Class A

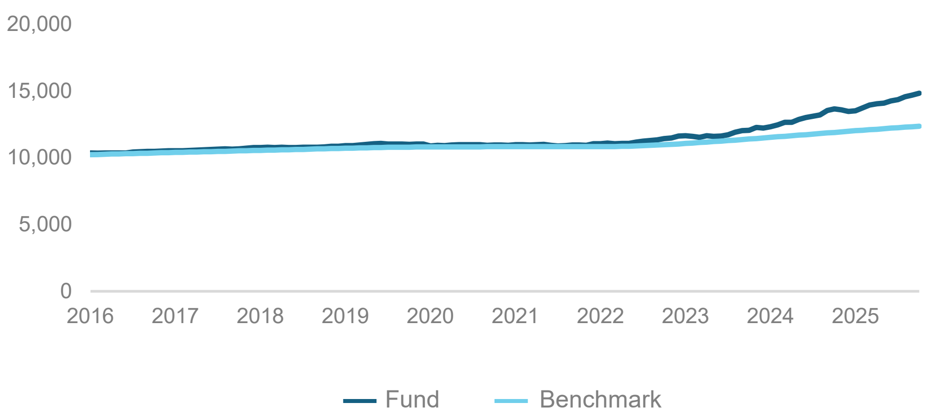
Acadian Defensive Income Fund

Quarterly Factsheet | **March 2026**

Features of the strategy

- The strategy aims to outperform the RBA cash rate over rolling three-year periods, with a relatively low level of volatility.
- The investment manager, Acadian Asset Management, combines cash and fixed income investments with long and short equity holdings (market neutral), selected using Acadian Australia's equity investment process.
- Acadian dynamically manage the exposure of the long/short component of the portfolio, with the net market exposure typically maintained close to 0%. The long/short structure isdesigned to minimise equity market risk while benefiting from franking credits and leveraging Acadian Australia's sophisticated analytical models for stock selection.

Growth of $10,000 over 10 years



Fund return is net of fees and taxes and assumes reinvestment of distributions in the 10 year period.

Investment returns as at March 31, 2026 (%)

(Returns beyond 1 year are annualised)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Fund (Gross)	-0.4	-0.5	2.9	9.7	8.8	6.6	4.1	4.6
Fund (Net)	-0.4	-0.7	2.6	9.1	8.1	6.0	3.5	3.9
Benchmark Index	0.3	0.9	1.8	3.8	4.1	2.9	2.0	2.7
Excess (Net - Index)	-0.7	-1.6	0.8	5.3	4.0	3.1	1.5	1.2

Past performance is not a reliable indicator of future performance. Inception date is 19 December 2008.

Key Facts

Strategy Snapshot

A portfolio designed to outperform the RBA cash rate with a relatively low degree of volatility. The portfolio may invest in cash, fixed income investments and long and short equity holdings with net market exposure typically being close to 0%.

Investment Objective

To outperform the RBA cash rate over rolling three-year periods before fees and taxes.

Benchmark Index[1]

RBA Cash Rate

Inception Date

19 December 2008

Number of Stocks

250 - 300

Fund Size

$165 million

Management Fee

0.47%

Buy/Sell Spread

0.10%

Distribution Frequency

Quarterly

Minimum Investment

$25,000 or platform minimum

APIR

FSF0973AU

Research Ratings

Zenith "Recommended"[2]

Lonsec "Recommended"[3]

Performance Commentary

The portfolio underperformed its benchmark, the RBA Cash Rate, by -1.53% for the quarter ending March 31, 2026. Key sources of negative returns within market neutral included exposures to healthcare and materials.

Key Holdings[4]

Positive

Our long exposure to South32 Ltd. was rewarded with 21 basis points of active return as share prices rose 19% over the quarter. Performance was underpinned by improved operational execution and a supportive commodity environment. In addition, the outbreak of war involving Iran heightened supply side risks across global metals markets, particularly aluminum and alumina. Given the Middle East's critical role in refining capacity and trade flows, concerns around sanctions, logistical disruptions, and potential output curtailments lifted prices. South32's strong exposure to these commodities drove expectations of improved margins and cash flows, prompting a rapid re rating of the stock.

Negative

Our short exposure to Woodside Energy Group Ltd. cost the portfolio 36 basis points of active return as its share price rose 45.2% over the quarter. Woodside shares rose sharply as investors responded to higher global oil and LNG prices, driven by escalating geopolitical tensions in the Middle East that boosted energy market outlooks. Confidence was reinforced by Woodside's record annual oil and gas production, exceeding guidance and strengthening its position as Australia's largest independent producer. Despite weaker profits, strong operational momentum, robust cash flows, and progress on major projects supported sentiment.

