Equity Trustees

June 2025
Quarterly Report

EQT FLAGSHIP FUND – CLASS C

FUND OBJECTIVE

The EQT Flagship Fund – Class C (the Fund) aims to outperform its Benchmark over a rolling 5-year period, after taking into account Fund fees and expenses. The Fund is designed for investors seeking strong medium-to-long-term capital growth potential, coupled with an increasing income stream payable from the dividends of the underlying shares. There is a distinct focus on the after-tax returns offered to investors.

FUND PERFORMANCE

PERFORMANCE[1]	3 MONTHS	1 YEAR	3 YEARS (P.A.)	5 YEARS (P.A.)	SINCE INCEPTION (P.A.)[2]
Distribution return	1.22%	3.76%	4.29%	6.16%	5.32%
Growth return	5.46%	7.38%	7.20%	5.67%	2.12%
Total net return	6.68%	11.14%	11.50%	11.84%	7.45%
Benchmark return[3]	9.50%	13.81%	13.56%	11.85%	7.31%
Active return	-2.82%	-2.67%	-2.06%	-0.01%	0.13%

Table 1

1 Performance: distribution return is the return due to distributions paid by the Fund; growth return is the return due to changes in initial capital value of the Fund; total net return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Results greater than one year are annualised.

2 Inception date is 1 August 2006.

3 Benchmark return is the S&P/ASX 200 Accumulation Index.

Past performance is not an indicator of future performance.

PERFORMANCE SUMMARY

The Fund recorded a total net return of 6.68% for the June quarter, underperforming the S&P/ASX 200 Accumulation Index by 2.82%. Over the last 12 months, the Fund recorded an absolute total net return of 11.14%, underperforming the benchmark by 2.67%.

Over the last three years the Fund has produced a total net return of 11.50% per annum underperforming the benchmark by 2.06%. While over the last five years the Fund has produced a total net return of 11.84% per annum in-line with the benchmark. The total net return since inception has been 7.45% p.a., delivering a return 0.13% p.a. over the benchmark over the same period.

The Fund has also demonstrated it generates a strong and dependable distribution stream over the long term with a distribution return of 4.29% over the last three years and 5.32% p.a. since inception.

PERFORMANCE DETAIL

At the stock level, over the last quarter the Fund benefited from overweight positions in Block Inc CDI (XYZ), Nextdc Ltd (NXT), Orica Ltd (ORI) and Qantas Airways Ltd (QAN). An underweight position in BHP Group Ltd (BHP) also benefited the portfolio.

The main detractors to Fund performance were overweight positions in Beach Energy Ltd (BPT), Telix Pharmaceuticals Ltd (TLX), Rio Tinto Ltd (RIO) and Amcor Plc CDI (AMC). An underweight position in Commonwealth Bank of Australia (CBA) also detracted from Fund performance.

ATTRIBUTION SUMMARY

JUNE 2025 QUARTER	TOTAL ATTRIBUTION
Top five contributors	
BHP Group Ltd	0.29%
Block Inc CDI	0.25%
Nextdc Ltd	0.24%
Orica Ltd	0.18%
Qantas Airways Ltd	0.17%
Bottom five contributors	
Commonwealth Bank of Australia	-0.78%
Beach Energy Ltd	-0.39%
Telix Pharmaceuticals Ltd	-0.36%
Rio Tinto Ltd	-0.34%
Amcor Plc CDI	-0.33%

Table 2

POSITIVE ATTRIBUTION

Orica (ORI)

Orica is one of the world's leading mining and infrastructure solutions providers. The company delivered a better-than-expected first half FY25 result in early May delivering profits ~11% ahead of expectations. The positive surprise was delivered in the Asia-Pacific & Asia division where better recontracting and/or sell through of higher margin profits will continue into the second half (and beyond). Our thesis that ORI's Research and Development focus on investing in a technology suite that will benefit customers in a more challenging environment (for example greater mine depth and higher strip ratios) is bearing fruit. The Ammonium Nitrate market remains tight, and adoption of technology solutions is rising. The company remains confident of delivering growth across all regions and all segments.

