COOLABAH CAPITAL INVESTMENTS™
THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

Fund: **Coolabah Floating-Rate High Yield PIE Fund**
Strategy: **Floating-Rate High Yield**
Return (since Dec. 2023): **9.44% pa net**
Net return volatility (since Dec. 2023): **1.07% pa**

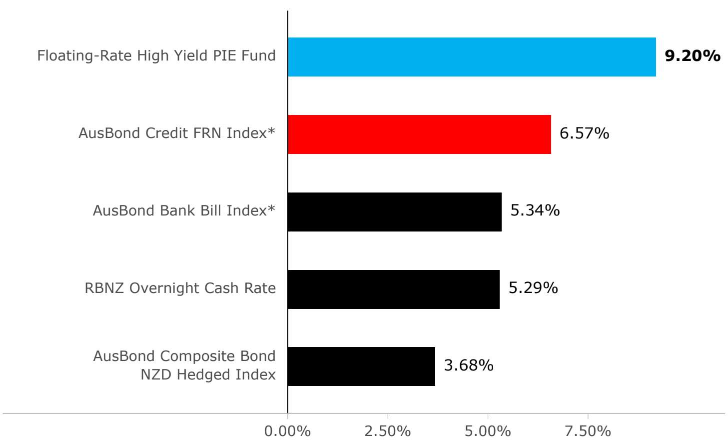
December 2024

Objective: The Fund aims to provide investors with exposure to a portfolio of investment-grade Australian floating-rate notes with enhanced yields

Strategy: The Fund focusses on generating higher income than other traditional fixed income investments by investing in a portfolio of investment-grade Australian floating rate notes and enhancing the yields (or interest-rate) through the use of gearing (or leverage). It achieves this by holding units in the Coolabah Floating-Rate High Yield Fund (FRHY) fully hedged to New Zealand dollars. FRHY predominantly invests in a portfolio of cash securities and investment grade floating-rate, Australian bank-issued senior and tier 2 bonds. FRHY cannot invest in hybrid securities, equities or property. FRHY will borrow or use leverage to provide additional exposure to these assets. Leverage can amplify gains and also amplify losses.

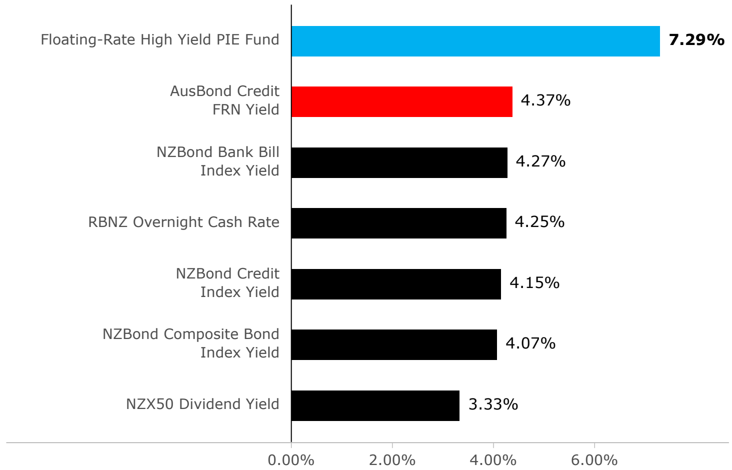
Period Ending 2024-12-31	Net Return	AusBond Credit FRN Index*	Net Excess Return‡
1 month	**0.74%**	**0.42%**	**0.32%**
3 months	1.96%	1.35%	0.61%
6 months	4.23%	2.99%	1.24%
1 year	**9.20%**	**6.57%**	**2.63%**
Inception pa Dec. 2023	**9.44%**	**6.57%**	**2.87%**
Underlying FRHY Strategy*			
2 years pa	11.68%	6.48%	5.20%
Inception pa Dec. 2022	**11.82%**	**6.42%**	**5.41%**

Floating-Rate High Yield PIE Fund Returns (Net) vs Comparisons
1 Year Returns to December 2024 (NZD hedged)



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

Annual Running Yield
31 December 2024 (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. ‡ The Excess Return columns represent the gross and net return above the AusBond Credit FRN 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).

