Arculus Fixed Income Fund

Asset Class: Australian Fixed Income

Rating

Superior
SQM RESEARCH

STAR RATING: Investment products are awarded a star rating out of a possible five stars and placed on the following websites: www.sqmresearch.com.au

This High Investment grade rating indicates that the fund has the potential to be an outperforming fund over the medium term as well as the fund manager, Arculus Funds Management.

Fund objective

To provide income and capital stability and a high degree of liquidity in all market conditions. The total return will mainly comprise income from security income payments. The target rate of return is the Bank Bill Swap Rate plus 1.5% before fees averaged over the economic cycle. The Fund invests only in the highly liquid Australian Sovereign and Senior Bank (ADI) bonds that form part of the APRA capital liquidity requirements. These bonds rank higher in a bank's capital structure than term deposits and the securities that APRA require as Total Loss Absorbing Capital (Equity, AT1, T2). As such the liquidity is high enough to always be able to meet any redemption at T+3.

Fund strategy

The investment strategy of the Arculus Fixed Income Fund is to identify appropriate investments from the pool of Australian sovereign and Australian senior bank bonds that are expected to generate a sufficiently high yield, commensurate with the assumed risk, with minimum volatility of returns. The Fund is not benchmark aware so is without a duration target. The Fund is best suited to investors who seek a low to medium risk investment over a 1 to 3-year period.

Arculus Fixed Income Fund

- Aim: capital preservation with yield above bank bills. Target BBSW + 1.5%.
- Holds only Australian senior bank securities and sovereign debt issued by commonwealth and state governments.
- All holdings must be REPO eligible - this provides enormous liquidity.
- No leverage. No shorting no currency risk.
- Management Fee 0.368% +GST, NO performance fees.

Arculus risk management

Arculus is focused on capital preservation. Risk management is central to our investment approach and our operating structures. There are no performance fees that conflict with risk minimisation and Arculus outsources the other fund roles of Administration, Custody, and the Responsible Entity to external, independent groups. This is done to ensure integrity in the unit pricing, reporting and mandate compliance.

Current portfolio characteristics

Running yield	5.69 %
YTM	5.58 %
Credit duration	1.14
Fixed duration	0.28
Fixed rate	13 %
Floating rate	82 %
Ave. years to maturity	2.36

Fund details

- Fund size: $72m.
- Redemptions typically met T+3.
- APIR DDH8305AU.
- Minimum Investment $2,000. Distributions reinvestment.
- No performance fees.
- On all major platforms.

Contact

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CEO with focus on Finance & Internal Compliance

Consistent returns aiming for cash + 1.50%

Current yields and risk*

Yields constantly rising with the 2023 cash rate increases, low interest rate exposure.

5.69%	5.58%	0.28
Running yield	**Yield to Maturity**	**Duration**

as at 29 February. See also the portfolio characterises table in panel at left.

Liquid, nimble and actively managed to increase returns and minimise risks

Rolling 12m returns rising reflecting the increasing cash rate: 3m ann. returns 8%+.

Performance to 29 February 2024 (annualised)

	1M	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	0.73%	1.95%	3.12%	5.56%	2.21%	0.94%	1.14%	1.39%
Cash Dist.	0.00%	1.15%	2.34%	4.33%	2.87%	2.22%	2.02%	2.05%
Growth	0.73%	0.80%	0.78%	1.23%	-0.66%	-1.28%	-0.88%	-0.67%
Index	0.34%	1.09%	2.12%	4.10%	2.92%	1.95%	1.47%	1.56%

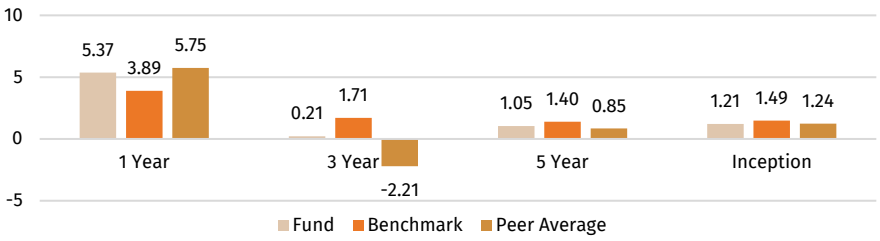
** Fund returns are net of all fees. Returns are calculated using exit prices and are calculated after all fees and costs have been deducted, assumes any distributions are reinvested, and no allowance made for tax. The "distribution" component represents the amount paid by way of distribution, including net realised capital gains. Numbers may not sum due to rounding. Past performance is not an indicator of future performance.*

The benchmark is the Bloomberg Australian Bank Bill Index.

Above-average performance over most time frames

SQM Research shows consistent outperformance of peers over past 5 years.

Total return % pa

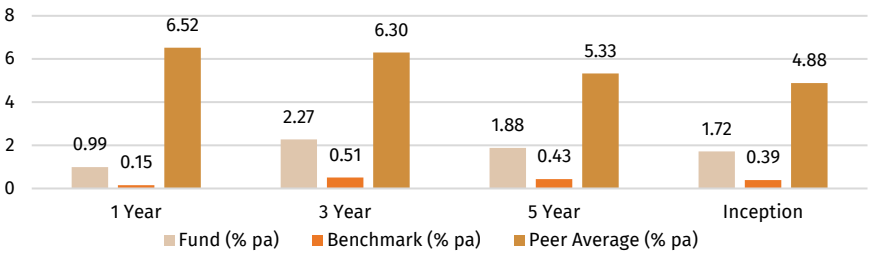


SQM Research

A vastly lower level of volatility than peers indicating better risk management

Better quality assets than peers and superior ability to navigate market risks.

Volatility % pa



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