NextDC (NXT)

NEXTDC is a Data-Centre-as-a-Service provider offering a range of services to corporate, government and IT services companies. The stock rebounded strongly following weak March quarter performance. The stock was sold off aggressively creating a value opportunity which we took advantage of. Concerns about a slowdown in Data centre spend were discarded as industry feedback and company results highlighted strong ongoing investment in AI and cloud services which require data centre capacity. During the quarter NXT contracts wins (including wins offshore) and that contracted utilisation has increased significantly.

NEGATIVE ATTRIBUTION

Commonwealth Bank (CBA)

CBA continued to cause active managers headaches due to its ongoing outperformance. The bank has benefited from earnings upgrades, size and liquidity benefits, and a benign credit cycle. Further, the trends produced during the May result period indicated CBA is performing better than its competitors. Despite the (minor) earnings upgrades, the growth outlook remains soft and much of CBA's outperformance has occurred due to an expansion of their (PE) valuation multiple rather than underlying earnings growth. While management continues to run the bank well, arguably CBA has also benefited from several non-fundamental factors such as passive, international and industry fund flows. The valuation of CBA remains extreme relative to domestic and global peers offering little margin of safety.

Telix Pharmaceuticals (TLX)

TLX along with other healthcare stocks have suffered from the uncertainty regarding new and potentially adverse US administration regulatory changes. Much of the negative sentiment has surrounded the removal of the Transitional Pass Through (TPT) pricing on TLX's radio diagnostic product Illuccix for the Medicare/Medicaid channel. This is about c.20% of TLX's sales. Pricing is expected to fall -50% or -10% at the Group level for the September quarter (only). However, TLX's second generation Illuccix product, Gozellex, is expected to be granted TPT from the December quarter ie. there is only one quarter where TPT doesn't exist. TPT is put in place for 3 years. We think the market is too focussed on the short-term quarterly number. In our view, TLX will rebound given the positive news flow ahead, for example Zircaix approval in August and dosimetry/safety reading of its prostate therapeutic product in August/September.

FUND ACTIVITY

Some adjustments to stock holdings were made in the Fund during the quarter.

STOCKS BOUGHT FOR THE FUND

VICINITY CENTRES (VCX)

Vicinity Centres is an owner and manager of diversified shopping centre assets in Australia. Its portfolio consists of regional, sub-regional and neighbourhood assets. We see VCX as having one of the highest quality retail portfolios in the market and therefore should benefit as interest rates reduce and consumption patterns improve. In the December half, occupancy levels increased to 99.4%, reaching pre-COVID levels and marking the highest since FY19. Further, re-leasing spreads improved significantly, with premium centres achieving a 6.7% uplift and Chadstone and outlet centres combined at 10.5%. The portfolio's focus on premium products has contributed to a stabilisation in valuation trends has seen Net Tangible Assets increase. VCX's FY25 guidance is viewed as achievable and offers a reasonable growth outlook.

NEXTDC (NXT)

NEXTDC is a Data-Centre-as-a-Service provider offering a range of services to corporate, government and IT services companies. The stock sold off in the March quarter as US tech stocks underperformed following the advent of DeepSeek. This created a value opportunity which we took advantage of. Industry feedback suggests that data centre demand remains very strong as cloud and AI penetration increase. NXT is well managed and is well positioned to benefit from the strong demand environment.

STOCKS EXITED FROM THE FUND

AURIZON (AZJ)

Aurizon has spent a lot of capital on building its non-coal Bulks business in recent years, but they have not had the success in winning sufficient contracts to justify the expenditure in a returns sense. Whilst they ultimately be successful over the longer term, an imminent improvement doesn't look likely. This was the source of growth for the company, and it's not happening as we had expected leading to us take the view that our funds would be better invested elsewhere.

