

FIIG Australian Bond Fund

DECEMBER 2023

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 Performance	1 month	3 months	Inception
FIIG Australian Bond Fund	2.71%	4.08%	4.08%
Bloomberg AusBond Composite Index	2.69%	3.79%	3.79%

Fund Information

- › Management Fee: 0.58% incl GST
- › Buy/Sell Spread: 0.10%/0.10%
- › Initial Investment: \$25K minimum
- › Additional Investment: \$1K

Fund commentary

- › Monthly outperformance of +0.02% (net of fees) is primarily a function of minor gains made given curve shape exposure differences from the benchmark index, alongside efficient daily transacting of new cash inflow.
- › The quarterly gains of 0.29% (net of fees) were predominantly made in November when the fall in longer-dated yields was most prevalent and the fund-modified duration was in excess of half a year longer than the benchmark index.
- › The fund eventually and progressively ‘de-risked’ versus the index in early December by reducing modified duration to match the index at nearly 5.03 years, as the Investment Management Team (IMT) perceived the lion’s share of interest rate gains in long bonds had been achieved.

Market commentary

- › The Federal Reserve ‘jawboning’, the RBA Official Cash Rate increase (to 4.35%), and the elevation of geopolitical risk were collectively not enough to challenge the opportunity to invest long. Yields had climbed in October concurrently with evidence of the trend fall in inflation continuing and the subsequent rise in real yields was getting more attractive.
- › The catalyst was ‘no change’ in US Official cash in early November, despite the tough rhetoric expressed by the Federal Reserve Chairman. Bonds subsequently rallied.
- › Australian Government 10-year bond yields rallied in excess of 1.00% from October highs of greater than 5.00%, to achieve lows in December below 4.00%.

Fund positioning

- › In early December, the IMT chose to reduce the excess modified duration above the index to match that of the index as it perceived re-pricing for the trend in inflation had been ‘priced in’.
- › The IMT now awaits further evidence of improvement in inflation beyond current trend gains in late 2023 before it will extend duration again.
- › As the fund grows from its current FUM of circa \$23m, the investment will change from the current predominant 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”).