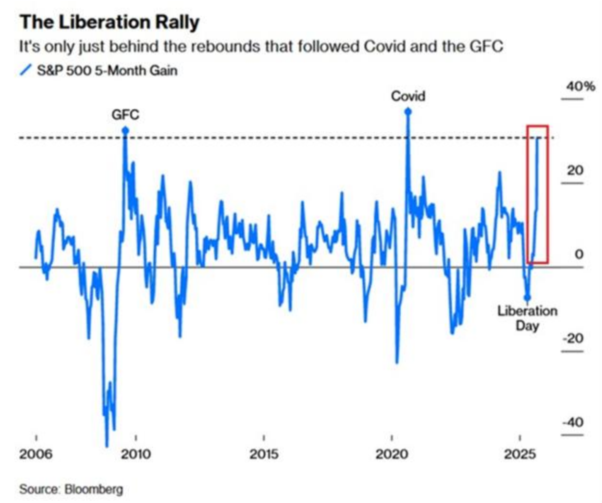
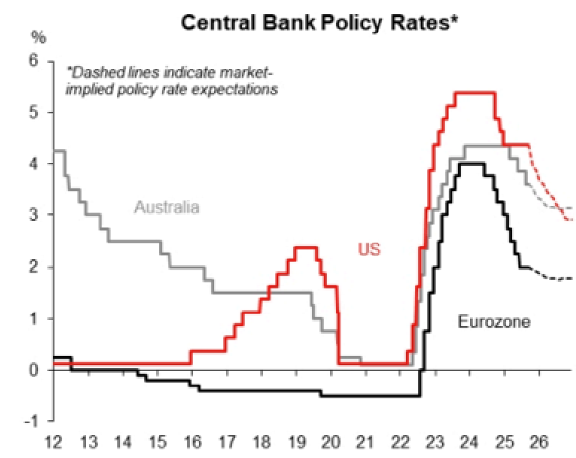
October 2025

MARKET OUTLOOK

Investment market returns have remained very strong with many equity markets hitting all-time highs. Equity markets have rebounded aggressively from the Liberation Day lows, supported by central bank rate cuts, the AI investment boom, ongoing resilience in global economies, reduced uncertainty around US tariffs and solid corporate earnings. Money supply is increasing while corporate actions (Mergers & acquisitions / IPO's) have picked up.





Source: Bloomberg, Macrobond, Macquarie Macro Strategy

MACRO ECONOMIC OUTLOOK

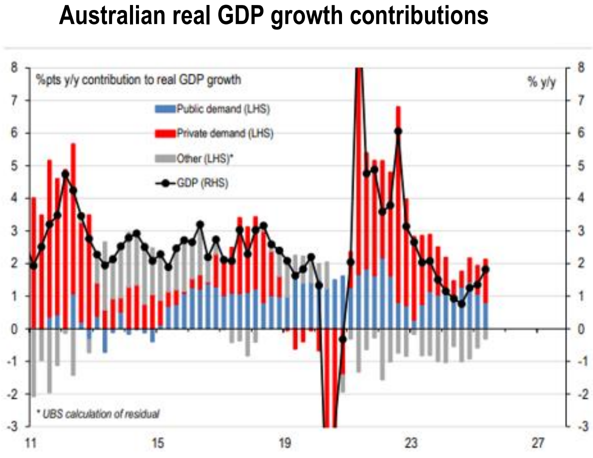
Our key points with respect to current conditions are:

- Global economic growth should remain below trend (~2.5% annualised growth) in the near term due to:
  - Slower US growth as tariffs impact US consumption, the housing market remains subdued, the labor market slows and the pull forward of demand (from the 1HCY25) is digested. This is being offset by fiscal initiatives, interest rate cuts, data centre capex spend and the wealth effect of higher equity markets. The capital intensity of technology related spend has large implications on the broader economy. The market appears to be less concerned about any inflation risks.
  - While aggregate growth appears reasonable, we think there remains a large and widening divergence within the consumer segment. Spend from higher demographic, asset rich US consumers remain very strong (eg premium airline bookings trends are robust) but many in lower end demographics are struggling (eg trading down occurring, real incomes declining etc).
  - Protectionist measures and national security concerns will impact efficient globalisation practices.
  - European growth remains subdued, albeit there is increased fiscal and infrastructure spend, inflation is under control and interest rates have been cut.

