

EQT RESPONSIBLE INVESTMENT GLOBAL SHARE FUND

FUND OBJECTIVE

The investment objective of Equity Trustees' Responsible Investment Global Share Fund (the Fund) is to provide investors with exposure to a diversified investment in international share markets and strong capital growth over the long-term.

The Fund aims to outperform its Benchmark over a rolling 5-year period, after taking into account Fund fees and expenses

RESPONSIBLE INVESTMENT

A multi-manager offering targeting managers that possess superior capability in investment process and a demonstrated focus on integrating responsible investing principles such as ESG integration, corporate engagement, proxy voting and negative screening.

Sustainable equity funds are viewed favourably in the manager selection process. Higher scores and priority are assigned to managers with a demonstrated and consistent process in selecting sustainable companies that have positive contribution to one or more of the United Nations Sustainable Development Goals (SDGs).

RIAA CERTIFICATION



This Fund is certified by the Responsible Investment Association of Australasia (RIAA). The Certification Symbol signifies that a product or services offers an investment style that takes into account environmental, social, governance or ethical considerations.

The symbol also signifies that the Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product Provider. The Certification Symbol is a Registered Trademark of RIAA. Detailed information about RIAA, the Symbol and the Fund's methodology, performance and stock holdings can be found at <https://www.responsiblereturns.com.au/>, together with details about other responsible investment products certified by RIAA

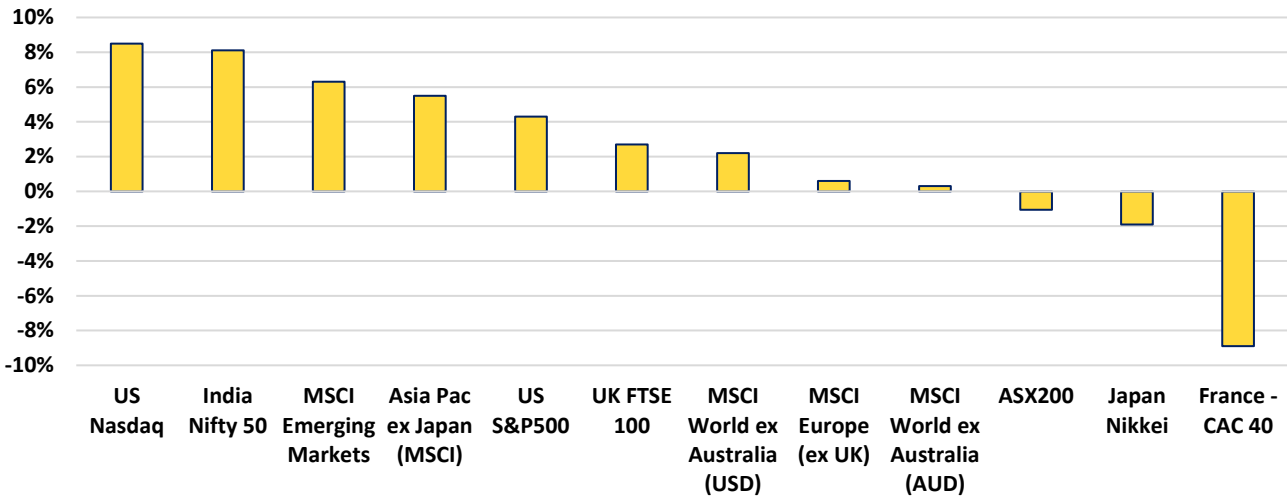
MARKET SUMMARY

The MSCI World ex Australia Index rose 2.2%. In \$A terms, however, the gains were more muted at +0.3%. In local currency terms the US, Asia-ex Japan and Emerging markets outperformed, while Japan and Europe struggled. US tech was again a notable performer with the Nasdaq rallying 8.5%. India also outperformed benefiting tailwinds such as structural growth supports (e.g. demographics, urbanisation trends), reform delivery and political stability.

In USD terms, the best performing sectors within the MSCI World over the quarter were IT (+11.3%), Communication Services (+7.7%) and Utilities (+2.2%). Thematically, investors rewarded AI led or exposed sectors. Conversely, the laggards included Materials (-4%), Real Estate (-4%) and Consumer Discretionary (-2.2%).



