IMAP

Institute of Managed Account Professionals

COOLABAH CAPITAL INVESTMENTS™

THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

Coolabah Capital Investments

What is the Likelihood and Implications of a Looming Global Recession

FE Alpha Manager:

Coolabah Capital

CCI was selected by researcher FE fundinfo in its Inaugural 2019 Top 11 Australian "Alpha Managers"

March 2022

For Wholesale Investors Only

www.coolabahcapital.com

Strictly Private & Confidential

MSCI ESG RATINGS

A

CCC	B	BB	BBB	A	AA	AAA

Asset weighted average rating

Important Information

Investment Disclaimer

Past performance does not assure future returns. 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. This information has been prepared by Coolabah Capital Institutional Investments Pty Ltd (CCII) (ACN 605 806 059, AFSL 482238) for wholesale investors. It is general information only and is not intended to provide you with financial advice. You should not rely on any information herein in making any investment decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The Product Disclosure Statement (PDS) for the funds should be considered before deciding whether to acquire or hold units in it. A PDS for these products can be obtained by visiting www.coolabahcapital.com. Equity Trustees Ltd (AFSL 240975) is the Responsible Entity for Australian registered managed investment schemes. Equity Trustees Ltd is a subsidiary of EQT Holdings Limited (ACN 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Coolabah Capital Investments (Retail) Pty Limited (CCIR) (ACN 153 555 867) is the Investment Manager and is an authorised representative (#000414337) of CCII. Both CCIR and CCII are wholly owned subsidiaries of Coolabah Capital Investments Pty Ltd (CCI). Neither CCI, Equity Trustees Ltd (ACN 004 031 298) nor their respective shareholders, directors and associated businesses assume any liability to investors in connection with any investment in the funds, or guarantees the performance of any obligations to investors, the performance of the funds or any particular rate of return. Past performance is not an indicator of nor assures any future returns or risks. The repayment of capital is not guaranteed. Investments in the funds are not deposits or liabilities of any of the above-mentioned parties, nor of any Authorised Deposit-taking Institution. The funds are subject to investment risks, which could include delays in repayment and/or loss of income and capital invested.

Forward-Looking Disclaimer

This presentation contains some forward-looking information. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Although forward-looking statements contained in this presentation are based upon what Coolabah Capital Investments Pty Ltd believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Coolabah Capital Investments Pty Ltd undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Where we have been – and where we are going

- **In late 2021, CCI was super negative everything (cf. AFR and Livewire articles)**
    - Forecast that US core inflation would remain much higher than Fed projections
    - Forecast Fed would raise cash rate to > 2.5% to 3.0% (currently 4.75%) – market was pricing peak cash rate around ~1% in Dec '21
    - Forecast US 10-year bond yields would rise from circa 1% level in Dec '21 to >3.2% (currently 3.7%)
    - Forecast US equities would fall by >30% (most strategists expected positive returns in '22) – S&P/Nasdaq peak-to-trough price decline has been 26%/36%
    - Forecast global credit spreads would be ~100bps wider, which is what we have experienced
    - Forecast large losses in crypto (now down >70%) and Aussie house prices from mid '22 (house prices on track for record decline)
    - CCI's global military conflict models put a ~74% probability on kinetic military conflict between China/Taiwan in next 10yrs
    - And a ~45% probability on kinetic military conflict between China/US in next 10yrs
- **CCI invested its capital behind these views, getting aggressively short AUD, USD and EUR credit**
    - We ended up monetising $10bn - $11bn (June 21 to Oct 22) of credit shorts in both investment-grade and high yield bonds
    - We were short physical bonds, CDS indices, and single-name CDS
    - We also lifted our average credit rating into AA band and calibrated modified duration exposures at 0 years
- **CCI now likes high-grade, floating-rate credit that is historically cheap**
    - CCI has been capturing attractive new issue concessions in primary market transactions
    - CCI has been buying 5-year major bank senior bonds at >120bps versus post-Basel III average spread levels of 79bps over BBSW
    - CCI has been buying 5-year Tier 2 bonds as wide as 280bps versus historical averages of 189bps
    - CCI's models imply equities remain unattractive although duration is becoming more appealing
    - CCI's models signal a substantial interest rate-led default cycle that will have a major impact on high-yield and private credit markets

Macro: Interest rates likely to peak in 2023

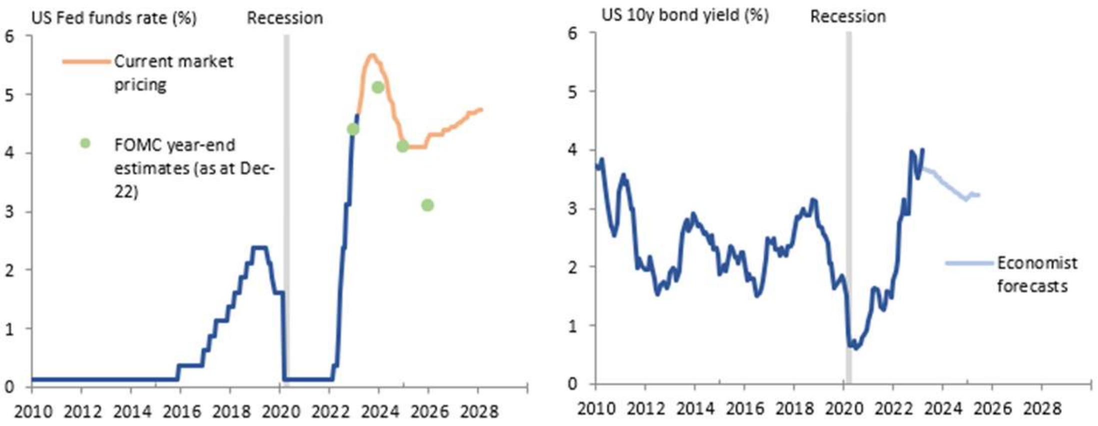
- **A world recession in late 2023 is likely.**
  - The US will enter its first interest rate-driven recession since the global financial crisis, while the euro area's recession will be also be driven by higher interest rates, with China continuing to grow at a subpar rate on average.
- **After peaking last year, inflation will improve over the next 2-3 years, although there is much uncertainty about how quickly this will happen.**
  - US inflation and wages growth has already peaked, while Australian inflation likely peaked in H2 2022. Inflation will improve over the next 2-3 years, but there is much uncertainty about the speed and extent of the improvement.
- **Interest rates should peak this year, assuming inflation expectations remain under control.**
  - Policy rates could reach 5.25% or more in the US, 3.5% to 4.0% in Australia, and 3.5% or more in the Euro area, assuming inflation expectations remain under control and where reducing inflation comes at the cost of sharply higher unemployment. If expectations become unmoored, this would trigger much higher interest rates and higher unemployment.
- **US stock prices are correcting from an extreme in valuations, while bonds look attractive.**
  - Real stock prices usually peak during a recession, where recessions combined with high inflation tended to be longer than usual. However, this time is different in that prices are correcting from an extreme in valuations, which points to an extended period of poor performance. Bonds look attractive assuming that inflation expectations remain under control.

Macro: A world recession seems likely in late 2023 / early 2024

- **Bond markets continue to signal a world recession is likely in late 2023/early 2024, with inverting yield curves pointing to recessions in the US and euro area driven by higher interest rates.**
- **US recessions normally last about a year and involve a large rise in unemployment.**
- **US policy rates and 10-year government bond yields normally peak shortly before the start of a recession.**
- **US equity prices – which are still very expensive on long-term valuation measures – normally trough well *after* a recession is under way.**
- **A US recession could be deeper and/or longer given the risk of higher policy rates given:**
  - The tight US labour market indicates that the economy retains more momentum than expected by both the market and the Fed; and
  - There is the ongoing possibility that still-high inflation feeds into higher inflation expectations.

A US recession seems very likely in late 2023 / early 2024

Figure 1: Higher US short-term interest rates …



The bond market continues to point to a high risk of recession in late 2023/early 2024

- The most reliable leading indicator of US recession is the slope of the yield curve, particularly when the curve inverts at a high level of the policy rate.
- **A model based on the slope of the yield curve and the level of the Fed funds rate points to a c70% risk of recession by late 2023/early 2024 based on current market pricing and economist forecasts of interest rates. This is a very strong signal by the standards of the bond market, where the model prediction has ranged from about 30 to 40% for recent recessions.**

Source: Bloomberg, Federal Reserve, Shiller, CCI March 2023

Figure 2: … and an inverting yield curve …

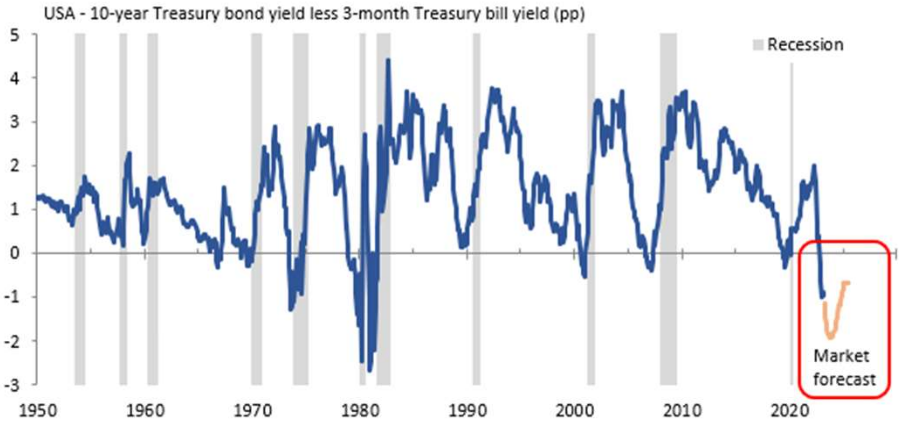
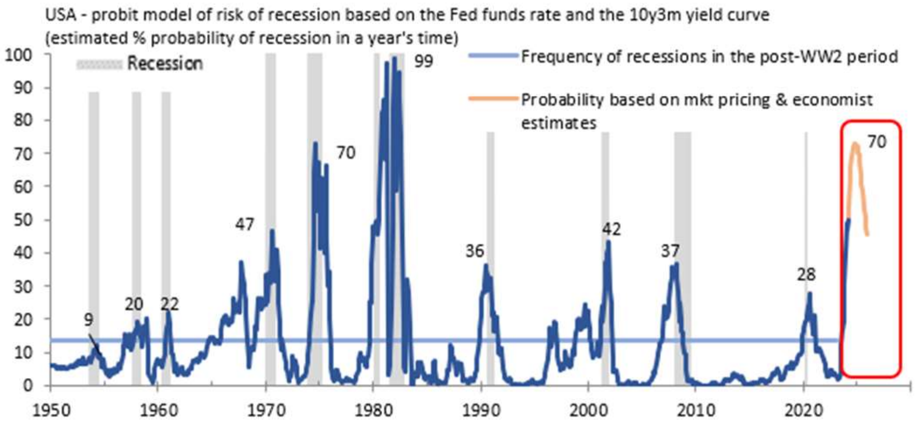
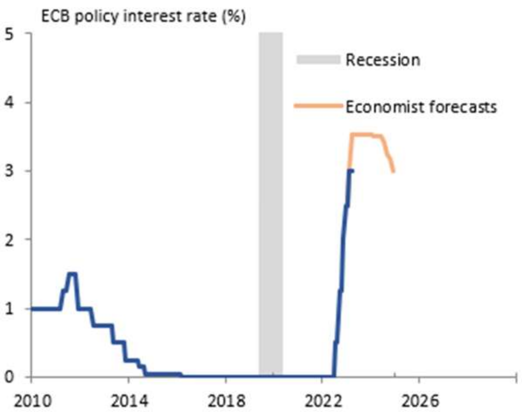


Figure 3: … continue to point to a recession in late 2023/early 2024



A EA recession also seems likely in late 2023/2024

Figure 1: Higher EA short-term interest rates …



The bond market also signals that the euro area will enter recession later this year

- Replicating the US analysis by estimating the probability of recession in the euro area in a year's time based on the slope of the German yield curve and the level of the ECB's policy rate, current market pricing/economist forecasts of interest rates point to a c40% risk of recession by late 2023/early 2024. Although the model is not as robust as its US equivalent, this is a strong signal by the standards of the bond market, where the prediction in recent recessions has ranged from about 20 to 40%.

