

## MONTHLY UPDATE

**Fund Objective:** The Artesian Corporate Bond Fund (Fund) will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate corporate bonds. The Fund aims to provide returns above the RBA cash rate +2.75% throughout all interest rate cycles. Note the target return is not a forecast. It is merely an indication of what the Fund aims to achieve over the medium term on the assumption that credit markets remain relatively stable throughout the investment timeframe. The Fund may not be successful in meeting the target return. Returns are not guaranteed.

A S AT 31 <sup>ST</sup> AUG 22	FUND PERFORMANCE - CLASS B UNITS								
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
GROSS FUND RETURN	0.45%	0.45%	-1.24%	-1.87%	0.93%	1.49%	2.35%	2.74%	3.52%
NET FUND RETURN	0.38%	0.26%	-1.61%	-2.60%	0.17%	0.73%	1.59%	1.97%	2.74%
RBA CASH RATE	0.15%	0.32%	0.36%	0.41%	0.27%	0.36%	0.62%	0.79%	0.86%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.23%	-0.06%	-1.98%	-3.02%	-0.10%	0.37%	0.97%	1.18%	1.88%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are 0.36%, 0.32%, -1.57%, -2.61%, 0.12%, 0.65%, 1.50%, 1.88% & 2.64% respectively. Past performance should not be taken as an indicator of future performance. Net of fees performance is based on end of month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross performance is the net return with fees and expenses added back.

A S AT 31 <sup>ST</sup> AUG 22	OTHER BENCHMARK COMPARISONS								
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
BLOOMBERG AUSBOND CREDIT FRN 0+ YR Index	0.35%	0.64%	0.22%	0.09%	0.55%	0.97%	1.47%	1.69%	1.88%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.57%	-0.06%	-1.72%	-2.78%	-1.08%	-0.22%	0.73%	1.03%	1.15%

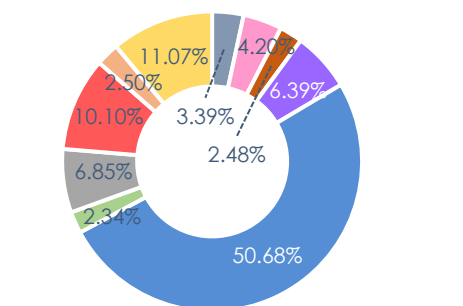
## PORTFOLIO UPDATE

A solid month of performance for the Fund in August, with Class B net returns of 0.38%. Interest rates reversed their July rally and 3yr yields finished the month 45bps higher at 3.28%. The Bloomberg AusBond Composite 0+ Yr Index finished August -2.54%. Considering the strong rally in interest rates in July, in early August we took profit and shortened the Fund's interest rate duration which aided this month's returns. The Fund had its highest trading volume month for the year, as we executed several primary and secondary market relative value opportunities.

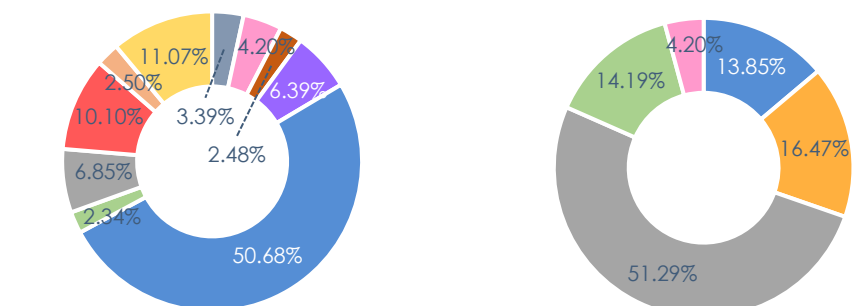
After a very tough 12 months for fixed income, the asset class seems to be back in vogue with investors. Global new fund flows have stimulated market activity and locally supported credit spreads. The AUD credit market outperformed its international peers in August, which led to capital gains in 85% of issuers in the Fund. The strongest monthly performance came from the Fund's positions in ANZ (subordinated and senior), Optus, NAB (subordinated and senior) and Woolworths. Underperformance was attributed to some of the Fund's foreign bank exposures, such as BNP Paribas, HSBC and Standard Chartered.

