



INVESTMENT RATING REPORT

INVESTMENT RATING: SUPERIOR
PRODUCT COMPLEXITY: MORE COMPLEX PRODUCT

Fund Details

Investment Manager: Coolabah Capital Investments (Retail)

Investment Structure: Registered Managed Investment Scheme, Quoted Managed Fund

Exchange Ticker: CXA:FIXD
APIR Code: ETL2716AU

Exchange: Cboe Australia (CXA)

Category: Fixed interest

Investment Style: Long duration, A- to AA-rated, daily liquidity fixed-income, ability to go long or short (hedge fund)

Inception: 7 March 2017

Management Fee: 0.30% p.a.

Performance Fee: 20.5% of excess performance over benchmark, subject to high-water mark

Benchmark: Bloomberg Ausbond Composite 0+ Yr. Index plus management costs

Distribution: Quarterly

Responsible Entity: Equity Trustees (AFSL 240975)

Investment Objective: The Fund targets returns of 1.0%-2.0% p.a. in excess of the Bloomberg AusBond Composite 0+ Yr Index (after management costs), over rolling 12-month periods

Review Summary

The Coolabah Active Composite Bond Fund (Hedge Fund) (the Fund) is an active, fixed-income strategy. Its focus is on mispricing in the government and corporate bond markets, with the aim of delivering superior risk-adjusted returns over the Bloomberg Ausbond Composite 0+ Yr Index, after management costs. The Fund is managed by Coolabah Capital Investments (CCI). The following are key differentiators of CCI's approach:

- The strategy is very active and opportunistic; it is designed to exploit bond valuation mispricing rather than interest rate duration, credit or illiquidity beta. Typically, the Fund has a very low interest-rate risk, an investment-grade credit risk, a weighted average portfolio MSCI ESG rating of 'AA' and high levels of liquidity.
- The strategy is duration neutral, maintaining a low tracking error to the underlying benchmark index.
- The combination of top-down and bottom-up quantitative, fundamental and technical analyses enables the manager to generate differentiated insights about the market in which they operate. These insights afford the manager the ability to adapt to market conditions and position the portfolio accordingly.
- The investment team is relatively large, with significant resources devoted to price discovery.

CCI has recorded negative excess yield in the one-year period ending July 2022, despite holding close to record low exposures to credit spreads and interest-rate risk and having correctly predicted many of the asset-pricing shifts. The performance reflects the major global shifts in inflation and asset pricing that have taken place since late 2021.

Performance

Period Ending 31/05/2021	Active Composite Bond Fund Net Return (%)	Bloomberg AusBond Composite Bond Index (%)	Net Excess Return (%)
1 month	3.53	3.36	0.17
3 months	-0.44	0.93	-1.36
6 months	-6.36	-5.46	-0.90
1 year	-10.77	-9.10	-1.67
2 years (p.a.)	-1.50	-1.81	0.31
5 years (p.a.)	2.12	1.49	0.63
Since Inception – 7 March 2017 (p.a.)	2.34	1.74	0.59

Source: Coolabah

Investment Rating & Foresight Complexity Indicator

A **SUPERIOR** rating indicates the highest level of confidence that the Fund can deliver a risk-adjusted return in line with its investment objectives. The investment manager's support for this strategy is very well-resourced and continues to be enhanced.

Designation as a **MORE COMPLEX** product indicates that the investment manager will employ leverage, short-selling and extensive use of derivatives. The strategies used to outperform include the use of over-the-counter derivatives. The Fund may also actively allocate assets differently from its benchmark. The Fund is classified as a hedge fund according to SIC guidelines.

Fund Details

Dominant Strategy	The Coolabah Active Composite Bond Fund (Hedge Fund) (the Fund) seeks to actively exploit mispricing's in cash and bond markets to generate daily liquidity returns that exceed a target of the Bloomberg AusBond Composite 0+ Yr. Index after management costs, with an average A to AA credit rating. In addition to an active investment, the Fund employs active asset allocation between cash and debt securities (up to 100% cash). The strategy is duration neutral, maintaining a low tracking error to the underlying benchmark index. The Fund may invest in derivatives, may borrow using repurchase agreements or take long or short positions to manage risk and achieve leverage.
Fund Type	Long-duration, fixed-interest hedge fund
Investment Manager	Coolabah Capital Investments (Retail) Pty. Ltd.
Sub-Investment Manager	Coolabah Capital Institutional Investments Pty. Ltd.
Trustee/RE	Equity Trustees Ltd.
KEY FEATURES	
Fund Inception	7 March 2017
Domicile	Sydney, Australia
Legal Form	Quoted managed fund
APIR/Exchange Codes	APIR: ETL2716AU, Exchange Code: CXA: FIXD
Geographic Mandate	Global credit with a focus on Australian issuers, hedged to Australian dollars
Open	Yes
Management Fee	0.30% p.a. of the NAV of the Fund
Transaction Fee	0.02% p.a. of the NAV of the Fund
Performance Fee	20.5% of excess performance over Bloomberg Ausbond Composite 0+ Yr. Index plus management costs, subject to high-water mark, calculated daily, paid semi-annually
Distributions	Quarterly at the discretion of the responsible entity
Distribution Reinvestment Plan	Full or partial participation is available
Funds Under Management (FUM)	Net market value \$173.41 million (July 2022)
Minimum Investment	No minimum for listed units (\$1,000 minimum for unlisted units)
Subsequent Subscription	No minimum (\$1,000 minimum for additional units in unlisted trust)
Entry Fee	No entry fee. Investors will incur customary fees and commissions associated with transacting through the securities exchange.
Exit Fee	No exit fee. Investors will incur customary fees and commissions associated with transacting through the securities exchange.
Fund Term	Open-ended
PRIMARY CONTACT	
Name & Title	Gary Walsh, Head of Asset Origination
Email Address	gary.walsh@coolabahcapital.com
Telephone Number	1300 901 711
Website	www.coolabahcapital.com

