Managed Income Portfolio Service (MIPS)

Quarterly Report – June 2023

Welcome. This report contains a selection of summary information relevant to the fixed income market, informing readers of the major influences impacting the price of the assets from which the performance of portfolios is derived.

Key Observations

- Central Banks (CB) continue tightening monetary policy
- Bond yields weak in light of lingering inflation and CB action
- RBA tightens in May and June after pausing in April
- World Bank warns global growth to fall further
- Federal Government posts first budget surplus in 15 years

Generation of both income & total return during the quarter

The MIPS Portfolio Management Team (PMT) endeavour to generate the highest possible income and total returns for investors, commensurate with the risk profile chosen from a menu of three alternate investment programs or customised investment mandates.

Macroeconomics, base interest rates and investment strategy commentary

Throughout the 2021–2022 period, the MIPS PMT maintained a consistently bearish outlook on the bond asset class. This was conveyed through both our prior Quarterly Reports, and by strategically positioning portfolios with shorter durations to safeguard investor capital.

In early 2023 we observed that the previously 'belated' central bank monetary policy action in response to emerging inflation had been replaced by 'hyper aggressive' action on a global and synchronised basis. Recognizing this change, we extended duration given evidence that inflation had peaked and showed early signs of falling further under the weight of monetary policy change.

However, the MIPS PMT duration extension across all Investment Programs was accompanied by a warning within the March 2023 Quarterly Report, where we stated …

"We simply don't expect a straight line to very low inflation because, whilst many of the catalysts for higher inflation are dissipating, the path forward to the globalisation efficiency of the noughties is rocky".

This observation led to a change in the investment strategy. The MIPS PMT, once more, made the decision to postpone the planned duration extension across all portfolios. This was done in anticipation of a rise in bond yields, as inflation - although falling - was not falling fast enough.

Rather than repeat key messaging contained within all prior quarterly reports, we request readers review the March 2023 Quarterly Report alongside prior editions.

MIPS Investment Returns

During the June 2023 quarter, the bond market, as evidenced by bond benchmark index returns, was extremely weak. Refer to Table 2.

Yields of benchmark Commonwealth Government 3-year and 10-year bonds weakened significantly almost from the outset of quarter, rising 1.08% and 0.72% respectively. Refer to Table 4.

The MIPS PMT note that despite bond market weakness, all MIPS Investment Programs outperformed their benchmark indices.

MIPS Investment Returns

Table 1: Average Gross Individually Managed Portfolio (IMP) performance per Investment Program

Total GROSS Returns to 30 June 2023	1 mth	3 mths	6 mths	6 mths annualised	1 yr	2 yrs p.a.	3 yrs p.a.	4 yrs p.a.	5 yrs p.a.
Income Plus	-0.46	-0.32	3.17	6.42	3.40	1.00	4.12	1.11	2.23
Core Income	-0.77	-1.06	2.74	5.53	2.78	-0.60	2.08	1.19	2.38
Conservative Income	-0.83	-1.18	2.64	5.33	3.36	-0.89	1.02	1.42	2.59
Customised Liquidity: Bank (FRN) 4	0.53	1.40	2.80	5.67	4.54	1.56	1.90	1.92	n/a

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*Table 2: Benchmark Index Fixed Income Investment Returns^*

Benchmark Fixed Income Index Returns to 30 June 2023	1 mth	3 mths	6 mths	6 mths annualised	1 yr	2 yrs p.a.	3 yrs p.a.	4 yrs p.a.	5 yrs p.a.
Bank Bill	0.30	0.90	1.69	3.41	2.88	1.48	1.01	0.96	1.17
Australian Fixed Interest 1-5 year	-1.29	-1.68	0.87	1.75	1.64	-2.32	-1.31	-0.28	0.81
Australian Fixed Interest (All Maturities)	-2.10	-3.21	1.74	3.51	1.18	-5.52	-4.02	-1.96	0.35
Corporate Bond BBB Rating Band	-1.30	-1.67	3.18	6.46	4.12	-4.12	-1.38	-0.18	1.53

^ Source: S&P Dow Jones Indices.

What happened in the June quarter?

