumene was the standout commodity of the quarter, surging 49.5%. A confluence of supply-side curtailments and robust demand, particularly from the battery and energy storage sectors, supported prices throughout the period.

Global economic trends

Global economic indicators continued to signal expansionary conditions. The JP Morgan Global Composite PMI was last reported at approximately 51.0 in March, lower than previous 11 months, albeit still in expansionary territory.

In the US, ISM Manufacturing PMI rose to 52.7 in March 2026 (from 52.4 in February) marking the strongest reading since August 2022 and the third straight month of expansion. The manufacturing sector appeared to be finding firmer footing prior to the global energy shock.

Australian economic trends

Domestically, the picture was less encouraging. The Australian Composite PMI declined to 46.6 in March from 52.4 in February, slipping into contractionary territory and reflecting a moderation in momentum across both manufacturing and services.

PERFORMANCE

The Fund was down -12.55%, before tax and after ongoing management costs, during the quarter to 31 March 2026, underperforming the benchmark by -2.41%.

4. Relative to the S&P/ASX Mid-Small Total Return Index for the quarter.

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Positives[5]

- Whitehaven (WHC) - *Overweight*: Energy market dislocations caused by the Middle East conflict provided a significant tailwind for Whitehaven given its thermal coal exposure.
- PLS Group (PLS) - *Overweight*: Pilbara Minerals outperformed as the spodumene price rose. PLS executed an offtake agreement with a leading Chinese battery manufacturer which included a floor price of US$1,000/t with no cap to upside participation.
- Alcoa Group (AAI) – *Overweight*: Iranian military strikes on Gulf-based aluminium smelters disrupted a significant portion of global supply, driving aluminium prices up 18.2% over the quarter.

Negatives

- Life360 Inc (360) – *Overweight:* Life360 underperformed amid a broader de-rating of higher growth names and discomfort with the back-end-weighted 2026 guidance.
- Charter Hall (CHC) – *Overweight*: The abrupt reversal in the direction of domestic interest rates weighed heavily on Charter Hall.
- Orica (ORI) – Overweight: Orica saw a de-rating during the quarter on the back of ammonium nitrate supply issues from its major US supplier. Emerging FX headwinds led to earnings downgrades from several brokers.

PORTFOLIO CHANGES[6]

Purchases

- Amcor (AMC): We initiated a position in AMC given its strong free cash flow yield, undemanding valuation and encouraging signs from one of its key customers' change in strategy.
- Dyno Nobel (DNL): We also initiated a position in DNL. The company has recently exited its troublesome fertiliser business, continues to meet the EBIT transformation targets in its explosives business and we believe it is well placed to benefit from a tightening ammonium nitrate market.
- Perseus Mining (PRU): Index changes led to higher gold exposure, we also increased our exposure through PRU, one of our few preferred gold names.

Sales

- Vicinity Centres (VCX): We reduced our exposure to Vicinity given a compression in its dividend yield and growing concerns around the trajectory of domestic interest rates.
- Cleanaway Waste Management (CWY): We exited Cleanaway during the quarter due to persistently lacklustre organic growth and continued weakness in free cash flow generation.
- PLS Group (PLS): We reduced our holding in PLS following its exit from the Mid Cap Index. We continue to hold PLS given our positive view on lithium markets.

TRIP TAKEAWAYS

In early April one of the team travelled to China to meet with commodity producers, steel mills, traders, and research houses to assess the macro environment and its implications for Australian-exposed commodities. It was our second visit in six months and sentiment on the ground continues to be more constructive than our prior trip in October 2025, itself a significant improvement on the trough in early 2025.

Based on conversations had on the ground, the improvement is reportedly being driven by a convergence of public and private sector investment, catalysed by the first year of a new five-year plan. Government bond issuance is increasing higher year-on-year, translating to low level infrastructure investment growth after a decline in 2025. Net exports remain the key growth delta.

Outbound direct investment continues to grow at a meaningful rate into ASEAN, Latin America, and Africa, creating additional pull-through demand for materials. The messaging seems to be that consumption remains less of a policy focus this year, suggesting the economy is likely to run at two speeds, with strong investment-led activity alongside a more subdued consumer.

From a commodity perspective, lithium was our most preferred exposure coming out of the trip. Demand from energy storage systems has been strong even through a typically softer first quarter, and the supply response remains sluggish. Insights gathered on the ground suggest that battery energy storage installations are forecast to grow significantly again in 2026, and the market is expected to remain in deficit through to 2027. The other demand driver that receives less attention is EV truck penetration in China, which has around 10x the battery size compared to passenger vehicles. Aluminium also screened well, with a roughly 2 million tonne deficit expected as China's enforced capacity cap meets supply outages in the Middle East. Iron ore was the quiet surprise, with demand proving more resilient than expected, domestic supply appearing challenged, and industry feedback suggests price support around US$95–100 per tonne. Copper remains fundamentally tight from a concentrate perspective, though near-term price upside is more measured.

