



## Investment Rating Report

**Investment Rating:** SUPERIOR

**Product Complexity:** RELATIVELY SIMPLE

Fund Details
<b>Investment Manager:</b> Coolabah Capital Investment (Retail) Pty. Ltd.
<b>Investment Structure:</b> Open-ended Australian unit trust
<b>Wholesale/Retail:</b> Both
<b>Category:</b> Fixed interest
<b>Investment Style:</b> Short-term fixed interest
<b>Inception:</b> 8 October 2014
<b>Management Fee:</b> Investment management fee of 0.44% p.a. plus 0.25% administration fee (Assisted Investor Class)
<b>Performance Fee:</b> 22.5% of the excess return above the RBA cash rate + 1.50% p.a. after all management fees, administration fees, and other fund costs
<b>Distribution:</b> Quarterly
<b>Responsible Manager/Entity:</b> Equity Trustees Limited
<b>Investment Objective:</b> Targets returns that outperform the RBA cash rate by 1.5% p.a. to 3.0% p.a. after fees, over a rolling 12-month period

Smarter Money Higher Income (the Fund) is an actively managed, low-duration, short-term, fixed-interest investment solution that targets returns of 1.5%-3.0% p.a. (net of fees) above the RBA cash rate, over a rolling 12-month period. The Fund is managed by Coolabah Capital Investments (CCI), a fixed-interest specialty manager. The following are key differentiators of CCI's approach:

- The strategy is very active and opportunistic; it is designed to exploit bond valuation mispricing rather than interest rate duration, credit or illiquidity beta. Typically, the Fund has a very low interest-rate risk, an investment-grade credit risk, a weighted average portfolio MSCI ESG rating of 'A' and high levels of liquidity.
- The combination of top-down and bottom-up quantitative, fundamental and technical analysis enables the manager to generate differentiated market insights, adapt to market conditions and position the portfolio accordingly.
- The investment team is relatively large, with significant resources devoted to price discovery.

CCI has recorded a negative yield in the 1-year period ending July 2022, with some recovery taking place over the month of July. The performance reflects the significant global shifts in inflation, asset pricing, interest rates and credit spreads that have taken place from late 2021. While CCI correctly predicted much of the asset pricing shifts and held close to record-low exposures to credit spreads and interest-rate risk, the portfolio has been impacted.

### Performance

Period ending 31 July 2022	Gross Return (Assist)	Net Return (Assist)	RBA Cash Rate	Net Excess Return
1 mth (%)	0.28	0.23	0.10	0.13
3 mths (%)	-0.64	-0.81	0.18	-0.98
6 mths (%)	-0.65	-0.99	0.19	-1.18
1 yr (%)	-0.78	-1.46	0.21	-1.67
3 yrs (%pa)	1.68	0.80	0.28	0.52
5 yrs (%pa)	2.54	1.63	0.75	0.88
Inception (10/14)	3.32	2.35	1.16	1.19

Source: Coolabah Capital Investments Pty. Ltd.

### Investment Rating & Foresight Complexity Indicator

A **SUPERIOR** rating indicates the highest level of confidence that the Fund can deliver a risk-adjusted return in line with its investment objectives. The investment manager's support for this strategy is very well resourced and continues to be enhanced.

Designation as a **RELATIVELY SIMPLE** product indicates that the investment manager will seek to outperform their chosen mainstream market sector. The strategies used to outperform may include the use of very liquid derivatives such as index futures. While this fund is expected to move fairly closely in line with mainstream markets, there may be periods where it outperforms or underperforms the benchmark index.

### Review Summary

## Fund Details

<b>Fund Name</b>	<b>SMARTER MONEY HIGHER INCOME FUND</b>
<b>Dominant Strategy</b>	To actively exploit mispricings in cash and bond markets to generate returns that exceed the RBA cash rate by 1.5%-5.0% p.a. (net of fees) with an average A credit rating and near-zero interest rate duration risk
<b>Fund Type</b>	Short-term fixed interest
<b>Investment Manager</b>	Coolabah Capital Investments (Retail) Pty. Limited
<b>Sub-Investment Manager</b>	Coolabah Capital Institutional Investments Pty. Ltd.
<b>Trustee/RE</b>	Equity Trustees Limited
<b>KEY FEATURES</b>	
<b>Fund Inception</b>	October 2014
<b>Domicile</b>	Sydney, Australia
<b>Legal Form</b>	Registered Open-ended Australian unit trust
<b>APIR Codes</b>	Assisted Investor Class: SLT0052AU Direct Investor Class: SLT0051AU, Institutional Class A: SLT7141AU, Base Fee Class: ETL8504AU
<b>Geographic Mandate</b>	Global credit with a focus on Australian issuers
<b>Open</b>	Yes
<b>Management and Administration Fee</b>	0.69% p.a. - 0.44% p.a. investment management fee, plus 0.25% p.a. administration fee (Assisted Investor Class)
<b>Performance Fee</b>	22.5% of excess returns above the RBA cash rate + 1.50% p.a. after all management fees, administration fees, and other fund costs. Paid monthly in arrears.
<b>High Water Mark</b>	Cumulative monthly return of the Fund, including distributions and before performance fees. No performance fees are payable until any accrued Fund losses from prior periods have been made up.
<b>Distributions</b>	Paid quarterly on 30 June, 30 September, 31 December, 31 March
<b>FUM</b>	AU\$1,002.56 million as at 31 July 2022
<b>Minimum Subscription</b>	AU\$1,000
<b>Subsequent Subscription</b>	AU\$1,000 (or \$100 per month for a regular savings plan)
<b>Entry Fee</b>	No
<b>Exit Fee</b>	0.025% exit spread paid to unitholders in the trust
<b>Fund Term</b>	Open-ended
<b>Reporting</b>	Online 24/7, monthly reports, quarterly/annual distribution and tax statements
<b>Redemptions</b>	Daily
<b>PRIMARY CONTACT</b>	
<b>Name and Title</b>	Gary Walsh, Head of Asset Origination
<b>Email Address</b>	<a href="mailto:gary.walsh@coolabahcapital.com">gary.walsh@coolabahcapital.com</a>
<b>Telephone Number</b>	1300 901 711
<b>Website</b>	<a href="http://www.coolabahcapital.com">www.coolabahcapital.com</a>

