

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 April 2026

	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	0.29	0.17	3.02	4.33	2.46	2.23	2.80
Net total return	0.25	0.05	2.52	3.82	1.95	1.66	2.18
Benchmark	0.19	0.23	1.82	3.05	1.49	1.49	2.12
Excess to benchmark	0.06	-0.18	0.70	0.78	0.46	0.17	0.05

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

Global bond markets came under significant pressure in April, as escalating tensions between the US and Iran drove higher oil prices, rising inflation expectations, and a reassessment of the central bank policy outlook. Market sentiment shifted repeatedly throughout the month, oscillating between optimism around a diplomatic resolution and concerns over further military escalation.

Brent crude prices were highly volatile, falling to as low as US\$90/bbl mid-month amid ceasefire discussions, before rallying sharply to close April at US\$114/bbl as negotiations stalled and the risk of broader conflict intensified.

The sharp increase in oil prices reignited global inflation concerns. US one-year inflation swaps rose by 22bps to 3.42%, while European inflation expectations increased more materially, with Euro one-year inflation swaps climbing 44bps to 3.81%. Recent inflation data reinforced these trends. US March CPI recorded its strongest monthly increase since mid-2022, while Euro Area headline CPI

accelerated to 3.0%, its highest level since September 2023. The combination of elevated inflation and emerging growth concerns has heightened fears of a stagflationary environment.

Against this backdrop, sovereign bond markets weakened materially as investors priced in a more hawkish path for central banks. German 10-year Bund yields rose to a post-2011 high of 3.11%, while UK 10-year gilt yields climbed to 5.07%, their highest since 2008. Japanese 10-year yields also moved higher, exceeding 2.5% for the first time since 1997.

Australian and US Treasury yields increased more modestly in comparison. Australian three- and 10-year Commonwealth Government bond yields both rose by 10bps, ending the month at 4.76% and 5.06%, respectively. US 10-year Treasury yields finished at 4.37%, up 5bps over the month.

Domestically, commentary from RBA Deputy Governor Andrew Hauser highlighted ongoing inflation concerns and raised questions as to whether current policy settings are sufficiently restrictive. The key domestic data release for the month was the Q1 CPI print. Trimmed mean inflation came in slightly

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below expectations at 0.8% for the quarter, equating to an annual rate of 3.5%, which remains above the RBA's 2–3% target range.

By month-end, market pricing reflected expectations for further policy tightening, with close to three additional rate hikes implied by year-end and a 75% probability of a rate increase at the May meeting.

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 tightness—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.

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

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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

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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 %	Benchmark %
Agencies	3.18	0.97
Asset Backed	10.85	--
Cash at Bank	0.14	--
Financials	41.69	2.95

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Industrials	15.48	2.23
RBA Cash	--	50.00
Semi Government	20.80	17.33
Sovereigns	1.31	22.75
Supranationals	4.15	3.78
[Cash]	2.39	--

Ratings Exposure

Rating	Portfolio %	Benchmark %
A	28.06	1.49
AA	29.44	14.16
AAA	20.97	32.64
BBB	21.53	1.70
RBA Cash	--	50.00

Maturity Profile

Term	Portfolio %	Benchmark %
0 - 1 Year	8.12	54.66
1 - 3 Years	30.68	10.91
3 - 5 Years	29.26	9.57
5 - 7 Year	16.58	8.96
7 - 10 Year	11.69	10.02
10+ Years	3.66	5.88

Top 20 Issuers

Issuer	Portfolio %	Benchmark %
New South Wales Treasury Corp.	8.50	4.91
Treasury Corporation of Victoria	4.12	4.73
South Australian Government Financing Authority	3.90	1.06
Commonwealth Bank of Australia	3.35	0.26
Wesfarmers Limited	3.04	0.03
Australian Dollar	2.98	--
Macquarie Bank Limited	2.97	0.03
Tasmanian Public Finance Corp.	2.55	0.40
Housing Australia	2.50	0.07
APOLLO Series 2023-1 Trust	2.42	--
Stockland Trust Management Ltd.	2.24	0.04
GAIF Bond Issuer Pty Limited	2.21	0.05
Heritage & People's Choice Ltd.	2.05	--
Victoria Power Networks (Finance) Pty Ltd.	1.98	0.04
BNP Paribas SA	1.95	0.02
Queensland Treasury Corp.	1.94	3.83
Western Australian Treasury Corp.	1.93	1.03
Bank Australia Limited	1.84	--
KfW	1.81	0.48
ETSA Utilities Finance Pty Ltd.	1.80	0.03

Portfolio Summary Statistics

	Portfolio %	Benchmark %
Yield to maturity (%)	5.34	5.11
Modified duration (years)	3.03	2.38

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RIAA - Certified Responsible Investment

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Ratings / Awards



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