

Financial Income Fund Strategy Net Performance¹

31 May 2026

	1 Month	3 Months	6 Months	1 Year	3 Years Annualised	5 Years Annualised	10 Years Annualised	SI (Sep 15) Annualised	Excess Return
FINANCIAL INCOME FUND³	0.56%	0.86%	2.67%	6.49%	7.20%	6.00%	6.41%	6.35%	
Hybrid Benchmark (Solactive ²)	0.89%	0.80%	2.43%	5.28%	5.89%	4.34%	4.90%	4.80%	+1.55%
RBA Cash Rate ⁴	0.36%	1.03%	1.97%	3.87%	4.18%	3.06%	2.07%	2.07%	+4.28%

¹Fund returns are calculated net of management fees, inclusive of franking credits, and assuming all distributions are re-invested. Past performance is not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. ²Refers to the Solactive Australian Hybrid Securities Index (Net). Net refers to net total return. Franking credits are not applicable. Fund returns are calculated net of management fees and inclusive of franking credits.

Management Insights

May saw an important development in the Australian hybrid market, with the first insurance Additional Tier 1 (AT1) issues following APRA's December 2024 decision to phase out bank AT1 hybrids from the prudential framework. While APRA's decision applies to banks rather than insurers, we think it has nevertheless influenced investor behaviour. A market that has historically relied on listed bank hybrids for floating-rate income, franking credits and daily liquidity is now, in our opinion, beginning to search for replacement securities.

The Suncorp and QBE transactions are significant as early evidence of how the market may evolve as bank hybrid supply disappears. During the month, Suncorp issued \$200 million of wholesale Additional Tier 1 capital notes at 90-day Bank Bill Swap Rate (BBSW) + 2.35%, while QBE issued \$500 million of wholesale AUD Tier 1 capital at 180-day BBSW + 2.50%, with a semi-annual coupon structure. The QBE issue is noteworthy. It is the first time QBE has issued Tier 1 capital in the AUD market, having previously accessed this form of capital offshore, primarily in USD. We view this as a welcome development for domestic wholesale investors and believe it provides a broader opportunity set as the listed bank hybrid market moves into decline.

We regard the QBE issue as especially attractive. In our opinion, the spread offers generous compensation for the risk, while the wholesale format may offer improved liquidity than the traditional ASX-listed hybrid market. The structure also includes franking credits, which are valuable to domestic investors able to utilise them. There are signs that some offshore investors who participated in the QBE transaction have been early sellers, potentially after reassessing those franking credits. We think this has helped create an attractive secondary-market opportunity for domestic buyers, particularly relative to the expensive and less liquid listed hybrid universe.

The macroeconomic environment remains relevant for fixed income markets. In our view, the RBA will have a difficult time justifying a further rate rise in mid-June given the rise in unemployment reported in May and the lower outcome for trimmed mean inflation. While price pressures remain visible in oil, diesel, petrol and logistics, the ABS appears to be treating much of those increases as temporary, meaning they are less fully reflected in underlying inflation measures. Since the RBA emphasises the trimmed mean, we believe the latest inflation data should dampen the pressure to raise rates further in June.

For credit investors, we think this combination of factors remains supportive. Floating-rate instruments continue to provide attractive running income, while a less aggressive RBA outlook reduces the risk of a disruptive tightening cycle. At the same time, dispersion between listed and wholesale capital instruments is creating useful relative-value opportunities, which really suits our style of active portfolio management.

During May, we continued to reduce our exposure to listed bank hybrids, with proceeds redeployed into the new unlisted issues. We expect liquidity in listed hybrids to decline gradually as the APRA transition progresses. Over time, we believe the core investor base is likely to sort itself between holders prepared to remain invested to call and those seeking to exit the sector altogether. In our opinion, that process should increasingly affect secondary-market depth and pricing.

Against this backdrop, as banks issue more subordinated debt, growing supply should, in our view, support better pricing relative to underlying demand. We expect the subordinated bond market to expand significantly over the next five years, driven by the replacement issuance cycle and continued balance sheet growth across the banking sector.

²The performance table above represents The Financial Income Fund Strategy ("Strategy"). The Strategy commenced in September 2015 and has been continuously operated with identical investment parameters and processes by its portfolio manager, Nicholas Chaplin. The Strategy began in 2015 as the Paraclete Investment Fund until June 2022. The Financial Income Fund commenced in June 2022 operating under Evolution Trustees Limited as trustee. Investment management services were novated to Seed Funds Management Pty Ltd in March 2024. Since inception returns are calculated from 23 September 2015 for the unquoted class of units (Financial Income Fund). The quoted class (ASX:SFIF) launched on 13 October 2025. Seed Funds Management Pty Ltd receives a management fee for managing the Fund. Performance figures for the Strategy have been reviewed in accordance with ASRS 4400 "Agreed-Upon Procedures Engagements" by Hall Chadwick Corporate (NSW) Limited up to June 2025. ⁴The RBA Cash Rate is provided for illustrative purposes only and is not a direct benchmark.

