

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.

AS AT 31 ST JAN 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.)	Since Inception (p.a.)
GROSS FUND RETURN	-0.02%	0.10%	-0.30%	0.72%	2.17%	3.28%	3.17%	4.25%
NET FUND RETURN	-0.08%	-0.08%	-0.67%	-0.03%	1.40%	2.51%	2.40%	3.47%
RBA CASH RATE	0.01%	0.03%	0.05%	0.10%	0.18%	0.49%	0.74%	0.89%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.09%	-0.11%	-0.72%	-0.13%	1.22%	2.02%	1.66%	2.58%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are -0.10%, -0.12%, -0.74%, -0.15%, 1.29%, 2.40%, 2.28% & 3.35% 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.

AS AT 31 ST JAN 22	OTHER BENCHMARK COMPARISONS							
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	Since Inception (p.a.)
BLOOMBERG AUSBOND CREDIT FRN 0+ YR Index	0.01%	0.03%	-0.07%	0.25%	0.96%	1.58%	1.76%	2.05%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.24%	0.16%	-0.83%	-0.66%	0.40%	1.28%	1.56%	1.68%

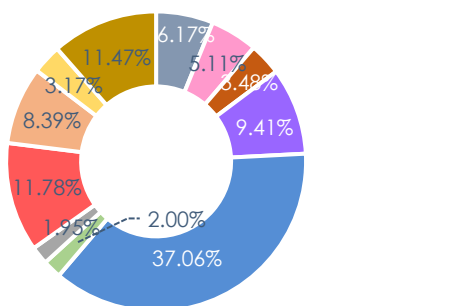
PORTFOLIO UPDATE

The new year risk on trade ended rather abruptly mid-month, as equities around the globe face continued headwinds from hawkish central banks (excluding the RBA), Omnicron, geopolitical risks and inflationary pressures. However, credit markets were comparatively sanguine and traded in an orderly fashion throughout January. The AUD corporate bond market had significant new supply and demand in equal measure, as domestic and offshore financials issued AUD 11.4b. This is the 5th largest ever monthly volume according to our records, which is quite impressive considering the softer market backdrop. Considering the improving fundamentals and technicals, we are still quite constructive on investment grade credit spreads. We especially like fixed rate bonds (interest rate hedged) because of the significant pick up in running yield due to steeper yield curves.

It was a very active month for the Fund, trading much more volume than usual for this time of year. Whilst that active management led to profits for the Fund, there were mixed results for the credit spreads of the existing portfolio. With that said, considering the monthly net return of -0.08%, the moves in spreads were mild. Outperformance was dominated by new issuance, namely CBA's and Westpac's 5yr fixed rate bonds, yielding an impressive 2.4% for a AA- rated senior bond. The main underperformers in January were the Fund's positions in the Bank of Queensland and Banco Santander.

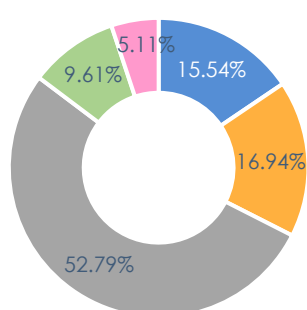
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



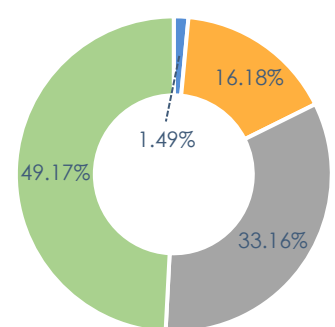
- Automotive
- Consumer Discretionary
- Financial
- Machinery
- TMT
- Utilities
- Cash
- Consumer Staples
- Insurance
- Real Estate
- Transportation & Logistics

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

Considering the elevated levels of senior financial issuance in January, spreads hung in quite well and most of the new deals rallied in the secondary market. Whilst senior spreads were solid, subordinated bank spreads underperformed and were ~10 wider on the month. Non-financial corporates were non-existent in primary and fairly quiet in secondary, which should be technically positive for spreads. We will now need to wait until the corporate earnings season is behind us before we see non-financials returning to the primary market. Non-financial credit curves were reasonably stable MoM, whereas financials' credit curves continue to steepen, with the long end still underperforming.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.75%	0.11%
ITRAXX EUROPE 5YR	0.59%	0.11%
ITRAXX EUROPE XOVER 5YR	2.86%	0.44%
CDX US IG 5YR	0.60%	0.11%
CDX US HY 5YR	3.39%	0.46%

FUND METRICS

The Fund's interest rate duration continues to edge lower, whilst the credit duration positioning sits just below the mandated target of 4yrs. Interest rates were 10bps to 14bps higher across the curve in January, which in addition to adding more fixed rate bonds to the Fund (interest rate hedged), aided the 25bps additional running yield. The Fund's cash position reduced from 13.52% in December to 5.11% in January, as relative value opportunities were aplenty in the new issue market. Liquidity in the AUD corporate bond market has been improving post the holiday season, with Australia Day and Chinese New Year now behind us we expect volumes to increase.

AS AT 31 ST JAN 22	JAN '22	CHG ON MTH
INTEREST RATE DURATION	0.48	-0.11
CREDIT DURATION	3.93	0.02
YIELD TO MATURITY	2.46%	0.25%
YIELD TO WORST	2.33%	0.25%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

A bumper January for new issuance, with AUD 11.4b issued from 7 unique financial issuers. CBA were the first to come to the market with a jumbo AUD 4b deal, split 3.1b floating and 900m fixed. Their fixed rate bond was the best performer in January rallying an impressive 16bps into month end.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
COMMONWEALTH BANK OF AUSTRALIA	General corp purpose	11-Jan-22	900	Fixed	14-Jan-27	1.17%	1.01%	-0.16%
SUMITOMO MITSUI BANKING CORPORATION	General corp purpose	12-Jan-22	900	Float	20-Jan-27	0.78%	0.74%	-0.04%
WESTPAC BANKING CORPORATION	General corp purpose	18-Jan-22	850	Fixed	25-Jan-27	1.14%	1.05%	-0.09%

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