

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 July 2026

	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Since inception %
Gross total return	0.48	1.41	5.14	5.72	4.18	3.38	3.26
Net total return	0.46	1.36	4.93	5.51	3.97	3.18	3.04
Benchmark	0.38	1.11	3.94	4.20	3.18	2.38	2.26
Excess to benchmark	0.09	0.25	0.99	1.30	0.79	0.80	0.79

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.

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

Credit markets began July on a constructive note, supported by renewed confidence around AI-related capital expenditure, resilient corporate earnings, particularly in the US, and the hope of an extended US-Iran peace agreement. However, sentiment deteriorated quickly as hostilities resumed, driving oil prices from around US\$70/bbl to US\$100/bbl and reviving inflation concerns. This shift prompted a broader risk-off environment across financial markets. Equity performance weakened, with the S&P 500 broadly unchanged over the month, while the Nasdaq fell 8.0% and the Philadelphia Semiconductor Index declined 20.6% amid growing concerns about AI-related valuations. The equity market retreat was accompanied by modest weakness in offshore credit markets, with the CDX Index widening 3bps to finish the month at 54bps. Locally, Financial spread closed largely unchanged with five year Major bank senior spread at 64bps and 10NC5 subordinated spreads at 121bps while broad industrial spreads also finished unchanged at 100bps. The portfolio's spread duration was largely unchanged around 2.15 years, with 1.80

years of financial and corporate exposure and 0.33 years of ABS risk.

Primary issuance remained robust throughout July, with approximately \$14 billion of new debt issued. Financial institutions accounted for around \$13 billion of total supply. Commonwealth Bank raised \$2.75 billion through a 5-year transaction at a margin of 67bps, while NAB issued \$2.5 billion of 3-year debt at 55bps. Bank of Queensland was the only subordinated issuer during the month, raising \$350 million through a 10NC5 transaction at a margin of 158bps. The kangaroo market was also active, with issuance from UK building society Nationwide, Canadian banks Toronto-Dominion, CIBC and Royal Bank of Canada, as well as China's Agricultural Bank of China. Three corporate transactions were completed, raising a combined \$1.4 billion. Data centre operator CDC Australia issued \$700 million across 5-year and 10-year tranches at margins of 145bps and 175bps respectively. United Energy priced a \$400 million 5-year issue at 95bps, while Dexu Wholesale Property Trust raised \$300 million through a 7-year transaction at 153bps.

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Socially Responsible Investments in Focus

Australia proposed significant reforms to its modern slavery regime during the month, with the introduction of criminal liability for large companies that fail to take reasonable steps to prevent modern slavery within their operations and supply chains. The proposed reforms would apply to entities with annual consolidated revenue above A\$100 million and may be complemented by civil penalties and stronger enforcement of existing reporting obligations.

If implemented, the changes would shift Australia beyond a disclosure-based framework towards greater corporate accountability, requiring companies to demonstrate effective governance, due diligence, supplier oversight and remediation processes. The reforms are expected to increase compliance expectations and regulatory scrutiny, particularly for businesses with complex global supply chains across sectors such as retail, consumer goods, manufacturing, agriculture and mining, while also increasing board and senior management accountability for the oversight of modern slavery risks.

Collectively, the proposals represent the most significant strengthening of Australia's modern slavery framework since its introduction and signal a clear expectation that companies will actively manage and prevent modern slavery risks, rather than simply disclose them.

Building on broader developments in environmental regulation, Australia also established the National Environmental Protection Agency (National EPA) on 1 July 2026 as part of the Federal Government's reforms to the Environment Protection and Biodiversity Conservation (EPBC) Act. As Australia's first independent national environmental regulator, the National EPA is responsible for environmental compliance, enforcement, licensing and project assessments under delegated authority.

The agency will be supported by expanded compliance and enforcement powers, including Environmental Protection Orders, enhanced audit capabilities and stronger penalties for serious environmental breaches.

The establishment of the National EPA is expected to increase scrutiny of environmental and biodiversity impacts across sectors such as agriculture, mining, energy, infrastructure and property development, reinforcing a broader regulatory trend towards greater corporate accountability for environmental outcomes.

Another notable development was the filing of the "Hard Truths" climate case with the United Nations Human Rights Committee, in which ten Australians alleged that the Federal Government's continued support for coal and gas exports is contributing to climate harms that infringe upon fundamental human rights, including the rights to life, family, home and First Nations cultural practices.

Australia is the world's second-largest fossil fuel exporter with its exports contributing to about 3.5% of global emissions annually. And yet these emissions are excluded from the country's climate policies and targets.

