
— SECOND QUARTER 2026 · PORTFOLIO REVIEW

IQ INCOME BALANCED.

Portfolio review for the quarter ending 30 June 2026. Prepared for financial advisers.

STRATEGY — IQ PORTFOLIOS · BALANCED

ASSET CLASS / HOLDING	WEIGHT
Australian Shares	18.00%
AB Managed Volatility Equities Fund	5.50%
Plato Australian Shares Income Fund	7.00%
Vertium Equity Income Fund	5.50%
International Shares	21.00%
State Street Global Equity Fund	6.50%
Epoch Global Equity Shareholder Yield (Hedged) Fund	5.50%
Talaria Global Equity Fund – Wholesale Units	9.00%
Property and Infrastructure	6.00%
VanEck FTSE International Property (Hedged) ETF	3.00%
VanEck FTSE Global Infrastructure (Hedged) ETF	3.00%
Diversified Alternatives	4.00%
Metrics Direct Income Fund	4.00%
Fixed Income	43.00%
Global Fixed Income	15.80%
Australian Fixed Income	25.20%
Traditional Fixed Income	22.00%
PIMCO Global Bond Fund — Wholesale Class	4.00%
Colchester Global Government Bond Fund	9.00%
Western Asset Australian Bond Fund — Class A	9.00%
Defensive Alternative Fixed Income	21.00%
Janus Henderson Tactical Income Fund	4.50%
Macquarie Income Opportunities Fund	4.00%
Ardea Real Outcome Fund	3.50%
Realm Strategic Income Enduring Units Fund	7.00%
Ares Global Credit Income Fund	2.00%
Cash	8.00%
Platform Cash	0.50%
BetaShares Australian High Interest Cash ETF	7.50%

THE PORTFOLIO RETURNED 3.56%, OUTPERFORMING ITS BENCHMARK BY 2.46%.

The growth sleeve led the gains as global equities and listed property rallied.

The iQ Income Balanced Portfolio returned 3.56% for the quarter ending 30 June 2026. Its benchmark, CPI + 2%, returned 1.10% over the same period. That puts the portfolio 2.46% ahead of benchmark for the quarter.

The result was driven by a broad recovery in risk assets. International equities were the standout contributor, with property and infrastructure also adding value.

Over the twelve months to 30 June 2026 the portfolio returned 7.40%, comfortably above its objective. The portfolio aims to deliver more than CPI + 2% over a full market cycle, so results are best judged over years rather than any single quarter.

The portfolio remains diversified across asset classes, which helps smooth returns and manage risk as market conditions change.

MODEL	3 MONTH	1 YEAR	2 YEAR (P.A.)
iQ Income Balanced Portfolio	3.56%	7.40%	8.33%
Benchmark (CPI + 2%)	1.10%	6.02%	5.07%
Outperformance	+2.46%	+1.38%	+3.26%

EQUITY HOLDINGS DROVE RETURNS.

In the second quarter of 2026 the iQ Income Balanced portfolio returned 3.56%, a strong outcome as risk assets rebounded broadly through the quarter. Markets recovered from the first-quarter volatility as Middle East tensions eased, oil prices retreated, and global equities were led higher by technology and artificial intelligence names. With a meaningful allocation to growth assets, the portfolio captured a healthy share of the rally while retaining its income focus, finishing comfortably ahead of its CPI + 2% objective.

The equity holdings drove returns. The Epoch Global Equity Shareholder Yield (Hedged) Fund was again the standout, returning 12.58% as global equities rallied strongly. The State Street Global Equity Fund (6.92%) and the AB Managed Volatility Equities Fund (6.09%) both benefited from the recovery in equity markets, while the Plato Australian Shares Income Fund returned 4.00% as the Australian market rose and healthcare rebounded. The VanEck FTSE International Property (Hedged) ETF contributed strongly at 9.94% on the recovery in global listed property.

There were no meaningful detractors in a quarter where all asset classes rose. Traditional fixed income provided steady support, with Western Asset Australian Bond up 2.81% and PIMCO Global Bond up 2.25% as yields eased late in the quarter. The Talaria Global Equity Fund returned 2.77%, its value discipline and deliberate diversification away from the most AI-correlated parts of the market meaning it lagged the sharpest gains, consistent with its defensive, income-focused mandate. The defensive alternatives and reduced cash weighting contributed modestly as designed.

