# MONTHLY UPDATE

**About the Fund:** The Artesian Short Duration Corporate Bond Fund (NZD) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Corporate Bond Fund (AUD). Through this structure, the Fund will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate corporate bonds. In this document, we refer to the Artesian Corporate Bond Fund (AUD) as the Underlying Fund. In most sections of this document, the metrics and commentary shown are taken from the Underlying Fund. We have signalled these sections with a hashtag in the section heading. From time to time there may be small differences between the metrics of the NZD Fund and the Underlying Fund, as a result of liquidity cash held in the NZD fund.

| AS AT 31ST OCT 26 | FUND PERFORMANCE NZD | | | |
|---|---|---|---|---|
| | 1 month | 3 months | 6 months | Since Inception (p.a.) |
| ARTESIAN SHORT DURATION CORPORATE BOND FUND (NZD) GROSS RETURN | 0.19% | 0.30% | 1.67% | 3.38% |
| ARTESIAN SHORT DURATION CORPORATE BOND FUND (NZD) NET RETURN* | -0.02% | -0.03% | 0.87% | 1.78% |
| ARTESIAN SHORT DURATION CORPORATE BOND FUND PIR RETURN (NZD)** | 0.13% | 0.12% | 1.30% | 2.57% |
| BLOOMBERG AUSBOND COMPOSITE 0-3 YR INDEX 100% HEDGED TO NZD | 0.34% | 0.23% | 1.29% | 2.07% |

**Artesian Short Duration Corporate Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor. Past performance should not be taken as an indicator of future performance. The inception date for Artesian Short Duration Corporate Bond Fund (NZD) is 15 April 2026. **Artesian Short Duration Corporate Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor and inclusive of tax credits. The Fund invests in an underlying Australian Unit Trust (AUT) which is required to distribute all income. Tax on these distributions is withheld at fund level but investors receive a tax credit for this amount. As such, the Zero PIR return is a reasonable basis for comparing performance between the NZD Fund and its AUT alternative.*

| AS AT 31ST OCT 26 | PERFORMANCE OF THE UNDERLYING FUND- CLASS B | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 0.29% | 0.68% | 2.71% | 4.79% | 5.95% | 7.00% | 7.10% | 5.29% | 4.89% |
| NET FUND RETURN | 0.23% | 0.49% | 2.33% | 4.01% | 5.16% | 6.21% | 6.31% | 4.51% | 4.10% |
| BLOOMBERG AUSBOND COMPOSITE 0-3 YR INDEX | 0.50% | 0.67% | 2.25% | 2.71% | 3.72% | 4.12% | 3.63% | 2.57% | 2.17% |
| ACTIVE RETURN (net Fund return - benchmark) | -0.27% | -0.17% | 0.08% | 1.30% | 1.44% | 2.09% | 2.68% | 1.93% | 1.94% |

*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.*

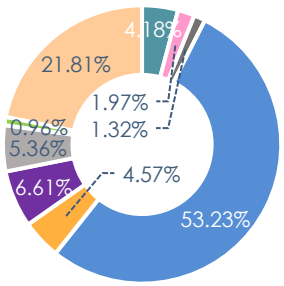
## PORTFOLIO UPDATE#

October saw markets continue to grapple with persistent inflation pressures, elevated energy prices and ongoing geopolitical uncertainty in the Middle East, reinforcing expectations that monetary policy would remain restrictive. In Australia, inflation data released towards month end reinforced concerns that price pressures were proving more persistent than anticipated, with annual headline CPI rising to 4.3% in September from 4.0% in August, while trimmed mean inflation increased to 3.6% from 3.5%. The stronger inflation readings, combined with resilient domestic demand, prompted markets to increase expectations of a further RBA rate hike in November. Offshore, central banks adopted a more cautious approach following September's tightening. In the United States, the Federal Reserve left the Fed Funds rate unchanged at 3.75% to 4.00% at its 28 October meeting, citing resilient economic activity and persistent inflation, although two policymakers dissented in favour of a further increase. In Europe, the ECB also held policy rates unchanged on 29 October, acknowledging that higher energy prices continued to present upside risks to inflation and downside risks to economic growth. Overall, the combination of persistent inflation, geopolitical uncertainty and the prospect of further monetary tightening continued to weigh on the outlook for global bond markets.

Outperformance came from the Underlying Fund's positions in Mirvac, Bank Australia, Mercury NZ and ETSA Utilities Finance. Underperformance came from the Underlying Fund's positions in CDC Data Centres, Engie SA, Verizon Communications, Societe Generale & Banque Fédérative du Crédit Mutuel.

