

March 2025

Objective: The Fund targets returns in excess of the Bloomberg Ausbond Composite 0+ Yr Index (hedged to NZD) by 1.0% to 2.0% per annum over rolling 12 month periods.

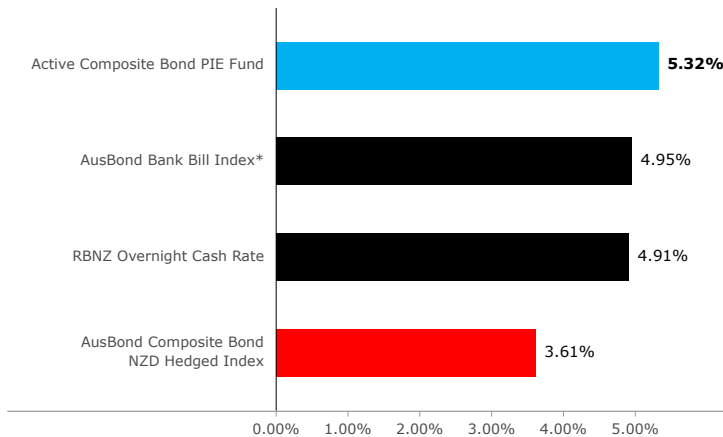
Strategy: The Fund offers exposure to an actively managed fixed-income strategy focused on mispricings in Australian and global government and corporate bond markets with an interest rate duration risk broadly similar to that of the Index. The Fund currently invests in the Coolabah Active Composite Bond Fund (Underlying Fund), an Australian unit trust managed by Coolabah. The Fund targets a position of being fully hedged back to New Zealand dollars.

The Underlying 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, as well as cash, cash equivalents and related derivatives. It can borrow, use derivatives and short-sell, meaning it may be geared (or leveraged). Leverage can amplify gains and also amplify losses.

Period Ending 2025-03-31	Net Return [†]	AusBond Comp Bond Index*	Net Excess Return [‡]
1 month	-0.31%	0.14%	-0.45%
3 months	1.04%	1.23%	-0.19%
6 months	1.27%	0.98%	0.28%
1 year	5.32%	3.61%	1.71%
Inception pa Dec. 2023	7.24%	5.28%	1.96%
Underlying FIXD Strategy*			
3 years pa	4.64%	2.38%	2.26%
5 years pa	2.34%	0.01%	2.33%
Inception pa Mar. 2017	3.74%	2.19%	1.55%

Active Composite Bond PIE Fund Returns (Net) vs Comparisons

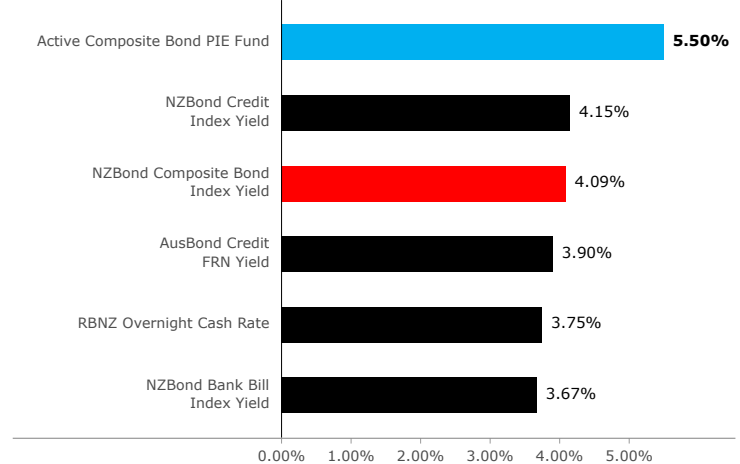
1 Year Returns to March 2025 (NZD hedged)



Data Source: RBA, Bloomberg, Mainstream, Coolabah Capital Investments

Annual Running Yield

31 March 2025 (NZD)[#]



Data Source: RBA, Bloomberg, Coolabah Capital Investments

* The underlying strategy is an Australian unit trust. The returns displayed are estimated in NZD based on the actual AUD returns with 1 month forward contracts. [†] Net returns are calculated from the historic gross returns using the current fee structure as displayed in the PDS. [‡] The Excess Return columns represent the gross and net return above the AusBond Composite Bond Index hedged to NZD. [#] The yields shown are estimates based on the yield of the underlying strategy hedged to New Zealand Dollar (NZD) using the NZD Bank Bill 3 Month Index (NDBB3M) and the AUD Bank Bill 3 Month Index (BBSW3M).

