# FIIG Monthly Income Fund

Monthly Commentary Report – 28 February 2025

## Fund Objective

The aim of the Fund is to preserve capital, generate regular income and deliver an income return of 2% per annum above the Bloomberg AusBond Bank Bill Index. This strategy is designed for investors who want the potential for regular monthly income and capital stability.

## Fund Performance as at 28 February 2025

| Return Type | 1 Month | 3 Months | 6 Months | 12 Months | Since Inception* |
|---|---|---|---|---|---|
| Net Fund Return | 0.75% | 2.03% | | | 3.41% |
| Benchmark Return | 0.34% | 1.10% | | | 1.85% |
| Excess Return | 0.41% | 0.93% | | | 1.57% |

*Fund inception 1 October 2024

## Distributions Paid

| Date | Distribution (Cents/Unit) | Cum Distribution Price | Ex-Distribution Price |
|---|---|---|---|
| 28 February 2025 | 0.4449 | 1.0169 | 1.0125 |
| 31 January 2025 | 0.4435 | 1.0137 | 1.0093 |
| 31 December 2024 | 0.4221 | 1.0129 | 1.0087 |
| 30 November 2024 | 0.4206 | 1.0094 | 1.0052 |
| 31 October 2024 | 0.4190 | 1.0058 | 1.0016 |

## Fund Commentary

The FIIG Monthly Income Fund returned 0.75% net of fees in February, outperforming the AusBond Bank Bill Benchmark by 0.41%. Pleasingly, outperformance was once again generated via a combination of strategies, namely income accrual, relative value trading in corporate bonds and tactical duration positioning. Since inception in October 2024, the fund has outperformed its benchmark by 1.57% after fees.

The Trump trade fell flat in February, with heightened uncertainty about Elon Musk's DOGE squad reach, (with respect to the US labor market) as well as flip-flopping on tariff / geopolitical policies impacting the medium-term growth outlook. We recently opined that it would be rather difficult for any CEO to commit to long-term capital investments with constantly shifting goalposts, and this sentiment finally showed up in survey data.

The US Treasury market repriced swiftly, with the 10-year yield falling from 4.54% to 4.20% at month end. The Australian 10-year government bond yield fall was just one-third of that magnitude as the market heeded the warning from RBA Governor Bullock that too many cash rate cuts had been priced into our bond market (despite the RBA moving ahead with a 0.25% easing at its February meeting, taking the official cash rate to 4.1%).

## Fund Overview

The Fund invests in a portfolio of predominantly Investment Grade rated floating rate notes to provide investors with a consistent income source. It is expected that income generated from these assets will provide a majority of the returns for the Fund. Investors can also expect select exposures to Asset Backed Securities, High Yield and Unrated Bonds, Emerging Market Debt and Loans & Collateralised Loan Obligations (CLOs).

- Inception date: 1 October 2024
- APIR ETL6333AU
- ARSN 677 324 882
- Management fee: 0.50% p.a. inc GST
- Buy/Sell: 0.05%/0.10%
- Suggested investment timeframe: At least three years
- Distribution frequency: Monthly
- Fund Managers:
  Garreth Innes - Portfolio Manager
  Kieran Quaine - Head of Investment Management, Portfolio Manager FIIG Australian Bond Fund
  Megan Romeo - Head of MIPS
- Index: Bloomberg AusBond Bank Bill Index

## Fund Characteristics

No. of holdings: 55

Fund Duration: 0.5964 years

Benchmark Duration: 0.1260 years

Running Yield: 5.86%

Average Coupon: 5.81%

US equities fell slightly while the ASX 200 endured a 4.2% decline. In a relative sense, credit spreads were resilient with US Investment Grade spreads widening by just 6 basis points (0.06%) versus equivalent maturity US Treasuries. US High Yield spreads widened by 20 basis points (0.2%). Australian credit spreads outperformed offshore indices with spreads tightening by 4 basis points (0.04%). That was despite a big pick-up in local issuance after the end of the ASX reporting season. We still note large oversubscription levels in recent new deals although anecdotal evidence from brokers suggests more churning/funding of new deals with existing bonds rather than fresh allocations from inflows.

## Positioning and Outlook

During the month, we extended duration to around 1 year at the portfolio level. We took profits on this position by halving the exposure by month-end. The holdings utilised in this strategy included long-dated Aussie government bonds, Woolworths 2034's and QUBE Logistics 2034's.

We used the surge in new issuance to diversify exposures with the fund now holding close to 60 individual holdings. New lines include Mizuho 28's (senior unsecured), Liberty 2030's (senior unsecured), IAG 39's (subordinated), Westpac 35's (subordinated) and AusNet hybrids. We also allocated to two new RMBS deals originated by AFG and Apollo (Suncorp, now ultimately owned by ANZ).

In terms of rating splits, around one-quarter of the fund is in cash + AA (or better) rated bonds. A further quarter is in the 'A' bucket (i.e. c50% in A- to AAA-rated bonds). Around 40% is in the BBB band with just 9% in sub-investment grade, so overall we have a fairly high skew to quality in the portfolio.

