FIIG Australian Bond Fund

Monthly Commentary Report - 30 April 2025

Fund Objective

The Fund aims to provide investors with capital stability, income and returns (after fees) in excess of the Benchmark Index (Bloomberg AusBond Composite 0+Yr) over three-year rolling periods through investment in a portfolio of Investment grade rated Australian fixed interest securities that include government and corporate bonds, mortgage-backed securities, asset-backed securities, cash and enhanced cash instruments.

Fund Performance as at 30 April 2025

Return Type	1 Month	3 Months	6 Months	12 Months	Since Inception*
Net Fund Return	1.53%	2.68%	4.58%	7.04%	6.38%
Benchmark Return	1.70%	2.82%	4.71%	7.08%	6.23%
Excess Return	-0.17%	-0.14%	-0.13%	-0.04%	0.16%

*Fund inception 29 September 2023

Distributions Paid in the Past 12 Months

Date	Distribution (Cents/Unit)	Cum Distribution Price	Ex-Distribution Price
31 March 2025	1.1936	1.0458	1.0339
31 December 2024	1.2419	1.0439	1.0315
30 September 2024	0.6468	1.0540	1.0475
30 June 2024	1.1716	1.0342	1.0225

Fund Overview

To invest in Australian fixed interest securities including corporate bonds, government bonds and asset backed securities that provides investors with capital stability, income and returns in excess (after fees) of the benchmark index over the medium term (three to five years).

- Inception date: 29 September 2023
- APIR ETL3146AU
- ARSN 673 739 565
- Management fee: 0.58% p.a. inc GST
- Buy/Sell: 0.10%/0.10%
- Suggested investment timeframe: At least three years
- Distribution frequency: Quarterly
- Fund Managers: Kieran Quaine - Head of Investment Management and Megan Romeo Head of MIPS, Portfolio Manager - IMAs, and Garreth Innes, Portfolio Manager FIIG monthly Income Fund
- Index: Bloomberg AusBond Composite 0+Yr Index

Fund Characteristics

No. of holdings: 47

Fund Duration: 4.9470 years

Benchmark Duration: 5.0455 years

Running Yield: 3.72%

Average Coupon: 3.73%

Fund commentary

The FIIG Australian Bond Fund returned (net of fees) +1.53% for the month of April, delivering minor monthly under performance of the benchmark index which returned +1.70%. The marginal underperformance is attributable solely to credit exposure held and weakness in credit margins immediately following US President Trump announcing new US tariff policy. Whilst the fund held a maximum of 27% of exposure in Investment Grade Credit, with a short weighted average term and high weighted average rating, and predominantly to the (high performing) bank sector, performance was impacted. The drag against the index would have been worse if not for offsetting gains made as a function of the manager setting modified duration +0.30 longer than index during the month, a period that saw benchmark 10-year Commonwealth Government Bonds rally lower from 4.42% to 4.15% at month end.

The fund modified duration exposure was confirmed as correct not only by the rally in interest rates across most of the month, but by the first quarter CPI data released on 30 April. Headline Year on year inflation at 2.40% alongside trimmed mean inflation of 2.90%, sit comfortably below the higher level of the 2.00% to 3.00% tolerance band of the RBA, and the market believes the RBA will ease monetary policy in May. As stated in the March Report and all the months prior, back to the late 2023 and throughout 2024, we continue to forecast the RBA will ease official cash to 3.25% by EOCY 2025.

Market commentary

We repeat the messaging of the March monthly report. The influence of US economic policy upon markets cannot be understated. After a sharp pullback, global equity indices have not recovered from the dramatic US policy decision to effectively start a trade war. Forward global growth forecasts have been lowered and under various iterations of US lead tariff policy, fears of a recessionary period are gathering momentum. The environment does not promote confidence and credit margins, having rallied to post Covid-19 pandemic lows, are now weakening concurrently with eroded equity market confidence.

The analysis of US monetary policy is unchanged. The US Federal Reserve has repeated messaging to the market, indicating a capacity to ease in response to impending lower growth, but equally tempering bulls by noting the potential of government economic policy to derail hard fought inflationary gains. US Federal commentary on US economic outcomes is important, but perhaps not as important as the US economic policy impact upon China and therefore Australian growth.

