Switzer | Higher Yield Fund

Powered by COOLABAH CAPITAL INVESTMENTS

THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

Cboe:SHYF

Fund Update: 30 April 2022

Key Fund Details

Net Asset Value[1]

A$31.2312

Cash (Running) Yield[3]

0.64%

Average Weighted Credit Rating[2]

AA-

Fund Name	Switzer Higher Yield Fund (Managed Fund)
Investment Manager[4]	Coolabah Capital Institutional Investments
Responsible Entity	Associate Global Partners Limited
Inception Date	31 August 2009
Investment Universe	Fixed Income Assets
Number of Holdings	30 - 60
Distribution Frequency	Quarterly
Management Fee[5]	0.70% p.a.
Performance Fee[5,6]	20%
Benchmark	RBA Overnight Cash Rate + 1.5%

Notes: 1. NAV is calculated on a per unit basis after fees and expenses. 2. S&P Long Term. 3. Cash or Running Yield refers to the annual dollar interest income/coupon divided by the market value. 4. Appointed 1 December 2020. 5. Fees are inclusive of GST and less Reduced Input Tax Credit. 6. Performance Fee is 20% of the portfolio's outperformance relative to the benchmark after management fee.

Why Invest?

The Switzer Higher Yield Fund (Managed Fund) (**SHYF** or the **Fund**) is a zero-duration bond fund which aims to provide investors an attractive cash yield with low capital volatility by investing in a portfolio of high quality and liquid fixed income securities. The Fund provides investors with daily liquidity and aims to achieve total returns which are between 1.5% to 3.0% greater than the RBA Cash Rate after fees and expenses on a rolling 12-month basis.

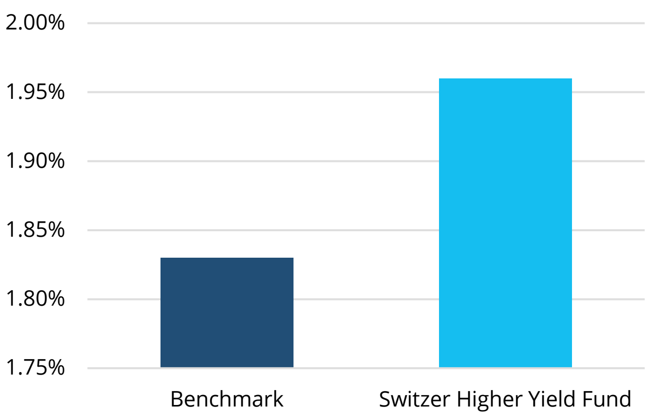
- **Investment expertise**
- **Attractive cash yield objective**
- **Quarterly distributions**
- **Low-capital volatility**

Performance[1]

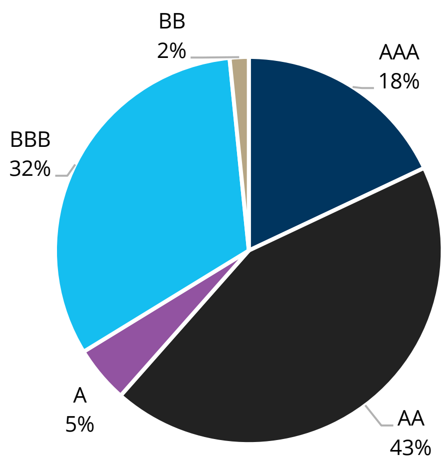
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	Inception[2]
Portfolio	-0.31%	-0.58%	-0.55%	-0.10%	1.96%	2.44%	3.35%	4.23%
Benchmark[3]	0.13%	0.39%	0.78%	1.55%	1.83%	2.31%	3.12%	3.72%
Value Added[4]	-0.44%	-0.97%	-1.33%	-1.65%	0.13%	0.13%	0.23%	0.51%

Notes: 1. Portfolio performance is calculated based on net asset value per unit, which is after management fees, performance fees and expenses and assumes that all distributions are reinvested in the Fund. Periods greater than 1 year are annualised. 2. Fund inception date is 31 August 2009. Coolabah Capital Institutional Investments was appointed Investment Manager of the Fund on 1 December 2020. 3. Benchmark is the RBA Overnight Cash Rate +1.50%. 4. Value added equals portfolio return minus benchmark return.

