



Fund Objective

The Fund aims to provide a superior stream of income and capital stability over the medium term while aiming to outperform its benchmark through market cycles.

Fund Application

Investors seeking to enhance their overall fixed income returns with a higher yielding, predominantly investment grade (IG), absolute return-oriented global fixed income portfolio.

Fund Details

APIR code	HOW0165AU
Inception date	31 May 2007
Fund size	AUD 2027.16M
Distribution frequency	Quarterly
Management fee	0.41%
Buy/sell spread	Please contact us for latest spreads

Fund Statistics

Interest rate duration	0.7yrs
Credit spread duration	2.12yrs
Average credit rating	BBB+
No of issuers	74
Yield to maturity	5.01%

Fund Guidelines

Target return	cash plus 2-3%
Target volatility	less than 1.5% annualised
Duration limits	-2 to +2 years
Credit quality	>85% investment grade

July 2025

Performance (%)	1 month	3 months	1 year	3 years p.a.	5 years p.a.	Annualised since inception
Fund Return (before fees and sell spread)	0.73	1.88	7.03	6.08	3.81	4.75
Fund Return (after fees, before sell spread) ¹	0.70	1.77	6.57	5.65	3.38	4.38
Fund Return (after fees and sell spread) ²	0.70	1.77	6.58	5.64	3.40	4.37
RBA Cash Rate	0.32	0.97	4.19	3.87	2.39	2.89
Active return ³ (before fees and sell spread)	0.41	0.91	2.84	2.21	1.42	1.86
Active return ³ (after fees and sell spread) ²	0.38	0.80	2.39	1.77	1.01	1.49
Bloomberg AusBond Bank Bills Index	0.30	0.97	4.31	3.94	2.40	3.08

Past performance is no guarantee of future results. After fee returns are inclusive of 0.41% annualised total expenses for class I units. Fund inception date 31 May 2007. No allowance is made for tax. Numbers may not add due to rounding. 1) For a continuing investor the actual return experienced based on the NAV performance of the Fund, after accounting for management fees. 2) The return experienced by a redeeming investor, based on the exit price performance of the Fund which accounts for the end of period sell spread of 0.07% and management fees. 3) Active return of the Fund compared to Benchmark (RBA Cash Rate). Source: Fidante Partners Limited, 31 July 2025.

Performance Commentary

The Fund returned 0.70% in July, taking 12-month performance to 6.58% (after Class I unit fees). This represents a strong performance relative to a cash benchmark return of 0.32% in the month and 4.19% over the year past year. The income incorporated into the product remained a key driver, alongside strong spread compression with physical credit spreads moving back down towards the bottom end of the range for the year after the tariff-related volatility in April. US bond yields rose quite sharply over July as rate cuts were taken out on the more positive outlook, but the negative portfolio impact of a rising yield environment was cushioned by our global focus including to regions where yields fell in the month. The yield to maturity on the portfolio edged 4bps lower to 5.01% as at the end of July, forming a solid base for expected returns in an environment where further falls in official cash rates from the current 3.85% are expected.

Market Commentary

The recovery from the tariff-related volatility of earlier in the year continued into July. Despite new tariff deadlines and other products being brought into scope, risk sentiment recovered with many equities indices posting fresh record highs. The passing of tax cuts and deregulation under the One Big, Beautiful Bill was partly responsible for the calming of nerves, as was the winding back of tariff levels from their initial starting points. Credit spreads similarly have returned to the lower end of the range for the year, reversing the tariff-related concerns that emerged shortly after Trump's second term began and were amplified on 'Liberation Day' in early April. The Bloomberg US Corporate Aggregate Average OAS series closed the month at 76bps - a new low for the year - whilst the fall in the Australian Bloomberg composite credit index spread to swap series of 5bps to 86bps sees it remain above the 81bps low in late February.



Dan Siluk
Portfolio Manager



Dylan Bourke
Portfolio Manager



Fund Platform Availability

- AMP North, Wealthview, eWrap
- AMP PortfolioCare (Badge of Asgard)
- Asgard eWrap & Infinity
- Australian Money Market
- Australian Unity Lifeplan Investment Bond
- BT Panorama
- Centric Wealth (Findex)
- CFS Edge, FirstChoice & FirstWrap
- Clearstream/Ausmaq
- DASH
- Grow Wrap (Insignia)
- Hillcross PortfolioCare (Badge of Asgard)
- HUB24
- Insignia – eXpand
- Insignia – Rhythm (private label HUB24)
- Insignia – Asset Administrator (BT Badge)
- Macquarie, Accumulator, Wrap IDPS and Super
- Mason Stevens
- Netwealth
- Praemium
- Powerwrap
- Oasis
- OnePath
- OneAnswer
- OneVue
- Platform Plus (Infocus)
- Voyage (Oasis Badge)
- Xplore Wealth

Yields rose in the US on the increased optimism and as early signs of inflation pass through from tariffs to goods prices emerged. With little evidence of a sharp slowing in the economy prior to month's end, rate cuts were taken out of the curve. US 2-year yields surged 24bps to 3.96%, whilst 10-year yields were up 15bps to 4.37%. In contrast to the global tone to risk sentiment, moves in yields outside the US were far more mixed than usual. Yields in New Zealand actually fell in July as the central bank took on a more dovish tone, in the face of a slowing economy. UK and German yields rose only modestly - showing less than half the increase in the US. Australian 3-year yields rose a solid 16bps in July, as the RBA surprised markets by leaving rates on hold and indicating a more measured pace of easing. The divergence in yields reflects a growing disparity in central bank outcomes, reflecting the growing amount of time that has passed since they were synchronised by the pandemic.

