

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

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.

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 6.75 %
- YTM 7.88 %
- Credit duration 1.80
- Fixed duration 0.65
- Fixed rate 14.70 %
- Floating rate 81.59 %
- Ave. years to maturity 2.94

Fund details.

- Fund size: \$155.2m.
- Redemptions typically met T+3.
- MER 75bps +GST.
- Minimum Investment \$2,000. Distribution reinvestment.
- No performance fees.
- APIR: DDH0001AU. 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.

Sunetha Parag sunetha@arculus.com.au
CEO with focus on Finance & Internal Compliance

Consistent returns aiming for BBSW 90-day +3.50%

Current yields and risk*

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

6.75%

Running yield

7.88%

Yield to Maturity

0.65

Duration

*As of 30 June. 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 annual returns 6%+.

Performance to 30 June 2025 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
Total Return	1.03%	2.23%	6.36%	6.40%	6.12%	4.23%	4.54%
Cash Dist.	2.05%	3.66%	6.87%	6.38%	5.71%	4.67%	5.44%
Growth	-1.02%	-1.43%	-0.51%	0.02%	0.41%	-0.44%	-0.90%

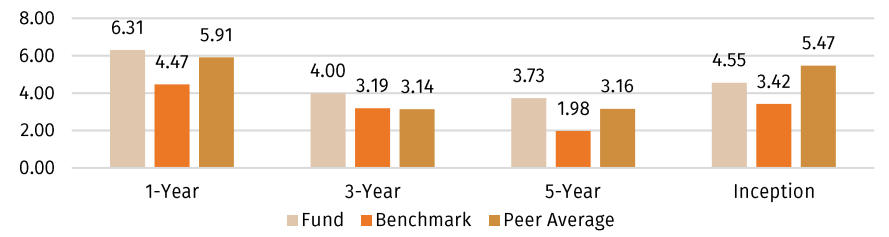
* Fund returns are net of all fees. Returns are calculated using exit prices and are calculated after all fees and costs have been deducted, assumes any distributions are reinvested, and no allowance made for tax. The "distribution" component represents the amount paid by way of distribution, including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

The Fund is benchmark unaware – Target return is the 90-Day BBSW +3.5%.

Above-average performance with a higher degree of liquidity than peers

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

Total return % pa (Dec 2024)

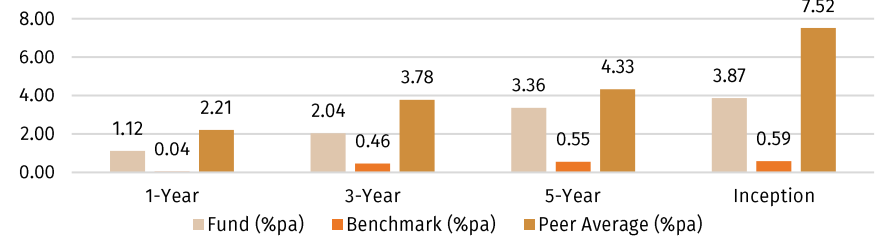


SQM Research March 2025 – updated Annually by SQM

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 (Dec 2024)



SQM Research March 2025 – updated Annually by SQM

Disclaimer. This document is not a recommendation to acquire a particular financial product. The information in this document is of a general nature only. Arculus Funds Management (Arculus) has not considered the investment objectives, financial situation or needs of any person or entity, when preparing this document. Persons should refer to the Product Disclosure Statement of this product and seek professional advice before relying on the information. Information used in this publication has been prepared in good faith by Arculus. Arculus warrants the accuracy of the information, and to the extent permitted by law, disclaim responsibility for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying upon it, whether that loss or damage is caused by any fault or negligence of Arculus. Past performance is not indicative of future performance. Charts source SQM Research.