Fund Update

July 2026

AE Altius Green and Sustainable Bond Fund (Ordinary Units)

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 July 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	-0.41	2.49	1.86	4.34	0.29	n/a	0.54
Net total return	-0.44	2.42	1.56	4.03	-0.01	n/a	0.24
Benchmark	-0.44	2.15	1.12	3.65	-0.07	n/a	0.11
Excess to benchmark	0.00	0.27	0.43	0.38	0.06	n/a	0.13

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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Excess to benchmark is calculated on Net total return.
Benchmark is the Bloomberg AusBond Composite 0+Yr Index.
Inception date for performance calculations is 18 June 2020.

Portfolio Performance and Activity

July saw a sharp repricing across global rates markets as renewed geopolitical tensions and a surge in oil prices reignited inflation concerns. While major central banks left policy rates unchanged, their forward guidance diverged significantly. The US Federal Reserve provided limited clarity on its reaction function, contributing to a pronounced steepening of the Treasury curve. The US 10-year yield rose 27bps to 4.74%, while the 30-year yield reached a post-2007 high of 5.27%. A softer-than-expected US June core CPI print helped contain the move at the front end of the curve, with the 2-year yield rising a more modest 11.7bps. The ECB held rates steady but signalled a likely September rate increase, pushing 10-year Bund yields 35bps higher to 3.20%. In the UK, the Bank of England delivered a more dovish hold, although 10-year gilt yields still rose 29bps over the month. The Bank of Japan likewise remained on hold but indicated a potential rate hike in autumn, with 10-year JGB yields increasing 12bps to 2.81%. Australian government bonds largely followed global markets, with 3-year and 10-year yields rising 11bps and 18bps respectively to close the month at 4.49% and 4.97%.

With no RBA meeting scheduled in July, market attention centred on key economic data releases and Governor Michele Bullock's speech at the annual Anika Foundation Lunch on 28 July. The June labour force report showed a stronger-than-expected 76,000 jobs created, while the unemployment rate remained unchanged at 4.4%, above the RBA's May forecast of 4.2%. The result did little to diminish the prospect of further policy tightening should inflation remain elevated. Governor Bullock's speech was viewed as marginally less hawkish than previous commentary, but the overall message remained firmly focused on inflation risks. Notably, she acknowledged that the labour market had softened and housing activity was weaker than expected. However, she emphasised that inflation risks remained sufficiently high for the RBA to retain a tightening bias and that further rate increases remained possible if required. These comments increased the importance of the June quarter inflation release ahead of the August Board meeting.

Inflation was released the day after the Governor speech and subsequently surprised to the downside, with trimmed mean inflation easing to 3.6% year-on-year, below expectations of 3.7%, while headline inflation slowed to 3.8% from 4.0%. Despite the softer outcome, underlying inflation pressures remained evident. Housing costs continued to rise and domestic services inflation stayed elevated, reinforcing the case for the RBA to maintain a hawkish bias both into and beyond the August meeting. At the end of the month the fund duration was 5.35 years, around 50bps overweight versus it's index.

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.

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 Dexus Wholesale Property Trust raised $300 million through a 7-year transaction at 153bps.

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.

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.

Sector Profile

Asset Class	Portfolio %
Agencies	4.50
Asset Backed	3.43
Financials	18.45
Industrials	21.71
Semi Government	34.40
Sovereigns	7.26
Supranationals	8.12
[Cash]	2.13

Ratings Exposure

Rating	Portfolio %
A	15.70
AA	46.61
AAA	27.25
BBB	10.45

Interest Rate Profile

Term	Portfolio %
0 - 1 Year	9.98
1 - 3 Years	25.82
3 - 5 Years	15.24
5 - 7 Year	16.83
7 - 10 Year	27.49
10+ Years	4.63

Top 10 Holdings

Issuer	Portfolio %
New South Wales Treasury Corp.	17.12
Government of Australia	7.26
Treasury Corporation of Victoria	6.62
South Australian Government Financing Authority	6.08
Western Australian Treasury Corp.	4.58
ETSA Utilities Finance Pty Ltd.	4.25
KfW	4.24
Commonwealth Bank of Australia	4.04
NBN Co Limited	3.93

Housing Australia	3.27

Portfolio Summary Statistics

	Portfolio %	Benchmark %
Yield to worst (%)	4.17	3.48
Modified duration (years)	5.35	4.75

Fund snapshot

APIR code	AUS0084AU
Inception date	18 Jun 2020
Distribution frequency	Quarterly
Minimum initial investment	$100,000
Fund size (net asset value)	
Management fee*	0.30% p.a. expressed as a percentage of the net asset value of the Fund
Buy/Sell spread	0.05%/0.05%
Advice fee	n/a

*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

Zenith RECOMMENDED

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