

# FIIG Managed Income Portfolio Service (MIPS)

Monthly Commentary Report - 28 February 2025

## Objective

The Managed Income Portfolio Service (MIPS) provides wholesale investors with access to an actively and professionally managed fixed income portfolio that combines total return, capital stability, and regular income. The service aims to deliver meaningful improvements in returns and liquidity over traditional cash and term deposits through expert management and strategic asset allocation.

## Performance<sup>1</sup> as at 28 February 2025

Investment Mandate	Return Type	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception
Conservative Income	Gross	0.88%	2.04%	2.59%	6.94%	3.80%	2.75%	3.78%
	Benchmark*	0.80%	2.00%	2.38%	6.08%	2.28%	1.22%	3.36%
	Excess	0.08%	0.04%	0.21%	0.86%	1.52%	1.53%	0.42%
Income Plus	Gross	0.98%	2.33%	3.30%	8.23%	5.39%	3.25%	4.56%
	Benchmark*	1.05%	2.38%	2.96%	7.48%	2.94%	1.63%	4.28%
	Excess	-0.07%	-0.05%	0.34%	0.75%	2.45%	1.62%	0.28%
Customised Bank <sup>2</sup>	Gross	0.54%	1.54%	2.93%	6.47%	4.97%	3.58%	3.79%
	Benchmark*	0.34%	1.09%	2.20%	4.47%	3.43%	2.09%	2.12%
	Excess	0.20%	0.45%	0.73%	2.00%	1.54%	1.49%	1.67%

## Overview

MIPS offers direct bond ownership of a diverse range of quality assets – including Australian Government, Corporates, Bank and Asset Backed Securities – tailored to meet various investment preferences and risk tolerance as outlined in each investment mandate.

### Structure

- > Individually Managed Account (IMA)

### Currency

- > Australian dollar

### Derivatives

- > Not permitted

### Suggested investment timeframe

- > At least three years

### MIPS Inception date

- > 1 May 2015

### Investment Team

- > Kieran Quaine  
Head of Investment Management & Portfolio Manager (FIIG Australian Bond Fund)
- > Megan Romeo  
Head of MIPS & Portfolio Manager (IMAs)
- > Garreth Innes  
Portfolio Manager (FIIG Monthly Income Fund)

## Conservative Income Mandate Characteristics<sup>3</sup>

Number of Holdings: 37  
 Modified Duration: 3.29yr  
 Yield to Maturity: 4.94%  
 Inception Date: 1 July 2016  
 Management Fee: 0.54% p.a. (incl. GST)  
 Minimum Investment: \$1m

## Income Plus Mandate Characteristics

Number of Holdings: 34  
 Modified Duration: 3.23yr  
 Yield to Maturity: 5.32%  
 Inception Date: 1 May 2015  
 Management Fee: 0.64% p.a. (incl. GST)  
 Minimum Investment: \$1m

## Customised Bank Mandate Characteristics

Number of Holdings: 30  
 Term to Maturity: 2.87yr  
 Yield to Maturity: 4.61%  
 Inception Date: 1 Aug 2015  
 Management Fee: *by agreement*  
 Minimum Investment: \$10m

\***Benchmarks:** **Conservative Income** 50% S&P/ASX Australian Fixed Interest 1-5 Year Index & 50% S&P/ASX Corporate Bond BBB Rating Band Index (modified duration: 3.5yr), **Income Plus** S&P/ASX Corporate Bond BBB Rating Band Index (modified duration: 4.2yr), **Customised Bank** S&P/ASX Bank Bill Index (modified duration: 0.1yr)

<sup>1</sup> Weighted average returns are based on invested portfolios subscribing to the same investment mandate, weighted by portfolio net asset value (NAV)

<sup>2</sup> Customised Bank is an aggregation of customised MIPS portfolios only investing in senior and/or subordinated debt issued by Australian Domestic Banks

<sup>3</sup> Mandate Characteristics metrics are based on invested portfolios subscribing to the same investment mandate, weighted by portfolio net asset value (NAV)