Investment Profile

BACKGROUND

Coolabah Capital Investments Pty. Ltd. (CCI) is 65% owned by its investment team and 35% owned by the Pinnacle Investment Management Group Limited (ASX: PNI). Coolabah Capital Investments (Retail) Pty Limited (CCIR) was established to offer investors fixed-income products characterised by a low-volatility risk profile. The initial offer was the Smarter Money Fund which was launched in February 2012.

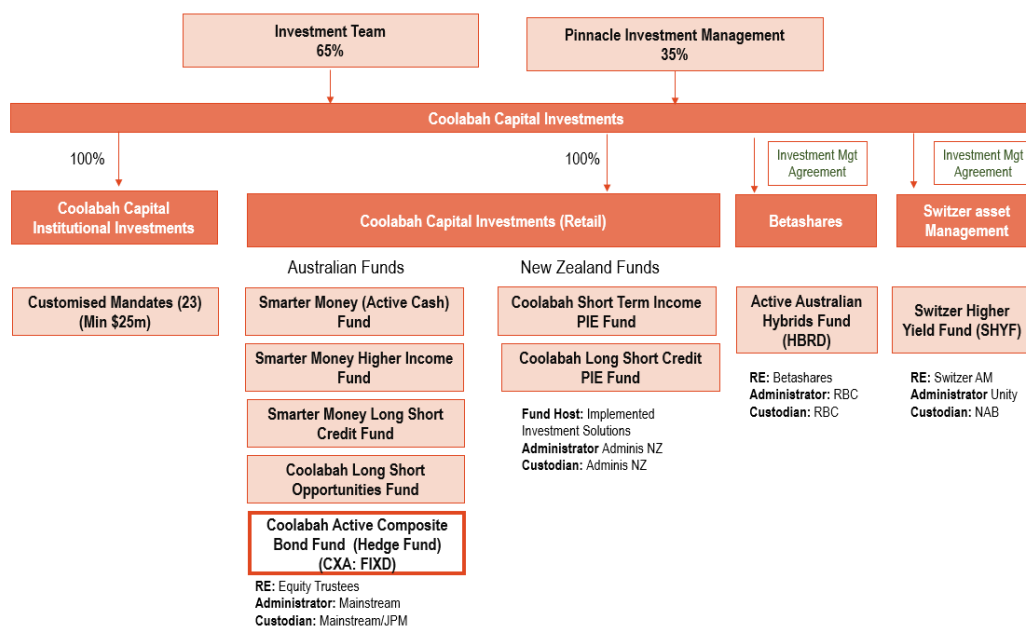
The Active Composite Bond Strategy was launched in March 2017 for institutional investors. The Fund initially replicated the strategy of the Smarter Money Fund, with the addition of a passive interest duration overlay. Over time, in response to investor demand, the Active Composite Bond Strategy has included leverage strategies (normally up to 1.5x) and the ability to go short. The Coolabah Active Composite Bond Fund (Hedge Fund) was made available to retail investors in June 2021. It is a multi-distributed managed fund, meaning investors can buy and sell units either directly with the responsible entity or via a broker on the securities exchange. Investors who enter the Fund via the exchange can dispose of their units directly with the responsible entity and vice versa. The Fund is classified as a hedge fund according to ASIC guidelines.

CCI's team currently comprises 33 staff members: 6 (senior) portfolio managers; 4 portfolio management, analysis and support staff; 6 credit analysts; and 4 data science team members. The staff collectively have decades of fixed-interest trading, quantitative and credit-research experience. CCI's investment team and their families have invested approximately \$10M-\$20M of their own capital into CCI's strategies, which provides for a strong alignment of interests. Profits have been re-invested in the business, mainly in additional staff, systems, and technology.

In 2020, CCI opened a London office, in addition to 2 Sydney offices and a Melbourne office. The manager intends to continue expanding overseas and believes that its overall AUM capacity across all the strategies is between \$15BN to \$20BN. Pinnacle, which has offices in London and New York, is leading CCI's overseas expansion and is exploring the best structures for offering the manager's capabilities in overseas markets.