# Smarter Money Higher Income Fund

## Investment Profile

### BACKGROUND

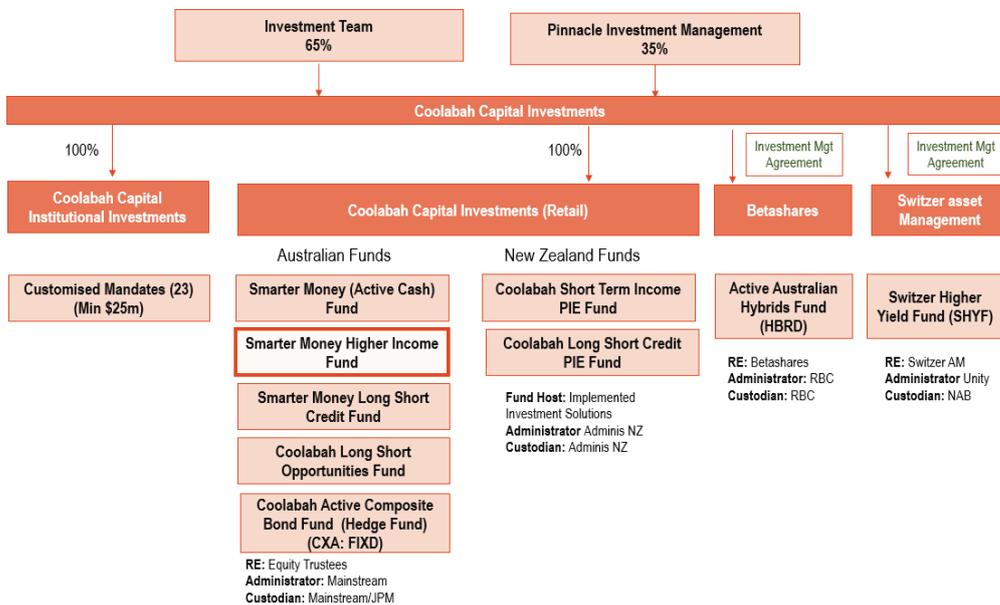
Coolabah Capital Investments Pty. Ltd. (CCI) is 65% owned by its investment team and 35% owned by the Pinnacle Investment Management Group Limited (ASX: PNI), an Australia-based multi-affiliate investment firm. CCI is a wholly owned subsidiary of CCI and was established to offer investors fixed-income products with a low volatility profile.

CCI's team currently comprises 33 staff members: 6 senior portfolio managers; 6 portfolio management, analysis and support staff; 6 credit analysts; and 4 data science team members. The staff collectively have decades of fixed-interest trading, quantitative and credit-research experience. CCI's investment team and their families have invested approximately \$10M-\$20M of their own capital into CCI's strategies, which provides for a strong alignment of interests. Profits have been re-invested in the business, mainly in additional staff, systems, and technology.

In 2020, CCI opened a London office, in addition to 2 Sydney offices and a Melbourne office. The manager intends to continue expanding overseas and believes that its overall FUM capacity across all the strategies is between \$15BN to \$20BN. Pinnacle, which has offices in London and New York, is leading CCI's overseas expansion and is exploring the best structures for offering the manager's capabilities in overseas markets.

Equity Trustees Limited (EQT) is the Responsible Entity for the Smarter Money Fund and appointed CCIR (previously known as Smarter Money Investments) as the investment manager. CCIR outsources all fund management responsibilities to its related entity, Coolabah Capital Institutional Investments Pty. Ltd. (CCII), via a sub-investment management agreement. CCII is also a wholly-owned subsidiary of CCI.

### FUND MANAGEMENT STRUCTURE



## Smarter Money Higher Income Fund

### OBJECTIVE

The Smarter Money Higher Income Fund aims to produce low-volatility returns in excess of those provided by cash securities and other short-term fixed-interest solutions. It seeks to actively exploit mispricings in cash and bond markets to generate daily liquidity returns with an average credit rating of A and near-zero interest rate duration risk. The Fund targets a return of the RBA's cash rate plus 1.5%-3.0% p.a. after fees, over a rolling 12-month period. This strategy aims to produce returns in excess of its benchmark while maintaining the characteristics of low volatility (<2% p.a.), high liquidity, and minimal capital loss through interest rate and/or credit risk.