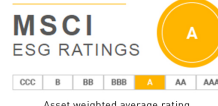
Disclaimer: Past performance does not assure future returns. Returns are shown net of management fees and costs unless otherwise stated. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. To understand Fund's risks better, please refer to the Product Disclosure Statement available at Coolabah Capital Investments' [website](#).

Note: all portfolio statistics other than yields and duration are reported on gross levered value of the underlying fund hedged to NZD

Av. Portfolio Credit Rating	A+	Modified Interest Rate Duration	5.07 years
Portfolio MSCI ESG Rating	A	Gearing Permitted?	Yes
No. Cash Accounts	23	Gross Portfolio Weight to AT1 Hybrids	0.0%
No. Notes and Bonds	189	Gross Cash Accounts + RBA Repo-Eligible Debt	64.7%
Av. Interest Rate (Gross Running Yield)	5.50%	Net Annual Volatility (since incep.)	3.94%

Underlying Strategy Ratings: Superior - More Complex (Foresight); Recommended (Lonsec); Recommended (Zenith)

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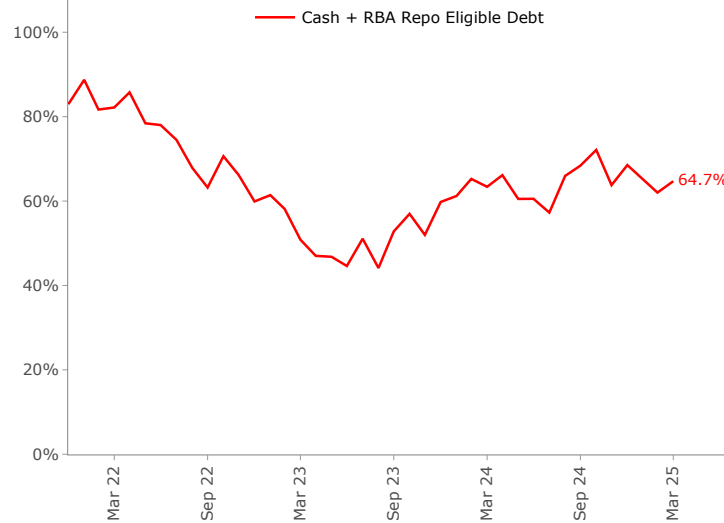


Asset weighted average rating



Portfolio Weights: Cash + RBA Repo Eligible Debt

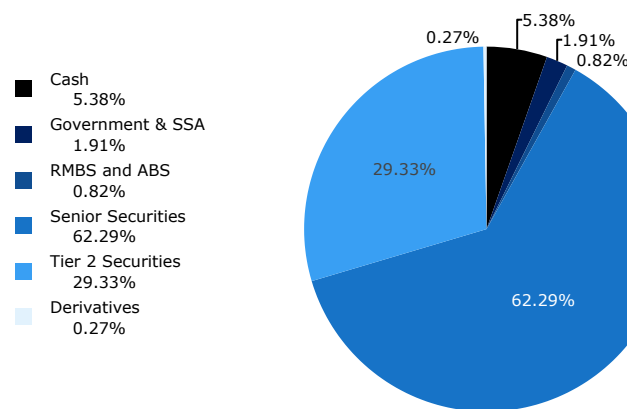
31 March 2025



Data Source: Coolabah Capital Investments

**Active Composite Bond PIE Fund
Portfolio Composition (GAV)**

31 March 2025



Data Source: Coolabah Capital Investments

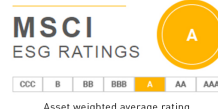
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The **since inception net return of 7.24% pa net** is the total annual return earned by the fund since Dec. 2023, including interest income and movements in the price of the bond portfolio after all fund fees (assuming net returns are calculated from the historic gross returns using the current fee structure as displayed in the Product Disclosure Statement). The net return quoted applies to the Coolabah Active Composite Bond PIE Fund, with quarterly distributions reinvested. Investment return will vary depending upon investment date and any additional investments and withdrawals made. The **annualised volatility estimate of 3.94% pa** is based on the standard deviation of net daily returns since inception, which are then annualised, attributable to the Coolabah Active Composite Bond PIE Fund.

