

## Strategy & Objective

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. It is focused on achieving an absolute return of the 90-day BBSW rate plus 150bps. The Fund may be appropriate for investors seeking a low to medium risk investment over a 1 to 3-year period.

The Fund aims 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 90-day Bank Bill Swap Rate plus 1.5% before fees.

## ESG

Environmental, Social and Governance issues form part of the risk analysis framework. For further information on Arculus' ESG policies and practices, visit <https://arculus.com.au/environment-social-and-governance/>.

## Fund details

DDH Graham Limited (DDH) is the responsible entity of the Fund. As responsible entity, DDH is responsible for the management and administration of the Fund, including the issue of the Fund's Product Disclosure Statement and all other public announcements concerning the Fund.

DDH has appointed GCI Australia Pty Ltd (one of Australia's leading investment management businesses) ABN 68 140 364 576 (GCI) as the Fund's outsourced investment manager. Arculus Funds Management Pty Ltd (Arculus), a wholly owned subsidiary and Corporate Authorised Representative of GCI undertake the investment management activities for the Fund.

**APIR Code DDH8305AU**  
**ARSN 622 419 578**

## Fund availability

This Fund can be accessed by investing directly, or indirectly, using the BT Panorama, Allan Gray, HUB24, and Netwealth platforms.

## Performance to 31 January 2026 (annualised)

	3M	6M	1Y	2Y	3Y	5Y	Since Inception
<b>Total Return</b>	<b>0.90%</b>	<b>1.92%</b>	<b>4.35%</b>	<b>5.29%</b>	<b>5.14%</b>	<b>2.31%</b>	<b>2.25%</b>
Cash Distribution	0.69%	1.86%	5.07%	5.03%	4.78%	3.31%	2.79%
+/- Growth	0.22%	0.07%	-0.73%	0.27%	0.35%	-1.01%	-0.52%

The Fund is benchmark unaware, but the target rate of return is the 90-day Bank Bill Swap Rate plus 1.5% before fees.

\* 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 inception date of the Fund was 16 November 2017.

## Australian index returns 31 January 2026

Index	1m Return	3M Return	12M Return
Bloomberg Australia Bank Bill Index	0.30%	0.91%	3.89%
Bloomberg Australia Gov't 3-5 Year Index	0.03%	-1.21%	2.44%
Bloomberg Australia Composite 0-3 Year Index	0.20%	0.13%	3.39%
Bloomberg Australia Composite 3-5 Year Index	0.12%	-1.05%	2.98%
Bloomberg Australia Composite All Maturities Index	0.21%	-1.29%	3.20%

Bloomberg Index data is sourced from Evans & Partners.

## Fund rating

The Fund has been rated by SQM Research and FundMonitors.com.

Fund ratings are not a recommendation and are subject to change.



5 Year



## Fund size

As of 31 January 2026, the Net Asset Value of the Fund was \$41,958,549.79.

## Portfolio characteristics 31 January 2026

Running Yield*	3.94%
Yield to Maturity*	4.61%
Average Margin	0.77%
Average Years to Maturity	2.02
Number of Securities Held	38
Floating	60.47%
Fixed	34.43%
Cash	5.10%
Modified Duration	2.15
Credit Duration	1.94

\* Based on fund metrics at review date. Future returns may be different.

## Fees

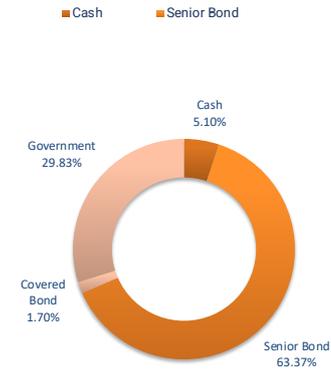
MER*	0.40%
Buy/Sell Spread	+0.10% / -0.10%
Performance Fees	Nil

\* GST inclusive, net of any reduced input tax credits

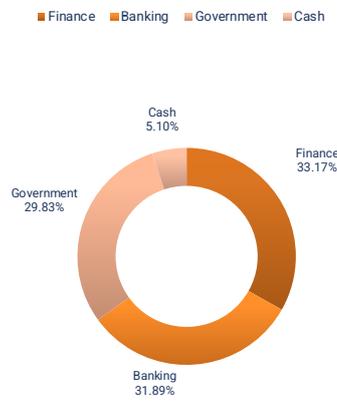
**Disclaimer.** This document is not a recommendation to acquire a particular financial product. The information in this document is of a general nature only. DDH Graham Limited (DDH) has not considered the investment objectives, financial situation or needs of any person or entity, when preparing this document. Persons should refer to the Product Disclosure Statement of this product (available from [www.ddhgraham.com.au](http://www.ddhgraham.com.au)) and seek professional advice before relying on the information. Information used in this publication has been prepared in good faith by DDH Graham Limited. However, neither DDH Graham Limited nor Arculus Funds Management Pty Ltd warrant 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 either DDH Graham Limited or Arculus Funds Management Pty Ltd or otherwise. Past performance is not indicative of future performance. Any forward-looking statements are opinions only and are not guarantees of future returns. Actual outcomes may differ.