### FUNDS UNDER MANAGEMENT

As of July 2022, the Smarter Money Higher Income Fund had funds under management of \$1,002.56M, showing strong growth over the year. CCI has FUM of approximately \$6.76 billion for a predominantly institutional client base. There are around 34 portfolios, including retail funds, listed funds and separately managed mandates. According to the manager, all the strategies use the same underlying 'alpha' engine, with each strategy's portfolio being driven by its specific risk parameters.

### INVESTMENT UNIVERSE

The Fund is permitted to invest in bonds, such as government and semi-government bonds, bank and corporate bonds and asset-backed securities, including residential-mortgage-backed securities and hybrid securities issued in Australian dollars or in G10 currencies hedged to Australian dollars. It is also permitted to invest in cash and cash-equivalent securities, exchange-traded derivatives and over-the-counter derivatives for risk management purposes.

The Fund can invest in the following:

Physical assets (issued in or hedged to AUD)	Derivatives
<ul style="list-style-type: none"> <li>Cash, TDs, and cash equivalents</li> </ul>	<ul style="list-style-type: none"> <li>Interest-rate derivatives</li> </ul>
<ul style="list-style-type: none"> <li>Government and semi-government bonds</li> </ul>	<ul style="list-style-type: none"> <li>Credit derivatives such as credit default swaps</li> </ul>
<ul style="list-style-type: none"> <li>Senior and subordinated debt securities</li> </ul>	<ul style="list-style-type: none"> <li>Foreign exchange derivatives</li> </ul>
<ul style="list-style-type: none"> <li>Hybrid securities</li> </ul>	<ul style="list-style-type: none"> <li>Other related swaps and repurchase agreements (for liquidity purposes only)</li> </ul>
<ul style="list-style-type: none"> <li>Asset-backed securities</li> </ul>	
<ul style="list-style-type: none"> <li>Residential mortgage-backed securities</li> </ul>	
<ul style="list-style-type: none"> <li>ASX-listed ADI deposit ETFs</li> </ul>	
<ul style="list-style-type: none"> <li>Sub-investment grade bonds</li> </ul>	
<ul style="list-style-type: none"> <li>Foreign denominated debt</li> </ul>	

Derivatives are used to hedge interest-rate, credit and macro-economic risks. Short derivative positions must be backed by matched physical assets. Long derivatives positions must be matched by cash equivalents. Only purchases are permitted unless used for hedging.

The objective is to invest in relatively low-risk and liquid investments – primarily senior and subordinated debt securities and hybrids and derivatives issued by Australian entities domestically and overseas. A majority of the portfolio is in investment-grade quality debt securities and hybrids. While not strictly reinforced through the strategy's risk-management limits, the manager has a bias towards oligopolies and monopolies aiming to exploit explicit or implicit government guarantees.

### NOTE ON MANAGER SIZE / MARKET PARTICIPATION

Due to CCI's size and trading strategy, it is one of the most active traders of Australian credit globally. Its growth in AUM has allowed it to expand its information flow, broker agreements (~60 brokers) and ISDA and GMRA agreements. The advantage of this market presence is CCI's ability to negotiate new-issue interest rates and terms, secure favourable deal allocations (e.g., Green bonds) and easily trade derivatives and repurchase agreements.

## Smarter Money Higher Income Fund

In addition, CCI devotes considerable resources to analysing the Australian financial regulatory environment, the major issuers and the main factors affecting interest and credit movements, including ESG factors. CCI is open and transparent in sharing its analysis. In particular, CCI is increasingly using its analysis to interact with major market participants in what they describe as an 'activist' role. This 'activism' is important in the realisation of fair value and assists CCI's asset allocation and trading strategies.

### Investment Philosophy

The manager's philosophy is grounded in active management and the belief that a detailed, research-driven approach to selecting and managing fixed-interest securities can generate alpha. In addition, CCI believes that dynamic portfolio weighting between cash and credit, using a bottom-up and top-down valuation framework, can add considerable value and reduce volatility.

Specifically, the manager cites the following characteristics of the domestic fixed-income market that create opportunities to add value through an active approach:

- The Australian fixed interest market is highly inefficient as most Australian investment-grade fixed-income is traded over the counter; hence there is no mandated price discovery/disclosure through Austraclear. This results in highly opaque/inefficient asset pricing, which is compounded by a large number of passive fixed-income styles in the market.
- In their view, most fixed-income managers are passive, buy-and-hold investors, focused on yield, neglecting total returns and inadequately emphasising top-down/bottom-up valuation models.
- CCI believes that exposure to long-term interest rate duration risk is the biggest source of capital risk in fixed income. They don't think that anyone can accurately forecast GDP growth or interest rate changes beyond 6-12 months.

### Investment Strategy

The investment strategy for the Smarter Money Higher Income Fund builds on CCI's Smarter Money Fund strategy, which was launched in February 2012.

