

Blackwattle

Equity Income Fund

March 2026



About the Fund

The Fund invests in a broad selection (typically 30-40 stocks) of Australian listed companies, regardless of each stock's dividend yield, and applies the insights of fundamental research and an active options strategy with the objective of providing a higher income stream and a smoother return profile than the broader share market over the long term.

This approach reflects our belief that companies with opportunities to reinvest at above their cost of capital will provide growth, certainty and sustainability of income over the long term.

Blackwattle Investment Partners

Blackwattle is a new generation, highly aligned, Australian investment manager investing in quality businesses and people.

Alignment

Shared staff ownership, zero personal trading, profit and personal salary reinvestment, and most importantly significant personal investment alongside our clients.

Quality

We aim to buy businesses that have a forward advantage, trustworthy aligned management, priced below intrinsic value.

Trust

We believe that honesty and transparency builds trust with our clients, stakeholders, and community.

Key Information

Fund Name	Blackwattle Equity Income Fund
APIR	ETL4469AU
Inception Date	12 February 2026
Typical number of stocks	30-40
Cash limit	20% (typically 0-5%)
Cash Distributions	Quarterly
Redemptions	Daily
Buy Sell Spread	0.25% upon entry and 0.25% upon exit
Fees	Management 0.93%
Constrained Capacity	\$3bn (or up to 15bps of the benchmark)
Objective	The Fund aims to provide an income return of 2.5% p.a. above the S&P/ASX100 dividend yield over a rolling three-year period, delivered with consistently lower volatility than the S&P/ASX100 Total Return Index. The Fund also aims to provide a total return that exceeds the composite index of 75% S&P/ASX 100 Total Return Index / 25% RBA Cash Rate over the long term.

Portfolio Managers



Rudi Minbatiwala

25+ years' investment experience. 24 Years with First Sentier Investors as the Head of Equity Income and establishing Equity Income capability in 2004.



Marlon Chan

18+ years' investment experience. 17 years with First Sentier Investors as a Senior Portfolio Manager and Fundamental stock research lead.



Jason Moodie

30+ years' investment experience with 27 years with First Sentier Investors as a Portfolio Manager and Implementation lead.

Fund Performance¹

Blackwattle Equity Income Fund Performance (net of fees) as at 31 March 2026

	1 month	3 months	6 months	1 Year	2 Years	3 Years	Inception p.a. ²
Fund (Net)	-5.76%	-	-	-	-	-	-3.39%
Benchmark³	-5.08%	-	-	-	-	-	-3.10%
Active Return	-0.68%	-	-	-	-	-	-0.28%

¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. **Past performance is not a reliable indicator of future performance.** Source: Apex. ² The inception date for the Fund is 12 February 2026. Returns greater than 1 year are annualised' or 'calculated on an annualised basis. ³ Small Ordinaries Accumulation Index. *Inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC).

Top 5 Overweight Holdings







Market Commentary

March market performance was weak with the S&P/ASX 100 Total Return Index falling -6.8% for the month. The Middle East conflict involving Iran dominated market events for month and flowed into concerns for inflation and interest rates.

Given the focus on the Middle East conflict impacting global oil supply, the Energy sector surged higher by almost 20% over the month. The Energy sector was the only sector to deliver strong positive returns during the month. Defensive sectors such as Utilities, Consumer Staples and Communication Services managed to deliver small positive or flat returns over the month. All other GICS sectors fell by at least -6% over the month. The weakest sectors were REITS and Information Technology, both falling close to -12% over the month. Both these sectors were negatively impacted by valuation concerns of the impact of higher interest rates. The IT sector also continued to be impacted by ongoing concerns about the risks of AI disruption.

Bond yields rose in Australia, US and other global markets due to concerns that the material rise in the oil price may drive a surge in global inflation which will necessitate higher interest rates. In Australia, expectations for near-term increases in the official cash rate were already in place prior to the Middle East crisis, and the RBA confirmed these expectations with a 25bps rate rise earlier in the month.

Gold has been an area of focus for investors in recent times and gold equities experienced a material reversal of the strong gains from prior months. Gold and gold equities saw weakness due to the rising US dollar and rising bond yields. The gold sub-sector was the weakest component of the ASX market during March.

Portfolio Commentary

The Blackwattle Equity Income Fund produced a return of -5.76% in March, providing a downside cushion compared to the market fall of -6.84%. The Fund lagged the reference index of 75% S&P/ASX 100 Total Return Index / 25% RBA Cash Rate by -0.68% during the month. The Fund seeks to deliver lower volatility outcomes to investors which includes reducing the magnitude of drawdowns during periods of market weakness.