Source: Bloomberg, Federal Reserve, Shiller, EABCN, CCI March 2023

Figure 2: … and an inverting yield curve …

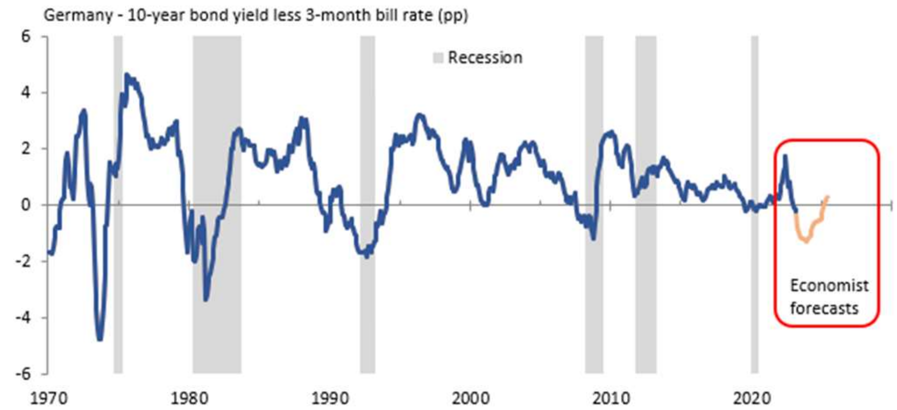
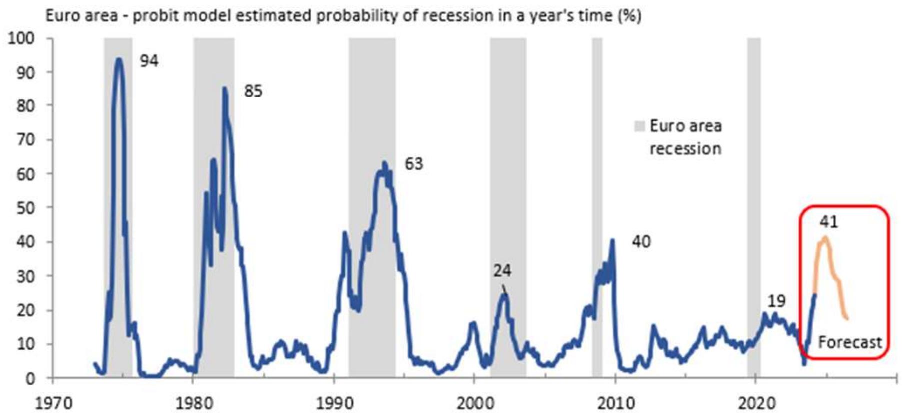


Figure 3: … point to a recession in late 2023/early 2024



US policy rates and bond yields normally peak before a recession

Figure 1: US recessions normally last about a year …

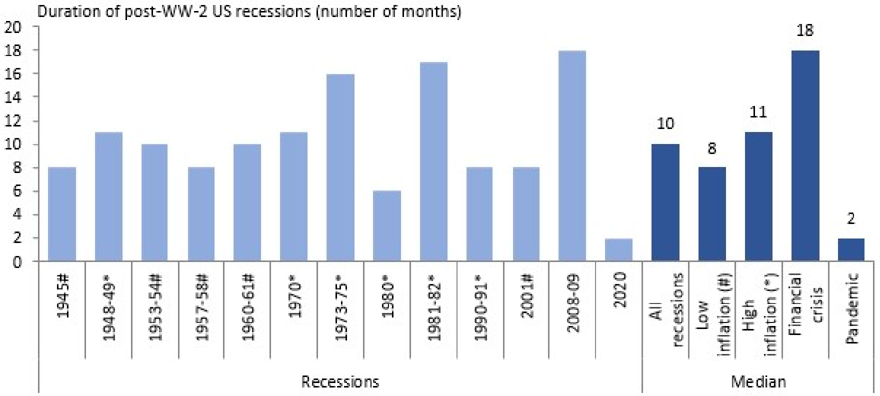


Figure 2: … with a large rise in unemployment

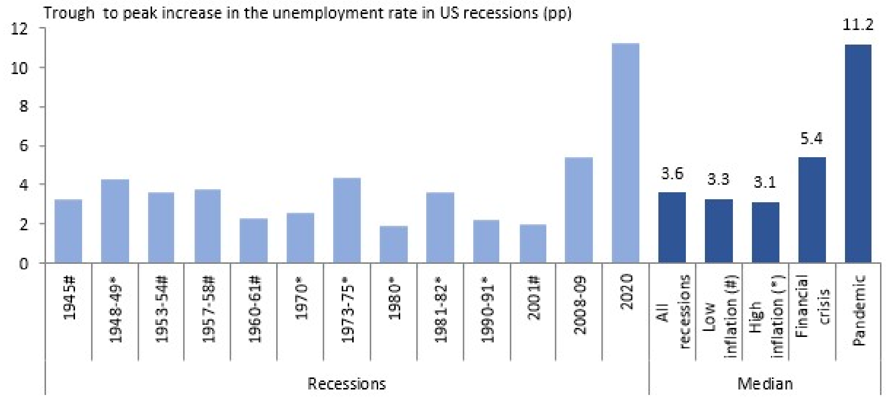


Figure 3: The Fed normally stops hiking rates before a recession hits …

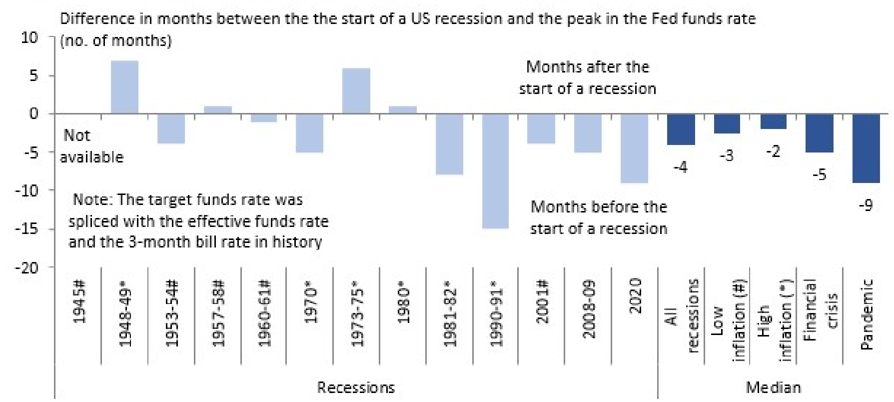
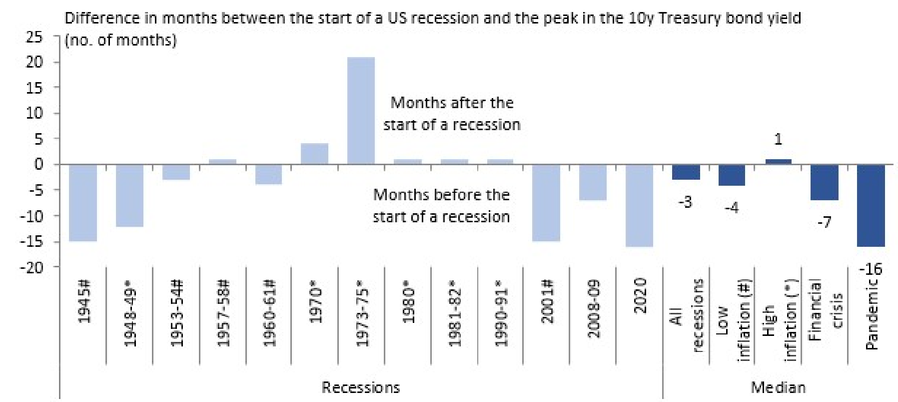


Figure 4: … as do 10-year government bond yields



Source: Bloomberg, Federal Reserve, Shiller, CCI March 2023

US equities expensive – normally peak well *after* a recession starts

Figure 1: History suggests equities trough after a recession is under way …

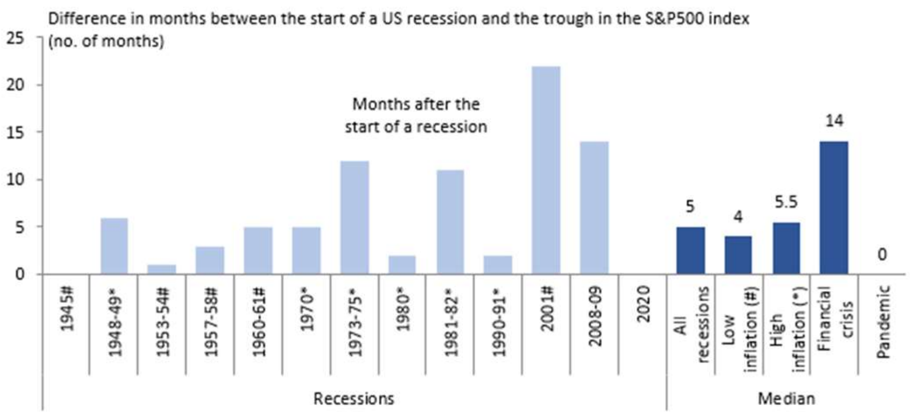


Figure 2: … while the starting point for long-term valuations this time around was extreme …

Figure 3: … which historically has led to poor long-term returns …

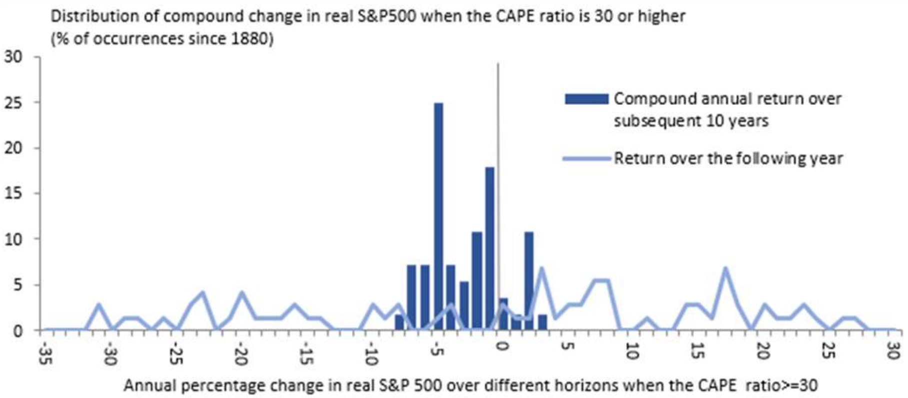
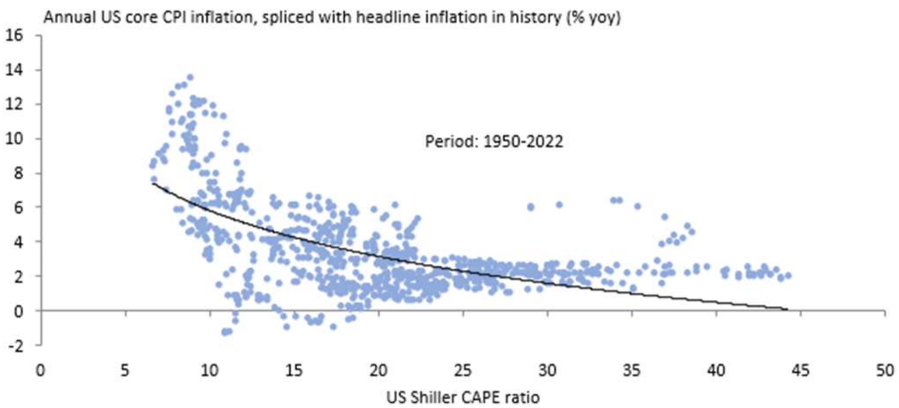


Figure 4: … particularly in high inflation periods



Source: Bloomberg, Federal Reserve, Shiller, CCI March 2023

US recession could be deeper and/or longer

Upside risk to rates from a still-tight labour market and inflation remain

Figure 1: Simple policy rules have long pointed to the need for higher real rates ...

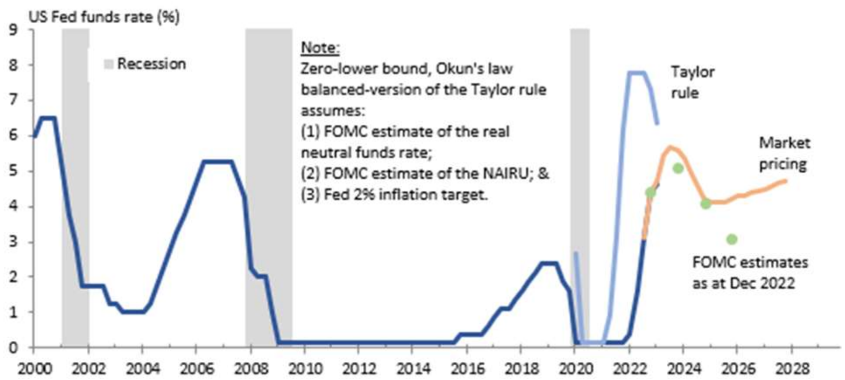


Figure 2: ...but perhaps the Fed keeps rates higher for longer instead ...

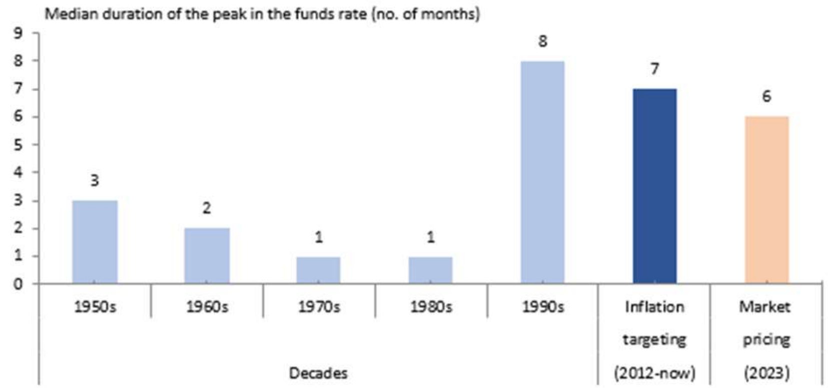


Figure 3: ... particularly when the labour market is still tight despite earlier rate hikes ...

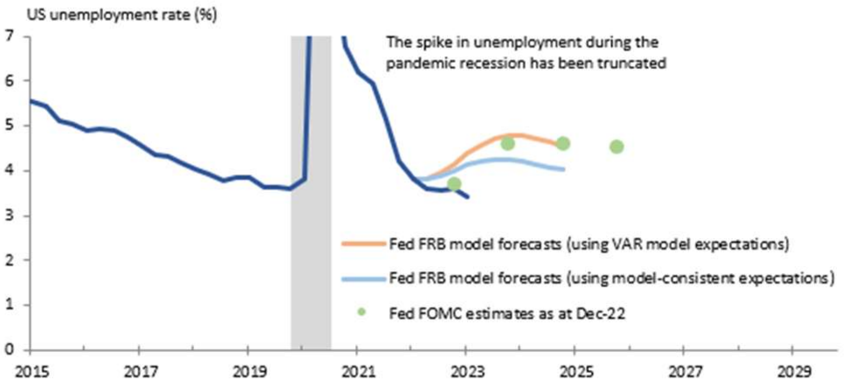


Figure 3: ... and inflation expectations are high

Source: Bloomberg, Federal Reserve, Shiller, CCI March 2023

Locally, consumer spending is expected to slump ...

