

April 2025

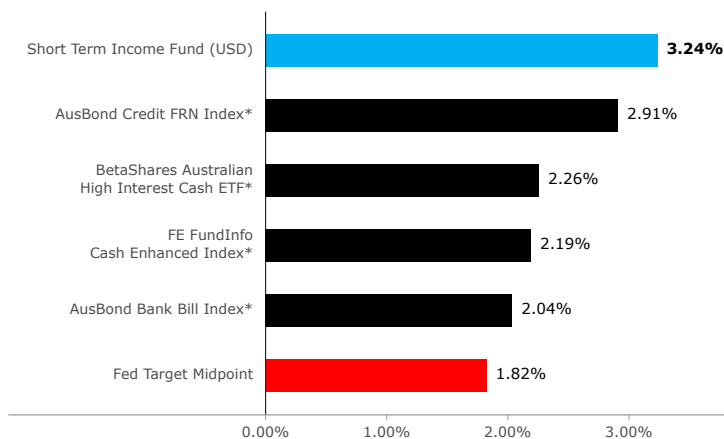
**Objective:** An independently-rated/recommended strategy targeting low-risk cash and fixed income returns that exceed the midpoint of the US Fed Funds Target Range plus 1.5% to 3.0% p.a. over rolling 12 month periods after Management Fees, Administration Fees and Performance Fees, denominated in USD.

**Strategy:** The USD Investor Class has exposure to an Underlying Pool (the **Fund**) which invests in an actively managed diversified portfolio of Australian deposits, investment grade floating-rate notes and hybrid securities with a weighted-average "A" credit rating. We do not invest in fixed-rate bonds (unless interest rate risk is hedged), direct loans, use leverage, or take currency risk. We add value via active asset-selection using a range of valuation models with the aim of (1) delivering lower portfolio volatility than traditional bond funds and (2) providing superior risk-adjusted returns, or alpha, without explicitly seeking interest rate risk, credit risk or liquidity risk. The strategy is managed by Coolabah Capital Investments, which is a specialist active credit manager. The Fund returns are hedged to USD.

Period Ending 2025-04-30	Gross Return (USD)	Net Return (USD) <sup>†</sup>	US Fed Fund Target Midpoint	Gross Excess Return (USD) <sup>‡</sup>	Net Excess Return (USD) <sup>†‡</sup>
1 month	0.08%	0.04%	0.35%	-0.27%	-0.31%
3 months	0.76%	0.63%	1.05%	-0.29%	-0.42%
6 months	2.20%	1.92%	2.18%	0.02%	-0.26%
<b>1 year</b>	<b>6.13%</b>	<b>5.47%</b>	<b>4.85%</b>	<b>1.28%</b>	<b>0.61%</b>
3 years pa	6.12%	5.34%	4.45%	1.67%	0.89%
5 years pa	4.89%	4.05%	2.71%	2.18%	1.35%
10 years pa	4.16%	3.31%	1.92%	2.24%	1.39%
<b>Inception pa Oct. 2014</b>	<b>4.09%</b>	<b>3.24%</b>	<b>1.82%</b>	<b>2.26%</b>	<b>1.41%</b>

### Coolabah Short Term Income Fund Returns (Net) vs Comparisons

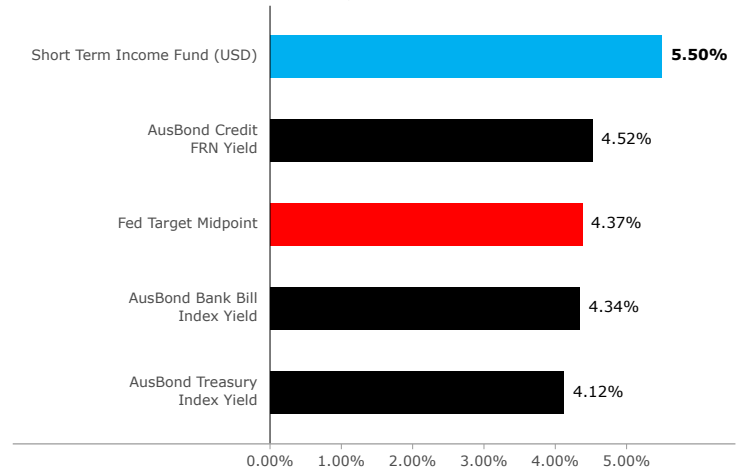
Annualized Total Returns Since Inception in October 2014 to April 2025



