

EQT DIVERSIFIED FIXED INCOME FUND (CLASS B)



Equity Trustees Asset Management has been recognised by Responsible Investment Association Australasia (RIAA) as a Responsible Investment Leader 2026, reflecting leading practice in responsible investment, ESG integration, stewardship and transparency.

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	-1.59%	-0.67%	3.36%	-0.19%	1.82%
Benchmark return ³	-1.51%	-0.40%	3.56%	0.00%	2.25%
Active return	-0.08%	-0.27%	-0.20%	-0.20%	-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.

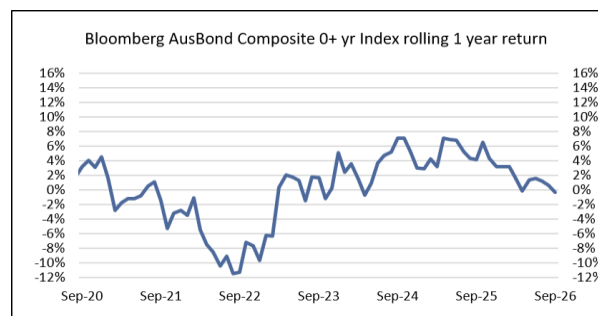
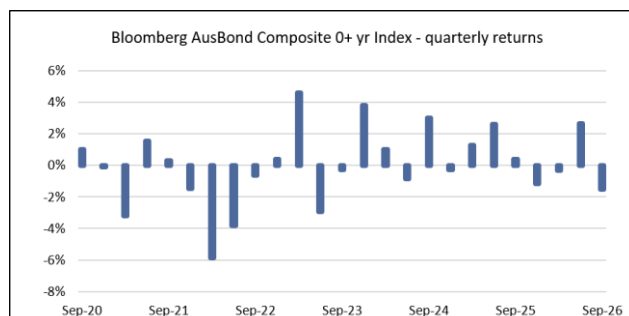
³ Benchmark is the Bloomberg AusBond Composite 0+ Year Index.

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

PERFORMANCE SUMMARY

The Fund recorded a total net return of -1.59% for the September 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 -0.67%, underperforming the Index by 27bps. The total net return since inception is 1.82% p.a., underperforming the benchmark by 43bps over the same period.



Source: Bloomberg, Equity Trustees as of 30 September 2026

MARKET REVIEW

Australian bond yields moved higher across the curve over the September quarter on the back of persistent inflation pressures, rising global bond yields and a more hawkish stance from the Reserve Bank of Australia. Global markets were volatile and unsettled by elevated energy prices, Middle East tensions and stronger than expected economic data, contributing to a broad sell-off in sovereign bond yields. Towards the end of the quarter global yields revisited levels not seen for more than a decade with the US 10-year Treasury yield peaking at 5.3%, their highest since 2002, while Australian 10-year yields reached 5.43%, a level not seen since 2011.

During the quarter, the US Treasury announced a US\$6 billion buyback of longer-dated Treasury securities, aimed at improving market liquidity and supporting functioning in long-dated government bond markets. While the measure provided some technical support for duration assets, its impact was overshadowed by persistent inflation concerns, elevated fiscal issuance and rising term premia, with global bond yields continuing to move higher over the period.

Domestically, investors became increasingly concerned that inflation was proving more persistent than previously expected. The RBA raised the cash rate by 25 basis points in September to 4.60%, its fourth increase of 2026, citing stronger inflation outcomes, higher global energy prices and ongoing domestic capacity constraints. Economic growth remained broadly resilient while labour market conditions softened only gradually, reinforcing the RBA's view that policy needed to remain restrictive to ensure inflation returned sustainably to target.

Credit markets were comparatively resilient despite the rise in underlying yields. Investment-grade corporate bonds continued to benefit from solid corporate balance sheets, strong demand from income-focused investors and relatively contained default expectations. Credit spreads widened modestly but remained tight by historical standards, allowing credit to outperform government bonds on a total return basis.

