BT Investment Solutions

Schroder Wholesale Plus Fixed Income Fund

Quarterly report – 30 September 2025

Fund overview[1]

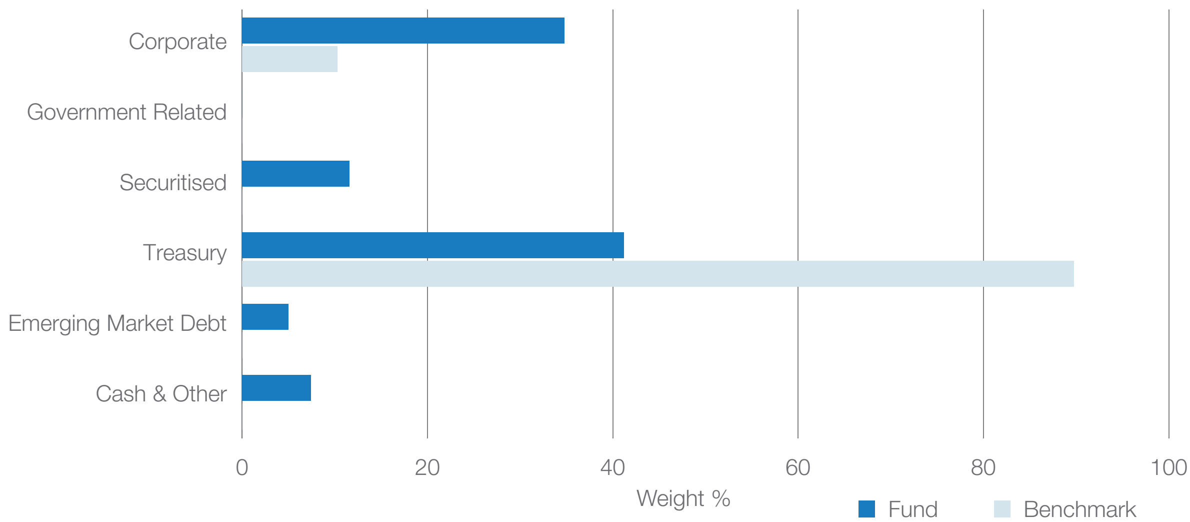
Inception date	4 November 2014
APIR code	BTA0545AU
Fund size (AUD millions)	$125.40
Investment objective	To outperform the benchmark after fees over the medium term.
Recommended investment timeframe	4 years
Distribution frequency	Quarterly
Management fees and costs (%) pa[2]	0.35
Performance fees (%) pa[3]	0.00
Buy/sell spread (%)	0.16 / 0.00

Performance review[4]

Period ending 30 September 2025	1 month	3 months	1 year	3 years	5 years	Since inception
	%	%	%	%pa	%pa	%pa
Total Net return	0.34	0.92	4.49	4.97	0.19	2.47
Growth return	(0.78)	(0.20)	(0.40)	0.55	(4.00)	(1.70)
Distribution return	1.11	1.12	4.89	4.42	4.19	4.17
Benchmark~	0.10	0.40	4.09	4.25	(0.23)	2.49

~ Bloomberg AusBond Composite 0+Yr Index.

Sector allocations[5,6,7]



Please refer to the end of this report for the footnotes

Credit quality[5,6]

	Fund %	Benchmark %
AAA	27.00	58.53
AA	28.13	34.70
A	9.32	3.49
BBB	21.46	3.28
Sub Investment Grade	4.21	0.00
Not Rated	2.48	0.00
Cash & Derivatives	7.40	0.01

Years to Maturity[5,6]

	Fund %	Benchmark %
0 – 3 Years	35.86	32.72
3 – 5 Years	24.70	21.40
5 – 7 Years	19.29	19.58
7 – 10 Years	16.18	22.03
10+ Years	3.97	4.26

Effective Duration[5,8]

	Fund Contribution	Benchmark Contribution
0 – 3 Years	0.14	0.53
3 – 5 Years	0.74	0.86
5 – 7 Years	1.01	1.17
7 – 10 Years	2.25	1.75
10+ years	0.32	0.56
Total	**4.46**	**4.88**

Please refer to the end of this report for the footnotes

Fund update[5]

The Schroder Wholesale Plus Fixed Income Fund returned 0.92% over the quarter, outperforming the benchmark which returned 0.40% over the same period.

Growth holds steady as Fed cuts, but labour and policy risks loom

The third quarter of 2025 delivered strong performance across global asset markets, with the United States leading the way in economic growth. Macroeconomic data continues to paint a solid picture. Jobless claims remain low, core capital goods orders have increased, and second quarter GDP was revised upward to an annualised rate of 3.8%, driven largely by consumer spending. Despite this momentum, labour markets remain soft, creating a disconnect between output and employment. Consumer spending continues to be supported by wealth gains and lower saving rates, but weakening labour income in the U.S. raises concerns about the durability of the expansion.

The US Fed has resumed its rate-cutting cycle, with further easing expected into 2026 to prevent financial conditions from tightening. While some of the slowdown is structural- such as reduced labour supply, shocks earlier in the year also contributed to the deceleration in payroll growth. Inflation remains moderate. The PCE deflator rose 0.3% month-on-month and 2.7% year-on-year, while core PCE increased 0.2% month-on-month and 2.9% year-on-year. These figures are slightly above the Federal Reserve's target but still within a historically acceptable range.