Equity Trustees Limited (EQT) is the Responsible Entity for the Smarter Money Fund and appointed CCIR (previously known as Smarter Money Investments) as the investment manager. CCIR outsources all fund management responsibilities to its related entity, Coolabah Capital Institutional Investments Pty. Ltd. (CCII), via a sub-investment management agreement. CCII is also a wholly owned subsidiary of CCI.

FUND MANAGEMENT STRUCTURE



OBJECTIVE

The Coolabah Active Composite Bond Fund (Hedge Fund) seeks to deliver returns of 1%-2% p.a. in excess of the Bloomberg AusBond Composite 0+ Yr. Index, after management fees, over rolling 12-month periods. It achieves this by systematically exploiting mispricing's to generate capital gains in addition to yield.

FUNDS UNDER MANAGEMENT

As of July 2022, the Fund had funds under management of \$173.41 million. CCI has FUM of approximately \$6.76 billion for a predominantly institutional client base. There are around 34 portfolios, including retail funds, listed funds and separately managed mandates. According to the manager, all the strategies use the same underlying 'alpha' engine, with each strategy's portfolio being driven by its specific risk parameters.

INVESTMENT UNIVERSE

The Fund is permitted to invest in bonds, such as government and semi-government bonds, bank and corporate bonds and asset-backed securities, including residential-mortgage-backed securities issued in Australian dollars or in G10 currencies hedged to Australian dollars. It is also permitted to invest in cash and cash-equivalent securities, exchange-traded derivatives, over-the-counter derivatives and repurchase agreements for risk management and/or leverage purposes.

The Fund is not permitted to invest in equity securities, hybrid securities, collateralised debt obligations, inflation-linked bonds, related party securities, sub-prime mortgage securities or securities with an issue size of less than AU\$50 million.

Investment Philosophy

The manager's philosophy is grounded in active management and the belief that a detailed, research-driven approach to selecting and managing fixed-interest securities can generate alpha. In addition, CCI believes that dynamic portfolio weighting between cash and credit, using a bottom-up and top-down valuation framework, can add considerable value and reduce volatility.

Specifically, the manager cites the following characteristics of the domestic fixed-income market that create opportunities to add value through an active approach:

- The Australian fixed interest market is highly inefficient as most Australian investment-grade fixed-income is traded over the counter; hence there is no mandated price discovery/disclosure through Australia. This results in highly opaque/inefficient asset pricing, which is compounded by many passive fixed-income styles in the market.
- In their view, most fixed-income managers are passive, buy-and-hold investors, focused on yield, neglecting total returns and inadequately emphasising top-down/bottom-up valuation models.

Investment Strategy

CCI differentiates itself from typical fixed-interest strategies such as index management and buy-and-hold by being active and opportunistic across the whole portfolio through security selection and asset allocation. It is designed to exploit bond valuation mispricing rather than interest rate duration, credit or illiquidity beta. Typically, the Fund has very low interest-rate risk, investment-grade credit risk and high levels of liquidity. CCI aims to generate risk-adjusted returns predominantly through identifying mispriced bonds (predominantly floating) and hybrids. They value securities on a bottom-up and top-down basis using a mix of quantitative and qualitative models and technical analyses to find assets that are mispriced, and which can deliver capital gains when they normalise or mean-revert over and above their yield.

One of the keyways that Coolabah supports this alpha generation strategy is its well-resourced macro-economic strategy, including financial modelling of COVID, war predictor and key RBA/government policy moves. Coolabah has been very successful in predicting market and security price movements.

As duration is not a core strategy for CCI, it is provided in the Fund via an overlay which has a low tracking error to the benchmark index.

The investment manager actively selects high-quality cash and floating-rate assets with the goal of maximising investors' risk-adjusted returns. The target objectives include target weighted-average credit quality ratings equivalent to S&P A- to A+ (investment-grade credit risk) and portfolios that can liquidate 90%-100% of the assets within t+3 days during normal conditions, and within t+5 days during crises.

The strategy for the Coolabah Active Composite Bond Fund (Hedge Fund) includes the ability to use derivatives to hedge risks such as interest-rate risk, credit risk, macro risks and currency risk. In addition, the Fund uses repurchase agreements to borrow and may leverage the portfolio up to 2.5x.

The Coolabah Active Composite Bond Fund (Hedge Fund) will dynamically allocate assets between cash and bonds and is able to go to 100% cash or cash equivalents.

Investment Process

CCI's investment process is singularly focused on identifying mispricing's in liquid, generally investment-grade, credit securities (i.e., in long-only portfolios and securities paying excess spread after adjusting for risk betas) that have a high probability of normalising or reverting to CCI's modelled fair-value target, which will thereby render capital appreciation to augment the income paid by those securities.