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## Commentary

In February 2025, the Reserve Bank of Australia (RBA) cut the cash rate target by 25 basis points to 4.10%. This move was widely anticipated as the central bank sought to bolster economic growth after a prolonged period of falling inflation. The accompanying statement was notably hawkish, emphasising that sustained progress in reducing inflation is necessary before further easing can be considered. Inflation within the country has been on a steady decline, as evidenced by the latest Consumer Price Index (CPI), which was unchanged from the prior month, printing slightly below market expectations. This result supports the RBA's decision to ease monetary policy, resulting in a decrease in long-term bond yields, with the 10-year government bond ending at 4.32% this month.

On the global front, uncertainties caused by US trade policies and international tensions, particularly the increased US tariffs on China, have added fuel to the geopolitical fire, casting a dark shadow over the market. These factors pose risks to global economic growth and could potentially impact Australia's economic outlook. Long-term interest rate volatility may increase as global deflation stalls. European deficits are expected to rise with increased defence spending to defend their borders after the withdrawal of US support. Trade wars could threaten global inflation and hinder short-term growth.

## Positioning

The long-duration strategy that was employed throughout February is expected to temper moving forward. The Investment Team remains highly vigilant regarding the influence of international market dynamics on the domestic yield curve. Despite the anticipation that the RBA will continue its easing policy throughout 2025, the probability of long-dated bonds rallying to levels below 4.00% seems increasingly unlikely.

As global economic uncertainties intensify, credit exposure positions will become more conservative. The focus of investing will shift towards assets with mid-range tenors (at or below 5 years) and with credit ratings higher than BBB+ for Conservative Income and BBB for Income Plus. This approach aims to balance risk and return more effectively in an unpredictable economic environment.

Domestic bank exposure has continued to perform well, demonstrating resilience amid market fluctuations. The Investment Team continues to favour exposure to both senior and subordinated assets in the 3 to 5-year tenors within this sector.

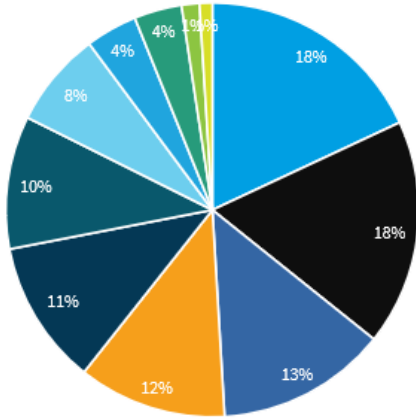
## Outlook

Given the recent geopolitical tensions, particularly the highly criticized meeting between the US and Ukrainian leaders, and the recent shifts in US trade policies, the global economic landscape remains highly uncertain. Additionally, the upcoming Federal election adds another layer of unpredictability to the market. In response to these challenges, the Investment Team will adopt a cautious approach focusing on assets with strong credit profiles and mid-range tenors to navigate unpredictable market conditions effectively. This strategy aims to mitigate risks and ensure stability in the face of these multifaceted global and domestic uncertainties.

## Conservative Income

### Sector Allocation

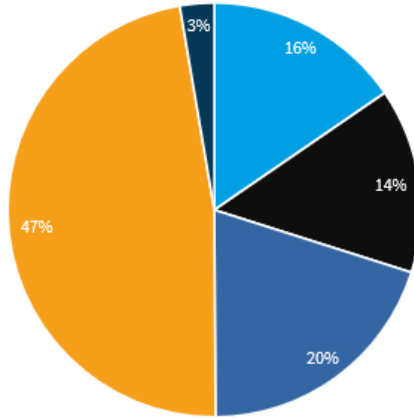
as at 28 February 2025



- Bank
- Utilities
- Government
- Semi-Government
- Universities
- Insurance
- Infrastructure
- Financials
- Property
- IT and Telecomms
- Transportation