Several structural factors continue to underpin economic activity. Investment in AI-related technology is driving capital expenditure, healthcare employment remains steady, likely due to demographic trends and gig economy jobs are helping support lower-income cohorts. In the tech sector, productivity gains are evident, with output rising even as employment in computer manufacturing declines. Corporate profits also remain positive year-on-year, providing support for upper-income households and asset owners.

Emerging risks to market stability

Market volatility has declined significantly, driven by a stable macroeconomic backdrop and muted inflation pressures, and most G10 central banks are maintaining steady policy stances. However, risks are building beneath the surface. U.S. policy developments with tariff policy and elevated equity valuations remain key concerns. The equity risk premium is near levels last seen before the dot-com bubble burst, and the Federal Reserve's current policy stance is unlikely to deflate this valuation excess. Factors such as renewed debate over Fed independence, fiscal pressures, and stronger-than-expected economic data could all contribute to upward pressure on long-term yields. Recent data surprises - including strong consumer spending and jobless claims - suggest that growth and inflation may accelerate further, complicating the Fed's dovish stance. All could disrupt the current calm. While no single catalyst for volatility is immediately apparent, the list of potential triggers is growing as we move into the final quarter of the year.

Portfolio positioning

Corporate credit has continued to outperform sovereign bonds throughout 2025. Strong corporate earnings, central banks supporting growth via policy easing and inflation moderating has contributed to strong compression in credit risk premiums across global credit markets. Rate cuts implemented in non-recessionary environments have typically led to corporate credit outperforming government bonds in the lead-up to the cuts. From a valuation perspective, corporate credit currently appears expensive, especially high yield credit. As central banks move policy rates back to more neutral levels, we are expecting less outperformance and investing in credit assets for high quality income in this environment.

With credit valuations very stretched in the US, we continue to favour European and Australian investment grade assets, including residential mortgage-backed securities and higher yielding subordinated debt that are providing more attractive valuations and a supportive cycle. Local currency emerging market debt continues to perform strongly. We maintain a constructive outlook for emerging market debt, supported by appealing real yields and a weaker U.S. dollar.

We have continued to reduce our interest rate risk vs the benchmark. In Australia, the latest monthly inflation data surprised to the upside with the details showing services inflation is significantly higher than expected. For the RBA, this means considerably less certainty that inflation has settled near 2.5% and highlights the likelihood that it will take a period of modestly restrictive policy for inflation to return to target. This also comes at a time when growth has been picking up, driven by domestic consumption off the back of recent interest rate cuts. Australian bond yields have been rising as the market anticipates less cuts will be required over the next year.

US bond yields moved lower at the start of the month as the Fed cut by 25bps, only to retrace higher into the end of the month. Through mid-September, the market was pricing a cash rate of 2.85% over the next year. We view this level to be excessively priced and started to reduce US interest rate risk. Economic growth has since reaccelerated, driven by stronger consumption. Overall, we have moved short duration vs our benchmark, positioning for higher yields as markets are fully priced for policy easing and growth is now accelerating in the US, Australia and Europe. We are also short Japan interest rates as the Bank of Japan (BoJ) moves to hike policy rates in October with inflation more embedded within the Japanese economy.

Confidence overall

The underlying Fund is well positioned to navigate both cyclical and structural shifts in the global economy, with the flexibility to rotate across the global fixed income opportunity set. It maintains a clear preference for corporate credit over government-related assets, reflecting confidence in credit fundamentals and relative value. The portfolio is diversified across geographies and sectors, with targeted

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exposure to European and Australian investment grade credit, including residential mortgage-backed securities, and emerging market local currency bonds.

Interest rate risk is actively managed, with reduced duration relative to the benchmark across US, Australian and European rates. The portfolio is designed to capture dispersion in asset class returns while maintaining resilience in a changing macro environment. It currently offers a yield to maturity of 5.03%, positioning it attractively in a low-return world.

Footnotes

1. Generally, the Wholesale Plus Funds are not open to direct investors. The Fund is only accessible through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee or custody service, a managed account or any other service or platform approved by us, or through a superannuation fund. Refer to the Product Disclosure Statement for the Fund which is available at bt.com.au/wholesaleplus or contact 1300 881 716 for more information.
2. The management costs identified in this fact sheet comprise the management fee, indirect costs and include the effect of GST (net of reduced income tax credit (RITC). Refer to the Product Disclosure Statement of the Fund and online disclosures for further information.
3. Performance fees are prescribed by legislation to be calculated based on the average of the performance fees incurred by the Fund or Underlying Fund (as relevant) over the previous 5 financial years.
4. Past performance is not a reliable indicator of future performance. Performance figures are calculated net of all fees and costs and before taxes, other than any fees and costs deducted through an investment platform. Growth and distribution returns may not equal the total net return received due to rounding.
5. Information shown has been provided by the underlying manager.
6. Allocations may not equal 100% due to rounding.
7. Emerging market debt encompasses bonds issued by less developed countries including hard currency, local currency and emerging market corporate bonds.
8. Effective duration measures the sensitivity of the portfolio to interest rate changes.

For more information

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