

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 OCT 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	-0.54%	-0.40%	0.39%	2.23%	2.69%	3.42%	3.52%	4.46%
NET FUND RETURN	-0.60%	-0.59%	0.01%	1.47%	1.93%	2.65%	2.75%	3.68%
RBA CASH RATE	0.01%	0.03%	0.05%	0.10%	0.27%	0.61%	0.83%	0.93%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.61%	-0.61%	-0.04%	1.37%	1.66%	2.04%	1.92%	2.75%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are -0.60%, -0.62%, -0.05%, 1.37%, 1.82%, 2.53%, 2.63% & 3.56% 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 OCT 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	-0.10%	-0.10%	0.16%	0.52%	1.21%	1.73%	1.92%	2.16%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.96%	-0.99%	-0.83%	-0.66%	0.58%	1.45%	1.62%	1.73%

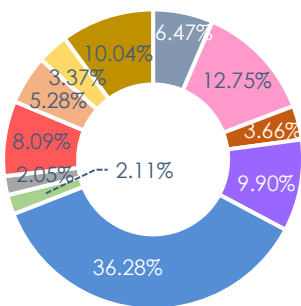
PORTFOLIO UPDATE

Mind the gap! It felt like that was the motto for October 2021, as 3yr yields gapped from 0.50% to 1.40%. Extreme volatility in the front end of the yield curve severely tested the liquidity of the government bond market. To give that some context, as we closed out October, interest rates futures were predicting 6 (!) RBA 0.25% rate increases by the end of 2022. The RBA stood back and didn't intervene through their yield curve control, as the market took the view that interest rates will rise materially before 2024 (the date the RBA had signalled they would start raising interest rates). At the November 2nd RBA Board Meeting, the RBA confirmed they have now formally discontinued their yield curve control. They have also softened their language, from "no rate hikes until 2024", to "it's possible that an earlier move will be appropriate".

October produced another month of positive correlation between equities and long interest rate duration bonds, the ASX slid -0.11% and the Bloomberg AusBond Composite 0+ Yr Index was down a whopping -3.55%. Whilst the Fund did produce a negative return of -0.60%, the Fund's running yield rose by 0.62%. Even though the Fund's interest rate duration is below the mandate target of 1 year, interest rate volatility was the main cause of underperformance in October. The Fund's interest rate hedged fixed rate bond positions offset some of the drag, significant outperformance came from the Fund's Volkswagen, Coles and Transurban positions.

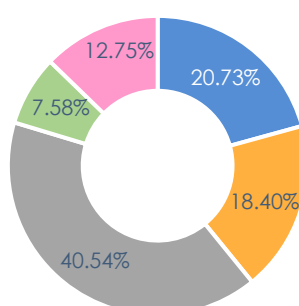
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



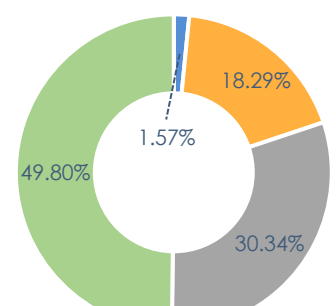
- Automotive
- Consumer Discretionary
- Financial
- Machinery
- TMT
- Utilities
- Cash
- Consumer Staples
- Insurance
- Real Estate
- Transportation & Logistics

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 relatively stable and took a backseat to the sell-off in interest rate markets. Australian major bank senior spreads continue to underperform as expected. We continue to prefer fixed rate bonds over floating rate notes due to the significant pick up in outright yields, aided by the spike higher in October.

Whilst credit curves have steepened recently as investors bought <5yr maturity bonds and sold >5yr maturity bonds, we expect the increase in outright yields in 5yr to 10yr corporate bonds to tempt buyers back into this segment of the market.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.65%	-0.01%
ITRAXX EUROPE 5YR	0.51%	0.01%
ITRAXX EUROPE XOVER 5YR	2.62%	0.08%
CDX US IG 5YR	0.52%	-0.01%
CDX US HY 5YR	3.04%	0.03%

FUND METRICS

Considering the uncertainty and volatility in the market throughout October, the Fund's credit duration was shortened as profits were taken. Although the credit duration was shortened, the Fund's running yield jumped 62bps to 2.09%. Due to the spike in volatility and uncertainty throughout the month, the Fund's cash position was increased to 12.75%. Although most new deals issued throughout October actually widened in the secondary market post issuance, once interest rate volatility subsides, we expect to see strong performance from new issues at very attractive outright yields.

AS AT 31 ST OCT 21	OCT '21	CHG ON MTH
INTEREST RATE DURATION	0.73	0.06
CREDIT DURATION	3.66	-0.34
YIELD TO MATURITY	2.22%	0.55%
YIELD TO WORST	2.09%	0.62%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

Issuance volumes were down in October as interest rate volatility kept issuers on the sidelines. We recorded AUD 2.765b in issuance from 8 unique issuers. Labelled bond issuance from the REIT sector was notable with 3 new deals all highlighted below.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
INVESTA COMMERCIAL PROPERTY FUND	Green	01-Oct-21	140	Fixed	11-Oct-30	1.22%	1.32%	0.10%
GPT WHOLESALE OFFICE FUND NO. 1	Green	26-Oct-21	250	Fixed	05-Nov-31	1.39%	1.41%	0.02%
AUSTRALIAN PRIME PROPERTY FUND	Sustainability linked	29-Oct-21	250	Fixed	11-Nov-31	1.57%	1.56%	-0.01%

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