

AE Altius Green and Sustainable Bond Fund (Retail)

The AE Altius Green and Sustainable Bond Fund's purpose is to invest in green, sustainable and social bonds, with the primary aim of targeting investments that contribute to lowering carbon emissions.

Performance as of March 2026

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	Since inception % p.a.
Gross total return	-1.50	-0.36	2.15	2.71	0.14
Net total return	-1.53	-0.46	1.74	2.30	-0.21
Benchmark	-1.42	-0.34	1.51	2.06	-0.11
Excess to benchmark	-0.11	-0.07	0.36	0.34	0.08

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.

Benchmark is Bloomberg AusBond Composite 0+Yr Index

Excess to benchmark is calculated on Net total return.

Inception date 28/06/2021

Portfolio Performance and Activity

The war in Iran dominated market developments in March. Global bond yields rose sharply, driven by a surge in inflation expectations and growing speculation about central bank hikes. Oil prices (Brent) surged 63% over the month, reigniting concerns about another stagflation shock. Reflecting this repricing, the US one-year inflation swap surged 69 basis points in March to 3.20%.

As a result, investors almost entirely removed expectations of policy easing by both the US Federal Reserve and the European Central Bank. Over the month, US cash rate futures shifted dramatically, moving from pricing 61bps of easing to just 7bps. Similarly, the ECB moved from pricing 14bps of rate cuts to pricing 71bps of rate hikes by December 2026. While the repricing was less extreme in Australia, domestic rate expectations still moved meaningfully, shifting from 26bps to 60bps of tightening by December.

The sharp adjustment in policy expectations drove bond yields higher globally. The US 10-year Treasury yield rose 38bps to 4.32%, marking its largest monthly increase since December 2024. European bond markets followed suit, with 10-year German Bund yields rising 36bps to touch 3.00% — the first time they have breached this level since 2011. Domestically, Australian bonds tracked global moves, with three-year yields rising 44bps to 4.65% and 10-year yields increasing 32bps to end March at 4.97%.

Closer to home, the Reserve Bank of Australia raised the cash rate by 25bps to 4.10%. Markets initially rallied following the decision as it became clear the Board was narrowly split, with a 5–4 vote in favour of tightening. The key message from the post-meeting statement was that domestic inflation pressures remain elevated, particularly in core housing and wage-related components, driven by tight labour market conditions and high levels of capacity utilisation. Governor Bullock characterised the hike as necessary to address excess demand in the economy, noting that the war in Iran had increased inflation risks. The risk of further tightening remains elevated,

Contact Details

Website

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

Email

australianethical@unitregistry.com.au

Investor Services

T 1300 788 031

Adviser Services

T 1300 788 031

with the May meeting seen as a strong possibility should Q1 inflation data print above expectations.

Global credit markets remained under pressure throughout March amid persistent risk-off sentiment, driven by Middle East geopolitical tensions, concerns about energy supply disruptions, and renewed stress in private credit markets. Credit spreads widened across most regions, with volatility peaking mid-month around key central bank meetings. US and European investment-grade CDS indices widened by 13bps and 17bps respectively, while cash credit markets proved relatively more resilient. Equity markets sold off sharply over the period, led by Europe (-9.2%) and Australia (-8.5%), while US equities performed slightly better, falling 7.4%. Developments in private credit were a consistent headwind, with multiple global managers constraining withdrawals, reinforcing investor caution. Towards month-end, lighter primary issuance offered temporary support to spreads, though overall sentiment remained fragile and highly sensitive to macroeconomic and geopolitical risks.

Australian primary credit markets were notably subdued throughout March, with issuance repeatedly slowing or stalling amid heightened volatility and risk-off conditions. Early in the month, issuance was virtually absent, with only mandates announced, including Qantas, NEXTDC and Investa. Activity briefly improved mid-month, with approximately A\$2.5bn issued across three transactions (NBN, Verizon and Dalrymple Bay Finance), though momentum proved short-lived. By late March, issuance slowed again to isolated transactions, including a single corporate deal from Charter Hall and, in the final week, just two issues from MyState Bank and Meridian Energy. Total Australian issuance for March fell sharply to approximately A\$3.4bn, compared with around A\$11bn over the same period last year.

Australian secondary credit markets reflected ongoing risk aversion, with spread movements uneven across sectors and maturities. Early March saw broad-based

spread widening across bank FRNs, Tier 2 securities and corporate credit. Mid-month risk-off conditions drove sharper widening, particularly in hybrids, airports and lower-rated corporates, while Big Four senior unsecured banks and higher-quality issuers proved more resilient. By month-end, major bank three- and five-year senior spreads had widened by approximately 4bps to 61bps and 73bps respectively. Single-A and BBB-rated corporate spreads widened by 5bps and 7bps respectively, closing at 93bps and 116bps.

