

EQT RESPONSIBLE INVESTMENT AUSTRALIAN SHARE FUND

FUND OBJECTIVE

The investment objective of Equity Trustees' Responsible Investment Australian Share Fund (the Fund) is to provide investors with a high-income stream and the potential for capital gain similar to the S&P/ASX 200 Accumulation Index via investment in a diversified portfolio of shares.

RESPONSIBLE INVESTMENT

The Fund invests in Australian companies that are assessed as having strong ESG practices and a positive impact on society by contributing to one or more of the United Nation's Sustainable Development Goals. The Fund applies a negative screen, excluding companies that generate more than 10% of revenues from business activities involved in the manufacture of alcohol, tobacco, military armaments, the provision of adult entertainment and gaming products/services.



FUND PERFORMANCE

PERFORMANCE ¹	EQT RESPONSIBLE INVESTMENT AUSTRALIAN SHARE FUND		3 YEARS	5 YEARS	SINCE INCEPTION
	3 MONTHS	1 YEAR	(P.A.)	(P.A.)	(P.A.) ²
Income return	0.33%	1.69%	2.61%	2.86%	3.83%
Capital return	0.23%	9.17%	3.90%	4.63%	1.68%
Total net return	0.55%	10.86%	6.51%	7.49%	5.50%
Benchmark return ³	-0.80%	11.44%	7.41%	8.06%	5.49%
Active return	1.35%	-0.58%	-0.90%	-0.56%	0.01%
Franking credit return ⁴	0.22%	1.01%	1.22%	1.17%	1.44%
Total gross return ⁵	0.72%	11.57%	7.30%	8.15%	5.73%
Total gross return (inc. franking credits) ⁶	0.94%	12.58%	8.52%	9.32%	7.17%

Table 1

¹ Performance: The longer term returns above are for the Charitable Screened Equities Common Fund 102 which has been operating since 31 Oct 2007. The Fund, since its inception of 04 Nov 2022 employs the same strategy as for the Charitable Screened Equities CF102. For additional information regarding performance please contact via the link on our website.

Income return and total net return are Fund returns after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Results greater than one year are annualised.

² Inception of EQT Responsible Investment Australian Share Fund – Wholesale Class is 04 November 2022. Inception of the Strategy as denoted by the Charitable Australian Screened Equities Common Fund 102 is 31 Oct 2007.

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

⁴ Franking credit returns are estimates and calculated at a zero-tax rate.

⁵ Total gross return is fund return before the deduction of ongoing fees and expenses.

⁶ Calculated as total gross return plus franking credit return.

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

PERFORMANCE SUMMARY

The Fund recorded a total net return of 0.55% for the December quarter, outperforming the benchmark S&P/ASX 200 Accumulation index by 1.35%. Over the last 12 months, the Fund generated a total net return of 10.86%, underperforming the benchmark by 0.58%.

Over the last 3-years, 5-years and since inception, the Fund has generated a total net return of 6.51% p.a., 7.49% p.a. and 5.50% p.a., respectively.

On a gross basis and including franking credits the Strategy has generated a very robust total return of 8.52% p.a. over the last 3-years, 9.32% p.a. over the last 5-years and 7.17% p.a. since inception (31/10/2007).

The Fund is designed as a core investment offering with a quality and long-term focus. As such it is invested with a predominant focus on larger capitalised stocks and is structured to have defensive characteristics which preserve capital as much as possible in poor market conditions. In the long term, the investment objective is to produce income growth above inflation while also growing capital.

PERFORMANCE DETAIL

At the stock level, the Fund benefited from its overweight positions in Block Inc CDI (SQ2), Qantas Airways Ltd (QAN), Computershare Ltd (CPU) and Telix Pharmaceuticals Ltd (TLX). Underweight position in BHP Group Ltd (BHP) also benefited the portfolio.

The main detractors to Fund performance were overweight positions in Pilbara Minerals Ltd (PLS), Rio Tinto Ltd (RIO), and Orica Ltd (ORI). Underweight positions in Commonwealth Bank of Australia (CBA) and Aristocrat Leisure Ltd (ALL) also detracted from Fund performance.