Figure 1: There is a long list of negatives for consumer spending ...

1. Consumers are deeply pessimistic
2. The squeeze on income from a higher cost of living
   High inflation exceeding wages => reduced real income => less spending
3. The cash flow squeeze from higher interest rates
   Higher rates => higher interest payments => less income => less spending
4. Lower asset prices
   Lower asset prices => reduced wealth => less spending

Figure 2: ... and the consensus is that growth in spending will slump

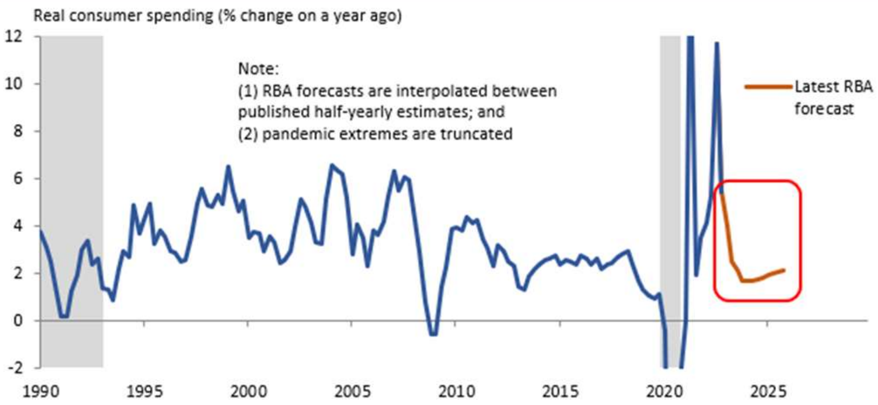


Figure 3: There is a big squeeze from higher interest rates on mortgage payments ...

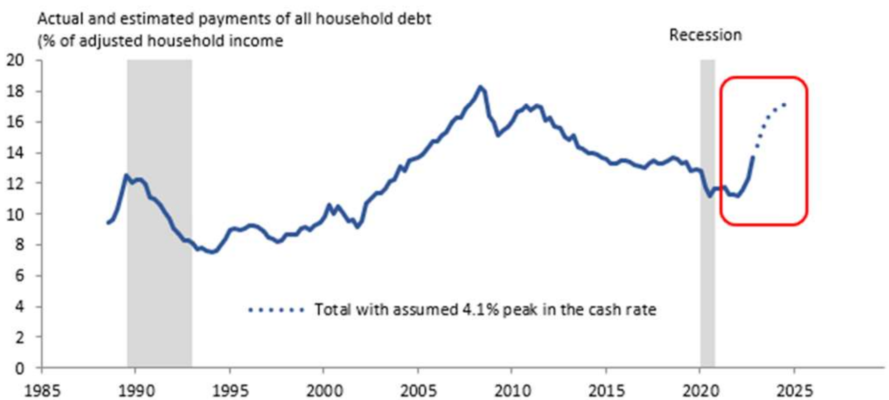
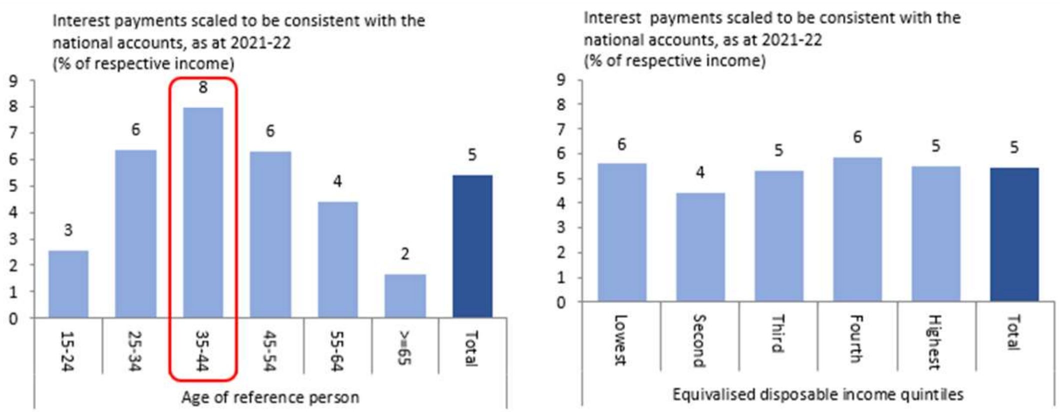


Figure 3: .... where people in their mid 30s-40s bear the brunt of higher interest rates



Source: Bloomberg, RBA, ABS, CCI March 2023

… but spending could hold up for longer than widely expected

Figure 1: Spending could hold up for longer than expected …

Consumer spending could hold up if households:

1. Push for pay rises
2. Save at a slower rate
3. Tap the huge pool of excess savings built up during the pandemic

Figure 1: … by saving at a slower rate …

Figure 3: … or tap the huge windfall savings built up during COVID …

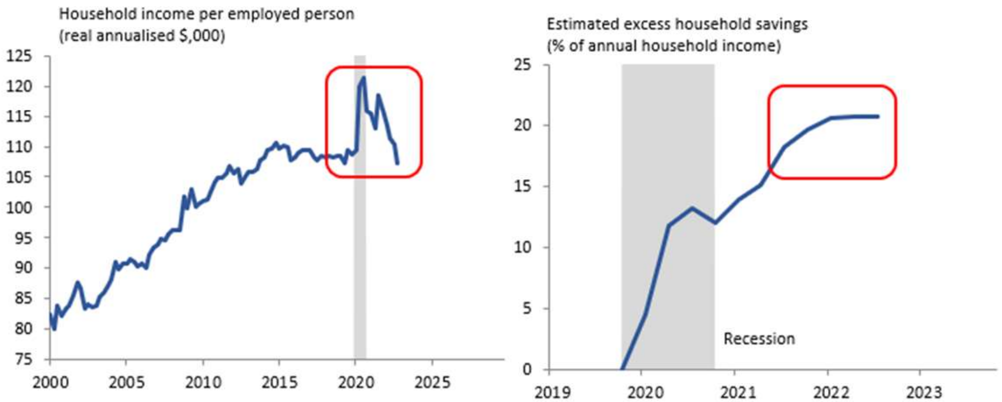
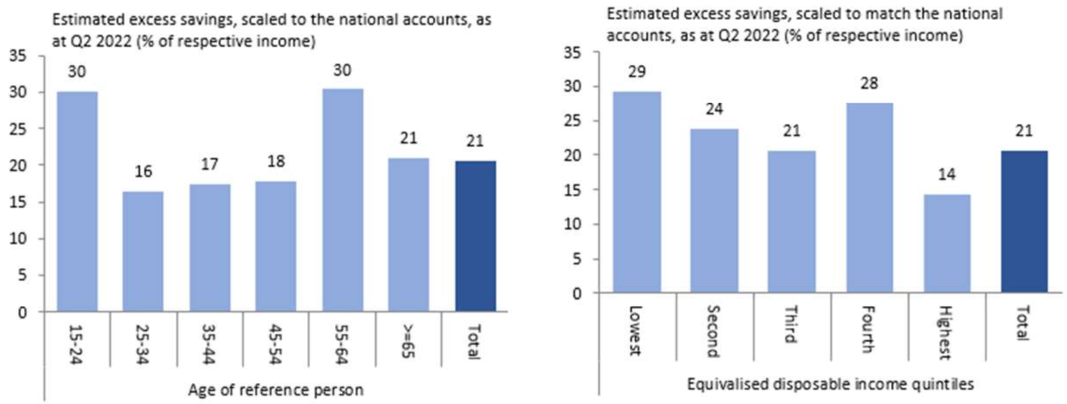


Figure 4: … which are widely spread across the income distribution and age groups



Source: Bloomberg, RBA, ABS, CCI March 2023

CCI’s Proprietary Zombie Analysis

- **Using the standard zombie definition, CCI finds that over 13% of all ASX companies are zombies, which is above the number of zombies we find in the US, which is just under 10% of all listed firms**
  - Our US analysis includes all NYSE and NASDAQ listed companies
- **Second table shows % of zombies if we drop requirement that company has existed for 10 years**
  - Aussie zombie % jumps from 13% to 34% - US zombie % jumps from 10% to 19%
- **Third table shows what happens if we drop requirement ICR has to be below 1 for 3 years in a row. Only looks at all companies that have ICRs <1 in FY2021**
  - Aussie zombie % jumps from 13% to 39%; US zombie % jumps from 10% to 37%

>10yr old Zombies that have ICR <1 for 3 years in a row

FYE	Country	Num Zombies	Num Corporate	Zombie Perc (%)
30/06/2021	AU	202	1608	12.6
31/12/2021	US	370	3963	9.3
31/12/2021	EU	152	2141	7.1
31/12/2021	UK	102	994	10.3

Zombies that have ICR <1 for 3 years in a row

FYE	Country	Num Zombies	Num Corporate	Zombie Perc (%)
30/06/2021	AU	268	1608	16.7
31/12/2021	US	568	3963	14.3
31/12/2021	EU	235	2141	11
31/12/2021	UK	148	994	14.9

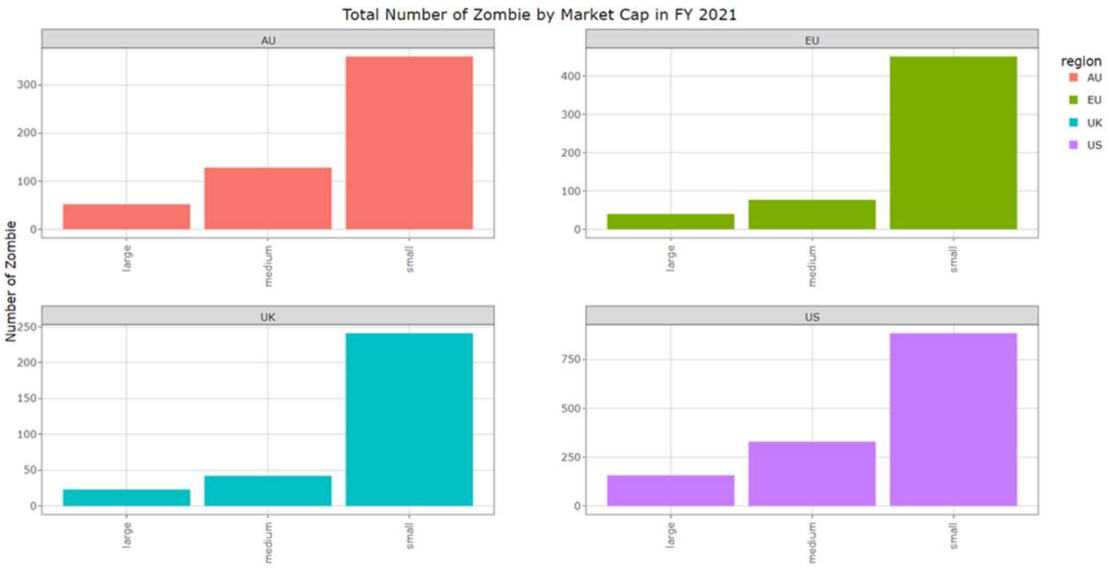
Zombies that have ICR <1 in FY21

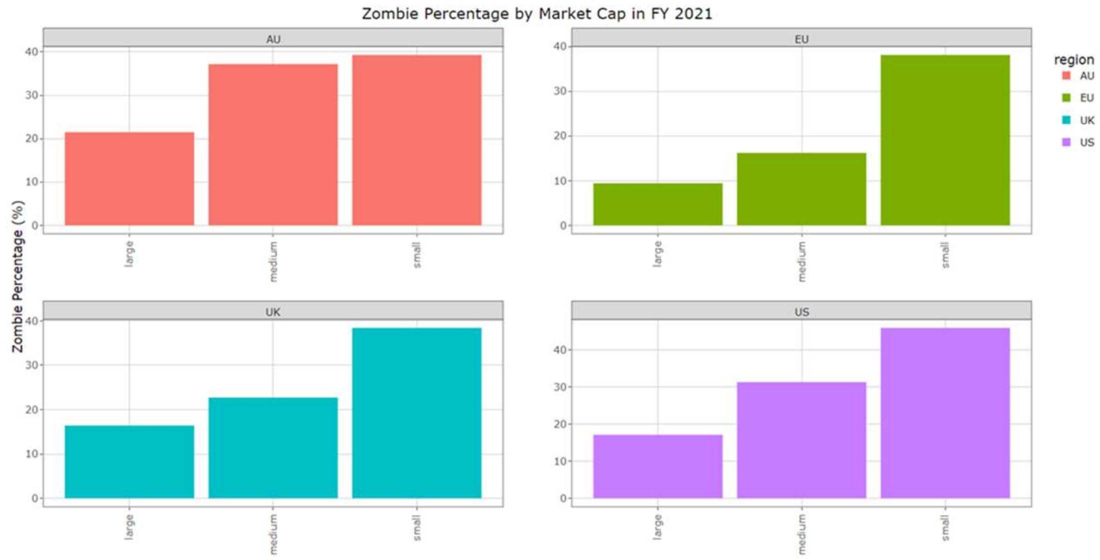
FYE	Country	Num Zombies	Num Corporate	Zombie Perc (%)
30/06/2021	AU	581	1608	36.1
31/12/2021	US	1395	3963	35.2
31/12/2021	EU	589	2141	27.5
31/12/2021	UK	326	994	32.8