June Quarter Equity Market moves - Local Currency %



Source: Equity Trustees

Global growth has moderated to a still-solid 2.4% annual rate. The manufacturing sector is showing tepid signs of recovery, helped in part by a pickup in business spending.

The US economy, which has been the global demand engine, has continued to slow. Various indicators have shown that the labour market is loosening. The unemployment rate rose to 4.0% in May, hiring rates are at 10-year lows, and surveys show that consumers are growing more concerned about the job market. Additionally, retail sales have disappointed and housing activity is slowing. Business capital spending outside of the IRA and CHIPS Act-related spending has started to peter out.

China’s economic activity softened in the June quarter but has still remained around 4.5-5% (annual rate). While the April politburo meeting emphasised continuous policy support, the People’s Bank of China (PBOC) appears more cautious to deliver rate cuts due to concerns about currency (and associated capital outflows) the banking stability. Housing remains the biggest drag on activity despite new policy initiatives. Subdued domestic demand, sluggish credit growth and reduced government bond issuance has also weighed on growth. The US and Europe announced increased tariffs impacting sentiment. The Trump tariff threat is a potential major risk leading into 2025.

The market ebbed and waned during the quarter as the bond market reacted to inflationary data. Initially, disinflation trends looked to have stalled in the US, but as the quarter continued, those concerns lessened mildly. Global headline inflation is not far from 2019 levels as food, energy, and goods inflation have moderated notably from their cycle highs. Progress with core inflation has been slower due to tight labour markets continuing to exert upward pressure on wages and services prices. The US and UK central banks remain data dependant but are still hinting toward rate cuts later this year. However, inflation has already fallen enough to give the other central banks such as Europe, Canada, and Switzerland confidence to cut rates.

Geopolitical tensions remained elevated but did not impact markets deeply. The war in the Ukraine continues, as does the Hamas-Israel conflict. Houthis inflicted attacks on the shipping lanes in the Red Sea and trade related tensions rose between China and the US/Europe. The snap election in France following a move to support the far-right Nationally Rally increased concerns of another eurozone crisis, while in the US, odds are increasing that former President Donald Trump is set to regain office which increased the focus on his policies which include higher tariffs, lower tax, and lower immigration.

Corporate results delivered during the quarter in the US were broadly robust, however it was the mega-tech sector that delivered earnings upgrades. In aggregate, generative AI investment spending has to a large degree offset macro related concerns that impacts much of the broader economy. Nvidia was the main beneficiary as spend on AI grew. Broadly, stocks with exposure to the AI theme led gains benefiting from rising valuation multiples and improving 2024 earnings estimates. Citigroup estimates that Nvidia and other components of the ‘Magnificent 7’ have contributed a disproportionate two-thirds of the calendar-year-to-date (US S&P500) return. Outside this cohort of stocks in general earnings expectations have mildly softened.



FUND PERFORMANCE

PERFORMANCE ¹	EQT RESPONSIBLE INVESTMENT GLOBAL SHARE FUND		3 YEARS	5 YEARS	SINCE INCEPTION
	3 MONTHS	1 YEAR	(P.A.)	(P.A.)	(P.A.) ²
Distribution return	0.74%	0.85%	7.08%	7.02%	5.35%
Growth return	-2.25%	13.49%	-1.61%	1.91%	1.05%
Total net return	-1.51%	14.34%	5.47%	8.93%	6.40%
Benchmark return ³	0.26%	19.80%	11.11%	12.89%	8.27%
Active return	-1.77%	-5.45%	-5.64%	-3.96%	-1.87%

Table 1

¹ Performance: distribution return is the return due to distributions paid by the Fund, growth return is the return due to changes in initial capital value of the Fund, total net return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

² The EQT Responsible Investment Global Share Fund was previously known as EQT Core International Equity Fund. The Fund was repositioned in September 2022 to have a Responsible Investment focus, resulting in a change in the investment manager line up. Inception date of the Fund is 31 January 2006.

³ Benchmark return is the MSCI World Index net dividends reinvested (AUD).

Past performances should not be taken as an indicator of future performance. Results greater than one year are annualised.

PERFORMANCE SUMMARY

The Fund recorded a total net return of -1.51% for the June quarter, underperforming the benchmark by 1.77%. Over the last 12 months, the Fund recorded a total net return of 14.34%, underperforming the benchmark by 5.45%. Performance over the last year has been impacted by underperformance in the Vontobel Global Equity Fund and Cooper Investors Global Endowment Fund.