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

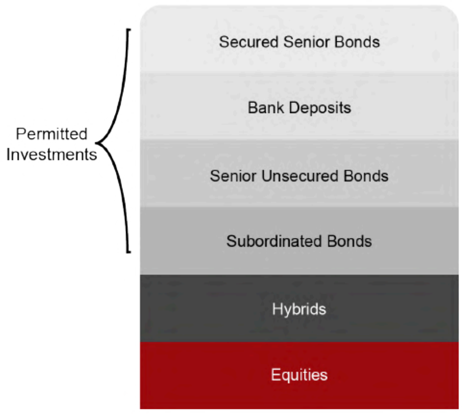
Av. Portfolio Credit Rating	A+	Modified Interest Rate Duration	0.39 years
Portfolio MSCI ESG Rating	A	Gearing Permitted?	Yes
No. Cash Accounts	17	Gross Portfolio Weight to AT1 Hybrids	0.0%
No. Notes and Bonds	89	Gross Cash Accounts + RBA Repo-Eligible Debt	70.7%
Av. Interest Rate (Gross Running Yield)	7.29%	Net Annual Volatility (since incep.)	1.07%

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

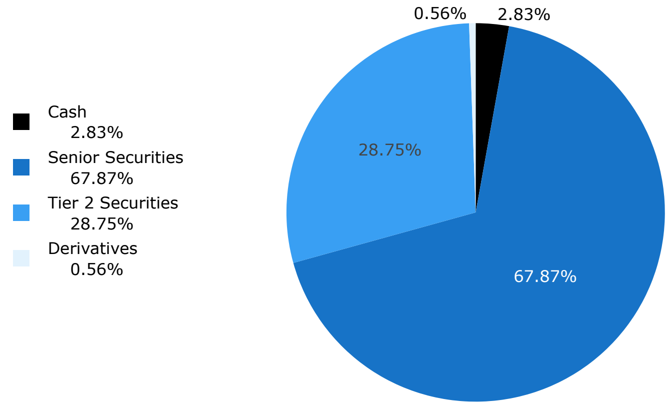
Signatory of: PRI Principles for Responsible Investment

MSCI ESG RATINGS A
CCC B BB BBB A AA AAA
Asset weighted average rating

Investing Across The Capital Structure
A Bank's Capital Structure

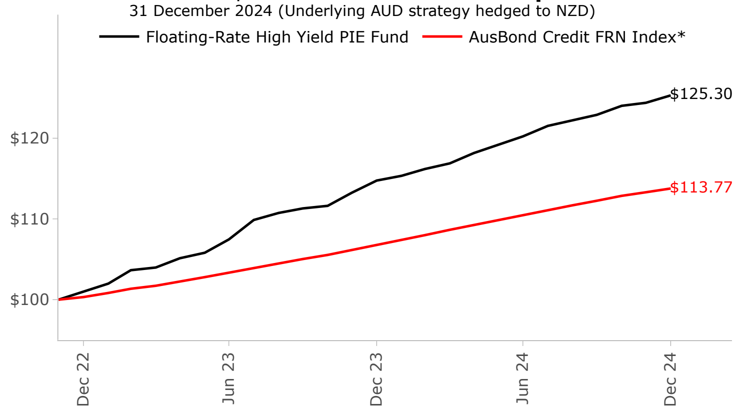


Floating-Rate High Yield PIE Fund
Portfolio Composition (GAV)
31 December 2024



Data Source: Coolabah Capital Investments

Value of $100 Invested since Inception
31 December 2024 (Underlying AUD strategy hedged to NZD)



Data Source: Bloomberg, Coolabah Capital Investments

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.

