

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 ST MAY 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	-0.21%	-1.68%	-1.79%	-1.73%	2.10%	1.83%	2.49%	3.05%	3.60%
NET FUND RETURN	-0.27%	-1.87%	-2.16%	-2.47%	1.33%	1.07%	1.72%	2.28%	2.82%
RBA CASH RATE	0.03%	0.04%	0.07%	0.12%	0.14%	0.34%	0.63%	0.80%	0.83%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.30%	-1.91%	-2.23%	-2.59%	1.19%	0.72%	1.09%	1.47%	1.99%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are -0.28%, -1.88%, -2.19%, -2.56%, 1.24%, 0.96%, 1.61%, 2.16% & 2.70% 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 ST MAY 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	-0.08%	-0.41%	-0.37%	-0.31%	0.61%	0.98%	1.50%	1.74%	1.84%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.03%	-1.66%	-2.06%	-2.61%	-0.89%	0.11%	0.92%	1.07%	1.21%

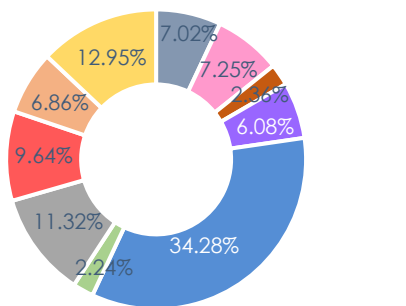
PORTFOLIO UPDATE

In May credit and interest rate markets in Australia were much calmer than the volatility we experienced in March and April. The two most volatile trading periods recently have both coincided with the RBA's cash rate increases, which on both occasions caught the market off guard. The RBA's forward guidance has been inconsistent with their actions, which isn't helping market sentiment. In saying that, the heavy lifting has begun on the cash rate. This a positive development, as unlike the market, the RBA are well and truly behind the curve.

On a positive note, the new issue market seems to be normalising and new deals have performed well. This is an important sign for those who are sitting on cash and considering when to re-enter the market. Outright yields are at very attractive levels. As an example, Macquarie Bank issued a 10yr (5yr call date) subordinated fixed rate bond in May with a 6.082% yield. As has been the case for some time now, we continue to sell longer dated bonds and buy 3yr to 4yr fixed rate bonds which offer a pick up in risk/reward, liquidity and credit quality.

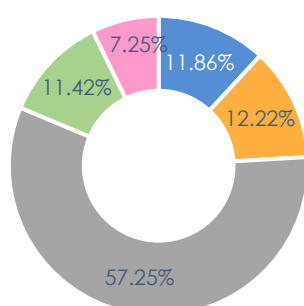
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



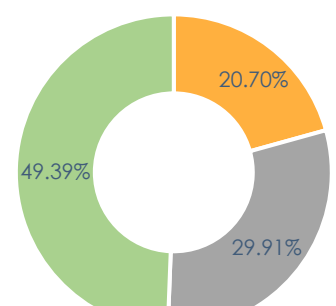
- Automotive
- Consumer Discretionary
- Financial
- Real Estate
- Transportation & Logistics
- Cash
- Consumer Staples
- Machinery
- TMT
- Utilities

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 5bps to 10bps wider across the curve in May. AUD credit spreads underperformed USD credit spreads as the latter rallied into month end. A key thematic for the Fund over the past 12 months has been selling floating rate notes (FRNs) and buying interest rate hedged fixed rate bonds. Using major bank's credit spreads as a reference point; 5yr FRN's are 45bps to 50bps wider YTD, whereas fixed rate bonds are 30bps to 35bps wider. The much higher outright yields on offer with fixed rate bonds has been the main driver of their outperformance. Whilst new issues have performed better in May than previous months, their cheaper pricing is putting pressure on spreads in the secondary market. The next key element to signify an improving market, is for new issues to not only perform well but also have a positive, not negative effect on secondary market spreads.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.95%	0.00%
ITRAXX EUROPE 5YR	0.88%	-0.03%
ITRAXX EUROPE XOVER 5YR	4.37%	0.10%
CDX US IG 5YR	0.80%	-0.04%
CDX US HY 5YR	4.61%	0.00%

FUND METRICS

Whilst most of the Fund's metrics remain reasonably static on the month, it was a very busy month for trading activity in the primary and secondary market. The new issue market was very active throughout May, the Fund participated in 7 new deals all of which contributed positive returns at attractive levels. The Fund's running yield continues to climb as we roll into new fixed rate bonds at higher running yields. In volatile times like these, remaining nimble and active will be fundamental to adding alpha on a consistent basis. The interest rate duration of the Fund was unchanged in May, yet in saying that we believe we are approaching levels that make sense for a modest increase in positioning. Conscious of the effect of rising interest rates on overly leveraged corporates, we will aim to maintain an average A rated portfolio.

AS AT 31 ST MAY 22	FUND	CHG ON MTH
INTEREST RATE DURATION	0.52	-0.04
CREDIT DURATION	3.66	0.22
YIELD TO MATURITY	4.14%	0.32%
YIELD TO WORST	4.13%	0.34%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

In May there was a noticeable pick up in issuance, we recorded 18 new issues from 9 unique issuers for a total volume of AUD 12.865b. All the major banks issued bonds, excluding CBA who issued in April. However, it was the non-financial sector that outperformed, with Air New Zealand and Vicinity Centres (green bond) the month's best performers.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
AIR NEW ZEALAND	General corp purpose	18-May-22	300	Fixed	25-May-29	2.74%	2.69%	-0.05%
AIR NEW ZEALAND	General corp purpose	18-May-22	250	Fixed	25-May-26	3.10%	3.03%	-0.07%
VICINITY CENTRES	Green Bond	26-May-22	300	Fixed	02-Jun-28	1.68%	1.66%	-0.02%

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CONTACTS:

Matthew Clunies-Ross
David Gallagher

0400 508 680
0412 972 070

matthew@artesianinvest.com
david@artesianinvest.com