

FIIG Australian Bond Fund

September 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	1 year
FIIG Australian Bond Fund	0.32%	3.07%	2.14%	7.53%
Bloomberg AusBond Composite Index	0.31%	3.02%	2.16%	7.11%

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.

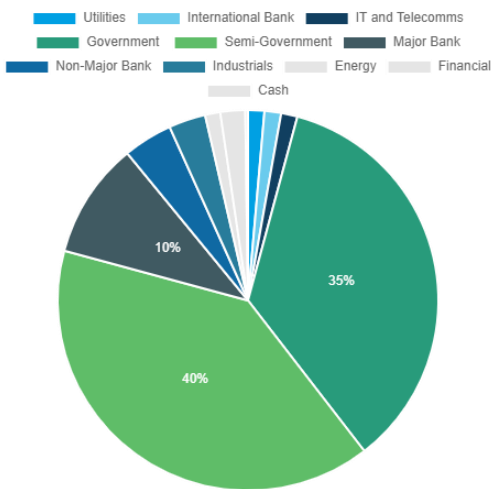
Disclaimer: Net performance figures are shown after all fees and expenses, assuming reinvestment of distributions. Past performance is not an indicator of future performance. Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the FIIG Australian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

Fund positioning

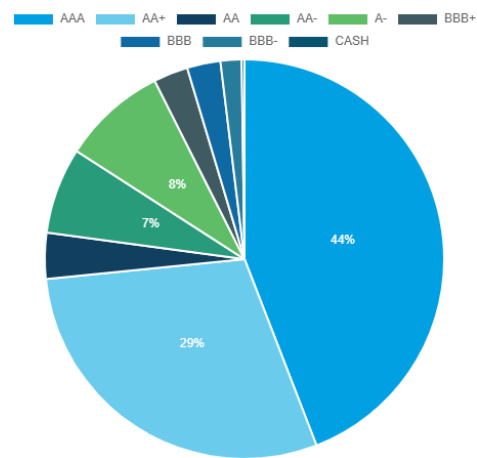
- The IMT remain consistently bullish. We expect to extend duration, longer than the benchmark index, as opportunity presents. We forecast the RBA will eventually set the OCR lower in response to evidence of lower inflation continuing and would not be surprised to see the OCR at 3.25% by EOY2025. Whilst 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.

Portfolio Composition

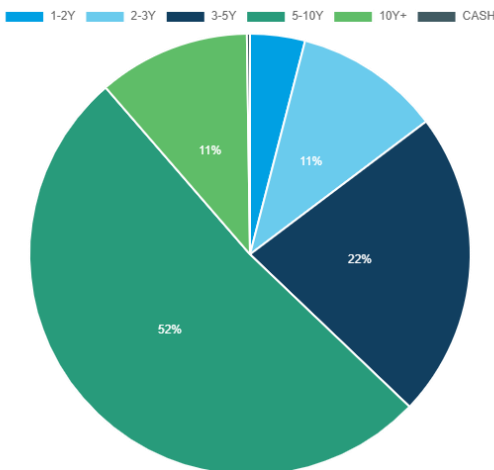
Sector Allocation



Allocation by Credit Quality



Portfolio by Maturity



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 Responsible Entity for the FIIG Australian Bond Fund ("the Fund").