Data Source: RBA, Bloomberg, Mainstream, Coolabah Capital Investments

### Annual Running Yield

30 April 2025



Data Source: RBA, Bloomberg, Coolabah Capital Investments

<sup>†</sup> Net returns are calculated from the historic gross returns using the current fee structure as displayed in the Product Disclosure Statement. \*USD gross returns are estimated from AUD gross returns using 1 month forward contracts. <sup>‡</sup> The Excess Return columns represent the gross and net return above the midpoint of the US Federal Funds Target Range.

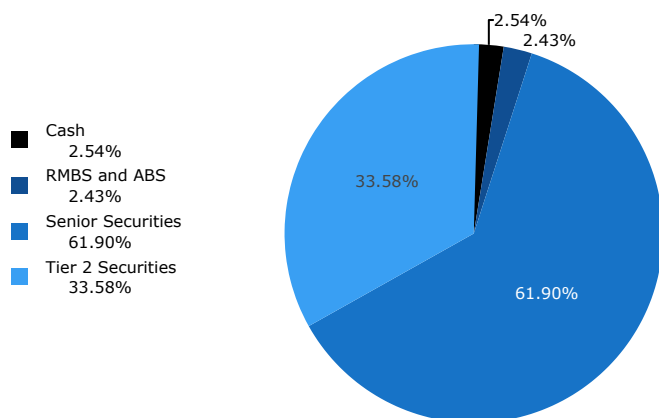
**Disclaimer:** Past performance does not assure future returns. Returns are shown net of management fees and costs unless otherwise stated. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. To understand Fund's risks better, please refer to the Product Disclosure Statement available at Coolabah Capital Investments' [website](#).

Net Monthly Returns > Fed Target Midpoint	76%	Modified Interest Rate Duration	< 0.1 years
Portfolio Weight to Cash Accounts	2.5%	Gearing Permitted?	No
Portfolio Weight to Bonds	97.9%	1 Year Av. Portfolio Weight to Cash	3.2%
Av. Portfolio Credit Rating	A+	Portfolio Weight to AT1 Hybrids	0.0%
Portfolio MSCI ESG Rating	AA	Cash Accounts + RBA Repo-Eligible Debt	56.3%
No. Cash Accounts	12	Net Annual Volatility (since incep.)	0.80%
No. Notes and Bonds	190	Net Sharpe Ratio (since incep.)	1.77x
Av. Interest Rate (Gross Running Yield)	5.50%		



