FIIG Australian Bond Fund

Quarterly Commentary Report - 30 September 2024

Fund Objective

The Fund aims to provide investors with capital stability, income and returns (after fees) in excess of the Benchmark Index (Bloomberg AusBond Composite 0+Yr) over three-year rolling periods through investment in a portfolio of Investment grade rated Australian fixed interest securities that include government and corporate bonds, mortgage-backed securities, asset-backed securities, cash and enhanced cash instruments.

Fund Performance as at 30 September 2024

Return Type	1 Month	3 Months	6 Months	12 Months	Since Inception*
Net Fund Return	0.32%	3.07%	2.14%	7.53%	7.49%
Benchmark Return	0.31%	3.02%	2.16%	7.11%	7.08%
Excess Return	0.02%	0.05%	-0.01%	0.41%	0.41%

*Fund inception 29 September 2023

Performance Chart (Daily Pricing)

Disclaimer: Growth of $10,000 is calculated at NAV and assumes that all distributions were reinvested. It does not take into account buy-sell spreads or the effect of taxes. Results are not indicative of future performance.

Distributions Paid in the Past 12 Months

Date	Distribution (Cents/Unit)	Cum Distribution Price	Ex-Distribution Price
30 September 2024	0.6468	1.0540	1.0475
30 June 2024	1.1716	1.0342	1.0225
31 March 2024	0.6168	1.0498	1.0436
31 December 2023	0.2799	1.0408	1.0380

Fund Overview

To invest in Australian fixed interest securities including corporate bonds, government bonds and asset backed securities that provides investors with capital stability, income and returns in excess (after fees) of the benchmark index over the medium term (three to five years).

- Inception date: 29 September 2023
- APIR ETL3146AU
- ARSN 673 739 565
- Management fee: 0.58% p.a. inc GST
- Buy/Sell: 0.10%/0.10%
- Suggested investment timeframe: At least three years
- Distribution frequency: Quarterly
- Fund Managers: Kieran Quaine - Head of Investment Management and Megan Romeo Head of MIPS, Portfolio Manager - IMAs, and Garreth Innes, Portfolio Manager FIIG monthly Income Fund
- Index: Bloomberg AusBond Composite 0+Yr Index

Fund Characteristics

No. of holdings: 46

Fund Duration: 5.56 years

Benchmark Duration: 5.04 years

Running Yield: 3.47%

Average Coupon: 3.37%

Fund commentary

- Monthly outperformance of the benchmark index of +0.01% (net of fees) is primarily a function of very minor tactical (short term) duration extensions above index duration during the month.
- Quarterly outperformance of +0.05% (net of fees) above the benchmark index, is primarily a function of strategic duration extensions made during the July and August months that saw a rally in Commonwealth Government 10-year Bond yields 32 basis points lower over the quarter.
- The managers Investment Strategy, whether implemented tactically or strategically, has been premised upon a continuation of trend in inflation falling and the subsequent expectation that long dated bonds would rally as a function. The manager has extended portfolio duration longer than index duration positions when yields weaken and has shortened 'back to index' - but never shorter than index - when yields were perceived to have rallied too strongly given information at hand. At quarter end, the perception was that rising geopolitical tension in the Middle East warranted a neutral duration position.

