June 2026
Quarterly Report

EQT DIVERSIFIED FIXED INCOME FUND (CLASS B)

PORTFOLIO OBJECTIVE

The Fund aims to provide investors with exposure to high-quality income-yielding investments. The Fund aims to outperform the benchmark over rolling three-year periods, after taking into account fees and expenses.

FUND PERFORMANCE

PERFORMANCE[1]	3 MONTHS	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	SINCE INCEPTION (P.A.)[2]
Total net return	2.69%	1.28%	3.77%	0.18%	2.00%
Benchmark return[3]	2.65%	1.53%	3.98%	0.37%	2.43%
Active return	0.04%	-0.24%	-0.21%	-0.19%	-0.43%

Table 1
Source: Equity Trustees as at 30/06/2026

[1] Performance: Total net return is the return after the deduction of ongoing fees and expenses. Results greater than one year are annualised.

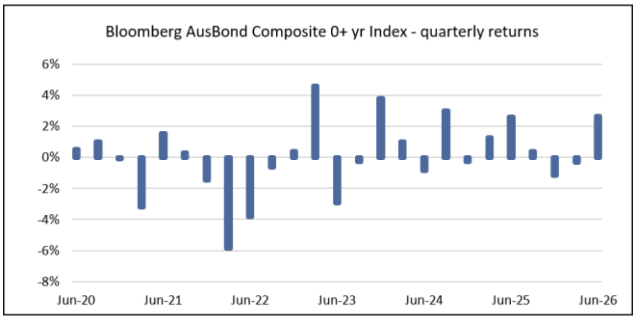
[2] Inception date is 14 October 2014.

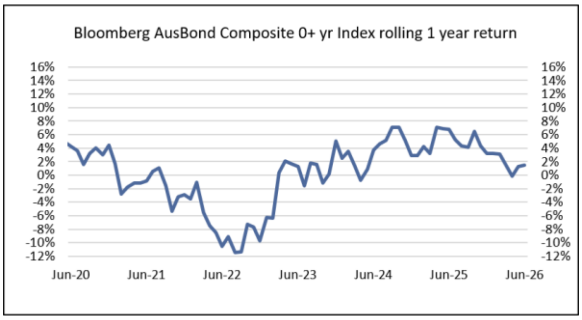
[3] Benchmark is the Bloomberg AusBond Composite 0+ Year Index.

Past performances should not be taken as an indicator of future performance.

PERFORMANCE SUMMARY

The Fund recorded a total net return of 2.69% for the June 2026 quarter, outperforming the Bloomberg AusBond Composite 0+ year Index by 4bps. Over the last 12 months the Fund recorded a total net return of 1.28%, underperforming the Index by 24bps. The total net return since inception is 2.00% p.a., underperforming the benchmark by 43bps over the same period.





Source: Bloomberg, Equity Trustees as at 30/06/2026

MARKET SUMMARY

Australian government bond yields moved higher during April, reversing part of the rally seen at the start of the month and finishing near cycle highs. The Australian 10-year government bond yield rose from 4.97% at the beginning of April to 5.06% by month-end, while 3-year yields increased 11bps, reflecting a broad-based repricing of interest rate expectations across the curve.

During May, economic data presented a mixed picture. Wage growth remained firm but broadly in line with expectations, reinforcing the view that domestic price pressures remained persistent. However, labour market conditions softened later in the month, with employment declining and the unemployment rate rising to 4.5%. This prompted a rally in bond markets as investors reassessed the likelihood of additional near-term rate increases and considered the possibility that tighter financial conditions were beginning to weigh on economic activity.

The final month of the quarter saw further falls in Australian government bond yields. The key domestic development was the RBA's decision to leave the cash rate unchanged at 4.35% at its June meeting after raising rates in February, March and May. While the Board maintained a cautious tone regarding inflation, it acknowledged tightening financial conditions and emerging signs of softer economic activity, allowing policymakers additional time to assess the cumulative impact of previous rate increases. Markets interpreted the decision as reducing the likelihood of an imminent further hike, contributing to lower bond yields across the curve.

Global bond yield moves

	MAR QUARTER	JUN QUARTER	MOVE (BPS)	QUICK COMMENT
US 10-year note	4.32%	4.47%	+15	Higher inflation and a more hawkish Fed
German 10-year bund	3.00%	2.86%	-14	Lower growth expected for Euro area
UK 10-year gilt	4.91%	4.76%	-15	Downside surprise in inflation and softer labour market
Japanese 10-year bond	2.35%	2.67%	+32	BOJ lifts policy rate 25bps in June
Australian 3-year bond	4.65%	4.37%	-28	Labour market shows signs of cooling in May, and growth forecasts lowered
Australian 10-year bond	4.97%	4.72%	-25	Longer-dated bonds outperform global peers