Portfolio Managers Christopher Joye, Ashley Kabel, Roger Douglas, Fionn O'Leary ([Coolabah Capital Investments](#))

Fund Inception	6-Dec-2023	Distributions	Quarterly
Asset-Class	Composite Bond	Target Return	Net 1.0%-2.0% pa over AusBond Composite Bond Index
Min. Investment	NZD\$1,000	Withdrawals	Daily Requests (funds normally in 4 days)
Buy/Sell Spread	0.00%/0.025%	Investment Manager	Coolabah Capital Investments (Retail)
Supervisor	Public Trust	Manager	FundRock NZ
Mgt. & Admin Fee	0.40% pa	Perf. Fee	20.5% of returns over AusBond Composite Bond Index hedged to NZD

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In the commentary below, returns indicated with * are estimated returns in NZD based on AUD returns hedged to NZD with 1m forward contracts. All other returns are NZD Denominated where unit classes in NZD exist, and estimated from AUD returns hedged to NZD using 1m forward contracts before the inception of the NZD unit class. Strategy commentary is for the AUD Market.

Portfolio commentary: In March, the long duration daily liquidity Active Composite Bond PIE Fund (NZFIXDP) returned -0.31% net, compared to the AusBond Composite Bond NZD Hedged Index (0.14%). Over the previous 12 months, NZFIXDP returned 5.32% net, outperforming the AusBond Composite Bond NZD Hedged Index (3.61%) by 1.71%. NZFIXDP ended March with a running yield of 5.50% pa, a weighted-average credit rating of A+, and a portfolio weighted average MSCI ESG rating of A.

Since the inception of NZFIXDP in December 2023, it has returned 7.24% pa net, outperforming the AusBond Composite Bond NZD Hedged Index (5.28% pa) by 1.96% pa. While NZFIXDP's return volatility since inception has been low at around 3.94% pa (measured using daily returns), as a daily liquidity product with assets that are marked-to-market using executable prices, volatility does exist. This contrasts with illiquid credit (eg, loans and high yield bonds) wherein assets that have very high risk can appear to have remarkably low volatility, which is, in fact, just a mirage explained by the inability to properly value these assets using executable prices.

Strategy commentary: Coolabah has consistently presented several contrarian macro projections, which really came to the fore in March 2025. This was a month characterised by extreme volatility and risk-off dynamics accented by large drawdowns in equities.

Our first idea has been that President Donald Trump is dead serious about imposing very harsh tariffs on China and her proxies. Contrary to the view held by almost all other participants, Coolabah has argued that Trump has no interest in negotiating with China and its vassal states. Trump believes China has stolen the US industrial base over the last 30-40 years and wants it back.

The goal is to create huge trade barriers around a Fortress America and to thereby compel US industry to return its supply chains home. The thinking is that this will eventually precipitate a massive manufacturing investment boom. It is the Space X'ing or Tesla'ing of the US economy, which is now possible given the advent of automation, digital printing, robotics and AI, all of which reduce the reliance of manufacturing processes on expensive human capital. Trump wants to create an autonomous "autarky" or self-sufficient economy that is powered by internal demand and supply and not reliant on trading partners that pose existential national security threats.

A second key theme has been that most risky asset-classes have been heinously overvalued. We have repeatedly presented analysis showing that irrespective of whether you value US equities using an equity risk premium model or via heuristics such as steady-state cyclically-adjusted price/earnings multiples, the stage was set for a very significant mean-reversion of at least 20-30%.

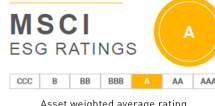
In particular, Coolabah has argued that there are parallels with the 1998 and 1999 period, which were two years in succession that produced S&P500 equity returns north of 20 percentage points, just like we saw in 2023 and 2024. The late 1990s "tech boom" was also powered by a productivity miracle predicated on technological innovation, much like the AI revolution of today. Yet in 2000 and 2001, the S&P500 tanked 37% as the US lurched into recession following interest rate increases. The similarities between now and then are uncanny.

Coolabah has long forecast that a US recession will end the current cycle, and it seems like we will belatedly get one in the first half of 2025 care of Elon Musk's destruction of government demand via the DOGE initiative. This will be amplified by the shock to consumer confidence and business sentiment inflicted by extreme tariffs, policy uncertainty, and the worst trade war in over 100 years.

This is clearly bad news for stocks and cyclically vulnerable borrowers, which could be hit by a more severe insolvency cycle. Since late 2021, Coolabah has asserted that bankruptcies across Australia, the UK, US and New Zealand would be the worst seen since the 2008 crisis, and this has played out.

The trade war will, however, have very different consequences for different countries. While the US will experience a sharp reacceleration in inflation, as Coolabah has expected since mid 2024, Australia could be subject to disinflationary pressures as China and her acolytes dump cheap goods on small open economies that do not have the gumption to retaliate with their own tariffs.

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Asset weighted average rating

Strategy commentary cont'd: Coolabah originated this idea of a sudden deflationary wave in Australia due to dumping, which has since attracted currency. And now it seems like the RBA will cut rates with certainty by at least 25bps in May with a total of four more cuts priced in by the end of 2025.