CCI differentiates itself from typical fixed-interest strategies such as index management and buy-and-hold by being active and opportunistic across the whole portfolio through security selection and asset allocation. It is designed to exploit bond valuation mispricing rather than interest rate duration, credit or illiquidity beta. Typically, the Fund has very low interest-rate risk, investment-grade credit risk and high levels of liquidity.

CCI aims to generate risk-adjusted returns predominantly through identifying mispriced bonds (predominantly floating) and hybrids. They value securities on a bottom-up and top-down basis using a mix of quantitative and qualitative models and technical analyses to find assets that are mispriced, and which can deliver capital gains when they normalise or mean-revert over and above their yield. The manager has a total return focus which means it will not hold over-valued assets for the sake of income.

One of the keyways that Coolabah supports this alpha generation strategy is its well-resourced macro-economic strategy, including financial modelling of COVID, war predictor and key RBA/government policy moves. Coolabah has been very successful in predicting market and security price movements.

The targeted weighting to investment-grade debt securities and hybrid securities is 92.5% of the portfolio, with a minimum of 2% in cash and cash equivalents and a maximum weighting of 20% in hybrid securities. The Fund can invest up to 33% of its portfolio in high-quality RMBS/ABS and up to 10% of its portfolio in unrated sub-investment-grade bonds.

### Investment Process

CCI's investment process is singularly focused on identifying mispricing in liquid, generally investment-grade, credit securities (i.e., in long-only portfolios and securities paying excess spread after adjusting for risk betas) that have a high probability of normalising or reverting back to CCI's modelled fair-value target, which will thereby render capital appreciation to augment the income paid by those securities.

CCI uses both top-down and bottom-up analysis as well as qualitative and quantitative valuation analysis. They have created 30 to 40 proprietary quantitative systems/valuation models that can interface directly with Bloomberg. Essentially, the

## Smarter Money Higher Income Fund

qualitative/quantitative models estimate 'fair value' credit spreads, adjusted for all bond risk factors (rating, maturity, liquidity, default risk, capital stack position, etc.). As credit spreads normalise/mean-revert, CCI generates capital gains on top of interest paid on the bond.

The manager attributes the majority of value added (75%) to quantitative and qualitative fundamental valuation analysis.

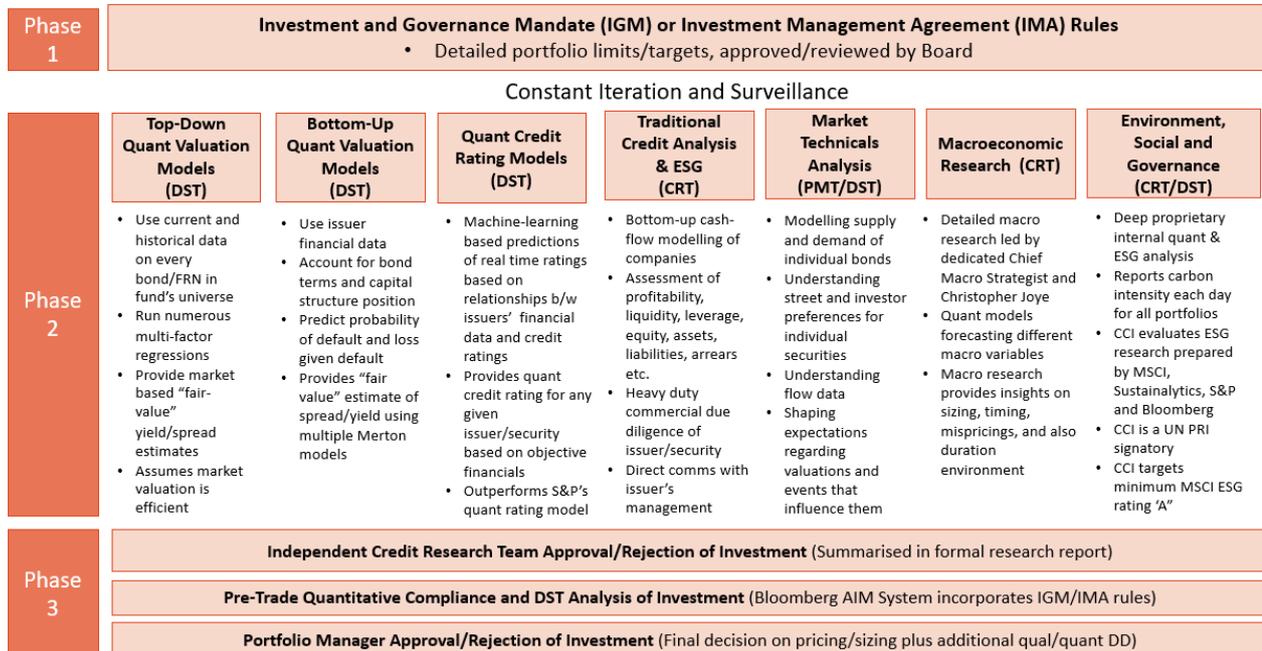
Factor	Contribution
Quantitative and Qualitative Fundamental Valuation	~75%
Supply/Demand Technicals	~12.5%
Macro Market Sentiment (Behavioural)	~12.5%

The investment process is multi-dimensional and consists of 3 key phases:

- The Investment and Governance Mandate (IGM) determines if an asset can be acquired by the Fund or if an existing asset can be retained in the Fund.
- Potential investments are subject to both traditional credit analysis (formalised in a report) and a range of quantitative valuation and credit assessment processes.
- The investment undergoes compliance-and-risk testing, and the portfolio managers accept/reject and, where appropriate, finalise the pricing/sizing of the investment.

