

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 A T 31 ST M A Y 21	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.)	Since Inception (p.a.)
GROSS FUND RETURN	0.29%	0.63%	1.31%	6.08%	3.65%	3.94%	4.28%	4.88%
NET FUND RETURN	0.23%	0.44%	0.93%	5.29%	2.88%	3.16%	3.50%	4.09%
RBA CASH RATE	0.01%	0.03%	0.05%	0.16%	0.46%	0.80%	0.98%	1.01%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.22%	0.41%	0.88%	5.12%	2.43%	2.36%	2.53%	3.08%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are 0.21%, 0.41%, 0.88%, 5.19%, 2.76%, 3.04%, 3.38% & 3.97% 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 A T 31 ST M A Y 21	OTHER BENCHMARK COMPARISONS							
	1 month	3 months	6 months	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	Since Inception (p.a.)
BLOOMBERG AUSBOND CREDIT FRN 0+ YR Index	0.07%	0.15%	0.22%	1.53%	1.63%	2.11%	2.26%	2.35%
BLOOMBERG AUSBOND COMP 0-3 YR Index	0.09%	0.15%	0.15%	0.85%	1.49%	2.12%	2.02%	2.12%

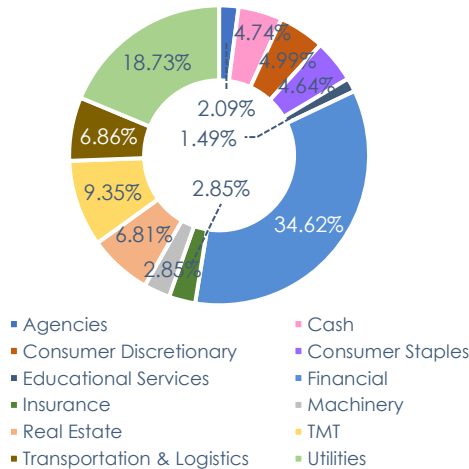
PORTFOLIO UPDATE

May was a subdued month, credit spreads and interest rates were largely unchanged. Issuance volumes were lower than average, with only AUD 2.54b being issued throughout May. With that said, some of the Fund's longer dated positions outperformed in the secondary market which led to another solid month of performance. When monthly issuance volumes are slower than average, we often see outperformance in secondary market spreads, as new inflows are put to work.

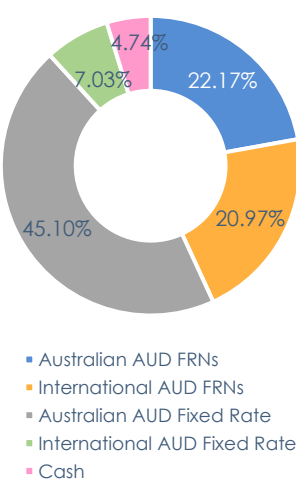
Outperformance in May was due to the Fund's 7yr to 10yr fixed rate non-financial positions, namely Transurban QLD, University of Wollongong and WSO Finance. We continue to favour fixed rate bonds (interest rate hedged) over floating rate notes, because of the pick-up in running yield. Underperformance in May was in the Fund's 3yr to 5yr positions in SGSP Australia, NBN and Bank of Queensland. ESG issuance trends continue to surprise to the upside. In May, the National Housing Finance and Investment Corporation (NHFIC), issued an AUD 343m 15yr sustainability bond which attracted orders in excess of AUD \$815m.

PORTFOLIO BREAKDOWN

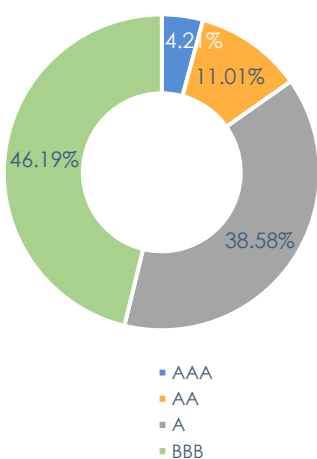
SECTOR BREAKDOWN



REGION & PRODUCT



CREDIT RATING



CREDIT SPREADS

AUD corporate bond credit spreads were mixed across the curve throughout May; anywhere from 3 wider to 3 tighter. Investors looking for yield have been hunting longer dated non-financial corporates and fortunately there has been some significant issuance in this sector throughout 2021. Spreads are supported by strong technical factors in the current environment, yet we understand that today's buyers can become tomorrow's sellers when the tone to risk markets turns, so position sizing is key. With the conclusion of the RBA's term funding facility only weeks away, we expect to see a return to the primary market of senior debt issuance from the major banks. Whilst the lack of issuance over the past twelve months has been positive for their senior spreads, we are not anticipating any significant widening when issuance resumes.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.59%	-0.02%
ITRAXX EUROPE 5YR	0.50%	0.00%
ITRAXX EUROPE XOVER 5YR	2.47%	-0.02%
CDX US IG 5YR	0.51%	0.00%
CDX US HY 5YR	2.88%	0.02%

FUND METRICS

The Fund's interest rate duration continues to drift lower as the economic data continues to improve. After reviewing the most recent budget, it would appear the Australian Government is willing to let the economy run hot into the next federal election. As the RBA and other central banks start to taper their COVID-19 stimulus packages, we anticipate this will lead to increased volatility and therefore opportunity. The RBA's stimulus packages are well designed in that they are not open ended and they do have a specific timeframe set. Therefore, we expect less 'taper tantrums' in the Australian market. However, there could be an associated spike in domestic yields if leading markets like the United States did suffer a taper tantrum. We anticipate that the Fund's interest rate positioning will be below its target of 1yr in the short to medium term. If we did witness an overshoot, which is all too common in interest rate markets, we would opportunistically add some duration.

AS AT 31 ST MAY 21	MAY '21	CHG ON MTH
INTEREST RATE DURATION	0.60	-0.11
CREDIT DURATION	4.27	0.09
YIELD TO MATURITY	1.54%	-0.02%
YIELD TO WORST	1.38%	-0.05%
BLOOMBERG COMPOSITE RATING (weighted average)*	A	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

Softer volumes in May resulted in AUD 2.543b from 8 unique issuers. It was great to see more ESG (NHFC's 15yr sustainability bond) issuance, however it was the Kangaroo bonds from Barclays and Liberty Financial that were May's best performers.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
Barclays	12-May-21	150	Fixed	20-May-27	20-May-26	1.81%	1.77%	-0.04%
Barclays	12-May-21	200	Fixed	20-May-31	20-May-31	1.66%	1.57%	-0.09%
Liberty Financial	18-May-21	200	Floating	25-May-26	-	2.55%	2.45%	-0.10%

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