ATTRIBUTION SUMMARY

DECEMBER 2024 QUARTER	TOTAL ATTRIBUTION
Top five contributors	
Block Inc CDI	0.91%
Qantas Airways Ltd	0.45%
Computershare Ltd	0.45%
BHP Group Ltd	0.41%
Telix Pharmaceuticals Ltd	0.34%
Bottom five contributors	
Pilbara Minerals Ltd	-0.63%
Commonwealth Bank of Australia	-0.62%
Aristocrat Leisure Ltd	-0.28%
Rio Tinto Ltd	-0.20%
Orica Ltd	-0.18%

Table 2

POSITIVE ATTRIBUTION

QANTAS (QAN)

QAN's AGM trading update was strong and provided confidence in the outlook. Earnings have been upgraded throughout the quarter due to ongoing cost reductions and capacity discipline. Fuel prices have fallen, and demand has remained stable despite the cost-of-living pressures. The domestic market industry structure has improved enabling pricing discipline. The company valuation has been attractive, and earnings have surprised on the upside. Offshore peers have also performed well and supported industry valuation gains.

TELEX (TLX)

Newsflow and updates given by TLX were positive throughout the quarter adding confidence that the company is successfully navigating the new and increasingly accepted field of radiopharmaceutical medicine for oncology. Following a solid result in August, the 3rd quarter update reaffirmed revenue guidance. Ongoing commercialisation and rollout of the Illuccix product has been very successful and is providing for strong cashflow growth. The company's results show that they are steadily winning share in a rapidly growing market. News that TLX's main product Illuccix would not be subject to a price cut when pass through payments expire was taken well. The pipeline update also appears in line with expectations and progressing well. There remains a steady list of catalysts in 2025.

NEGATIVE ATTRIBUTION

COMMONWEALTH BANK (CBA)

CBA continued its outperformance in the December quarter. The company provided a quarterly update which was solid. The company continues to operationally deliver, and the macro environment has remained supportive. Margins headwinds have started to ease, and the company remains well provisioned. The stock has benefited from passive and industry super fund flows. Despite this CBA trades on a premium valuation multiple and offers little growth and a subdued dividend yield relative to history. We see better value in other banks.

ORICA (ORI)

ORI's share price sold off following their benign AGM commentary in December. The market appears to have been expecting a more positive update, however management still spoke to the fact they have had a good start to the year, are making good progress executing on their strategy. We remain comfortable with this holding and believe the company is smartly diversifying their revenues and offers a strong growth outlook at a reasonable valuation.



PORTFOLIO ACTIVITY

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

STOCKS BOUGHT FOR THE FUND

AMCOR (AMC)

In November, AMC announced they would be merging with Berry Global group. The rationale is to bring together two complementary businesses to enhance the growth and return profile. We viewed this as a positive announcement given considerable synergies to be extracted offering a stronger earnings growth profile. AMC trades on a relatively attractive valuation multiple for steady growth and strong cashflow generation.