Table 2
Source: Bloomberg, Equity Trustees as at 30/06/2026

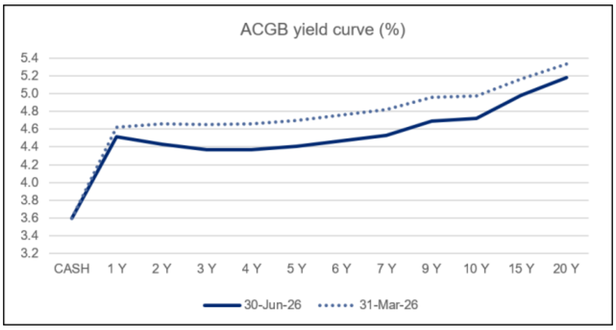
PORTFOLIO ACTIVITY AND ATTRIBUTION

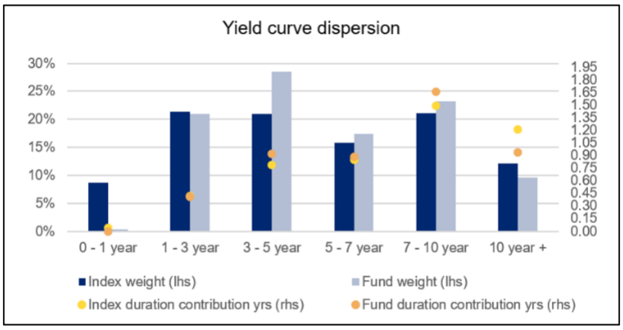
Duration

We started the quarter 0.16 years longer than the benchmark and slowly added duration through April, averaging a quarter year long duration position through to the end of May. Following the reasonable sized rally in May and June we moderated our long position to finish the quarter broadly neutral.

Yield curve

Bond yields fell across the curve, with the front-end moderately outperforming longer-dated bonds.





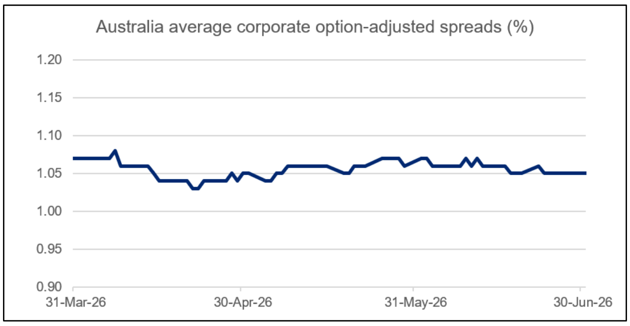
Source: Bloomberg, Equity Trustees as at 30/06/2026

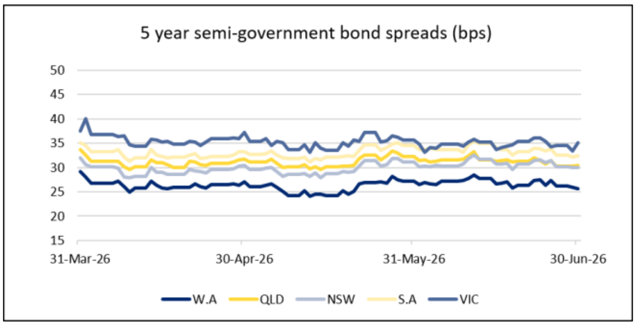
Our overall duration and yield curve positioning added to performance as we maintained a long position in the 3–7-year part of the curve which benefitted following the softer labour market data.

Sector allocation

From a benchmark perspective, the semi-government sector performed best, delivering 3.01% followed by the corporate and government sectors which both returned 2.49%. The supranational bond sector returned 2.26%.

Credit spreads traded in a tight range over the period despite sizeable issuance. Semi-government spreads tightened on average by approx. 3bps, and corporate bond spreads tightened 2bps.





Source: Bloomberg, Equity Trustees as at 30/06/2026

As we maintained an overweight position in both semi-government and corporate bonds, our sector positioning added to performance.

Sector allocation as of 30 June 2026

	BENCHMARK [1]		PORTFOLIO		
SECTORS	BENCHMARK [1] WEIGHTS	DURATION CONTRIBUTION	PORTFOLIO WEIGHTS	DURATION CONTRIBUTION	DIFFERENCE
Commonwealth Govt bonds	45.4%	2.34	28.8%	2.00	-0.34
State (semi) Govt bonds	34.5%	1.81	34.0%	1.91	0.10
Supranational/sovereign/other	5.2%	0.15	2.0%	0.04	-0.11
Corporate bonds	14.9%	0.49	34.8%	0.87	0.38
Cash and related	0%	0.00	0.4%	0.00	0.00
	100%	**4.80**	**100%**	**4.82**	**0.02**

Table 3
Source: Bloomberg, Equity Trustees as at 30/06/2026
Note: Numbers taken from our Portfolio Management System may vary slightly from accounting or index reports. Numbers may not add precisely due to rounding.
[1] Benchmark is the Bloomberg AusBond Composite 0+ Year Index.

GLOBAL OUTLOOK

United States

The US labour market weakened during the June quarter, culminating in a softer-than-expected June payrolls report. Non-farm payrolls increased by only 57,000 in June, well below market expectations and significantly slower than the revised 129,000 gain in May. April and May payrolls were revised lower by a combined 74,000 jobs, reinforcing the view that employment momentum has slowed.

