

MONTHLY UPDATE – APRIL 2019

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 30 th April 2019	FUND PERFORMANCE - CLASS B UNITS						
	1 month	3 months	6 months	1 year	2 year p.a.	Since Inception p.a.	Since Inception 13.02.17
Gross Fund return	0.58%	1.76%	2.27%	4.07%	5.11%	5.93%	13.56%
Net Fund return	0.52%	1.57%	1.89%	3.29%	4.33%	5.13%	11.66%
RBA cash rate	0.12%	0.36%	0.74%	1.50%	1.50%	1.50%	3.34%
Active return (net Fund return - RBA cash rate)	0.40%	1.20%	1.15%	1.80%	2.83%	3.63%	8.32%

The 1 month, 3 month, 6 month, 1yr, 2yr and since inception net returns for Class A Units are 0.51%, 1.53%, 1.82%, 3.15%, 4.20% & 5.00% respectively.

As at 30 th April 2019	OTHER BENCHMARK COMPARISONS						
	1 month	3 months	6 months	1 year	2 year p.a.	Since Inception p.a.	Since Inception 13.02.17
Bloomberg AusBond Credit FRN 0+ Yr Index	0.35%	1.18%	1.68%	3.08%	2.95%	3.02%	6.79%
Bloomberg AusBond Composite 0-3 Yr Index	0.35%	1.22%	1.92%	3.25%	2.53%	2.60%	5.84%

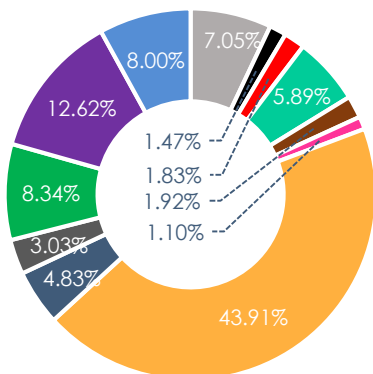
PORTFOLIO UPDATE

For the third month in a row the Fund produced net returns greater than 50bps, as investment grade credit continues to perform well. Capital gains were driven by the Transportation & Logistics sector as well as some overweight positions within the Financials sector. Additionally, considerable outperformance in the new issue market from Woolworths and Downer also added to April's returns.

Q1 '19 CPI numbers released April 24th were below market expectations when they came in flat and the annual rate dipped to 1.3%. This sent 3yr government bond yields 15bps lower in a matter of minutes and continues to put pressure on the RBA's monetary policy stance. The Fund's interest rate duration was marginally lengthened in April which captured some of these gains. The RBA's move towards a more dovish tone is providing a bid for risk assets and is positive for credit spreads.

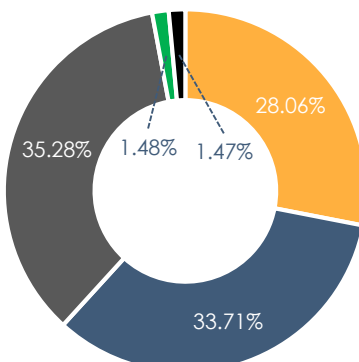
PORTFOLIO BREAKDOWN

SECTORS



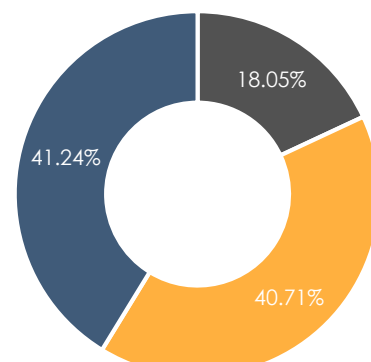
- Automotive
- Cash
- Consumer Discretionary
- Consumer Staples
- Energy
- Engr & Constr Svcs
- Financial
- Insurance
- Machinery
- TMT
- Transportation & Logistics
- Utilities

REGION & PRODUCT



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

CREDIT RATING



- AA
- A
- BBB

CREDIT SPREADS

Global Credit Indices	Price	Chg on Mth
ITraxx Australia 5yr	0.66%	-0.08%
ITraxx Europe 5yr	0.58%	-0.07%
ITraxx Europe Xover 5yr	2.49%	-0.21%
CDX US IG 5yr	0.57%	-0.06%
CDX US HY 5yr	3.24%	-0.25%

Global credit indices continued their move tighter in April, once again primarily driven by falling government bond yields. AUD corporate bond spreads followed with spreads ~3pbs tighter over the month. With yields contracting along with credit spreads, it is becoming quite attractive for corporate bond issuers to lock in funding at attractive rates. The bid side demand for AUD corporate bonds is considerably outweighing supply which is leading to very strong secondary market performance driving capital gains. Considering the move in spreads throughout 2019, the Fund has been recently fading the move tighter by selling longer dated bonds and rolling into shorter dated new issues.

FUND METRICS

As at 30 th April 2019	Apr '19	Chg on Mth
Interest rate duration	0.37	0.07
Credit duration	3.57	-0.22
Yield to maturity	2.52%	-0.17%
Yield to worst	2.52%	-0.16%
Bloomberg Composite Rating (Weighted Average)*	A	A

Falling government bonds yields and contracting BBSW spreads has led to a reduction in the Fund's running yield. The Fund's interest rate duration marginally increased which was driven by positioning in the 3yr part of the curve, which outperformed 10yr yields by 10bps in April.

Credit duration was reduced as profits were taken on longer dated fixed rate bonds which had outperformed the move tighter in credit spreads. Selling existing line items and redeploying into new corporate bond deals to capture their "new issue premium" remains a focus for the Fund.

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

April was one of those rare yet very beneficial months whereby we witnessed more non-financial corporate bond deals than financial deals. BWP Trust (Bunnings Warehouse Property Trust), Edith Cowan University, Volkswagen, Woolworths and Downer all issued bonds into a market with pent up demand. The Woolworths deal was the first real 'corporate' green bond we have seen in AUD and received orders greater than AUD 2b. The deal size was capped at AUD 400m and subsequently rallied 10bps in the secondary market. Hopefully a sign of things to come with respect to green bond issuance as the demand for these bonds was phenomenal.

Issuer	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
Société Générale	11-Apr-19	300	Fixed	18-Apr-34	18-Apr-29	2.45%	2.17%	-0.28%
Woolworths Group	12-Apr-19	400	Fixed	23-Apr-24	-	1.45%	1.35%	-0.10%
Downer Group Finance	15-Apr-19	300	Fixed	29-Apr-26	-	1.79%	1.70%	-0.09%

DISCLAIMER

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