The since inception net return of 9.44% 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 Floating-Rate High Yield 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 1.07% pa** is based on the standard deviation of net daily returns since inception, which are then annualised, attributable to the Coolabah Floating-Rate High Yield 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	Levered Floating-Rate Notes	Target Return	8% - 9% pa yield
Min. Investment	NZD$1,000	Withdrawals	Daily Requests (funds normally in 4 days)
Buy/Sell Spread	0.00%/0.050%	Investment Manager	Coolabah Capital Investments (Retail)
Supervisor	Public Trust	Manager	FundRock NZ
Mgt. & Admin Fee	1.00% pa	Perf. Fee	Not Applicable

Signatory of:
PRI Principles for Responsible Investment

MSCI ESG RATINGS
A
CCC B BB BBB A AA AAA
Asset weighted average rating

*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 December, the zero-duration daily liquidity Floating-Rate High Yield PIE Fund (NZYLDP) returned 0.74% net, outperforming the AusBond Bank Bill Index* (0.36%), the RBNZ Overnight Cash Rate (0.37%), and the AusBond Credit FRN Index* (0.42%). Over the previous 12 months, NZYLDP returned 9.20% net, outperforming the RBNZ Overnight Cash Rate (5.29%), the AusBond Bank Bill Index* (5.34%), and the AusBond Credit FRN Index* (6.57%). NZYLDP ended December with a running yield of 7.29% pa, a weighted-average credit rating of A+, and a portfolio weighted average MSCI ESG rating of A.

Since the inception of NZYLDP in December 2023, it has returned 9.44% pa net, outperforming the RBNZ Overnight Cash Rate (5.26% pa), the AusBond Bank Bill Index* (5.30% pa), and the AusBond Credit FRN Index* (6.57% pa). Since inception, NZYLDP's Sharpe Ratio, which measures risk-adjusted returns, has been 3.90x net. While NZYLDP's return volatility since inception has been low at around 1.07% 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: Looking back on 2024, Coolabah's strategies furnished both high absolute returns and substantial outperformance over benchmarks. Yet it was a year accented by extreme cross-currents. While central bank-controlled short-term policy rates did eventually decline, they failed to meet aggressive market expectations at the start of 2024 for very steep cuts.

Recall that the Fed was originally priced for as much as 175 basis points (bps) of rate reductions in 2024, yet only delivered 100bps. Alongside a nascent reacceleration in US inflation and the ascendency of Donald Trump, this contributed to higher long-term interest rates across the board as proxied by moves in 10-year government bond yields in the UK (+103bps), the US (+69bps), France (+64bps), Australia (+41bps), Germany (+34bps), and even in New Zealand (+9bps), which has been the throes of a real recession. One exception was Italy where long-term government bond yields declined by 13bps.

The higher-for-longer rate environment ostensibly created dramas in the sub-investment grade bond and private credit markets, which suffered one of the sharpest increases in defaults, restructurings and bankruptcies since the global financial crisis.

And this was a truly global phenomenon with the number of insolvencies reported in countries like the US, UK, Australia and New Zealand the worst since 2008. Despite the dramatic intensification in credit stresses in the riskier parts of debt markets, and never-ending media stories about private credit funds freezing as a consequence, spreads on both high-yield bonds and private loans remained remarkably tight.

The global risk rally in 2024 was amplified by central bank jaw-boning vis-à-vis their desire to ease the cost of capital, underscored by the unusual actions of the Fed to slash rates by 75 basis points immediately prior to, and then coincident with, a presidential election.

All of this echoed the positive influence on asset pricing that central bank communications had in late 2023 when the Fed initiated its original dovish pivot, which compelled markets to expect huge rate cuts in 2024 that would fail to materialise.

Overlay the hyperbole around the coming artificial intelligence revolution, as manifest in Nvidia's 171% total return in 2024, coupled with the market's one-eyed interpretation of Trump's policy proposals, and one had all the ingredients for yet another exuberant risk rally.