Our modelling also points to the Fed holding interest rates much higher than would otherwise be the case given the inflationary shock induced by the Trumpian regime. The Fed has thus far signalled that it is very comfortable sitting on the sidelines for the foreseeable future, sheeting home blame for the inflation and growth shocks to the new administration.

The aggressive decoupling of the US economy from China will also have highly negative economic consequences for the Middle Kingdom unless it replaces the enormous US consumer market with other targets. This will be no easy task as most countries are leery about having their local producers hammered by Chinese firms backed by artificially cheap state funding.

In this extraordinarily volatile world, we have advised clients to move up the capital structure into the safest and most liquid bonds, which will outperform during a major risk-off shock. And this is exactly what happened in March.

The S&P500 slumped 5.8% in March while the Nasdaq fell 7.7% as concerns grew around the preparedness of President Trump to impose far-reaching tariffs. Yet as the month passed, almost all investors remained convinced that Trump was just seeking to do deals. That he was negotiating and all would be eventually well.

The nascent trade war nevertheless slowly started to reverberate with stocks also declining in Europe (Eurostoxx 50 down 3.94%), the UK (the FTSE 100 off 2.58%), Australia (ASX200 down 3.39%), and New Zealand (NZX50 off 2.63%).

One beneficiary from all of this global volatility was gold, which appreciated by an impressive 9.30%.

Credit spreads were universally higher in March, taxing the performance of bonds. (Spreads represent the extra interest rate margin investors demand from borrowers above the risk-free cash rate.)

In Europe and the US, synthetic investment grade CDS index spreads were wider by 6-7bps while riskier high yield CDS spreads blew 29-54bps higher. European and US cash corporate bond spreads also increased by 7bps.

In other markets like Australia and the UK, cash credit spreads were 7bps and 16bps higher respectively. Within the Aussie bond market, 5-year major bank senior bond spreads were 6bps wider while Tier 2 subordinated bond spreads jumped 13bps.

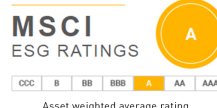
Despite plunging equity values and wider credit spreads, 10-year government bond yields did not behave in their normal risk-off fashion and decline in lock-step. In the US, yields were unchanged. And in the UK, Germany, France and Italy, they increased noticeably as investors reacted to the prospect of a surge of government debt issuance to fund greater investments in national security. This is another Trumpian legacy: countries are being forced to look after themselves.

The standout performer for Coolabah was our daily liquidity, AAA rated Active Sovereign Bond Fund, which returned 0.76% net (0.91% gross) in March in what was an exceptionally uncorrelated outcome in a month where most assets suffered losses via their equity correlations.

Coolabah's Active Sovereign Bond Fund only invests in the safest, AAA rated Commonwealth Government Bonds and hedges out all interest rate risk. It has been designed as a very liquid diversifier that will not be particularly correlated to movements in equities, floating-rate credit or fixed-rate bonds. Over the last 12 months, the sovereign strategy has returned 5.70% net of fees (6.74% gross) compared to its benchmark, which is the RBA cash rate (4.33%). Since inception, the strategy has outperformed key government bond peers.

In March, Coolabah's lowest volatility strategies, the Smarter Money Fund and Short Term Income Fund, also delivered clients positive total returns after fees. Our more aggressive levered credit strategies, such as the Long-Short Credit Fund and Floating-Rate High Yield Fund, endured very modest valuation declines of between 0.1% and 0.3% due to the impact of widening credit spreads. This does, however, improve these funds' forward-looking returns through the benefit of higher overall running yields.