The processes and the models are refined on a continuous basis. For example, the quantitative credit-rating model has been enhanced by adding a machine-learning-based predictions model. The manager has always been active in price discovery as well as opportunistic with the Australian market buy-side market-making.

### QUANTITATIVE and QUALITATIVE process



## Smarter Money Higher Income Fund

### **BOTTOM-UP VALUATION**

CCI undertakes rigorous bottom-up quantitative asset valuations to price assets based on (a) the issuer's financial characteristics, (b) the asset's capital structure position, and (c) statistical estimates of the probability of default, the loss given default, and hence expected loss in light of (a) and (b). These bottom-up models include several different state-of-the-art 'Merton' methods utilising option pricing technology (used by the RBA as a tool for monitoring real-time credit risk), and parametric and non-parametric expected-loss models, including techniques that utilise decades of rating-agency data on defaults and recovery rates.

### **RATINGS ANALYSIS**

CCI calculates its own ratings for credit securities. As an example, CCI estimates future default probabilities for the major banks over a 3-year horizon, recalculated daily. They have mapped these default probabilities onto implied credit ratings based on global historical defaults within different S&P ratings since 1920.

### **TOP-DOWN VALUATION**

CCI has also developed multi-factor, top-down, regression-based valuation models that assume current market prices are correct to price assets based on their individual characteristics: credit rating, maturity, liquidity, capital structure position, industry sector, and the terms of the security in question. These top-down statistical valuation models have very high explanatory power and are used to identify day-to-day anomalies in secondary asset pricing and to inform CCI about the expected valuations of new primary issues.

### **RESPONSIBLE INVESTING**

CCI considers that environment, social and governance (ESG) factors are crucial inputs into its investment process and have potentially profound consequences for the performance of our investments, including, most notably, downside risks but also upside mispricing potential in terms of the value of those assets.

Nuanced ESG factors are often overlooked by the market and credit rating agencies when assessing the creditworthiness and valuations of fixed-income securities. CCI continues to be deeply engaged with its target companies and relevant regulators and government stakeholders, dynamically evaluating the status of different ESG factors and seeking to understand their future path. It is essential for CCI to be able to identify and monetise alpha-generating opportunities. ESG is, therefore, a core part of their quantitative and qualitative due diligence and wider investment process.

CCI is cognisant of several benchmarks for assessing ESG issues and is a signatory of the UN-endorsed Principles for Responsible Investment (PRI). CCI actively monitor the development of such principles and their adoption by rating agencies and regulators. CCI also perform deep proprietary research on ESG factors and has published academic research exploring and quantifying the alpha and beta benefits from ESG inputs across different asset classes and countries.

In addition to performing proprietary internal analysis, CCI evaluates ESG research prepared by industry-leading external providers such as MSCI, Sustainalytics, S&P and Bloomberg when assessing a company's resilience to long-term, industry-material ESG risks. Insights provided by these experts assist CCI in identifying risks and opportunities that may not be captured by conventional financial analysis. Furthermore, CCI compiles the MSCI ESG risk rating for each of their exposures and targets a minimum weighted average portfolio MSCI ESG rating of 'A' to help ensure that their portfolios are not exposed to unexpected shocks. Portfolio ESG ratings are reported monthly to investors. The Smarter Money Higher Income Fund has a weighted average portfolio MSCI ESG rating of 'AA'.

### **Investment Team**

The CCI team has continued to expand over the past year. There are now 33 staff members, including 6 (senior) portfolio managers, 4 portfolio management analysis and support staff, 6 credit analysts and 4 data science team members. This includes the London office, which is led by Dr Nick Campregher, a senior Portfolio Manager and Quant Analyst.

CCI's investment team is large and very well resourced compared to many of its peers, reflecting the highly active and quantitatively complex nature of CCI's investment strategies. The CCI team is managed by Christopher Joye, who is both Chief Investment Officer and Senior Portfolio Manager.

## Smarter Money Higher Income Fund

Christopher Joye approves all material OTC trades (one portfolio manager focuses on executing the ASX book on an intra-day basis within agreed delegations), with the other portfolio managers having more limited responsibility, subject to pre-agreed delegations. Hence, there is a high level of key man risk in the implementation of the strategy.