Source: Bloomberg, Coolabah Nov 2022

CCI’s proprietary zombie analysis

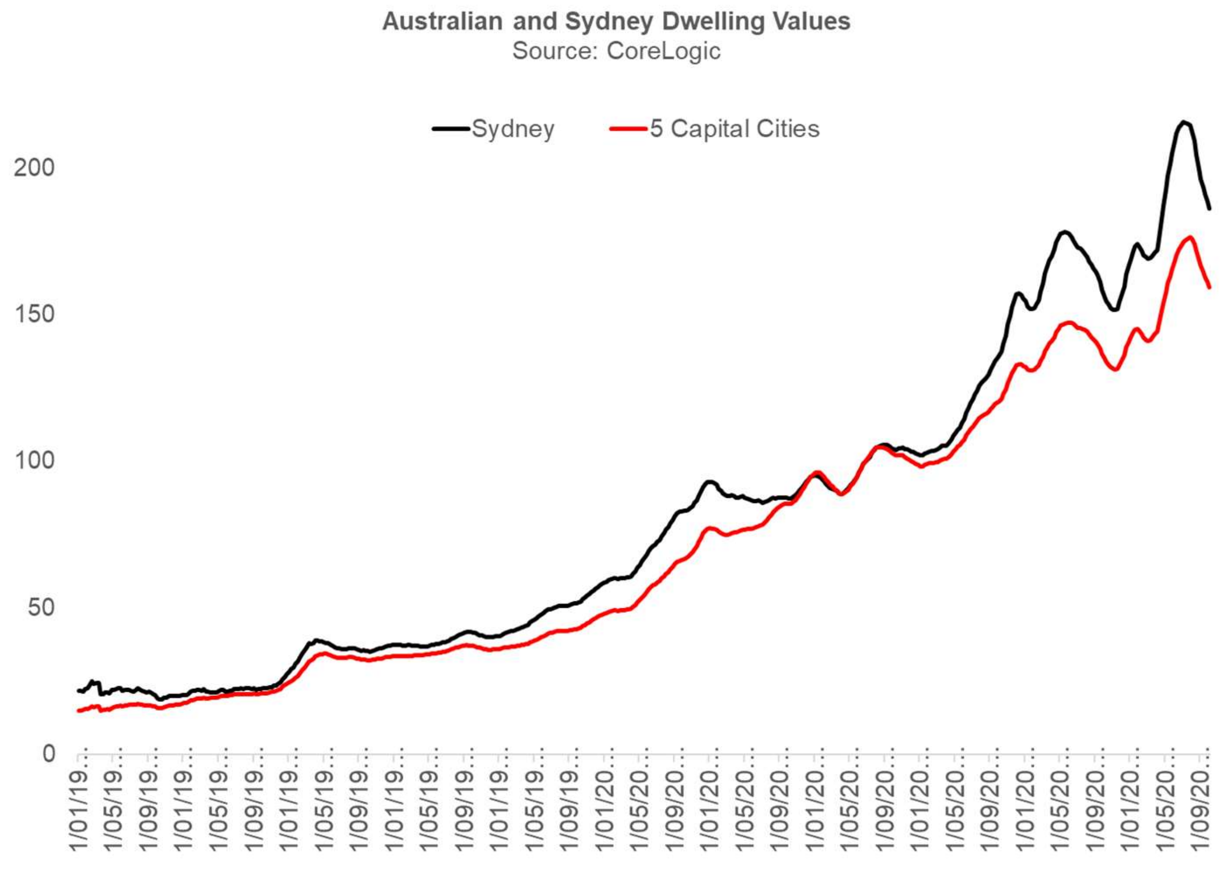
- **In Australia, zombies tend to be small (39%) and medium (37%) sized companies – large companies are rarely (22%) zombies**
- **In the EU, zombies are also mostly small (38%) and medium (16%) sized companies – large companies are rarely (9%) zombies**
- **In the UK, zombies tend to be small (38%) and medium (23%) sized companies – large companies are rarely (16%) zombies**
- **In the US, zombies are also mostly small (46%) and medium (31%) sized companies – large companies are rarely (17%) zombies**





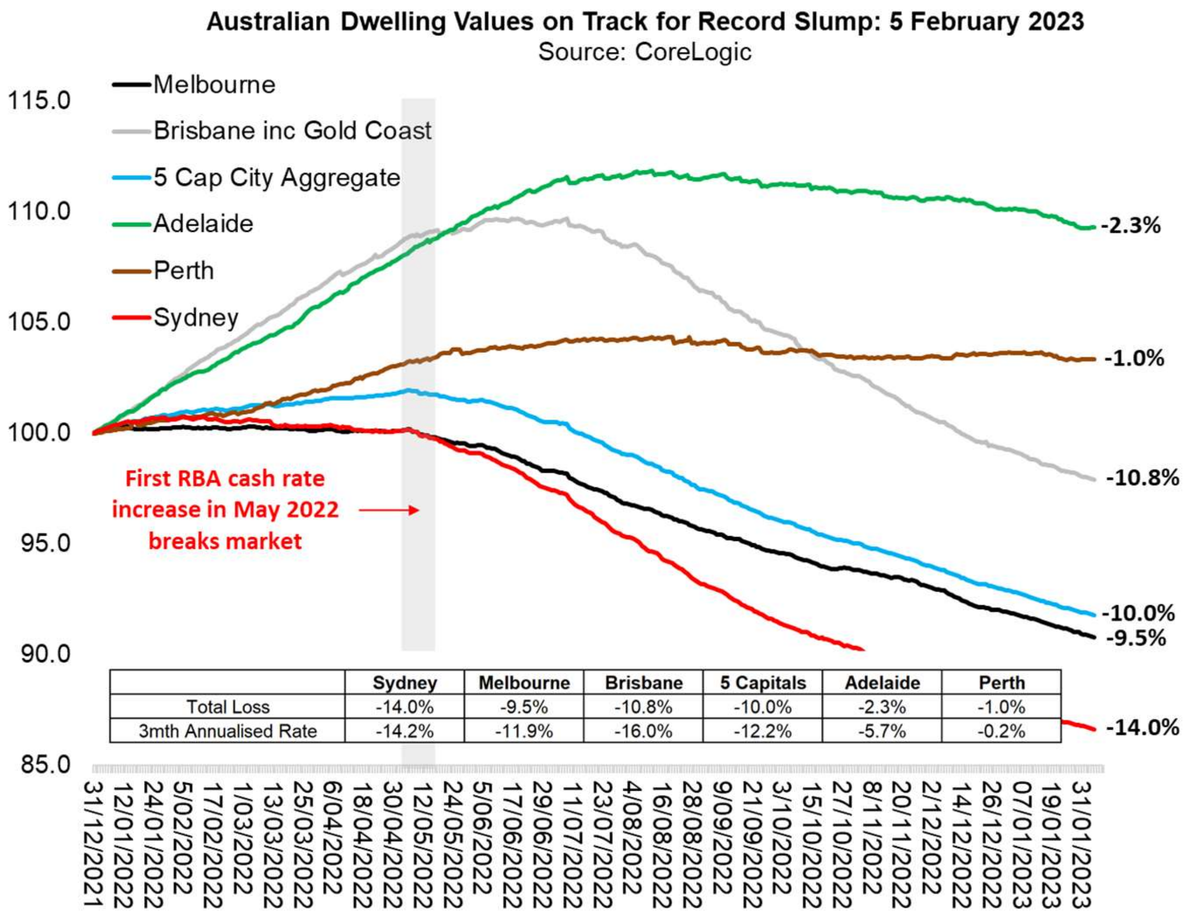
Source: Bloomberg, Coolabah Nov 2022

House Prices Continue to Correct …



Source: CoreLogic Feb 2023

… On Track for a Record Slump



	Sydney	Melbourne	Brisbane	5 Capitals	Adelaide	Perth
Total Loss	-14.0%	-9.5%	-10.8%	-10.0%	-2.3%	-1.0%
3mth Annualised Rate	-14.2%	-11.9%	-16.0%	-12.2%	-5.7%	-0.2%

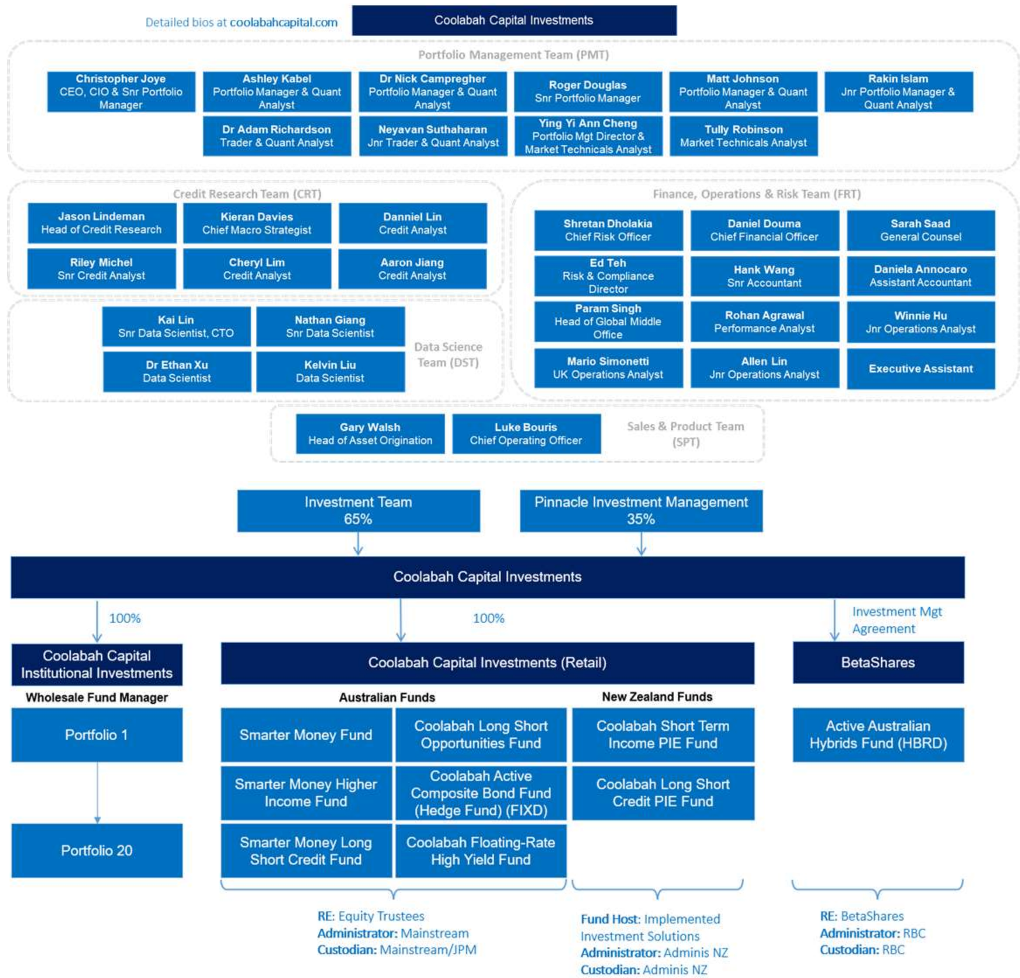
Source: CoreLogic Feb 2023

Why Coolabah – Alpha, Not Beta

1. **Leading credit alpha, not beta, generator**
   - Conventional fixed-income investors "search for yield" by chasing risk to enhance returns
     - Loading-up on interest rate duration risk, credit default risk, and/or illiquidity risk (all "betas")
   - CCI minimises these betas and drives returns through finding bond mispricings that provide capital gains ("alpha")
     - Buying cheap bonds that generate future capital gains substantially augments yields via alpha, not beta
   - CCI's highly quantitative process has a 92% total return win ratio on ~47,000 bond sales worth ~$59.6bn face value since 2012
2. **One of the largest teams focussed on Australian investment-grade fixed-income with ~$7.0bn FUM**
   - 8x portfolio managers, 12x analysts, 34x staff in total
   - CCI's staff own 65% of business—remaining 35% held by $83bn FUM manager Pinnacle
   - Chaired by Melda Donnelly (ex CEO QIC, VFMC Deputy Chair) with Independent Director Bob Henricks (ex Chair Energy Super)
   - CCI's CIO has advised multiple prime ministers on RMBS/ABS securitisation policies worth >$32bn since 2008
3. **Cutting edge research program combined with some of the world's most sophisticated credit valuation systems**
   - 3x PhDs have built over 30-40 internally developed bond valuation models to reprice all bonds globally live
   - Uses internally-developed artificial intelligence to shadow credit-rate all bonds globally
4. **Unique ability to customise mandates to client's precise preferences**
   - Currently running 30 portfolios including long-only cash plus, long duration, and levered long-short
5. **Strong track-record through very volatile credit spread environment**
   - Nominated for Active Australian Fixed Income Fund of the Year 2022 by researcher Lonsec