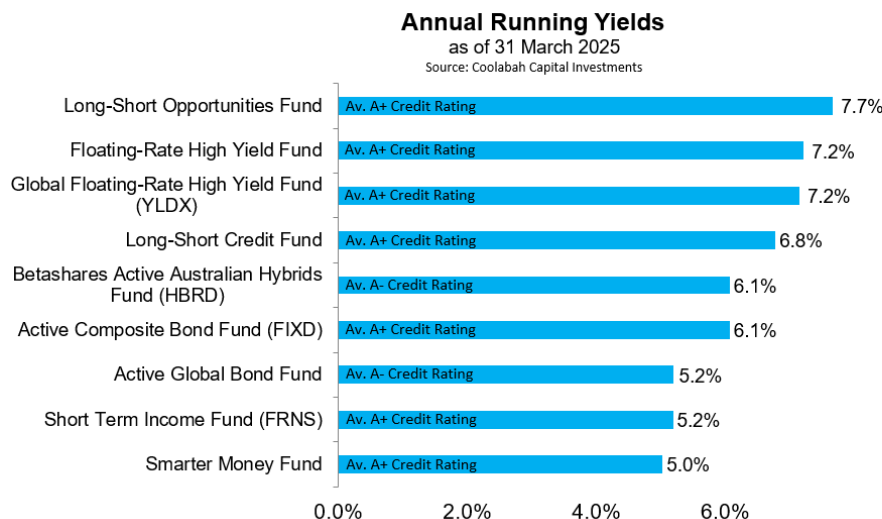
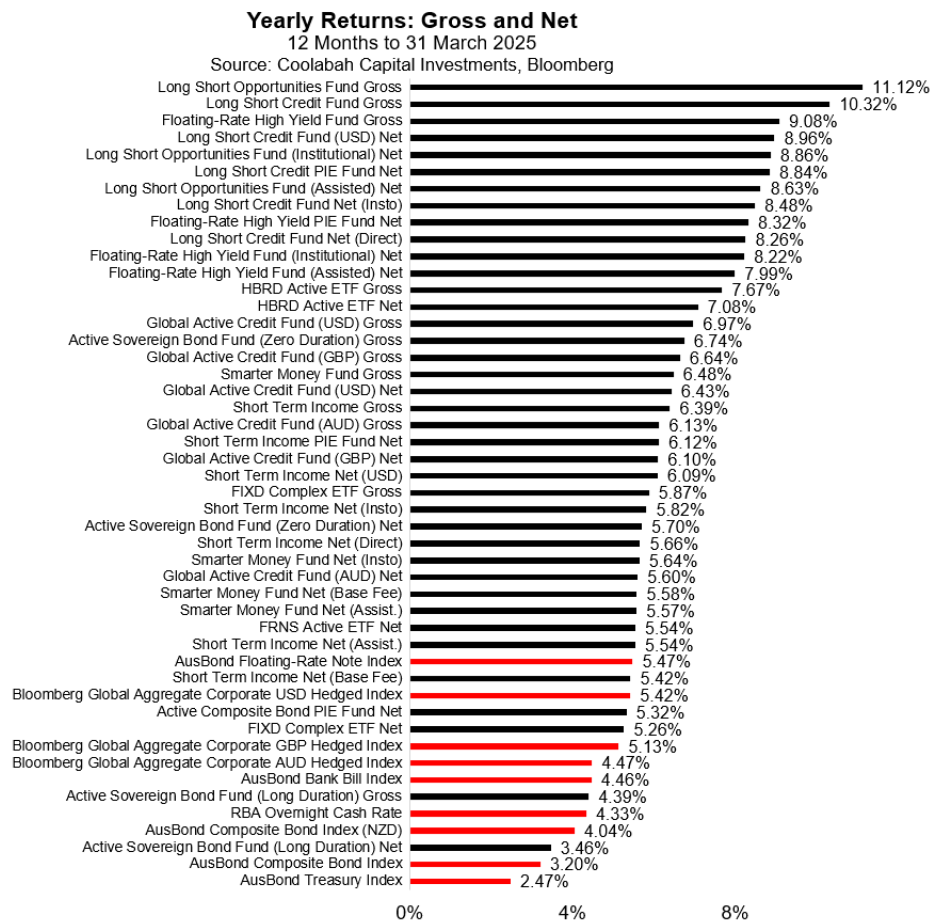
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Asset weighted average rating



Strategy commentary cont'd: Enclosed below is a summary of current gross running yields and rolling 12 month returns. Please note that past performance is no guide to future returns. Investors should always read the product PDS and consult an independent adviser.



The US economy could contract in Q1 as spending broadly stalls

There is a higher risk of US GDP contracting in Q1 as consumer spending broadly stalls on higher actual and expected tariff-driven inflation, fears of rising unemployment, and extreme uncertainty about government policy.

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Asset weighted average rating



Strategy commentary cont'd: US government policy continues to wreak havoc on the economy, as reflected in the final March reading for the University of Michigan survey of consumers showing a slight upward revision to already-high short- and medium-term inflation expectations, with households deeply pessimistic about higher consumer prices and a recession-like proportion of them worrying about rising unemployment in the year ahead.

The survey results have been discounted by some investors because of a sharp divergence between responses from Democrats and Republicans, but the university **points** out that, "aggregate trends [in sentiment and inflation expectations] are driven by, and align closely with, the views of [political] independents, and thus are not being swung by [the] polarisation [of responses] across the two major parties".