The portfolio yielded c5.8% at the end of February, compared with the index yielding c4.1%.

The outlook is very fluid due to ongoing uncertainty surrounding the Trump administration and its ultimate balance between posturing (for the sake of a 'deal') vs. pursuing its trade and geopolitical agendas. It does feel like second-term Trump is more focused on his enduring legacy and redrawing the geopolitical map vs. Trump 1.0, that was focused on tax cuts and the performance of the S&P 500. Europe is currently scrambling to find money for increased defence spending, which is impacting forecast budget deficits and bond yields.

Scott Bessent, US Treasury Secretary, has specifically called out lowering the US 10-year yield as a key focus – key drivers here include lower oil prices (leading to lower inflation), lower government deficits (via higher national income and/or lower expenses – see DOGE) or maybe this government will be content to suffer through lower economic growth in the short-term in order to pursue its medium-to-long-term goals of bringing manufacturing capacity back to the USA.

Closer to home, we have our own election in a few months and a consumer that seems to be picking up again. RBA Governor Bullock pushed back against market pricing on further rate cuts and it seems like the RBA is content to be 'slow' (in a relative sense) on the way up - and down. This arguably plays into the Monthly Income Fund asset class as if we take the RBA at face value, the bank bill (benchmark) yield should remain elevated for the foreseeable future.



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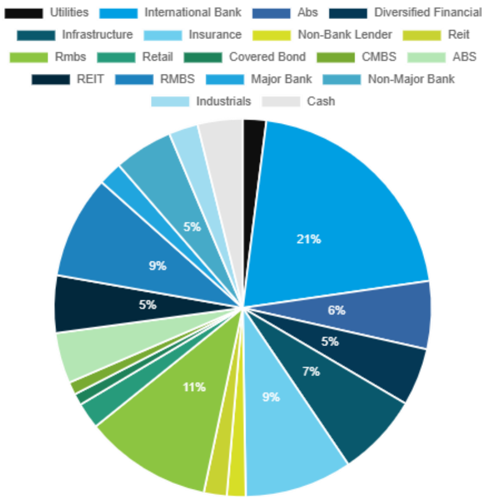
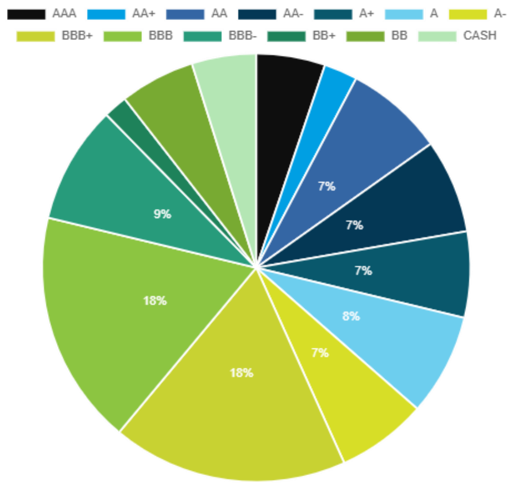
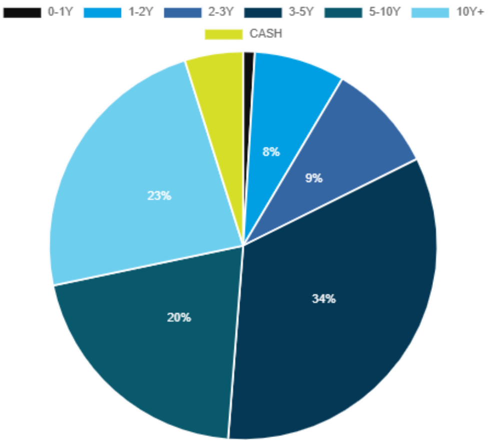
## Sector Allocation as at 28 February 2025




## Credit Quality as at 28 February 2025




## Portfolio Maturity as at 28 February 2025




## Top 10 Holdings as at 28 February 2025

| Security Name | Security Number | Allocation (%) |
|---|---|---|
| The Hollard Insurance Co Pty Ltd | HOLLR_390101_FRN | 3.48 |
| Bank of Montreal | BMO_290627_FRN | 3.05 |
| Scentre Group Trust 1 | SCW_540910_FR2 | 2.60 |
| Aurizon Network Pty Ltd | 0838562D_341221_ | 2.60 |
| OWL Rock Core Income Corp | 1857_271023_6.50 | 2.57 |
| Pacific National Finance Pty Ltd | PNHAU_541211_FRN | 2.56 |
| AusNet Services Holdings Pty Ltd | 30529_550212_FRN | 2.54 |
| Metropolitan Life Global Funding I | 1437_290711_FRN | 2.53 |
| New York Life Global Funding | 2141_290724_FRN | 2.53 |
| Barclays PLC | BARC_350528_FRN | 2.52 |