STOCKS SOLD FROM THE FUND

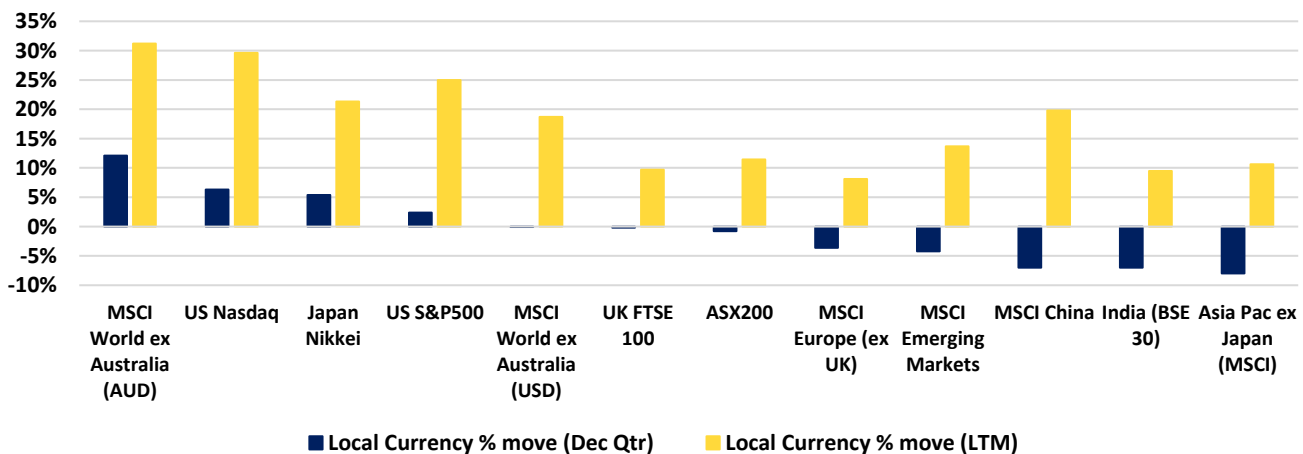
MINERAL RESOURCES (MIN)

Governance issues (negative) arose during the quarter which we were previously unaware of. We take governance issues seriously and this precludes us from owning shares in this business until we are satisfied those issues have been dealt with.

MARKET SUMMARY

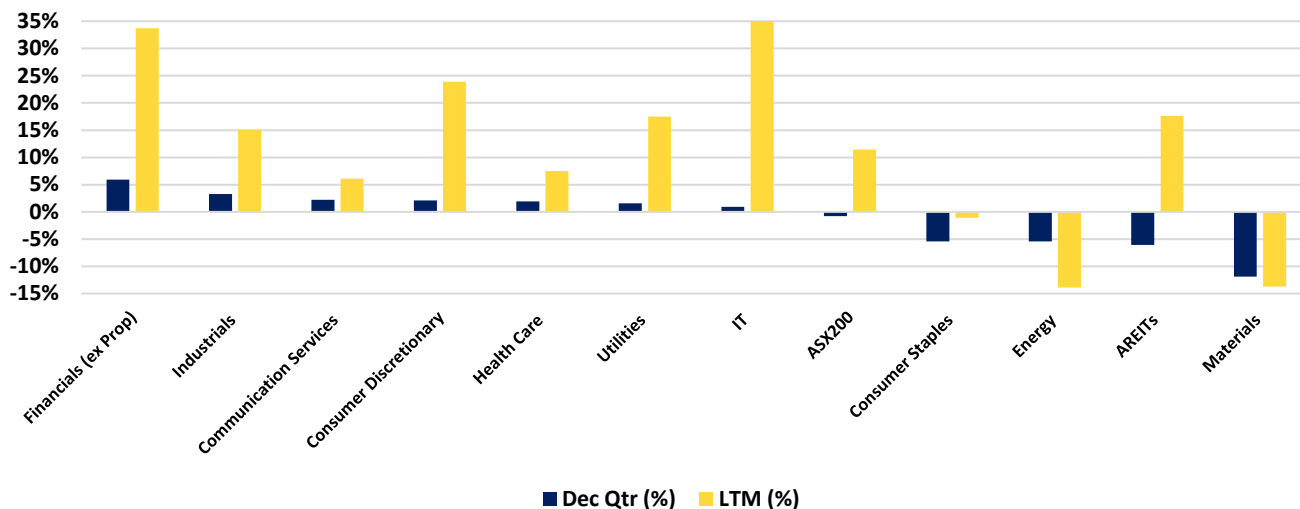
- 2024 provided strong equity market gains, but the December quarter was more mixed – Overall equity market returns in 2024 were strong with the ASX200 rising 11.4% and MSCI World ex Aust index gaining 31.2% (in AUD terms). Returns in the December quarter were more mixed, however. In local currency, the ASX200 (-0.8%) underperformed the Japanese Nikkei 225 (+5.2%), US S&P500 (+2.1%) and UK FTSE 100 (-0.8%) during the quarter but outperformed MSCI Europe (-3.6%), Emerging Markets (-4.2%) and Asia-Pacific ex Japan (-8%). The MSCI World ex Australia was flat in USD terms but rose 12% in Australian dollar terms. Markets have moved to price in the new US President and policies which are likely inflationary in nature.