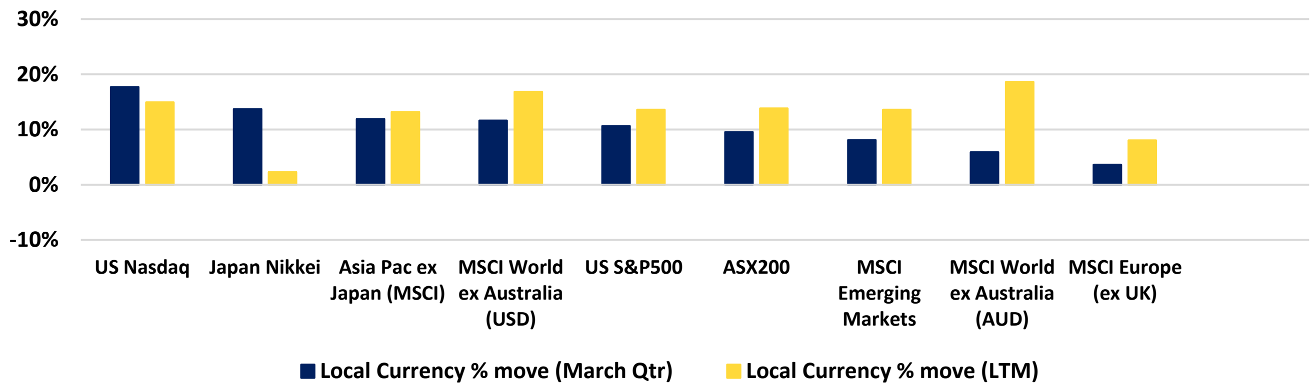
JAMES HARDIE (JHX)

The outlook for housing in James Hardie's main market in North America, both in terms of new construction and remodel, is looking increasingly negative due to the persistence of high mortgage rates and increasing economic uncertainty there. We feel that situation is unlikely to change short-term, and JHX will struggle to perform in this environment. Perhaps because of that, management have undertaken a very large merger with an outdoor decking company, but we are more of the view this adds to the company's vulnerability to a downturn rather than adding to its resilience.

MARKET SUMMARY

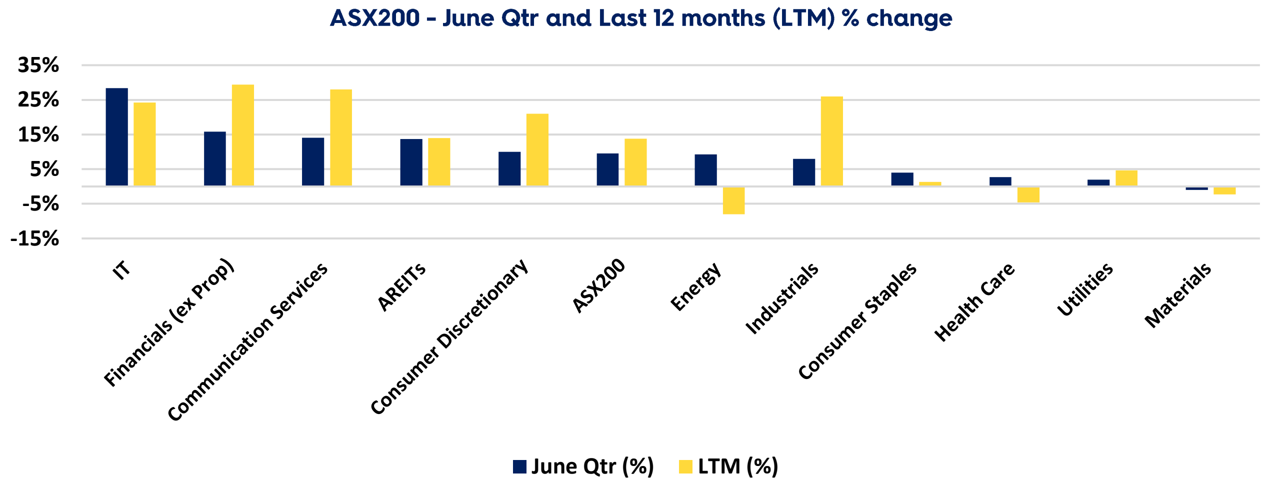
- **Equity markets finished FY25 strongly** – In local currency, the ASX200 rallied 9.5% and MSCI World ex Australia index rose 11.6%. The MSCI World ex Australia rose 5.9% in Australian dollar terms. Global equities were supported by the US S&P500, Japanese Nikkei and MSCI Asia-Pacific (ex-Japan) index which rose 10.9%, 13.9% and 13% respectively.
    - Equity markets initially fell in early April after President Trump announced greater than expected tariffs, however markets rallied after he announced a 90 day pause, the US-China tariff escalation lessened, and news of trade negotiations emerged. Equity markets looked through rising geopolitical tensions also.
    - Over FY25 the ASX200 returned a very healthy 13.8% and the MSCI World ex Australia index rose impressively 16.8% (in USD) and 18.6% (in AUD terms).

