

# MONTHLY UPDATE

**Fund Objective:** The Artesian Corporate Bond Fund (Fund) will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate corporate bonds. The Fund aims to provide returns above the RBA cash rate +2.75% throughout all interest rate cycles. Note the target return is not a forecast. It is merely an indication of what the Fund aims to achieve over the medium term on the assumption that credit markets remain relatively stable throughout the investment timeframe. The Fund may not be successful in meeting the target return. Returns are not guaranteed.

A S AT 28 <sup>TH</sup> FEB 25	FUND PERFORMANCE - CLASS B UNITS								
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
GROSS FUND RETURN	0.77%	2.06%	4.00%	8.03%	7.96%	5.84%	4.50%	4.25%	4.77%
NET FUND RETURN	0.71%	1.87%	3.61%	7.23%	7.16%	5.06%	3.72%	3.48%	3.98%
RBA CASH RATE	0.32%	1.05%	2.14%	4.35%	4.21%	3.39%	2.56%	2.09%	1.81%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.39%	0.82%	1.48%	2.88%	2.95%	1.67%	1.16%	1.39%	2.18%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr, 5yr and since inception net returns for Class A Units are 0.70%, 1.84%, 3.56%, 7.10%, 7.03%, 4.97%, 3.63%, 3.38% & 3.88% respectively respectively. Past performance should not be taken as an indicator of future performance. Net of fees performance is based on end of month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross performance is the net return with fees and expenses added back.

A S AT 28 <sup>TH</sup> FEB 25	OTHER BENCHMARK COMPARISONS								
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	Since Inception (p.a.)
BLOOMBERG AUSBOND CREDIT FRN 0+ YR Index	0.47%	1.38%	2.71%	5.66%	5.42%	4.32%	3.29%	2.95%	2.87%
BLOOMBERG AUSBOND COMP 0-3 YR Index	0.41%	1.37%	2.03%	4.41%	4.08%	2.46%	1.63%	1.54%	1.92%

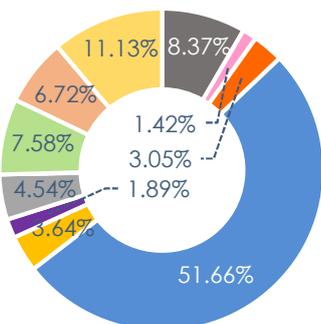
## PORTFOLIO UPDATE

In February, global fixed income market volatility was driven by economic data releases, changing monetary policy expectations and evolving market dynamics. Government bond yields rallied MoM, largely due to weaker than expected data in the U.S. and tariff headlines. The ISM Manufacturing PMI fell to 50.3%, signalling a slowdown in the manufacturing sector. Adding to global trade uncertainty, the announcement of new tariffs on Mexico and Canada by President Trump further weighed on market sentiment. Reflecting recent market trends, the rally in US government bond yields led to a widening of US credit spreads. Locally, the Reserve Bank of Australia reduced the official cash rate from 4.35% to 4.10%, marking the first rate cut since November 2020. Despite this reduction, the RBA maintained a cautious stance regarding future rate cuts, expressing concerns about potential inflationary pressures.

Outperformance in February came from the Fund's positions in Ausnet, Westpac, BNP Paribas, Toyota Finance Australia and Commonwealth Bank of Australia. Underperformance was due to the Fund's positions in Iberdrola, Contact Energy and Air New Zealand.

