

# Arculus Preferred Income Fund

Asset Class: Australian Fixed Income

## Rating



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](http://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 & strategy.

To provide unitholders with returns in excess of cash and bank deposits over the medium to long term by investing in Australian sovereign bonds, senior & subordinate debt issued by Australian financial institutions, senior & subordinate bonds issued by Australian corporates and ASX-listed hybrid and debt securities. The return is a combination of income distribution and capital growth. The target rate of return is the Bank Bill Swap Rate plus 350 basis points.

The Arculus Preferred Income Fund is a domestic fixed income portfolio invested in Australian Government and Semi-Government Bonds, Corporate Senior & subordinated Bonds, and cash. The Fund aims to provide unitholders with returns higher than cash and traditional debt securities over the medium to long term with a target rate of return of the 90-day BBSW rate plus 350bps. The return is a combination of income distribution and capital growth. The Fund does not employ leverage either directly or using derivatives and has no offshore currency, structured credit or leveraged securities. Up to 30% of the Fund can be invested in non-investment grade securities (S&P, Fitch rated below BBB-, Moodys rated below Baa3). The Fund is best suited to investors who seek a medium risk investment over a 3 to 5-year period.

## Arculus PIF: hybrid like yield but much safer.

- Hybrid securities alone have a similar yield to the fund however suffer from being near the bottom of a bank's capital structure and are prone to equity market volatility.
- The Fund predominantly holds yield securities better ranking up the capital structure than hybrids, however our active management delivers returns at or above that of hybrids. **Hence better returns and much lower risk.**

## Current portfolio characteristics.

• Running yield	6.85 %
• YTM	7.78 %
• Credit duration	1.81
• Fixed duration	0.95
• Fixed rate	17.47 %
• Floating rate	74.54 %
• Ave. years to maturity	3.25

## Fund details.

- Fund size: \$167.1m.
- Redemptions typically met T+3.
- MER 75bps +GST.
- Minimum Investment \$2,000. Distribution reinvestment.
- No performance fees.
- APIR: DDH001AU. On all major platforms.

## Platform details.

- This Fund can be accessed by investing directly, or indirectly, using the Wealth02, HUB24, Netwealth, OneVue, Praemium Investment, Ausmaq, BT Panorama, Macquarie Wrap and Australian Money Market platforms.

## Contact.

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CEO with focus on Finance & Internal Compliance

## Consistent returns aiming for cash + 3.50%

### Current yields and risk\*

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

<b>6.85%</b> Running yield	<b>7.78%</b> Yield to Maturity	<b>0.95</b> Duration
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\*As of 31 August. See also the portfolio characteristics 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 annual returns 6%+.

### Performance to 31 August 2024 (annualised)

	1M	3M	6M	1Y	2Y	3Y	5Y	Since Inception
<b>Total Return</b>	0.53%	1.54%	3.09%	6.79%	6.02%	3.43%	3.44%	4.50%
<b>Cash Dist.</b>	0.00%	1.44%	2.89%	5.92%	5.13%	4.48%	3.91%	5.32%
<b>Growth</b>	0.53%	0.11%	0.20%	0.87%	0.89%	-1.05%	-0.47%	-0.82%
<b>Index</b>	0.38%	1.11%	2.22%	4.39%	3.88%	2.69%	1.75%	3.40%

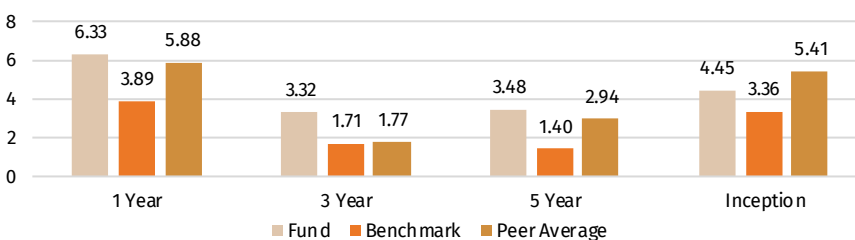
\* Fund returns are net of all fees. Returns are calculated using exit prices and are calculated after all fees and costs have been deducted, assumes any distributions are reinvested, and no allowance made for tax. The "distribution" component represents the amount paid by way of distribution, including 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 with a higher degree of liquidity than peers

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

### Total return % pa (Feb 2024)

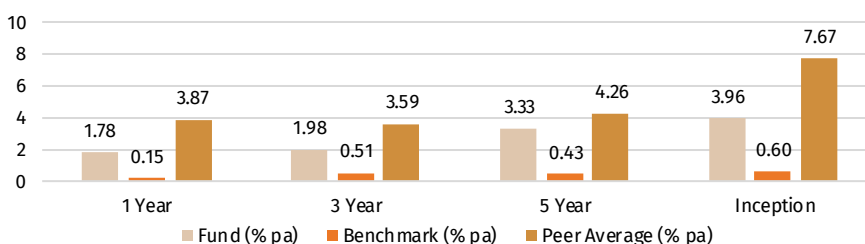


SQM Research

### A lower level of volatility than peers indicating better risk controls

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

### Volatility % pa (Feb 2024)



SQM Research

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