In a nutshell, inflationary expectations drove all key global Central Banks to tighten monetary policy aggressively. Globally, bond yields pushed higher.

Last quarter, the bond market was buoyed by evidence that inflation had peaked (and was slowing), and that economic growth was being crushed by prior monetary policy moves. In contrast, the market reversed this quarter and long bond yields climbed.This was not unexpected given the rally to late March 2023 was building a significant and immediate expectation that inflation would fall dramatically. Within our March 2023 Quarterly Report, we stated an expectation of as much:

"Has our duration extension already paid the maximum dividend (return) that is reasonably possible given where inflation is and where it is trending?"

"Has the RBA paused at exactly the wrong time?"

The answers to both questions were YES. Bond yields rose in the June quarter and the RBA tightened twice by 0.25% each time.

The MIPS PMT stated, within the March Quarterly Report, that they ***"expect a longer road must be walked before claims of a definitive victory over (long term) inflation can be made"***. Clearly global central banks were of the same opinion, as they continued to tighten, not satisfied that the marginal falls in inflation were either sufficient or sustainable … one swallow does not a summer make.

Key Global monetary policy changes during quarter / official cash rates:

- UK (BoE): tightened from 4.25% to 5.00%
- Europe (ECB): tightened from 3.00% to 3.50%
- AUS (RBA): tightened from 3.60% to 4.10%
- Canada (BoC): tightened from 4.50% to 4.75%
- New Zealand (RBNZ): tightened from 5.25% to 5.50%
- USA (Federal Reserve): tightened from 4.875% to 5.125%

Yet again, it is, has and always will be about current and future inflation.

The PMT may make longer-term 'strategic' duration extensions or short-term 'tactical' ones. A strategic move envisions holding the longer duration position in place for a longer period of time. A tactical move envisions holding the position for a short period of time.

During the June 2023 Quarter, the PMT maintained (strategic) duration positions, refraining from extending given the environment described. (Tactically) duration was shortened at periods of time during the quarter.

Political manoeuvres in the east

Hardly a footnote to our economic commentary, but geopolitical manoeuvres within Russia/Ukraine must be discussed, given ultimately any escalation in conflict would not only have massive implication for Ukrainian civilians, but undoubtedly

Table 3: Gross IMP Performance versus Benchmark Indexes

Index & Blend Indices to 30 June 2023	1 mth	3 mths	6 mths	6 mths annualised	1 yr p.a.	2 yrs p.a.	3 yrs p.a.	4 yrs p.a.	5 yrs p.a.
100% BBB	-1.30	-1.67	3.18	6.46	4.12	-4.12	-1.38	-0.18	1.53
75% BBB, 25% 1-5yr	-1.30	-1.67	2.60	5.28	3.50	-3.67	-1.36	-0.21	1.35
50% BBB, 50% 1-5yr	-1.30	-1.67	2.02	4.10	2.88	-3.22	-1.34	-0.23	1.17
100% Bank Bill	0.30	0.90	1.69	3.41	2.88	1.48	1.01	0.96	1.17
Performance v Index & Blend Indices to 30 June 2023									
Income Plus	0.84	1.35	0.00	-0.04	-0.71	5.12	5.51	1.29	0.70
Core Income	0.53	0.61	0.14	0.25	-0.72	3.07	3.44	1.40	1.03
Conservative Income	0.47	0.49	0.61	1.22	0.48	2.33	2.37	1.65	1.42
Customised Liquidity: Bank Bond (FRN) 4	0.23	0.50	1.11	2.26	1.66	0.08	0.89	0.95	n/a

^ Source: S&P Dow Jones Indices.

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Table 4: Commonwealth (benchmark) Bond Yield volatility in the June 2023 Quarter

CGL Maturity	Source ^	Open	High	High date	Low	Low date	Close	Current #
(near) 3 Year	SFE 3 & 10 Year Futures	2.91%	4.06%	20 June	2.74%	11 April	3.99%	3.96%
(near) 10 Year		3.30%	4.06%	20 June	3.15%	7 April	4.02%	3.98%

^ 3yr: YTM23 (June 23 deliverable) open, YTU23 (September 23 deliverable) close
^ 10yr: YTUM23 (June 23 deliverable) open, YUU23 (September 23 deliverable) close
 # Current date: 05 July 2023

massive global economic implications. We continue to watch this space, noting that whilst the conflict itself continues, it has not escalated across further borders or across the use of next level weaponry. However, the ingredients for escalation remain.