### Credit Quality

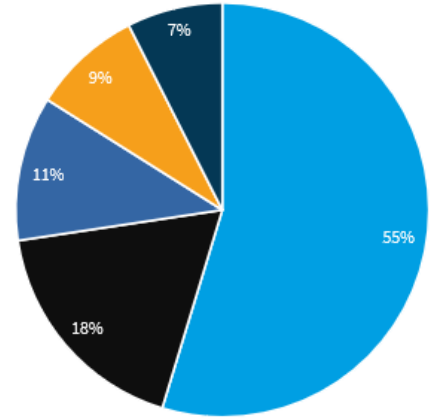
as at 28 February 2025



- AAA
- AA
- A
- BBB
- Cash

### Capital Structure Allocation

as at 28 February 2025

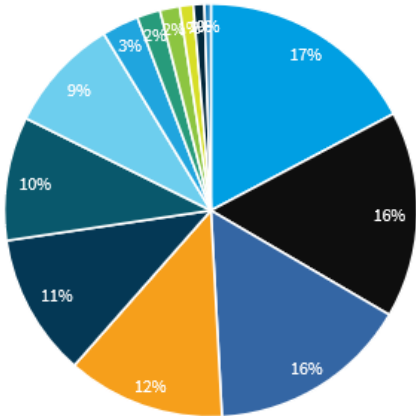


- Corporate Senior
- Government
- Semi-Government
- Subordinated
- Asset Backed Securities

## Income Plus

### Sector Allocation

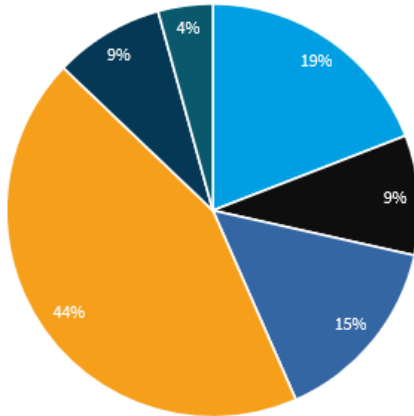
as at 28 February 2025



- Bank
- Financials
- Semi-Government
- Property
- Universities
- IT and Telecomms
- Insurance
- Infrastructure
- Government
- Utilities
- Consumer Discretionary
- Transportation
- Consumer Staples

### Credit Quality

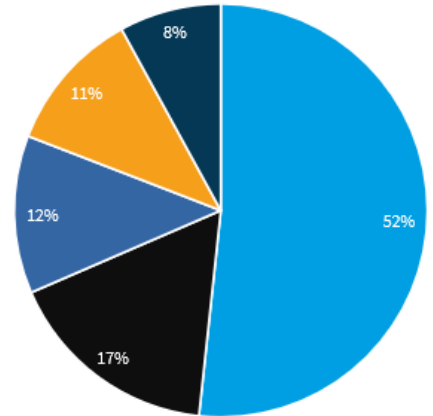
as at 28 February 2025



- AAA
- AA
- A
- BBB
- NIG
- Cash

### Capital Structure Allocation

as at 28 February 2025

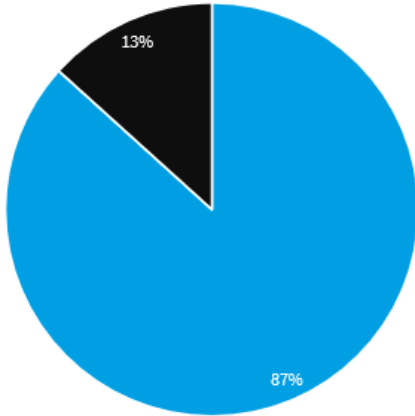


- Corporate Senior
- Government
- Asset Backed Securities
- Subordinated
- Semi-Government

