BT Investment Solutions

Schroder Wholesale Plus Real Return Fund

Quarterly report – 30 September 2025

Fund overview[1]

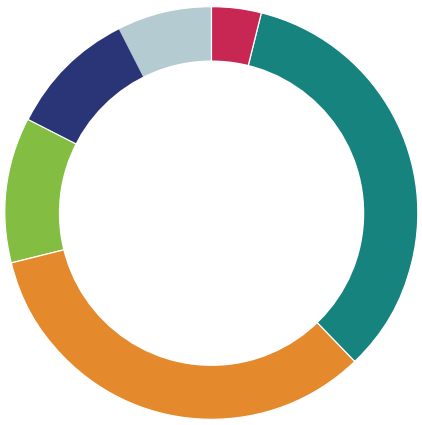
Inception date	28 June 2016
APIR code	WFS0866AU
Fund size (AUD millions)	$66.91
Investment objective[2]	To achieve a return of CPI plus 4% to 5% p.a. before fees over rolling 3-year periods while seeking to minimise the incidence and size of negative returns in doing so.
Recommended investment timeframe	4 years
Distribution frequency	Half Yearly
Management fees and costs (%) pa[3]	0.71
Performance fees (%) pa[4]	0.00
Buy/sell spread (%)	0.20 / 0.00

Performance review[5]

Period ending 30 September 2025	1 month	3 months	1 year	3 years	5 years	Since inception
	%	%	%	% pa	% pa	% pa
Total Net return	2.17	4.97	11.99	10.53	6.78	5.49
Growth return	2.17	4.97	6.92	5.48	1.93	0.52
Distribution return	0.00	0.00	5.07	5.05	4.85	4.97
Benchmark return~	0.63	1.91	7.59	8.69	9.36	8.12

~ Benchmark: CPI plus 5%

Actual asset allocation[6,7]



- Equity – Australian – **3.92%**
- Equity – International – **33.93%**
- Property – Australian & International – **0.00%**
- Fixed Income – Australian – **33.48%**
- Fixed Income – International – **11.30%**
- Other – Growth & Defensive Alternatives – **9.92%**
- Cash – **7.45%**

Please refer to the end of this report for the footnotes

Fund update[6]

The Schroder Wholesale Plus Real Return Fund returned 2.17% for September and returned 4.97% for the quarter. The benchmark returned 0.63% for September and 1.91% for the quarter.

Equity markets maintained their strong momentum through September, emerging as the primary contributor to the performance for the month with a 1.5% return. Additionally, our equity options added a further 0.3%. The underlying Fund's exposure to alternative assets, mainly commodities and insurance-linked securities, also added positively, delivering a further 0.5%. Meanwhile, the underlying Fund's fixed income allocations (investment-grade fixed income, higher yielding credit, and emerging markets debt) collectively returned a further 0.3%. As the Australian dollar continued to strengthen against the US dollar throughout the month, the underlying Fund's currency positioning detracted from overall performance. The underlying Fund's interest rate positioning was also a minor detractor over the period.

September saw all assets rally – equities, government bonds, corporate credit, currencies, commodities and gold all rose over the month. This was thanks to the US Federal Reserve (Fed), who resumed their cutting cycle at the September meeting, cutting rates by 25 basis points to a target range of 4.00 to 4.25%. The weaker than expected non-farm payrolls convinced the Fed that an insurance rate cut was necessary to help avoid an increase in unemployment. However, outside of the job market, the economic backdrop continued to see improvements.

US economy running hot

US second quarter GDP was revised upwards to 3.8% and personal consumption was revised higher to 2.6%. This increase in household spending occurred despite a higher savings rate, as real wage growth remained strong. Producer prices rose 3.3% over the year, the highest increase since 2022, led by services as opposed to tariff-related goods. Composite Purchasing Manager Indices (PMIs) continued to improve, financial conditions continued to ease, and corporate earnings revisions are turning more positive.

While the weak job numbers are a concern, they come as immigration policies lower the breakeven jobs rate from 100-200k to around 50k, keeping the unemployment rate broadly anchored. It is too early to know if the recent weakness is related to short term tariff uncertainty, or the start of something more ominous. The recent lower than expected initial jobless claims and rate cut by the Federal Reserve keeps us from viewing this as a recessionary indicator, for now. Meanwhile, our US recession dashboard has seen less indicators flagging, reducing the risk of a recession. We will continue to watch the labour market for signs of cracks, but for now, we believe the Fed is cutting rates in a non-recessionary environment.

This unfortunately means that after years of talking about different kinds of plane landing analogies, financial commentators will once again be talking about porridge (which is not to be confused with OATs – French government bonds – an entirely different conversation). With the Fed cutting rates and the economy holding up, we will enter a Goldilocks environment, which is good for all assets, or at least that is what the market is pricing in.

Everything is expensive

With US inflation remaining somewhat benign (although see Lying in wait for our view on delayed inflation), the weak labour market has allowed markets to pencil in two more rate cuts this year and another two next year, with a terminal rate of just below 3% by end 2026. This is unlikely to eventuate, outside of a recession. It's fair to say the bonds are now expensive based on our view. Risk assets are also celebrating as these rate cuts are coupled with strong economic growth. This has seen corporate credit spreads tighten close to their lowest levels in at least 20 years and equity multiples get scarily close to those seen in the late 1990s. It seems everything is priced to perfection.

We believe too many rate cuts are priced in, and equity valuations will re-rate lower as these cuts get priced out as the economy recovers and tariff-induced inflation starts to percolate. Investor positioning in US equities has risen to over 1.6 standard deviations stretched, just shy of the 1.75 required for an immediate downgrade. This is predominantly through retail investors and systematic strategies, with the latter likely to reduce exposure if momentum slows. We have therefore downgraded US equities from positive to neutral. Given our positive view on the US cycle, we would frame this as taking some profit, raising some cash, but looking to buy any dip if valuations or positioning improves. We remain neutral on credit, but negative on US investment grade and high yield given the tightness of spreads, instead preferring Europe and Australia. We have downgraded duration to negative from neutral as most countries, but particularly the US, have too many rate cuts priced outside of a recession.

Please refer to the end of this report for the footnotes

Asset allocation ranges[6]

Asset class	SAA ranges %
Growth assets, typically shares and property securities, offer potentially the highest return but also the highest volatility.	0 – 75
Diversifying assets, typically higher yielding debt and alternatives, offer higher potential returns usually with an income generating focus which assist in diversifying the portfolio's sources of return.	0 – 75
Defensive assets, typically investment grade debt securities, cash and cash equivalents, are relatively secure with lower volatility.	0 – 100

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. CPI is defined as the RBA's Trimmed Mean, as published by the Australian Bureau of Statistics.
3. 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.
4. 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.
5. 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.
6. Information shown has been provided by the underlying manager.
7. Allocations may not equal 100% due to rounding.

For more information

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