Global equity market performance - June Qtr and Last 12 months



Source: Equity Trustees

- **The Tech sector rebounded strongly** - The best performers for the quarter were Information Technology (+28.4%), Financials ex property (+15.8%) and Communication Services (+14.1%). The worst performers were Materials (-0.7%), Utilities (+2.0%) and Healthcare (+2.7%).
    - Technology stocks rallied strongly over the quarter as US hyperscalers continued their large investment spend in AI and demand for data centre services increased.
    - Over FY25, Financials ex Property (+29.4%), Communication Services (+27.8%) and Industrials (+26.2%) outperformed, while Energy, Healthcare and Materials lagged.
    - Style-wise (according to Macquarie Research), Momentum and Growth performed best over FY25 in Australia while Value and High dividend yield performed worst.
- **Stock moves: Uranium miners rallied strongly** - The top five performers from the S&P/ASX 200 Index for the quarter were Zip Co. (+90.7%), Boss Energy (+88.3%), Life360 Inc. (+62.4%), Paladin Energy (+57.9%) and Deep Yellow (+57.5%). The bottom-five performers were IDP Education (-61.0%), Nufarm (-37.7%), Nuix (-28.7%), Domino Pizza Enterprises (-24.6%) and Bellevue Gold (-21.4%). Impressively, nearly half of the ASX200 was up by more than 15% in FY25.
- **ASX200 contributors: The major banks again offset the Miners and CSL** - Taking market capitalisation into account, the major contributors to the index gains over the quarter included Commonwealth Bank (+189bps), National Australia Bank (+55bps), Wesfarmers (+48bps), Goodman Group (+39bps) and Macquarie Group (+38bps). The bottom five contributors were BHP (-25bps), CSL (-16bps), Rio Tinto (-10bps), IDP Education (-5bps) and Treasury Wine Estates (-5bps).



Source: Equity Trustees

- The year of Commonwealth Bank (CBA) – Morgan Stanley calculated that over FY25, CBA's index weight within the ASX200 grew on average by 2.1%pts, with an average weight of 11.5% in the June quarter. According to UBS, CBA drove 333 points of the ASX200's FY25 775-point rise. The next largest contributor was Westpac (77), Wesfarmers (75) and Telstra (47). Conversely, BHP (-101) and CSL (-90) weighed on the index. Given its size and expensive valuation many active managers have been underweight CBA which has weighed on relative performance.
- Australian Economy to be supported by rate cuts – While the labour market has remained relatively tight, economic momentum faded over the quarter. Slowing growth along with well-behaved inflation allowed the RBA to cut rates 0.25% in May to 3.85% with the market expecting another 3 cuts this year. House prices rose. The Labor party retained power following the Federal election. Government spending is expected to remain supportive in the near term. The $A/$US rose 5.3% to 65.81c.
- Global economic activity – The global economy remained broadly resilient assisted by a pull forward in trade ahead of any US related tariffs. The US Federal Reserve held rates steady at 4.25-4.5% throughout the quarter. US labour market data remained solid and while inflation data reduced inflation expectations increased due to the potential impacts from future tariffs. The US government announced the "One Big Beautiful Bill" (OBBB) which includes tax cuts. The US Dollar continue to fall against all major currencies and ended FY25 down 8.5% - its sharpest financial year decline since FY11. The Chinese economy also remained resilient despite the continued weak housing market. Manufacturing and exports remained strong, although the mix of exports have shifted from the US elsewhere.
- Aussie Bonds rallied – The Bloomberg AusBond Composite 0+Y index rose 2.6%. Australian 10-Year bond yields fell 22bps to 4.16%, while US 10-Year bond yields rose 2bps to 4.23%. The US yield curve steepened aggressively (+87bps) over FY25. Australian credit markets rallied 2.31% with credit spreads tightening as the quarter progressed.
- Commodities were mixed – Gold rose 5.7% while the base (LME) metals index nudged higher 0.8%. Despite geopolitical issues and the escalation of events in the Middle East, oil fell 9% over the quarter as OPEC increased production and global demand concerns weighed. Over FY25, The Bloomberg Commodities Index gained 1%, albeit with marked divergence (gold was up 42% and WTI (oil) down 20%).
- ASX200 earnings and valuation: FY25 ASX200 gains were driven by PE multiple expansion - ASX200 12-month forward earnings were revised down 2.8% over the quarter driven predominantly by the Energy sector which experienced 22% earnings downgrades. Earnings were a 3% point drag on returns in FY25 mainly due to downgrades in the Resources sector.
    - The ASX200 Price-Earnings (PE) multiple closed the June quarter at 19x (12-month-forward) and remains elevated versus its 10-year average of 16.2x.
    - Dividends added 3.8% points to the total return in FY25 helped by the Utilities, Telecom and Banks sectors. The markets dividend yield fell to 3.4%, below the historic average of 4.4%.