Socially Responsible Investments in Focus

March highlighted continued tension between fossil fuel policy settings and climate commitments in New South Wales, while also marking progress in international cooperation and market infrastructure for sustainable finance.

The NSW Government's Coal Industry Outlook for 2026–2050, confirmed it will no longer consider new greenfield coal mines, while continuing to assess proposals to extend existing coal operations. Under the framework, mine extensions may proceed subject to emissions requirements, with the policy positioned as providing longer-term certainty for coal-dependent regional communities and key export trading partners. This underscores the ongoing challenge of balancing regional economic reliance on coal with legislated decarbonisation objectives.

The approach was framed as enabling an orderly transition while maintaining energy security and export reliability. However, the NSW Net Zero Commission cautioned that any increase in coal production would be inconsistent with the state's Climate Change Act and Paris Agreement commitments, noting that enforceable emissions limits currently apply to only a small subset of operating mines. The Commission's assessment reinforced concerns around policy coherence and the credibility of near-term emissions trajectories.

Contact Details

Website

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

Email

australianethical@unitregistry.com.au

Investor Services

T 1300 788 031

Adviser Services

T 1300 788 031

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



The policy attracted immediate criticisms from environmental groups, including the Australian Conservation Foundation, as well as Greens MPs, who argued that allowing mine extensions risks entrenching coal production despite stated net-zero objectives. They contended that continued approvals for mine extensions could undermine emissions reduction pathways and increase long-term transition risks for regional communities if global coal demand declines more rapidly than anticipated.

By contrast, South Australia's energy transition advanced materially following the 21 March 2026 state election. The re-elected Labor government reaffirmed its commitment for SA to achieve 100% net renewable electricity by 2027, positioning the state to become the first gigawatt-scale grid globally to reach this milestone using predominantly wind and solar generation supported by batteries.

The policy pathway includes additional wind and solar capacity, expanded battery storage, increased rooftop solar penetration and completion of a new interconnector with NSW. The outcome followed a significant electoral defeat for the Liberal Party, which had previously reversed its stance on renewable energy targets. The election outcome was widely interpreted as a clear voter endorsement of the Labour government's policy direction and approach to energy transition.

At the federal level, Australia strengthened its international climate engagement through the formalisation of its first bilateral Clean Energy Partnership with Canada, signed earlier in the month. The partnership, agreed between Australia's Department of Climate Change, Energy, the Environment and Water (DCCEEW)

and Canada's Department of Natural Resources, establishes cooperation across five pillars: trade, investment, standards and supply chains; grid modernisation and resilience; energy and hard-to-abate sectors; Indigenous engagement; and climate change adaptation. The agreement explicitly reaffirms both countries' commitments to the Paris

Agreement and collaboration under the UN Framework Convention on Climate Change.

The partnership is intended to support clean energy deployment at scale, promote alignment on emerging standards (including hydrogen), strengthen clean energy supply chains, and encourage ESG best practice across energy and resources sectors, while also deepening bilateral economic ties in the context of the global energy transition.

The month also marked an important milestone for Australia's sustainable finance market with the release of Australian Taxonomy-aligned Debt Guidance by the Australian Sustainable Finance Institute (ASFI). The guidance provides the first practical framework on applying the Australian Sustainable Finance Taxonomy to use-of-proceeds debt instruments, including green, social and sustainability bonds and loans. It is designed to establish a common understanding between issuers, investors and external reviewers, supporting consistency and comparability across sustainable debt markets.

The guidance outlines how taxonomy alignment can be disclosed in labelled debt instruments and clarifies the relationship between the Australian taxonomy and existing international labelled debt frameworks. It also provides practical direction on applying the taxonomy to transition activities, including those in hard-to-abate sectors such as mining, agriculture and industry, supporting the financing of credible transition pathways alongside green activities, while maintaining science-based thresholds.

ASFI positioned the guidance as a tool to strengthen market confidence, reduce greenwashing risk and help mobilise capital towards activities aligned with Australia's net zero transition, including climate mitigation, adaptation and resilience.