CCI uses both top-down and bottom-up analysis as well as qualitative and quantitative valuation analysis. They have created 30 to 40 proprietary quantitative systems/valuation models that can interface directly with Bloomberg. Essentially, the qualitative/quantitative models estimate 'fair value' credit spreads, adjusted for all bond risk factors (rating, maturity, liquidity, default risk, capital stack position, etc.). As credit spreads normalise/mean-revert, CCI generates capital gains on top of interest paid on the bond.

The manager attributes the majority of value added (75%) to quantitative and qualitative fundamental valuation analysis.

Factor	Contribution
Quantitative and Qualitative Fundamental Valuation	~75%
Supply/Demand Technicals	~12.5%
Macro Market Sentiment (Behavioural)	~12.5%

The investment process is multi-dimensional and consists of 3 key phases:

- The Investment and Governance Mandate (IGM) determines if an asset can be acquired by the Fund or if an existing asset can be retained in the Fund.
- Potential investments are subject to both traditional credit analysis (formalised in a report) and a range of quantitative valuation and credit assessment processes.
- The investment undergoes compliance-and-risk testing, and the portfolio managers accept/reject and, where appropriate, finalise the pricing/sizing of the investment.

The processes and the models are refined on a continuous basis. For example, the quantitative credit-rating model has been enhanced by adding a machine-learning-based predictions model. The manager has always been active in price discovery as well as opportunistic with the Australian market buy-side market-making.

QUANTITATIVE and QUALITATIVE process

Phase 1	Investment and Governance Mandate (IGM) or Investment Management Agreement (IMA) Rules • Detailed portfolio limits/targets, approved/reviewed by Board						
Constant Iteration and Surveillance							
Phase 2	Top-Down Quant Valuation Models (DST)	Bottom-Up Quant Valuation Models (DST)	Quant Credit Rating Models (DST)	Traditional Credit Analysis & ESG (CRT)	Market Technicals Analysis (PMT/DST)	Macroeconomic Research (CRT)	Environment, Social and Governance (CRT/DST)
	<ul style="list-style-type: none"> Use current and historical data on every bond/FRN in fund's universe Run numerous multi-factor regressions Provide market based "fair-value" yield/spread estimates Assumes market valuation is efficient 	<ul style="list-style-type: none"> Use issuer financial data Account for bond terms and capital structure position Predict probability of default and loss given default Provides "fair value" estimate of spread/yield using multiple Merton models 	<ul style="list-style-type: none"> Machine-learning based predictions of real time ratings based on relationships b/w issuers' financial data and credit ratings Provides quant credit rating for any given issuer/security based on objective financials Outperforms S&P's quant rating model 	<ul style="list-style-type: none"> Bottom-up cash-flow modelling of companies Assessment of profitability, liquidity, leverage, equity, assets, liabilities, arrears etc. Heavy duty commercial due diligence of issuer/security Direct comms with issuer's management 	<ul style="list-style-type: none"> Modelling supply and demand of individual bonds Understanding street and investor preferences for individual securities Understanding flow data Shaping expectations regarding valuations and events that influence them 	<ul style="list-style-type: none"> Detailed macro research led by dedicated Chief Macro Strategist and Christopher Joye Quant models forecasting different macro variables Macro research provides insights on sizing, timing, mispricings, and also duration environment 	<ul style="list-style-type: none"> Deep proprietary internal quant & ESG analysis Reports carbon intensity each day for all portfolios CCI evaluates ESG research prepared by MSCI, Sustainalytics, S&P and Bloomberg CCI is a UN PRI signatory CCI targets minimum MSCI ESG rating 'A'
Phase 3	Independent Credit Research Team Approval/Rejection of Investment (Summarised in formal research report)						
	Pre-Trade Quantitative Compliance and DST Analysis of Investment (Bloomberg AIM System incorporates IGM/IMA rules)						
	Portfolio Manager Approval/Rejection of Investment (Final decision on pricing/sizing plus additional qual/quant DD)						

BOTTOM-UP VALUATION

CCI undertakes rigorous bottom-up quantitative asset valuations to price assets based on (a) the issuer's financial characteristics, (b) the asset's capital structure position, and (c) statistical estimates of the probability of default, the loss given default, and hence expected loss in light of (a) and (b). These bottom-up models include several different state-of-the-art 'Merton' methods utilising option pricing technology (used by the RBA as a tool for monitoring real-time credit risk) and parametric and non-parametric expected-loss models, including techniques that utilise decades of rating-agency data on defaults and recovery rates.

RATINGS ANALYSIS

CCI calculates its own ratings for credit securities. As an example, CCI estimates future default probabilities for the major banks over a 3-year horizon, recalculated daily. They have mapped these default probabilities onto implied credit ratings based on global historical defaults within different S&P ratings since 1920.

