

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 28 <sup>TH</sup> FEB 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	-0.25%	-0.11%	-0.63%	0.57%	1.91%	3.00%	3.02%	3.83%	4.13%
NET FUND RETURN	-0.31%	-0.29%	-1.00%	-0.18%	1.15%	2.23%	2.26%	3.05%	3.35%
RBA CASH RATE	0.01%	0.02%	0.05%	0.10%	0.16%	0.45%	0.71%	0.87%	0.88%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.32%	-0.32%	-1.05%	-0.28%	0.99%	1.78%	1.54%	2.18%	2.47%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are -0.32%, -0.32%, -1.06%, -0.29%, 1.04%, 2.12%, 2.13%, 2.93% & 3.22% 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.

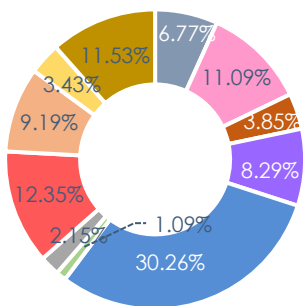
A S AT 28 <sup>TH</sup> FEB 22	OTHER BENCHMARK COMPARISONS								
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
BLOOMBERG AUSBOND CREDIT FRN 0+ YR Index	-0.01%	0.04%	-0.13%	0.26%	0.92%	1.43%	1.72%	1.99%	2.02%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.21%	-0.41%	-1.08%	-0.82%	0.19%	1.09%	1.46%	1.60%	1.61%

PORTFOLIO UPDATE

Russia invaded Ukraine. Those three words upended the geopolitical framework set since the end of WW2. For the first time a European nuclear power invades a neighbouring country and a "hot" war ensued. Most of the world's reaction was one of shock and disgust, despite the preparation for war being clear and Putin's grievances being longstanding. Leaving aside for a moment the distressing actions and consequences on the ground in Ukraine, world markets seem to accept that everything had changed – but everything somehow remained the same. This was due to the countervailing forces at work. Inflation and energy prices led by oil, would surely go up leading to aggressive rate rises; and on the other side a flight to safer assets like government bonds and gold would cause a rally in bonds. So in the end the two rational responses have resulted in interest rates markets trading in a tight range since the invasion began. The war has given everyone a reason to pause, including central banks. Perhaps now there will be a reticence to raise interest rates too aggressively in such uncertain times. Caution is required when faced with a Russian leader who could react in an even more irrational way if cornered. As managers we have also been cautious in trading and positioning of the Fund. We have been shortening our exposure to longer dated corporate bonds and concentrating in the less volatile 5yr part of the curve. This has served us well in this environment. We are well positioned to invest in new issues when the primary market reopens. New issues will come cheaper and with a greater new issue premium than before; this will be a positive for the fund going forward.

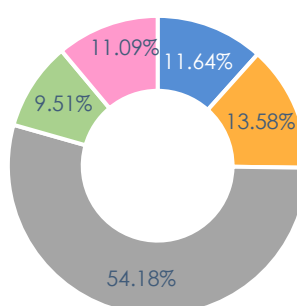
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



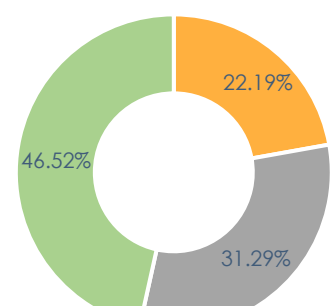
- Automotive
- Consumer Discretionary
- Financial
- Machinery
- TMT
- Utilities
- Cash
- Consumer Staples
- Insurance
- Real Estate
- Transportation & Logistics

REGION & PRODUCT



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

CREDIT RATING



- AAA
- AA
- A
- BBB

## CREDIT SPREADS

Credit spreads were wider across the globe in February, although the move wider was in an orderly fashion. As expected, European issuers are underperforming versus the US and Australia. Sector wise, European banks, retail and autos are leading the move wider. Utilities and commodity related issuers have outperformed. Fortuitously, Australian corporates have little exposure to Russia and Ukraine compared with mainland Europe. This has been quite evident in equity markets, with the ASX considerably outperforming European and US indices. With Australian corporates moving wider with the general market led by Europe, we are starting to see some relative value opportunities in the domestic market.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.92%	0.17%
ITRAXX EUROPE 5YR	0.71%	0.12%
ITRAXX EUROPE XOVER 5YR	3.45%	0.59%
CDX US IG 5YR	0.68%	0.08%
CDX US HY 5YR	3.65%	0.26%

## FUND METRICS

The Fund marginally increased its interest rate duration and reduced its credit duration in February, resulting in a more cautious posture. We also increased the Fund's cash position from 5.11% to 11.09%. The increased cash position was funded by the selling down of corporate bonds in the financial sector. With the global banking system being so interlinked, the fallout from the crisis in Ukraine and the pending Russian default, will clearly put pressure on the global banking system. Hence a reduction in exposure to the sector was prudent. Whilst a larger allocation to cash resulted in selling corporate bonds, the Fund's running yield remains at 2.45% for an average A\* rated portfolio.

AS AT 28 <sup>TH</sup> FEB 22	FEB '22	CHG ON MTH
INTEREST RATE DURATION	0.69	0.21
CREDIT DURATION	3.64	-0.29
YIELD TO MATURITY	2.45%	-0.01%
YIELD TO WORST	2.57%	0.24%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

\*Using the Morningstar methodology for Average Credit Quality

## NEW ISSUES

New issues in February were again dominated by financials, issuing AUD 7.025b from 6 unique issuers. NAB was the third major bank of the year to come back to the AUD market after deals from CBA and Westpac in January. NAB issued AUD 4b across four tranches which was very well received by the market and the fixed rate bonds did especially well in the secondary market.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
NATIONAL AUSTRALIA BANK	General corp purpose	16-Feb-22	500	Fixed	25-Feb-25	0.70%	0.69%	-0.01%
NATIONAL AUSTRALIA BANK	General corp purpose	16-Feb-22	1,250	Fixed	25-Feb-27	1.25%	1.23%	-0.02%
BNP PARIBAS	General corp purpose	17-Feb-22	250	Fixed	24-Feb-28	2.03%	2.00%	-0.03%

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