The Magnificent Seven accordingly soared 48% last year. Nvidia alone accounted for more than one-fifth and one-quarter of the total returns yielded by the S&P500 (+25%) and Nasdaq (+26%), respectively. Nvidia has, in fact, appreciated an astonishing 27,000% over the past decade.

The curious conjunction of persistent inflation fears, which did nothing to kibosh investor ebullience, was also potent for the performance of crypto (Bitcoin surged 123%) and gold, which appreciated a healthy 27%.

Strategy commentary cont'd: Here it is sobering to note that the US sharemarket has now returned more than 20% for two years in succession for the first time since 1998 and 1999. The late 1990s was similarly gripped by rhetoric around a tech-led "productivity miracle" that was going to completely disappear the business cycle. Hence we had the tech boom, which preceded the unexpected tech bust.

The practical reality was, therefore, far more grim: the US would plunge into recession in the early 2000s, which resulted in the S&P500 index posting total return losses of 9.1% in 2000 and 10.9% in 2001. This represented a cumulative drawdown of almost 20 per cent. The intra-year losses were a lot worse: the S&P500 sank a stunning 29% between January and September 2001.

It was a comparatively more sombre affair across the rest of the world with returns of less than half the US numbers in Europe (Eurostoxx 50 up 11.90%), Australia (the ASX200 up 11.44%), New Zealand (the NZX50 up 11.39%), and the UK (FTSE100 up 9.59%).

As we gaze ahead, investors should focus on the big questions: will a mercurial Trump roil markets and amplify volatility during his final term in power; will profligate political spending continue to crowd-out private activity; will inflation reaccelerate or normalise; will interest rates decline or rise again; will the default cycle deteriorate or modulate; and will the great powers of the world find themselves embroiled in kinetic conflict?

To accent the final point, China has unveiled not one, but two, sixth generation fighter jets in the new year. Officially, the US has yet to even decide if it will produce one. Unofficially, it has probably had several for years zipping around Area 51...

The juxtaposition of modest declines in short-term interest rates against sharp increases in long-term rates meant that floating-rate bond strategies materially outperformed their fixed-rate counterparts (where the latter suffered given that fixed-rate bond prices decline as yields rise).

So whereas the duration-hedged, or effectively floating-rate, Bloomberg Global Aggregate Corporate Index returned 8.60%, its long duration, or fixed-rate, equivalent only delivered 3.69% in 2024.

The floating-rate benchmark in Australia, which is the AusBond FRN Index, returned 5.69% in 2024, which is an attractive 1.34% margin above the RBA's cash rate (and circa 1% above bank deposit rates). This index similarly bested its fixed-rate alternative, the AusBond Composite Index, by 276bps.

Coolabah's most aggressive, daily liquidity, floating-rate strategies, which have average A+ credit ratings, also provided robust returns of circa 9-10% after retail fees (or 12-13% gross). In 2024, the Long Short Opportunities Fund returned 10.0% to 10.2% net of retail fees followed by the Long Short Credit Fund (9.6% to 9.8% after retail fees) and the Floating Rate High Yield Fund (9.0% to 9.2% net). Coolabah's more ambitious customised institutional mandates stretched further with total returns as high as 16.1% after fees.

On behalf of BetaShares, Coolabah manages Australia's largest active ETF, known as HBRD, which is a full capital structure investor in securities issued primarily by local banks and insurers in both Aussie dollars and foreign currencies, including cash securities, senior secured bonds, senior unsecured bonds, subordinated bonds, and hybrids.

In 2024, HBRD returned 7.80% after fees (inclusive of franking), beating passive floating-rate credit benchmarks, such as BetaShares' QPON product and Van Eck's FLOT, which returned 5.94% and 5.63% net of fees, respectively, in 2024.