## Customised Bank

### Sector Allocation

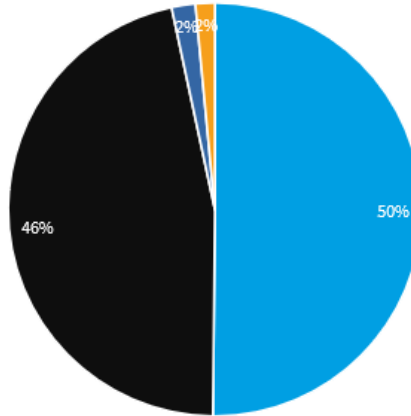
as at 28 February 2025



■ Major Bank ■ Non-Major Bank

### Credit Quality

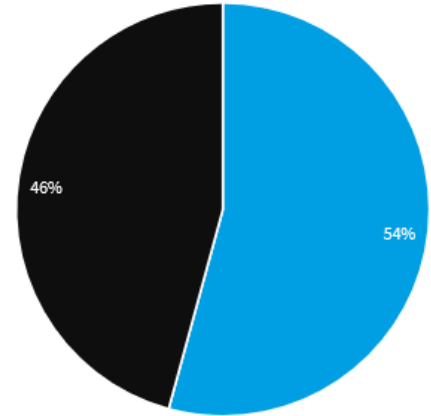
as at 28 February 2025



■ AA ■ A ■ BBB ■ Cash

### Capital Structure Allocation

as at 28 February 2025



■ Corporate Senior ■ Subordinated

## Investment Mandate Limits

### Conservative Income

Provides wholesale investors with exposure to a diversified portfolio of risk averse Investment Grade (IG) Senior and Subordinate fixed income securities, which additionally produce reliable and regular income that can be distributed or retained for reinvestment.

Minimum investment: \$1m | Management Fee: 0.54% p.a. (including GST).

<b>Number of Bonds</b>	Minimum 10	<b>Currency</b>	Australian dollar	<b>Derivatives</b>	Not permitted
<b>Investment Grade</b>	100%	<b>Subordinated Debt</b>	Up to 20%	<b>FIIG Arranged Bonds</b>	Not permitted
<b>Non-Investment Grade</b>	Not permitted	<b>Asset Backed Securities</b>	Up to 20%	<b>Modified Duration</b>	Up to 5yr

### Income Plus

Provides wholesale investors with a potentially higher return than the Conservative Income investment mandate through exposure to a diversified portfolio of both IG and Non-IG fixed income securities, which additionally produce reliable and regular income that can be distributed or retained for reinvestment.

Minimum investment: \$1m | Management Fee: 0.64% p.a. (including GST)

<b>Number of Bonds</b>	Minimum 10	<b>Currency</b>	Australian dollar	<b>Derivatives</b>	Not permitted
<b>Investment Grade</b>	Minimum 80%	<b>Subordinated Debt</b>	Up to 20%	<b>FIIG Arranged Bonds</b>	Not permitted
<b>Non-Investment Grade</b>	Up to 20%	<b>Asset Backed Securities</b>	Up to 40%	<b>Modified Duration</b>	Up to 5yr

### Customised

MIPS offers the ability to create a bespoke Australian dollar fixed income portfolio solution for clientele seeking specific key investment objectives, that include, but may not limited to, objectives that can encompass return targets, income distribution, liquidity reliance, credit exposure and duration limitations, diversification minimums and Environmental, Social and Governance (ESG) considerations.

Minimum investment: \$10m | Management Fee: by agreement.

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#### NOTES

**ABS:** The Investment Mandate may contain Asset Backed Securities (ABS) including Residential Mortgage-Backed Securities (RMBS). All ABS generate income from pools of loan receivables that are secured over real assets. They are issued in a Floating Rate Note (FRN) structural form. Please refer to Section 3 of the MIPS Information Memorandum for more detail regarding the parameters of each investment mandate. **FRN:** Floating Rate Notes. **Gross performance:** Total yield earned per relevant program for period pre management and custody fees. **Investment Grade (IG):** An asset is IG if it is rated  $\geq$  BBB- (S&P) or equivalent by one of three internationally recognised credit rating agencies that include Standard and Poor's (S&P), Moody's or Fitch. **Non-Investment Grade (NIG):** An asset is NIG if it is rated  $<$  BBB- (S&P) or equivalent. **Unrated (UR):** An asset is UR if it is not rated by any one of three internationally recognised credit rating agencies

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