

January 2020

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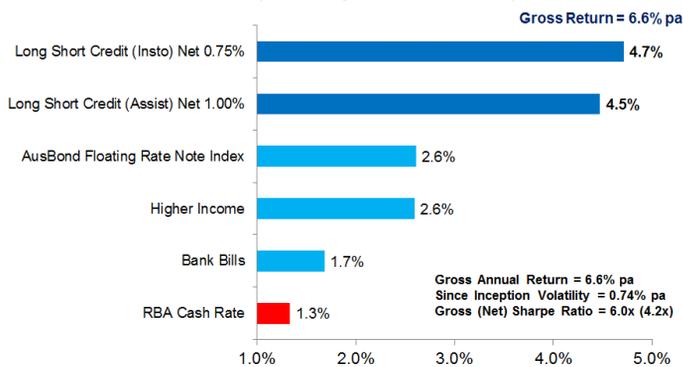
Objective: An absolute return fixed-income strategy focused on exploiting long and short mispricings in credit markets that targets returns above the Reserve Bank of Australia (RBA) cash rate plus 4% to 6% p.a. over rolling 3 year periods with volatility of less than 5% p.a. after Management Fees, Administration Fees and Performance Fees.

Strategy: We add value via active asset-selection using a range of valuation models with the aim of delivering superior risk-adjusted returns, or alpha, to traditional hedge funds. We primarily invest in senior and subordinated debt securities, hybrids and derivatives issued by Australian entities domestically, although we can invest in these securities when they are issued overseas, or by overseas entities (into Australia or offshore). The Fund can use gearing and targets holding the majority of its portfolio in investment-grade securities. It is managed by Coolabah Capital Investments.

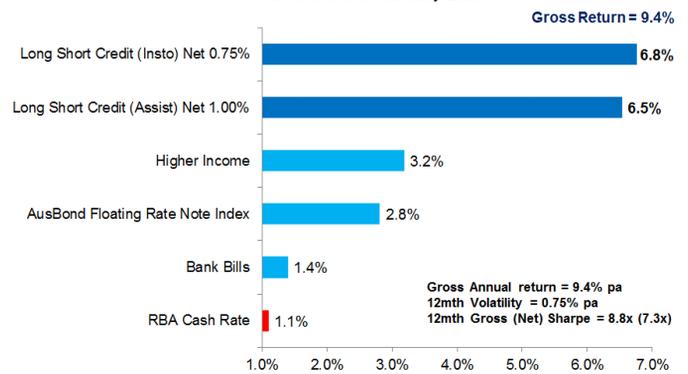
Period ending 31/1/2020	Gross Return	Net Return (Insto.) [†]	Net* Return (Assist.) [†]	RBA Cash Rate	Gross Excess Return [‡]
1 month	0.63%	0.45%	0.43%	0.06%	0.56%
3 months	1.70%	1.21%	1.13%	0.19%	1.52%
6 months	1.84%	1.17%	1.04%	0.42%	1.42%
1 year	9.35%	6.77%	6.53%	1.10%	8.25%
2 years	6.27%	4.43%	4.18%	1.30%	4.97%
Inception pa Aug. 2017	6.62%	4.71%	4.48%	1.33%	5.28%

[†] The Assisted (Assist.) and Institutional (Inst.) columns represent different unit classes within the fund. Refer to the PDS for more information. [‡] The Excess Return columns represent the gross and net return of the fund above the RBA cash rate. *On 1 April 2019 management, administration, custody and responsible entity fees were reduced from 1.5% to 1.0% per annum for Assist.

Long Short Credit Annualised Returns (Net) vs Benchmarks
Since Inception 31 August 2017 to 31 January 2020