In the June Quarter, Vladimir Putin's grip on Russian power was briefly (for the moment) challenged by the Chief of the Wagner Mercenary Group, Yevgeny Prigozhin. Whilst many will believe it is one gangster challenging another, it possibly has significant implications for world order. Given Russia is the key supplier of raw materials to the world, any change to the political landscape there can have far reaching economic consequences. We watch this space.

Summary outlook

The MIPS PMT envisage the September Quarter will likely deliver an opportunity to strategically extend duration.

Whilst 3-year and 10-year benchmark Commonwealth Government Bonds are still trading at negative real yields of ~-1.60% (given YOY inflation is 5.60%), that inflation figure is trending lower. There will be no alarm bell when inflation has definitively peaked or troughed.

The PMT ask readers to reference the June 2022 Quarterly Report again. If the average 10-year real rate of return of +0.70% (excluding the Covid-19 period) is to hold, at the current 10-year Commonwealth yield (see Table 4) of 4.00%, inflation has been priced to fall immediately (or very quickly) toward 3.30%.

We suggest that whilst this is possible given global monetary policy moves, including tightening by the RBA to 4.10%, it is unlikely to happen quickly.

What is undoubtedly true is that at face value, benchmark Commonwealth 10-year bond yields at 4.00% at June Quarter end are far more attractive than they were at March Quarter end when they yielded 3.30%. And during that quarter we have seen inflation fall from 6.80% (YOY) to 5.60% (YOY).

Our modelling, fully tabled within the June 2022 Quarterly Report, has been near spot on. We forecast annual rolling CPI to trend lower from above 6.00% in June 2023, to breach below 3.00% in mid to late 2025. To June 2023, YOY CPI is now 5.60%, a gain of 0.40% on expectations.

By that inference, mid 2024 CPI could be expected to fall to 4.30%, being exactly 1.00% higher than the 3.30% outcome required to justify investing heavily in bonds here and now.

Given that timeline and analysis, we suspect we are approaching a period of time where it becomes more compelling to hold longer maturity bonds at above near current levels. We suspect that level will be close to 4.50% for the benchmark 10-year Commonwealth Bonds. We will subsequently be considering a strategic duration move longer than index in the coming quarter.

Performance commentary

In the June 2023 Quarter, the MIPS PMT has delivered positive relative performance, exceeding benchmark indices, whilst absolute performance was moderately negative.

In perspective, the significant gains of the March 2023 Quarter, that averaged +3.75% across Core, Conservative and Income Plus Investment Programs were marginally reversed by returns that averaged -0.80% in the June 2023 Quarter.

