

AE Altius Short Duration Fund (Institutional)

Altius Asset Management employs a diversified strategy to fixed interest funds management that aims to take advantage of the mispricing of bonds in all market conditions. The AE Altius Short Duration Fund is an Australian fixed interest fund that invests in companies which conduct their business and apply capital responsibly, giving consideration to a range of environmental, social and governance (ESG) issues.

Performance as of October 2025

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception % p.a.
Gross total return	0.43	1.30	6.96	5.80	2.16	2.53	2.87
Net total return	0.38	1.17	6.44	5.28	1.63	1.95	2.24
Benchmark	0.33	0.85	5.24	4.03	1.18	1.94	2.18
Excess to benchmark	0.05	0.32	1.20	1.25	0.45	0.01	0.07

Net total returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.
Gross total returns are calculated before fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

Effective 1 July 2016, Benchmark is 50% Reserve Bank of Australia Cash Rate and 50% Bloomberg AusBond Composite 0+Yr Index and applied retrospectively for all periods.
Excess to benchmark is calculated on Net total return.

Inception date for performance calculations is 21 November 2014.

Portfolio Performance and Activity

Several themes dominated market's attention in October. Trade and tariffs were an ever-present theme with the US administration adopting a negative stance on China early in October, threatening 100% tariffs and export controls on critical software before a complete U-turn mid-month. Meetings with the US Treasury Secretary and China's Vice Premier, followed by a face-to-face meeting with Trump and Xi in South Korea, led to a one-year trade truce. Private credit and regional banks in the US experienced a decent wobble around the middle of the month. Zions Bancorp and Western Alliance Bank both announced loans exposed to fraud, which saw their share prices fall over 13%, however, positive results announcements late in the month saw these losses fully recovered. In Japan, Sanae Takaichi was appointed LDP leader, becoming the Prime Minister later in the month. The victory surprised markets, given her support for fiscal stimulus, with the Nikkei surging 16.6% over October. The US Federal Reserve met on October 29th and delivered a 25bps reduction in the cash rate. Chair Powell said that a "further reduction in the policy rate at the December meeting is not a foregone conclusion, far from it". This saw a dialling back of US market expectations for a December move to a 68% probability. US Treasuries jumped 10bps following the Fed announcement, the biggest move in

four months. The ongoing US Government shutdown meant that economic data were sparse, providing limited direction for markets. Elsewhere, the decisions from the ECB and, Bank of Japan were as expected, with rates remaining on hold, while the Reserve Bank of New Zealand surprised by cutting 50bps, taking the cash rate to 2.75%. Over October, US 10-year treasury yields fell 7bps to 4.08%, German 10-year Bund dropped 10bps to 2.63% while JGB 10 years finished unchanged at 1.65%. With no RBA meeting in October, markets focused on several public appearances by Governor Bullock, the employment and quarterly Q3 CPI release. After initially range trading through the first half of October, domestic bonds experience heightened levels of volatility into month-end. The release of the September employment surprised the market on October 16th with the unemployment rate jumping to 4.5% compared to consensus of 4.3%. Three- and Ten-year bonds moved 10bps lower on the release. The move lower was short-lived with the RBA Governor delivering a hawkish speech at the ABE dinner on October 27th, where she noted a 30bp miss relative to the RBA's Q3 trimmed mean CPI forecast of 0.60% would be regarded as "material". The release of the Q3 CPI a few days later delivered on this fear with a Q3 trimmed mean CPI of 1% leading to an annual rate of 3%. The release showed broad-based inflation, including service and construction inflation, leading to a rapid repricing of the terminal cash rate and three- and ten-year bonds. By

Contact Details

Website
www.australianethical.com.au/managed-funds/investment-options/altius-funds/altiusam.com

Email
australianethical@unitregistry.com.au

Investor Services
T 1300 997 774

Adviser Services
T 1300 997 774

month's end, the terminal cash rate had risen to 3.35% from a low of 3.08%. After three years finished the month 6bps higher at 3.60%, the ten-year bond was unchanged at 4.30%.

On the credit front, spreads were largely unchanged at slightly softer over October, after hitting post COVID lows in many markets through September. Credit sentiment was generally positive, reflecting an upbeat equity environment despite growing concerns about private credit lending, tariff threats, political risk in France, and the ongoing US Government shutdown. Major bank spreads for three years were unchanged at 59bps, while five years drifted 3bps wider to 71bps. Single A and BBB indices were also unchanged at 84bps and 110bps, respectively.