HBRD also outperformed more aggressive passive floating-rate ETFs, such as Van Eck's popular SUBD, which only allocates to subordinated (known as Tier 2) bonds. In 2024, SUBD delivered 7.1% net.

Under HBRD's documentation, it is benchmarked against unfranked indices produced by Solactive, which track the performance of bank and insurer hybrid securities. Despite only being about 30% allocated to hybrids (the remaining 70% was invested in bonds), HBRD outperformed the Solactive benchmark by 92bps in 2024 after fees. Indeed, HBRD has beaten the major bank hybrid indices after fees since inception notwithstanding that it has been historically underinvested in the sector (and allocated to higher-ranking bonds).

Strategy commentary cont'd: Given APRA's decision to phase-out bank hybrids by 2032 (insurer hybrids will remain afoot), Coolabah expects HBRD's benchmark to be eventually upgraded to more appropriately reflect its current universe, which primarily amounts to investment-grade bonds issued by banks and insurers in Aussie dollars and global currencies, hedged back to AUD. Once again, we would note that HBRD will still have the capacity to allocate to insurer and corporate hybrids.

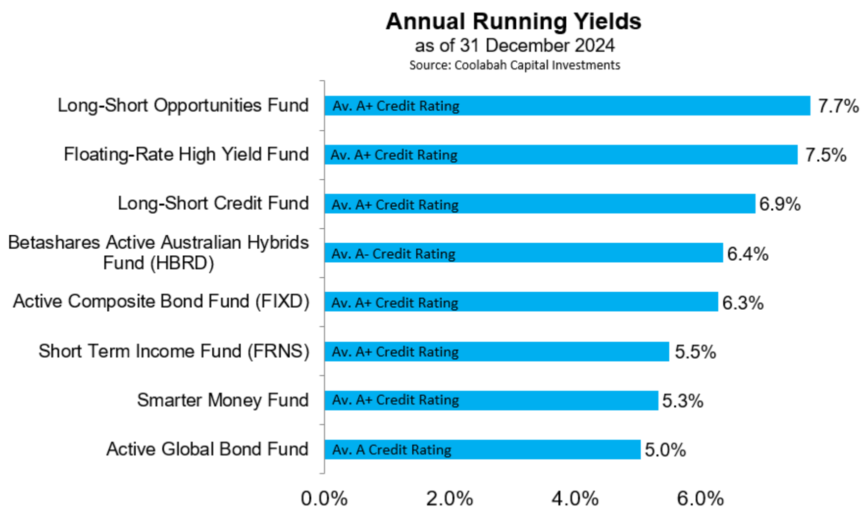
Coolabah's lowest risk floating-rate strategies are the daily liquidity, A+ rated Smarter Money and Short-Term Income funds (ETF: FRNS), which target returns of 1% and 1.5% above the RBA cash rate, respectively. In 2024, they delivered 6.0% after fees (6.9% gross) compared to cash rate's 4.37% and the AusBond FRN Index's 5.69%.

Coolabah's global long duration strategies also significantly outperformed their benchmarks, as evidenced by the 215bps of gross excess returns rendered by the Pacific Coolabah Global Active Bond strategy (5.45% versus 3.29% in GBP terms). This is particularly pleasing given that this strategy, which is not available to Australian investors, has a higher average A- rating than the index's BBB+ rating. It also carries the same 5.9 years duration as the index.

