

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 30 TH SEPT 21	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	0.05%	0.35%	1.28%	3.64%	3.09%	3.73%	3.84%	4.67%
NET FUND RETURN	-0.01%	0.16%	0.90%	2.87%	2.32%	2.96%	3.06%	3.88%
RBA CASH RATE	0.01%	0.03%	0.05%	0.11%	0.29%	0.65%	0.86%	0.95%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.02%	0.14%	0.85%	2.76%	2.03%	2.31%	2.20%	2.93%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are -0.02%, 0.13%, 0.83%, 2.76%, 2.21%, 2.84%, 2.94% & 3.76% 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 30 TH SEPT 21	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	-0.06%	0.10%	0.32%	0.93%	1.32%	1.84%	2.02%	2.22%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.07%	0.05%	0.19%	0.40%	1.05%	1.87%	1.96%	1.98%

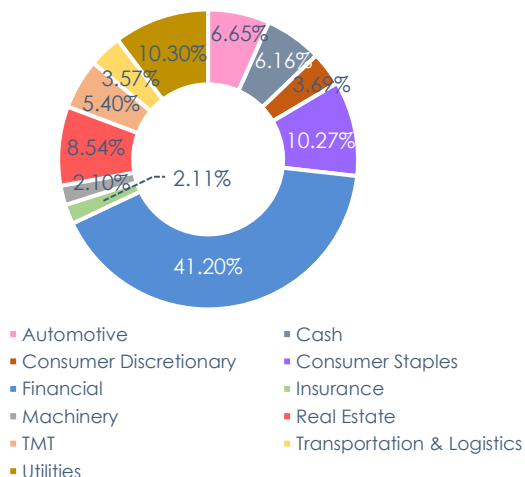
PORTFOLIO UPDATE

Like what we experienced in February this year before the Delta outbreak, investors are now looking through Covid to a more optimistic future. Interest rates marched higher in September, which took the froth out of the equity markets. Not a great month for investors who hedge their equity portfolios with long duration bond funds. The ASX finished the month down -2.69% along with the Bloomberg AusBond Composite 0+ Yr Index also in negative territory at -1.51%. Whilst not a great month for the Fund in terms of absolute performance, it was quite a good month in terms of relative performance due to the Fund's comparatively low exposure to interest rates.

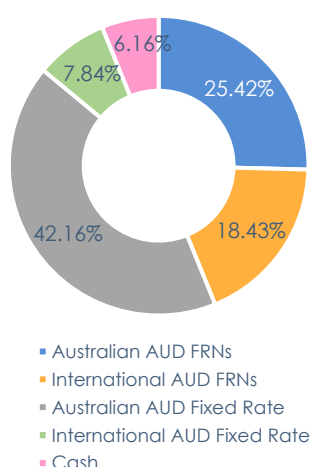
The Fund was active throughout the month, capturing alpha in the primary and secondary markets which offset the negative drag from the Fund's interest rate exposure. Underperformance in September came from the Fund's positions in Coles, Volkswagen and Barclays. Outperformance was from the Fund's positions in Transurban, Toyota and Lendlease. New issue volumes were robust, as all non-financial bonds issued in September finished the month tighter. It was very encouraging to see more labelled bond issuance with Woolworths issuing a two-tranche sustainability linked bond, which received AUD +3b of orders for an AUD 700m deal.

PORTFOLIO BREAKDOWN

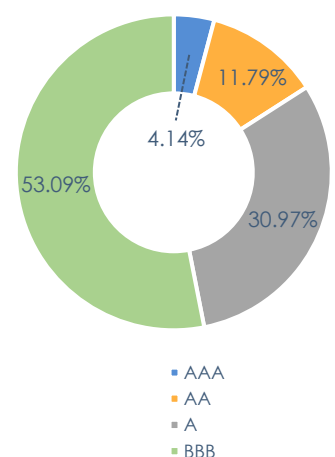
SECTOR BREAKDOWN



REGION & PRODUCT



CREDIT RATING



CREDIT SPREADS

Credit spreads were mixed in September, non-financials outperformed financials which was the opposite in August. In particular, shorter dated non-financials outperformed longer dated non-financials which is contributing to steeper credit curves. Major bank senior spreads have begun to soften, as the technical tailwinds provided by the Term Funding Facility and the Committed Liquidity Facility unwind, we expect to see a gradual widening in their spreads. Away from the major banks, credit spreads seem well supported, as the supply and demand imbalance continues to provide a bid to the AUD corporate bond market.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.67%	0.08%
ITRAXX EUROPE 5YR	0.50%	0.05%
ITRAXX EUROPE XOVER 5YR	2.53%	0.25%
CDX US IG 5YR	0.53%	0.07%
CDX US HY 5YR	3.02%	0.26%

FUND METRICS

It was all about the move in yields throughout September, Australian 10yr yields spiked 24bps to finish the month at 1.52%. The Fund entered September with an interest rate duration of 0.35yrs, which is well below the mandated target of 1yr. Considering the significant move in yields across the curve, we used this as an opportunity to marginally add to the Fund's existing position. Considering the steepening in credit curves, we also took profit on some longer dated corporate bonds which led to a reduction in the Fund's credit duration. The increase in yields was a key contributor to the increase in the Fund's yield to maturity of 18bps to 1.67%.

AS AT 30 TH SEPT 21	SEPT '21	CHG ON MTH
INTEREST RATE DURATION	0.67	0.32
CREDIT DURATION	4.00	-0.37
YIELD TO MATURITY	1.67%	0.18%
YIELD TO WORST	1.47%	0.09%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

A solid month of new issues with total volume for the month being AUD 5.8b, split 50%/50% financial versus non-financials. Labelled bond issuance was also noteworthy as CBA issued a 5yr green bond and Woolworths issued a 6yr and 10yr sustainability linked bond. Non-financials led the outperformance in the secondary market as can be seen in the table below.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
TOYOTA	02-Sep-21	275	Fixed	09-Sep-24		0.58%	0.46%	-0.12%
ELECTRANET	08-Sep-21	350	Fixed	15-Dec-28		1.19%	1.07%	-0.12%
QANTAS AIRWAYS	16-Sep-21	500	Fixed	27-Sep-28		1.92%	1.83%	-0.09%

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CONTACTS:

Matthew Clunies-Ross
David Gallagher

0400 508 680
0412 972 070

matthew@artesianinvest.com
david@artesianinvest.com