The Fund officially launched on the 12th of February during what was a volatile ASX reporting season period. The Fund generated a return of 2.53% during the period compared to the S&P/ASX 100 Total Return Index return of 2.72%. This represented a capture of 93% of the market rise which is a pleasing result for the strategy that is above expectations for a market rally of this magnitude in a short period. As a result, for the partial first quarter of the strategy, the Fund delivered a return of -3.39% compared to the market decline of -4.31% over the period. We thank our foundation investors for their early support for the strategy.

Energy stocks were a key contributor to performance during March, following the closure of the Strait of Hormuz and the resulting increase in oil prices. The Fund's exposure to Santos was the primary beneficiary within this theme, reflecting its leverage to higher realised energy prices. Santos is Australia's second largest LNG producer; their contracts are often linked to a percentage of the benchmark oil price movements, benefitting Santos's distributable cash flows. This is particularly relevant as Santos is coming into a phase of relatively lower investment requirements as its growth projects support its growing production profile in the coming years.

Domestically, defensive exposures provided resilience against broader market weakness. Positions in insurer IAG and supermarket retailer Coles performed relatively well, supported by their defensive earnings profiles and ability to sustain margins in a more uncertain environment. Both IAG and Coles are in duopoly market structures which gives them a greater ability to pass through inflation. Inflation and the resultant impact on interest rates were front of investors as the Middle East conflict could impact both fuel and food price inflation. The market priced in a higher prospect for further interest rate rises during 2026 reflecting these concerns. IAG benefits to a degree from higher interest rates in terms of what it earns through its investment portfolio. For COL, food inflationary pressures may find their way to the consumer as fertiliser prices are linked to energy prices through fertiliser manufacturing ingredients. World Bank data estimates indicated that based on recent energy price increases, fertiliser inflation could be expected to rise more than 40%, implying a greater than 10% rise in global food inflation. This would suggest an additional ~0.5% inflation for advanced economies.

Offsetting these gains, the Fund's position in Northern Star detracted from performance following a disappointing production update relating to its existing soon-to-be-retired mill, which was compounded by a retreat in the gold price. The mill at Kalgoorlie Consolidated Gold Mines (KCGM) is near its end-of-life and the company is expected to shift over to its new facilities in the coming months, which will help it uplift its production in the coming years during a period with higher expected gold prices. In financials, National Australia Bank weighed on returns, with investor concerns emerging around its relatively higher exposure to the agricultural sector, particularly considering potential disruptions linked to fertiliser supply. Nonetheless we believe National Australia Bank is a well-run franchise that has lower execution risks having made earlier upgrades to its IT systems compared to other banks that are just now in the process of undertaking significant IT upgrades.

The on-going conflict in the Middle East resulted in the elevated market volatility during March. As a result, the Fund was highly active in the implementation of options positions to generate additional income and downside cushion. 54 new sold call option positions were implemented over the shares held in the portfolio during March. By the end of the month, 75% of the Fund's share holdings were covered

with options, which are at the high end of the expected range. The Fund is invested in 30 stocks and option positions on these stocks are diversified across 90 option positions.

The end of March saw the Fund pay its first quarterly income distribution of 3.5 cents per unit, reflected income earned during the partial first quarter for the Fund. The income consisted of dividends paid by most companies reporting results in February and option premium income from sold call options.

Outlook

While the ultimate trajectory of the current conflict remains uncertain, our focus is not on predicting specific outcomes, but on constructing a portfolio that is resilient across a range of scenarios irrespective of whether the conflict resolves more quickly or becomes prolonged.

Our investment approach remains anchored in income quality, with an emphasis on businesses that demonstrate durable earnings, strong cash flow generation, and the capacity to grow income sustainably over time. This long-term orientation is particularly important in periods of heightened geopolitical and macroeconomic uncertainty.

A key area of ongoing research is the second-order effects of the conflict, particularly the potential for broader and more persistent inflationary pressures beyond the immediate impact on energy prices. We are assessing which business models are best positioned to absorb or pass through these cost pressures, and which may face margin compression.

In this environment, we believe disciplined stock selection remains critical. We continue to prioritise companies with pricing power, balance sheet strength, and operational flexibility, while remaining cautious on exposures that may be more vulnerable to input cost volatility or demand disruption.

The elevated market volatility is providing attractive opportunities to generate income through option premium income. Options coverage in the portfolio is currently above average levels and any persistence in uncertainty over the outcome for the Middle East conflict is likely to result in options usage remaining elevated.

Thank you for your support
Blackwattle Equity Income Team.

How to Invest

To invest please click on the link
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