On the less constructive side, metallurgical coal was the clear underperformer with China no longer reliant on Australian exports and fair value around US$200 per tonne without supply disruptions.

The overarching theme was one of cautious optimism. The part of the Chinese economy to which Australia is most exposed (heavy industry, infrastructure, and bulk commodities) is in our opinion, performing better than headline numbers suggest, and the key variable across the supply chain remains input price stability so that margins can be captured by producers.

ESG ENGAGEMENT[7]

During the quarter, we undertook a total of 34 engagements in which we discussed ESG matters with 30 companies relevant to the strategy. Nearly all were held at either the board or executive level, with the majority with the executive team following the release of financial results. The engagements covered a range of issues, with the climate transition, environmental management and conduct the most discussed topics this quarter.

Following Sandfire Resources' (SFR) first fatality, we engaged the CEO on the incident and safety practices more broadly. Although it remains subject to investigation, Sandfire shared some detail on how the contractor working underground at MATSA was fatally injured during a routine task. While the individual unfortunately breached an exclusion zone, the incident did involve a foreign metal object – not used anywhere on site – which was unexpectedly propelled from a paste distribution line, fatally striking the contractor. Sandfire activated immediate emergency protocols, had executives travel to site, and provided support for staff. It is now focused on a group-level review of previous high potential injuries, safety speak up culture, and consequence management to drive greater adherence to safety protocols. While we view these actions as appropriate, we will monitor that these drive the improved safety performance as desired.

OUTLOOK

Geopolitics: The direction of the US-Iran conflict continues to dominate market sentiment, with daily moves dictated by headlines, tweets, and the shifting negotiating posture. At the time of writing, the US has declared a two-week ceasefire contingent on Iran reopening the Strait of Hormuz.

Oil markets responded emphatically: on 8 April 2026 Brent crude had recorded its fourth-largest single-day decline since 1990.

5. Positives and negatives may not represent the most material contributors or detractors to the Fund for the quarter.

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

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

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Assuming maritime traffic through the Strait resumes, the key variable from here is the degree to which production infrastructure and energy supply chains have been impaired. Longer-dated oil contracts are likely to provide the clearest early signal of shifting market expectations.

AI and technology: We remain open-minded about AI's transformative potential across industries and labour markets. To date, quantifiable revenue opportunities and cost savings have been limited. In February, Block and Wisetech reported large cost out programs partly driven by AI efficiencies and were rewarded by the market, which may incentivise others to follow.

For technology companies where much of the value sits in the outer years, valuations are highly sensitive to changes in long-term assumptions. Increased competition and uncertainty have driven a material de-rate across the sector. As seen with ResMed and GLP-1 related concerns, periods of uncertainty can lead to prolonged de-rates.

AI model improvements are rapid and continue to shift the narrative. The anticipated IPOs of Anthropic and OpenAI will keep the debate front of mind. As the front end of platforms becomes increasingly commoditised, advantage is more likely to sit in proprietary data, distribution and embedded workflows. Businesses with structural or regulatory advantages, such as HUB24 and TechnologyOne, are better positioned to sustain their moats.

Consumer and property: Given the outlook for rates and inflation domestically, we remain cautious on consumer discretionary and real estate. Heading into FY27, higher labour costs, particularly if wage outcomes surprise to the upside, combined with a softening demand environment have the potential to compress margins for consumer-facing businesses. In real estate, rental growth provides some offset, but we see limited scope for cap rate compression in the near term. Positioning remains focused on businesses able to capture capital inflows.

Resources: AI demand and the energy transition which now extends beyond decarbonisation to include energy security and resilience, remain powerful drivers of demand across the commodity complex. This is evident across key inputs including copper for power and transmission, aluminium, lithium for storage, and uranium and natural gas for electricity generation.

Supply, however, remains constrained. Underinvestment, longer approvals and cost inflation have pushed incentive prices higher and slowed the response from new supply.

Aluminium markets remain tight, with supply disruptions in the Gulf compounding an already constrained backdrop following China's self-imposed capacity caps. Lithium demand continues to be supported by battery energy storage systems and electric trucks, which carry materially larger battery loads than passenger vehicles, while supply has been constrained by delays, restarts and bottlenecks in Africa.

While these structural drivers remain intact, they do not remove the inherent cyclicality of commodity markets. Pricing will continue to be influenced by changes in supply, policy and global growth, and volatility should be expected.

While near-term movements are driven by macro and sentiment, over time outcomes remain anchored in earnings, cash flow and competitive advantage. Periods of heightened uncertainty often create opportunity, and we remain focused on identifying businesses where these attributes are durable.

Updated Business Day Definition

The business day definition for the Paradice Australian Mid Cap Active ETF Fund has been updated to align with the Cboe Australia trading calendar. This change ensures consistent processing and valuation across all Classes within the Fund. A Business Day is now defined as any day other than a Saturday or Sunday on which Cboe Australia is open for trading.

Cboe trading days: https://www.cboe.com/about/hours/au-equities/

This change will be reflected in the next Product Disclosure Statement.

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