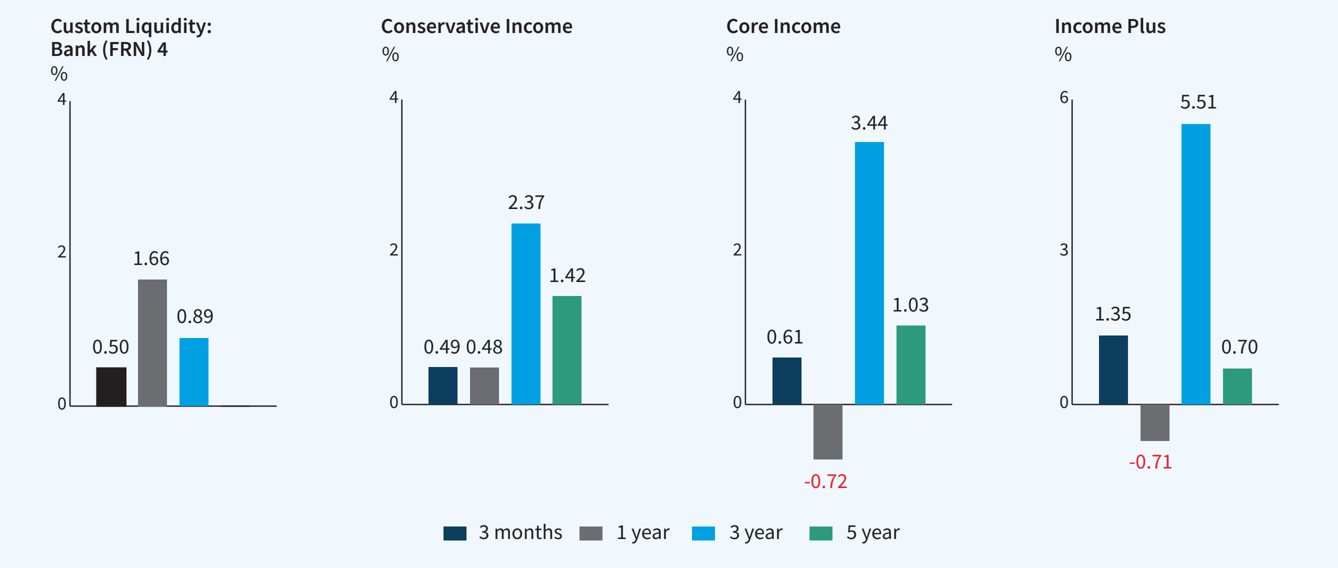
The following commentary very generally attributes performance within each of the following Investment Programs, referencing the key elements of each program Investment Mandate (IM).

Refer to Tables 1 – 3 for performance. Refer to Table 5 for key summary exposure statistics.

Table 5: Index and Blend Index Durations

Benchmark Index Name / Investment Manager / Program Name	Benchmark Index Name / Blend Index Splits	Index Modified Duration (MD) @ 30 June 2023	Inv' Mandate		June Qtr End	Difference MD v Index
			Max MD	Min MD		
Benchmark Index 1	S&P/ASX BBB Rating Band	3.97	N/A			
Benchmark Index 2	S&P/ASX AFI 1-5 Year	2.74				
Income Plus	100% Index 1	4.03	5.00	0.00	2.63	-1.40
Core Income	75% Index 1, 25% Index 2	3.66	5.00	0.00	3.12	-0.54
Conservative Income	50% Index 1, 50% Index 2	3.36	5.00	0.00	3.07	-0.29

Graph 1: Performance^ v Benchmark Indices to 30 June 2023



^ Out/Under performance v benchmark is per annum (p.a.) for periods >= 1 year, and notional for periods <=1 year (3 months).

Income Plus (IP)

The IP IM allows a maximum capacity of 75% exposure to Unrated (UR) and Non-Investment Grade (NIG) Credit. Historically the performance of the program would rise and fall on the performance of that sector of assets.

In the June quarter, IP's -0.32% (gross) average return was significantly higher than that of both Core Income (CI) and Conservative Income (CV) Investment Programs (averaging -1.12%) and more than significantly higher than its 100% Corporate BBB benchmark index which yielded a poor -1.67%. The key reason was IP duration was kept significantly shorter than both the CI and CV Investment Programs, and the BBB Index duration. The inability to extend duration (at least as long as the other two programs) is explained by insufficient bid side liquidity in short maturity UR assets it wishes to sell. IP outperformed its benchmark by +1.35%.

The PMT note that in the long term, IP has outperformed its benchmark index significantly across all time periods to 5 years. The MIPS PMT advises they continually intend to hold a significant underweight UR and NIG exposure (see Table 6) at near current levels. Subsequently the PMT are continually endeavouring to sell UR and NIG assets to improve duration exposure opportunity.

Core Income (CI)

The CI IM allows a maximum capacity of 25% exposure to UR and NIG credit. Subsequently the IG exposure must sit at a minimum of 75%. Additionally, all investments must rank as senior obligations. Historically the performance of the program is influenced less buy UR and NIG asset performance, although that sector can be notoriously volatile, and more so by IG credit and the duration of that credit exposure.

In the June quarter, CI delivered -1.06% (gross) performance, near matching the CV program. CI outperformed its benchmark by +0.61%. CI holds 12% of exposure to illiquid short-dated UR and NIG (senior) assets, that, not dissimilar to the IP investment strategy, are also targeted for sale.