MANAGER SUMMARY

MANAGER PERFORMANCE ¹	1 MONTH RETURN	3 MONTHS RETURN	1 YEAR RETURN
Vontobel Global Equity Fund	2.4%	-1.2%	11.5%
Alphinity Global Sustainable Equity Fund	2.8%	1.8%	24.9%
Orbis Global Equity Fund	-1.9%	-3.3%	20.8%
Cooper Investors Global Endowment Fund ²	-0.1%	-4.1%	5.6%
Benchmark Return ³	1.6%	0.3%	19.8%

Table 2

¹ Manager returns are total gross returns before the deduction of ongoing fees and expenses.

² Coopers was a hedged strategy prior to 1 November 2022.

³ Benchmark is the MSCI World Index net dividends reinvested (AUD).

FUND HOLDINGS

MANAGER ALLOCATION

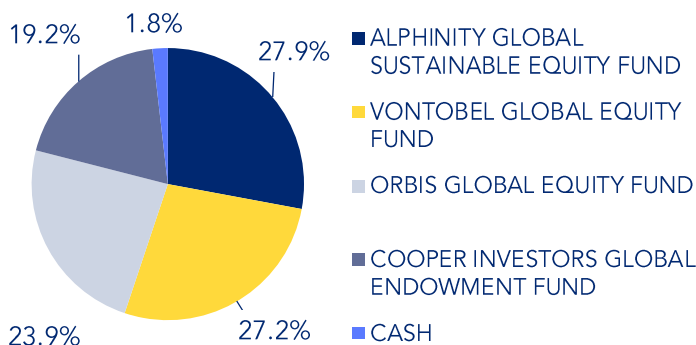


Chart 1



RESPONSIBLE INVESTMENT SPOTLIGHT – INSIGHTS FROM THE MANAGER

ALPHINITY INVESTMENT MANAGEMENT

Equity Trustees Asset Management view active ownership as a key element of the responsible investment process and a valuable tool in generating long term value for our clients. The underlying investment managers within the EQT Responsible Investment Global Share Fund share the same view and each quarter we highlight the stewardship activities undertaken by one of the managers.

Alphinity partnered with CSIRO to develop a Responsible AI Framework for investors using corporate engagement and desktop research.

As excitement around artificial intelligence (AI) grows, Australia’s national science agency, CSIRO joined forces with Alphinity Investment Management to co-design a framework to help investors identify and manage emerging AI risks and opportunities by building on existing ESG foundations.

In January 2023, Alphinity signed a partnership agreement with CSIRO following close to two years of internal research and review considering Responsible AI. At the time, there was a lack of guidance for investors related to responsible AI and the Alphinity team reached out to CSIRO as an expert organisation in the field.

Through these early discussions the team recognised the need for greater understanding of the ESG implications of AI in the investor community and signed a partnership agreement to conduct company engagement and develop and publish a Responsible AI framework for investors, toolkit and report.

This project was a first for Alphinity and demonstrates its growing emphasis on stewardship and research. It also aligns with its ESG framework, which has identified Digital Technology as a key ESG thematic.

To develop the Responsible AI Framework for investors, the research team engaged with 28 listed Australian and global companies across a range of sectors including oil and gas, financials, and industrials. Examples of companies the team met with are; Mercadolibre, Shell, Keysight, Microsoft, and Accenture.

In May 2024, the project concluded and the team published its framework and report.

6 key insights from the company engagements are:

<p>1 10% of companies disclosed an RAI policy or similar. 40% had something internal.</p>	<p>2 Global equities are at the forefront of AI and RAI implementation</p>	<p>3 Employee engagement is a key building block to leverage AI</p>
<p>4 The materiality/risk profile of the use case needs to drive the policy and management response.</p>	<p>5 Data privacy/cyber is the primary ESG concern related to AI for most companies</p>	<p>6 AI integration into technology/Board governance processes is a work in progress for most</p>

The **RAI framework** is a three-part system which has been designed to be flexible, is built around the concept of materiality, maps to 9 key ESG factors, and aligns with risk categories from the global regulatory standards such as the EU AI Act.



