

FIIG Australian Bond Fund

MARCH 2024

Fund Objective

The Fund aims to provide investors with capital stability, income and returns (after fees) in excess of the Benchmark Index 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 Information

- › Management Fee: 0.58% incl GST
- › Buy/Sell Spread: 0.10%/0.10%
- › Initial Investment: \$10K
- › Minimum Additional Investment: \$1K

Fund Performance	1 month	3 months	6 months	Since Inception
FIIG Australian Bond Fund	1.18%	1.14%	5.27%	5.27%
Bloomberg AusBond Composite Index	1.12%	1.03%	4.85%	4.85%

Fund Commentary

- › Monthly outperformance of +0.06% (net of fees) is primarily a function of minor gains made given curve shape exposure differences from the benchmark index, alongside optimal investments for additional applications into the Fund.
- › The quarterly gains of +0.11% (net of fees) were made evenly across the quarter, best described as one of yields ‘consolidating’ at new lows post the significant rally during the December quarter.
- › The Fund, having de-risked the longer-than-index duration position of the prior quarter, awaited evidence of a further improvement in inflation before executing an intended longer-than-index-strategy again. The fourth quarter inflation figures, released in late January, justified the prior quarter’s rally, but did not improve enough to encourage a significant duration extension (again).

Market Commentary

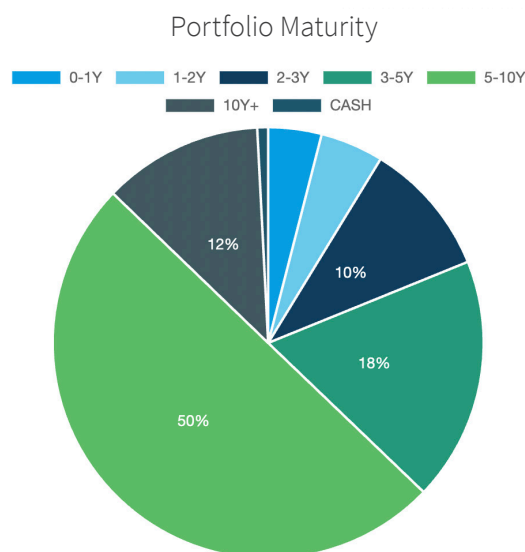
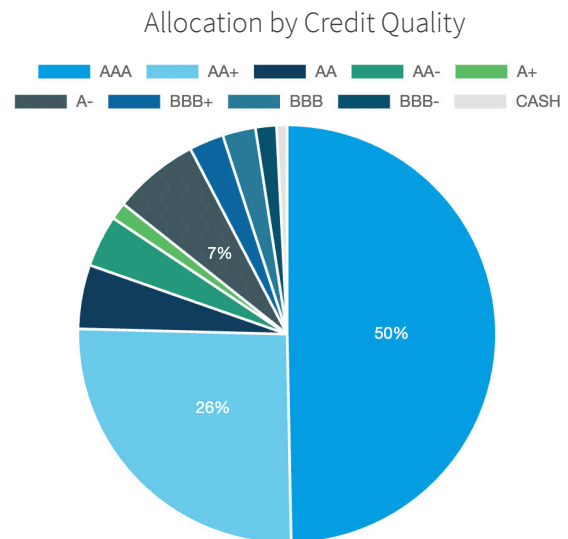
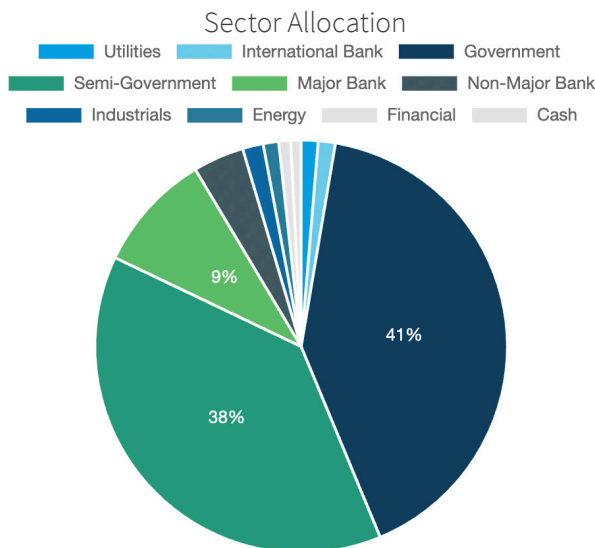
- › After falling dramatically in the December quarter of 2023, US interest rates rose slowly but consistently across the March quarter of 2024. At the start of the March quarter, expectations had been for a significant US Federal Reserve easing cycle and a generally weakening of the US economy. Instead, US data (particularly around labour markets and inflation) has proven stronger than anticipated, causing rate cut expectations to fade.
- › Unlike the US, Australian bond yields moved very little in the March quarter. The Australian data has mostly been printing at expectations or weaker than anticipated. For example, in the December quarter, Australian inflation rose only 0.60% when consensus had been looking for 0.8%. However, the increase in US yields was causing a rise in global interest rates at the same time as the weaker local data would normally cause Australian interest rates to fall. The two effects largely cancelled out and the Australian bond yields were little changed.
- › The RBA stated that ‘despite progress, inflation remains high’, referring to the YOY result of 4.10% to December 2023. The RBA remain cautious, not forecasting a sustainable recovery in annual inflation to below 3.00% until 2025, despite the 0.60% quarterly result, because both the economic outlook is uncertain and geopolitical risk remains elevated. The RBA is currently emphasising that a large range of possible outcomes are plausible.

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Fund Positioning

- › The Fund duration is near one quarter of a year longer than the benchmark index, with an objective of going even longer, and toward at least half a year longer, given any price advantage offered by the market, or confidence that inflationary numbers will improve yet again. This intention is based upon the Investment Management Team’s (IMT) perception that domestic demand will continue to be stifled by (overly) tight monetary policy.
- › However, an elevation of global geopolitical risk is likely stalling the momentum in inflationary gains of 2023, and the Investment Management Team is cognisant that this is a time to be cautious.
- › As the Fund grows, 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.



Disclaimer: Net performance figures are shown after all fees and expenses, assuming reinvestment of distributions. Past performance is not an indicator of future performance. Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298), AFSL 240975, is the Trustee for the FIIG Australian Bond Fund (“the Fund”).

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