Long Short Credit Returns (Net) vs Benchmarks
12 months to 31 January 2020



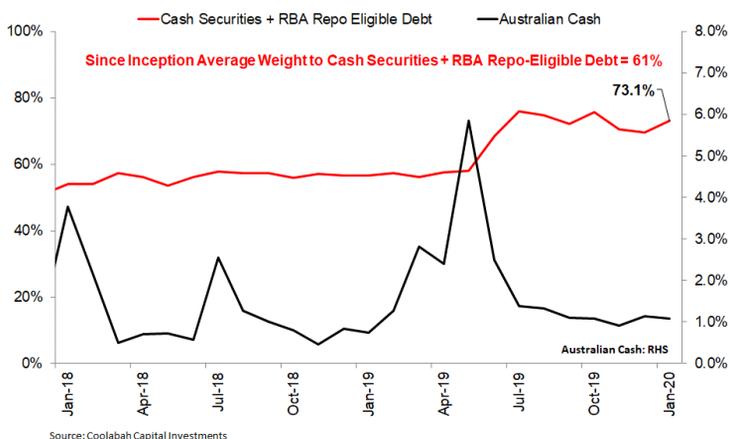
Source: RBA; Bloomberg; Coolabah Capital Investments
Disclaimer: Past performance does not assure future returns. Returns are shown after all trust fees. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. To understand the Long Short Credit Fund's risks better, please refer to the detailed Product Disclosure Statement. The graph above shows the net returns since inception (Aug. 2017) after all fees attributable to the Long Short Credit Fund (source: Mainstream) and various benchmarks (source: Reserve Bank of Australia and Bloomberg). A fund is not a bank deposit and your capital is not guaranteed. This information has been prepared by Smarter Money Investments. It is general information only and is not intended to provide you with financial advice.

Source: RBA; Bloomberg; Coolabah Capital Investments
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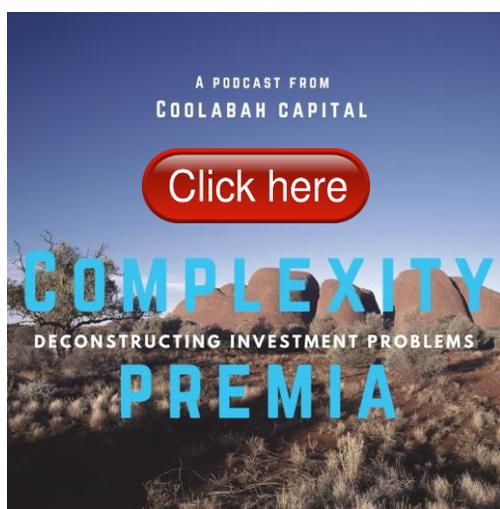
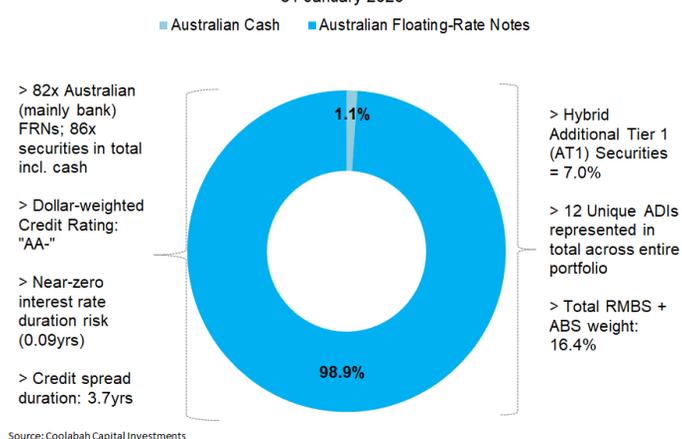
Note: all portfolio statistics other than running yield reported on gross levered value

% Monthly Returns > RBA Cash Rate + 1.0%	75.9%	Cash Securities + RBA Repo-Eligible Debt	73.1%
Portfolio Weight Cash Securities	1.1%	Portfolio Weight Hybrids	7.0%
Portfolio Weight Floating-Rate Securities	98.9%	Portfolio Weight ABS/RMBS	16.4%
Av. Portfolio Credit Rating	AA-	Credit Spread Duration	3.7 years
No. Floating-Rate Notes/Bonds/Hybrids	82	Annual Volatility (since incep.)	0.74% p.a.
Total Number of Unique ADIs	12	Gross Sharpe Ratio (since incep.)	6.0 times
Av. Running Yield (Net)	3.50%	Permitted Gearing	Up to 66%
Modified Interest Rate Duration	0.09 years	Awards: FE Alpha Manager 2019: Christopher Joye; Ratings: Recommended (Atchison); Very Strong (Australia Ratings); Lonsec available to clients	