Top 10 Stocks	Industry	%
MONADELPHOUS GROUP LTD	Capital Goods	0.9
XERO LTD	Software & Services	0.9
PRO MEDICUS LTD	Health Care Equip & Servcs	0.9
TELSTRA GROUP LTD	Telecom Services	0.9
SOUTH32 LTD	Materials	0.9
COLES GROUP LTD	Consumer Staples Distr, Retail	0.9
BHP GROUP LTD	Materials	0.9
NRW HOLDINGS LTD	Capital Goods	0.9
DALRYMPLE BAY INFRASTRUCTURE LTD	Transportation	0.9
CHALLENGER LTD	Financial Services	0.9
Total		9.0

Industry Sectors	%
Materials	17.9
Industrials	16.0
Financials	14.0
Consumer Discretionary	11.5
Real Estate	9.2
Health Care	8.1
Consumer Staples	5.9
Information Technology	5.8
Energy	5.1
Communication Services	4.9
Utilities	1.6

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) fell 2.0% in the first quarter of 2026 as early-quarter resilience gave way to tightening monetary conditions and a sharp deterioration in global risk sentiment due to an escalation of the conflict between Iran and a U.S.-Israeli coalition. The market benefited initially from firm commodity prices, favourable sector rotation and resilient corporate outcomes. However, investor confidence remained fragile throughout the quarter as inflation, monetary policy and geopolitical risks including energy shocks related to the conflict dominated the outlook.

Inflation eased modestly towards the end of the period. Annual inflation slowed to 3.7% in February from 3.8%, coming in slightly below market expectations but still above the Reserve Bank of Australia (RBA)'s 2–3% target range. The RBA took a more hawkish stance over the quarter, delivering two 25 basis point increases that lifted the cash rate to 4.10%. Policymakers pointed to persistent excess demand and inflation remaining above target, heightening concerns that financial conditions could tighten further. By the end of the period, Australia's unemployment rate rose to 4.3%, the highest since November, as the number of job seekers increased despite record employment. However, the subsequent surge in oil prices during March is expected to place renewed upward pressure on inflation in coming months.

The conflict involving Iran that began late in the quarter and the subsequent geopolitical risks associated with it compounded domestic pressures. The closure of the Strait of Hormuz proved a significant catalyst, disrupting global energy markets and amplifying inflationary concerns. Oil prices surged amid supply interruptions, reigniting concerns around global inflation. Although Australia is a net energy exporter, its reliance on imported oil left markets sensitive to fuel supply disruptions, exacerbating risk aversion and weighing heavily on equity valuations.

From a sector-wise perspective, information technology (down 27.2%) was the biggest detractor, followed by health care (down 16.8%). Energy (up 36.1%) was the largest contributor. Despite the strength in energy stocks, broader market performance weakened late in the quarter, with declines in some sectors reflecting the negative impact of tighter financial conditions and heightened global uncertainty.

Outlook and Strategy

Global equities declined in Q1 2026, following the U.S.-Israeli attacks on Iran and the latter's response. The conflict disrupted energy flows, triggering a surge in oil prices and a broad risk-off move. The geopolitical shock quickly became the dominant driver of markets, overshadowing otherwise solid early earnings and continued support from AI-related investment themes. Higher energy costs, tariff uncertainty, and cautious central bank messaging reinforced investor selectivity, with a rotation away from concentrated U.S. exposures. Developed markets underperformed amid the broader sell-off, while performance across emerging markets was mixed, with resilience in semiconductor-linked economies offset by weaknesses in more energy-sensitive regions.

The OECD adopted a cautious outlook, noting that the conflict has erased a potential upside surprise. Global GDP growth is now projected at 2.9% in 2026, down from 3.3% last year, before edging up to 3.0% in 2027. Although structural tailwinds remain in place, including robust technology and AI-driven investment, lower effective tariffs, and lingering momentum from 2025, they have been outweighed by the sharp energy price shocks associated with the conflict. The near halt of energy shipments through the Strait of Hormuz has raised costs and uncertainty, particularly for energy-importing regions such as Europe and Asia. Further, the OECD now expects G20 inflation to average 4.0% in 2026, 1.2% above prior estimates, as rising oil, gas, and fertilizer prices reverberate through global supply chains and household energy bills. Inflation is projected to ease to 2.7% in 2027, assuming energy market disruptions moderate.

Energy markets enter Q2 under significant strain due to the conflict. Brent crude reached over $115 per barrel in late March, roughly 63% on the month and its largest monthly gain on record—while WTI settled above $100 for the first time since 2022, reflecting both direct threats to infrastructure and growing concern over severely constrained flows through key transit routes.

Australia's economy is emerging from a soft patch, with growth expected to rise from about 1.8% in 2025 to 2.3% in 2026, supported by recovering real incomes and a still-resilient labor market. However, high inflation and slower exports are likely to constrain growth. Monetary policy is expected to remain restrictive in the near term. The Reserve Bank of Australia expects improvement as disinflation supports purchasing power and conditions ease. Consumption is expected to recover slowly with the labor market easing but remaining tight.

Platform Availability

- BT Panorama
- Colonial First State Edge
- Colonial First State FirstChoice
- Dash
- HUB24
- Netwealth

Fund Ratings

- Zenith "Recommended"[2]
- Lonsec "Recommended"[3]

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Disclaimer and disclosures

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