

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	-0.42%	1.18%	1.82%	-0.13%	1.80%
Benchmark return ³	-0.34%	1.51%	2.06%	0.15%	2.25%
Active return	-0.08%	-0.33%	-0.23%	-0.28%	-0.45%

Table 1

Source: Equity Trustees as at 31/03/2026

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

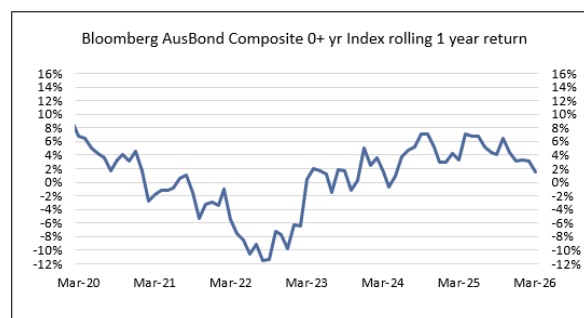
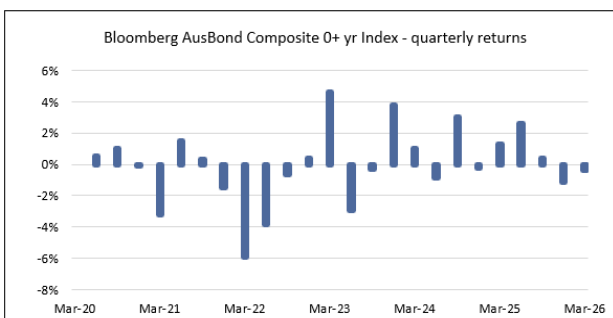
² Inception date is 14 October 2014.

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 -0.42% for the March 2026 quarter, underperforming the Bloomberg AusBond Composite 0+ year Index by 8bps. Over the last 12 months the Fund recorded a total net return of 1.18%, underperforming the Index by 33bps. The total net return since inception is 1.80% p.a., underperforming the benchmark by 45bps over the same period.



Source: Bloomberg, Equity Trustees as at 31/03/2026



MARKET SUMMARY

Australian government bond yields moved higher through January, mostly reflected in the front-end, as markets materially repriced Reserve Bank of Australia (RBA) policy expectations following stronger-than-expected December-quarter inflation, with trimmed mean inflation at 3.4% y/y pushing markets to price a high probability of a February rate hike and a “higher-for-longer” cash-rate profile. The 10-year government bond yield traded up to 4.85% during the month, pressured both by the domestic inflation impulse and by global spillovers, including a sell-off in long-dated US Treasuries and sharp volatility in Japanese government bonds, which unsettled offshore demand for duration. While occasional rallies followed risk-off episodes, the dominant narrative was one of reduced confidence in near-term policy easing, with stronger Australian growth data and resilient labour-market conditions reinforcing the shift in rate expectations.

At its early-February meeting, the RBA raised the cash rate to 3.85%, citing stronger-than-expected underlying inflation and continued capacity constraints in the labour market, prompting a front-end repricing and further flattening of the yield curve. Short-dated yields rose sharply on the decision, while longer-dated yields increased more modestly as markets judged policy tightening would weigh on medium-term growth. Over the remainder of the month, bond markets stabilised as investors assessed guidance suggesting a cautious, data-dependent path rather than a sustained hiking cycle, with some support coming from strong offshore demand for high-quality AUD assets amid ongoing US dollar volatility.

Domestic bonds sold off aggressively in March as markets digested the RBA’s February rate increase and signal that further tightening remained possible should inflation fail to moderate, keeping upward pressure on the front end of the curve. The 10-year yield briefly pushed above 5.1% mid-month, its highest level of the year, tracking a renewed rise in US Treasury yields and heightened global risk premia driven by geopolitical tensions, fiscal concerns in Japan and sharp swings in currency markets. Later in March, bonds retraced some of these losses as investor positioning became more cautious and evidence emerged that policy tightening was already restraining interest-sensitive sectors, helping longer-dated yields stabilise even as short-dated yields remained anchored at elevated levels. Overall, March’s price action reinforced expectations of a prolonged period of restrictive monetary policy in Australia, with the curve signalling confidence in near-term policy resolve but increasing sensitivity to downside growth risks further out the curve.