For his part, Fed Chair Powell recently **described** the preliminary rise in the Michigan measure of medium-inflation expectations in March to the highest level since the early 1990s as an outlier, but it seems likely that the New York Fed survey of consumers will show a similar pick-up when March data are released later next month.

Perhaps, though, the FOMC will remain somewhat sceptical about the risk that higher inflation expectations become embedded in higher ongoing inflation unless the point is reached where consumer fears of higher inflation start to be reflected in market pricing of breakeven inflation.

As for the hard data on consumer prices, the core PCE deflator – which is the Fed's preferred measure of underlying inflation – posted another strong rise in February, up 0.4% in the month after a 0.3% increase in January. The February outcome was marginally above market forecasts, so that annual inflation ticked up from 2.7% to 2.8%.

While it is possible that some of this strength reflects a lingering difficulty that the Bureau of Labor Statistics has in seasonally adjusting consumer prices in the wake of COVID, the February result suggests that price pressures are greater than the Fed anticipated when it recently raised its end-year forecast for annual core PCE inflation from 2.5% to 2.8%.

The Fed's upward revision to forecast inflation for the end of 2025 reflected the impact of the first round of Trump tariffs, which the Fed is treating as transitory in that the FOMC left its median end-2026 and end-2027 forecasts for core inflation unchanged at 2.2% and 2%, respectively.

Fed Chair Powell has acknowledged the extreme uncertainty around the FOMC's central case for inflation and nearly every member of the FOMC **believes** the risk is that inflation will come in higher than forecast.

That seems very likely in that last week the US administration confirmed a 25% tariff on automobiles and motor vehicle parts and the president plans another round of tariffs this week.

The detail of the core PCE deflator suggests that tariffs are starting to show up in prices paid by households, with core goods prices picking up after a long post-pandemic period over which they were little changed, at a time when services inflation are still growing at a solid rate.

Manufacturing surveys report a large increase in both input prices and selling prices, so goods prices are likely to surge over coming months as more tariffs are imposed.

As already reflected in sentiment surveys, consumers are expected to bear the brunt of higher costs, in line with historical and cross-country experiences with tariffs, but contrary to the president's mistaken belief that tariffs are paid by other countries.

Higher prices, combined with extreme uncertainty about economic policy and disruptions to supply chains, are likely to reduce economic activity and there is an increased risk that GDP contracts in Q1 as consumers defer spending and businesses defer investment and inevitably delay hiring.

Strategy commentary cont'd: This risk is already apparent in the well-regarded Atlanta Fed nowcast of economic growth, which currently **estimates** that GDP is contracting at an annualised rate of 0.5% in Q1, after excluding imports of gold bars from the calculation (imported gold is counted in the US trade statistics, but the Atlanta Fed excludes it when estimating GDP because it has nothing to do with domestic production).

The sudden weakness in activity is already apparent in figures on monthly consumer spending, where consumption accounts for about two-thirds of GDP.

The monthly figures are volatile and some of the recent weakness probably reflects bad weather in parts of the US, but spending fell by 0.6% in real terms in January and only rebounded by 0.1% in February, such that the estimated monthly trend suggests that consumption is likely flat to down in Q1 after an annualised increase of 4% in Q4.

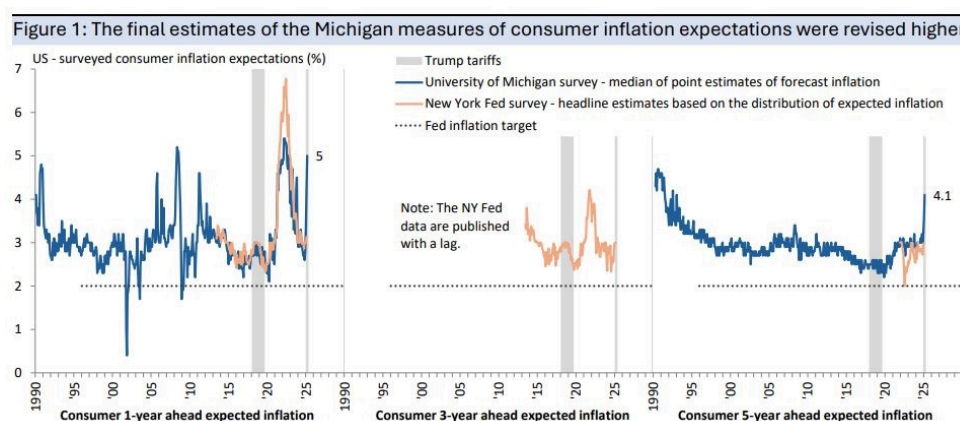
If realised, such an outcome is historically associated with the US entering a recession, which is why many investors still lean towards the Fed cutting rates despite higher inflation, believing that economic weakness will ultimately bring inflation under control once the impact of tariffs washes through the economy.