   - Chinese growth to gradually slow but be supported by pockets of stimulus. Trade negotiations with the US remain ongoing, which remains a risk given their impact on the global economy and global trade routes. The Chinese economy will continue to transition toward a more domestic services and consumer led economy.

- Australian GDP growth to gradually improve
   - RBA rate cuts have started to support the domestic economy, population growth remains supportive, the labour market remains relatively tight, and government spending remains robust, but higher inflation may limit the amount of future rate cuts and productivity remains an issue.

Source: Macrobond, Macquarie Macro Strategy



Source: UBS, ABS, Macrobond

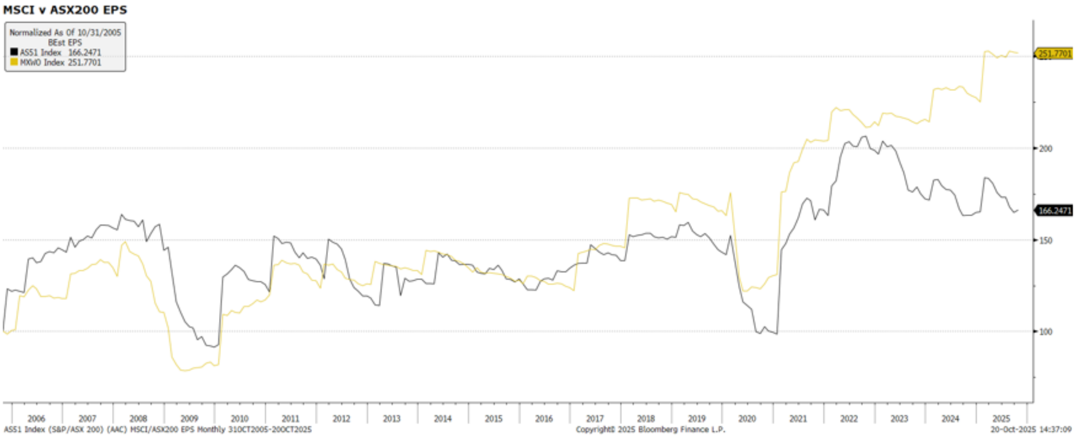
MARKET OUTLOOK

EQUITIES

EQT Flagship Australian Share Fund / EQT Tax Aware Australian Share Fund / EQT Eight Bays Global Fund

- Earnings per share forecasts for the year ahead is ~11% for US and International equities and ~4% for Australian equities.
   - While macro-related uncertainties remain, corporates appear relatively optimistic backing their fortunes on AI related productivity benefits and lower rate cuts. International equity market earnings are likely to be supported by strong growth in automation, AI and other technology services.
   - The current US reporting season has started solidly. More recently the global earnings cycle has turned more positive but remains driven by a narrow subset of companies. Recent earnings upgrades and margin guidance will need to be corroborated by supportive commentary and forward guidance in the current reporting period.
   - While the lion's share of earnings growth in the global equity market is coming from the Tech sector, central bank rate cuts and increased fiscal spending in Europe are supportive features and should support a broadening of growth.
   - Within the ASX, earnings are expected to grow ~4% in FY26 after 3 years of negative earnings growth. Industrials are expected to rebound strongly. Resource stocks have recently seen earnings upgrades on higher commodity prices while major bank earnings growth remain more subdued.

MSCI GLOBAL EQUITIES (YELLOW) AND ASX200 (BLACK) EARNINGS PER SHARE (EPS)



- Equity market valuations remain at expensive levels
  - Equity markets have rebounded strongly from April lows. International and Australian equity market Price-Earnings (PE) multiples are at elevated levels. Elevated PE multiples make it challenging for the market to move strongly higher in the near term unless earnings growth is delivered well above current expectations.
  - EQT's Australian equity Funds 'Quality at a Reasonable Price' style focuses on preserving the capital of our clients by buying high quality businesses and not overpaying for them. More recently the market has seen strong rallies in low quality, unprofitable companies or stocks with strong share price momentum which stylistically can be trend-based, valuation agnostic and rely on investor psychology.