**Coolabah Short Term Income Fund  
Portfolio Composition (NAV)**

30 April 2025

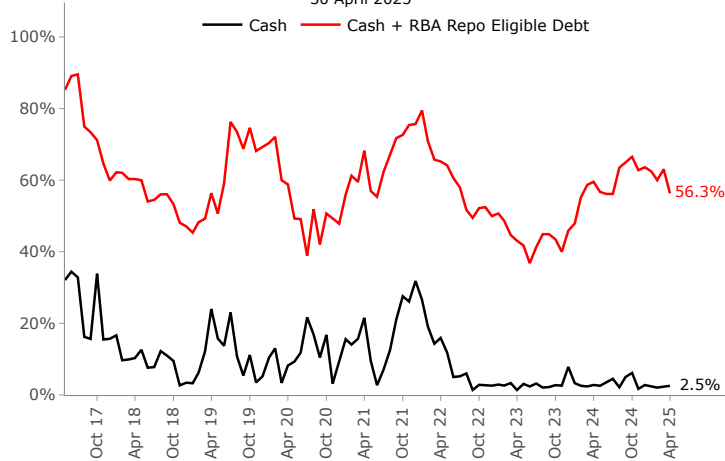


Data Source: Coolabah Capital Investments



**Portfolio Weights: Cash + RBA Repo Eligible Debt**

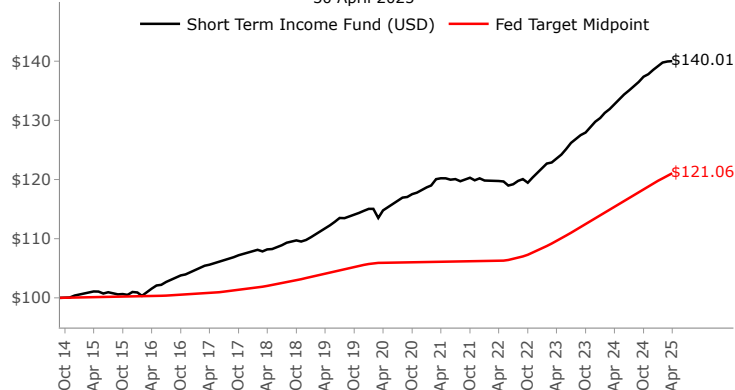
30 April 2025



Data Source: Coolabah Capital Investments

**Value of \$100 Invested Since Inception**

30 April 2025



Data Source: Bloomberg, Coolabah Capital Investments

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The since inception gross (net) return of 4.09% pa gross (3.24% pa net) is the total annual return earned by the fund since Oct. 2014, including interest income and movements in the price of the bond portfolio after all fund fees (assuming net returns are calculated from the historic gross returns using the current fee structure as displayed in the Product Disclosure Statement). The net return quoted applies to the Coolabah Short Term Income Fund - USD Investor Class, with quarterly distributions reinvested. Investment return will vary depending upon investment date and any additional investments and withdrawals made. The annualised volatility estimate of 0.80% pa is based on the standard deviation of net daily returns since inception, which are then annualised, attributable to the Coolabah Short Term Income Fund - USD Investor Class.

Portfolio Managers Christopher Joye, Ashley Kabel, Roger Douglas, Fionn O'Leary ([Coolabah Capital Investments](#))

APIR Code	ELT3997AU	Fund Inception	30-Sep-14
ISIN	AU60ETL39970	Distributions	Quarterly
ARSN	601 093 485	Unit Pricing	Daily (earnings accrue daily)
Asset-Class	Short-Term Fixed-Interest	Min. Investment	US\$1,000
Custodian	Citigroup	Withdrawals	Daily Requests (funds normally in 5 days)
Investment Manager	Coolabah Capital Investments (Retail)	Buy/Sell Spread	0.00%/0.025%
Responsible Entity	Equity Trustees	Mgt. & Admin Fee	0.55% pa
Target Return	Net 1.5%-3.0% pa over Fed Funds Target Mid Point	Perf. Fee	22.5% of returns over Fed Funds Target Midpoint + 2.05% pa

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CCC B BB BBB A AA AAA

Asset weighted average rating

*In the commentary below, returns indicated with \* are estimated returns in USD based on AUD returns hedged to USD with 1m forward contracts. All other returns are USD Denominated where unit classes in USD exist, and estimated from AUD returns hedged to USD using 1m forward contracts before the inception of the USD unit class. Strategy commentary is for the AUD Market.*

**Portfolio commentary:** In April, the zero-duration daily liquidity Coolabah Short Term Income Fund (STIN) returned 0.08% gross (0.04% net), compared to the FE Cash Enhanced Index\* (0.02%), the Fed Target Midpoint (0.35%), the BetaShares High Interest Cash (AAA) ETF\* (0.38%), and the AusBond Bank Bill Index\* (0.39%). Over the previous 12 months, STIN returned 6.13% gross (5.47% net), outperforming the Fed Target Midpoint (4.85%), the FE Cash Enhanced Index\* (5.07%), the AusBond Bank Bill Index\* (5.08%), and the BetaShares High Interest Cash (AAA) ETF\* (5.11%). STIN ended April with a running yield of 5.50% pa, a weighted-average credit rating of A+, and a portfolio weighted average MSCI ESG rating of AA.