TWO DEVELOPMENTS DEFINED THE QUARTER.

The second quarter of 2026 was defined by two developments: the easing of the Middle East conflict that had dominated late in the first quarter, and a decisive shift in the interest rate outlook. Early in the quarter a ceasefire between the United States and Iran to reopen the Strait of Hormuz removed the supply shock that had driven oil and gas higher, allowing energy prices to retreat and conflict-related inflation fears to unwind. Attention then turned to the Federal Reserve, where new Chair Kevin Warsh made clear that inflation running above target for several years would not be tolerated. Expectations moved from pricing cuts to pricing hikes, producing a quarter of rotation with sharp divergence between sectors and styles beneath contained index-level moves.

Gold and oil, the prior quarter's standouts, both gave up ground. Oil fell back toward US\$80 a barrel as the reopened Strait unlocked supply, though a fragile deal and a weakened OPEC kept prices above pre-conflict levels. Gold came under sustained pressure as the repricing toward higher rates lifted the opportunity cost of holding a non-yielding asset. Leadership narrowed and dispersion widened across equity markets. Materials and energy were the standout contributors, supported by firm commodity prices and a strategic bid tied to electrification and power infrastructure, while healthcare lagged. The biggest

divergence was within technology, where chipmakers surged on strong hardware demand and rising prices while large cloud companies fell behind under the heavy cost of their AI spending.

Global equity markets held up at the headline level but masked large underlying moves. The Fed's shift weighed most on expensive, fast-growing shares, so cheaper value shares outperformed after the June meeting. Australia, with its energy and resources tilt, was relatively well placed, though a hawkish Reserve Bank tempered sentiment into quarter end. Emerging markets were mixed, with North Asian markets supported by the semiconductor cycle but held back by a stronger US dollar and higher global rates.

Global fixed income remained under pressure, driven this time not by an energy shock but by the monetary policy outlook. Bonds rose early as the easing conflict reduced inflation fears, but those gains were wiped out when the Fed signaled higher rates. With inflation still well above target, markets moved from pricing cuts to hikes, pushing front-end yields sharply higher and leaving most major markets negative. In Australia the RBA held the cash rate at 4.35% but framed it as a hawkish hold citing excess demand, above-target inflation and a readiness to raise again, so government bond yields rose in line with the global repricing.

THE FOCUS HAS SHIFTED TO THE PATH OF **INTEREST RATES**.

Looking ahead to the remainder of 2026, the near-term focus has shifted from the Middle East to the path of interest rates. Markets have moved from expecting rate cuts to hikes, but in our view the path for rates from here is far from certain. The environment remains genuinely uncertain, which makes decisive predictions on rates difficult. While we would hope to see central banks cut rates as soon as conditions allow, there are good reasons to think inflation could prove stickier than the market currently expects. Part of this comes back to oil. Although the easing of the conflict has brought prices back down, the earlier spike has not yet fully worked its way through the economy, and these effects tend to take time to show up. On top of that, the peace deal remains fragile and if tensions in the Middle East were to reignite, oil prices could rise sharply again, reviving inflation concerns and giving central banks reason to stay cautious. This is not a prediction; it is simply a reminder of the uncertain environment we are currently in.

For fixed income, yields remain elevated, which is a genuine positive for investors. Higher yields mean higher income regardless of where rates head from here. We would not necessarily say bonds are more attractive than other asset classes, but the income on offer is real and worth having in a balanced portfolio. What stands out is how differently central banks are responding, some leaning toward cutting, others toward holding or raising. This divergence points to a selective approach rather than simply buying the market and suits an active manager who can monitor these shifts and adjust as conditions change. The opportunities are twofold: attractive income now, and scope for capital appreciation should rates fall. Given the uncertainty, we would suggest a medium duration approach encompassing a blend of government bonds and corporate credit to navigate the market ahead.

