

# FIIG Managed Income Portfolio Service (MIPS)

Monthly Commentary Report - 31 March 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 31 March 2025

Investment Mandate	Return Type	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception
Conservative Income	Gross	0.10%	1.42%	2.23%	5.93%	4.56%	3.38%	3.76%
	Benchmark*	0.30%	1.58%	2.13%	5.45%	3.41%	1.52%	3.36%
	Excess	-0.20%	-0.16%	0.10%	0.48%	1.15%	1.86%	0.40%
Income Plus	Gross	0.19%	1.64%	2.94%	7.25%	5.85%	5.00%	4.54%
	Benchmark*	0.12%	1.71%	2.40%	6.41%	4.36%	2.18%	4.26%
	Excess	0.07%	-0.07%	0.54%	0.84%	1.49%	2.82%	0.28%
Customised Bank <sup>2</sup>	Gross	0.22%	1.22%	2.68%	6.16%	5.21%	4.28%	3.78%
	Benchmark*	0.35%	1.07%	2.19%	4.45%	3.55%	2.14%	2.13%
	Excess	-0.13%	0.15%	0.49%	1.71%	1.66%	2.14%	1.65%

## 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: 38  
 Modified Duration: 3.19yr  
 Yield to Maturity: 5.00%  
 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: 3.11yr  
 Yield to Maturity: 5.35%  
 Inception Date: 1 May 2015  
 Management Fee: 0.64% p.a. (incl. GST)  
 Minimum Investment: \$1m

## Customised Bank Mandate Characteristics

Number of Holdings: 29  
 Term to Maturity: 2.77yr  
 Yield to Maturity: 4.62%  
 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)

## Commentary

In March 2025, the 10-year Australian government bond yield experienced notable fluctuations, reflecting both global and domestic influences. It began the month at 4.32% and saw a general upward trend, peaking at 4.51% mid-month before settling at 4.44%. The impact of U.S. economic policy and lowered global growth forecasts on markets is significant, with global equity indices falling and credit margins weakening due to looming trade wars. The U.S. Federal Reserve has signalled its ability to ease monetary policy amid slowing growth, while cautioning that government policies could undermine inflation progress. U.S. tariffs will affect Australian export growth and likely divert cheaper Chinese exports from the U.S. into Australian and other global markets.

Australia's headline inflation decreased slightly to 2.4% for February, down from 2.5% in January. Similarly, core inflation saw a reduction, falling to 2.7% from the previous month's 2.9%. This data preceded the RBA's April policy decision, where the cash rate was kept unchanged at 4.10%. The meeting minutes reinforced the central bank's cautious approach to further rate cuts and the need to monitor how U.S. policy will affect domestic inflation. This, plus the release of the Australian budget and the upcoming Federal Election (with the possibility of a hung parliament) scheduled for early May, added to the market's unease and increased volatility across the market.

## Positioning

The Investment Team remains cautious amid the influence of international market dynamics and will continue the same long duration strategy on the basis that the trend of domestic inflation has fallen sufficiently. Investing in higher rated assets with mid-range tenors will continue to be the focus. The Investment Team expects the benchmark 3-year and 10-year government bonds to recover in the order of 50 basis points moving toward 3.50% and 4.00% respectively. Although the official cash rate is expected to fall to 3.25% by the end of 2025, the likelihood for long dated bonds to rally below 4.00% is unlikely.

During the month, the Investment Team secured an allocation to an Asset Backed Security (ABS) originated by Brighte Capital Pty Limited to add further diversity and an ESG allocation within the ABS sector. This issue is secured by receivables from homeowners funding solar panel and home battery installations and obtained a Sustainability Quality Score of "Very Good" from Moody's Ratings.

Subordinated bank debt credit margins weakened in the order of 19 basis points over the month, the largest move since October 2022. This move was primarily driven by US tariff headlines and a surge in subordinated deals (issued by non-domestic banks) launching in the primary market throughout the month. The Investment Team continues to favour subordinated assets issued by domestic banks with shorter maturities.

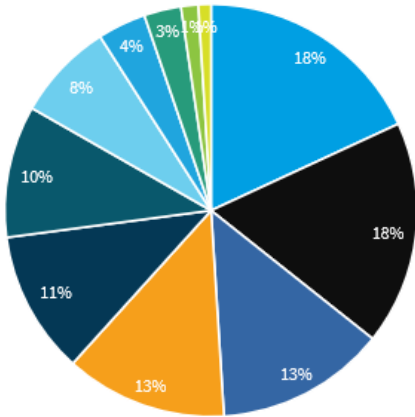
## Outlook

Looking ahead, the Australian bond market is expected to remain influenced by global trade tensions, rising uncertainty post "Liberation Day", the upcoming Federal Election and domestic economic policies. In light of these challenges, the Investment Team remains cautious and will await advantageous yield curve entry opportunity for assets with solid credit ratings and medium-term maturities.