Outlook

Financial markets have not just recovered from the tariff-related own goal earlier in the year but have developed a thicker skin. New tariff announcements for regions with an early August deadline have been announced and tariffs on new commodities have also been announced. President Trump has also outlined future commodities are in the firing line, but yet the market has shrugged this off. Is it because Trump's initial position is seen as an ambit claim, being negotiated down to something less unreasonable; or because the economic impacts have not flowed through as yet? It's difficult to say, but history would caution that changes of this nature often take months to flow through into hard data. The current stance by market participants suggests a degree of complacency we can't agree with. We suggest caution be exercised accordingly.

Nonetheless our key message is to keep calm and carry on but be prepared to take advantage of the inevitable spread widenings that occur. We are generally positive on the economic outlook, as fiscal policy is generally (but not universally) supportive for economic growth and as official interest rates become less restrictive globally. However, we still expect to see bouts of risk-off periods on headline/policy uncertainty related risks. This aligns with how we have moved the portfolios in recent years - adding additional income but not additional credit spread or rates duration. The latter makes portfolios more sensitive to the volatility without necessarily being compensated with additional returns. The former provides a more consistent and reliable source of returns for our investors - an increasingly sought after attribute in the current investment climate.

Portfolio Strategy

As highlighted in the above outlook, we have looked to add more returns but not significantly add more risk into the fund during these volatile times. US credit spreads may be near historic lows, but our portfolio-level spreads of 146bps as at the end of July is more middle of the historical range of ~80-220bps. This reflects a number of the enhancements that have been made within the existing process to aid the delivery of a more consistent return profile - something which has become more evident in performance outcomes in recent years.

The outlook for risk assets has stabilized following the passage of the One Big Beautiful Bill Act, which underwrites a minimum expected level of growth through the 2026 midterm elections, primarily driven by tax cuts. This, combined with the EU trade agreement that has eased concerns over a sudden stop in global trade, provides a constructive near-term backdrop.

Lower taxes and a potential surge in corporate investment may offer a solid foundation for U.S. earnings and global sentiment. While valuations in equities and global credit remain stretched, it's difficult to be overly bearish on risk assets through year-end especially if global rate cuts continue to support liquidity and investor confidence.



Whilst there are still secondary sanction tariff risks relating to Trump trying to end the Russia/Ukraine war that may offer the opportunity for shorter term wobbles, we would expect it to be resolved promptly should it show up in global risk prices.

Headline spread duration was increased to 2 - 2.5 years removing CDX hedges, balancing our view that we expect the US government to potentially extend the credit cycle, offset by the possibility of short bouts of tariff and policy induced volatility. The exposure is skewed towards Australian credit because credit spreads were closer to their long-term averages compared to the significantly tighter spreads observed in the US before this sell-off. Considering the sustained interest from yield-seeking high-net-worth and Asian investors, we anticipate that Australian spreads will likely move back towards the lower end of their historical ranges, unless disrupted by macro events.

In terms of asset allocation, the portfolio can be split across three major 'buckets'; financials (~63%), corporates and REITs (~25%), and asset and mortgage-backed securities (<15%), with the residual in cash and liquids. Close to ~70% of the portfolio is held in Australian & New Zealand names, and by currency <5% is held in non-AUD denominated securities.

Portfolio liquidity remains strong with 'Level 1' liquidity at ~11% (cash, commercial paper, SSGA) and at the high end of the range for 'Level 2' liquidity at ~17% (<1yr investment grade paper).

On rates duration there has also been a delicate balancing act between having enough duration to preserve capital at the portfolio level during risk off periods, but not having too much to make the portfolio overly sensitive to volatility as the economic outlook evolves. This has seen our rates duration position remain at 0.7 years over the month. However, this does not mean there has not been activity, with the underlying mix from our global framework seeing some adjustments. Exposures to Europe and Canada, which have done well in aggregate, have done their job with central banks in both regions moving to be on hold at around neutral levels. We have shifted to other regions, such as Australia, where further easing is yet to come. In the Australian context, the surprise to markets from RBA inactivity in July saw a good opportunity to switch, which was supported by the Q2 CPI data later in the month. Otherwise, we continue to hold long positions in the US (partly as a hedge for the credit exposures in the portfolio) and New Zealand, where the central banks are still expected to ease in time.

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