The claim argues that Australia's ongoing approval of fossil fuel export projects is inconsistent with its international obligations to prevent climate-related harm. The case is the first climate-related human rights claim brought against a country before an international body following the International Court of Justice's 2025 advisory opinion on climate change.

While the complaint does not create any immediate legal obligations for Australian companies, it highlights the growing convergence of climate change, human rights and corporate accountability, as well as the increasing use of litigation and human rights frameworks to challenge climate-related policies and decisions. It also reinforces increasing expectations that climate-related risks extend beyond environmental impacts and may give rise to legal, social and governance considerations for both governments and businesses.

Finally, the case highlights the real human consequences of climate inaction and builds on the growing recognition under international law that governments have obligations to protect people from climate harm.

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Outlook

Inflation remains the central issue facing global fixed income markets, although the focus has shifted from inflation expectations to the level of real interest rates. Across developed economies, implied inflation expectations remain anchored around 2.35%, yet nominal bond yields have risen as investors demand greater compensation for duration risk. Term premia have increased to multi-decade highs, reflecting fiscal uncertainty, persistent government borrowing requirements and a reduced central bank presence as balance sheets continue to contract.

The rapid expansion of artificial intelligence infrastructure has become an increasingly important influence on capital markets. Hyperscale technology firms are undertaking significant investment programmes, funding data centres, energy infrastructure and computing capacity through debt markets at the same time that governments are increasing long-dated bond issuance. This has intensified competition for capital and contributed to higher long-term borrowing costs globally.

Australia has experienced these dynamics more acutely than many of its peers. Elevated term premia have lifted bond yields despite a generally improving inflation outlook. The AI investment boom has also had domestic consequences, with data centre construction supporting employment and contributing to pockets of labour market tightness and higher building material costs.

Inflation continues to moderate, although the path lower is unlikely to be linear. The reintroduction of the petrol excise and the recent rise in oil prices will add to inflation over the coming quarter. At the same time, housing market conditions have softened materially following Federal Budget changes to capital

gains tax and negative gearing, weighing on consumer confidence and domestic demand.

Energy prices remain the principal risk to the inflation outlook. While the earlier energy shock had been fading and contributing to lower inflation expectations, renewed tensions in the Middle East have rebuilt part of the geopolitical risk premium in oil markets. Should energy prices stabilise, inflation is likely to continue its gradual moderation. However, any escalation that disrupts oil supply could quickly reverse recent progress, delaying the return of inflation to central bank targets and reinforcing restrictive monetary policy settings for longer.

The RBA is expected to maintain the cash rate at 4.35%, although ongoing inflation uncertainty is likely to preserve a tightening bias. Markets continue to price in some probability of an additional 25 basis point increase, although we view an extended period on hold as the more likely outcome.

Bond markets appear positioned for consolidation rather than a strong directional move. Three-year Australian Government bond yields are expected to trade around 3.45%, while 10-year yields are likely to fluctuate around 4.8%. With yields near the upper end of expected ranges and term premia elevated, fixed income valuations remain increasingly attractive despite the absence of an immediate catalyst for a sustained rally.

Elevated term premia and bond yields that remain near the upper end of expected ranges continue to provide attractive income and roll-down opportunities. Portfolio strategy remains focused on actively managing duration settings, incrementally increasing long-duration exposure as yields move above fair value ranges and reducing exposure when yields become excessively rich. Credit markets remain supported by contained volatility and resilient labour market conditions, allowing portfolios to continue benefiting from accrual income.

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Sector Profile

Asset Class	Portfolio %
Agencies	0.24
Asset Backed	16.28
Cash at Bank	--
Financials	78.67
Industrials	3.08
Semi Government	0.19
[Cash]	1.53

Ratings Exposure

Rating	Portfolio %
A	33.97
AA	5.62
AAA	17.10
BBB	43.30

Interest Rate Profile

Term	Portfolio %
0 - 30 Days	49.91
1 - 3 Years	1.33
3+ Years	1.29
30 - 90 Days	45.41
90 Days - 1 Year	0.53
[Cash]	1.53

Top 10 Holdings

Issuer	Portfolio %
Credit Union Australia Limited	6.53
Westpac Banking Corporation	6.53
Commonwealth Bank of Australia	6.49
Teachers Mutual Bank Limited	6.46
Newcastle Greater Mutual Group Ltd.	6.28
Heritage & People's Choice Ltd.	6.08
Beyond Bank Australia Limited	5.51
National Australia Bank Limited	5.15
Bank Australia Limited	5.02
Bendigo and Adelaide Bank Limited	3.56

Portfolio Summary Statistics

	Portfolio %
Yield to maturity (%)	5.60
Credit duration (years)	2.15
Modified duration (days)	25.5

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.

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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