TOP-DOWN VALUATION

CCI has also developed multi-factor, top-down, regression-based valuation models that assume current market prices are correct to price assets based on their individual characteristics: credit rating, maturity, liquidity, capital structure position, industry sector, and the terms of the security in question. These top-down statistical valuation models have very high explanatory power and are used to identify day-to-day anomalies in secondary asset pricing and to inform CCI about the expected valuations of new primary issues.

ACTIVE ASSET ALLOCATION

In addition to its active investments, CCI also employs active asset allocation in the Fund between cash and debt securities. CCI can switch between cash and debt securities based on the portfolio managers' valuation views, and the Fund may invest up to 100% cash as a defensive measure.

LEVERAGE/USE OF DERIVATIVES

The Fund's investment strategy includes the ability to borrow by using repurchase agreements or taking long/short positions to achieve leverage. The use of leverage is aimed at increasing the Fund's exposure to mispriced bonds.

RESPONSIBLE INVESTING

CCI considers that environment, social and governance (ESG) factors are crucial inputs into its investment process and have potentially profound consequences for the performance of our investments, including, most notably, downside risks but also upside mispricing potential in terms of the value of those assets.

Nuanced ESG factors are often overlooked by the market and credit rating agencies when assessing the creditworthiness and valuations of fixed-income securities. CCI continues to be deeply engaged with its target companies and relevant regulators and government stakeholders, dynamically evaluating the status of different ESG factors and seeking to understand their future path. It is essential for CCI to be able to identify and monetise alpha-generating opportunities. ESG is, therefore, a core part of their quantitative and qualitative due diligence and wider investment process.

CCI is cognisant of several benchmarks for assessing ESG issues and is a signatory of the UN-endorsed Principles for Responsible Investment (PRI). CCI actively monitor the development of such principles and their adoption by rating agencies and regulators. CCI also perform deep proprietary research on ESG factors and has published academic research exploring and quantifying the alpha and beta benefits from ESG inputs across different asset classes and countries.

In addition to performing proprietary internal analysis, CCI evaluates ESG research prepared by industry-leading external providers such as MSCI, Sustainalytics, S&P and Bloomberg when assessing a company's resilience to long-term, industry-material ESG risks. Insights provided by these experts assist CCI in identifying risks and opportunities that may not be captured by conventional financial analysis. Furthermore, CCI compiles the MSCI ESG risk rating for each of their exposures and targets a minimum weighted average portfolio MSCI ESG rating of 'A' to help ensure that their portfolios are not exposed to unexpected shocks. Portfolio ESG ratings are reported monthly to investors. As at July 2022, the Coolabah Active Composite Bond Fund (Hedge Fund) had a weighted average portfolio MSCI ESG rating of 'A'.

NOTE ON MANAGER SIZE / MARKET PARTICIPATION

CCI's size and trading strategy make it one of the most active traders of Australian credit globally. Its growth in AUM has allowed the manager to expand its information flow, broker agreements (~60 brokers) and ISDA and GMRA agreements. The advantages of this market presence include an ability to negotiate new-issue interest rates and terms, securing favourable deal allocations (e.g., Green bonds), and ease of derivative and repurchase agreement trading.

In addition, CCI devotes considerable resources to analysing the Australian financial regulatory environment, the major issuers and the main factors affecting interest and credit movements, including ESG factors. CCI is open and transparent in sharing its analysis. In particular, CCI is increasingly using its analysis to interact with major market participants in what they describe as an 'activist' role. This 'activism' is important in the realisation of fair value and assists CCI's asset allocation and trading strategies.

Investment Team

The CCI team has continued to expand over the past year. There are now 33 staff members, including 6 (senior) portfolio managers, 4 portfolio management analysis and support staff, 6 credit analysts and 4 data science team members. This includes the London office, which is led by Dr Nick Campregher, a senior Portfolio Manager and Quant Analyst.

CCI's investment team is large and very well resourced compared to many of its peers, reflecting the highly active and quantitatively complex nature of CCI's investment strategies. The CCI team is managed by Christopher Joye, who is both Chief Investment Officer and Senior Portfolio Manager.

Christopher Joye approves all material OTC trades (one portfolio manager focuses on executing the ASX book on an intra-day basis within agreed delegations), with the other portfolio managers having more limited responsibility, subject to pre-agreed delegations. Hence, there is a high level of key man risk in the implementation of the strategy.