Fund positioning

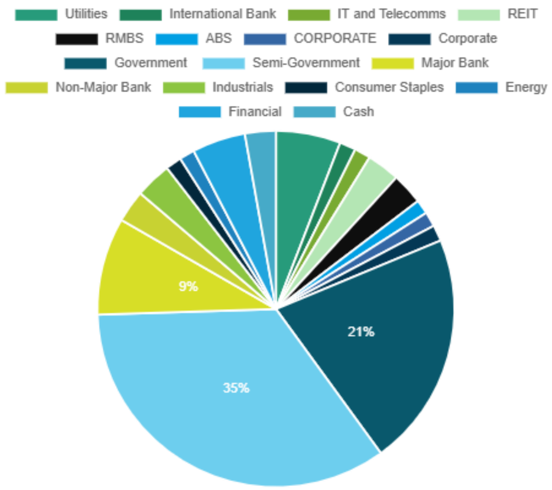
The Fund anticipates a continuation of the same 'long' duration strategy applied successfully in the prior quarters, and since late 2023. Yet now that the market has rallied very strongly, and priced our expectations in, we have reduced modified duration risk and await another advantageous yield entry opportunity.

We expect the official cash rate to fall to 3.25% by 2025 CYE but determine that the capacity for long dated bonds to rally below 4.00% would appear less optimistic. We believe the yield curve, between 3 years and 10-year Commonwealth Bonds will continue to steepen (last month it steepened as forecast) because global economic uncertainty is elevated. Noting our forecast for the yield curve to steepen, we will await an advantageous yield curve entry opportunity to position exposure weightings higher in the middle of the yield curve, whilst maintaining that tenor target.

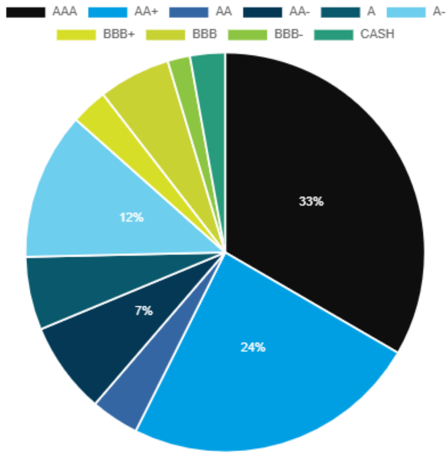
As stated last month, because corporate credit margins, above commonwealth debt yields, are trading at near (post Covid-19 pandemic) historic lows, the manager is cautious. The Fund has elected to position future credit exposure conservatively, investing primarily in tenors of less than 5 years and amongst credit grades rated higher than BBB+ (S&P rated). We are especially cautious given the pace of change in the geopolitical economic environment and the potential macro and micro economic impact impeding credit margins holding. The Fund awaits primary issuance opportunities in fixed rate corporate debt and is constantly placing bids for many targeted assets in the secondary market.

FIIG The fixed income experts

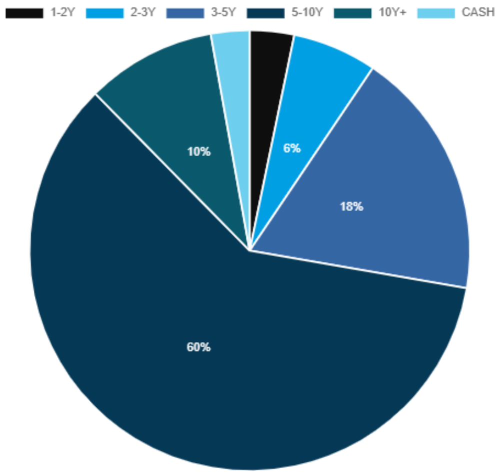
Sector Allocation as at 30 April 2025



Credit Quality as at 30 April 2025



Portfolio Maturity as at 30 April 2025



Top 10 Holdings as at 30 April 2025

Security Name	Security Number	Allocation (%)
The Commonwealth of Australia	ACG_330421_4.500	4.52
The Commonwealth of Australia	ACG_321121_1.75	4.40
South Australian Government Financing Authority	SAFA_320524_1.75	4.31
Queensland Treasury Corp	QTC_300821_3.50	4.28
The Commonwealth of Australia	ACG_370421_3.750	4.23
The Commonwealth of Australia	ACG_350621_2.750	3.89
New South Wales Treasury Corp	NSW_310320_2.000	3.88
Western Australian Treasury Corp	WATC_311022_1.75	3.77
Commonwealth Bank of Australia	CBA_290822_4.500	2.95
Queensland Treasury Corp	QTC_290306_2.50	2.79