Global equity market performance – Dec Qtr and Last 12 months



Source: Equity Trustees

- Sectors: Banks continued to support the ASX200** – The best performing ASX200 sectors for the quarter were Financials ex property (+5.9%), Industrials (+3.3%) and Communication Services (+2.2%). Financials were buoyed by solid bank results and higher bond yields. The worst performers were Materials (-11.9%), Property (-6.0%) and Energy (-5.4%). The property (AREIT) sector was rocked by higher bond yields, while Materials continued to be adversely affected by souring sentiment toward China. Over 2024, IT, Financials (ex-property) and Consumer discretionary performed best, while Energy and Materials underperformed. A key theme over the year was the outperformance of the Banks relative to Resources.

**ASX200 Sectors - December Quarter and Last 12 months (LTM) % change**

Source: Equity Trustees

- **Stock moves** - The top five performers from the S&P/ASX 200 Index for the quarter were Arcadium Lithium Plc (+93.4%), Sigma Health (+82.3%), Block (+46.3%), Pro Medicus (+40.3%) and Insignia Financial (+35.0%). The bottom five performers were Clarity Pharma (-50.2%), Web Travel Group (-37.6%), Coronado Global Res (-36.5%), The Star Entertainment Group (-35.6%) and Lontown Resources (-34.8%). Australian Economy – The RBA held cash rates at 4.35%. Inflation continued to move lower, but the RBA pushed back on thoughts of immediate rate cuts. The Australian dollar (AUD/USD) rose 3.6% over the quarter to 69.13c.
- **ASX200 contributors** - Taking market capitalisation into account, the major contributors to the index gains over the quarter included Commonwealth Bank of Australia (+100.7bps), Aristocrat Leisure (+20.7bps), Computershare (+16.3bps), QBE Insurance Group (+13.5bps) and Pro Medicus (+13.1bps). The bottom five contributors were BHP Group (-109.3bps), ANZ Group Holdings (-19.6bps), Rio Tinto (-14.6bps), Fortescue Ltd (-13.8bps) and Macquarie Group (-12.8bps). Over 2024, the major banks (+722bps) drove index gains while Materials (-362bps) were the drag.
- **Australian Economy showing divergent trends between public and private sectors** – The RBA held cash rates at 4.35% throughout the quarter. Inflation remains a little too strong for the RBA's liking and employment remains strong. The latest unemployment rate reading fell to 3.9%. However, GDP is weak outside of the public sector. Investors have been pushing out the first rate cut toward May rather than February. The Australian dollar (AUD/USD) sank 10.5% over the quarter to 61.88c impacted by a strong US dollar and weaker local and Chinese economy.
- **Global economic activity: Trump Trade has influenced markets** – The Trump victory has had a meaningful impact on markets. The Trump policies of tax cuts, tariffs, deregulation, and border protection have been seen as pro-US, equity market friendly but inflationary. The USD strengthened throughout the quarter against all major currencies. The US economy has remained resilient relative to expectations and US corporates have continued to announce robust results relative to expectations. The US Federal Reserve cut rates in late September, November, and December (to 4.25-4.5%) – but at their last meeting implied there would be less rate cuts in 2025 than originally forecast. The Chinese economy started to see some signs of stabilisation later in the year after continued stimulus announcements, however consumption and real estate investment remains weak. Many remain sceptical of a near term sustainable rebound and deflation remains a risk. US tariffs remain the key swing factor and are likely to influence future domestic policy announcements.
- **Bonds fell as yields moved higher** – The Bloomberg AusBond Composite 0+Y index dipped 0.3%. Australian 10-Year bond yields rose 39bps to 4.36%, while US 10-Year bond yields soared 79bps to 4.57% as strong US economic data, increased inflation expectations and a more hawkish Fed saw markets reprice expectations for less rate cuts in 2025. US government debt concerns added to the sell-off in US bonds as investors seek a higher premium to hold US treasuries. Australian credit markets rose 0.67%.