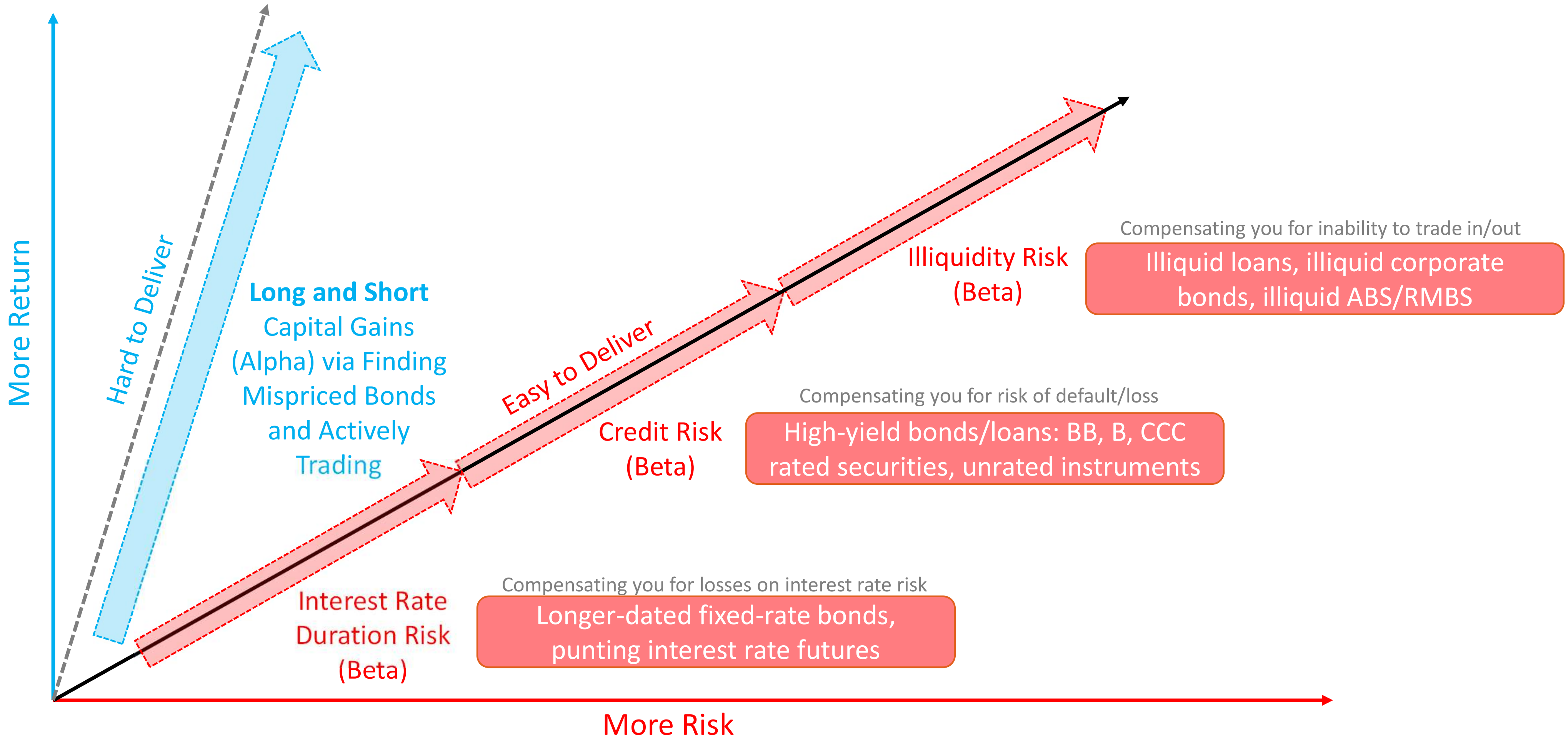
Large Active Fixed-Income Team

- **Established in 2011, first fund launched in Feb. 2012**
  - FUM is $7.0bn*
  - Currently running 30 portfolios, including 10x public funds
  - Run Australia's fastest growing active ETF (HBRD) for BetaShares with > A$2.0bn in FUM*
- **Widely recognised as a leading investor**
  - Smarter Money Higher Income Fund (SMHI) – Direct Investor Class ranked #2 and #1 in FE fundinfo's cash enhanced universe over 3 & 5 years (FE Analytics 9/2/23)
  - Selected by FE Analytics as one of Australia's Top 11 Alpha Managers across all asset-classes in 2019
  - Strong ratings from Zenith, FE fundinfo (quant), Morningstar (quant), Mercer, Lonsec, Atchison, and Australia Ratings
- **34x full-time execs, 8x portfolio managers and 12x analysts**
  - 3x traders based in London within 6x person UK team
  - Staff own 65% of the business
- **Offices in Sydney, Melbourne, London**

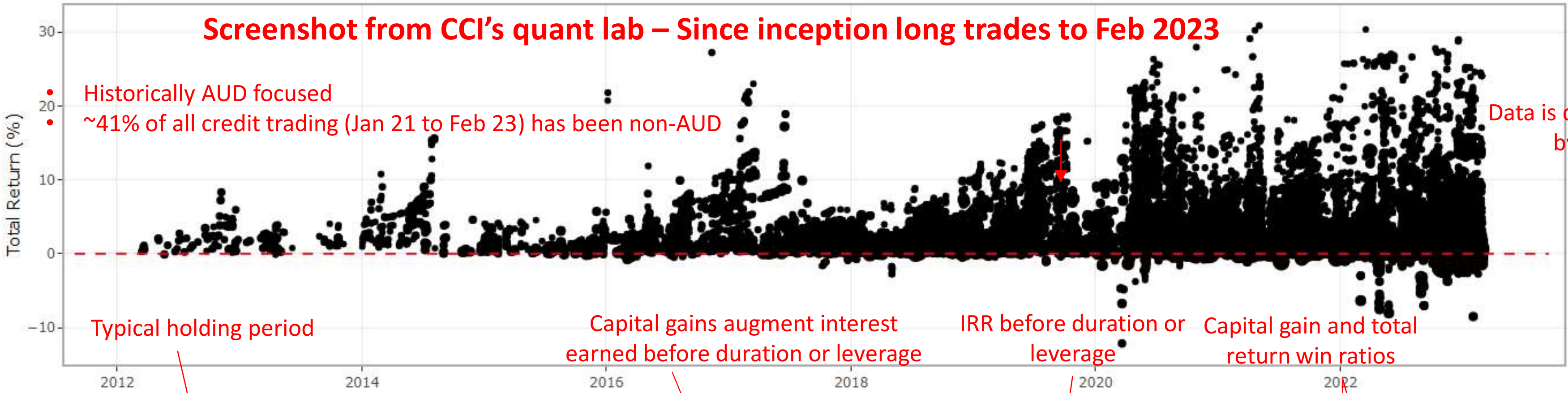


* Source: Coolabah Capital Investments (Mar 2023)

The Existential Choice: Add-Value or Add Risk?



Persistent Alpha: ~94.4% Long Win Ratio in ~$47bn sales



Data is dynamic and shows trade by trade returns live

vwavg Sell Rating	vwavg Sell Tenor	vwavg Spread (bps)	Median Holding Period (days)	Median Trade Size ($MM)	Mean Trade Size ($MM)	Median Cap Gain Per Sell (%)	vwavg Cap Gain Per Sell (%)	vwavg Cpn Return Per Sell (%)	vwavg Margin Change Per Sell (bps)	vwavg Winner Cap Gain (% pa)	vwavg Loser Cap Gain (% pa)	vwavg Cap Gain (% pa)	vwavg Cpn Return (% pa)	vwavg Total Ret (% pa)	Num Sells	Num Cap Wins/Losses	Num Total Ret Wins/Losses	Cap Gain Win % by Trades	Total Ret Win % by Trades	Cap Gain Win % by vwavg Days	Sum Face Value Sell ($MM)
AA-	5.97	82.4	57.1	0.4	1.12	0.34	0.20	1.05	-8.06	13.28	-5.07	9.19	2.56	11.74	41881	33947/7934	39549/2332	81.1	94.4	83.9	47046

vwavg Sell Rating	vwavg Sell Tenor	vwavg Spread (bps)	Median Holding Period (days)	Median Trade Size ($MM)	Mean Trade Size ($MM)	Median Cap Gain Per Sell (%)	vwavg Cap Gain Per Sell (%)	vwavg Cpn Return Per Sell (%)	vwavg Margin Change Per Sell (bps)	vwavg Winner Cap Gain (% pa) Via median Holding Period	vwavg Loser Cap Gain (% pa) Via median Holding Period	vwavg Cap Gain (% pa) Via median Holding Period	vwavg Cpn Return (% pa)	vwavg Total Ret (% pa) Via median Holding Period	Num Sells	Num Cap Wins/Losses	Num Total Ret Wins/Losses	Cap Gain Win % by Trades	Total Ret Win % by Trades	Cap Gain Win % by vwavg Days	Sum Face Value Sell ($MM)
AA-	5.97	82.4	57.1	0.4	1.12	0.34	0.20	1.05	-8.06	5.32	-2.08	1.30	2.56	3.86	41881	33947/7934	39549/2332	81.1	94.4	83.9	47046

Source: Coolabah Capital Investments

Rich Suite of Credit Alpha Solutions & Strong ESG

- **CCI currently manages 30 portfolios and specialises in customising return/risk solutions to client requirements using the same core alpha-generating process**

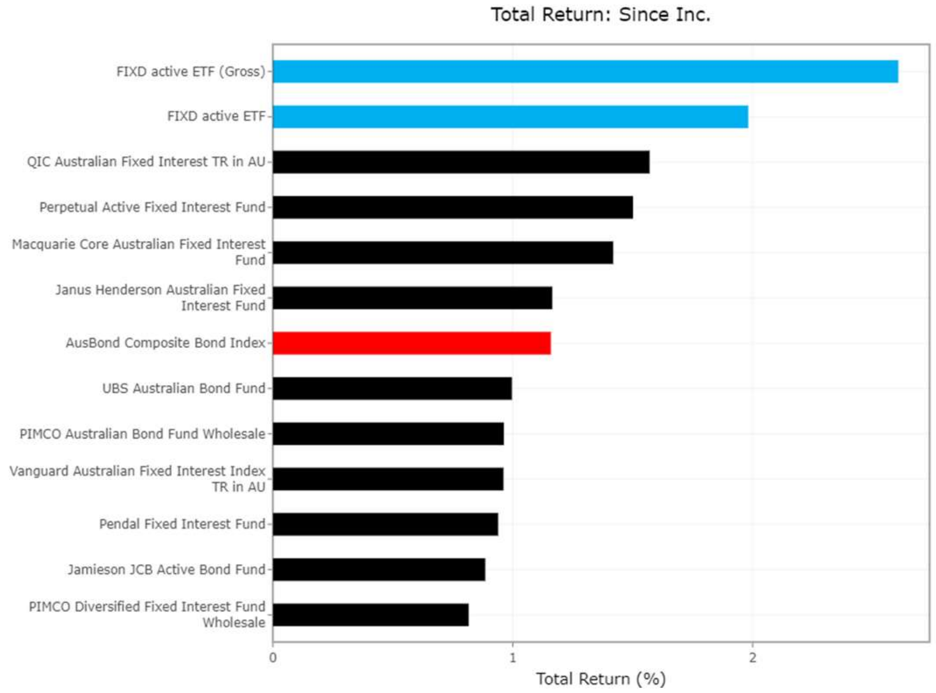
Strategy	Target Return	Target Volatility	Target Credit Rating	Target Duration	Liquidity	Sector	MSCI ESG Bond Ratings
Cash +	Cash + 1% - 2%	1% pa or less	A to AA	<3mths	Daily	Cash Enhanced	MSCI ESG RATINGS A
Cash ++	Cash + 1.5% - 3%	2% pa or less	A to AA	<3mths	Daily	Cash Enhanced	MSCI ESG RATINGS A
Full Capital Structure	Cash + 2.5%	Less than ASX Hybrids	BBB	<3mths	Daily	High Yield	MSCI ESG RATINGS AA
Long-Short Credit	Cash + 4% - 6%	5% pa or less	A	<3mths	Daily	High Yield/ Defensive Alts	MSCI ESG RATINGS A
Long-Short Credit +	Cash + 6% - 8%	6% pa or less	BBB to A	<3mths	Daily	High Yield/ Defensive Alts	MSCI ESG RATINGS A
Floating-Rate High Yield	9% p.a. yield	N/A	BBB minimum	<3mths	Daily	High Yield/ Floating-Rate Note	MSCI ESG RATINGS A
Active Composite Bond	Composite Bond Index + 1% - 2%	Index	A to AA	Index	Daily	Fixed-Income	MSCI ESG RATINGS A
Custom Mandate	Custom	Custom	Custom	Custom	Custom	Custom	MSCI ESG RATINGS A

Peer Comparison

- **Since inception the daily liquidity, short duration, Smarter Money Higher Income Fund (Direct) (SMHI) returned 3.47% pa gross / 2.63% pa net**
- **Since inception the daily liquidity, short duration, Smarter Money Long-Short Credit (Institutional) (LSCF) returned 4.88% pa gross / 3.32% pa net**
- **Since inception the daily liquidity, long duration, Coolabah Active Composite Bond Fund (Hedge Fund) (FIXD) returned 2.60% pa gross / 1.98% pa net**