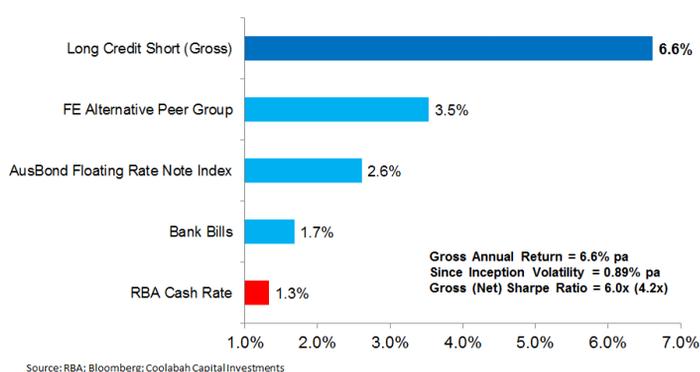
LSCF Portfolio Weights: Cash Securities + RBA Repurchase Eligible Debt
End of Month, January 2020



Smarter Money Long Short Credit Fund Portfolio Composition
(Gross Levered Statistics):
31 January 2020



Long Short Credit Annualised Returns (Gross) vs Benchmarks
Since Inception 31 August 2017 to 31 January 2020



The since inception gross (net insto.) return of **6.6% p.a. (4.7% p.a.)** is the total return earned by the fund since 31 August 2017, including interest income and movements in the price of the bond portfolio after all fund fees paid by institutional investors. Each investor's return will vary depending on their fee regime, investment date, and any top-ups/withdrawals they make. The **annualised volatility estimate of 0.74% p.a.** is based on the standard deviation of net daily returns since inception, which are then annualised.

Portfolio Managers	Christopher Joye, Ashley Kabel, Stephen Parker, Darren Harvey (Coolabah Capital Investments)		
APIR Code (Assisted)	SLT2562AU	Fund Inception	31-Aug-17
ISIN	AU60SLT25623	Distributions	Quarterly
Morningstar Ticker	41597	Unit Pricing	Daily (earnings accrue daily)
Asset-Class	Alternatives/Hedge Funds	Min. Investment	\$1,000
Target Return	Net 4.0%-6.0% > RBA cash	Withdrawals	Daily Requests (funds normally in 3 days)
Investment Manager	Smarter Money Investments	Buy/Sell Spread	0.00%/0.10%
Sub-Manager	Coolabah Capital Investments	Mgt. Fee (Assisted) ++	0.75% p.a.
Responsible Entity	EQT RE Services Ltd	Admin. Fee++	0.25% p.a.
Custodian	Mainstream	Perf. Fee	20.5% of returns over RBA cash rate

++ On 1 April 2019 management, administration, custody and responsible entity fees were reduced from a total of 1.5% to 1.0%