Issuance was light in the first half of October, ahead of Bank and Corporate earnings in the US markets. Post earnings blackout, the US primary market accelerated with \$131bn of issuance, a record for October. Locally, there was a flurry of corporate issuance in October with \$4.8bn. Financial issuance was light ahead of major bank reporting in early November. NAB was the only major bank to issue what would be considered a benchmark deal with a multi-tranche three (fixed/floating) and ten-year fixed deal. A total of \$2bn was issued for three years at a margin of 65bps and \$1bn for ten years at 103bps. Both deals were well oversubscribed and performed well following pricing. Mid sizes mutual banks were active in both senior and Tier 2 space in October. AMP Bank and Australian Military Bank issued Tier 2 transactions while three-year senior primary coming from Credit Union Australia and Police Bank at margins of 93bps and 105bps, respectively and Peoples First Bank issued \$300m for four years at 105bps. Twelve corporate transactions were completed in October with three debut issuers. Inaugural issuance from Patrick Terminals with a seven- and ten-year deal at 125 and 145bps, E.ON (Europe's largest energy company) issuing a green bond for ten years at 138bps, and Weir Group (Scottish engineering company) with a 5.25-year at 165bps. Multiple property trust issuers returned to the market with deals for Stockland, Region, BWP trust. Lend Lease and Ampol issued hybrid debt with Lend Lease issuing non-equity based debt under perpetual non-call 3-year deal, and Ampol issued a 30nc8.25-year equity-credit hybrid at 200bps. Finally, VPN issued a 6.5yr \$750m a green bond. The bond was the first to align with the new ASFI taxonomy. The bond proceeds are intended to be allocated to equipment and infrastructure that will support Victoria's RET targets by integrating renewable energy, energy storage and EV's into the grid.

Socially Responsible Investments in Focus

In a major setback for sustainable finance, the Net Zero Banking Alliance (NZBA) has announced its immediate closure after members voted to transition from a member-based alliance to a guidance-only framework. While individual banks can still reference NZBA's climate guidance to shape their own net-zero transition plans, the dissolution marks the loss of a central coordinating body for sector-wide commitments. Without unified pressure, the pace of capital reallocation toward low-carbon projects is expected to slow.

The International Energy Agency (IEA) has warned that the collapse of the NZBA could undermine financing for renewable energy deployment and poses a systemic risk to achieving global climate goals and accelerating the energy transition. This concern comes as the IEA revised its global renewable growth forecast downward, citing policy shifts in the US and China. In the US, projections have been cut by nearly 50% due to the phase-out of tax credits and new restrictions on renewable development on federal land.

Meanwhile, the Net Zero Asset Managers (NZAM) initiative announced it will relaunch in January 2026 after a temporary suspension, but with substantially scaled-back commitments. The revised framework removes the 2050 net-zero target, eliminates mandatory interim targets, and drops requirements for asset managers to engage collectively with companies on climate transition plans. These changes mark a shift from a prescriptive, target-driven approach to a more flexible, principles-based model, acknowledging signatories operate across different jurisdictions and regulatory contexts.

In Australia, the Labour government is proposing the first major reform in more than 25 years to the nation's key federal environmental law, the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). A key feature of the reforms is the creation of an independent National Environmental Protection Agency, which would be responsible for overseeing compliance, issuing permits and licenses, and auditing environmental performance. Another key feature is the streamlining of project approvals between the Commonwealth and the states for housing, renewable energy, critical minerals, aiming to reduce delays from years to months.

Contact Details

Website

altiusam.com

Email

australianunitywealth_transactions@unitregistry.com.au

Investor Services

T 1300 997 774 F 1300 856 685

Adviser Services

T 1300 997 774 F 1300 856 685

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



The government also plans to introduce National Environmental Standards to ensure consistent minimum requirements for environmental outcomes and to block projects from causing irreversible harm to critical habitats. These would include new legal tests such as “unacceptable impact” and “net gain” to strengthen biodiversity protection. A controversial “National Interest” provision is also proposed, which allows the Environment Minister to override environmental standards for projects deemed critical (e.g. defense, major infrastructure).

During the month, Queensland also unveiled a new Energy Roadmap, marking a major policy shift in its approach to the energy transition. The roadmap outlines a five-year plan prioritising affordability, reliability and sustainability, with an emphasis on integrating cost-effective technologies to avoid unnecessary price hikes, attracting private sector investment and adopting a more pragmatic sequencing of transition steps.

Queensland repealed its near-term renewable energy targets of 50% by 2030 and 80% by 2035 but retained its legislated 2050 net-zero emissions target. At the same time however, the state is extending the life of its coal-fired power stations, allowing them to operate until the end of their technical lives and possibly beyond if system reliability or economic factors require it. This move effectively positions coal as a continuing part of Queensland’s energy mix into the 2040s.