In equities, we continue to believe the artificial intelligence theme is structural and unlikely to be derailed by short-term volatility. The broader backdrop is also encouraging. The global economy has proven resilient, and the outlook remains constructive, particularly in the United States, where the economy grew at an annualised rate of 2.1% in the second quarter, ahead of expectations, supported by strong business investment into artificial intelligence technologies. Most forecasters expect growth of around 2% or more for 2026, with the risk of recession seen as relatively low. That said, this year has been a powerful reminder that market leadership can be narrow, with a small group of companies driving much of the return while others lag well behind. Wide gaps like these reinforce the value of a diversified, selective approach rather than chasing whichever part of the market is performing best at the time.

Bringing this together, it is difficult to make confident predictions about how the rest of the year will unfold, precisely because so much depends on factors that are inherently unpredictable, from the path of inflation and interest rates to the stability of the Middle East. As we often highlight, this is exactly why diversification matters. Importantly, diversification today cannot rely on equities and bonds alone. The two have increasingly moved in the same direction rather than offsetting one another, so alternative investments have become a useful tool for providing genuine diversification. No one can reliably foresee the future, and the events of recent years have shown this time and again. Maintaining a portfolio that is diversified across all asset classes, and that can hold up under a range of conditions, remains the most dependable way to pursue strong long-term returns while helping investors stay the course through short-term uncertainty.

MANAGER BY MANAGER.

INTERNATIONAL SHARES

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
State Street Global Equity Fund	30/06/2026	6.92%	19.80%	18.35%
Epoch Global Equity Shareholder Yield (Hedged) Fund	30/06/2026	12.58%	28.88%	20.83%
Talaria Global Equity Fund – Wholesale Units	30/06/2026	2.77%	7.68%	9.93%

State Street Global Equity Fund

The State Street Global Equity Fund invests in global equities selected from the Benchmark (MSCI World ex-Australia) and excludes companies involved in tobacco and controversial weapons. Over the second quarter of 2026 the fund returned 6.92%, underperforming the benchmark which returned 12.61%. The fund's underweight to the United States and its focus on lower-volatility, reasonably valued quality companies were the main headwinds, as the market's rebound was led by the most expensive US technology and AI-linked names that sit outside the fund's process. The fund's defensive positioning is designed to deliver lower volatility than the market over a full cycle, which meant it did not capture the full extent of the narrow, momentum-driven rally.

Epoch Global Equity Shareholder Yield (Hedged) Fund

The Epoch Global Equity Shareholder Yield Fund seeks to generate income from a portfolio of 90-120 global equities. The fund aims to invest into companies with consistent and rational capital allocation policies with an emphasis on cash dividends, share repurchases and debt reduction. Over the second quarter of 2026 the fund returned 12.58%. Global equities rallied strongly over the quarter as risk appetite recovered and markets rebounded. The fund's higher-yielding, cash-generative holdings participated in the recovery, though its lower-beta, income-focused positioning meant returns were driven by quality companies returning capital rather than the most speculative parts of the market. Consistent with its philosophy, the fund continued to favour management teams focused on dividends, buybacks and debt reduction.

Talaria Global Equity Fund – Wholesale Units

The Talaria Global Equity Fund uses a high conviction, value biased approach to construct a portfolio of high quality, large cap companies from around the globe. The fund returned 2.77% in the second quarter. The fund's value discipline and deliberate diversification away from the increasingly AI-correlated parts of the market meant it lagged the sharp rebound in growth and technology stocks that drove the broader index. Talaria continues to caution that a rising share of global assets is effectively a single bet on artificial intelligence, and its portfolio and put-writing income strategy are positioned to deliver income and downside protection rather than to chase that momentum.

AUSTRALIAN SHARES

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
AB Managed Volatility Equities Fund	30/06/2026	6.09%	3.35%	9.10%
Plato Australian Shares Income Fund	30/06/2026	4.40%	5.24%	9.17%
Vertium Equity Income Fund	30/06/2026	2.84%	5.06%	4.86%

AB Managed Volatility Equities Fund

Over the June 2026 quarter, the AB Managed Volatility Equities Fund navigated a volatile but recovering Australian equity market. The fund returned 6.09%, outperforming the benchmark which returned 4.14%. An overweight to consumer staples and defensive domestic earners such as Coles and Medibank supported relative performance as investors favoured lower-volatility names through a choppy quarter. The fund's low-beta, downside-aware positioning continues to emphasise reducing volatility while capturing most of the market's upside.