ASX200 PRICE-EARNINGS (PE) MULTIPLE REMAINS IN EXPENSIVE TERRITORY VS HISTORY

- - Within the technology sector while momentum remains strong, the nature of some of the recent deals (cross investment) are questionable. We expect investors will more closely scrutinise the returns on the massive spend being outlaid. The short to medium term fortunes of the US equity market (and therefore global equity markets) will be heavily impacted by the success and ongoing growth of AI.

- Internationally, Emerging markets and Europe offer more attractive valuations and benefits from a lower US Dollar and increasing fiscal stimulus. Further, the Japanese markets' fundamentals look more attractive based on ongoing improved corporate reforms and pro-business policies under a new government.
- From a sector perspective we think the healthcare sector is undervalued relative to its growth prospects and is a sector that is typically well insulated in a market pullback. Whilst not definitive, uncertainty around US tariffs is reducing which should start to offer investors more certainty about the outlook.
- Continued commodity price strength will have a positive impact on Resource stocks which offer relative value. Gold continues to benefit as investors diversify their USD assets, Chinese actions to control supply through their "anti-involution" policies have supported various commodities and lower interest rates combined with Chinese stimulus has kept demand resilient.
- The EQT Eight Bays Global Fund offers investors exposure to attractive industry opportunities over the long term (through industry based Exchange Traded Funds) at attractive valuations.

REAL ASSETS (PROPERTY AND INFRASTRUCTURE)

- **Real Assets such as property securities (AREITs) and infrastructure appear fair value but still offer some value relative to broader equity markets along with solid sector fundamentals.**
  - Stabilising property values and the potential for interest rate cuts are creating a more favourable environment for AREITs. Office, residential and retail REITs are showing signs of recovery as demand strengthens, and supply remains constrained. Retail REITs are benefiting from population growth, an improving consumer, tightening capitalisation rates and positive leasing spreads. Industrial REITs continue to benefit from e-commerce growth and urban infill dynamics, with low vacancy rates and strong rental trends supporting earnings growth.
  - The global listed infrastructure sectors resilience and stable cash flows reinforce its appeal as a defensive investment during uncertain times. Demand for infrastructure assets, especially in utilities, energy midstream and transportation, is being driven by megatrends such as generative AI, industrial onshoring and demographic shifts. Pockets of value are present in Europe. Lower bond yields also assist as infrastructure valuations are supported when rates fall.

FIXED INCOME, CREDIT & CASH

Australian Fixed Income – EQT Diversified Fixed Income Fund

Australian Fixed Interest returns appear reasonable but not outstanding

- Uncertainty around US trade and government fiscal policy is likely to keep long end yields higher resulting in a steepening yield curve.
- Locally, the RBA is expected to ease rate only one more time and inflation risks remain present.
- Bonds still screen as relatively attractive against equities

Australian 10-yr bond yields have traded within a 50bp range over the past 12 months, a trend that we expect to continue in the forthcoming period. Although our measure of fair value estimates a 10-year government bond yield closer to 4%, we expect direction to be largely influenced from offshore developments. In that regard, recent themes of persistent inflation, rising fiscal deficits and improving economic activity is likely to result in an elevated term premium for longer-dated bonds.

In summary, we prefer to maintain a neutral duration position in the short-term, waiting for better opportunities to present.

Our preferred portfolio construction is:

- Duration: Neutral
- Yield curve: We maintain a slight short duration position out to 5 years and a neutral duration position 7 years and beyond
- Sector/credit mix: We will maintain a broadly diversified portfolio consisting of short-dated highly rated corporate bonds and longer-dated semi-government and government securities.

Australian listed Credit – Spectrum Strategic Income Fund

Australian listed credit markets appear fully valued, but should remain supported due to:

- Increasing money supply and lower interest rates supporting credit demand
- Reasonable economic growth and solid corporate earnings
- High quality exposures and ratings upgrades
- An increasing number of high-quality foreign issuances in Australia
- Increasing offshore investor demand and changing market structure (eg the progressive end of AT1's)

While the environment remains robust, one cannot be complacent and should continue to look for opportunities. We have recently participated in several new issues and opportunistically taking profits. The A- level for the portfolio remains intact and is investing in higher grade securities which will buffer the portfolio during times of stress and provide liquidity should we see any significant widening of spreads.