The state has not provided a detailed interim pathway to net-zero by 2050, instead relying on the gradual build-out of renewable energy projects through private capital, increased gas-fired generation capacity as a lower-emissions alternative to coal, carbon offsets and/or Carbon Capture and Storage technologies to close the gap. The new policy shifts the bulk of emissions cuts to later decades, increasing pressure on other sectors and future governments to accelerate the transition and meet the country’s 2035 climate target of reducing GHG emissions by 62-70% below 2005 levels.

A recalibration of climate policy was also seen in New Zealand where the nation’s 2050 biogenic methane reduction target was lowered from the previous 24-47% cut below 2017 levels to a new range of 14-24%, while keeping the 2030 target at 10%. The revised target is said to reflect the findings of the independent Methane Science Review 2024 and applies specifically to methane emissions from agriculture - primarily

livestock. Biogenic methane accounts for nearly half of New Zealand’s total gross annual greenhouse gas emissions, with about 91% coming from the agriculture industry. The new targets are based on the principle of “no additional warming”, rather than deep emissions cuts, and is perceived to be a weakening of the country’s climate commitments.

While the lower target is more achievable, farmers note that reaching the upper-end of 24% will still require accelerated investment in methane-reducing technologies such as feed additives and genetics. To support this, the government has ruled out a methane tax and will instead commit over \$400m to develop and deploy methane-reducing technologies. A legislated review in 2040 will reassess the biogenic methane target to ensure alignment with science and progress among key trading partners.

At the same time, New Zealand will ease climate-related disclosure requirements, citing high compliance costs as the key reason. The reporting threshold for listed companies will be raised from NZ\$60 million to NZ\$1 billion in market capitalisation or quoted debt, thus exempting most small and mid-sized companies from the climate-related disclosure (CRD) regulation, and reducing the number of reporting entities from 164 to 76. Managed investment schemes have also been removed from the regime, and directors will no longer face personal liability for breaches.

For investors, these changes mean reduced ESG transparency for smaller companies, making it more difficult to assess climate-related risks and long-term sustainability strategies.

Outlook

Global Overview

Global inflation patterns remain uneven. China continues to experience disinflation and occasional deflation, while US services inflation has risen due to tariff passthrough effects. In the UK, regulated price adjustments are adding to inflation, and in Australia, higher energy costs, rents, and reduced subsidies are contributing to price pressures. As a result, central bank policy settings and sovereign bond markets are exhibiting increasingly divergent behaviour across economies.

Contact Details

Website

altiusam.com

Email

australianunitywealth_transactions@unitregistry.com.au

Investor Services

T 1300 997 774 F 1300 856 685

Adviser Services

T 1300 997 774 F 1300 856 685

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



Global economic activity strengthened in anticipation of tariff implementation, and resilience since has been surprisingly robust. This can be attributed partly to delays in tariff escalation and partly to cyclical momentum in Europe. The strong performance of the US technology sector—driven by AI-related capital expenditure—has supported exports from Taiwan and ASEAN economies.

Meanwhile, global term risk premiums remain elevated, reflecting uncertainty around US trade and foreign policy, the unwinding of quantitative easing, the end of Japan's yield curve control, falling foreign exchange reserves, and higher bond issuance requirements from expanding fiscal deficits in major economies. As markets adjust to shifting policy settings and headline volatility, we expect these premiums to moderate over time.

United States

The US economy faces mounting headwinds. Government shutdowns—though frequent historically—have become more prolonged, with the current episode expected to dampen consumer activity and shave up to 0.5% off GDP. Permanent job losses among furloughed workers could further hinder recovery.

Job growth has slowed sharply, falling from over 200,000 new positions per month in late 2024 to just 21,000 this quarter, even before data distortions caused by the shutdown. Employment outside the health and education sectors has contracted throughout most of 2025. Tighter immigration policies have reduced labour supply, masking what would otherwise be a higher unemployment rate. The simultaneous decline in both labour demand and supply signals a broader slowdown in economic momentum.

The US Federal Reserve remains attentive to labour market weakness, though its ability to respond is constrained by persistent uncertainty around inflation trends.

Australia

Australia continues to face a tension between stubborn inflation and a weakening labor market. While headline inflation remains elevated, much of it reflects one-off factors. Unemployment has risen only slightly, suggesting lingering capacity constraints and leaving policy makers uncertain about the true degree of economic slack.

The RBA describes its monetary policy stance as restrictive, though the exact degree of restriction remains debated. With third-quarter inflation exceeding expectations, rate cuts remain inconsistent with the mandate of price stability. Accordingly, we expect the RBA to maintain the cash rate at 3.60% for the foreseeable future.

For sovereign bonds, we anticipate long-term Australian government yields will fluctuate around a midpoint of 4.25% for 10-year maturities, and around 3.5% for shorter-dated bonds. Should global growth slow more sharply than expected and disinflation intensify, fixed-rate bond prices are likely to appreciate, with their defensive qualities supporting accrual and roll-down returns in such conditions.