RESPONSIBLE INVESTMENT SPOTLIGHT

2025 Themes and Conference Feedback

As part of our ongoing commitment to responsible investing, we have recently attended responsible investment focused conferences in Sydney where we gained valuable insights from an impressive line-up of speakers. The key insights from these events are highlighted below and a full copy of the report can be found on our website.

1. Funding the Energy Transition

- Australia needs to triple investment in climate solutions to meet its net zero target and decarbonise in line with the Paris Agreement.
- Equity Trustees see the energy transition as attractive investment thematic and has exposure though companies contributing positively to the transition across our portfolio's through holdings in Pilbara Minerals (PLS), Origin Energy (ORG), and Within the Eight Bays Global Fund we have exposure to thematic through position in GRID, a global exchange traded fund (ETF) providing exposure to the transition through investment in companies developing smart grid infrastructure which support cleaner, and more efficient energy use.

2. Trump's Anti ESG Agenda

- Trump's anti ESG agenda has been making news headlines around the world, resulting in several large companies and financial institutions in the US pulling back their ESG and diversity, equity and inclusion (DEI) commitments. There has been speculation on whether there could be contagion of this sentiment to Australia.
- Although we have seen some Australian companies with US operations become more cautious on the language used when it comes to ESG, we have not seen evidence of companies winding back their commitments.
- We expect these issues are front of mind for Australian boards and it will be a key area of focus through reporting season next month.

3. Corporate Cyber Resilience

- We heard from Cyber Security expert who highlighted a significant increase in cyber-attacks globally, noting attacks are becoming more frequent and sophisticated, while the cost of a breach and time to repair are also on the rise.
- Cybersecurity is a material governance related ESG theme and core business risk which can result in privacy breaches, regulatory penalties, financial loss, reputational damage and operational disruption.
    - We have seen the impact of cybercrime play out on companies like Medibank Private (MPL), where a data breach in 2022 resulted in significant financial (estimated at $150mn) and reputational damage, while there still are ongoing legal and regulatory proceedings. MPL did not have cyber insurance.
- These valuable expert insights will be used to support our engagements with companies where our objective is to better understand how they are managing and mitigating cyber risk to inform ESG analysis.

Attending RI focused events enables us to meet with responsible investment practitioners and leaders to gauge upcoming trends in RI and benchmark best practice. These insights provide a good basis for our engagement discussions with companies we're invested in and provide useful insights into key responsible investment thematics which can help to shape our portfolios.

Corporate Engagement

Examples of company engagements undertaken during the June quarter are listed below.

Company	ESG Topics	Engagement Focus
Lottery Corp (TLC)	• Social	• Responsible gaming program
Qantas (QAN)	• Environment	• SAF Strategy, Carbon Offsets, Climate Fund.