GLOBAL BOND YIELD MOVES

	DEC QUARTER	MAR QUARTER	MOVE (BPS)	QUICK COMMENT
US 10-year note	4.17%	4.32%	+15	
German 10-year bund	2.85%	3.00%	+15	Middle East conflict sends oil prices and global bond yields higher.
UK 10-year gilt	4.48%	4.91%	+43	
Japanese 10-year bond	2.06%	2.35%	+29	
Australian 3-year bond	4.14%	4.65%	+51	Local bonds underperform as RBA hikes in March
Australian 10-year bond	4.74%	4.97%	+23	

Table 2

Source: Bloomberg, Equity Trustees as at 31/03/2026



PORTFOLIO ACTIVITY AND ATTRIBUTION

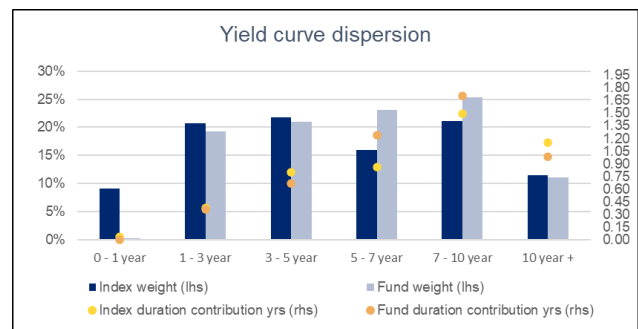
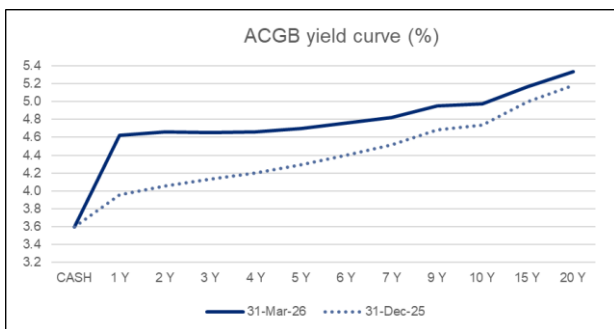
DURATION

We started the quarter 0.17 years longer than the benchmark and slowly added duration through January, maintaining a long duration stance through to the end of February.

The start of the Middle East conflict saw us shorten duration in early March, preferring to hold a neutral position for the first 2-week period. As yields rose, we progressively added duration, finishing the month 0.25 years long.

YIELD CURVE

The domestic yield curve bear flattened over the period with front-end yields rising by more than longer-dated bonds. Moves reflected higher inflation and the prospect of further monetary policy tightening from the RBA.



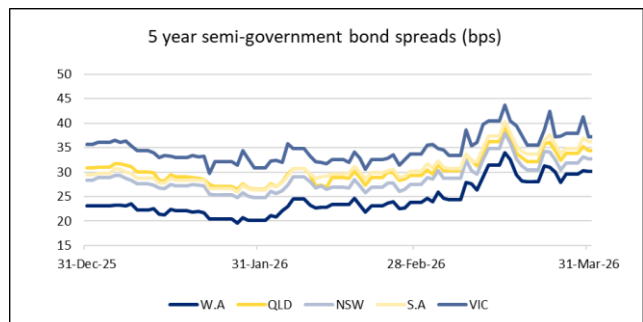
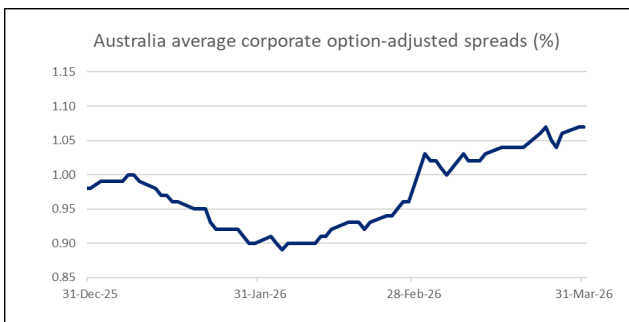
Source: Bloomberg, Equity Trustees as at 31/03/2026

Our overall duration and yield curve positioning added to performance as we maintained a short position in the 0–3-year part of the curve, which was most impacted by the sharp bond sell-off in March.