Sector Profile as of October 25

Asset Class	Portfolio %	Benchmark %
Agencies	5.71	0.85
Asset Backed	8.30	--
Cash at Bank	2.39	--
Financials	38.04	2.61
Industrials	16.04	2.21
RBA Cash	--	50.00
Semi Government	23.63	16.92
Sovereigns	2.58	23.82
Supranationals	3.29	3.58

Ratings Exposure

Rating	Portfolio %	Benchmark %
A	25.21	1.42
AA	36.55	14.40
AAA	21.98	32.58
BBB	16.27	1.60
RBA Cash	--	50.00

Maturity Profile

Term	Portfolio %	Benchmark %
0 - 1 Year	5.18	55.55
1 - 3 Years	31.18	9.28
3 - 5 Years	20.30	10.08
5 - 7 Year	15.72	8.07
7+ Years	27.63	17.02

Top 20 Issuers

Issuer	Portfolio %	Benchmark %
New South Wales Treasury Corp.	8.34	4.77
Treasury Corporation of Victoria	6.75	4.88
Queensland Treasury Corp.	4.47	3.58
NBN Co Limited	3.35	0.17

Contact Details

Website
altiusam.com

Email
australianunitywealth_transactions@unitregistry.com.au

Investor Services
T 1300 997 774 F 1300 856 685

Adviser Services
T 1300 997 774 F 1300 856 685

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



Commonwealth Bank of Australia	3.23	0.20
Housing Australia	3.16	0.07
Government of Australia	2.85	23.78
Cooperatieve Rabobank U.A.	2.85	--
Bendigo and Adelaide Bank Limited	2.51	0.04
Western Australian Treasury Corp.	2.43	1.00
ETSA Utilities Finance Pty Ltd.	2.39	0.03
Wesfarmers Limited	2.21	0.03
Oversea-Chinese Banking Corp. Ltd. /Sydney Branch/	2.19	--
Tasmanian Public Finance Corp.	2.04	0.39
Airservices Australia	2.00	0.06
Bank Australia Limited	1.90	--
Victoria Power Networks (Finance) Pty Ltd.	1.83	0.04
Teachers Mutual Bank Limited	1.81	--
Woolworths Group Limited	1.72	0.08
BNP Paribas SA	1.69	0.02

Portfolio Summary Statistics

	Portfolio %	Benchmark %
Yield to maturity (%)	4.45	3.86
Modified duration (years)	2.62	2.41

Ratings / Awards

RIAA - Certified Responsible Investment

The AE Altius Short Duration Bond Fund has been certified by RIAA. According to the str The AE Altius Short Duration Bond Fund has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details. The Responsible Investment Certification program does not constitute financial product advice. Neither the Certification symbol nor RIAA recommends to any person any financial product is a suitable investment or that returns are guaranteed. RIAA does not hold an Australian Financial Service License.



Important Information

Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg") do not approve or endorse this material and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating AUS0071AU (AE Altius Short Duration Bond Fund) assigned 30 June 2025) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines at: <http://www.zenithpartners.com.au/RegulatoryGuidelines>

The rating issued 08/2021 is published by Lonsac Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsac). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsac assumes no obligation to update. Lonsac uses objective criteria and receives a fee from the Fund Manager. Visit lonsac.com.au for ratings information and to access the full report. © 2021 Lonsac. All rights reserved.

The Altius business is now owned by Australian Ethical, however Australian Unity provides transitional support services to Australian Ethical for Altius investors and advisers. For more information on the AE Altius Short Duration Bond Fund, please contact your financial adviser or our Investor Services Team.

The information has been prepared by Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) (Australian Ethical), in its capacity as Responsible Entity of the AE Altius Short Duration Bond Fund. The information is prepared based on information available at the time. This information is not advice and does not consider your individual circumstances or needs. In deciding whether to acquire, hold or dispose of the product you should obtain a copy of the current Product Disclosure Statement, Additional Information Document and the Target

Contact Details

Website

altiusam.com

Email

australianunitywealth_transactions@unitregistry.com.au

Investor Services

T 1300 997 774 F 1300 856 685

Adviser Services

T 1300 997 774 F 1300 856 685

ALTIIUS
ASSET MANAGEMENT

Powered by
Australian Ethical



Market Determination, available on altiusam.com. Past performance is no indicator of future performance.

Contact Details**Website**altiusam.com**Email**australianunitywealth_transactions@unitregistry.com.au**Investor Services**

T 1300 997 774 F 1300 856 685

Adviser Services

T 1300 997 774 F 1300 856 685

ALTÍUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**