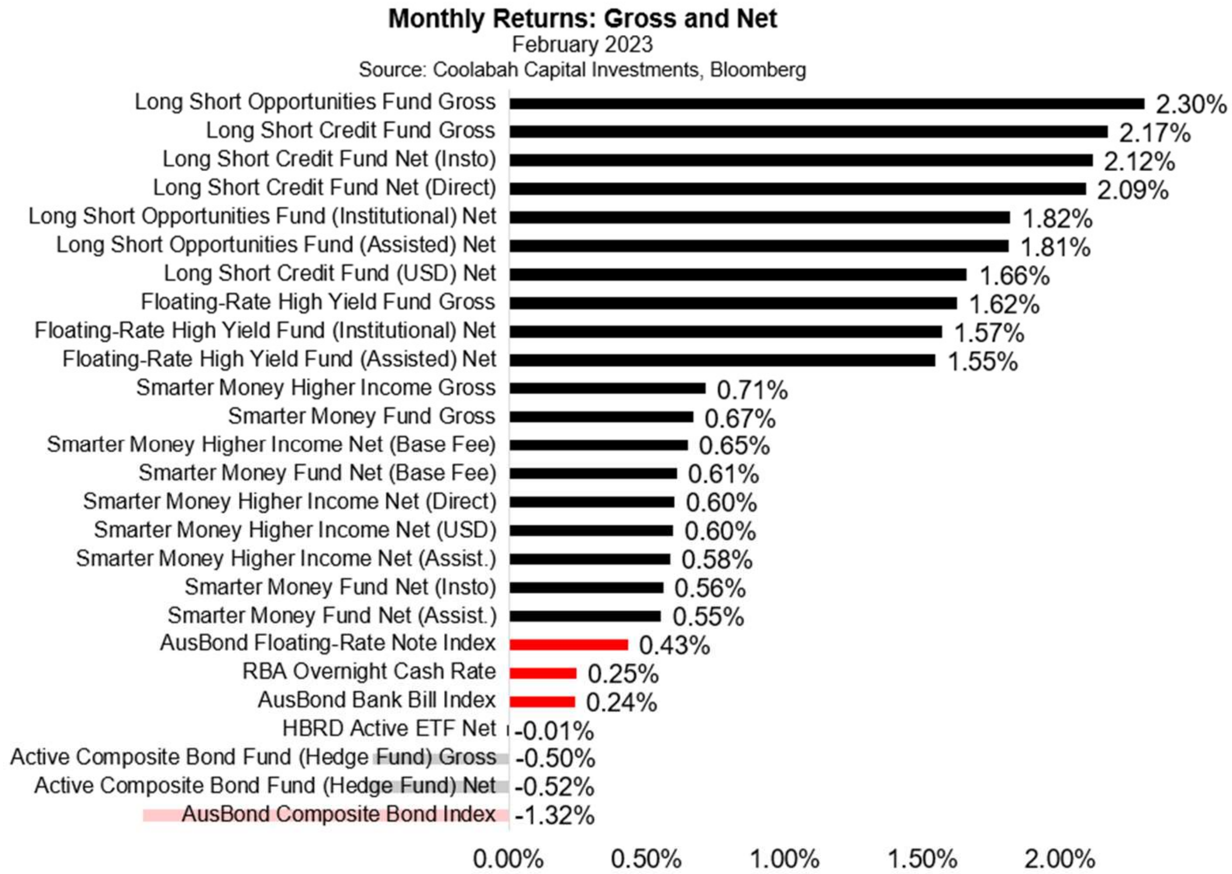
Smarter Money Higher Income Fund
Since Inception in October 2014 to 28 Feb 2023
Source: Coolabah Capital Investments, FE Fundinfo
Currency: Australian Dollars (AUD)

Coolabah Active Composite Bond Fund (Hedge Fund)
Since Inception in March 2017 to 28 Feb 2023
Source: Coolabah Capital Investments, FE Fundinfo
Currency: Australian Dollars (AUD)



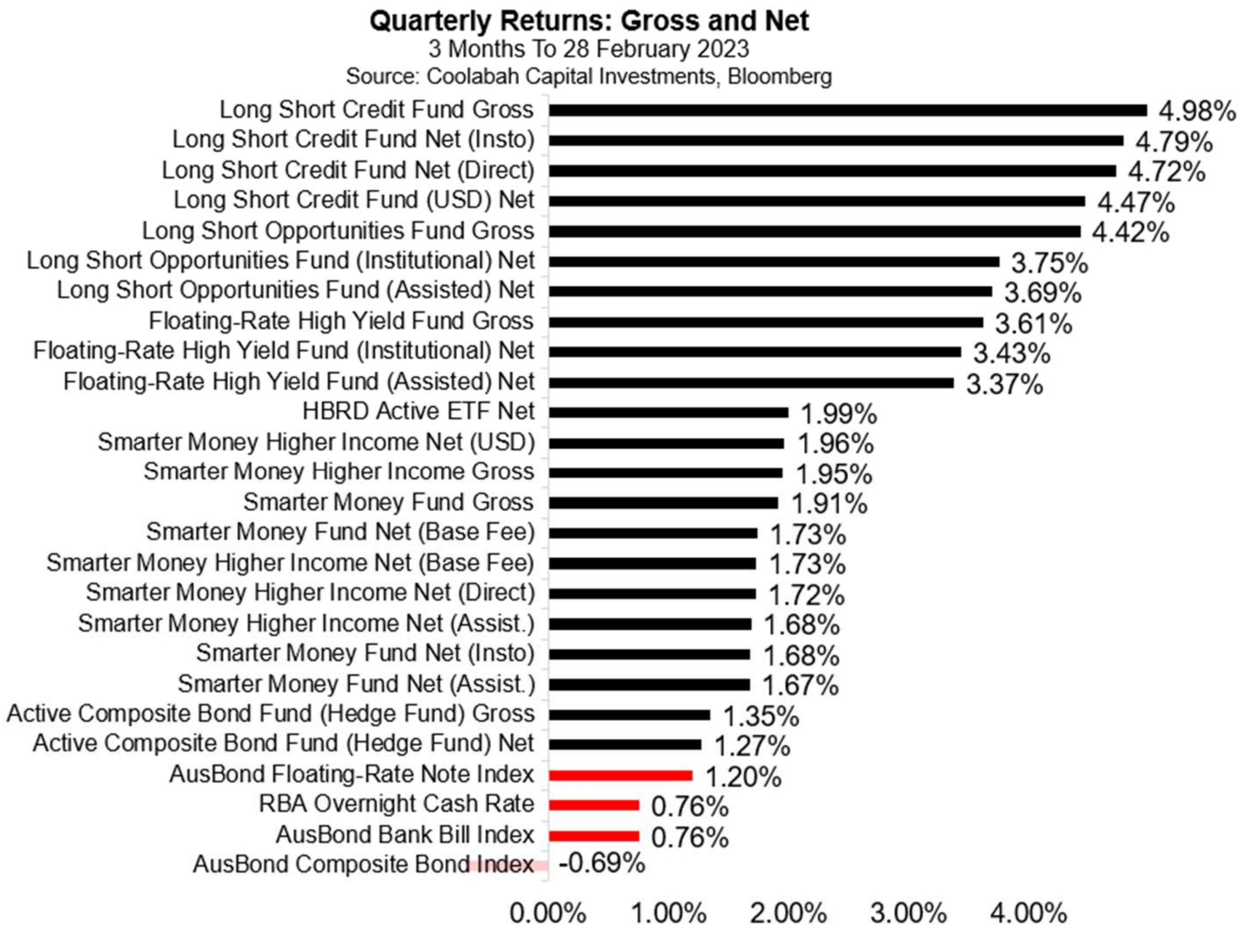
February Monthly Performance Update

- **February saw another very strong month of returns to follow the strong performance in November, December and January**
- **Returns have been robust over February month, February quarter and February half year**
- **In February, returns were driven by predictable mean-reversion across key credit spreads**
- **Key performance drivers in February included:**
  - Attractive primary bond issues that offered large new issue concessions
  - Mispriced bank senior bonds that we have been accumulating
  - Exceptionally cheap bank Tier 2 bonds (we have bought over $2.5bn in recent times)
  - State government bonds (semis) paying spreads that are close their historical highs (we have been taking profits on semis and pivoting back into bank bonds).