Outlook

Globally, central banks' dual mandates are increasingly in tension. The energy shock stemming from conflict in the Middle East has simultaneously lifted inflation through higher energy costs while also

Contact Details

Website

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

Email

australianethical@unitregistry.com.au

Investor Services

T 1300 788 031

Adviser Services

T 1300 788 031

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



disrupting production and weighing on consumer activity. Financial markets have responded by pricing in higher inflation; however, the appropriate magnitude depends critically on the duration of the conflict and the time it takes for downstream effects to feed through. This is inherently difficult to assess with confidence—both for markets and for central banks.

Which devil does the RBA target?

With labour markets already tight and inflation running above 3% prior to the conflict, the RBA was already in a tightening cycle. The additional inflationary impulse implies further rate hikes, but likely only up to a point.

On current estimates, higher fuel prices could add around 0.3–0.5 percentage points to headline CPI at the peak. Broader cost pass-through—via freight, food, construction and services—could contribute a further 0.7–1.0 percentage points cumulatively over subsequent quarters. This would push headline inflation close to 5%, raising the risk that higher prices begin to influence wage-setting decisions later in the year.

From a growth perspective, higher energy prices act like a tax on households and businesses, eroding real disposable incomes and lifting input costs, particularly in transport- and energy-intensive sectors. While stronger commodity export prices provide some offset, they are unlikely to fully compensate for weaker consumption, softer business investment and tighter financial conditions.

Taken together, the oil shock is likely to lower the level of GDP by around 0.6–0.9% over the next 12–18 months. If inflation remains elevated and monetary policy stays restrictive for longer, the drag on activity could extend into 2027, materially increasing the risk of sub-trend growth or recession. While the RBA will prioritise inflation control, the extent of further rate hikes will be tempered by the growth impact. We

therefore see the cash rate rising by two hikes, with a third possible if wage outcomes later this year prove stronger than expected, implying a terminal rate of 4.35–4.60%.

Three-year bond yields are expected to migrate towards 4.55%. Above 4.75%, we would view the implied cash rate as excessive, and therefore see value at those levels. Historically, three-year bond yields have tended to peak at or below the terminal cash rate, often before the terminal rate itself is reached.

We expect long-dated Australian government bond yields to trade within a range centred around 4.85% for 10-year bonds.

Sector Profile

Asset Class	Portfolio %
Agencies	4.65
Asset Backed	2.52
Cash at Bank	6.97
Financials	12.78
Industrials	21.10
Semi Government	38.16
Sovereigns	3.61
Supranationals	10.20

Ratings Exposure

Rating	Portfolio %
A	14.07
AA	48.00
AAA	23.32
BBB	14.61

Interest Rate Profile

Term	Portfolio %
0 - 1 Year	11.25
1 - 3 Years	26.41
3 - 5 Years	20.00
5 - 7 Year	13.54
7+ Years	28.80

Top 10 Holdings

Issuer	Portfolio %
New South Wales Treasury Corp.	18.48
Treasury Corporation of Victoria	6.66

Contact Details

Website

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

Email

australianethical@unitregistry.com.au

Investor Services

T 1300 788 031

Adviser Services

T 1300 788 031

ALTIVUS
ASSET MANAGEMENT

Powered by
**Australian
Ethical**



South Australian Government Financing Authority	6.29
NAB 11 AM CALL ACCOUNT	6.11
Western Australian Treasury Corp.	4.62
KfW	4.39
ETSA Utilities Finance Pty Ltd.	4.37
NBN Co Limited	4.03
Government of Australia	3.61

Portfolio Summary Statistics

	Portfolio %	Benchmark %
Yield to maturity (%)	3.70	3.41
Modified duration (years)	5.29	4.71

Fund snapshot

APIR code	AUS9041AU
Inception date	28 Jun 2021
Distribution frequency	Quarterly
Minimum initial investment	\$5,000
Fund size (net asset value)	
Management fee*	0.40% p.a. expressed as a percentage of the net asset value of the Fund
Buy/Sell spread	0.05%/0.05%
Advice fee	

*Refer to the Fund's Product Disclosure Statement for more details on the Fund's management costs which also include recoverable expenses and indirect costs. Total management costs may vary.

Ratings / Awards



Important Information

The Altius business is now owned by Australian Ethical. 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 Green and Sustainable 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 Market Determination, available on altiusam.com. Past performance is no indicator of future performance.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating AUS9041AU (AE Altius Green and Sustainable 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](#)

Contact Details

Website

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

Email

australianethical@unitregistry.com.au

Investor Services

T 1300 788 031

Adviser Services

T 1300 788 031

ALTIVUS
ASSET MANAGEMENT

Powered by
Australian Ethical