By outperforming its benchmark this quarter, CI continues to maintain an outstanding long-term outperformance of its benchmark across all key time horizons to 5 years.

Conservative Income (CV)

The CV IM is 100% IG, with an allowance for a maximum of 20% exposure to IG Subordinate Debt. Historically the performance of the program would rise and fall on the performance of the duration of the exposure held alongside the credit margin (CM) performance of the IG fixed senior corporate debt assets held alongside the CM performance of the subordinate bank floating rate debt assets held.

In the June quarter, CV delivered a -1.18% gross (average) performance for investors but exceeded its benchmark index performance by +0.49%. CV near matched CI performance due to the significant contribution from credit margin contraction (see Table 7) in major bank subordinate debt, in which it held at an average of maximum capacity of 20%.

The CV Investment Program also maintains an excellent long-term record of outperformance of its benchmark index for all time horizons out to 5 years.

All Investment Programs

The 'underweight' UR and NIG positioning, in both IP and CI portfolios, continues as a function of a negative opinion of the direction of the UR and NIG sector credit margins, due to the looming likelihood of an economic downturn. Whilst we do not predict a recession, we do predict GDP to fall as consumer discretionary expenditure is curtailed by higher monetary policy.

Additionally, the pursuit of achieving appropriate exposure diversity remains. The universe of opportunity in the UR and NIG issuance sector has been thin for some time. The MIPS PMT will not compromise diversity requirements to pursue an uplift in percentage exposure to this sector. Currently we have set a preferred maximum of 2.50% exposure to singular names in any singular account.

We await a significant uplift in new issuance before we can contemplate investing at full limit across Income Plus accounts, which currently invest at an average 31% (-8% QOQ) exposure versus a 75% limit. Additionally, given the historical record of high default and restructure or default and recovery, lending may well be limited to a maximum of 3-year tenors. We suspect that exposure to UR and NIG debt will fall below 30% in September 2023 quarter within Income Plus, where we will seek to extend duration on IG yield curves, funded by the sales of that UR and NIG debt.

For CI accounts, whilst achieving diversity is less of a problem given the UR and NIG limit (senior only) is 25%, we continue to remain cautious, Whilst the pool of asset opportunity is theoretically sufficiently large to satisfy diversity, CI accounts are currently invested at an average of 12% exposure to UR and NIG assets, versus a 25% limit, for the same reason explained above.

The ratio of UR and NIG exposure maximum between IP and CI is 3:1. Given IP is invested at 31%, an 12% exposure within Core is justified. All portfolios for both programs will be further diluted of exposure to this sector in the coming quarter, as explained above.

In prior quarters, the PMT have stated the CV Investment Program will continue to contain a near maximum 20% exposure to IG subordinated debt issued by both major and minor banks. Whilst the MIPS PMT remain bullish this sector, given the bank profitability and a history of Net Interest Margin (NIM) maintenance during the most recent period of negative economic activity, our enthusiasm will likely be tempered toward a 15% exposure target in coming quarters. This is now more likely to occur during the coming September Quarter given the significant rally of subordinate debt credit margins (CM's) during the June Quarter. This strategy is also statistically consistent with the credit risk sector metrics applied in IP and CI. See further commentary in the ensuing section.

IG Bank Senior and Subordinate Floating Rate Debt

Our headline customised liquidity Investment Product is the Bank FRN (4) Program. This Investment Mandate allows investment in Major and Minor Bank Senior and Subordinate FRN's. Prior to the rise in the official cash rate, the performance of the program would rise and fall on the CM performance of the more volatile subordinate debt component. In recent quarters, as the RBA has tightened monetary policy aggressively, bank bill rates have climbed, and the accrual component is delivering significant returns.

In the June Quarter 2023, the Bank FRN 4 IP returned +1.40% (gross), significantly ahead of the Bank Bill Index return of 0.90%. The PMT note that the average CM of the portfolio contributes approximately +1.70% annually and +0.42% quarterly. The excess performance above benchmark, ex CM accrual advantage, being a further 0.09%, is attributable to CM contraction and efficient transactional activity by the MIPS PMT.