Mortgages – EQT Mortgage Income Fund

In August, the RBA lowered the target cash rate by 25 basis points to 3.60%. This anticipated monetary easing is likely to generate positive momentum for the Fund, as lower interest rates are expected to stimulate borrowing activity and increase demand for high-quality loans. These developments align with the Fund's core strategy of delivering registered first mortgages across key sectors, including commercial office, retail, industrial, and residential investment properties.

Inquiry levels remain strong, with new loans being secured on favourable terms across the market. The Fund's weighted average loan-to-valuation ratio continues to be conservatively managed at 56%, reinforcing its disciplined approach to credit risk.

The Fund remains committed to its conservative management approach and continues to demonstrate strong credit performance. This underscores the Fund's low-risk investment strategy and adherence to strict investment policies, ensuring the achievement of high-quality loans over the long term. At a time of increasing questions around the quality of private credit as an asset class, the conservative nature of the Fund bodes well.

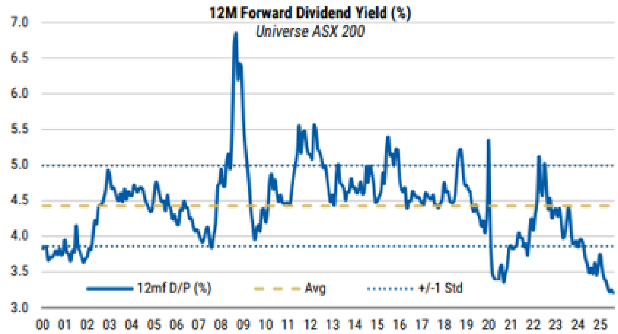
INCOME OUTLOOK

The outlook for income remains problematic

- FY26 forecast ASX dividend yields (pre-Franking credits) are ~3.2% which is below historic levels of ~4.4%. Dividends are expected to marginally grow in FY26 (on FY25) and is improving for the first time in a while.
- High US equity valuations and a preference to reinvest earnings has reduced international equity dividend yields.
- AREIT dividend yields (~3.1%) are lower than historic levels due to the dominance of companies such as Goodman Group (GMG) and Charter Hall (CHC) which have substantial active earnings and offer lower distribution yields. The AREIT yield is below that offered by AU 10-year bonds.

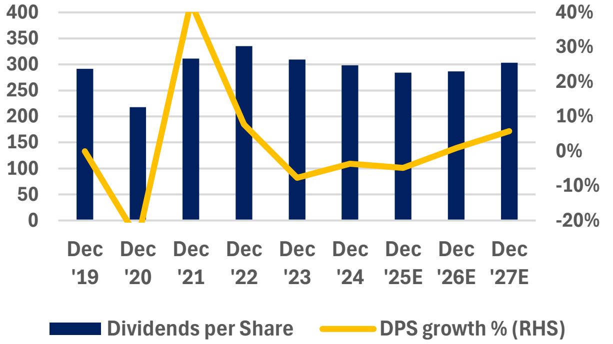
- Lower interest rates and tighter corporate spreads mean fixed income and credit products should deliver lower income than the prior year.
- Private market income yields are likely higher but comes at the expense of liquidity.
- Lower cash rates are reducing returns on cash products.

ASX200 12-MONTH-FORWARD (12MF) DIVIDEND YIELD



Source: RIMES, Morgan Stanley Research. Data as of October 16, 2025

ASX200 DIVIDENDS PER SHARE (DPS) & DPS GROWTH



Source: Factset, EQT

SUMMARY

Our expectation is for lower overall diversified portfolios returns in FY26 relative to what was received in FY25 predominantly due to higher equity market valuations, lower income yields (which are less volatile in nature) and sub trend macro-economic growth.

Tactically we are slightly underweight equity markets due to their higher valuations.

- Our positioning is to preserve the capital of our clients and invest in assets where on a risk-adjusted basis we see better risk adjusted value.
- Any tick up in inflation that limits central bank rate cuts is a risk and could see parts of the market such as small caps and consumer discretionary sectors that have rallied strongly unwind.
- While we are always eager to protect and grow capital through correctly assessing the short term, most value is obtained through accurately assessing an asset's value over time.
- Given a more subdued overall return environment and higher market concentration we think this offers opportunities for fundamentally driven, active investors to generate positive relative returns.

For inquiries about the information contained in this briefing, please contact:

Darren Thompson
Chief Investment Officer
dthompson@eqt.com.au

Grant Mundell
Investment Specialist
GMundell@eqt.com.au

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