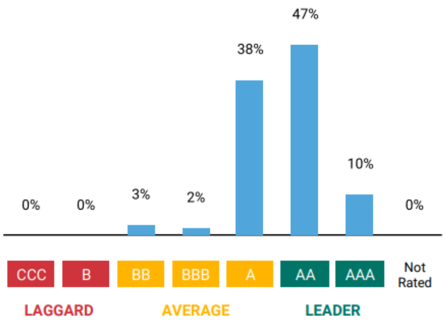
FLAGSHIP FUND ESG METRICS AS AT 30 JUNE 2025*

MSCI ESG RATINGS AA

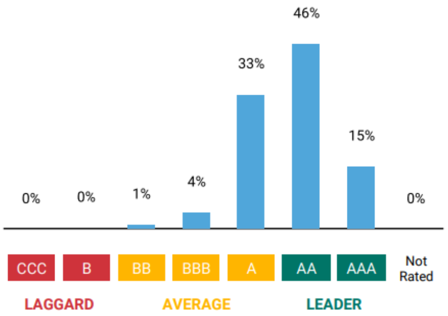
CCC | B | BB | BBB | A | AA | AAA

	PORTFOLIO	ASX 200
ESG Scores		
MSCI Weighted Average ESG Score (10 = highest, 0 = lowest)	7.4	7.5
Proportion of companies classified as ESG leaders (AAA and AA)	57%	61%
Governance Metrics		
Proportion of companies classified as governance leaders	81%	87%
Proportion of companies where women comprise at least 30% of the board of directors	84%	90%
Proportion of companies with a majority independent board	100%	99%
Carbon Metrics		
Companies with GHG emission reduction targets	90%	90%
Companies with targets across all scopes (Scope 1,2 & 3)	59%	56%

Portfolio ESG Rating Distribution



Benchmark ESG Rating Distribution



*Produced by MSCI research as of June 30, 2025

OUTLOOK AND STRATEGY

FY25 investment market returns were strong across a wide range of asset classes. In the first half of FY25 returns were assisted by lower inflation, expectations of interest rate cuts, resilient economic data and US technology sector earnings growth and investment. The second of FY25 was a more volatile period impacted by slowing economic growth, US tariff concerns and geopolitical conflicts. Despite these events, the June half still finished strongly, as trade tensions reduced, global economic growth remained stubbornly resilient, central banks moved to lower interest rates and US tech companies reinforced their strong growth outlook. Notably, the equity market rebound from the post "Liberation Day" lows was swift and powerful.

Our key points with respect to current conditions are:

- Global economic growth is likely to slow in the 2H of CY25
  - Global economic growth has benefited from a pull forward in demand prior to the enactment of US tariffs. This likely means the second half of 2025 will see economic growth slow.
  - Despite pauses put in place, the US Tariff environment remains uncertain and inevitably we think there will be tariffs enacted that will act as a drag on global economic growth.
  - While deals will ultimately be negotiated, we think markets are already pricing in an environment where global growth is not disrupted in any major way.
- Global economic growth remains below trend but is unlikely to fall into recession.
  - Global growth is likely to slow to ~2.3% in FY26. Offsets to the tariff drag include lower interest rates and fiscal spending. Markets are pricing in 100bps of US Fed easing for FY26 and another rate cut by the European Central Bank. Broadly global inflation is back within targeted bands, and the services sector has become an increasing driver of economic growth in the US with lower volatility than the goods sector.
  - The question for the US will be to what degree that higher inflation (from August & albeit potentially transitory) from tariffs mitigates the Federal Reserve from cutting interest rates. This should not be an issue for many other parts of the world.
  - Further questions may emerge about the sustainability of the US fiscal position which may see international investors continue to diversify assets away from the US putting further pressure on the US Dollar and treasury market.
  - Geopolitical flare-ups also remain an ongoing risk, but the market has seemingly looked through these issues if the oil market is not majorly disrupted.
- Chinese growth to be managed
  - The Chinese economy has been resilient due to strong export and manufacturing markets. The Chinese have been swift to redirect export flows from the US to other markets. The Real estate market, however, remains soft.
  - Policy makers will be focused on hitting the 5% GDP growth target. We don't expect any major stimulus out of China but think there will be increased focus on the domestic market, industrial reform / development and high-end sectors such as Technology.
- Australian GDP growth to gradually improve
  - Australia's direct exposure to US tariff's is low, however our ongoing reliance on commodity earnings will be impacted by deterioration in Chinese and global economic growth.
  - RBA rate cuts will support real wages growth with economists expecting another 2-3 cuts while government spending should continue at a time when the labour market is already solid and household wealth has continued to rise.
- Earnings per share forecasts for the year ahead is ~10% for US and International equities and ~5% for Australian equities.