### Asset breakdown

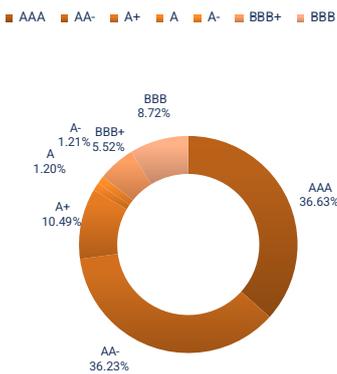
#### Sub Type Analysis



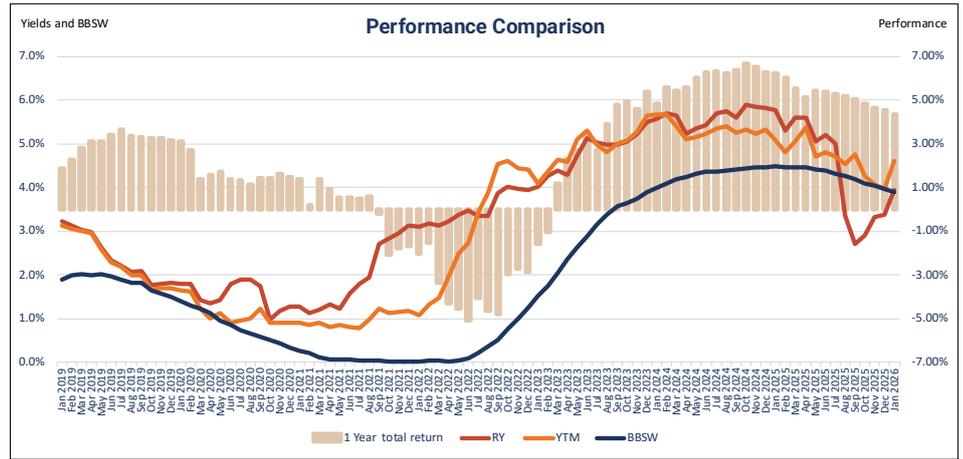
#### Sector Allocation



#### Credit Rating



### Performance



Source Arculus, DDH Graham Limited data.

The Fund returned 33 basis points (bps) after all fees in January. As forecast last month, yields have increased after several floating rate bonds matured and the funds were rolled into new major bank senior floating rate bonds with margins over the 90-day BBSW rate of between 75-80bps. Part of the increase in the estimated portfolio yield is due to the 90-day BBSW rate increasing from 3.76% at the beginning of the month to 3.84% at the end. If, as expected, the RBA increases its official overnight rate at the February meeting then the 90-day BBSW rate may keep rising. The portfolio has a running yield of 3.94% and yield to maturity of 4.61%.

### Fund positioning

The increase in the inflation reading in the December quarter provided an opportunity to increase the portfolio duration by rolling the 90-day Commonwealth Treasury Bills into Commonwealth 5-year bonds. The portfolio continues to be weighted towards AAA and major senior AA- bonds with funds switched out of lower rated bank senior debt. The intention with this change is to insulate the portfolio outcome from a widening of bank credit spreads from the current tight levels.

