Fund Update
March 2026

AE Altius Credit Income Fund (Ordinary)

The Fund invests in a combination of short-term money market instruments and medium-term floating securities that are investment-grade rated. The investment process is designed to maximise returns while balancing the risk and liquidity of the portfolio.

Performance as of March 2026

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception %
Gross total return	0.20	0.98	5.18	5.69	3.87	3.27	3.16
Net total return	0.18	0.93	4.97	5.48	3.66	3.06	2.95
Benchmark	0.32	0.91	3.80	4.15	2.89	2.25	2.18
Excess to benchmark	-0.13	0.02	1.17	1.33	0.77	0.81	0.77

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
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The benchmark is the Bloomberg AusBond BankBill Index.
Excess to benchmark is calculated on Net total return.
Inception date for performance calculations is 13 June 2017.

Portfolio Performance and Activity

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

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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.

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 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%.

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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 %
11AM	0.63
Asset Backed	17.91
Cash at Bank	0.94
Financials	76.79
Industrials	3.50
Semi Government	0.23

Ratings Exposure

Rating	Portfolio %
A	27.85
AA	10.44
AAA	18.54
BBB	43.17

Interest Rate Profile

Term	Portfolio %
0 - 30 Days	50.29
1 - 3 Years	1.97
3 + Years	1.24
30 - 90 Days	43.21
90 Days - 1 Year	2.35

Top 10 Holdings

Issuer	Portfolio %
Newcastle Greater Mutual Group Ltd.	7.12
Teachers Mutual Bank Limited	6.99
Credit Union Australia Limited	6.97
Bank of Queensland Limited	6.93
Bank Australia Limited	6.74
Commonwealth Bank of Australia	6.15
Westpac Banking Corporation	5.31
National Australia Bank Limited	4.31
Bendigo and Adelaide Bank Limited	3.49
Heritage & People's Choice Ltd.	3.41

Portfolio Summary Statistics

	Portfolio %
Yield to maturity (%)	5.61
Credit duration (years)	1.94
Modified duration (days)	23.57

Fund snapshot

APIR code	AUS0079AU
Inception date	13 Jun 2017
Distribution frequency	Monthly
Minimum initial investment	$100,000
Management fee*	0.20% p.a.
Buy/Sell spread	
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.

Zenith RECOMMENDED

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