3 Year Annualised Return



Credit Rating Exposure



For More Information

Please visit our website at: www.associateglobal.com/funds/shyf/

If you have any questions, please contact our distribution team on 1300 052 054 or invest@associateglobal.com.

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Top 10 Portfolio Holdings

Company	Weight %
Commonwealth Bank of Australia	6.49
Queensland Treasury Corp 3.5%	5.97
Queensland Treasury Corp 2.75%	5.79
NSW Treasury Corp 3%	5.77
Queensland Treasury Corp 1.5%	4.87
South Australian Financing Authority 3%	4.68
Queensland Treasury Corp 1.75%	3.57
National Australia Bank	3.00
Westpac Banking Corporation	2.99
Challenger Life	2.96
Total	**46.09**

Asset Allocation

Allocation	Portfolio Weight %
Gov & SSA*	44.91
Tier 2 Securities	21.94
Hybrids	11.81
Senior Weight	6.30
Derivatives	1.79
Cash	13.26
Total	**100.00**

*Sovereign, Supranational and Agency

Portfolio Update

For the month of April, the Fund delivered a return of -0.31% net of fees, compared with 0.13% for the benchmark RBA Cash Rate + 1.5%. Over the past three years the Fund has returned 1.96% p.a. net of fees, compared with 1.83% p.a. for the benchmark. At the end of the month, the Fund had a weighted average interest rate of 0.64% compared with the actual RBA Cash Rate of less than 0.35%. The average credit rating of the Fund is AA-; it has an average A ESG bond rating from MSCI; and the modified duration of the Fund is 0.12 years.

In April, both Australian and US 10-year government bond yields continued their march higher. The US 10-year yield started April at 2.33% and finished at 2.94%. The Australian 10-year government bond yield likewise soared, climbing from 2.84% at the start of April to 3.13% by the end of the month. Notably, Australian 10-year yields remain very elevated relative to US yields – some 46 basis points (**bps**) above their US counterparts. This resulted in yet another losing month for the fixed-rate benchmark AusBond Composite Bond Index, which fell 1.49% in April, bringing losses over the first four months of 2022 to 7.3%. This index only contains fixed-rate as opposed to floating-rate bonds. It benefits from interest rates declining and suffers during periods when rates rise as at present. It was a similar story in global credit markets. In the case of euro-area bonds, the Bloomberg Aggregate Corporate credit spread moved from 130bps at the beginning of April to 151bps by the end of the month. That is ~66bps higher than the level of spreads at the start of the year. US credit spreads similarly widened from 116bps to 135bps over April and are 42bps above their levels at the start of the year. US spreads have outperformed their Euro-area equivalents, partly because they have not been as directly impacted by the Russia-Ukraine war.

In Australia, 5-year major bank senior bond spreads were relatively stable, climbing from 90bps to 94bps, in a lag to offshore markets. Much bigger moves were observed in the Tier 2 subordinated bond market with 5-year major bank spreads jumping from 184bps to 212bps over April, which compares with the 2021 heights around 125bps.

Despite the difficult market conditions, the Fund was well placed against the weakness in global credit markets. In addition to having zero duration and no exposure to interest rate movements, the Fund hedged much of the credit risk exposure in April by way of credit default swaps. The Fund continues to hold these credit risk hedges in anticipation of further weakness. The big outperformer in April was the ASX hybrid market, where 5-year spreads compressed from 240bps down to 228bps as the two recent new deals from ANZ and CBA started to settle, rallying well above their par $100 prices.

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