Consumer spending remained a key source of economic resilience during the quarter. Retail sales rose 0.9% month-on-month in May, exceeding expectations and marking the fourth consecutive month of solid gains. Sales were 6.9% higher than a year earlier, with notable strength in online retailing, motor vehicles and discretionary spending categories.

Business surveys point to continued economic expansion. The ISM Manufacturing PMI registered 53.3 in June, marking a sixth consecutive month of expansion. New orders remained robust at 56.0, while production and inventories also remained in expansionary territory.

Inflation remained the principal challenge for monetary policy. Headline CPI increased 4.2% year-on-year in May, up from 3.8% in April and marking the highest inflation rate since 2023. Monthly CPI rose 0.5%, largely reflecting surging energy costs, which accounted for more than 60% of the monthly increase.

Kevin Warsh assumed the role as Fed Chair in May and struck a hawkish tone at the most recent FOMC meeting. Warsh is generally viewed as a policymaker focused on inflation control and has historically been sceptical of some of the Fed's large-scale bond-buying programs.

In summary, the US economy appears to be transitioning toward a slower but still positive growth environment. Consumer spending remains supportive, business activity continues to expand, and recession risks remain contained. However, the June employment report signals that labour market conditions are no longer as tight as they were earlier in the year.

China

China's labour market showed modest improvement. The surveyed urban unemployment rate declined to 5.1% in May from 5.2% in April, representing the lowest level since late 2025.

Domestic consumption remained the weakest component of the economy. Retail sales fell 0.6% year-on-year in May, marking the first contraction since late 2022 and underscoring ongoing consumer caution. The decline occurred despite holiday spending and targeted consumption support measures.

Business surveys improved modestly during June. The official Manufacturing PMI rose to 50.3 from 50.0 in May, returning to expansion territory. New orders increased to 51.2, production rose to 51.4, and export orders returned to growth at 50.1.

Inflation remained benign. China's CPI increased 1.2% year-on-year in May, unchanged from April and well below levels observed in most developed economies. Core CPI rose 1.1% year-on-year, indicating only modest underlying inflation pressure.

China's economy appears to be stabilising but remains unbalanced. Manufacturing activity, exports and high-tech sectors are providing support, while domestic consumption and property-related activity continue to underperform. The recovery remains heavily dependent on external demand, particularly AI-related exports and advanced manufacturing.

Europe

The Eurozone labour market has remained one of the stronger aspects of the economy despite weak growth. Eurostat reported that total unemployment was broadly unchanged during the quarter, while employment expectations improved modestly.

Consumer spending softened as higher energy prices weighed on real incomes and consumer confidence.

Business activity remained weak. The Flash Eurozone Composite PMI improved to 49.5 in June from 48.5 in May but remained below the 50 threshold that separates expansion from contraction.

Headline Eurozone CPI fell to 2.8% year-on-year in June from 3.2% in May, driven primarily by easing energy inflation. Core inflation also declined to 2.4% from 2.6%, indicating underlying price pressures are gradually easing.

The Eurozone economy remains stuck in a low-growth environment. Growth is positive but fragile, domestic demand is weak, and business surveys continue to signal stagnation. However, inflation has resumed its downward trajectory, and labour market resilience is helping prevent a more severe downturn.

The ECB lifted its policy rate by 25bps in June, citing concerns round second-round inflation impacts.

Australia

The labour market continued to show resilience despite signs of gradual cooling. Employment increased by 40,300 in May following weakness in April. The unemployment rate fell to 4.4% from 4.5%.

Consumer spending remained subdued under the weight of high interest rates and elevated living costs. ABS business indicators showed retail trade volumes declined 0.2% in the March quarter, while annual growth remained modest at 1.5% y/y.

PMI data suggest economic momentum weakened through the quarter but avoided a sharp deterioration. Softer demand indicators and weaker confidence support the case for slower growth ahead, although activity remains sufficiently resilient to keep inflation concerns alive.

Inflation remains the key macroeconomic challenge. The monthly CPI indicator showed headline inflation easing to 4.0% y/y in May, down from 4.2% y/y in April, however trimmed mean inflation increased to 3.6% y/y from 3.4% y/y, signalling that underlying inflation pressures remain elevated.

The RBA raised the cash rate by 25bp in May to 4.35%.

SUMMARY

The June quarter highlighted the increasingly delicate balance facing Australian fixed income markets. Growth indicators, including retail spending and business surveys, pointed to a slowing economy, while the labour market remained relatively resilient. However, the most important development for bond investors was the persistence of underlying inflation, with trimmed mean CPI moving higher despite a moderation in headline inflation. As a result, markets continued to price a prolonged period of restrictive monetary policy, supporting elevated yields across the curve and favouring higher-quality income-generating assets.

Looking ahead, evidence of a further cooling in employment and inflation will likely be required before the RBA can confidently shift towards a more accommodative stance.

Our preferred portfolio construction is:

- Duration: We prefer to be neutral duration at current levels.
- Yield curve: We prefer to hold an overweight position in the mid part of the curve and underweight at the longer end.
- Sector/credit mix: We maintain an overweight sector position in corporate and semi-government bonds as all-in yields remain attractive, and the macro backdrop remains broadly supportive.