Since the inception of STIN 10.6 years ago in October 2014, it has returned 4.09% pa gross (3.24% pa net), outperforming the Fed Target Midpoint (1.82% pa), the AusBond Bank Bill Index\* (2.04% pa), the FE Cash Enhanced Index\* (2.19% pa), and the BetaShares High Interest Cash (AAA) ETF\* (2.26% pa). Since inception, STIN's Sharpe Ratio, which measures risk-adjusted returns, has been 2.75x gross (1.77x net). While STIN's return volatility since inception has been low at around 0.80% pa (measured using daily returns), as a daily liquidity product with assets that are marked-to-market using executable prices, volatility does exist. This contrasts with illiquid credit (eg, loans and high yield bonds) wherein assets that have very high risk can appear to have remarkably low volatility, which is, in fact, just a mirage explained by the inability to properly value these assets using executable prices.

**Strategy commentary:** April subjected investors to some of the most extreme volatility we have seen since the 2008 crisis. The good news is that this presented Coolabah with tremendous buying opportunities, which we ruthlessly capitalised on. At the worst point during the month, the S&P500 and Nasdaq indices had declined by 22 per cent and 27 per cent, respectively, from their 2025 peaks.

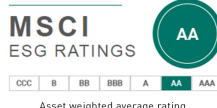
This was accompanied by violent moves in all liquid, or tradeable, asset classes. Bitcoin plunged 28% from its US\$107,000 peak in January to US\$77,000 in early April. Credit spreads on US bank bonds spiked to levels that were close to the wides observed during 2022 when markets were capitulating as a function of the worst relative interest rate shock on record (in 2022, the S&P500 and Nasdaq slumped by 26% and 36%, respectively, from their prior peaks).

More specifically, the credit spread above the cash rate paid by US financial senior-ranking (or subordinated) bonds jumped by 65bps (80bps) from 90bps to 155bps (130bps to 210bps) in April at the wides. Over the somewhat circular price action during the month, global credit spreads still moved sharply higher in Australia (+10bps), the US (+13bps), UK (+12bps) and Europe (+15bps).

While Australia remained the lowest beta (or volatile) debt market, as we had anticipated, its elasticity to global spread moves was nonetheless somewhat higher than it has been in the past, which liberated interesting trading opportunities.

As an example, the credit spread on Aussie 5-year major bank senior (subordinated) bonds leapt from circa 75bps (145bps) to 105bps (205bps) at the wides. These were historically enticing levels.

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Strategy commentary cont'd:

5-year Constant Maturity Major Bank Senior Bond Spreads



5-year Constant Maturity Major Bank Subordinated Bond Spreads



In the ASX hybrid market, prices declined materially, although performance was more resilient relative to what we saw accompany similarly sized 20-30% equity moves in, for instance, the pandemic shock of March 2020.

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CCC B BB BBB A AA AAA

Asset weighted average rating

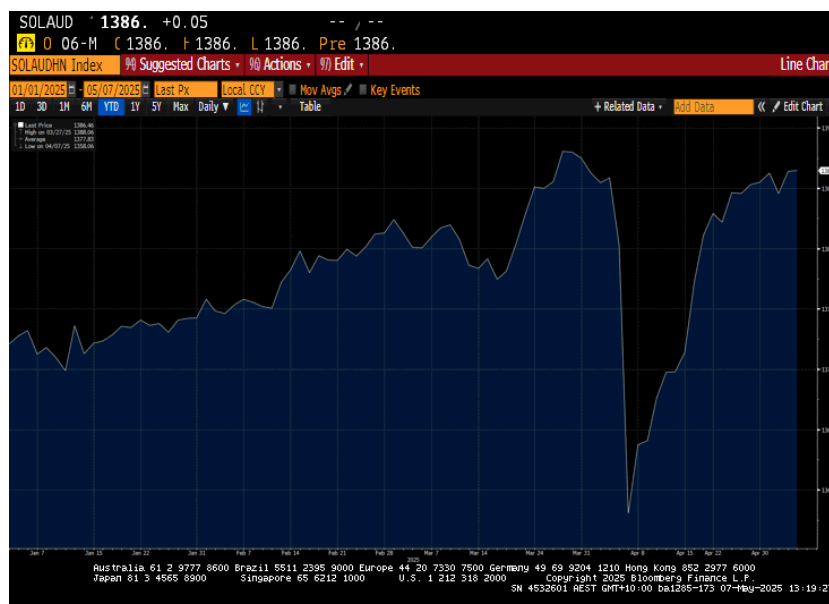
## Strategy commentary cont'd:

### 5-year Constant Maturity Major Bank Hybrid Spreads



On a peak-to-trough basis, the Solactive ASX Hybrids Index lost 2.3% in April, which was slightly more than the decline in global investment-grade credit (where the Bloomberg Global Aggregate IG Credit Index (zero duration) had a peak-to-trough loss of 1.5%). The ASX hybrid market outperformed the draw-down in high yield, or sub-investment grade, bonds as proxied by the Bloomberg Global High Yield Index, which fell by 3.0% at its worst. At their widest, 5-year major bank hybrid spreads on the ASX climbed from about 190bps to 265bps, although they have since settled at 215bps.

### Solactive ASX Hybrids Index



## Strategy commentary cont'd:

### Bloomberg Global High Yield Index



Coolabah had a highly contrarian approach to portfolio construction and positioning throughout. Heading into April, we had undertaken a range of aggressively defensive measures, including:

- Taking profits over the prior 12 months
- Deleveraging any levered portfolios
- Moving out of USD and EUR credit back into the relative safe harbour of more highly rated and lower beta or less volatile AUD credit
- Putting in place explicit insurance in the form of credit default swap hedges

Prior 2 April, we had hedged 15% of all our long-only credit risk and 25% of our long-short credit risk in addition to generally derisking over the preceding year. This meant we had tremendous dry powder to use when the volatility erupted.

We had argued for months that Trump was dead serious on his new tariff regime and desire to fully decouple from China. And we asserted that markets were very poorly positioned to deal with this contingency.

We had also warned investors to expect much higher volatility and wider credit spreads, which would nonetheless present buying opportunities. It was important for us to underscore the likelihood of heightened volatility due to the artificially smooth nature of asset prices in recent times, which could lull investors into a false sense of security. It is pretty clear that many were indeed complacent.

On 9-10 April, Coolabah cut all its hedges/shorts and started aggressively buying again. In particular, we bought \$1.4 billion of credit on 9-10 April, which we extended to \$4 billion of gross buying by the end of the month. We also engaged in \$1.4 billion of selling (or \$2.6 billion of net buying).

This activity meant that portfolio performance was much more resilient than it has been in prior periods when equities have declined 20-30%. It also meant that portfolios rebounded firmly in the second half of the month, which has continued in May.



**Strategy commentary cont'd:** Why did we pivot 180 degrees on 9-10 April after having been so bearish about the outlook? As noted above, we argued prior to April that markets were very poorly positioned for Trump's new tariff regime. He did not disappoint on 2 April and again on (initially) 9 April with his uber-aggressive tariff framework, which was effectively tantamount to declaring a forever-trade-war on every country in the world. We asserted that Trump's goals were straightforward:

- Actively decouple from China given the US no longer believes that China will ever trade with it on fair terms (ie, without government subsidies and intellectual property theft, particularly in strategically important sectors);
- Decoupling requires credible and permanent trade barriers to convince US manufacturers to return their factories home (ie, the reshoring of supply chains), which also radically reduces US strategic vulnerabilities in the event of kinetic conflict with China;
- Address unfair trade practices by China's surrogates, such as Vietnam and Mexico, by applying pari passu tariffs on these nations as well and thereby cauterise the loopholes that would otherwise open up by only targeting the Middle Kingdom;
- Address the manifold unfair state subsidies that nations around the world use to steal trade from the US (consider, for example, the huge government support afforded to the Australian film industry, which allows it to compete unfairly with the US); and
- Using the circa US\$5.7 trillion in potential revenues that Coolabah estimates could in theory be generated by tariffs to partly pay for the US\$8.1 trillion of tax cuts that Trump wants to bequeath.

The savage bond and equity market reaction to Trump's tariff regime in April evidently convinced him that a more nuanced approach was required. There was also geo-political concern that he would drive key allies and trading partners into the arms of China.

