FIIG Monthly Income Fund

Monthly Commentary Report – 30 April 2025

Fund Objective

The aim of the Fund is to preserve capital, generate regular income and deliver an income return of 2% per annum above the Bloomberg AusBond Bank Bill Index. This strategy is designed for investors who want the potential for regular monthly income and capital stability.

Fund Performance as at 30 April 2025

Return Type	1 Month	3 Months	6 Months	12 Months	Since Inception*
Net Fund Return	-0.02%	0.89%	2.96%		3.56%
Benchmark Return	0.35%	1.04%	2.18%		2.56%
Excess Return	-0.37%	-0.15%	0.78%		1.00%

*Fund inception 1 October 2024

Distributions Paid

Date	Distribution (Cents/Unit)	Cum Distribution Price	Ex-Distribution Price
30 April 2025	0.4626	1.0093	1.0047
31 March 2025	0.4436	1.0140	1.0096
28 February 2025	0.4449	1.0169	1.0125
31 January 2025	0.4435	1.0137	1.0093
31 December 2024	0.4221	1.0129	1.0087
30 November 2024	0.4206	1.0094	1.0052
31 October 2024	0.4190	1.0058	1.0016

Fund and Market Commentary

The FIIG Monthly Income Fund returned -0.02% net of fees in April, underperforming the AusBond Bank Bill Benchmark by 0.37%. Essentially, the income generated via the fund's holdings offset the Liberation Day-induced widening in credit spreads leading to a relatively stable unit price on the month. Additionally, the fund distribution was modestly increased, marking consecutive months of an increased distribution rate. Since inception in October 2024, the fund has outperformed its benchmark by 1.00% after fees.

There were some rather scary moments in April. The initial reaction to 'Liberation Day' was confusion and disbelief – partly due to tariffs applied to nations populated nearly entirely by penguins but more importantly, the magnitude of the tariffs applied to China and its Southeast Asian cousins, which seemingly made exports to the US uneconomical, upsetting the very cosy and structural relationship between US consumers and Asian manufacturers.

Fund Overview

The Fund invests in a portfolio of predominantly Investment Grade rated floating rate notes to provide investors with a consistent income source. It is expected that income generated from these assets will provide a majority of the returns for the Fund. Investors can also expect select exposures to Asset Backed Securities, High Yield and Unrated Bonds, Emerging Market Debt and Loans & Collateralised Loan Obligations (CLOs).

- Inception date: 1 October 2024
- APIR ETL6333AU
- ARSN 677 324 882
- Management fee: 0.50% p.a. inc GST
- Buy/Sell: 0.05%/0.10%
- Suggested investment timeframe: At least three years
- Distribution frequency: Monthly
- Fund Managers:
  Garreth Innes - Portfolio Manager
  Kieran Quaine - Head of Investment Management, Portfolio Manager FIIG Australian Bond Fund
  Megan Romeo - Head of MIPS
- Index: Bloomberg AusBond Bank Bill Index

Fund Characteristics

No. of holdings: 61

Fund Duration: 0.9328 years

Benchmark Duration: 0.1312 years

Running Yield: 5.86%

Average Coupon: 6.03%

Equity markets tanked and corporate credit spreads widened. Volatility surged, with the VIX exceeding the 50 threshold (the highest level since the initial Covid-19 shock to markets). That was, perhaps, the predictable outcome. The less predictable dynamic came in the form of the US Dollar and US government bonds selling off at the same time as risk assets – a rare occurrence, as these markets usually play the role of a hedge.

There have been a few possible explanations for the moves e.g. China and Japan selling some of their US Treasury holdings as a retaliation tactic vs. the initial tariffs levied, or the heightened volatility in markets requiring leveraged players to reduce their gross positions. Or it could have been a liquidity-induced shock (i.e. you sell what you can, rather than what you want). Trump's very public criticism of Fed Chairman Jerome Powell probably didn't help either. Most likely, it was a combination of these dynamics. Regardless, when long-held financial relationships break down it is a rather sobering moment for market participants.

And based on what we know now, it appears that the movements of the bond market were a sobering moment for Scott Bessent, US Treasury Secretary, who has made no secret of his desire to lower the yields on US government bonds. The peak in bond yields was very shortly prior to announcements of open dialogue / tariff carve-outs and a general lowering of the ante in the public sphere.

Equities recovered after the initial dump but the buying was done almost entirely by retail punters as opposed to professional investors. Credit spreads also recovered but remain wider than at the beginning of the month. Yield curves steepened and the AUD is back in the mid 60's.

