Fund Update
April 2026

ALTIUS ASSET MANAGEMENT — Powered by Australian Ethical

AE Altius Credit Income Fund (Ordinary Units)

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 April 2026

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception %
Gross total return	0.50	1.05	5.53	5.70	3.95	3.30	3.19
Net total return	00.49	1.00	5.32	5.49	3.75	3.09	2.97
Benchmark	0.34	0.95	3.79	4.16	2.96	2.28	2.19
Excess to benchmark	0.14	0.05	1.53	1.33	0.79	0.81	0.78

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

The Middle East conflict continued to dominate headlines through April. Despite ongoing volatility in oil prices, alongside persistent inflation and growth concerns weighing on interest rate markets, credit performed well over the month, recovering March's earlier underperformance.

In the US, risk sentiment remained firm, with credit indices now trading close to their roll-adjusted year-to-date tights—levels last seen in late January. Equity markets largely looked through geopolitical risks, with the impact of higher energy prices offset by another strong US earnings season. Domestically. Major bank five-year senior spreads tightened by 6bps to 69bps, while A and BBB-rated corporate spreads contracted by 2bps to 87bps and 112bps, respectively.

Australian corporate supply was exceptionally strong in April, following a subdued March. A backlog of mandates from the post-February reporting period came to market, resulting in AUD 6.5bn of new issuance—one of the busiest months on record. Activity was broad-based, with supply from a range of infrastructure, utility, property, and consumer borrowers.

Deals of particular interest included three green bond transactions. Powerco Ltd priced an inaugural AUD 350m 10-year green bond at +157bps. Mirvac Wholesale Office Trust issued a AUD 600m dual-tranche transaction across five and seven years at 132bps and 152bps, respectively, while Investa Commercial Property Fund also completed a 7.5-year transaction. Outside the labelled market, we saw a AUD 400m 7.5-year deal from Stockland Trust and a highly anticipated subordinated transaction from data centre operator NextDC, which issued AUD 750m at 350bps. This followed a AUD 3.2bn funding package across equity and deeply subordinated debt completed in March.

Year-to-date corporate issuance is well ahead of expectations, reaching AUD 14.6bn after four months—approaching 50% of 2025 full-year supply and well above the 10-year average pace.

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April is typically a quieter period for primary financial issuance ahead of the major bank earnings cycle in early May; however, 2026 proved to be an exception. AUD issuance saw increased participation from kangaroo borrowers and regional or smaller ADIs, likely reflecting catch-up activity following subdued issuance in March. In total, AUD 8.6bn was issued during the month, with no contribution from the major banks. This lifted year-to-date financial issuance above AUD 40bn, despite only a single transaction occurring in March.

Macquarie Bank opened the month with a three-year FRN/fixed-rate transaction, issuing AUD 1.5bn at 75bps, 7bps tighter than initial price guidance. This was followed by a one-year transaction from AMP Bank and a three-year deal from Bendigo Bank at 81bps, which achieved a record book size for the issuer. Mid-month, Heritage People's Choice Bank issued a AUD 500m five-year transaction at 128bps, while Beyond Bank and Suncorp closed out the month's activity. Suncorp continued the recent trend of hybrid-style issuance, bringing a Tier 2 11NC6 transaction to market at 170bps.