**COOLABAH CAPITAL INVESTMENTS**

**PORTFOLIO MANAGEMENT TEAM (PMT)**

<b>Darren Harvey</b> Snr Portfolio Manager	<b>Ashley Kabel</b> Portfolio Mgr & Quant Analyst	<b>Christopher Joye</b> CEO, CIO & Snr Portfolio Mgr	<b>Dr Stephen Parker</b> Portfolio Mgr & Quant Analyst	<b>Matt Johnson</b> Portfolio Mgr & Quant Analyst
<b>Dr Nick Campregher</b> Portfolio Mgr & Quant Analyst	<b>Rakam Islam</b> Jnr Portfolio Mgr & Quant Analyst	<b>Ying Yi Ann Cheng</b> Portfolio Mgt Director & Market Technicals Analyst	<b>Dr James Yang</b> Jr Trader & Senior Data Scientist	Market Technicals Associate
<b>Credit Research Team (CRT)</b>	<b>Data Science Team (DST)</b>	<b>Finance, Operations &amp; Risk Team (FRT)</b>	<b>Sales &amp; Product Team (SPT)</b>	
<b>Jason Lindeman</b> Snr Credit Analyst	<b>Kai Lin</b> Senior Data Scientist	<b>Ed Teh</b> Chief Risk Officer	<b>Gary Walsh</b> Head of Asset Origination	
<b>Keiran Davies</b> Chief Macro Strategist	<b>Nathan Giang</b> Senior Data Scientist	<b>Daniel Douma</b> Chief Financial Officer	<b>Luke Bouris</b> Nat. Mgr, Product & Operations	
<b>Mat Barrie</b> Snr Credit Analyst	<b>Dr Adam Richardson</b> Quant Analytics Manager	<b>Sarah Saad</b> General Counsel		
<b>Nicholas James</b> Snr Credit Analyst	<b>Dr Ethan Xu</b> Data Scientist	<b>Param Singh</b> Head of Global Middle Office		
<b>Danniel Lin</b> Credit Analyst		Accounting (2), Risk (1)		
<b>Cheryl Lim</b> Credit Analyst		Operations Analysts (4), EA (1)		

### PORTFOLIO MANAGERS

Team Member	Role	Experience
<b>Christopher Joye</b>	CEO, CIO and Senior Portfolio Manager	Christopher is a financial economist and funds management professional and has led the portfolio management team since its inception. His prior experience includes Goldman Sachs (mergers and acquisitions); the RBA in special projects; and he established the quantitative research group Rismark, which also managed asset-backed securities.
<b>Ashley Kabel</b>	Portfolio Manager and Quant Analyst	Ashley joined CCI in 2017. She was the Director of Quantitative Strategies at The Cambridge Strategy in London between 2012 and 2016, and prior to that, she was an investment analyst with PM responsibilities covering FX, equities and fixed income
<b>Darren Harvey</b>	Senior Portfolio Manager	Darren has over 20 years of experience in fixed-income markets, including 10 years at Deutsche Bank in Sydney as a Director of Fixed Income and Head of Option Trading. He also worked in London as a Director in Deutsche Bank's proprietary investment team, focusing on fixed income strategies.
<b>Matt Johnson</b>	Portfolio Manager and Quant Analyst	Matt's prior career was mainly at UBS where he was a Managing Director and the Global Head of Rates Strategy. Other roles at UBS included the Head of AUD/NZD Rates Strategy in Sydney and the head of the Asia Pacific Knowledge Network in Singapore.
<b>Dr Stephen Parker</b>	Portfolio Manager and Quant Analyst	<b>Before joining CCI in 2016, Dr Parker was a futures trader at Star Beta, focussing on Australian and US government bonds and the formulation of quantitative trading strategies and risk management models for these markets.</b>
<b>Dr Nick Campregher</b>	Portfolio Manager and Quant Analyst	Based in London, Nick helps lead Coolabah's offshore trading, investments, execution and research processes. His previous roles included Senior Trader in the Credit Exotics and Complex Structured Products group at UBS in London between 2013 and 2019, structured credit trader (UBS), and risk management consulting (d-fine Ltd. and Standard Bank).

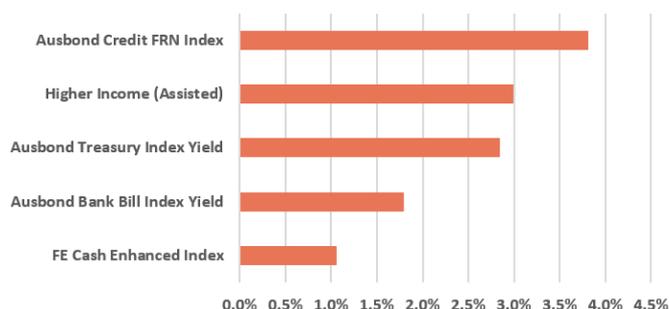
### CREDIT / QUANT / RISK / TECHNICAL ANALYSTS