Positioning and Outlook

As mentioned last month, we came into this period with relatively defensive positioning, having added a number of low-beta, monopolistic utilities such as Australian Gas Networks and ENBW as well as the recently issued Nestle 10-year bond. Trading activity was naturally reduced but we were able to pick up some subordinated financial bonds at the intra-month lows – these were recent new issues (IAG / HSBC) that had endured quite severe spread widening so we were happy to take the other side. We also increased our position in QUBE Logistics 2034s at a yield of circa 6.3% - these had already rallied back below 6% by the end of the month.

The portfolio yielded circa 5.90% at the end of April, compared with the index yielding circa 3.95%. The index yield has fallen as the market prices in a near-term rate cut from the RBA. At the time of writing, the 'big 4' major bank 1-year term deposit rates are all sitting below 4%.

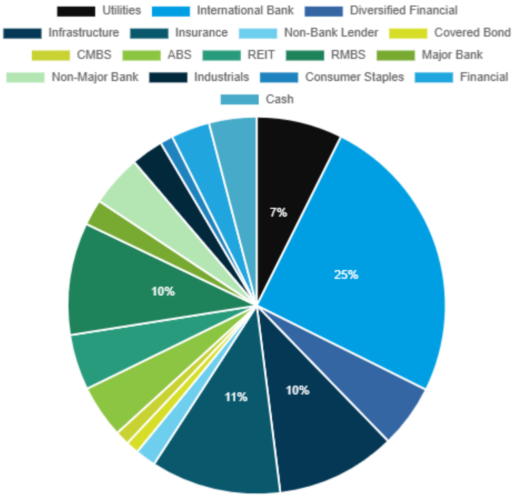
Outlook

Last month, we wrote: "…we would guess that there is a pain point in the near future at which Trump pulls back (but publicly declares victory, no doubt)"

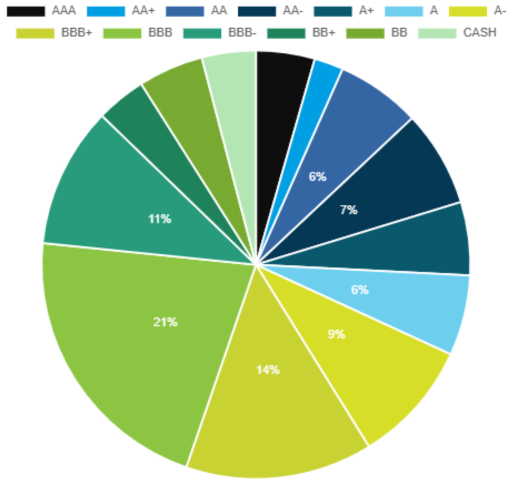
We now know what that pain point is, which gives us - and the broader market - an increased level of certainty (as well as new bond yield ranges to work with). Our defensive positioning will likely be maintained, with current opportunities focused on the steepness of yield curves and oversold high-beta corporates.

With an uncertain growth outlook and higher inflation in the short-term, this month's RBA meeting will be fascinating to watch.

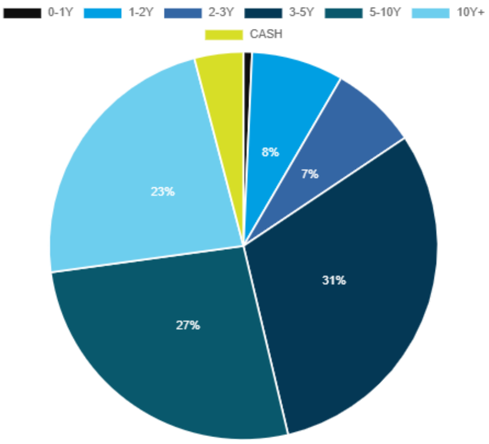
Sector Allocation as at 30 April 2025



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 Hollard Insurance Co Pty Ltd	HOLLR_390101_FRN	3.23
NSW Electricity Networks Finance Pty Ltd	TRGRI_550311_FRN	3.02
Bank of Montreal	BMO_290627_FRN	2.79
EnBW International Finance BV	7207_341030_6.04	2.44
OWL Rock Core Income Corp	1857_271023_6.50	2.40
Aurizon Network Pty Ltd	0838562D_341221_	2.40
Scentre Group Trust 1	SCW_540910_FR2	2.36
AusNet Services Holdings Pty Ltd	30529_550212_FRN	2.36
New York Life Global Funding	2141_290724_FRN	2.35
Landesbank Baden-Wuerttemberg	2525_290802_FRN	2.35