- **Commodities** – Commodity price moves were once again divergent. Natural gas (+24%), alumina (+20%), Lithium (+9%) and oil (+4.1%) performed strongly, while Thermal Coal (-13.7%), Base metals (-8.7%), iron ore (-5.3%) and precious metals (-3.2%) lagged.
- **ASX200 earnings and valuation** – ASX200 earnings were marginally revised down (-0.8%) over the quarter driven down by the Energy, Consumer Staples, and IT sectors. Utilities saw the largest upgrades. However recent trends have been more optimistic than the large negative revisions seen earlier in the year. FY25 earnings per share growth forecasts are currently 0.7% for the ASX200. The ASX200 Price-Earnings (PE) multiple closed at 18x (12-month-forward) and remains elevated versus its longer-term average of 15x.

RESPONSIBLE INVESTMENT SPOTLIGHT

Key Takeaways from the 2024 PRI and North America Tour

We recently visited the US and Canada where we attended the Principles for Responsible Investment (PRI) Conference and met with a range of energy and resources companies to expand our knowledge of the different decarbonisation initiatives in focus, and their approach to indigenous relations.

Below is a summary of the key takeaways:

Impact of the US Election on Climate Policy

- The US election and the implications of a Trump presidency on climate policy was a key point of discussion at the conference and amongst the companies we met.
 - In the US a total repeal of the Inflation Reduction Act (IRA) is highly unlikely, however the Republican win is seen as an overall negative for climate commitments with Trump expressing his desire to remove the US from the Paris Agreement again and reduce climate finance for developing nations which could slow momentum on emissions reduction initiatives.
 - Carbon Capture and Storage (CCS) continues to gain traction as a decarbonisation tool. While subsidies for CCS are not likely to be repealed, whether it will make a significant impact on the reduction of global CO2 emissions is still unclear.
- Policy support, certainty and funding will be key in driving the transition and meeting global sustainability goals.

Generative AI/Responsible AI (RAI) & Data Centre Demand

- While Artificial Intelligence (AI) is expected to change the way we work, the regulatory environment is still developing which may stall the uptake by corporates.
- Strong governance of AI is essential to manage the ESG risks that can result from its use such as undue bias, privacy breaches and misinformation, however the risk for each business is different largely dependent on how the technology is used.
 - What is essential at minimum companies using the technology have an RAI policy in place and the right skills and experience on the board for effective oversight.
- It was recognised amongst panellists that the growth in energy intensive data centres driven by the rise in AI could be a barrier to achieving climate goals, but it also creates opportunity to speed up the energy transition and drive development of clean energy sources as hyperscalers are willing to pay a premium for clean baseload power.

Best Practice Indigenous Relations

- Canadian companies offer current best practise when dealing with Indigenous groups.
 - The focus is on passing economic benefits to the community to assist with long term wealth generation and economic independence.
- Similar to Australian companies, indigenous procurement and employment is an area of focus, but they also seek to provide indigenous groups with the ability to co-own businesses required for the delivery of a project. The result of these arrangements is an improvement the balance of power, economic independence, and a vested interest in the success of projects.



- Engagement on projects typically begins at least 3 years in advance, not just when there is a requirement for a permit approval which means they have less objections and project delays.

Attending global conferences like the PRI enables us to meet with responsible investment leaders and peers from around the world to gauge upcoming trends in RI and benchmark best practice. It was especially interesting to hear from global companies and draw comparisons on their approach to issues like decarbonisation, indigenous relations, and the responsible application of AI. In some areas they are more advanced in their practices which will provide a solid benchmark that we can bring to our engagement discussions with companies we're invested in. Our objective is to observe how RI issues such as those outlined above are evolving, and how they may impact the companies we invest in.