Readers will note our long-held view that the impending rise in the OCR would drive fixed rates higher and subsequently floating rate note (FRN) product would outperform on an accrual basis. They will also note our dual long held view that subordinate bank CM's would rally, mean reverting to an expected ≤2.00% CM for benchmark near 5-year major bank subordinated debt products.

That CM change has now occurred.

Highlights during the month include well subscribed investor interest in ANZ and WBC Subordinate Debt issuance. Our CM directional view was bolstered by the continuation of the rally despite large volume issuance.

Table 6: Key average exposure statistics by Investment Program

Key average exposure statistics by Investment Program at 30 June 2023									
	IG, NIG & UR Exposure Held verses Investment Mandate Limits								
Investment Program	Minimum IM required IG Exposure	Total IG exposure held	Excess / (deficit) IG exposure	Maximum IM allowed UR/NIG Exposure	Total NIG & UR exposure held	Excess / (deficit) UR & NIG exposure	Modified Duration	Weighted Average Term to Maturity	Cash Held @ Quarter End
Income Plus	25%	70%	45%	75%	31%	-44%	2.63	3.43	3.58%
Core Income	75%	88%	13%	25%	12%	-13%	3.12	3.97	2.00%
Conservative Income	100%	100%	0%	0%	0%	0%	3.07	4.00	1.20%

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The RBA has clearly met our (and the markets) expectation of higher bank bill rates through raising the OCR to 4.10% throughout 2022 and now 2023. Although the RBA dragged the chain early in 2022, accrual gains for floating rate note holders have now soared.

Table 7: Bank FRN Credit Margins

Bank (FRN) Investment Program Key (average) Credit Spread @ 5-year Maturity Dates			
	31/3/2022	31/6/2023	Changes
	Credit Margin	Credit Margin	Credit Margin
Major Bank Senior	0.96%	0.88%	-0.08%
Minor Bank Senior	1.29%	1.05%	-0.24%
Major Bank Subordinate	2.22%	2.09%	-0.13%
Minor Bank Subordinate	2.62%	2.44%	-0.18%
Major Bank Subordinate / Senior Ratio	2.3 x	2.4x	

^ *The universe of Minor Bank Subordinated debt is on average 0.5 year longer in maturity than the universe of opportunity in Major Bank Subordinated Debt*

Unlike prior quarters, the PMT is now not inclined to constantly roll up the yield curve, extending the Credit Spread Duration (CSD, average maturity profile) positioning of all bank FRN Investment Programs to near 3.50 years. CM's have rallied close to target levels and further gains from here on in may well take a period of time.

We repeat our messaging of the prior quarter ....

The latest move in monetary policy in June 2023 delivered an accrual uplift of significance. Whilst it may well not be the last, there is evidence of improvement in inflation, and subsequently accrual levels may now be approaching a peak in the cycle. However, the OCR is unlikely to be reversed until inflation is heading on trend to below 3.00%, so investors in this sector can expect accrual gains to continue for some time yet. As we forecast as far back as within June 2022 Quarterly Report, we do not expect inflation to mean revert until late 2024.

Summary

The economic and investment landscape has changed dramatically.

Throughout 2021 and up until June 2022, inflation was rising and central banks, particularly the RBA, were dragging the 'monetary policy chain'. The PMT subsequently maintained a short duration position to protect investor capital.

Since the late 2022, the PMT have extended Investment Program duration to near match benchmark index duration at every opportunity where long dated benchmark bonds approach target yields of 4.00%. This target was communicated within the June 2022 Quarterly Report and has been the mainstay focus given an expectation that inflation would peak at or near 7.00% (YOY).

However, as long bonds have approached 3.00% we have been reluctant to hold long duration positions and have (tactically) shortened.

During the last six months, the opportunity to invest in longer dated assets – including corporate debt assets – at higher rates, was accompanied by further risk and volatility of return. The MIPS PMT believed that the risk was warranted, and investors are now enjoying the benefits of that risk taken by their Portfolio Managers.

The PMT will continually monitor the markets for catalysts for yield change and will adjust both credit and duration exposure accordingly.