SECTOR ALLOCATION

From a benchmark perspective, the supranational sector performed best, delivering -0.05% followed by the corporate sector at -0.20%. The government bond sector returned -0.36% and the semi-government bond sector returned -0.44%

Credit spreads widened over the period due to a broad-based sell-off in risk assets. Semi-government spreads widened on average approx. 4bps, and corporate bond spreads widened between 5-7bps.



Source: Bloomberg, Equity Trustees as at 31/03/2026

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



Sector allocation as of 31 March 2026

SECTORS	BENCHMARK ¹		PORTFOLIO		DIFFERENCE
	BENCHMARK ¹ WEIGHTS	DURATION CONTRIBUTION	PORTFOLIO WEIGHTS	DURATION CONTRIBUTION	
Commonwealth Govt bonds	46.7%	2.33	30.2%	2.08	-0.24
State (semi) Govt bonds	33.5%	1.76	36.9%	2.07	0.32
Supranational/sovereign/other	5.3%	0.16	3.4%	0.09	-0.06
Corporate bonds	14.5%	0.47	29.2%	0.70	0.23
Cash and related	0%	0.00	0.3%	0.00	0.00
	100%	4.71	100%	4.99	0.25

Table 3

Source: Bloomberg, Equity Trustees as at 31/03/2026

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 March payroll gain of 178k exceeded expectations and reversed February weakness, but underlying trends remain mixed. A large share of the increase reflected healthcare strike reversals rather than broad-based hiring. The unemployment rate edged down to 4.3%, partly due to lower labour-force participation. Wage growth continues to cool, with average hourly earnings at 3.5% y/y, the slowest pace since 2021.

After weather-related softness, February retail sales rebounded 0.6% m/m, with the GDP-relevant control group up 0.5%. However, real spending growth remains modest, suggesting consumers are becoming more selective amid elevated prices.

Manufacturing PMIs remain in expansionary territory, while services activity has slowed. Notably, input-price pressures have re-accelerated, driven by energy costs and supply-chain disruption risks.

Headline CPI held at 2.4% y/y in February, with core CPI at 2.5%. Shelter inflation is easing and several goods categories remain disinflationary. However, core PCE inflation remains closer to 3% y/y, underscoring persistent services inflation. February inflation data pre-date the recent spike in energy prices, implying potential near-term headline volatility.

In summary, U.S. data continue to point toward a softening but resilient economy, with growth momentum fading, inflation stabilising above target, and labour-market conditions loosening at the margin. The balance of risks has shifted toward slower growth rather than renewed inflation, supporting policy patience and a constructive medium-term outlook for duration.

China

Labour conditions have softened modestly. The **surveyed urban unemployment rate rose to 5.3% in February**, a six-month high, driven by weakness among migrant and younger workers. Employment growth remains positive but no longer tightening, reflecting subdued hiring in construction, property-related sectors, and smaller private firms.

Wage pressures remain contained, limiting household income growth and weighing on consumption sentiment.

Early-2026 activity data paint a mixed picture. Retail sales rose 2.8% y/y in January–February, supported by Lunar New Year spending but still slower than a year earlier. Industrial production increased 6.3% y/y, reflecting export-oriented manufacturing strength and policy support.

Business surveys show some improvement in manufacturing. The official manufacturing PMI moved back into expansionary territory in March, driven by production gains, though new orders and private-sector confidence remain fragile. Services activity continues to lag.



China is navigating a controlled slowdown marked by weak domestic demand, stabilising but fragile growth, and selective policy support. While headline growth remains near target, momentum is uneven and heavily reliant on exports and policy buffers. Inflation has rebounded temporarily but remains structurally low, giving policymakers continued room to support activity.

Europe

Labour conditions remain structurally tight but are no longer improving. The euro area unemployment rate rose slightly to 6.2% in February, still near historic lows but showing early signs of stabilization rather than further tightening. Employment growth in Q4 kept pace with output, suggesting limited productivity gains.

