



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, absolute return-oriented global fixed income portfolio.

Fund details

Inception date	16 August 2018
Fund size	AUD 550m
Distribution frequency	Quarterly
Management fee	0.45% p.a.
Buy/sell spread	0%/0.2%
Interest rate duration	0.72yrs
Spread duration physical	2.35yrs
Yield to Maturity	5.58%
Average credit rating	BBB
Number of issuers	66

Fund guidelines

Target return	cash plus 3-4%
Target volatility	<3% annualised
Duration limit	-2 to +2 yrs
Credit quality	>75% investment grade

Platforms

- AMP North (Class A)
- Asgard Infinity
- BT Panorama
- Insignia - Asset Administrator (Badge BT)
- Netwealth



Dylan Bourke
Portfolio Manager



Daniel Siluk
Portfolio Manager

July 2025

Performance (%)	1 month	3 months	calendar year to date	1 year	3 years annualised	5 years annualised	since inception annualised
Fund Return (before fees and sell spread)	0.99	2.42	4.46	8.42	7.23	5.34	4.68
Fund Return (after fees, before sell spread) ¹	0.95	2.30	4.18	7.92	6.75	4.85	4.18
Fund Return (after fees and sell spread) ²	0.95	2.30	4.18	7.92	6.75	5.03	4.18
RBA Cash Rate	0.32	0.97	2.35	4.19	3.87	2.39	2.00
Active return³ (before fees and sell spread)	0.67	1.45	2.12	4.23	3.36	2.95	2.68
Active return ³ (after fees and sell spread) ²	0.63	1.33	1.84	3.73	2.87	2.64	2.17
Ausbond Bank Bill Index	0.30	0.97	2.41	4.31	3.94	2.40	2.09

Past performance is no guarantee of future results. Net of fee returns inclusive of 0.4632% annualised total expenses. 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 start and end of period sell spread level, 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 0.99% before fees in June and a strong 8.42% on a rolling one-year basis. Coupon income 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 this was cushioned by our global focus to regions where yields fell in the month. The yield to maturity of 5.58% forms a solid base for expected returns in an environment where further falls in official cash rates are expected.

Portfolio strategy

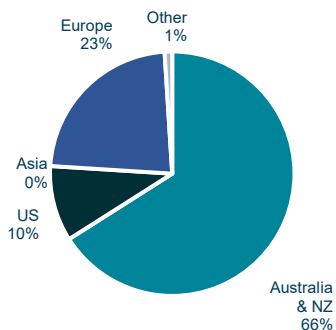
Physical spread duration ticked up marginally to 2.35yrs as we participated in new corporate issuances with attractive relative value, while reducing higher beta risk positions as spreads have continued to compress. We plan to maintain our spread duration at around 2 - 2.5 years in the upcoming months. While we continue to expect volatility in the medium term given various risks, we expect any short-term wobbles to correct quickly, especially given the Trump Administration will likely need a strong economic tailwind leading into the 2026 mid-term elections. Considering the sustained interest from yield-seeking investors and Asian investors, we anticipate that AUD spreads will likely move back towards the lower end of their historical ranges, unless disrupted by an unforeseen macro event.

The average credit rating of holdings was BBB. High yield exposure was slightly lower at 15% as we reduced some higher beta positions. High yield investments are typically BB-rated short maturity assets. The portfolio is split across financials (~65%), corporates (~20%), and ABS/MBS and warehouses (~15%), with the residual in cash and SSGAs. We have a ~66%/34% split between Australia/New Zealand and international issuers.

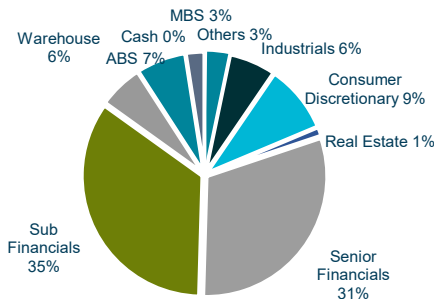
Portfolio liquidity remained strong, with 'Level 1' liquidity at ~7.4% (cash, commercial paper, SSGA) and 'Level 2' liquidity at 9.5% (<1yr investment grade), giving us the flexibility to buy attractive credits or take advantage of a better entry point should there be a sell-off.

On rates duration front, we continue to balance preserving capital during risk off periods with sensitivity to volatility as the policy situation and economic outlook evolve. This has seen our rates duration position remain around average at 0.7 years. However, the underlying mix saw some adjustments. Exposures to Europe (0.09yr) and Canada (0yr) have done their job with central banks in both regions moving to be on hold at around neutral levels. We have shifted to Australia (0.19yr), where further easing is yet to come and be priced in by markets. 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. We also continue to hold long positions in the US (0.36yr) and New Zealand (0.07yr), where the central banks are still expected to ease.

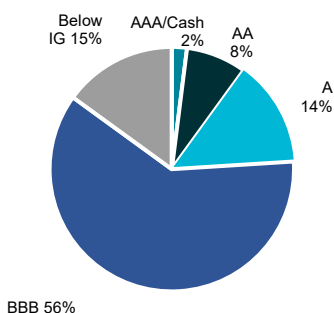
Geographic Allocation



Sector Allocation



Credit Rating



Outlook

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 continued to recover with many broad 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 negotiation 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 closed the month at 76bps - a new low for the year - whilst the Australian Bloomberg composite credit index series fall of 5bps to 86bps still sees it remain above the 81bps low in late February.

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 as a result. US 2-year yields surged 24bps to 3.96%, whilst 10-year yields were up 15bps to 4.37%. However, moves in yields outside the US were far more mixed than usual. Yields in New Zealand 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.

Interestingly, new tariff announcements for regions with an early August deadline and tariffs on new commodities have been shrugged off by markets. 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 the nature seen 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 and we suggest caution is exercised accordingly.

Our key message is to keep calm and carry on, but be prepared to take advantage of the inevitable spread widening that occurs. We are generally positive on the economic outlook, as economic policies are generally (but not universally) supportive for economic growth and as official interest rates become less restrictive. However, we still 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 gives a more consistent and reliable source of returns for our investors - an increasingly sought after attribute in the current investment climate. We continue to hold elevated levels of liquidity and volatility budget which provide us with ample ability to take advantage of expected volatility and pounce on any opportunities.

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