

## 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 30 <sup>TH</sup> APR 24	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	0.32%	1.80%	4.91%	8.11%	6.12%	3.61%	4.40%	3.69%	4.37%
NET FUND RETURN	0.26%	1.61%	4.52%	7.31%	5.33%	2.84%	3.62%	2.91%	3.59%
RBA CASH RATE	0.35%	1.05%	2.14%	4.20%	3.27%	2.20%	1.69%	1.52%	1.52%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.09%	0.56%	2.38%	3.11%	2.06%	0.63%	1.93%	1.39%	2.07%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are 0.26%, 1.59%, 4.47%, 7.17%, 5.26%, 2.75%, 3.54%, 2.82% & 3.48% 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 30 <sup>TH</sup> APR 24	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	0.48%	1.52%	2.95%	5.46%	4.34%	2.82%	2.56%	2.36%	2.56%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.23%	0.37%	2.58%	2.60%	2.44%	0.77%	0.79%	1.12%	1.57%

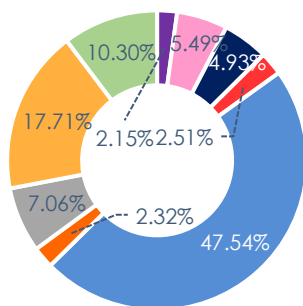
## PORTFOLIO UPDATE

Volatility increased throughout April, as geopolitical tension in the Middle East heightened and we witnessed a hawkish shift from the US Federal Reserve. Credit spreads started to drift wider as investors used credit indices to hedge their portfolios against an all-out war between Iran and Israel. Fortunately, it didn't escalate and credit spreads reversed their widening and finished the month tighter. With so much geopolitical risk in the world at the moment, it appears the market has become less likely to react to such hostilities. Government bond yields trended higher over the month, as the realisation that stubborn inflation was proving difficult to get back within central bank targets.

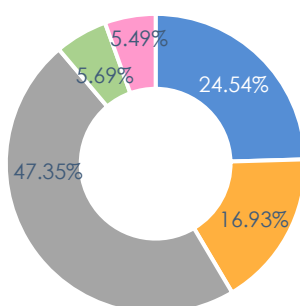
Outperformance in April came from the Fund's positions in Brisbane Airport, Ausgrid Finance, Optus, Australian Postal Corporation and Woolworths. The main contributors to underperformance in April were Natwest Markets PLC and Mizuho Bank.

## PORTFOLIO BREAKDOWN

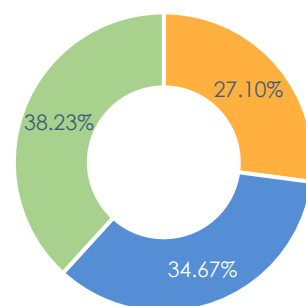
### SECTOR BREAKDOWN



### REGION & PRODUCT



### CREDIT RATING



- Automotive
- Consumer Staples
- Financial
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Transportation & Logistics

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

- AA
- A
- BBB

## CREDIT SPREADS

In April, S&P completed their BICRA (Banking Industry Country Risk Assessment) review of Australia which resulted in them revising their industry risk score to 2 from 3. This resulted in major bank subordinated credit ratings being upgraded from BBB+ to A-, which suited the Fund's overweight positioning towards subordinated debt. As a result, major bank subordinated credit spreads rallied 10bps after the announcement. Major bank senior spreads broke through the resistance level of 90bps and closed about 5bps tighter. Longer dated non-financial corporates continued their rally, as buyers of outright yields continue to snap up recently issued 10yr deals from the likes of Sydney Airport, Brisbane Airport, Nestle and Vicinity Centres.

AS AT 30 <sup>TH</sup> APRIL 24	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.93	0.18
ITRAXX EUROPE 5YR	3.96	-0.29
ITRAXX EUROPE XOVER 5YR	5.33%	0.20%
CDX US IG 5YR	5.27%	0.18%
CDX US HY 5YR	0.93	0.18

## FUND METRICS

Australian 3y government bond yields peaked at 4.16% in April, essentially pricing out any interest rate cuts for the next 3 years, which looked a little too aggressive for us. Therefore, we extended the Fund's interest rate duration to 0.93yrs. Longer dated (7yr – 10yr) non-financial corporate bonds have outperformed over the past two months. With increasing geopolitical risk in the market at present, we decided to book some profits on these positions which resulted in the Fund's credit duration shortening to 3.96yrs. As government bond yields moved higher, so to did the Fund's running yield which is now at 5.27%.

AS AT 30 <sup>TH</sup> APRIL 24	FUND	CHG ON MTH
INTEREST RATE DURATION	0.93	0.18
CREDIT DURATION	3.96	-0.29
YIELD TO MATURITY	5.33%	0.20%
YIELD TO WORST	5.27%	0.18%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

\*Using the Morningstar methodology for Average Credit Quality

## NEW ISSUES

After an unbelievably strong start to the year for the AUD corporate bond market, issuance slowed in April. We recorded just the 7 new deals from 5 unique issuers for a total volume of AUD 3.7b. Longer dated non-financials have been much sought after recently, so it was no surprise to see Sydney Airport and Vicinity Centres 10yr bonds perform well in the secondary market.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EPF/BBSW	Month End Bid Spread	Net Change
SYDNEY AIRPORT	16-Apr-24	850	Fixed	19-Apr-34	-	1.58%	1.47%	-0.11%
VICINITY CENTRES	17-Apr-24	500	Fixed	24-Apr-34	-	1.84%	1.71%	-0.13%
BANK OF QUEENSLAND	19-Apr-24	200	Fixed	30-Apr-29	-	1.56%	1.48%	-0.08%

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