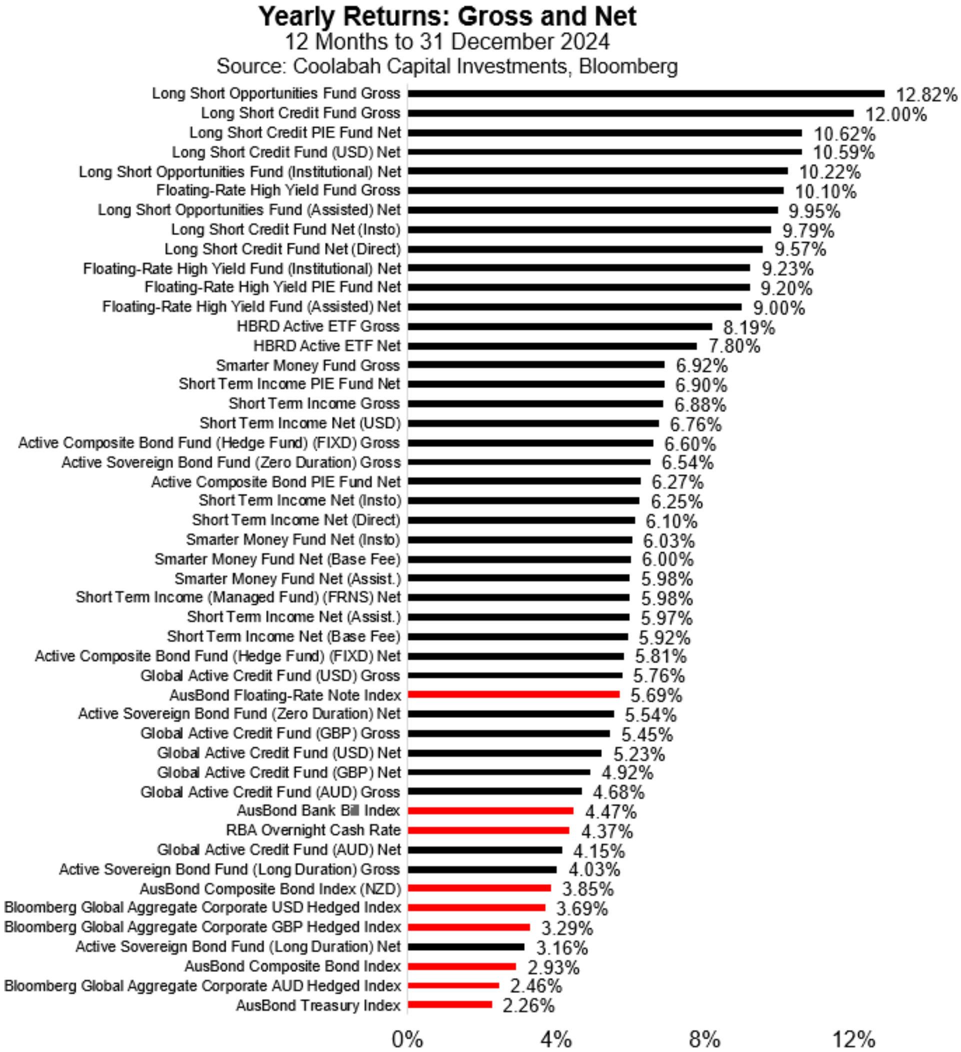
Staying in the long-duration, or fixed-rate, domain, Coolabah's domestic Active Composite Bond Fund (ETF: FIXD), which has a 5.1 year duration exposure, also comfortably beat its benchmark, the AusBond Composite Bond Index, by 288bps after fees (or by 367bps before fees). In absolute terms, FIXD returned 5.81% net (6.60% gross) compared to the index's 2.93%.

Finally, one of Coolabah's newest strategies, the AAA rated Active Sovereign Bond Fund, beat the RBA cash rate by 117bps in 2024 after fees (or by 217bps gross). The long-duration unit class, which is benchmarked against the AusBond Treasury Index, outperformed by 90bps net or 176bps gross. This is a unique solution that is designed to be extremely liquid by only allocating to Commonwealth government bonds with little correlation to equity or credit markets.

See enclosed below a summary of Coolabah's 12 month returns and current running yields as at 31 December 2024. Note that past performance is no guide to future returns. Please read the product PDS to better understand its risks and consult with an independent financial adviser prior to making decisions.



Strategy commentary cont'd:



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Asset weighted average rating