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Portfolio commentary: Coolabah Capital Investment's zero duration Smarter Money Long Short Credit Fund (LSCF) strategy returned between 0.43% and 0.45% net of fees (0.63% gross) in January, outperforming the RBA cash rate's 0.06% and the AusBond Floating-Rate Note (FRN) Index's 0.20%. **During the 12 months to January 2020, LSCF returned 6.53% to 6.77% net of fees (9.35% gross), substantially outperforming the RBA Cash Rate (1.10%) and the AusBond FRN Index (2.81%).** LSCF's superior performance over the last year has been driven by the portfolio managers consistently exploiting mispricings in both the primary (new issue) and secondary (existing assets) markets. **Since its inception, over two years ago on 31 August 2017, LSCF has delivered 6.62% per annum gross (or between 4.48% and 4.71% per annum net of fees), compared to the RBA Cash Rate (1.33%), the AusBond FRN Index (2.61%) and the FE Analytics Alternatives peer group (3.53%), with much lower than expected annual volatility of 0.74% (measured using daily returns or 1.72% using monthly data), which is significantly below the LSCF's official volatility target of less than 5% per annum. This has therefore translated into a high risk-adjusted return (measured daily), or Sharpe Ratio, of 6.0 times (gross).** On a gross, fully-leveraged basis, the LSCF ended January with a weighted-average credit rating of "AA-"; modified interest rate duration of 0.09 years; and a portfolio weight to bonds/hybrids of 98.9% (inclusive of an 7.0% exposure to ASX hybrids and a 16.4% exposure to RMBS/ABS). While LSCF's return volatility since inception has been low, as a daily liquidity product with assets that are marked-to-market using executable prices, volatility does exist. This contrasts with illiquid credit (e.g. 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: January was a strong month for Coolabah's portfolios and Aussie credit performance-wise, but definitely one of the more curious and event-ridden periods we have had to traverse. Although the miserly 0.75% RBA cash rate only offered a 0.06% return in January, the AusBond Floating-Rate Note Index delivered a solid 0.20% while the ASX major bank hybrid market offered an even more hefty 0.41%. The real stand-out, however, was the fixed-rate AusBond Composite Bond Index, which returned a massive 2.33% in January as a result of a huge 42 basis point (bps) fall in the 10-year Australian government bond yield, which declined from 1.39% at 31 December to 0.97% by the end of January. For institutional clients, Coolabah runs an Active Composite Bond Strategy, which returned 2.54% in January before fees, some 21bps ahead of the index (gross numbers are quoted for this strategy because the fee terms are confidential). After posting the worst monthly return (-1.64%) in December since September 1994, some payback in the Composite Bond Index was perhaps to be expected. It turned out that January was the best result for interest rate duration since May 2012. January was a very active month for primary market bond activity with the major banks all issuing locally and globally, taking advantage of the fact that the US dollar and Euro markets offer as cheap, if not cheaper, funding than their Aussie dollar equivalents for many parts of their capital structures, including senior and subordinated bonds (after accounting for the cost of hedging this money back into Aussie dollars). We estimate that the majors raised \$25.7bn of funding/capital in January across a range of securities, including RMBS, covered bonds, senior unsecured bonds, and Tier 2 bonds with only \$8.2bn of that quantum priced in local currency. This reflects the strong demand for paper from these very highly-rated, AA-issuers. **For Coolabah, it was a very active month with a lot of mispricing alpha crystallised, juxtaposed against some costs from putting in place portfolio insurance against various external shocks. In the month we executed over \$2.2bn of active credit trades (against circa \$4.1bn of AUM), with \$1bn of purchases and \$1.2bn of sales (ie, we were a net seller). Within this, we bought a little over \$600m in primary market new issues, leaving more than \$1.6bn of active trading in secondary markets.** After sailing through December with superficial resolution to the US-China trade wars and Brexit, markets were priced for near-perfection. January duly delivered a rather extreme dose of exogenous shocks. We started with the Iranians launching 22 ballistic missiles against two US bases in Iraq, 16 of which hit their mark, fortuitously only destroying a few hangers, helicopters and drones. Signals intercepts allowed US troops to evacuate the bases or protect themselves in bunkers hours in advance of the Iranians seeking kinetic retribution for President Trump's bold decision to liquidate their second-most-senior government official, the now infamous General Qassem Soleimani. In the face of Trump having achieved his objective of eliminating what was perceived to be one of the Middle East's greatest terrorist threats, the hitherto capricious leader of the free world exercised surprising restraint in choosing not to escalate, even though he had previously promised to do exactly that should the Iranians retaliate. (Despite reports of no casualties, more than 34 US troops were impacted by brain damage from the shockwaves from the ballistic missile blasts.) The portfolio insurance we put in place against outright war between Iran and the US therefore proved to be unnecessary. **Locally, the east coast of Australia was then slammed by its own force majeure in the form of the horrific bushfires, which while incredibly tragic—and briefly trapping one of our portfolio managers—is unlikely to have any material medium-term impact on the economy save for an apparent regime-change in the public sensitivities to the effects of climate change.** The month concluded with the emergence of the global pandemic known as the "novel coronavirus", which feels like unprecedented territory for markets and has certainly triggered a renewed bout of risk-aversion. This contributed to the exceedingly strong rally in interest rate duration (i.e. the reduction in long-term government bond yields) and, at the margin, pushed risk premia a little wider although equity markets have been surprisingly resilient thus far.

Strategy commentary cont'd: The coronavirus is likely to detract from global economic activity in the near-term and intensify pressure on both fiscal and monetary authorities to furnish further stimulus in a world that is already awash with it care of coordinated global central bank rate cuts in 2019 and additional QE from the likes of the ECB and the Fed. **Financial markets continue to price in extra RBA rate cuts with a 0.33% cash rate forecast by December 2020. Martin Place has made it clear that it will consider alternative policies, such as QE, once it hits its effective lower bound at 0.25%, which is just two official cuts away.** Don't forget to listen to Coolabah Capital's popular Complexity Premia podcast. You can listen on your favourite podcast app, or you can find it on [Apple Podcasts](#) or [Podbean](#) here.



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