During 9 April Trump engaged in a very sophisticated recalibration after imposing the proposed 2 April package at 12am on that day. Specifically, he offered every country in the world the opportunity to do a trade deal with the US via a three month deferral of their tariffs in lieu of a flat 10% rate that would apply during the negotiating period. At the same time, he boosted his Chinese tariffs to a shocking 145%. What most investors missed is that this actually had the effect of increasing the overall or effective tariff rate that the US was applying across all countries from 32% to 35%, albeit by shifting the incidence or burden of these taxes largely on to China's shoulders.

It was exactly what financial markets wanted to see—the deal-making Trump in action. And so, the S&P500 embarked on an extraordinary rally and has since recovered a lot of its 22 per cent peak-to-trough draw-down. These were the most volatile market conditions observed since the global financial crisis.

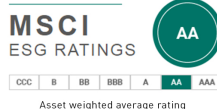
It was, in fact, both Trumps at play: the compromising, mercenary Trump that investors like who is always eager to assuage their apprehensions; combined with a very hard-hitting geo-political and trade hawk who is singularly focussed on decoupling from China and restoring US military and economic hegemony.

For Coolabah, 9 April was a key inflexion point. Trump was demonstrating that he could listen to market signals and thread a much more nuanced needle. We saw this reflexivity in action days later when Trump initially declared that he wanted to sack the Fed chair Jay Powell, which promptly precipitated steep asset price declines, only to quickly walk his rhetoric back within 24 hours when he confirmed that there were, in fact, no plans to dispose of the embattled Fed chair.

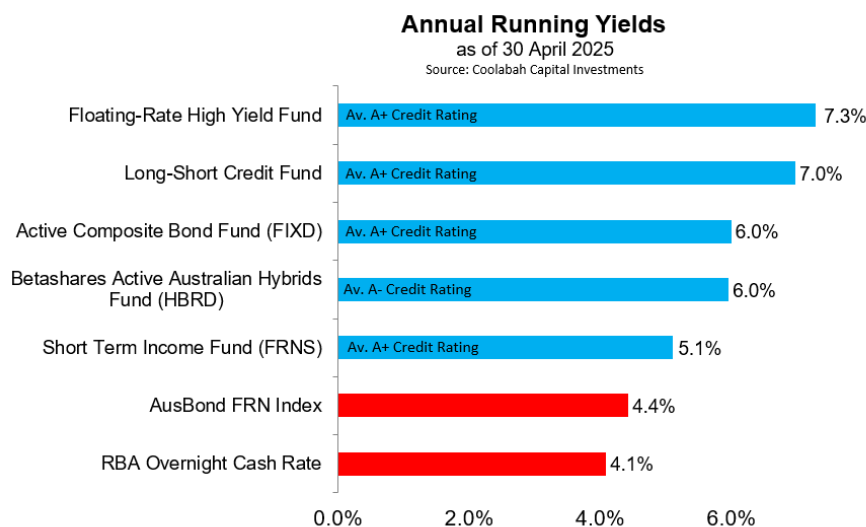
Given the moves in credit spreads, a lot of the bad news was now in the price. A reasonable probability of a US recession was being handicapped. Investors expected poor data flowing from both the inflation shock and the disruption to economic activity. While the Fed is nervous about consumer inflation expectations, any recession would quickly compel it to furnish interest rate relief. And Trump was showing that he could be a more nimble actor than the worst of the April price action implied. It was, therefore, time to buy.

We bought in the eye of the storm on 9-10 April when many investors were rushing for the exits. When there was peak fear. Sadly, those fleeing crystallised losses at the worst possible point, highlighting the well-known adage that investors tend to time markets very poorly indeed.

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**Strategy commentary cont'd:** Looking ahead, portfolio yields have improved despite market expectations for four more RBA rate cuts this year. Credit spreads in many of Coolabah's key sectors are now trading on historically appealing levels (see the two charts below for US financial senior-ranking and subordinated spreads). Senior-ranking bonds issued in USD are especially interesting at present. And there has been a font of new primary market issuance in USD, EUR, and AUD that is coming with much more credible new issue concessions, which Coolabah has been keen to support. Combined, these variables should power future performance.



## Bloomberg US Financial Senior Spreads





Return/Risk: **4.09% pa gross/3.24% pa net (0.80% pa volatility)**



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CCC B BB BBB A AA AAA

Asset weighted average rating