Global bond yield moves

	JUN QUARTER	SEP QUARTER	MOVE (BPS)	QUICK COMMENT
US 10-year note	4.47%	5.29%	+82	Global yields surged higher due to rising oil prices and inflation; higher-for-longer central bank expectations; resilient economic growth; and rising term premium due to fiscal deficits and government bond supply concerns.
German 10-year bund	2.86%	3.59%	+73	
UK 10-year gilt	4.76%	5.42%	+66	
Japanese 10-year bond	2.67%	3.05%	+38	
Australian 3-year bond	4.37%	4.93%	+56	
Australian 10-year bond	4.72%	5.35%	+63	

Table 2

Source: Bloomberg, Equity Trustees as of 30 September 2026



PORTFOLIO POSITIONING AND ATTRIBUTION

The table below summarises the key sources of gross active return generated over the reporting period.

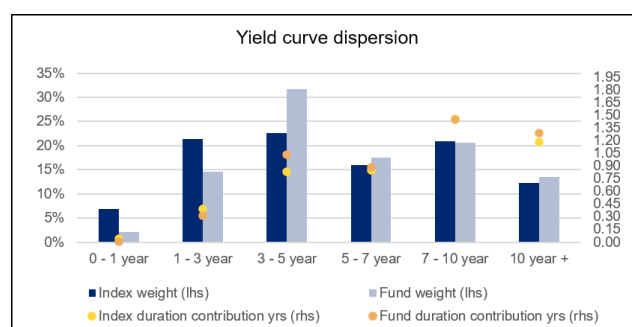
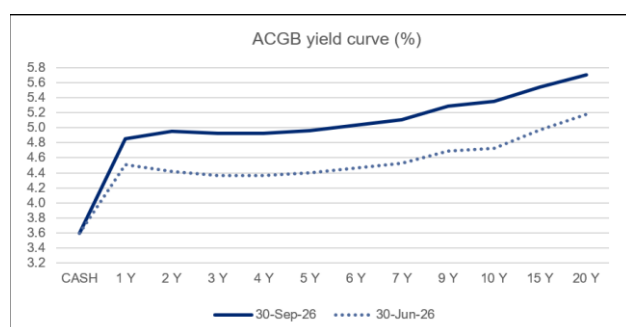
SOURCE	CONTRIBUTION (BPS)
Duration and Yield Curve	4
Spread Exposure	-1
Sector Allocation	1
Security Selection	-2
Total Excess Return	2

Table 3

Source: Bloomberg, Equity Trustees as of 30 September 2026

Duration and yield curve

We started the quarter slightly short duration and maintained that position through until mid-September. With the 10-year government bond yield moving through 5.3%, a level not observed since 2011, we viewed valuations as increasingly attractive and added duration to close the quarter 0.23 years long.



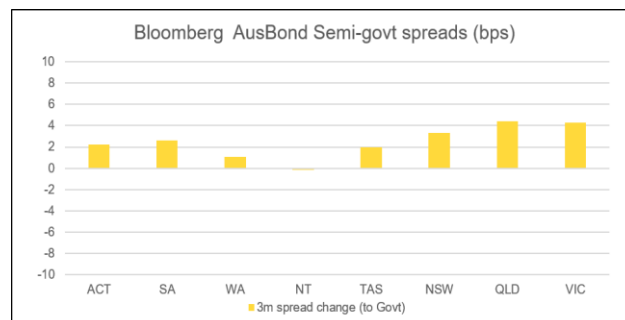
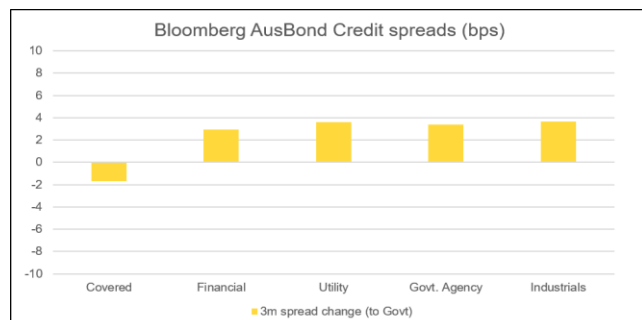
Source: Bloomberg, Equity Trustees as of 30 September 2026

Our overall duration and yield curve positioning had a minor positive impact on active performance.