COOLABAH CAPITAL INVESTMENTS

PORTFOLIO MANAGEMENT TEAM (PMT)

Darren Harvey Snr Portfolio Manager	Ashley Kabel Portfolio Mgr & Quant Analyst	Christopher Joye CEO, CIO & Snr Portfolio Mgr	Dr Stephen Parker Portfolio Mgr & Quant Analyst	Matt Johnson Portfolio Mgr & Quant Analyst
Dr Nick Campregher Portfolio Mgr & Quant Analyst	Rakam Islam Jnr Portfolio Mgr & Quant Analyst	Ying Yi Ann Cheng Portfolio Mgt Director & Market Technicals Analyst	Dr James Yang Jr Trader & Senior Data Scientist	Market Technicals Associate
Credit Research Team (CRT)	Data Science Team (DST)	Finance, Operations & Risk Team (FRT)	Sales & Product Team (SPT)	
Jason Lindeman Snr Credit Analyst	Kai Lin Senior Data Scientist	Ed Teh Chief Risk Officer	Gary Walsh Head of Asset Origination	
Keiran Davies Chief Macro Strategist	Nathan Giang Senior Data Scientist	Daniel Douma Chief Financial Officer	Luke Bouris Nat. Mgr, Product & Operations	
Mat Barrie Snr Credit Analyst	Dr Adam Richardson Quant Analytics Manager	Sarah Saad General Counsel		
Nicholas James Snr Credit Analyst	Dr Ethan Xu Data Scientist	Param Singh Head of Global Middle Office		
Danniel Lin Credit Analyst		Accounting (2), Risk (1)		
Cheryl Lim Credit Analyst		Operations Analysts (4), EA (1)		

PORTFOLIO MANAGERS

Team Member	Role	Experience
Christopher Joye	CEO, CIO and Senior Portfolio Manager	Christopher is a financial economist and funds management professional and has led the portfolio management team since its inception. His prior experience includes Goldman Sachs (mergers and acquisitions); the RBA in special projects; and he established the quantitative research group Rismark, which also managed asset-backed securities.
Ashley Kabel	Portfolio Manager and Quant Analyst	Ashley joined CCI in 2017. She was the Director of Quantitative Strategies at The Cambridge Strategy in London between 2012 and 2016, and prior to that, she was an investment analyst with PM responsibilities covering FX, equities and fixed income
Darren Harvey	Senior Portfolio Manager	Darren has over 20 years of experience in fixed-income markets, including 10 years at Deutsche Bank in Sydney as a Director of Fixed Income and Head of Option Trading. He also worked in London as a Director in Deutsche Bank's proprietary investment team, focusing on fixed income strategies.
Matt Johnson	Portfolio Manager and Quant Analyst	Matt's prior career was mainly at UBS where he was a Managing Director and the Global Head of Rates Strategy. Other roles at UBS included the Head of AUD/NZD Rates Strategy in Sydney and the head of the Asia Pacific Knowledge Network in Singapore.
Dr Stephen Parker	Portfolio Manager and Quant Analyst	Before joining CCI in 2016, Dr Parker was a futures trader at Star Beta, focussing on Australian and US government bonds and the formulation of quantitative trading strategies and risk management models for these markets.
Dr Nick Campregher	Portfolio Manager and Quant Analyst	Based in London, Nick helps lead Coolabah's offshore trading, investments, execution and research processes. His previous roles included Senior Trader in the Credit Exotics and Complex Structured Products group at UBS in London between 2013 and 2019, structured credit trader (UBS), and risk management consulting (d-fine Ltd. and Standard Bank).

CREDIT / QUANT / RISK / TECHNICAL ANALYSTS

Team Member	Role	Experience
Ed Teh	Chief Risk Officer and Senior Credit Analyst	Ed's expertise is in local and international fixed income, bond insurance and corporate lending.
Jason Lindeman	Head of Credit Research	Jason's prior experience involved credit analysis, credit trading and portfolio management in Australia and London.
Kieran Davies	Chief Macro Strategist	Kieran was the Chief Markets Economist for NAB and Chief Economist - Australia and New Zealand - for Barclays Bank and ABN Amro Bank/RBS. He also worked as Principal Adviser to the Commonwealth Treasury on the macroeconomy and budget policy.
Mathew Barrie	Credit Analyst	Mathew was an Assistant Manager in corporate finance with BDO and an Undergraduate Engineer at Winslow Civil Constructors.
Ying Yi Ann Cheng	Portfolio Management Director and Market Technical Analyst	Ying specialised in macro-hedge-fund sales at Citibank in London and Sydney and institutional fixed-income sales at RBC.
Kai Lin	Senior Data Scientist and CTO	Kai was a Data Scientist at CBA, building machine learning models.
Nathan Giang	Senior Data Scientist	Nathan worked at Macquarie as a Senior Analyst within the Risk Management Group's Quantitative Applications Division.
Dr James Yang	Senior Data Scientist	James was a Quantitative Analyst at Enterprise Risk Analytics (Westpac Group).
Dr Adam Richardson	Quant Analytics Manager	Adam completed his PhD in risk-based optimisation and AI and worked for 5 years as the Head of R&D at Logistical Risk Management.