## Conservative Income

### Sector Allocation

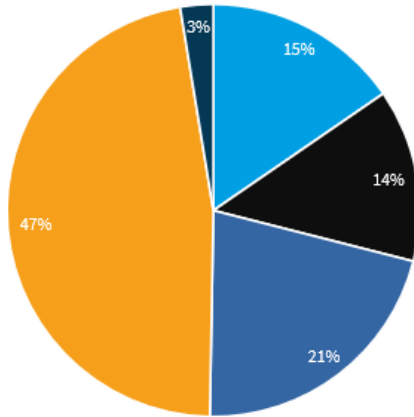
as at 31 March 2025



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

### Credit Quality

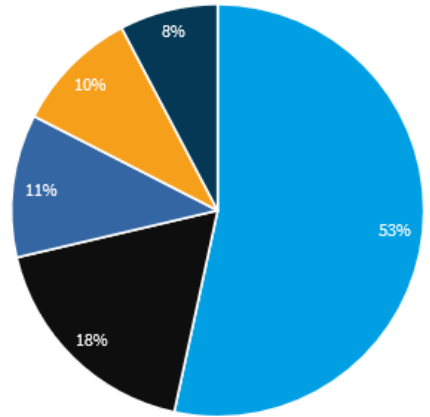
as at 31 March 2025



- AAA
- AA
- A
- BBB
- Cash

### Capital Structure Allocation

as at 31 March 2025

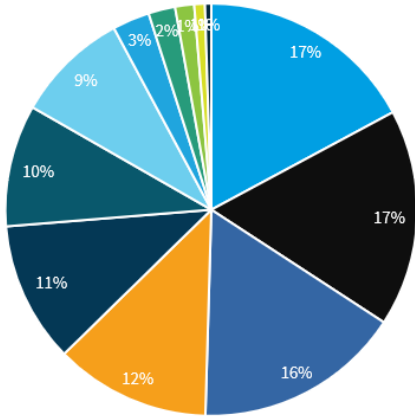


- Corporate Senior
- Government
- Semi-Government
- Subordinated
- Asset Backed Securities

## Income Plus

### Sector Allocation

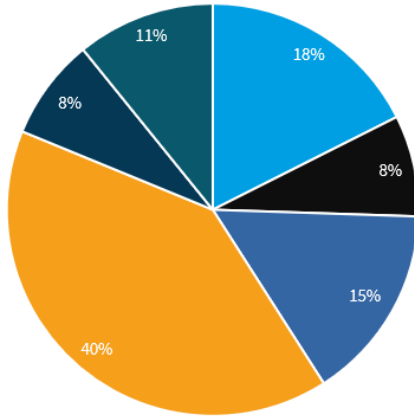
as at 31 March 2025



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

### Credit Quality

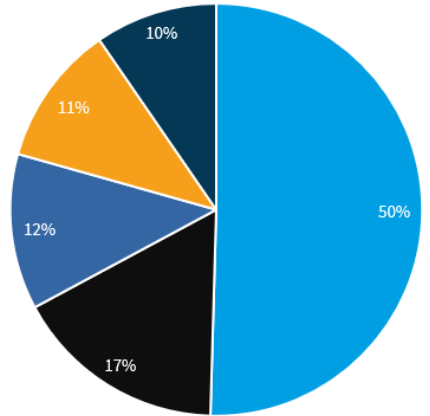
as at 31 March 2025



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

### Capital Structure Allocation

as at 31 March 2025

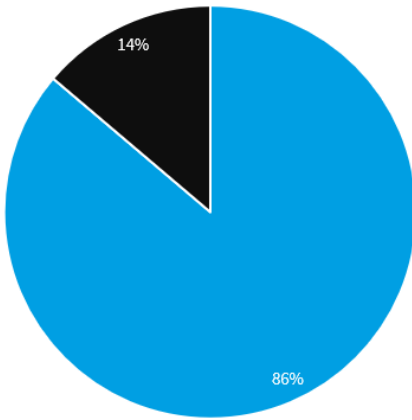


- Corporate Senior
- Government
- Asset Backed Securities
- Subordinated
- Semi-Government

## Customised Bank

### Sector Allocation

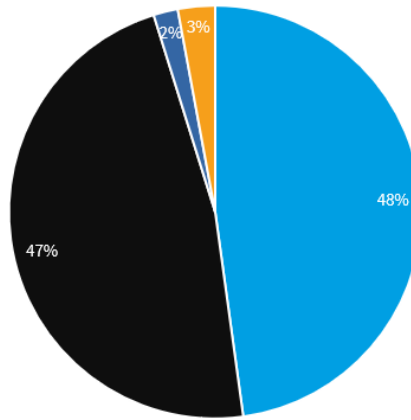
as at 31 March 2025



■ Major Bank ■ Non-Major Bank

### Credit Quality

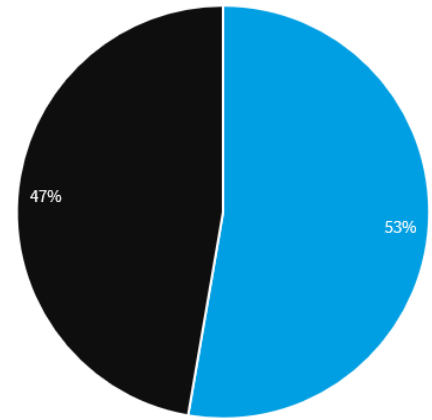
as at 31 March 2025



■ AA ■ A ■ BBB ■ Cash

### Capital Structure Allocation

as at 31 March 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>Investment Grade</b>	100%
<b>Non-Investment Grade</b>	Not permitted

<b>Currency</b>	Australian dollar
<b>Subordinated Debt</b>	Up to 20%
<b>Asset Backed Securities</b>	Up to 20%

<b>Derivatives</b>	Not permitted
<b>FIIG Arranged Bonds</b>	Not permitted
<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>Investment Grade</b>	Minimum 80%
<b>Non-Investment Grade</b>	Up to 20%

<b>Currency</b>	Australian dollar
<b>Subordinated Debt</b>	Up to 20%
<b>Asset Backed Securities</b>	Up to 40%

<b>Derivatives</b>	Not permitted
<b>FIIG Arranged Bonds</b>	Not permitted
<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

## FIIG Managed Income Portfolio Service (MIPS)

#### 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