Team Member	Role	Experience
<b>Ed Teh</b>	Chief Risk Officer and Senior Credit Analyst	Ed's expertise is in local and international fixed income, bond insurance and corporate lending.
<b>Jason Lindeman</b>	Head of Credit Research	Jason's prior experience involved credit analysis, credit trading and portfolio management in Australia and London.
<b>Kieran Davies</b>	Chief Macro Strategist	Kieran was the Chief Markets Economist for NAB and Chief Economist - Australia and New Zealand - for Barclays Bank and ABN Amro Bank/RBS. He also worked as Principal Adviser to the Commonwealth Treasury on the macroeconomy and budget policy.
<b>Mathew Barrie</b>	Credit Analyst	Mathew was an Assistant Manager in corporate finance with BDO and an Undergraduate Engineer at Winslow Civil Constructors.
<b>Ying Yi Ann Cheng</b>	Portfolio Management Director and Market Technical Analyst	Ying specialised in macro-hedge-fund sales at Citibank in London and Sydney and institutional fixed-income sales at RBC.
<b>Kai Lin</b>	Senior Data Scientist and CTO	Kai was a Data Scientist at CBA, building machine learning models.
<b>Nathan Giang</b>	Senior Data Scientist	Nathan worked at Macquarie as a Senior Analyst within the Risk Management Group's Quantitative Applications Division.
<b>Dr James Yang</b>	Senior Data Scientist	James was a Quantitative Analyst at Enterprise Risk Analytics (Westpac Group).
<b>Dr Adam Richardson</b>	Quant Analytics Manager	Adam completed his PhD in risk-based optimisation and AI and worked for 5 years as the Head of R&D at Logistical Risk Management.

## Performance

CCI recorded negative excess yield in the 1-year period ending July 2022, with some recovery taking place over the latter part of July 2022. This performance reflects the global shifts in inflation and asset pricing that took place over this period, with significant changes in credit spreads and interest rates. While CCI correctly predicted much of the asset pricing shifts, held close to record low exposures to credit spreads and interest rate risk, and is well positioned for gradual market normalisation, the portfolio has been impacted. The portfolio, as at end July 2022, had a running yield of 2.99%.

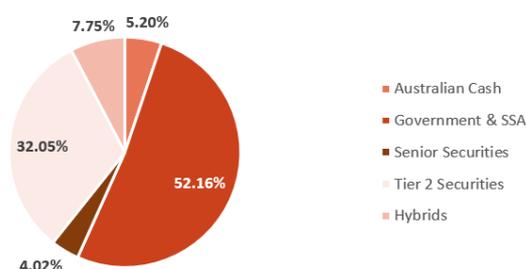
**Smarter Money Higher Income Fund Gross Running Yield (31 July 2022)**



## Smarter Money Higher Income Fund

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1 mth (%)	0.28	0.23	0.10	0.13
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6 mths (%)	-0.65	-0.99	0.19	-1.18
1 yr (%)	-0.78	-1.46	0.21	-1.67
3 yrs (%pa)	1.68	0.80	0.28	0.52
5 yrs (%pa)	2.54	1.63	0.75	0.88
Inception (10/14)	3.32	2.35	1.16	1.19

Smarter Money Higher Income Fund Portfolio Composition  
31 July 2022



Source: Coolabah Capital Investments Pty. Ltd.

### PORTFOLIO SNAPSHOT

Portfolio: July 2022			
Net Monthly Returns > RBA Cash Rate	77%	Modified Interest Rate Duration	<0.1 yrs
Portfolio Weight to Cash Securities	5.2%	Permitted Gearing	No
Portfolio Weight to Bonds	96.0%	1yr Av Portfolio Weight to Cash	18.1%
Average Portfolio Credit Rating	A+	Portfolio Weight to AT1 Hybrids	7.7%
Portfolio MSCI ESG Rating	A	Cash + Repo-Eligible Debt	58.0%
Number of Cash Securities	10	Annual Volatility (Since Inception)	0.85% p.a.
Number of Floating-Rate Notes/Bonds/Hybrids	106	Net Sharpe Ratio (Since Inception)	1.40x
Average Interest Rate (Gross Running Yield)	2.99%		

Source: Coolabah Capital

### Compliance and Risk Management

The Responsible Entity has the primary legal responsibility for monitoring the investment manager's compliance with the Fund's PDS and IGM. The Responsibility Entity has a Compliance Committee and a dedicated Compliance Manager. The Responsible Entity has appointed Mainstream Fund Services Pty. Ltd. as the administrator for the Fund, responsible for processing investment applications, unit registry, distributions and redemptions, anti-money-laundering monitoring, investor reporting, and investor services. The Fund's assets and unit prices are also independently valued on a daily basis by the fund administrator, using the industry standard administration system, HiPortfolio.

The Fund's assets are held on behalf of the Fund's investors by Mainstream Fund Services Pty. Ltd. As at the date of this report, CCI is insured by Chubb Insurance Australia Limited and includes professional Indemnity insurance (\$5 million), directors' and officers' insurance (\$2 million), and crime insurance (\$5 million). There is also a \$2 million cyber security policy in place.

### CCI RISK GOVERNANCE

CCI has 2 dedicated compliance managers: Chief Risk Officer, Ed Teh, who is based in Sydney, and Shretan Dholakia, based in the London office. CCI's Investment Committee and Risk and Compliance Committee also monitor compliance. The Investment Committee comprises Darren Harvey (Chair), Melda Donnelly (Independent), Chris Joye (CIO) and Robert Henricks (Independent). The Risk and Compliance Committee comprises experienced Super Fund Director, Melda Donnelly (Chair), former Super Fund Director, Robert Henricks (independent committee member) and James McNally (risk/compliance expert). The Committee meets monthly.