    - Earnings revisions have been more stable for international markets recently while Australian equity earnings have continued to encounter downgrades. In Australia, consumer and energy/materials sectors have accounted for most of the recent downgrades.
    - International equity market earnings are likely to be supported by strong growth from US Tech companies, central bank rate cuts and increased fiscal spending in Europe. A broadening of geographic and industry growth drivers should help underpin markets also.
    - Within the ASX, earnings are expected to grow ~5% in FY26. Industrials are expected to rebound strongly; major bank earnings growth remains anaemic and resource company earnings growth may be at risk given below trend global economic growth.
- Equity market valuations are back at expensive levels
    - Following the swift rebound in the June quarter, International and Australian equity market Price-Earnings (PE) multiples are back at elevated levels. Investors appear complacent toward risks around US tariffs and geopolitical conflicts.
    - 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 (which appears hard to see in the current economic climate).
- Real Assets such as property securities and infrastructure should remain supported as interest rate cuts support valuations, cashflows are stable and income generation sound.
    - Defensive characteristics of infrastructure remain appealing at times of uncertainty and inflation-linked revenues should provide for reasonable top line growth also. Relative value appeal of the asset class is emerging while there remains a widening scope of infrastructure investment opportunities.
    - Within Australian Real Estate Trusts (AREITs), asset valuations have generally troughed, rental growth remains solid, data centre demand remains strong and lower interest rates should support the retail and residential sectors. Absolute valuations aren't cheap, but the relative appeal against the All Industrials is fair.
- Income returns to be subdued
    - FY26 forecast ASX dividend yields (pre-Franking credits) are ~3.4% which is below historic levels of ~4.4%. Dividends are expected to grow at between 0-5% in FY26 (on FY25).
    - AREIT dividend yields (~3.3%) 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.

Therefore given strong market gains over the last two years, fair to expensive valuations across most asset classes, below trend economic growth and continued tariff uncertainty, we expect lower overall returns for diversified portfolios in FY26 to what was received in FY25.

Tactically we remain slightly cautious on 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 more value.
- We noted last quarter that 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 we think this offers opportunities for fundamentally, active stock / security pickers to generate returns above the index.
- We continue to note that while macro factors are important, in more challenging economic conditions it is beneficial to focus on basic micro factors as to what makes a good business and investment. We believe that active management in the right areas can contribute to strong overall returns.

FUND HOLDINGS

TOP 10 HOLDINGS
CSL Ltd
Commonwealth Bank Of Australia
BHP Group Ltd
National Australia Bank Ltd
Westpac Banking Corp
Macquarie Group Ltd
Telstra Group Ltd
Goodman Group
Coles Group Ltd
Rio Tinto Ltd

SECTOR ALLOCATION

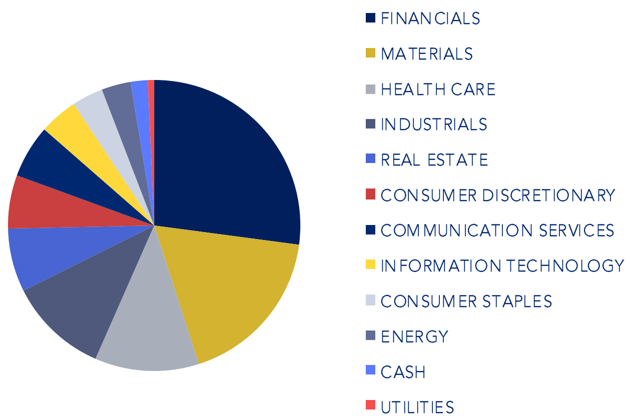


Table 3
Source: Equity Trustees as at 30/06/25