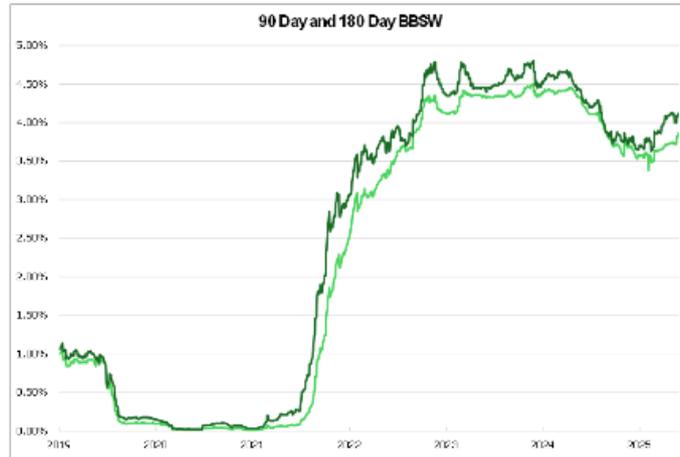


Source Arculus

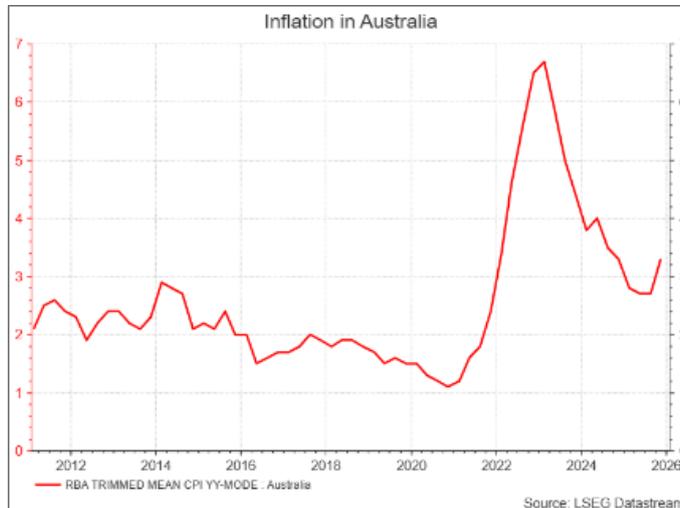
**Market review & outlook**

Remarkably, the market, at one stage, in January began to price that inflation had peaked in November. In the middle of the month, the 90-day BBSW rate dipped a little while the 180-day BBSW rate fell from 4.14% to 4.00%.

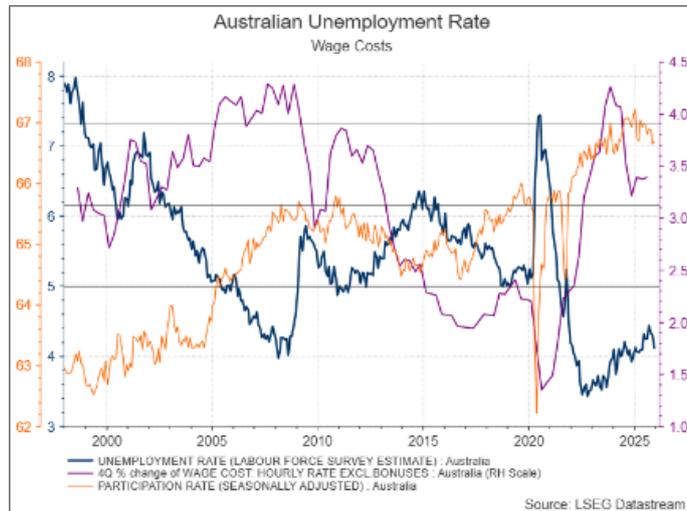
By the end of the month, the combination of the lower unemployment print at 4.10% (unarguably well below any estimate of full employment) and the December surge in inflation, pushed both the 90-day and 180-day BBSW rates higher to reflect that the RBA would be forced to raise rates in 2026. It is worth noting that at the end of the month the market was pricing with a high degree of certainty the possibility that the RBA would raise rates at the February meeting by 25bps.



Cost push inflation is back! It has been quite some time since we have seen this economic problem. Investors may remember the famous statement by then Treasurer, Paul Keating, that this was 'the recession we had to have' when it arrived in 1990. Australia has not had a recession since then, but only due to good luck rather than good economic management. If Australia is once again trapped in the cycle of rising inflation caused by wages growth rising and then feeding into higher inflation, with a short lag, then we are likely to see inflation rise back towards the post pandemic peak.



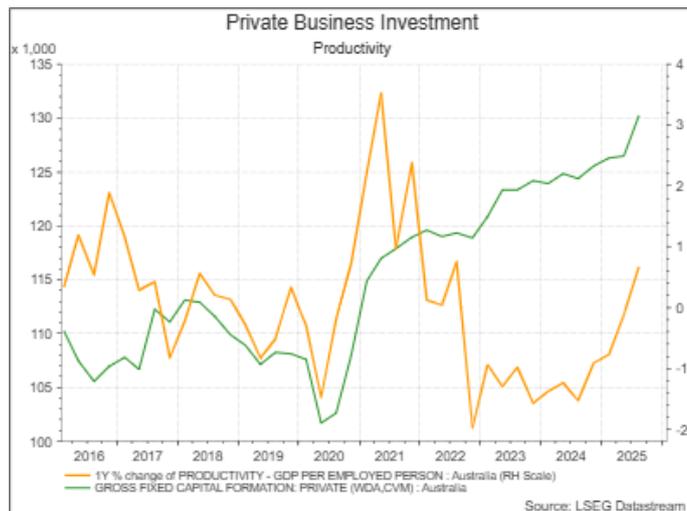
The economy, at this stage, remains buoyant, however, it is increasingly reliant on government employment levels being maintained and policies like the NDIS enabling part-time employment options. The fall in the unemployment rate to 4.10% in December and the high participation rate are indicating that labour supply remains near the tightest levels we have seen for many decades.