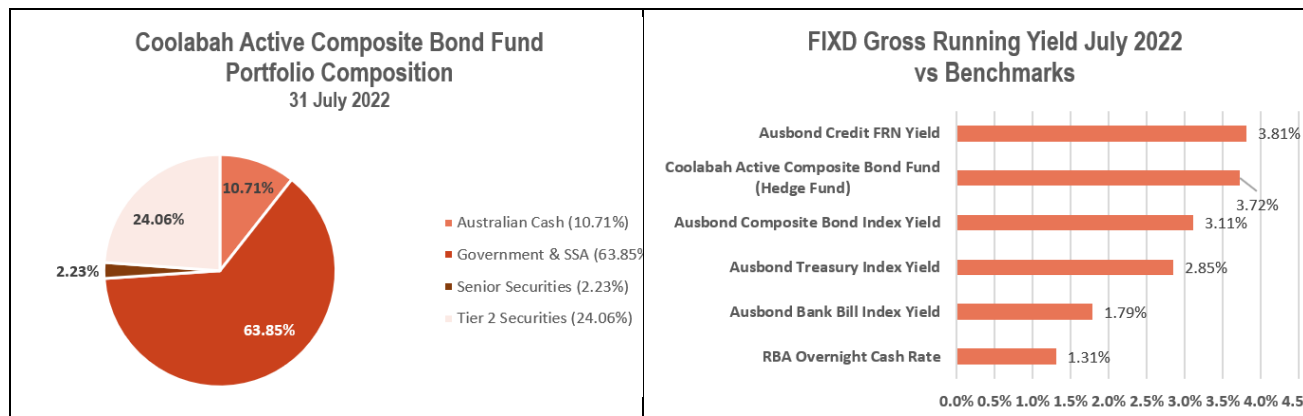
Performance

CCI has recorded negative excess yield in the one-year period ending July 2022, with recovery only taking place from the end of May. The performance reflects the global shifts in inflation and asset pricing that have taken place from late 2021, with major changes in credit spreads and interest rates. While CCI correctly predicted much of the asset pricing shifts and held close to record-low exposures to credit spreads and interest-rate risk, the portfolio has been impacted.

Period Ending 31/07/22	Active Composite Bond Fund Net Return	Bloomberg AusBond Composite Bond Index (%)	Net Excess Return (%)
1 month	3.53	3.36	0.17
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Since Inception	2.34	1.74	0.59

March 2017 (p.a.)

Source: CCI



Source: Bloomberg, Mainstream, CCI

Portfolio: July 2022			
Net Monthly Returns > Ausbond Composite 0+ Yr Index	65%	Average Interest Rate (Gross Running Yield)	3.72%
Gross Portfolio Weight to Cash Securities	10.7%	Modified Interest Rate Duration	6.28 yrs
Gross Portfolio Weight to Bonds	90.1%	Gearing Permitted?	Yes
Average Portfolio Credit Rating	AA-	1-Year Average Gross Portfolio Weight to Cash	6.4%
Portfolio MSCI ESG Rating	A	Gross Cash Securities + RBA Repo-Eligible Debt	74.5%
Number of Cash Securities	15	Net Annual Volatility (Since Inception)	3.96% p.a.
Number of Notes and Bonds	73		

Source: CCI

Compliance and Risk Management

The Responsible Entity has the primary legal responsibility for monitoring the investment manager's compliance with the Fund's PDS and IGM. The Responsibility Entity has a Compliance Committee and a dedicated Compliance Manager. The Responsible Entity has appointed Mainstream Fund Services Pty. Ltd. as the administrator for the Fund, responsible for processing investment applications, unit registry, distributions and redemptions, anti-money-laundering monitoring, investor reporting, and investor services. The Fund's assets and unit prices are also independently valued daily by the fund administrator, using the industry standard administration system, HiPortfolio.

The Fund's assets are held on behalf of the Fund's investors by Mainstream Fund Services Pty. Ltd. As at the date of this report, CCI is insured by Chubb Insurance Australia Limited and includes professional Indemnity insurance (\$5 million), directors' and officers' insurance (\$2 million), and crime insurance (\$5 million). There is also a \$2 million cyber security policy in place.

CCI RISK GOVERNANCE

CCI has 2 dedicated compliance managers: Chief Risk Officer, Ed The, who is based in Sydney, and Shretan Dholakia, based in the London office. CCI's Investment Committee and Risk and Compliance Committee also monitor compliance. The Investment Committee comprises Darren Harvey (Chair), Melda Donnelly (Independent), Chris Joye (CIO) and Robert Henricks (Independent). The Risk and Compliance Committee comprises experienced Super Fund Director, Melda Donnelly (Chair), former Super Fund Director, Robert Henricks (independent committee member) and James McNally (risk/compliance expert). The Committee meets monthly.

Detailed compliance procedures are in place that include notification of significant events or breaches to the Compliance Committee and the Board, notification requirements, compliance reviews, and audit requirements.