Detailed compliance procedures are in place that include notification of significant events or breaches to the Compliance Committee and the Board, notification requirements, compliance reviews, and audit requirements.

## Smarter Money Higher Income Fund

### CCI RISK MANAGEMENT SYSTEMS

In 2017, CCI transitioned to the Bloomberg Asset and Investment Manager (AIM) system, which is an industrial-scale, fixed-income order management, portfolio management, compliance, middle-office and back-office asset management system used by over 800 institutions globally. This system represents a significant ongoing cost, but it allows CCI to manage upwards of 20 portfolios using global multi-asset strategies. CCI's Bloomberg AIM system enables the following analytics:

- Live portfolio revaluations and portfolio weights intra-day
- A dashboard view of individual portfolio exposures by security type, issuer and sector
- Pre-trade investment compliance across a large number of mandate rules
- Pre- and post-trade portfolio analytics, including modified duration, spread duration and credit rating distributions

AIM provides real-time position management and portfolio analysis, enabling managers to compare the portfolio to a benchmark, and allowing traders and risk managers to view aggregate risk metrics. CCI's core quantitative valuation models directly interface with Bloomberg and are automatically updated daily.

### MIDDLE/BACK-OFFICE

CCI's internal middle office, including a dedicated CFO and an operations analyst, uses Visual Basic to automate settlement processing. CCI's retail funds' accounting, unit registry, tax, general fund administration and back-office services are outsourced to Mainstream Fund Services, a Sydney-based ASX-listed global fund administrator with operations in 8 countries. Mainstream Fund Services uses the HiPort system for unit pricing and portfolio valuations.

CCI outsources all Responsible Entity services to Equity Trustees Limited, as well as its own independent compliance systems, and custody to Mainstream Fund Services.

CCI uses the CompliSpace enterprise-wide risk management, compliance and governance system. CompliSpace services over 600 clients in Australia, including numerous large institutional fund managers. They have offices in Sydney, Melbourne and Perth and staff in Adelaide and Canberra.

## Transparency & Reporting

The Coolabah Capital website provides Fund details, documentation, performance, technical papers and – for researchers – detailed company structure and business management.

CCI provides:

- monthly summary performance and strategy reports via email or in the public section of the website;
- monthly portfolio composition files for institutional clients (via email or in a password-protected section of the website); and
- monthly detailed historical performance files for institutional clients (available in the password-protected section of the website.)

### THIRD-PARTY & SERVICE ADVISORS

<b>Fund Administrator</b>	Mainstream Fund Services Pty. Ltd.
<b>AFSL Licensee</b>	Coolabah Capital Institutional Investments Pty. Ltd.
<b>Trustee Services</b>	Equity Trustees Limited
<b>Compliance Services</b>	CompliSpace
<b>Legal Advisor</b>	Corrs Chambers Westgarth
<b>Accounting, Fee and Distribution Calculation</b>	Mainstream Fund Services Pty. Ltd.
<b>Taxation Advisor</b>	EY Australia

## Smarter Money Higher Income Fund



<b>Auditor</b>	EY Australia
<b>Insurance Provider</b>	Chubb Insurance Australia Limited (investment manager policy), Dual Australia Pty. Ltd. (cyber security policy) and Asteron Life (key-man insurance)
<b>Fund Research</b>	Data sources: Bloomberg, FT Interactive, Yieldbroker and S&P Capital IQ
<b>IT Services</b>	Sapphire IT Services
<b>Portfolio Software</b>	Bloomberg AIM System

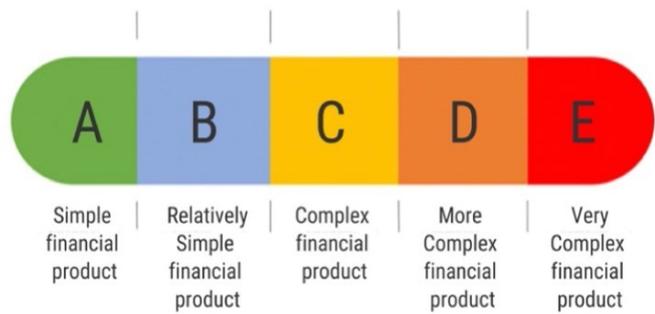
## Investment Rating Scale

The Foresight Analytics' Analytics investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
<b>Superior</b>	Indicates the highest level of confidence that the fund can deliver a risk-adjusted return in line with the investment objectives of the fund.
<b>Very Strong</b>	Indicates a very strong conviction that the fund can deliver a risk-adjusted return line with the investment objective of the fund.
<b>Strong</b>	Indicates a strong conviction that the fund can deliver a risk-adjusted return in line with the investment objective of the fund.
<b>Competent</b>	Indicates that the fund may deliver a return in line with the fund's relevant benchmark.
<b>Weak</b>	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and or meet the return of its benchmark.

## Foresight Complexity Indicator

Foresight Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



## Investment Rating & Foresight Complexity Methodology

Foresight Analytics ratings' methodology for its investment rating and research can be downloaded from its website.

## Contact Details

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## Disclaimer

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## Financial Services Guide

A copy of the Foresight Analytics' Financial Services Guide can be provided by calling 02 8883 1369.