Plato Australian Shares Income Fund

The Plato Australian Shares Income Fund focuses on maximising income through active dividend capture and tax-aware portfolio management. Over the second quarter of 2026 the fund returned 4.40% including franking, broadly in line with its benchmark which returned 4.20%. The Australian market recovered over the quarter, with leadership rotating toward healthcare, which rebounded sharply, and the consumer sectors, while the previously strong materials and energy sectors retreated late in the quarter. Returns were supported by ongoing franked dividend income across financials and resources, with the strategy continuing to target sustainable franked income and diversified exposure across the market.

Vertium Equity Income Fund

The Vertium Equity Income Fund maintains a disciplined bottom-up investment approach, focusing on companies trading below intrinsic value while prioritising capital preservation and sustainable income generation. The fund returned 2.84% in the second quarter, underperforming the index which returned 4.10%. The fund's defensive, low-beta positioning, high effective cash weighting and options overlay meant it captured steadier returns rather than the full extent of the market's rebound. Consistent with its focus on downside protection, the fund continued to emphasise resilient, income-generating businesses and tax-effective income over chasing the recovery in higher-risk names.

PROPERTY AND INFRASTRUCTURE

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
VanEck FTSE International Property (Hedged) ETF	30/06/2026	8.71%	13.72%	10.85%
VanEck FTSE Global Infrastructure (Hedged) ETF	30/06/2026	1.92%	16.47%	16.47%

VanEck FTSE International Property (Hedged) ETF

The VanEck FTSE International Property (Hedged) ETF gives investors access to a diversified portfolio of approximately 300 international REITs, currency hedged into Australian dollars, and aims to track the FTSE EPRA Nareit Developed ex Australia Index. The fund returned 8.71% in the second quarter, tracking the index which returned 9.86%. Global listed property rebounded strongly as improved risk sentiment and easing geopolitical tensions supported valuations. Data centre REITs benefited from the ongoing AI infrastructure build-out, while the sector was also supported as bond yields stabilised over the quarter.

VanEck FTSE Global Infrastructure (Hedged) ETF

The VanEck FTSE Global Infrastructure (Hedged) ETF provides access to a diversified portfolio of global infrastructure securities, currency hedged into Australian dollars, and aims to track its reference index. The fund returned 1.92% in the second quarter. Infrastructure delivered a modest positive return as the sector's stable, inflation-linked cash flows were supported by stabilising bond yields. However, the sharp fall in oil prices following the Middle East de-escalation weighed on energy-related infrastructure and limited the sector's gains relative to broader equities.

TRADITIONAL FIXED INTEREST

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
PIMCO Global Bond Fund — Wholesale Class	30/06/2026	2.25%	3.49%	4.60%
Colchester Global Government Bond Fund	30/06/2026	1.48%	2.33%	3.70%
Western Asset Australian Bond Fund — Class A	30/06/2026	2.81%	1.73%	4.49%

PIMCO Global Bond Fund — Wholesale Class

PIMCO Global Bond Fund is a dynamic fund which can invest in a variety of fixed income securities varying in durations, locations, and sectors. Over the quarter the fund returned 2.25%, outperforming the benchmark which returned 1.46%. The outperformance was driven by overweight duration positioning in the Euro bloc and UK as yields declined, along with overweight exposure to Latin American duration, particularly Colombia. Currency positioning and select emerging market exposure also added value, while short US dollar exposure modestly detracted as the dollar strengthened.

Colchester Global Government Bond Fund

The Colchester Global Government Bond Fund seeks to deliver growth and income to investors whilst offering the defensive characteristics of a global sovereign bond portfolio over the medium term. In the second quarter the fund returned 1.48%. Bond selection was the primary driver of relative returns, with overweight positions in Mexican, New Zealand and Colombian nominal bonds contributing. Currency selection was broadly neutral, with an overweight to the Norwegian Krone and underweights to the Euro and US Dollar detracting as the US dollar strengthened over the quarter.

Western Asset Australian Bond Fund — Class A

Western Asset Australian Bond Fund is an Australian bond fund that aims to take advantage of mispriced fixed interest securities in the Australian market. In the second quarter the fund returned 2.81%, slightly ahead of the benchmark which returned 2.65%. Australian government bond yields declined across the curve as softer economic data and reduced expectations for further RBA tightening supported the market, despite the cash rate rising to 4.35%. A modest overweight duration position, supportive yield curve positioning and an overweight to corporate credit as spreads tightened all contributed positively.