CCI RISK MANAGEMENT SYSTEMS

In 2017, CCI transitioned to the Bloomberg Asset and Investment Manager (AIM) system, which is an industrial-scale, fixed-income order management, portfolio management, compliance, middle-office, and back-office asset management system used by over 800 institutions globally. This system represents a significant ongoing cost, but it allows CCI to manage upwards of 20 portfolios using global multi-asset strategies. CCI's Bloomberg AIM system enables the following analytics:

- Live portfolio revaluations and portfolio weights intra-day
- A dashboard view of individual portfolio exposures by security type, issuer, and sector
- Pre-trade investment compliance across many mandates' rules
- Pre- and post-trade portfolio analytics, including modified duration, spread duration and credit rating distributions

AIM provides real-time position management and portfolio analysis, enabling managers to compare the portfolio to a benchmark, and allowing traders and risk managers to view aggregate risk metrics. CCI's core quantitative valuation models directly interface with Bloomberg and are automatically updated daily.

MIDDLE/BACK-OFFICE

CCI's internal middle office, including a dedicated CFO and an operations analyst, uses Visual Basic to automate settlement processing. CCI's retail funds' accounting, unit registry, tax, general fund administration and back-office services are outsourced to Mainstream Fund Services, a Sydney-based ASX-listed global fund administrator with operations in 8 countries. Mainstream Fund Services uses the HiPort system for unit pricing and portfolio valuations. CCI outsources all Responsible Entity services to Equity Trustees Limited, as well as its own independent compliance systems, and custody to Mainstream Fund Services. CCI uses the CompliSpace enterprise-wide risk management, compliance, and governance system. CompliSpace services over 600 clients in Australia, including numerous large institutional fund managers. They have offices in Sydney, Melbourne and Perth and staff in Adelaide and Canberra.

INVESTMENT GUIDELINES

Definitions: 'Net Market Value' is defined by CCI to mean the aggregate market value of all assets and liabilities in the Fund. 'Gross Market Value' is defined as Net Market Value less the market value of all Fund assets and liabilities as part of the far (unsettled) leg of repurchase agreements.

Physical Assets	<ul style="list-style-type: none"> ▪ The minimum credit rating for all securities is BBB- ▪ Cash, call accounts, term deposits (including ADI deposit ETFs (Exchange Trade Funds)) – Limit 100% vs. Net Market Value ▪ Single issuer/security – Australian Federal or State Government – Limit 100% vs. Net Market Value ▪ Any issuer/security other than Australian Federal or State Government – Limit 73% vs. Net Market Value ▪ Asset-backed securities – Limit 55% vs. Net Market Value
Portfolio	<ul style="list-style-type: none"> ▪ The Fund targets a weighted-average S&P rating (or Moody's, when not available) of A- to A+, measured with respect to the Fund's Gross Market Value ▪ The Fund targets net foreign currency exposure – arising from the investment in non-AUD investments or derivatives – of less than 1% (absolute) of the Fund's Net Market Value ▪ The Fund targets aggregate interest rate duration to be within a year of that of the benchmark

Third-Party Service Providers

Fund Administrator/Custodian	Mainstream Fund Services Pty Ltd
AFSL Licensee	Coolabah Capital Institutional Investments Pty Ltd
Trustee Services	Equity Trustees Limited
Compliance Services	CompliSpace
Legal Advisor	Corrs Chambers Westgarth
Accounting, Fee and Distribution Calculation	Mainstream Fund Services Pty Ltd
Taxation Advisor	EY Australia
Auditor	EY Australia
Insurance Provider	Chubb Insurance Australia Limited (Investment Manager policy), Dual Australia Pty Ltd (Cyber security policy) and Asteron Life (key-man insurance)
Fund Research	Data sources: Bloomberg, FT Interactive, Yieldbroker & S&P Capital IQ
IT Services	Sapphire IT Services
Portfolio Software	Bloomberg AIM System

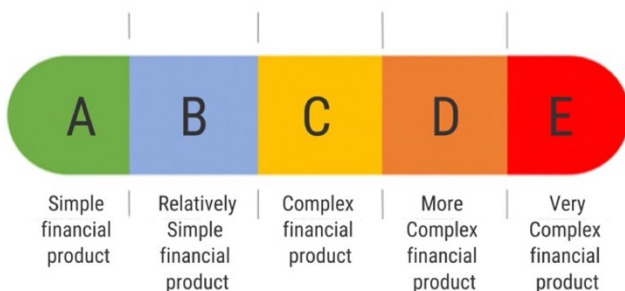
Investment Rating Scale

The Foresight Analytics' investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the fund can deliver a risk-adjusted return in line with the investment objectives of the fund.
Very Strong	Indicates a very strong conviction that the fund can deliver a risk-adjusted return line with the investment objective of the fund.
Strong	Indicates a strong conviction that the fund can deliver a risk-adjusted return in line with the investment objective of the fund.
Competent	Indicates that the fund may deliver a return in line with the fund's relevant benchmark.
Weak	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and or meet the return of its benchmark.

Foresight Complexity Indicator

The Foresight Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



Investment Rating & Foresight Complexity Methodology

Foresight Analytics and Ratings' methodology for its investment rating and research can be downloaded from its website.

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Financial Services Guide

A copy of the Foresight Analytics' Financial Services Guide can be provided by calling 02 8883 1369 or visiting our website.