Socially Responsible Investments in Focus

The Western Australian Government announced a AU$1.4 billion Clean Energy Fund as part of the 2026–27 State Budget, aimed at accelerating the expansion of renewable energy infrastructure across the Southwest Interconnected System (SWIS). The fund is intended to support a pipeline of both transmission and generation projects, improving access to clean, reliable and affordable electricity for households and businesses, particularly in Perth and the Southwest region.
A central component of the initiative is the Clean Energy Link (CEL) programme, which includes multiple large-scale transmission projects. CEL-East will connect new wind and solar developments located east of Collie to the grid and is expected to be operational by end-2029, representing a major expansion of the network. CEL-North, currently under construction between Malaga and Three Springs, will strengthen transmission capacity from the Mid-West through new high-capacity lines and supporting infrastructure, with completion targeted for late 2027. Together, these projects are expected to deliver around 3GW of renewable energy capacity and support approximately 800 construction jobs.
In addition, the CEL-Kwinana project will be prioritised to support up to 900MW of additional industrial demand in the Western Trade Coast precinct, further reinforcing the system's ability to accommodate both decarbonisation and industrial growth. The government has designated these projects as priority developments under the State Development Act 2025, signalling an accelerated approval pathway and strategic importance to the state's energy transition.
Beyond large-scale transmission, the government is also allocating AU$7 million to support Horizon Power's renewable transition in regional areas, including projects across the Kimberley, Pilbara and other remote communities. This complements earlier measures such as the Made in WA Energy Affordability Investment Program, which provides concessional financing to help manufacturers invest in energy efficiency and low-emissions technologies.
The package reflects a coordinated strategy to expand grid capacity, unlock new renewable generation, and support industrial decarbonisation, while ensuring energy security and affordability as demand continues to grow.
Also, during the month Origin Energy reported a ~4% year-on-year increase in electricity demand in the March quarter, reversing the recent trend of flat or declining volumes. The uplift was driven primarily by rapid growth in data centres, which are emerging as a material new source of continuous, high-intensity electricity demand. This marks a structural shift in Australia's demand profile, where data centre load is increasingly offsetting — and now exceeding — the dampening effects of rooftop solar and energy efficiency.
Origin is positioning to capture this growth through grid connections, long-term renewable contracts, and on-site solar and storage solutions, highlighting the role of data centres as potential anchor customers for new renewable capacity. However, the growing energy intensity of data centres raises broader system implications. Their rapid expansion is seen as a structural shift in the demand profile of the grid, creating concerns around supply adequacy and the ability of the system to accommodate large, constant load users. In particular, there is a risk that rising demand could prolong reliance on existing fossil fuel

capacity if sufficient renewable and firming capacity is not deployed in time.

Against this backdrop, the growth in data centre demand has the potential to complicate the transition away from coal, especially if it materially increases baseload requirements before sufficient renewable and storage capacity is built.

Separately, new data from Australia's Safeguard Mechanism showed mixed outcome for industrial emissions. While aggregate emissions declined (down ~5.5% year-on-year and ~12% since reforms), a majority of facilities (141 of 208) exceeded their emissions baselines and relied on offsets to remain compliant. This reflects the scheme's early-stage dynamics, where reductions are being achieved at a system level but not yet consistently through direct, on-site abatement.

The results have sparked diverging views on policy effectiveness. Critics argue that heavy reliance on offsets and ongoing emissions from fossil fuel projects suggest the mechanism may not yet be driving sufficient structural change. In contrast, the government points to declining emissions and early evidence of operational shifts — including electrification and increased renewable use — as signs the policy is functioning as intended.

Overall, the Safeguard Mechanism is delivering initial emissions reductions but remains in a transitional phase, with its long-term effectiveness dependent on whether tightening baselines ultimately drive genuine on-site decarbonisation rather than continued reliance on offsets.

Outlook

Globally, central banks' dual mandates are currently in tension. The energy shock arising from geopolitical conflict in the Middle East has driven inflation higher through increased energy costs, while simultaneously disrupting production and weakening consumer activity.

Financial markets have begun to price in higher inflation. However, the appropriate magnitude of this repricing remains uncertain and is highly dependent on both the duration of the conflict and the time required for downstream effects to materialise. This uncertainty applies not only to markets but also to central banks.

In Australia, inflation was already elevated, largely driven by the housing sector, which accounts for approximately 21% of measured inflation. Labour market conditions were also tight, with inflation exceeding 3%, prompting the Reserve Bank of Australia (RBA) to begin raising the cash rate.