FINANCIAL INCOME FUND – MAY 2026 MONTHLY REPORT

Fund Dashboard

31 May 2026

6.47%

Running Yield*

A

Weighted Average
Portfolio Issuer Rating

BBB+

Weighted Average
Portfolio Security Rating

100%

Portfolio Floating Rate

0.16 Years

Weighted Average
Interest Rate Duration[^]

3.8 Years

Weighted Average
Credit Duration[^]

4.6 Years

Weighted Average
Term to Call

44

Number of Holdings

\$502 million

Current FUM

Source: Seed Funds Management.
As at 31 May 2026.

*Running yield is an estimate of underlying portfolio gross yield before active management as at 31 May 2026 and is not a forecast of future distributions.

[^]Maximum duration of 1.

Portfolio Features

Hybrids, Subordinated bonds, and Senior bonds;

Issued by Australian banks, Insurers & non-bank financials;

Currently 44 positions;

Top 5 Holdings

QBE Additional Tier 1 Securities Jun 2033 Call

Macq Bank Sub Notes Aug 2036

Macq Bank Sub Notes Feb 2035

IAG Sub Notes June 2038

QBE Sub Notes Nov 2036

Fund Features

Daily Pricing & Liquidity

Monthly Distributions

Management Fees: 0.55%

Other Costs: 0.15% (max)

Performance Fee: zero

Fund Classes

Retail PDS

APIR: EVO3184AU

Wholesale IM

ASX Active ETF

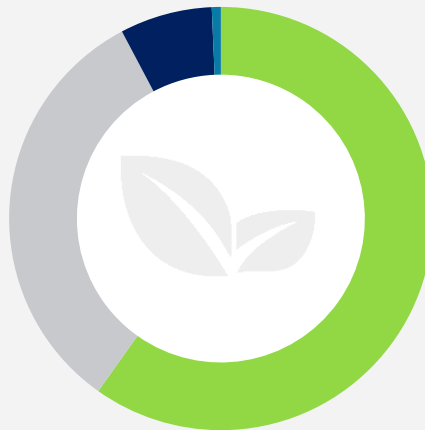
APIR: EVO4781AU

(ASX: SFIF)

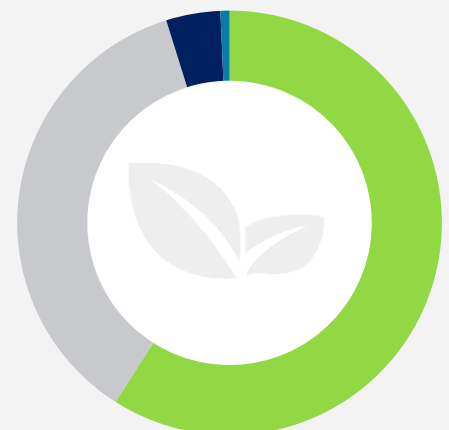
Portfolio Holdings

(as at 31 May 2026)

Asset Allocation



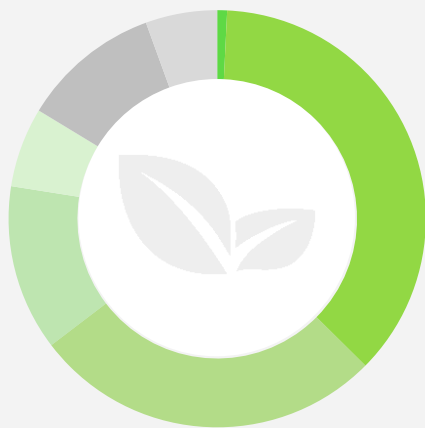
Sector Allocation



■ Tier 2 – 59.83% ■ Tier 1 – 32.43%
■ Senior – 7.05% ■ Cash – 0.69%

■ Bank – 59.01% ■ Insurance – 36.16%
■ Non-bank – 4.13% ■ Cash – 0.69%

Issuer Credit Rating Allocation²



A+ Portfolio Issuer Credit Rating^{1,2}

■ AAA (0.76%)
■ AA- (36.67%)
■ A+ (27.20%)
■ A (12.87%)
■ A- (6.18%)
■ BBB+ (10.77%)
■ BBB (5.55%)

83.68% rated A- or above

1. Portfolio Weighted Average
2. Figures to Q1 2026

Platform Availability



The Product Disclosure Statement (PDS), Target Market Determination (TMD) and Reference Guide for the fund, along with our continuously updated unit price, are available on our website [here](#).

General Disclosures

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