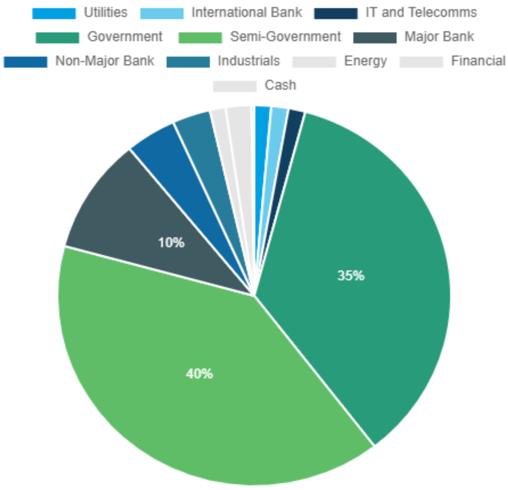
Market commentary

- Whilst duration positioning at quarter end is neutral, the manager anticipates a continuation of the same 'long' duration strategy applied successfully in the prior quarters, and since late 2023, but awaits advantageous yield entry opportunity before duration extension is undertaken. OCRs in many western nations, including the US, have been eased in response to the same economic equation facing Australia - falling inflation, tepid growth, contracting expenditure and rising unemployment. The RBA is adjudged by the domestic bond market to be to be 'behind the curve', given the significance of lows in yields achieved for benchmark 3-year (3.27%) and 10-year (3.80%) Commonwealth Government Bonds during the quarter.
- The extreme curve inversion, at least compared to the OCR, summarises the difficulty and cost of implementing 'strategic' long duration positions. The manager envisages long term bond yields will resume a rally as evidence of momentum in inflation toward the RBA target range of 2.00% to 3.00% resumes, and geopolitical tensions in the Middle East concurrently dissipate. Recent MOM data releases have indicated that the September QOQ inflation number will deliver a core inflation outcome that will appease the RBA, and the manager expects the Official Cash Rate (OCR) will be eased in the first quarter of 2025 but does not rule out a pre-Christmas cut. Subsequently, the extreme inversion evident now will change quickly as the RBA ratifies what the bond market has already priced.

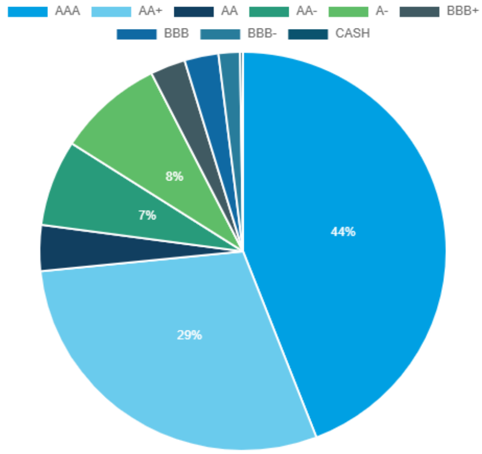
Fund positioning

- The IMT remain consistently bullish. We expect to extend duration, longer than the benchmark index, as opportunity presents. We forecast the RBA will eventually set the OCR lower in response to evidence of lower inflation continuing and would not be surprised to see the OCR at 3.25% by EOCY2025. Whilst the bond market has currently priced in an OCR of ~3.60%, we suggest once the RBA eases policy the first time, likely now in February 2025^, the market will move to price that rate to move lower again
- As the fund grows from current FUM of circa $37m, investment exposure will change from the current predominantly federal and state government debt holdings to include exposure to a diversified pool of bank, corporate and ABS debt assets, with the fund headline yield subsequently increasing.

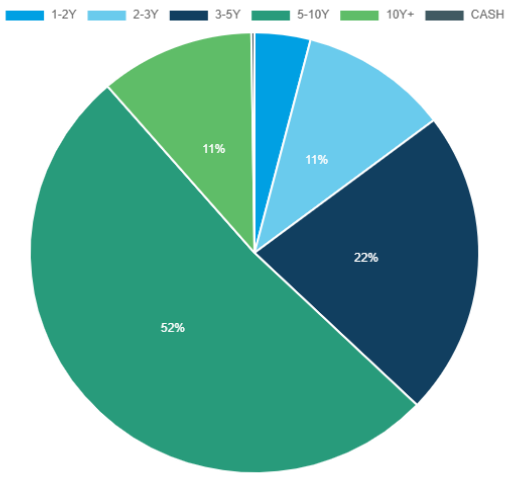
Sector Allocation as at 30 September 2024



Credit Quality as at 30 September 2024



Portfolio Maturity as at 30 September 2024



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