

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 DEC 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	0.17%	-0.41%	-0.06%	1.00%	2.46%	3.41%	3.32%	4.33%
NET FUND RETURN	0.10%	-0.60%	-0.44%	0.25%	1.69%	2.63%	2.55%	3.55%
RBA CASH RATE	0.01%	0.03%	0.05%	0.10%	0.21%	0.53%	0.77%	0.90%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.10%	-0.62%	-0.49%	0.15%	1.48%	2.11%	1.78%	2.65%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are 0.10%, -0.62%, -0.49%, 0.13%, 1.58%, 2.52%, 2.44% & 3.43% 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 DEC 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	0.04%	-0.08%	0.03%	0.32%	1.06%	1.67%	1.82%	2.09%
BLOOMBERG AUSBOND COMP 0-3 YR Index	0.04%	-0.56%	-0.51%	-0.37%	0.75%	1.44%	1.68%	1.76%

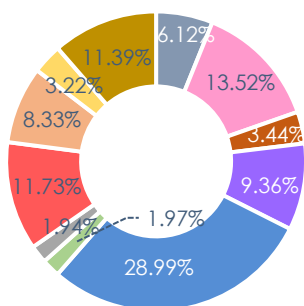
PORTFOLIO UPDATE

The major talking point for markets in December, was the US Federal Reserve's (the Fed) December meeting and their median projections for interest rates. To combat runaway inflation caused by significant stimulus and then supply bottlenecks, the Fed has signalled they expect to raise interest rates three times in 2022 and three times in 2023. This was more hawkish than what was priced into the market, which sent interest rates higher as expected. After a short-lived wobble in US equities, the S&P now sits at an all-time high. We believe the biggest focus for markets in 2022 will be; how successfully or unsuccessfully central banks are able to manage their (transitory?) inflation pressures.

Whilst yields ended the month higher, the Fund's short interest rate duration position moderated the losses and enabled a positive return for the month. The Fund's shorter dated fixed rate bonds and subordinated debt were the main contributors to underperformance in December. This was offset by the Fund's running yield and longer dated fixed rate bonds which outperformed. As we highlighted last month, we are seeing some great opportunities in longer dated bonds which have started the year on a positive note.

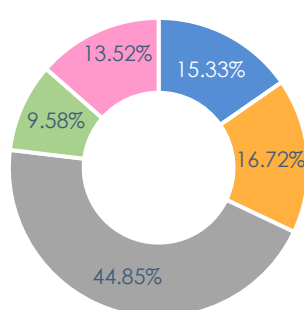
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



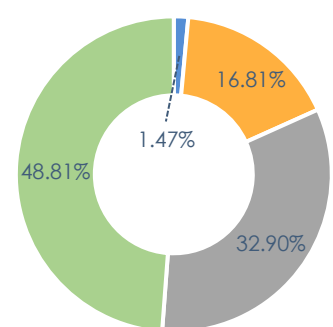
- Automotive
- Consumer Discretionary
- Financial
- Machinery
- TMT
- Utilities
- Cash
- Consumer Staples
- Insurance
- Real Estate
- Transportation & Logistics

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

December was a positive month for risk assets, however credit markets lagged due to limited trading activity over the holiday period. Trading has resumed in early January and as expected, credit spreads have tightened and the market seems positive. Whilst AUD corporate bond spreads were mixed over the month, investment grade credit indices rallied 8bps to 10bps in December. Credit indices are usually a good leading indicator as to the direction of corporate bond spreads as they trade more frequently around the globe. With Omicron cases rising significantly in most countries, we remain underweight those sectors especially sensitive to the virus, for example Airlines and Airports.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.64%	-0.09%
ITRAXX EUROPE 5YR	0.48%	-0.10%
ITRAXX EUROPE XOVER 5YR	2.42%	-0.47%
CDX US IG 5YR	0.50%	-0.08%
CDX US HY 5YR	2.93%	-0.34%

FUND METRICS

The Fund took a defensive posture as we went into the seasonally quiet holiday period. With reduced liquidity in the market, combined with some known, yet unpredictable risks lurking such as Covid, China, inflation and central banks – a larger allocation to cash was deemed appropriate. With secondary market trading activity now increasing and the new issue market already up and running, we will look to reallocate cash into relative value corporate bonds opportunities over the next few weeks. The increased allocation in cash led to a reduction in credit and interest rate duration and running yield.

AS AT 31 ST DEC 21	DEC '21	CHG ON MTH
INTEREST RATE DURATION	0.53	-0.06
CREDIT DURATION	3.62	-0.29
YIELD TO MATURITY	2.05%	-0.16%
YIELD TO WORST	1.94%	-0.14%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

This month we have highlighted the annual issuance for comparison to previous years. Total issuance was down YoY which was driven by lower financial sector volumes due to technical factors such as the RBA's TFF. The most encouraging statistic for the Fund, is the continued growth in the non-financial sector which is up +20% YoY.

YEAR	Total Issuance \$ M	Fixed Issuance \$ M	FRN Issuance \$ M	Financial Issuance \$ M	Non-Fin Issuance \$ M
2018 AUD CORPORATE ISSUANCE	78,771	21,696	57,075	69,515	9,256
2019 AUD CORPORATE ISSUANCE	81,161	23,000	58,161	66,501	14,660
2020 AUD CORPORATE ISSUANCE	63,867	19,542	44,325	46,750	17,117
2021 AUD CORPORATE ISSUANCE	48,645	20,945	27,700	27,825	20,820

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