The MIPS PMT envisage that whilst long dated real yields are currently negative (-1.60%) they are becoming increasingly attractive as monetary policy is likely approaching a peak given evidence that inflation is now falling.

The MIPS PMT subsequently anticipate that duration extension LONGER than benchmark indexes will be undertaken across all MIPS Investment programs in the September Quarter of 2023.

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Portfolio Management Team

Kieran Quaine
Head of Managed Income Portfolio Service

Kieran has in excess of 30 years' experience in senior roles in the fixed income market, primarily as a fund manager in charge of investing multiple billions of dollars across a wide range of investment mandates. His experience includes roles as a proprietary interest rate trader, debt originator, syndicator and in institutional debt sales, with his expertise in the unrated market likely unsurpassed. He has been with FIIG Securities for over 13 years and is the Head of the Managed Income Portfolio Service.

Megan Romeo
Portfolio Manager

Megan Romeo has over 10 years' experience in the financial market data segment with a focus on the Asia Pacific Fixed Income markets. Prior to joining FIIG, Megan was the Valuations Product Manager at S&P Capital IQ which required local Fixed Income market knowledge and a technical understanding of the asset class in order to tailor a Fixed Income market data solution to participants across Asia Pacific. She has been with FIIG Securities for over 7 years, all of which have been with the Managed Income Portfolio Service.

MIPS Example Portfolios

Conservative Income Investment Program
Investment objective

This program provides a portfolio that only invests in investment grade securities while investing across the capital structure. Like the fundamentals of the fixed income asset class, this portfolio, or program option, aims to provide investors with strong levels of capital preservation and regular income flow.

Investment Program Limits (selection)	Min/Max
Investment Grade	0/100
Sub Investment Grade/Unrated	0/0
Senior Debt	80/100
Subordinated Debt	0/20
FIIG Arranged Bonds	0/25
Number of bonds	10/no max
Modified Duration	0/5

Core Income Investment Program
Investment objective

This program aims to provide a portfolio that is primarily focused on investment grade securities, investing in the most senior parts of the capital structure. Like the fundamentals of the fixed income asset class, this portfolio, or program option, aims to provide investors with strong levels of capital preservation and regular income flow.

Investment Program Limits (selection)	Min/Max
Investment Grade	0/100
Sub Investment Grade/Unrated	0/25
Senior Debt	100/100
Subordinated Debt	0/0
FIIG Arranged Bonds	0/35
Number of bonds	10/no max
Modified Duration	0/7

Income Plus Investment Program
Investment objective

This program aims to increase the investment return through a larger allocation to high yield securities while still retaining the benefits of a fixed income portfolio. This program allows the Portfolio Management team to invest, with more flexibility along the capital structure and credit ratings spectrum. This additional scope allows the team to identify strong risk returning investments. This is achieved through extensive credit analysis on both the issuer/ guarantor(s) of the bond as well as the security itself.

Investment Program Limits (selection)	Min/Max
Investment Grade	0/100
Sub Investment Grade/Unrated	0/75
Senior Debt	80/100
Subordinated Debt	0/20
FIIG Arranged Bonds	0/60
Number of bonds	10/no max
Modified Duration	0/5

Notes:

ABS: The Investment Programs may contain Asset Backed Securities (ABS) including Residential Mortgage Backed Securities (RMBS). All ABS generate income from pools of loan receivables that are secured over real assets. They are issued in a Floating Rate Note (FRN) structural form. Please refer to Section 3 of the MIPS Information Memorandum for more detail regarding the parameters of each program.

IMP: Individually Managed Portfolio.

FRN: Floating Rate Notes.

Gross performance: Total yield earned per relevant program for period pre management and custody fees.

Investment Grade (IG): An asset is IG if it is rated >= BBB- (S&P) or equivalent by one of three internationally recognised credit rating agencies that include Standard and Poor's (S&P), Moody's or Fitch.

Non Investment Grade (NIG): An asset is NIG if it is rated < BBB- (S&P) or equivalent.

Unrated (UR): An asset is UR if it is not rated by any one of three internationally recognised credit rating agencies.