There are, however, some reasons to believe that inflation pressures will ease in the short term before re-emerging later in the year. These are:

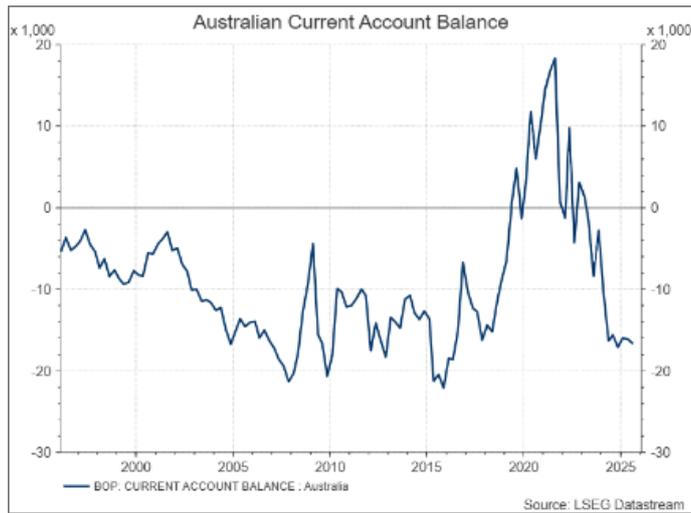
**1. Labour productivity is rising**

Importantly then with labour supply tight, we have seen a lift in productivity in the September quarter driven by an increase in private business investment.



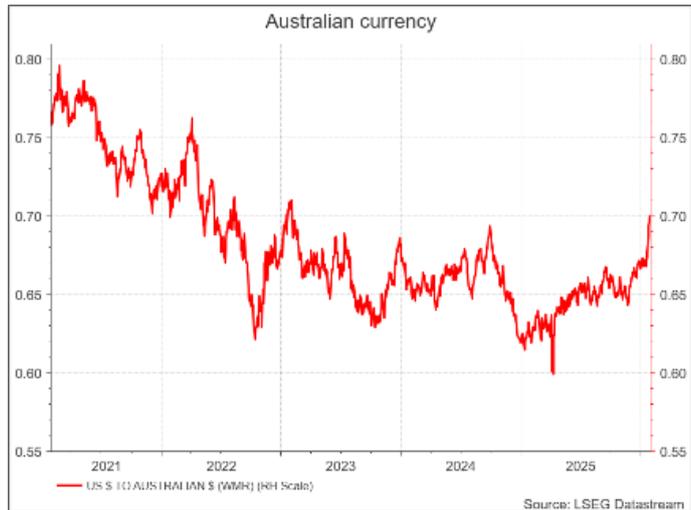
**2. A larger current account deficit**

The Australian economy faces a head wind from the current account going back into a deficit. In March 2019, the current account moved into surplus for the first time in 22 years which provided a tail wind to the entire economy. The extent of the fall in the net trade outcome is concerning and will be watched closely in 2026.



**3. A stronger currency**

The strength of the Australian dollar in January is a mixed blessing. It is likely that, with a 90-day new inventory lag, the stronger dollar will have some impact on import prices, however, given that the Chinese currency is fixed the impact is mostly felt against the Yen and USD trades.



**These comments reflect the Manager’s current views as at the date of this report. These views are subject to change and are not guarantees of future performance.**

**Disclaimer.** This document is not a recommendation to acquire a particular financial product. The information in this document is of a general nature only. DDH Graham Limited (DDH) 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 (available from [www.ddhgraham.com.au](http://www.ddhgraham.com.au)) and seek professional advice before relying on the information. Information used in this publication has been prepared in good faith by DDH Graham Limited. However, neither DDH Graham Limited nor Arculus Funds Management Pty Ltd warrant 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 either DDH Graham Limited or Arculus Funds Management Pty Ltd or otherwise. Past performance is not indicative of future performance. Any forward-looking statements are opinions only and are not guarantees of future returns. Actual outcomes may differ.