Corporate Engagement

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

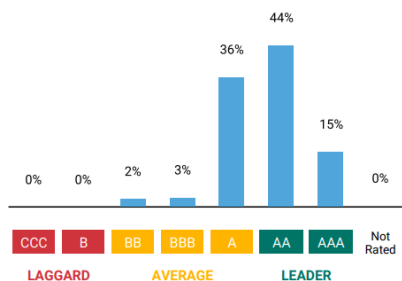
Company	ESG Topics	Engagement Focus
Mineral Resources (MIN)	<ul style="list-style-type: none">• Governance	<ul style="list-style-type: none">• Allegations against the company's founder and Managing Director, Chris Ellison regarding tax evasion, related part transactions and the misuse of company resources.

RESPONSIBLE INVESTMENT AUSTRALIAN SHARE FUND ESG METRICS – 31 DECEMBER 2024*

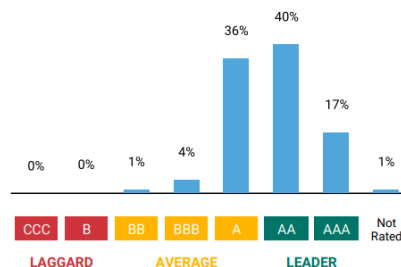
	PORTFOLIO	ASX 200
MSCI ESG Scores		
MSCI Weighted Average ESG Score (10 = highest, 0 = lowest)	7.4	7.4
Proportion (market value) from companies classified as ESG leaders (AAA and AA)	59%	57%
Governance Metrics		
Proportion (market value) from companies classified as governance leaders	91%	90%
Proportion (market value) from companies where women comprise at least 30% of the board of directors	89%	93%
Proportion (market value) from companies with a majority independent board	100%	99%
Carbon Metrics		
Companies with GHG emission reduction targets	94%	90%
Companies with targets across all scopes (Scope 1,2 & 3)	61%	57%



Portfolio ESG Rating Distribution



Benchmark ESG Rating Distribution



*Data sourced from MSCI as at 31 December 2024

Strongest SDG Alignment



OUTLOOK AND STRATEGY

Overall, investment returns for growth assets in 2024 were very strong, led by strength in the US economy and ongoing market leadership of the “Magnificent 7” technology stocks. Equity markets rallied as the odds of a soft-landing scenario increased with ongoing resilience in US consumer demand, solid productivity gains and moderating inflation being supported by interest rate cuts by the US Federal Reserve.

We expect US GDP growth to slow but remain resilient supported by Trump’s pro-growth agenda and interest rate cuts. Markets in the December quarter moved to price in the new US President’s stated policies and arguably protectionist agenda. While this saw equity markets initially rally, the US Dollar has also strengthened considerably, and bond yields have soared (despite the US Fed entering a rate cutting cycle) highlighting concerns that the new policies will be inflationary. The US Federal Reserve now only expects rates will be cut twice in 2025. Trump 2.0 policies are likely to be market friendly overall, it will also arguably be a period of greater policy volatility and uncertainty.

Higher bond yields led to equity markets retracing in the final weeks of December and will remain a cap to US equities in the face of unchanged or lower growth expectations. US equity market earnings growth should remain supported in the near term by ongoing strength in Mega-technology company earnings and a broadening of growth in the market as interest rate cuts feed through the economy.



APOLLO

Very unusual behavior in long rates after the Fed started cutting in September 2024



While US growth has been resilient and may remain supported by lower taxes, increased deregulation and fiscal spending, growth in other major countries is less positive. European growth is subdued, while the Chinese have faced a two-speed economy with solid exports and manufacturing activity offset by depressed domestic demand and a subdued property market. Policy stimulus is yet to have a major impact on growth and the threat of increased US tariffs remains a key risk.