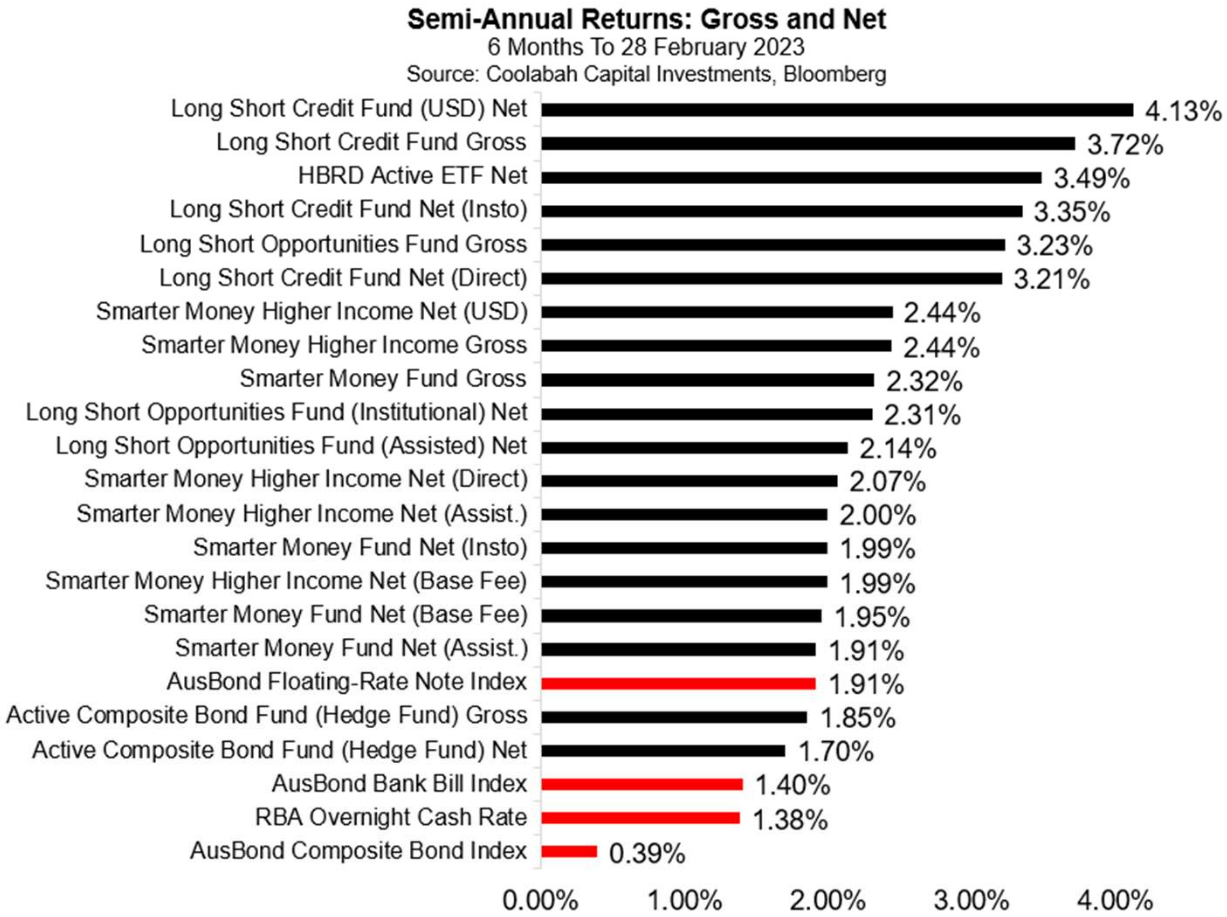
Source: Coolabah Capital Investments

February Performance Update: 3 Month Returns



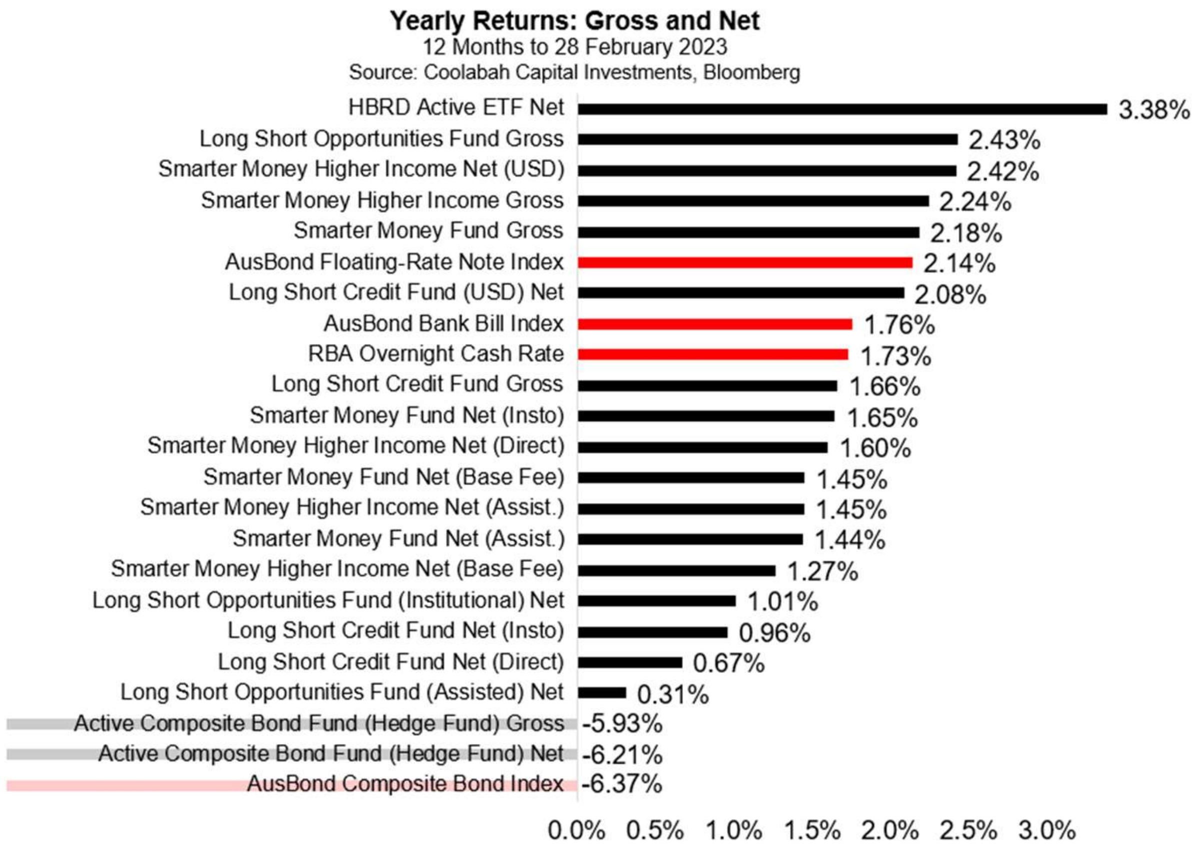
Source: Coolabah Capital Investments

February Performance Update: 6 Month



Source: Coolabah Capital Investments

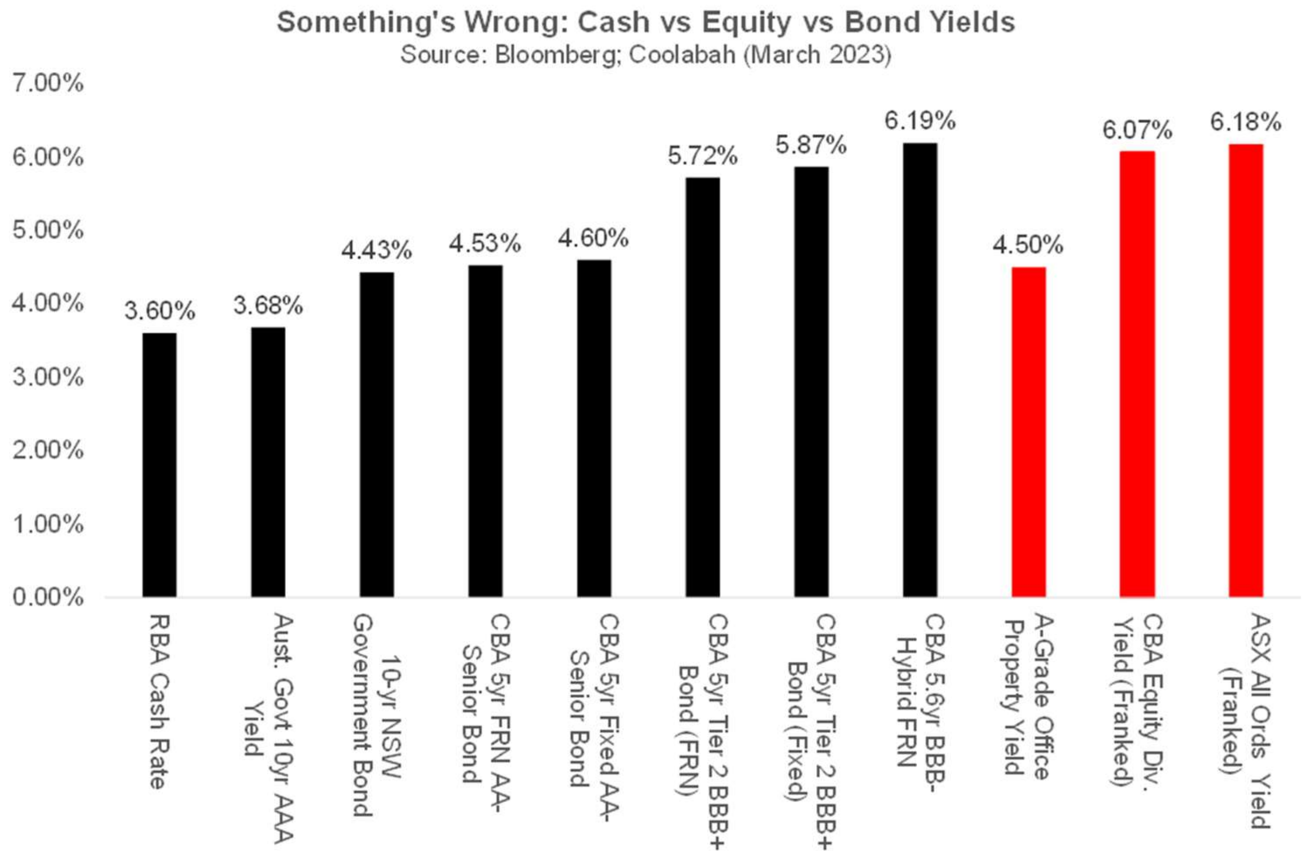
February Performance Update: 12 Months



Past performance does not assure future returns. 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. The above figures are shown in Australian Dollars (AUD) unless otherwise shown and could be reduced, or losses incurred due to currency fluctuations. Refer to investment disclaimer at start of presentation.

Generational Opportunities in Interest Rates (AUD)

- **Near riskless government and bank bonds are paying similar/higher yields to equities and commercial property…**



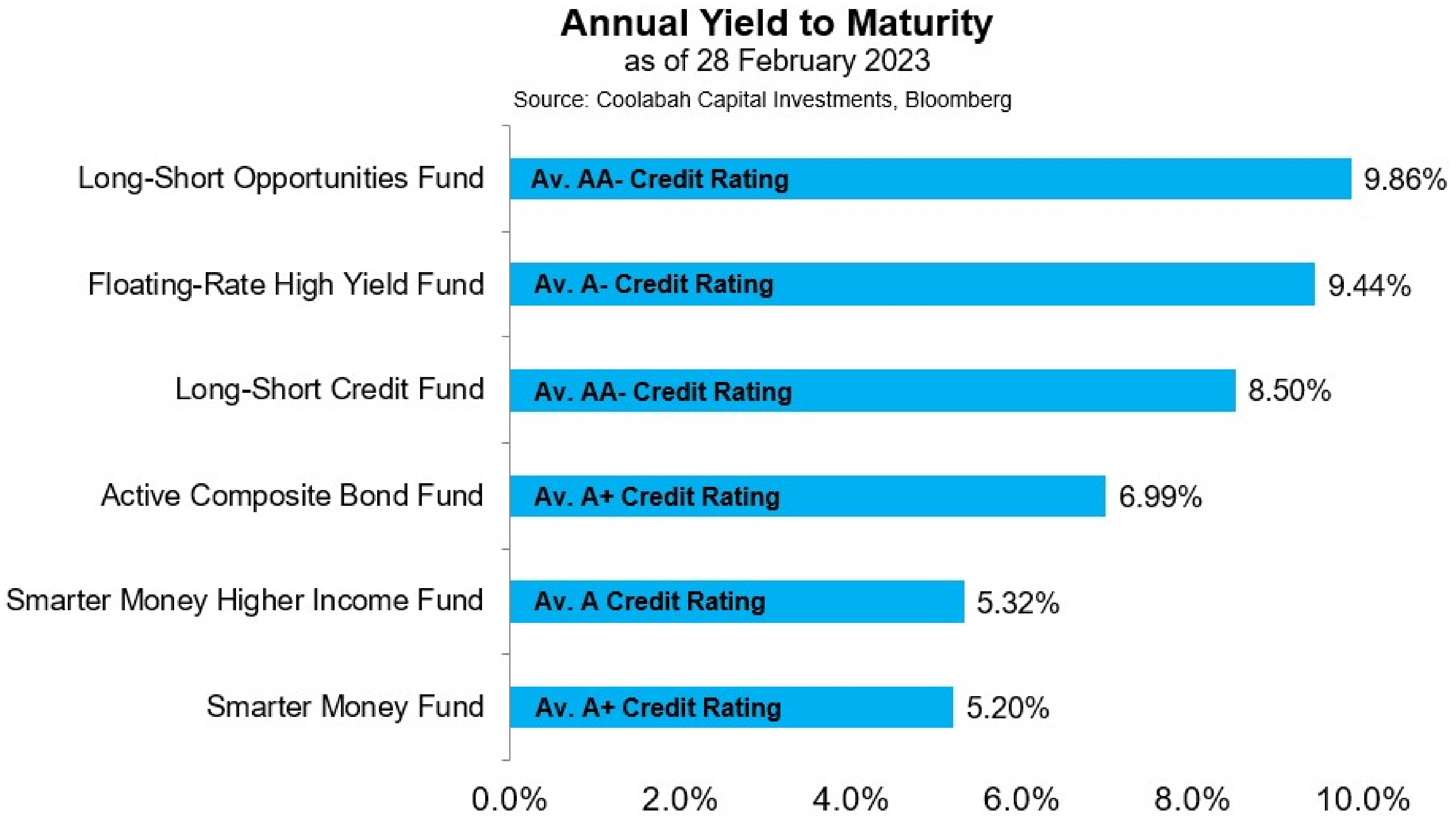
Source: Coolabah Capital Investments 8/3/2023

February Update: Yields

Date: **28 Feb 2023**	**Smarter Money Fund**	**Smarter Money Higher Income Fund**	**Coolabah Active Composite Bond Fund (Hedge Fund)**	**Long-Short Credit Fund**	**Long-Short Opportunities Fund**	**Floating-Rate High Yield Fund (YLDX)**	**HBRD**
Liquidity	Daily	Daily	Daily	Daily	Daily	Daily	Daily
Av. Rating	A+	A	A+	AA-	AA-	A-	BBB-
Interest Rate Duration	0 years	0 years	5.35 years	0 years	0 years	0 years	0 years
Annual Yield to Maturity	**5.20%**	**5.32%**	**6.99%**	**8.50%**	**9.86%**	**9.44%**	**6.18%**

Source: Coolabah Capital Investments

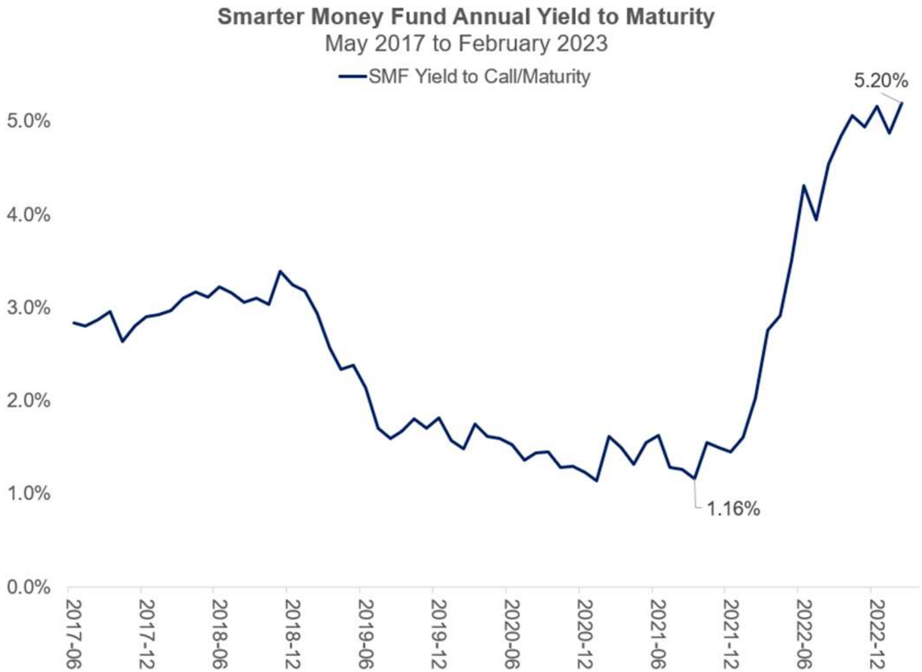
February Update: Yields

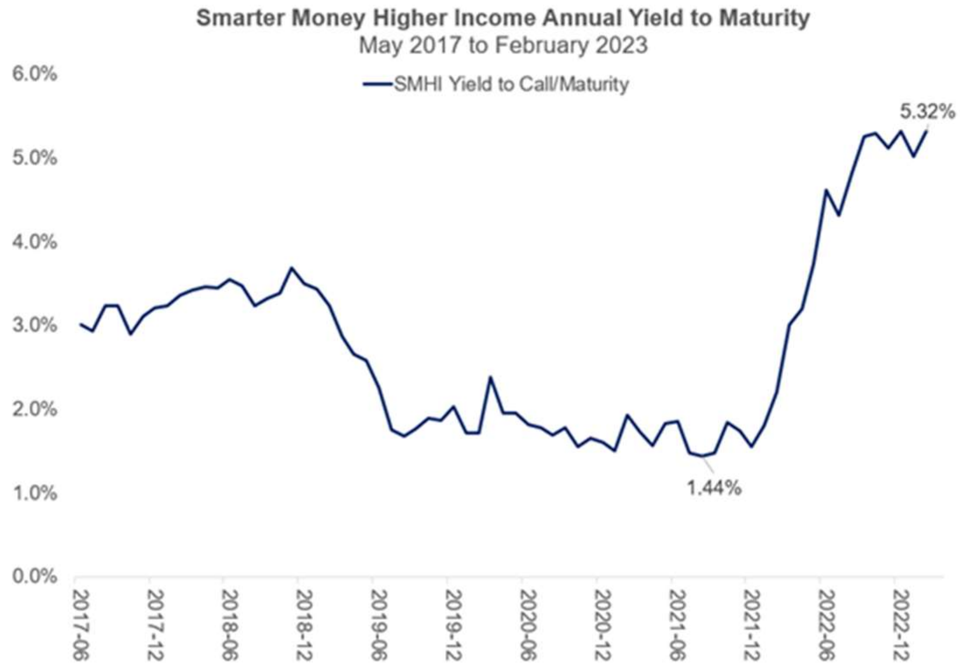


Source: Coolabah Capital Investments

February Update: Yields

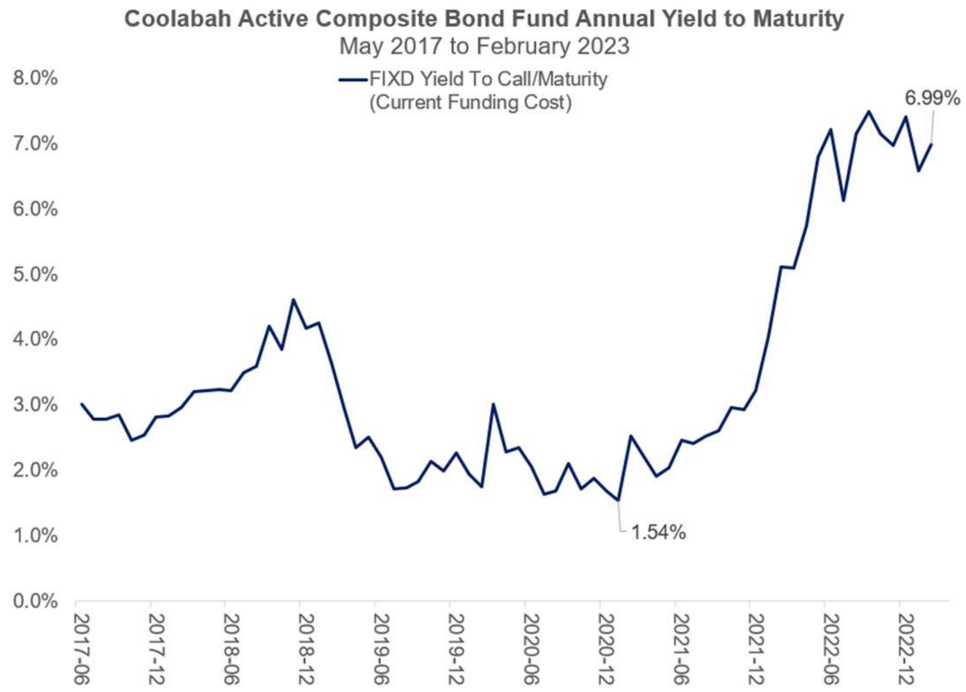
- **Higher yields driven by:**
  - **Higher RBA cash rate (and expectations of future hikes):** from 0.1% in 2021 to 3.6% (and likely going to 4% according to market)
  - **Higher BBSW rate:** from 0.0% in 2021 to 3.64% (and likely going to 4% according to market)
  - **Higher credit spreads:** 5-year major bank senior bond spreads have risen from 0.25% above BBSW in 2021 to 0.98% above BBSW (primary market trades)

