

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 28 <sup>TH</sup> FEB 23	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	0.73%	2.30%	3.00%	1.72%	1.15%	1.85%	2.68%	2.76%	3.73%
NET FUND RETURN	0.66%	2.11%	2.62%	0.96%	0.39%	1.09%	1.91%	2.00%	2.95%
RBA CASH RATE	0.25%	0.77%	1.40%	1.77%	0.93%	0.69%	0.78%	0.92%	1.02%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.42%	1.35%	1.22%	-0.81%	-0.54%	0.40%	1.13%	1.07%	1.93%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are 0.64%, 2.07%, 2.56%, 0.95%, 0.33%, 1.01%, 1.83%, 1.90% & 2.85% 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 28 <sup>TH</sup> FEB 23	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	0.43%	1.20%	1.91%	2.14%	1.20%	1.33%	1.61%	1.80%	2.04%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.38%	0.21%	1.01%	-0.73%	-0.77%	-0.12%	0.63%	1.02%	1.22%

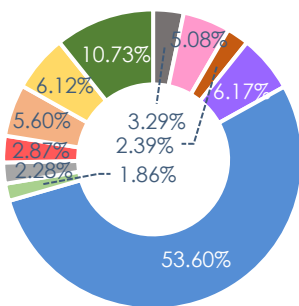
PORTFOLIO UPDATE

Another solid month of performance for the Fund. The Fund's underweight positioning to interest rate duration protected some of the downside, as 3yr yields spiked 40bps. Credit continued to rally throughout February, although credit spreads now look reasonably priced. The elevated running yield of the Fund also made a meaningful contribution to this month's returns. The Fund participated in a number of new issues throughout the month. Some significant outperformance in primary markets was another positive aspect in February.

ANZ issued a 15yr (10yr call date) subordinated debt bond in February which rallied 58bps, so along with the Fund's other ANZ positions, it was this month's best performer. The Fund's other top performing positions were Macquarie Bank, Optus, Woolworths and Bank Australia. No underperformance in February, as every issuer produced capital gains for the Fund.

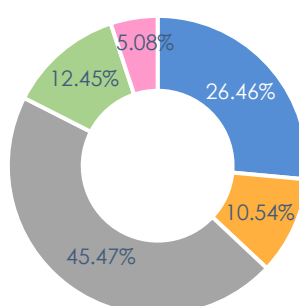
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



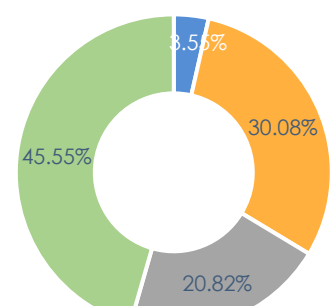
- Automotive
- Consumer Discretionary
- Financial
- Machinery
- TMT
- Utilities
- Cash
- Consumer Staples
- Insurance
- Real Estate
- Transportation & Logistics

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

Whilst credit was tighter in February, the pace of the move slowed from what was seen in January. We continue to see outperformance in non-financials as issuance in this sector over the last 6 months has been tiny. Subordinated bank spreads have continued to grind tighter, now that the APRA uncertainty with regards to call dates has been put to one side, for now. The spike higher in interest rates this month has again provided a strong bid for fixed rate bonds at attractive outright yields. We remain relatively neutral on credit spreads at these levels, which is why the Fund's credit duration is shorter than the mandate target duration of 4yrs. Our short to medium term view is that we remain range bound around these levels whilst interest rates are elevated.

AS AT 28 <sup>TH</sup> FEB 23	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.86%	0.06%
ITRAXX EUROPE 5YR	0.80%	0.00%
ITRAXX EUROPE XOVER 5YR	4.14%	-0.01%
CDX US IG 5YR	0.76%	0.05%
CDX US HY 5YR	4.63%	0.33%

## FUND METRICS

The Fund had a very active February, trading the most bond volume for a single month in over 4.5 years. We once again witnessed a flurry of activity in the primary market, with the financial sector issuing 12.2b in AUD bonds. Although issuance levels were quite elevated, it didn't put too much pressure on credit spreads and most deals performed quite well in the secondary market. Considering the spike higher in interest rates, we used this as an opportunity to increase the Fund's interest rate duration from 0.32yrs to 0.67yrs. The 3% to 4% range in 3yr yields still seems to be intact. Floating rate notes continue to reset with higher yields, 3 month BBSW spiked another 20bps in February to 3.56%.

AS AT 28 <sup>TH</sup> FEB 23	FUND	CHG ON MTH
INTEREST RATE DURATION	0.67	0.35
CREDIT DURATION	3.22	-0.01
YIELD TO MATURITY	4.98%	0.29%
YIELD TO WORST	4.97%	0.36%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

\*Using the Morningstar methodology for Average Credit Quality

## NEW ISSUES

Financials continue to dominate the AUD corporate bond market and February was no different. We recorded AUD 12.2b issued from 11 unique financial issuers. ANZ issued a 15yr (10yr call date) subordinated debt bond, which rallied a very impressive 58bps.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
ANZ BANKING GROUP	06-Feb-23	1,000	Fixed	10-Feb-38	10-Feb-33	3.26%	2.68%	-0.58%
DBS BANK	14-Feb-23	400	Fixed	24-Feb-26	-	1.21%	1.10%	-0.11%
EMIRATES NBD BANK	14-Feb-23	450	Fixed	21-Feb-33	-	2.37%	2.22%	-0.15%

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