DEFENSIVE ALTERNATIVES

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
Janus Henderson Tactical Income Fund	30/06/2026	1.76%	5.02%	5.71%
Macquarie Income Opportunities Fund	30/06/2026	1.74%	4.15%	5.80%
Ardea Real Outcome Fund	30/06/2026	1.80%	4.25%	4.27%
Realm Strategic Income Enduring Units Fund	30/06/2026	2.09%	5.46%	7.36%
Ares Global Credit Income Fund	30/06/2026	2.39%	4.83%	5.97%

Janus Henderson Tactical Income Fund

Janus Henderson Tactical Income Fund is a short-duration Australian absolute return bond fund that aims to generate returns in all market conditions. In the second quarter the fund returned 1.76%, trailing the benchmark which returned 2.65%. The fund's short-duration positioning meant it captured less of the price appreciation that longer-duration bonds enjoyed as Australian government yields declined across the curve. Income carry and coupon generation remained supportive, but the fund's defensive, shorter-duration stance limited its participation in the broader rally in duration assets.

Macquarie Income Opportunities Fund

The Macquarie Income Opportunities Fund predominantly invests in investment grade credit. The fund returned 1.74% over the quarter, outperforming the benchmark which returned 1.07%. Both credit and interest rate positioning contributed. Credit performance was driven by a compression in spreads, particularly in subordinated financials, as credit markets remained well supported by strong demand and active bank issuance. Duration positioning also benefited as Australian yields fell on softer growth and inflation data.

Ardea Real Outcome Fund

The Ardea Real Outcome Fund aims to exploit mispricing between comparable fixed income securities which are related to each other and have similar risk characteristics but are priced differently. Ardea Investment Management believes this type of mispricing exists because fixed income markets are inefficient. The fund returned 1.80% in the second quarter, ahead of its CPI benchmark which returned 1.07%. As usual, performance was diversified across many modestly sized relative value trades rather than any single concentrated driver, with the fund's high quality government bond and derivative positioning contributing as yields moved lower over the quarter.

Realm Strategic Income Enduring Units Fund

The Realm Strategic Income Enduring Units Fund partners with banks, non-bank financiers and corporates to fund high quality wholesale banking facilities, particularly mortgages and loans, and targets a return of 4.75% over the RBA cash rate. The fund returned 2.09% in the second quarter, well ahead of the RBA cash rate return of 1.04%. Returns were driven by the healthy accrual from the fund's private RMBS and ABS holdings, with public portfolio spreads holding relatively steady as credit markets settled through the quarter. The fund recorded a gross running yield of 9.58% while maintaining an investment grade weighted average credit rating, supported by the elevated cash rate of 4.35% flowing through to its yield.

Ares Global Credit Income Fund

The Ares Global Credit Income Fund aims to provide stable monthly income with a focus on downside protection across various market cycles by investing in a diversified portfolio of credit assets. The fund returned 2.39% net over the second quarter, comfortably ahead of its cash benchmark as credit markets moved higher on improving investor sentiment, resilient economic growth and easing recession concerns. Corporate bonds were the largest contributor to returns, followed closely by CLO debt and bank loans, with robust investor demand and healthy CLO issuance helping to offset pockets of spread volatility. The fund continues to maintain a neutral risk posture given tight spreads and ongoing geopolitical uncertainty, while adopting a more balanced view on Europe as stabilising energy markets and easing geopolitical concerns improve the outlook.

DIVERSIFIED ALTERNATIVES

FUND	DATE	3 MONTHS	1 YEAR	2 YEAR (P.A.)
Metrics Direct Income Fund	30/06/2026	2.22%	8.38%	8.41%

Metrics Direct Income Fund

The Metrics Direct Income Fund invests in the Australian corporate loan market with diversification by borrower, industry and credit quality. Over the quarter the fund returned 2.22%, ahead of its target return of 1.88%. Returns continued to be underpinned by consistent monthly income from the underlying corporate loan portfolio, supported by the elevated RBA cash rate of 4.35% and the attractive spread the fund earns over cash. Credit quality across the portfolio remained sound with a low risk of capital loss.

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