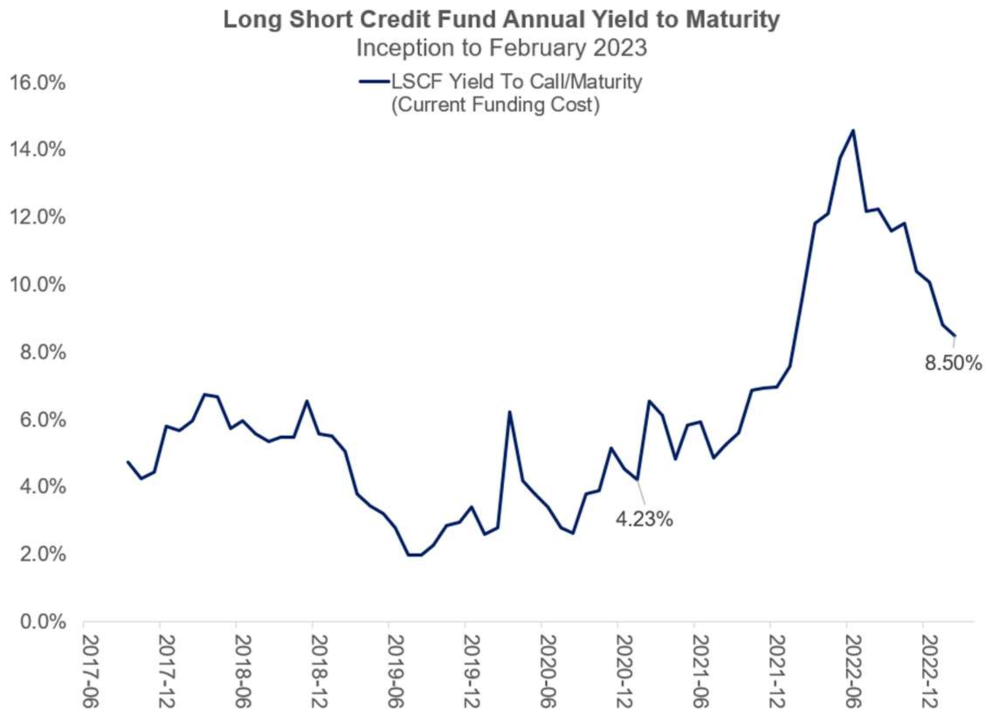




Source: Coolabah Capital Investments

February Update: Yields

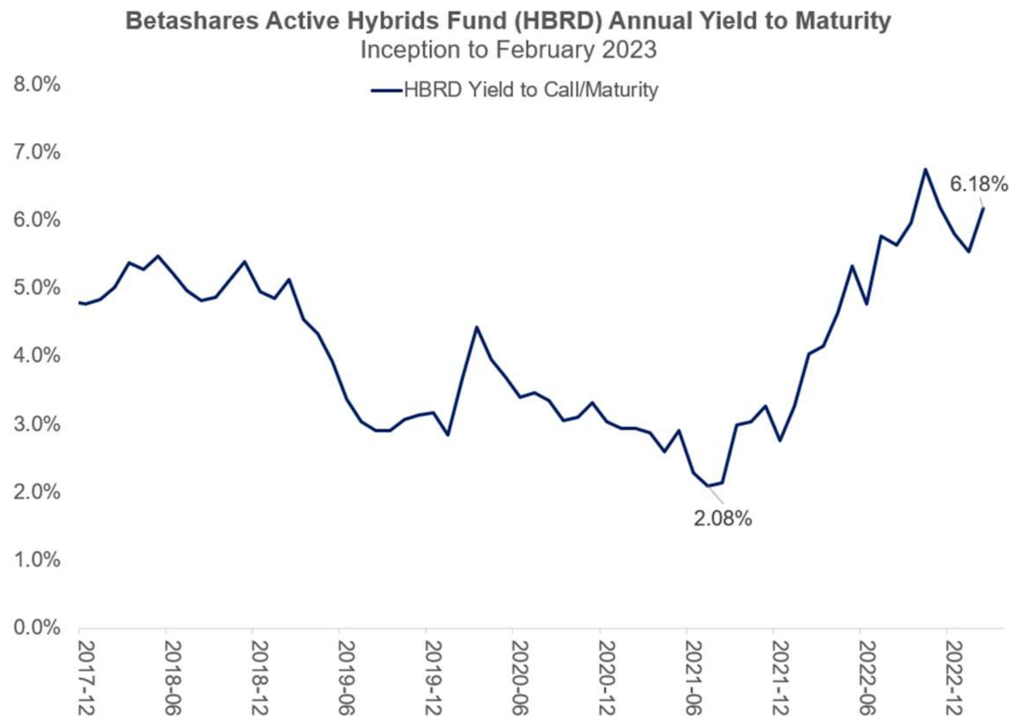




Source: Coolabah Capital Investments

Past performance does not assure future returns. 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. The above figures are shown in Australian Dollars (AUD) unless otherwise shown and could be reduced, or losses incurred due to currency fluctuations. Refer to investment disclaimer at start of presentation.

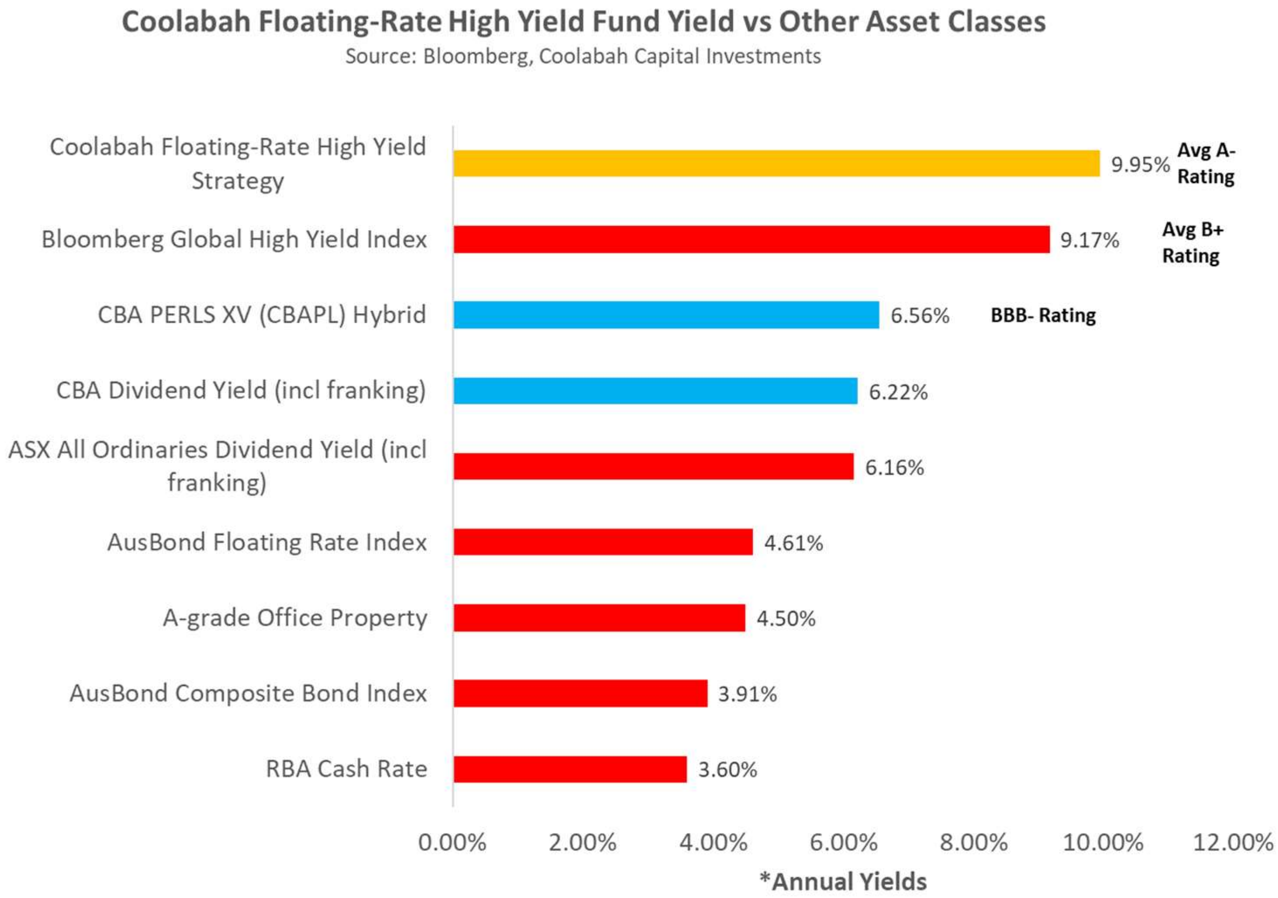
February Update: Yields



Source: Coolabah Capital Investments

New Coolabah Floating-Rate High Yield Fund

- **Coolabah Floating-Rate High Yield Fund comprises only**
  - ❑ Yield to maturity of 9.95% pa (gross)
  - ❑ Weighted-average credit rating of "A-"
  - ❑ 100% floating-rate Australian bank and insurer bonds
  - ❑ 100% Australian dollars
  - ❑ Zero years interest rate duration risk
  - ❑ Daily liquidity
  - ❑ No performance fee
- **Superior yields currently to Australian equities, Australian bank stocks, Australian hybrids, and high yield bonds**
- **The interest rates on these bonds are enhanced via gearing via a number of highly rated Australian banks at very low cost**



* As at March 2023. Fund yield is the annual yield to maturity on the portfolio before fees. All bond yields are yield to maturity

Coolabah Capital, Bloomberg – Mar2023

Asset-Class Performance

- **Geared Aussie bank bonds that are floating-rate currently provide much higher yields than other asset classes because**
  - ❑ Credit spreads are historically wide
  - ❑ Yields curves are flattening/inverting (the cash rate is near or above long-term yields)

Returns and Risks of Different Asset-Classes between January 2013 and 28 February 2023
Source: Bloomberg; Coolabah Capital Investments

	RBA Cash	Ungeared Aussie Bank Bonds	75% Geared Aussie Bank Bonds	Major Bank Hybrids	ASX All Ordinaries	Bloomberg Global High Yield Index Hedged to AUD	AusBond FRN Index	AusBond Composite Bond Index 0+
Total Return	**16.48%**	**36.51%**	**101.36%**	**69.51%**	**137.89%**	**49.88%**	**30.21%**	**28.27%**
Return p.a.	**1.51%**	**3.11%**	**7.13%**	**5.33%**	**8.90%**	**4.06%**	**2.63%**	**2.48%**
Average Credit Rating	**NA**	**A**	**A**	**BBB-**	**NA**	**B+**	**AA**	**AA**
Excess over RBA Cash Rate		**1.60%**	**5.62%**	**3.82%**	**7.39%**	**2.55%**	**1.12%**	**0.97%**
Volatility p.a.	**0.09%**	**1.32%**	**5.27%**	**4.12%**	**14.98%**	**5.07%**	**0.24%**	**3.81%**
Sharpe Ratio		1.21	1.07	0.93	0.49	0.50	4.68	0.25
Sortino Ratio		1.00	0.94	0.87	0.60	0.47	3.93	0.35
Annual Yield to Maturity	**3.35%**	**5.25%**	**11.06%**	**6.85%**	**6.20%**	**9.12%**	**4.75%**	**4.05%**

Q & A

What is the Likelihood and Implications of a Looming Global Recession

FE Alpha Manager:
Coolabah Capital
CCI was selected by researcher FE fundinfo in its Inaugural 2019 Top 11 Australian "Alpha Managers"

March 2022
For Wholesale Investors Only
www.coolabahcapital.com
Strictly Private & Confidential

MSCI ESG RATINGS
A
CCC | B | BB | BBB | A | AA | AAA
Asset weighted average rating