Wage growth has moderated but remains firm enough to support services inflation, particularly in domestically oriented economies.

Survey data point to near-stagnation. The S&P Global euro area composite PMI fell to 50.5 in March, marking a 10-month low and indicating only marginal expansion. Services activity slowed sharply, while manufacturing showed temporary resilience, supported by inventory rebuilding and defence-related orders.

A key development is the sharp acceleration in input costs, driven by higher energy prices and supply-chain disruptions linked to the Middle East conflict. Delivery times lengthened to their worst levels since 2022, and pricing power increased as firms passed through higher costs.

Inflation dynamics have shifted abruptly. Euro area HICP inflation rose to 1.9% y/y in February, up from 1.7% in January and just below the ECB's target. Core inflation re-accelerated to around 2.4%, led by sticky services prices, while energy was still a drag at that point.

However, March preliminary data show headline inflation jumping to around 2.5%, driven almost entirely by the surge in energy prices following the Iran conflict. Importantly, core inflation has so far eased marginally, suggesting a first-round energy shock rather than broad re-inflation, though second-round risks are rising.

The ECB held the deposit rate at 2.0% in March, emphasising it is "well positioned" but clearly more alert to inflation upside risks. Projections were revised to reflect weaker growth and higher inflation in 2026, and the Governing Council avoided forward guidance.

Markets have begun pricing a non-trivial probability of rate hikes later in 2026, particularly if energy-led inflation feeds into wages or expectations. For now, policy remains firmly data-dependent.

Australia

Labour conditions remain tight but are beginning to turn. The unemployment rate rose to 4.3% in February 2026, up from 4.1% in January, driven by higher labour-force participation rather than job losses. Employment growth remains positive, but composition has shifted toward part-time roles, while full-time employment declined.

Survey data show a sharp deterioration in private-sector momentum in March. The S&P Global Flash Composite PMI fell to 47.0, signalling the first contraction in overall activity in 18 months. Services activity weakened materially, while manufacturing slipped back into contraction as new orders declined and confidence fell.

Inflation has moderated only marginally and remains well above the RBA's 2–3% target band. Headline CPI eased to 3.7% y/y in February, down from 3.8% in January. However, trimmed-mean inflation held at 3.3%, indicating persistent underlying pressure.

Australia recorded a stronger-than-expected GDP outcome in Q4 2025, with real GDP rising 0.8% q/q and 2.6% y/y, the fastest annual growth rate in almost three years. Growth was broad-based across industries, with both private and public demand contributing positively. Household consumption rose modestly, while investment and inventory rebuilding were key drivers; net exports detracted as imports outpaced exports. Despite this backward-looking strength, forward momentum is less robust. Leading indicators point to slowing activity entering Q2 2026, as higher interest rates, elevated prices, and global uncertainty weigh on business and consumer confidence.

The RBA raised the cash rate by 25bp in March to 4.10%, citing persistent inflation, strong late-2025 growth, and upside risks to expectations. The Board judged risks as tilted toward inflation rather than growth, while stressing a data-dependent approach.



Market pricing implies a **meaningful probability of further tightening** later in 2026 should inflation fail to ease convincingly, though slowing activity raises the risk of overtightening.

SUMMARY

Domestic bond yields surged in March, spurred by domestic inflation and geopolitical events in the Middle East which has sent oil prices higher and increased risks of global stagflation.

We believe yields at current levels provide an opportunity to extend duration and have recently added longer-dated semi-government bond holdings to the portfolio.

Any subsequent rise in yields will elicit further buying along the curve.

Our preferred portfolio construction is:

- Duration: Market yields have returned to levels that look attractive from a medium-term perspective, so we prefer to be longer than benchmark duration
- Yield curve: the 0–3-year part of the curve has a little over two RBA rate hikes priced in which we judge as potentially excessive. We will look to trim our underweight position here
- Sector/credit mix: Semi government bonds and investment grade corporate bonds have widened in spread to government bonds. We assess there is medium-term value in being overweight here.

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Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. The Fund's Target Market Determination is available here <https://www.eqt.com.au>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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