

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 OCT 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	-0.14%	0.17%	-0.04%	-1.66%	0.27%	1.22%	2.13%	2.46%	3.36%
NET FUND RETURN	-0.20%	-0.02%	-0.42%	-2.40%	-0.48%	0.47%	1.36%	1.70%	2.59%
RBA CASH RATE	0.22%	0.55%	0.75%	0.80%	0.45%	0.44%	0.65%	0.82%	0.91%
ACTIVE RETURN (net Fund return - RBA cash rate)	-0.42%	-0.57%	-1.16%	-3.20%	-0.93%	0.02%	0.71%	0.87%	1.68%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are -0.20%, -0.05%, -0.38%, -2.41%, -0.54%, 0.39%, 1.28%, 1.60% & 2.49% 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 OCT 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	0.16%	0.63%	0.85%	0.53%	0.52%	0.98%	1.43%	1.64%	1.87%
BLOOMBERG AUSBOND COMP 0-3 YR Index	0.53%	-0.34%	0.14%	-1.54%	-1.10%	-0.13%	0.70%	0.98%	1.15%

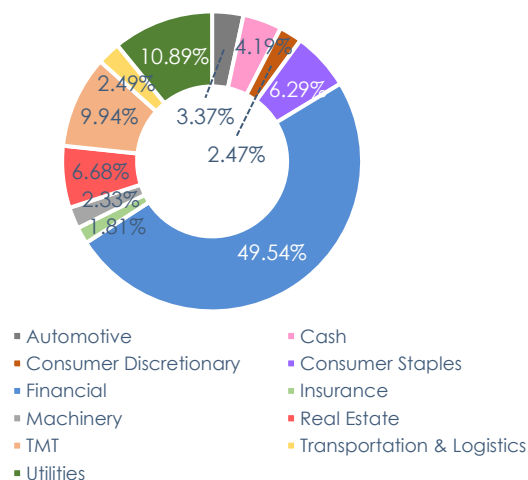
PORTFOLIO UPDATE

Markets were mixed in October. The announcement of a new UK PM (Rishi Sunak) combined with a fiscal U-turn led to lower UK government bond yields and some much needed stability. A hawkish Federal Reserve led to higher government bond yields in the US, but in Australia yields finished the month lower even after a stronger than expected inflation print. Whilst credit spreads were rallying globally, they widened significantly in Australia due to an avalanche of bonds issued largely by the major banks (ANZ & CBA). To achieve the targeted deal size given the cautious market tone, the banks needed to issue cheap compared to their existing bonds – which they managed to do. However, the market moved wider and stayed wider, as opposed to drifting back tighter once supply was digested.

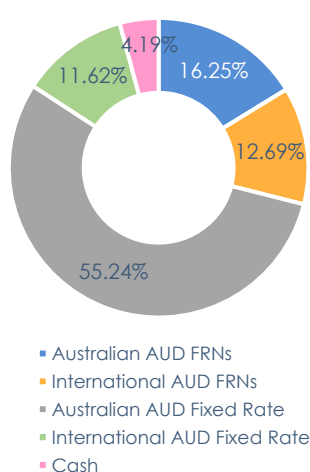
Considering the 30bp to 40bp widening in credit spreads over the month, the Fund held up well again which supports the current conservative positioning. The new deals from ANZ and CBA put pressure on all their existing bonds and they were the top two underperformers for the Fund in October. Outperformance came from two floating rate note positions, in the Export-Import Bank of Korea and McDonalds Corporation. Global credit spreads rallied throughout October so we expect the same to happen in the local market when new issuance volumes slow down into the festive season.

PORTFOLIO BREAKDOWN

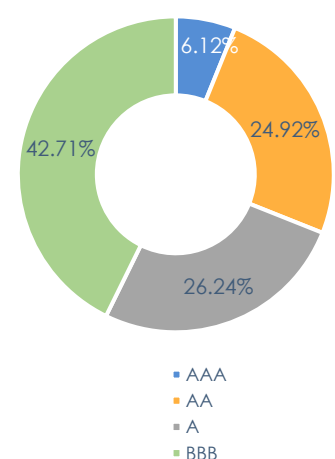
SECTOR BREAKDOWN



REGION & PRODUCT



CREDIT RATING



CREDIT SPREADS

There was nowhere to hide in the AUD market in October as issuance came thick, fast and wide. CBA issued the largest ever AUD Tier 2 transaction, printing AUD 2b in total size. To get this size away, they priced the bonds 30bp to 50bp cheap to other similar Tier 2 debt in the market. On the same day, ANZ issued a 4 tranche deal across 3yr and 5yr maturities for a total size of AUD 4.75b. In the AUD market, certainly in the financial sector, most names trade on a major bank credit spread plus spread basis. So, when the major bank's spreads go wider, pretty much everything in our market follows suit. We are now at the wides in spreads of the past 12 months, with major bank 5yr fixed rate senior (AA-) debt yields ~5.30% and major bank 5yr call date fixed rate subordinated (BBB+) debt yields 6.90%.

AS AT 31 ST OCT 22	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	1.30%	-0.16%
ITRAXX EUROPE 5YR	1.14%	-0.21%
ITRAXX EUROPE XOVER 5YR	5.55%	-0.86%
CDX US IG 5YR	0.90%	-0.18%
CDX US HY 5YR	5.21%	-0.89%

FUND METRICS

The Fund's running yield continues to move higher, now at 5.37%. On October 4th, the RBA announced a 25bp rise in the cash rate to 2.60%, the market had priced in a 50bp rise to 2.80%, so 3yr yields rallied 60bps intraday down to 3.08%. We used this as an opportunity to reduce the interest rate duration of the Fund and will look to add some duration on a move back closer to 4% in 3yr yields. The Fund's credit duration was fairly static month on month, and we expect it to remain around the 3yr mark for the time being. Whilst the market backdrop is still challenging, we have also been adding to the liquidity of the Fund by adding corporate bonds that trade in larger volumes more frequently. Generally speaking, the higher the credit quality the greater the liquidity, so we have also been moving up in credit quality.

AS AT 31 ST OCT 22	FUND	CHG ON MTH
INTEREST RATE DURATION	0.48	-0.17
CREDIT DURATION	3.13	0.07
YIELD TO MATURITY	5.31%	0.29%
YIELD TO WORST	5.37%	0.32%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

A very active primary market in October saw 13 bonds issued from 7 unique issuers for total volume AUD 8.865b. Although ANZ printed AUD 4.75b across 4 tranches which was the largest deal of the month, they had AUD 6b of orders so that unmet demand led to some small outperformance in the secondary market.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
ANZ BANKING GROUP	27-Oct-22	500	Fixed	04-Nov-25	-	1.51%	1.50%	-0.01%
ANZ BANKING GROUP	27-Oct-22	1,800	Floating	04-Nov-25	-	0.92%	0.91%	-0.01%
ANZ BANKING GROUP	27-Oct-22	650	Fixed	04-Nov-27	-	1.88%	1.86%	-0.02%
ANZ BANKING GROUP	27-Oct-22	1,800	Floating	04-Nov-27	-	1.20%	1.19%	-0.01%

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