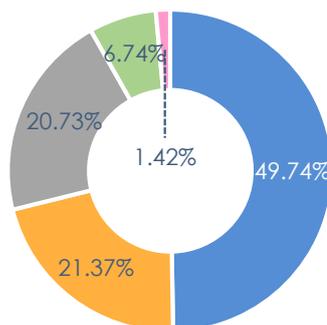
## PORTFOLIO BREAKDOWN

### SECTOR BREAKDOWN



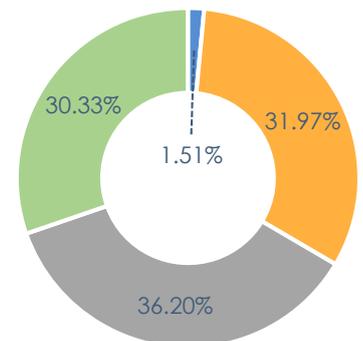
- Automotive
- Educational Services
- Insurance
- Real Estate
- Transportation & Logistics
- Cash
- Financial
- Machinery
- TMT
- Utilities

### REGION & PRODUCT



- Australian AUD FRNs
- International AUD FRNs
- Australian AUD Fixed Rate
- International AUD Fixed Rate
- Cash

### CREDIT RATING



- AAA
- AA
- A
- BBB

## CREDIT SPREADS

Credit spreads showed mixed performance throughout February. Corporate bond spreads in Europe and Australia tightened by the end of the month, while their respective CDS indices finished slightly wider. This typically happens when investors choose to hedge their corporate bond holdings by buying CDS indices as insurance against spreads widening, rather than selling their corporate bonds outright. In the US however, both corporate bond spreads and their respective CDS indices ended the month wider. Rising risks in the US, combined with elevated levels of primary market bond issuance, suggest that the path of least resistance for US credit spreads is to drift wider. The AUD primary issuance market is also incredibly active, but we are seeing strong performance on most deals in the secondary market. Order books for new deals are significantly larger than the volume of bonds being issued, so investors continue to seek opportunities to increase their positions in the secondary market — providing a strong tailwind for credit spreads.

AS AT 28 <sup>TH</sup> FEBRUARY 25	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.68%	0.02%
ITRAXX EUROPE 5YR	0.54%	0.01%
ITRAXX EUROPE XOVER 5YR	2.89%	0.01%
CDX US IG 5YR	0.49%	0.01%
CDX US HY 5YR	3.09%	0.08%

## FUND METRICS

The Fund was very active again in February, driven by the robust volume of the new issue market. The Fund's interest rate duration was increased in the middle of the month as Australian 3yr government bond yields approached 4%. Although the RBA implemented a rate cut in February, its accompanying statement conveyed a hawkish tone, indicating vigilance over inflation risks and a measured approach to any future monetary policy adjustments. The Fund's credit duration was trimmed back, as we sold some longer dated corporates to take advantage of attractive shorter-dated primary market opportunities. Now that the corporate reporting period has ended, we expect to see elevated levels of primary issuance, which should bode well for the Fund.

AS AT 28 <sup>TH</sup> FEBRUARY 25	FUND	CHG ON MTH
INTEREST RATE DURATION	0.76	0.37
CREDIT DURATION	3.73	-0.18
YIELD TO MATURITY	4.92%	-0.10%
YIELD TO WORST	4.84%	-0.10%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

\*Using the Morningstar methodology for Average Credit Quality

## NEW ISSUES

Another substantial month of AUD new issuance. We recorded 23 new deals from 15 unique issuers for a total volume of AUD 17.3b. Ausnet issued a dual-tranche corporate hybrid transaction, attracting orders in excess of AUD4.8b. Both the fixed and floating rate note tranche rallied impressively into month end.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
AUSNET	05-Feb-25	400	Floating	12-Feb-55	12-Nov-30	2.25%	1.96%	-0.29%
AUSNET	05-Feb-25	550	Fixed	12-Feb-55	12-Nov-30	1.80%	1.46%	-0.34%
WESTPAC	06-Feb-25	850	Fixed	12-Feb-35	12-Feb-30	1.63%	1.55%	-0.08%

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## CONTACTS:

Rory MacIntyre  
David Gallagher

0434 669 524  
0412 972 070

[rory@artesianinvest.com](mailto:rory@artesianinvest.com)  
[david@artesianinvest.com](mailto:david@artesianinvest.com)