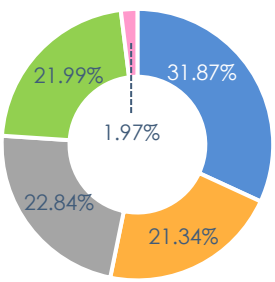
## PORTFOLIO BREAKDOWN#

### SECTOR BREAKDOWN



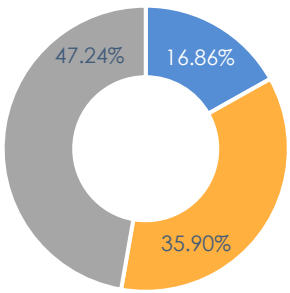

- Automotive
- Cash
- Educational Services
- Financial
- Insurance
- Real Estate
- TMT
- Transportation & Logistics
- Utilities

### REGION & PRODUCT




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

### CREDIT RATING




- AA
- A
- BBB

## CREDIT SPREADS#

Credit market weakness continued during October. AUD investment grade credit spreads outperformed, widening just 6bps to 117bps, while US investment grade spreads widened 10bps to 90bps. EUR investment grade credit notably underperformed again, widening 13.5bps to 104.5bps. While the challenges facing European credit markets are well known, it was the idiosyncratic developments surrounding NEXTDC (no Underlying Fund exposure) that caught AUD investors off guard during the month. NEXTDC suffered a significant earnings downgrade following electricity supply delays at its M3 Melbourne data centre. The announcement on 21 October triggered a 41.7% share price collapse in a single trading session, wiping approximately A$3 billion from its market capitalisation. Its AUD April 2030 subordinated bonds widened by a staggering 280bps by month end. CDC Data Centres (Underlying Fund exposure) was also caught in the crossfire, with its recently issued subordinated debt, callable in June 2031, widening 35bps by month end.

| AS AT 31ST OCTOBER 26 | PRICE | CHG ON MTH |
|---|---|---|
| ITRAXX AUSTRALIA 5YR | 0.78% | 0.05% |
| ITRAXX EUROPE 5YR | 0.66% | 0.03% |
| ITRAXX EUROPE XOVER 5YR | 3.26% | 0.25% |
| CDX US IG 5YR | 0.62% | 0.02% |
| CDX US HY 5YR | 3.56% | 0.15% |

## UNDERLYING FUND METRICS#

The Underlying Fund remained relatively inactive during October as ongoing market volatility and limited attractive primary issuance continued to restrict trading opportunities. Consistent with recent months, we maintained a cautious approach to credit risk, gradually reducing the Underlying Fund's credit duration while selectively increasing its interest rate duration. Unlike September, government bond yields declined during October, providing some positive returns from our increased duration positioning. Credit spreads continued to widen, further improving valuations across investment grade credit. While the recent market weakness has created some short term volatility, elevated corporate bond yields continue to support investor demand and offer an increasingly attractive outlook for future returns. We remain disciplined in managing credit exposure, maintaining flexibility to take advantage of opportunities should market volatility persist.

| AS AT 31ST OCTOBER 26 | FUND# | BENCH-MARK |
|---|---|---|
| INTEREST RATE DURATION | 0.95 | 1.47 |
| CREDIT DURATION | 3.48 | 1.47 |
| YIELD TO MATURITY NZD | 4.15% | 3.16% |
| YIELD TO WORST NZD | 4.11% | 3.16% |
| BLOOMBERG COMPOSITE RATING (weighted average) | A* | AA+ |

**Using the Morningstar methodology for Average Credit Quality. # All metrics other than the YTM and YTW are those of the Underlying Fund. The NZD Units YTM and YTW includes an annual -1.92% from FX hedging, which is an estimate using AUDNZD 12 Month Forward Points as at 31st October 2026.*

## NEW ISSUES

Another subdued month of issuance reflected the negative tone across broader risk markets. We recorded just 9 new deals from 8 unique issuers, totalling AUD 3.7b. Most new issues drifted wider into month end, with the two highlighted below being the only deals to finish the month tighter on spread.

| ISSUER | Issue Date | Issue Size $M | Fixed/ Floating | Maturity | Next Call | Credit Spread EFP/BBSW | Month End Bid Spread | Net Change |
|---|---|---|---|---|---|---|---|---|
| STATE GRID EUROPE DEVELOPMENT | 16-Oct-26 | 500 | Fixed | 23-Oct-31 | - | 0.77% | 0.72% | -0.05% |
| BANK AUSTRALIA | 30-Oct-29 | 300 | Floating | 30-Oct-29 | - | 1.17% | 1.16% | -0.01% |

## DISCLAIMER

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