In Australia, outside of the public sector, domestic conditions remain weak. Additionally, a weakening Chinese economy remains a headwind. We expect GDP growth to remain at or below 2% in CY25 as the lagged impact of higher interest rates and weakening consumer spending continue to bite. We believe unemployment will edge higher towards 4.5% and inflation to moderate. We forecast the RBA to cut rates by between 25 to 50bp (ie 0.25-5%) but remain on slightly restrictive settings compared to “neutral rates” of 3.5%.

Earnings growth for the ASX200 in CY25 is forecast to rise ~4% on CY24 as interest rate cuts support economic growth, however earnings have consistently been downgraded over the last 12 months. The Australian market will remain heavily influenced by:

- 1) the banking sector which has re-rated to elevated valuation levels;
- 2) industrial companies which will need to offset cost increases in the face of a weak consumer (those with exposure to the US consumer, pricing power and USD earnings will be better placed); and
- 3) soft commodity prices impacting on resource company earnings should substantial extra Chinese stimulus not be deployed.

Our current tactical asset allocation views are to hold a modest underweight to growth assets offset by a modest overweight in defensive assets. We remain modestly underweight equity markets as we believe the market is pricing in an already optimistic view of the path ahead. Elevated valuations leave little scope for adverse surprise or disappointment. The relative valuation appeal to bonds is also not as attractive as it has been in recent years.

While portfolio holdings are all assessed on our fundamentally driven Quality at a Reasonable Price (QARP) process we carry a preferred exposure to select industrials over banks and resources. The Australian equity market is trading moderately expensive at 18x price-earnings (PE) ratio, well ahead of long-term averages particularly given relatively low near-term earnings growth. In our view this leaves little buffer to absorb adverse developments. The current income yield on Australian equities is ~3.5% (pre grossing up for franking credits) – again well below historic levels.

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

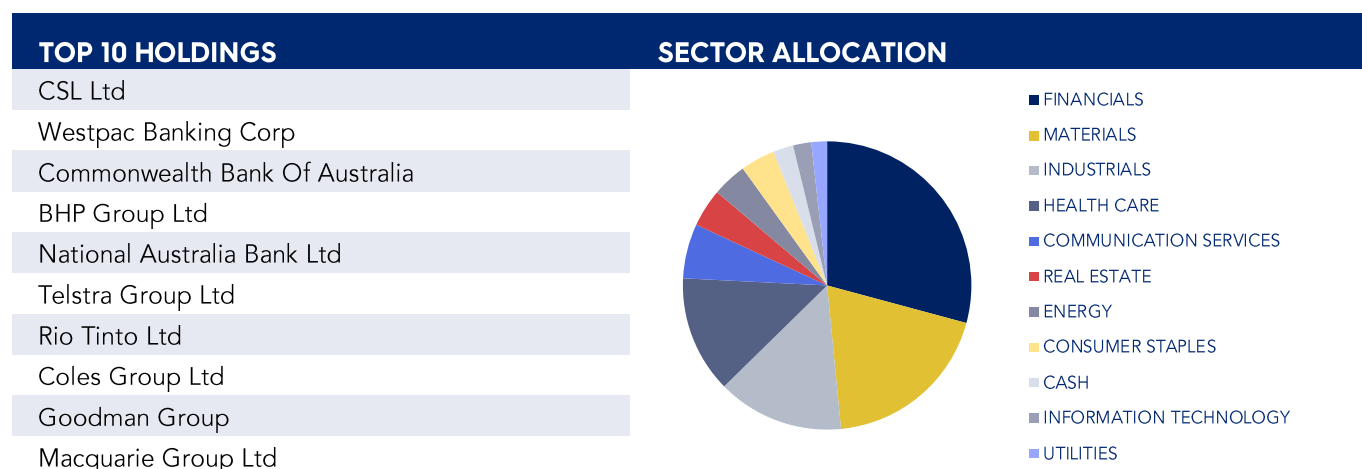


Table 3



CERTIFIED BY RIAA

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations.

The Symbol also signifies that adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and the Fund's methodology, performance and stock holdings can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

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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 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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