Sector allocation

From a benchmark perspective, the supranational sector performed best, delivering -0.56% followed by the corporate bond sector return of -0.68%. The longer duration government and semi-government bond sectors delivered returns of -1.71% and -1.78% respectively, with the latter impacted by a credit downgrade to Queensland by S&P from AA+ to AA due to weak budgetary performance.

While corporate bond fundamentals generally remained sound, increased supply and a more cautious risk environment led investors to demand additional compensation for credit risk, particularly among lower-rated and more cyclical issuers. Covered bank bonds fared better, as spreads tightened on news that APRA may consider including covered bonds as High-Quality Liquid Assets (HQLA) in the future.



Source: Bloomberg, Equity Trustees as of 30 September 2026



As we maintained an overweight position in corporate bonds (including covered securities), our sector allocations delivered a minor positive contribution to performance. Security selection detracted slightly due to our holdings in Queensland state bonds.

	BENCHMARK ¹		PORTFOLIO		
ALLOCATIONS AS OF 30 SEP 26	BENCHMARK ¹ WEIGHTS	DURATION CONTRIBUTION	PORTFOLIO WEIGHTS	DURATION CONTRIBUTION	DIFFERENCE
Commonwealth Govt bonds	44.7%	2.30	29.2%	2.10	-0.34
State (semi) Govt bonds	35.0%	1.81	35.4%	1.93	0.10
Supranational/sovereign/other	5.1%	0.15	0%	0.00	-0.11
Corporate bonds	15.2%	0.50	34.4%	0.95	0.38
Cash and related	0%	0.00	1.0%	0.00	0.00
	100%	4.76	100%	4.99	0.23

Table 4

Source: Bloomberg, Equity Trustees as of 30 September 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.

OUTLOOK

The September quarter was characterised by a renewed rise in global bond yields as investors responded to persistent inflation, higher energy prices and expectations that central banks may need to maintain restrictive policy settings for longer. Economic growth remained resilient across most major economies, supported by strong labour markets and ongoing investment, although higher borrowing costs and increased geopolitical uncertainty continued to present challenges for the outlook.

The US economy continued to demonstrate resilience during the quarter, supported by solid consumer spending, ongoing AI-related investment and a relatively healthy labour market. Inflation, however, has remained more persistent than expected, particularly in services and energy-sensitive sectors, contributing to a further rise in Treasury yields. While tighter financial conditions are expected to moderate activity over coming quarters, the economy continues to outperform expectations, reducing near-term recession risks.

China's economy remains constrained by structural challenges including weak consumer confidence and ongoing property sector adjustment. Policy support has helped stabilise activity in parts of the economy, with manufacturing, exports and technology investment providing some offset to softer domestic demand. Inflation remains subdued relative to other major economies, providing policymakers with flexibility to implement additional measures should growth momentum weaken further.

Europe remained subdued during the quarter as elevated interest rates, weak industrial production and cautious consumer spending weighed on growth. Higher energy prices arising from geopolitical tensions added to inflation concerns and increased uncertainty for businesses and households. While labour markets have generally remained resilient, growth is expected to stay below trend as the region continues to navigate a difficult mix of weak demand and lingering price pressures.

The Australian economy remained relatively resilient despite tighter monetary policy, with stronger-than-expected growth and inflation outcomes prompting the Reserve Bank of Australia to increase the cash rate to 4.60% in September. Labour market conditions have softened gradually but remain broadly supportive of household incomes, while higher energy costs and domestic capacity constraints continue to place upward pressure on inflation. Looking ahead, growth is expected to moderate as higher borrowing costs weigh on consumption and housing activity, although Australia enters the final quarter of 2026 from a position of relative economic strength.

We believe yields at current levels provide an opportunity to extend duration and have recently added longer-dated government bond holdings to the portfolio. Any subsequent rise in yields would present an opportunity for us to add further exposure 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 between one to two RBA rate hikes priced in which we judge as mildly 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.

Australian Executor Trustees Limited (“AETL”) (ABN 84 007 869 794), AFSL 240 023, is the Responsible Entity for the EQT Diversified Fixed Income Fund – Class B. AETL is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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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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