Following the escalation of conflict in the Middle East, the initial uplift in inflation has primarily reflected the direct impact of higher petrol and diesel prices, particularly within the transport component of the Consumer Price Index (CPI). Broader, second-round effects—such as higher costs for food, building materials, and aviation fuel—are expected to emerge over the coming quarters. Australian inflation is forecast to peak at around 4.8% in the near term. The temporary reduction in fuel excise has helped moderate this peak and alleviate some pressure on economic growth.

The RBA has acknowledged that little can be done to address the current inflation already embedded in the system. Rather, its policy focus is on preventing second-order effects, particularly the emergence of a wage–price spiral.

Monetary policy operates with a lag, typically taking 12 to 15 months to exert its full effect. Given that three rate increases have already been implemented in the past six months, the RBA is likely to pause at the late June meeting to assess their impact. This stance reflects two key considerations: the expected duration of the oil shock, which will influence inflation expectations, and the likelihood that greater clarity will emerge by the August meeting. Further rate increases at this juncture risk compounding the negative effects on economic activity and the labour market.

On this basis, we expect the terminal cash rate to be limited to four increases in total (implying one further

hike from current levels). Should wage outcomes later in the year exceed expectations, a more limited tightening cycle of two additional increases may be warranted, implying a terminal rate range of approximately 4.35% to 4.60%.

Our base case assumes that global trade flows and oil production will adapt over time, even in the absence of a full resolution to the conflict.

An important alternative scenario involves the reopening of the Strait of Hormuz. In such a case, oil prices could rapidly become disinflationary. We would expect a significant increase in supply from major producers such as the UAE and Saudi Arabia, alongside potential fragmentation within OPEC as member states prioritise fiscal repair following lost revenues. With a lag, such a development could reduce inflation by approximately 1.0% to 1.5% in subsequent quarters.

Historically, yields on three-year bonds have tended to peak at or below the terminal cash rate, often doing so ahead of the actual peak in policy rates. This pattern is likely to persist in the current environment, given that the RBA's decisions are inherently backward-looking and data-dependent.

We expect three-year bond yields to migrate towards 4.60%. At levels above 4.75%, we consider the implied path for the cash rate to be excessive.

Longer-dated Australian government bond yields are expected to trade within a range centred around 4.85% for 10-year maturities.

Finally, relatively contained volatility continues to support credit markets. Near full employment remains a positive for bank balance sheets and the residential mortgage-backed securities (RMBS) sector, contributing to low arrears rates.

Sector Profile

Asset Class	Portfolio %
Agencies	0.25
Asset Backed	16.08
Cash at Bank	0.11
Financials	80.17
Industrials	3.22
Semi Government	0.20
[Cash]	-0.02

Ratings Exposure

Rating	Portfolio %
A	32.35
AA	8.08
AAA	17.27
BBB	42.30

Interest Rate Profile

Term	Portfolio %
0 - 30 Days	43.59
1 - 3 Years	1.70
3+ Years	1.32
30 - 90 Days	47.06
90 Days - 1 Year	6.36
[Cash]	-0.02

Top 10 Holdings

Issuer	Portfolio %
Commonwealth Bank of Australia	6.40
Newcastle Greater Mutual Group Ltd.	6.38
Heritage & People's Choice Ltd.	6.14
Bank of Queensland Limited	6.02
Teachers Mutual Bank Limited	6.02
Credit Union Australia Limited	5.94
Westpac Banking Corporation	5.77
Beyond Bank Australia Limited	5.57
Bank Australia Limited	5.46
National Australia Bank Limited	3.74

Portfolio Summary Statistics

	Portfolio %
Yield to maturity (%)	5.75
Credit duration (years)	2.19
Modified duration (days)	33

Fund snapshot

APIR code	AUS0079AU
Inception date	13 Jun 2017
Distribution frequency	Monthly

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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.

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 Credit Income 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 (AUS1392AU (AE Altius Credit Income 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

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