

Portfolio valuations and bid/offer pricing Factsheet

As part of our commitment to making Fixed Income directly accessible to all investors, FIIG has implemented a number of initiatives to make pricing of bonds more transparent and help better inform clients.

How we value your portfolio holdings

Fixed income is an over-the-counter (OTC) market, meaning there is no one single market value as you would find on the stock exchange for equities. FIIG recognises the need to ensure that the bond and portfolio valuations we provide to our clients are independent of FIIG. Therefore, we use daily valuations supplied by an independent data provider used by many of the largest fixed income managers globally to value our clients' holdings.

This valuation represents the independent opinion of the valuation provider based on available information at the time. Sourcing contributions from a panel of banks, corporate treasuries and institutional funds management firms as well as undertaking quantitative evaluations enables the independent valuation provider to form this opinion.

How we price indicative bids and offers to clients

FIIG reviews a number of data sources when determining how we set our bid and offer prices to clients.

This includes the independent valuation data discussed above, as well as:

- other market data sources that FIIG subscribes to;
- movements in key market interest rates such as BBSW and interest rate futures;
- bids and offers received from institutional counterparties; and
- demand and supply within FIIG's client base.

There are diverse participants in the fixed income OTC market, such as pension and mutual fund managers, private banks and wealth management firms, bank and corporate treasury departments, central banks and government agencies, as well as individual investors and self-managed super funds.

Some of these investors may trade directly with each other, but generally they will trade through a fixed income broker or

dealer. Brokers help participants find other participants willing to take the opposite side of the trade (sourcing liquidity), whilst dealers trade directly with participants and take risk in finding a buyer or seller for the securities (supplying liquidity).

Large institutional broker-dealers, often referred to as 'market makers', are generally the largest suppliers of liquidity in the market. However, smaller specialist dealers like FIIG are able to offer access to bonds in smaller minimum investment sizes than large institutional broker-dealers and also specialise in trading or raising capital for certain types of bonds (such as unrated bonds).

FIIG trades as principal with its clients and takes risk in trading with buyers and sellers and in doing so, FIIG aims to earn a margin (or spread). FIIG often trades with the institutional participants previously mentioned and is able to obtain insight into the pricing available to institutional investors.

The prices FIIG offers to sell to most clients may be slightly higher than these prices, reflecting both spread that these institutional market participants earn in trading with firms like FIIG, as well as the spread earned by FIIG in trading with our clients. However, this may vary on a bond-by-bond basis due to the market dynamics of each security, particularly if FIIG is the dominant supplier of liquidity for a particular bond.

FIIG provides indicative buy and sell quotes through either your Relationship Manager or via your MyFIIG online portal.

Daily FIIG Rate Sheet

In addition to giving our clients access to the same portfolio valuation data that many of the big fund managers and banks use, we also want to give the general public the same opportunity to gain insight into the bond market.

We publish a daily FIIG Rate Sheet designed to give all investors, whether they are clients of FIIG or new to investing in bonds directly, the opportunity to see a snapshot of market midpoint price and yields (rates) established by observing the prices transacted between institutional market participants dealing in larger single order sizes (generally over \$500,000). The FIIG Rate Sheet covers the bonds our clients typically invest in and is current as at the last trading day.

The yields and prices in the FIIG Rate Sheet do not represent the prices that FIIG will transact with its clients. They simply represent FIIG's observation of the institutional market mid-point which is informed from FIIG's trading with institutional counterparties, as well as numerous market data sources that FIIG has access to.

Please note that this price is a different one than is used for your portfolio valuations and should not be used for valuation purposes.

The FIIG Rate Sheet can be found at www.fiig.com.au/ratesheet



Any questions

If you have any questions, please contact Client Services on **1800 01 01 81** or email your questions to clientservices@fiig.com.au.

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