## PORTFOLIO BREAKDOWN

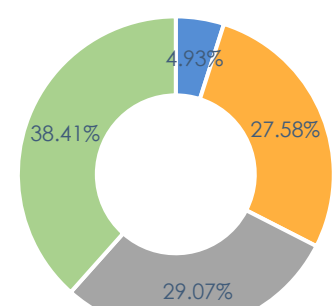
## SECTOR BREAKDOWN



## REGION &amp; PRODUCT



## CREDIT RATING



- Automotive
- Consumer Discretionary
- Financial
- Real Estate
- Transportation & Logistics
- Cash
- Consumer Staples
- Machinery
- TMT
- Utilities

- Australian AUD FRNs
- International AUD FRNs
- Australian AUD Fixed Rate
- International AUD Fixed Rate
- Cash

- AAA
- AA
- A
- BBB

## CREDIT SPREADS

AUD credit spreads have been lagging the recent rally we had seen in overseas markets. In August, the backdrop of falling equities and higher interest rates didn't deter credit investors and the ensuing rally was impressive. Whilst low beta credit spreads were only marginally tighter, high beta credit spreads such as tier-two subordinated bank debt, rallied significantly. This was also observable in the new issue market. In early August, ANZ issued a 5yr call date subordinated bond, which rallied 43bps into month end. Fixed rate bonds continue to outperform floating rate notes (FRNs) due to their higher yields. Although, with front end interest rates continuing to push higher on RBA rate rise expectations, we would expect some of that outperformance to mean revert over time. Continued strength in 3-month BBSW, which increased 34bps to 2.46%, supports this theory.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	1.08%	-0.03%
ITRAXX EUROPE 5YR	1.20%	0.19%
ITRAXX EUROPE XOVER 5YR	5.88%	0.79%
CDX US IG 5YR	0.92%	0.12%
CDX US HY 5YR	5.33%	0.62%

## FUND METRICS

With the increase in interest rates over the month, we were pleased with the Fund's running yield increasing by 55bps, combined with a positive return. The Fund's credit duration increased slightly as some of the Fund's cash was put to work in the new issue market. Considering the bid for corporate bonds in the primary and secondary market, this was another positive tailwind to this month's returns. The Fund's focus remains on 3yr to 5yr maturity corporate bonds, where we view outright yields as very attractive. This part of the curve is also quite liquid which is another positive for accruing positions in and round these tenors. Maintaining an average single A rating for the Fund, remains a focus as we favour credit quality and liquidity.

AS AT 31 <sup>ST</sup> AUG 22	FUND	CHG ON MTH
INTEREST RATE DURATION	0.54	-0.11
CREDIT DURATION	3.22	0.15
YIELD TO MATURITY	4.65%	0.55%
YIELD TO WORST	4.67%	0.54%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

\*Using the Morningstar methodology for Average Credit Quality

## NEW ISSUES

August was the largest volume month of the year, we recorded 14 new bonds issued from 9 unique issuers for a total volume of AUD 12.8b. The new issue market continues to be dominated by financials, both domestic and international. ANZ issued a fixed and floating rate subordinated bond, with the fixed rate tranche rallying a very impressive 43bps.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
ANZ BANKING GROUP	General corp purpose	03-Aug-22	1,450	Fixed	12-Aug-32	3.05%	2.62%	-0.43%
ANZ BANKING GROUP	General corp purpose	03-Aug-22	300	Floating	12-Aug-32	2.70%	2.45%	-0.25%
NATWEST MARKETS	General corp purpose	04-Aug-22	600	Fixed	12-Aug-25	2.13%	1.82%	-0.31%

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