OUTLOOK AND STRATEGY

FY24 delivered strong investment returns due to falling inflation, expectations of central bank rate cuts, more resilient than expected economic conditions (led by the US but also in Australia) and technology sector earnings upgrades fuelled by substantial investment in Artificial intelligence.

The US and Australian economies have been propped up by high migration levels supporting the nominal economy, government investment, rising house prices giving rise to a strong 'wealth effect', and post-covid savings spend leading to demand for labour intensive services (which has in-turn buoyed labour markets further aiding consumption). The US economy has also benefited from low fixed mortgage rates mitigating the effects of higher interest rates.

Global earnings have been stronger due to the ongoing upward revisions from the large cap tech companies. Below the surface though, revisions outside of the 'Magnificent 7' have been negative. Despite subdued underlying growth, markets have benefited from rising valuation multiples.

In the US and Australia, the stronger than expected headline growth levels, employment markets and wage outcomes have stemmed the disinflation trends seen late last year and led to a re-appraisal of the timing and magnitude of rate cut expectations. Despite this, equity markets have remained resilient as investors still expect solid earnings growth in FY25 driven by growing IT sector revenues and future interest rate (and tax) cuts which will support consumption.

We have felt that economic growth would weaken in many developed markets into the back half of the year as the cumulative impact of higher interest rates and cost of living pressures crimp consumer spending. Indeed, there are increasing signs of that weakness being felt in retail sales, housing activity, business insolvencies and some labour market indicators. Migration rates are also now slowing. Our short-term concern is that this weaker economic scenario is not priced into the current "soft landing" view of the market.

The broader view is that as inflation retraces central banks will cut rates supporting global economic growth in 2025. However, rate cuts may be modest and divergence in growth may occur. While European and Asian growth is expected to improve, the US economy (which has been the engine room for growth) is forecast to continue to slow over the next six months. Chinese growth remains on track for ~5% growth as stimulus is enacted and renewable energy investments rise, but there is still a lack of conviction over some policy initiatives to support growth in the property market.

We would also argue that the market is not pricing a further rise in geopolitical tension. One cannot dismiss the geopolitical risks that not only remain, but may escalate further, especially with protectionist measures likely to be initiated against the Chinese by some major western economies. Higher tariffs, onshoring and Trump policies could all conspire to lessen the disinflation progress seen over the last year. A potential implication of this could be higher inflation and greater US government debt. Political changes in France look likely to lead to a hung parliament potentially limiting progress in Europe.

While we remain positive on the long-term strategic merits of equities, our tactical assessment remains that market conditions will get increasingly difficult over the remainder of 2024. Central Banks in the US and Australia will need to see evidence of lower inflation, which may require a growth slowdown, before implementing cuts. Meanwhile in the US, major technology companies will have to keep delivering on (and potentially above) already increased market expectations for earnings growth. Further, benefits from AI related spend may take longer to be realised. Given the narrowness of the market rally in the US and globally, we are wary that any disappointment could lead to increased volatility of returns.

Equities – we remain modestly underweight equity markets from a tactical asset allocation perspective due to the perceived asymmetry between the current positive sentiment versus the crystalising of any or all the risks identified above. The relative valuation appeal to bonds is also not as attractive as it has been in recent years.

International equities – While aggregate market valuations are above historic levels, expectations are for higher earnings growth (~10%). Central bank rate cuts may help sentiment into 2025 – which may act as a catalyst for broader stock improvement later in the year – but given our expectation that we don't face a deep cutting cycle the cyclical benefits may take longer to be realised. We prefer industries with strong secular tailwinds and strong underlying fundamentals which are reasonably priced.



Importantly, both defensive and growth asset classes are positioned to deliver reasonable returns over the medium term. A scenario of falling inflation, rate cuts and economic resilience is supportive for investment returns. Should economic activity weaken considerably, central banks are better positioned to cut quickly. In our view, this means a well-diversified investment strategy has the potential to deliver attractive risk-adjusted returns over the next 5-7 years. Key risks to this include higher and stickier inflation and increasing geo-political turmoil.

We continue to note that while macro factors are important, in more challenging economic conditions it is beneficial to focus on basic micro factors as to what makes a good business and investment. We believe that active management the right areas can contribute to strong overall returns.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

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