This view rests on the critical assumption that tariffs have only a one-off impact on prices, whereas the sharp increase in the Michigan measures of inflation expectations points in the direction of the Fed holding rates steady for longer to avoid inflation becoming entrenched at a time when actual inflation is yet to return to the 2% target.

In the latter, seemingly more realistic scenario, the US administration would likely place the Fed under immense pressure to cut interest rates.

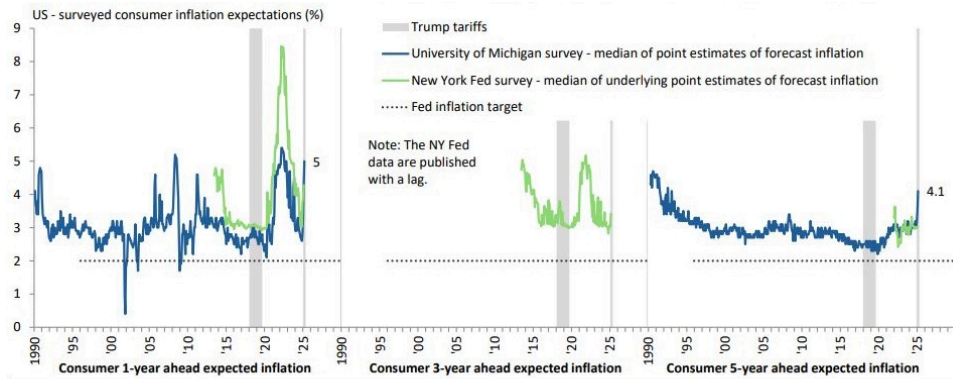
President Trump has already called for the Fed to cut rates and his recent actions with other agencies that are similarly independent of the presidency suggest that an extremely weak economy might see him threaten to either demote or replace Fed policy-makers (e.g., the president recently illegally sacked commissioners from the Federal Trade Commission, the agency responsible for antitrust law and consumer protection, where one commissioner remarked, "if I can be fired, I don't know why Jerome Powell can't be fired").

If the administration went down the path of tampering with Fed independence in an echo of the pressure President Nixon placed on Fed Chair Burns in the 1970s, Peterson Institute modelling suggests that it would be much more damaging for the US economy than either tariffs or planned large-scale deportations of migrants.



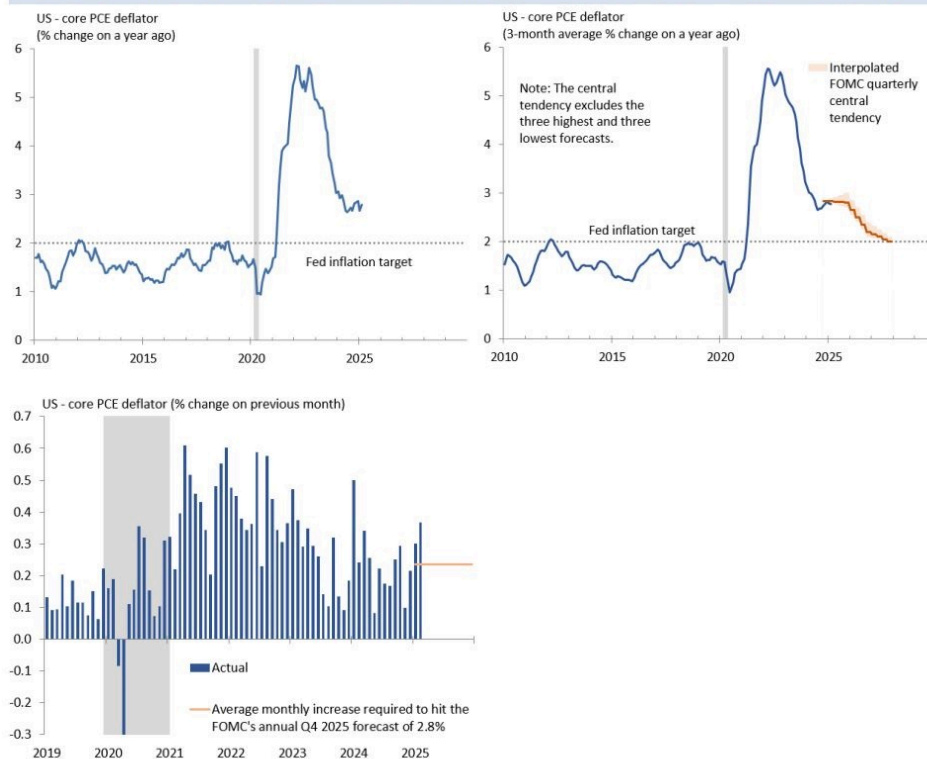


Strategy commentary cont'd:



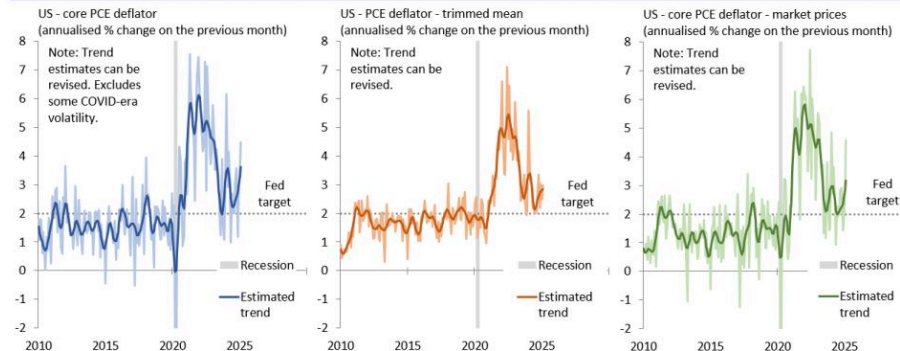
Source: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Federal Reserve Bank of St Louis, University of Michigan, Coolabah Capital Investments

Figure 2: 3-month annual core inflation is broadly tracking in line with interpolated end-year FOMC forecasts, but the first two months of the year show more momentum than the Fed expected heading into the tariffs



Source: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Federal Reserve Bank of St Louis, University of Michigan, Coolabah Capital Investments

Figure 3: All measures of core inflation have picked up recently in trend terms



Source: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Federal Reserve Bank of St Louis, University of Michigan, Coolabah Capital Investments

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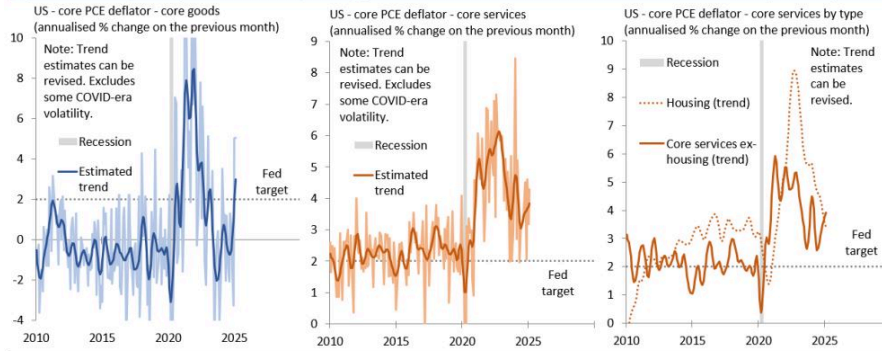
CCC B BB BBB A AA AAA

Asset weighted average rating



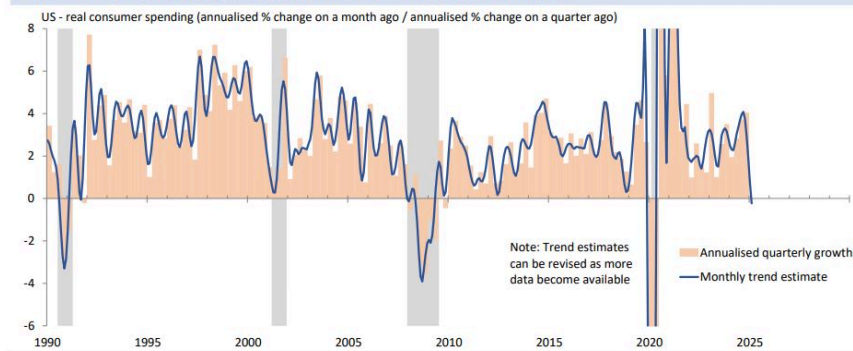
Strategy commentary cont'd:

Figure 4: Core goods prices are rising strongly in trend terms, while the services trend has also picked up



Source: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Federal Reserve Bank of St Louis, University of Michigan, Coolabah Capital Investments

Figure 5: Trend US consumer spending has broadly stalled in Q1 to date



Source: Board of Governors of the Federal Reserve System, Bureau of Economic Analysis, Federal Reserve Bank of St Louis, University of Michigan, Coolabah Capital Investments

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Asset weighted average rating



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