

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.

AS AT 30 TH JUNE 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%	0.93%	1.07%	5.42%	3.49%	3.97%	4.22%	4.86%
NET FUND RETURN	0.22%	0.74%	0.69%	4.63%	2.72%	3.20%	3.44%	4.07%
RBA CASH RATE	0.01%	0.02%	0.05%	0.15%	0.41%	0.76%	0.95%	0.99%
ACTIVE RETURN (net Fund return - RBA cash rate)	0.22%	0.71%	0.64%	4.48%	2.31%	2.44%	2.49%	3.07%

The 1m, 3m, 6m, 1yr, 2yr, 3yr, 4yr and since inception net returns for Class A Units are 0.22%, 0.70%, 0.62%, 4.53%, 2.60%, 3.08%, 3.32% & 3.95% 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.

AS AT 30 TH JUNE 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	0.08%	0.21%	0.30%	1.37%	1.54%	2.07%	2.20%	2.32%
BLOOMBERG AUSBOND COMP 0-3 YR Index	-0.01%	0.14%	0.14%	0.70%	1.31%	2.05%	2.05%	2.08%

PORTFOLIO UPDATE

Early optimism in June soon faded as COVID-19 lockdowns began to take hold across Australia. As inflation expectations began to temper, so too did Australian Government 10yr yields which finished the month 17.5bps lower at 1.54%. In contrast, economic forecasters continue to bring forward their expectations of the RBA's first rate hike, which pushed 3yr yields higher by 7.5bps to 0.46%. This led to a flatter yield curve and credit spreads finished the month tighter. Financials outperformed non-financials in June, which was also evident in the Fund, with Macquarie and Barclays leading the financial sector outperformance. The flatter yield curve contributed to the Fund's underperformers, namely Australian Gas Networks, Westconnex and BWP Trust.

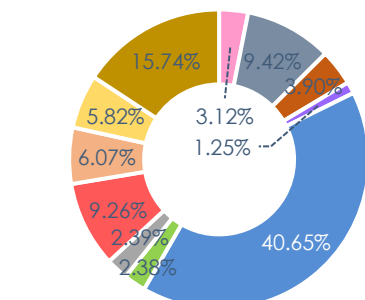
In May, Worley an Australian engineering company, issued the first Euro sustainability linked bond (SLB) for an Australian corporate. The structure 'links' their carbon footprint goals to an increase in coupon payment at maturity of 25bps, should they not meet their goals. We were pleased to see Wesfarmers issue an SLB into the AUD market in June and hopefully other issuers follow the trend.

PORTFOLIO BREAKDOWN

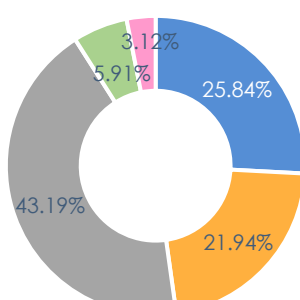
SECTOR BREAKDOWN

REGION & PRODUCT

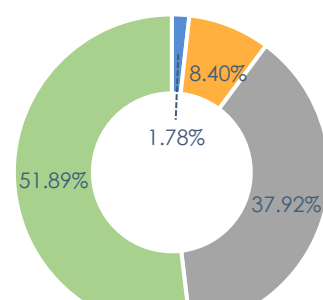
CREDIT RATING



- Cash
- Consumer Staples
- Financial
- Machinery
- TMT
- Utilities
- Consumer Discretionary
- Educational Services
- Insurance
- Real Estate
- Transportation & Logistics



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



- AAA
- AA
- A
- BBB

CREDIT SPREADS

AUD corporate bond credit spreads were tighter across the board in June. As previously mentioned, financials outperformed non-financials, in particular foreign banks outperformed. The Fund's top two relative value trades of 2020/2021, both aided returns in June. Firstly, the Fund's overweight to the senior debt of foreign banks (6-8bps tighter) and underweight senior debt of the Australian major banks (0-1bp tighter). Secondly, the Fund's overweight position to Tier 2 subordinated debt of the Australian major banks, and underweight senior debt of the Australian major banks. The sub/senior ratio has been as wide as +6.5x over the past 12 months, it is now ~3.6x. The longer-term range is in the 2.5 to 3x area, which is where we see fair value.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.58%	-0.02%
ITRAXX EUROPE 5YR	0.47%	-0.03%
ITRAXX EUROPE XOVER 5YR	2.32%	-0.15%
CDX US IG 5YR	0.48%	-0.03%
CDX US HY 5YR	2.73%	-0.15%

FUND METRICS

In June, the Fund had its highest monthly inflows since December 2019. With a flurry of activity in the primary market to choose from, we allocated most of the proceeds to new BBB deals where our models identified reasonable fair value. New bonds issued by BNP, Macquarie Bank, Goldman Sachs and LLITST Finance (Lendlease) to name a few. This resulted in a marginal credit duration extension and lower average credit quality, both of which we would expect to be reversed (closer to 4yr credit duration and A average credit quality) in July, as our fair value targets are reached. As we continue to roll FRN's into interest rate hedged fixed rate bonds, we expect the running yield to continue to increase as it did in June. The Fund's interest rate duration continues to edge lower, although in June we did add some interest rate downside protection by selling the 5yr v 10yr curve.

AS AT 30 TH JUNE 21	JUNE '21	CHG ON MTH
INTEREST RATE DURATION	0.48	-0.12
CREDIT DURATION	4.55	0.28
YIELD TO MATURITY	1.65%	0.11%
YIELD TO WORST	1.45%	0.07%
BLOOMBERG COMPOSITE RATING (weighted average)*	BBB	A

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

In June we witnessed AUD 5,337b in volume from 12 unique issuers, more than doubling the AUD 2,543b issued in May. Not only was there increased volumes, there was also lots to choose from in terms of sectors, maturities, labelled ESG securities and subordinate/senior transactions. Wesfarmers were the first Australian corporate to issue an AUD SLB and it was in high demand in both the primary and secondary market, leading to its outperformance.

ISSUER	Issue Date	Issue Size \$M	Fixed/Floating	Maturity	Next Call	Credit Spread EFP/BBSW	Month End Bid Spread	Net Change
WESFARMERS	16-Jun-21	650	Fixed	23-Jun-28	-	0.38%	0.33%	-0.05%
WESFARMERS	16-Jun-21	350	Fixed	23-Jun-31	-	0.99%	0.90%	-0.09%

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