

### RAM Australian Diversified Fixed Interest & Credit Strategy

- ◆ Directly held, actively managed income portfolio providing a regular yield.
- ◆ Predominantly floating rate.
- ◆ Diversified portfolio blending a range of security types.
- ◆ Strong focus on risk management.

### Fixed Interest and Market Overview

Fixed Income and Credit markets delivered positive results during June. Markets stabilised during June with longer dated bond yields falling moderately.

Bond yields are likely to remain volatile until a clearer rates outlook emerges from economic data and central bank commentary. Listed credit spreads rallied inline with OTC credit markets. Equities were mixed with investors awaiting more clear direction on future path of rates and economic growth.

The Australian cash rate remained stable at 4.35% during the month, and the outlook will be determined by inflation returning to the target range.

### Strategy Commentary

The portfolio was up 0.90% gross during the month, and over the last 12 months the strategy returned 7.00% gross. The strategy continues to deliver on its objective of regular tax effective income and long-term outperformance relative to the bank bill swap rate. Given the market movements and portfolio activity the forward-looking gross running yield has risen to approximately 6.36% per annum.

Fixed rate bonds returned 0.77% over the month, and 3.68% for the year ending June. Central bank commentary remains mixed with Australia lagging larger developed economies. In all advanced economies the economic performance has stabilized, but inflation remains stubborn. Domestically GDP has been weak and inflation has been sticky. Bond markets continue to wax and wane between rate cuts imminent and the 'higher for longer' story. We expect this to continue in the coming months until it is clear the RBA can begin its easing cycle.

During the month, ASX listed credit securities moved rallied ~2.35% to ~2.00%. We believe at this level hybrid credit spreads look fair value with ~7.0% Internal Rate of Returns available on new issues from major banks. Several new issues have come to market from major and regional banks which the market has absorbed easily suggesting confidence in the asset class remains high. In the near term there is limited supply of new issuance hence we expect listed credit markets to remain stable in the near term.

As we move into the second half of 2024, overall economic activity slowing but growing with risks to inflation outlook remaining. Banks' credit quality remains strong with healthy capital levels and low levels of arrears. Recent buy back activity from major banks highlights their confidence in their capital position and outlook. Whilst some sectors of the economy remain challenged (construction/discretionary spending), overall consumers appear to be coping with the cost-of living increases over 2023/24, and the domestic outlook is improving due to fiscal support from July 2024.

The income stream in the portfolio remains robust with high levels of absolute yields available. With the current yields to maturity available, we continue to have a positive outlook for expected returns in the vicinity of 5.5%-6.0% per annum based on current portfolio positioning.

Contact: SMA@ram.com.au

**Portfolio Manager:**  
**Michael Frearson**



**IMAP**  
MANAGED ACCOUNT  
AWARD WINNER  
AUSTRALIAN FIXED  
INTEREST



### Certified Responsible Investment



CERTIFIED BY RIAA

The RAM Diversified Fixed Income & Credit SMA has been certified by the Responsible Investment Association Australasia according to strict disclosure practices required under the Responsible Investment Certification Program.

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that the RAM Diversified Fixed Income & Credit SMA adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and RAM Diversified Fixed Income & Credit SMA's methodology, performance and stock holdings can be found at [www.responsiblereturns.com.au](http://www.responsiblereturns.com.au), together with details about other responsible investment products certified by RIAA.<sup>1</sup>

### Key Portfolio Characteristics

Item	Strategy
Portfolio Gross Yield to Maturity	5.91%
Portfolio Gross Yield	6.36%
RBA Cash Rate	4.35%
Floating rate exposure	80.5%
Minimum Issuer Credit rating*	Investment Grade

\* Securities are subordinated to the senior rating and generally do not have credit ratings.

<sup>1</sup> The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

### Strategy Outlook

Contact: SMA@ram.com.au

Amid a rising to stable interest rate environment, the strategy is well placed to continue delivering on its Investment Objective to provide a tax effective yield at a premium to cash rates, with low levels of volatility. Given the strategy's floating rate bias the income stream will continue to increase if base interest rates move higher.

Key themes impacting the outlook continue to be volatile interest rates, volatile inflation data and geopolitical risks. Northern Hemisphere political risks will also drive markets in second half of 2024. We note globally inflation remains elevated and timing of rate cuts continues to be pushed back. The full effect of higher interest rates is expected to more significantly slow economies during second half of 2024. We note Australian Bank capital levels remain approximately double what they were pre GFC leaving them well placed to absorb any future credit losses.

We retain our defensively positioned portfolio with 3% in cash, 20% in fixed rate bonds (mainly Government), 7% in Investment Grade floating rate bonds, 4% in Subordinated Debt, and 66% held in a concentrated portfolio of directly held ASX listed capital note securities, to deliver on the investment objective. Given the attractive value and total return environment we have been actively adding to both credit and duration over 2024. Cash levels will fall to fully invested in July boosting the strategy yield further.

### ESG Exclusions

The following sector exclusions based on company revenue/GICS industry group apply to the investment universe:

Revenue: Gambling (0.0%), Tobacco Retailing (10%), Tobacco Manufacturing (0.0%), Pornography (0.0%), Armaments (0.0%), Coal Mining (0.0%). GICS sectors following are specifically excluded: Aerospace & Defence, Casinos & Gambling, Coal & Consumable Fuels, Tobacco/Nicotine Production.

### Top 5 Holdings (Look through basis)

Government Fixed Rate Bonds (via ETF)

Corporate Fixed & Floating Bonds (via ETF)

Westpac Capital Notes (WBCPJ)

NAB Capital Notes ( NABPH)

Commonwealth Bank of Aust. (CBAPL)

### Portfolio Activity during the Month

Security	Activity	Comment
AN3PK	+2.5%	We added to listed Capital Note securities using the proceeds from the Bendigo Capital Note redemption to improve both the portfolio quality and yield to maturity. We determined both AN3PK and CGFPD offered more attractive risk adjusted value relative to Bendigo Capital notes with both higher expected return and lower risk.
CGFPD	+2.0%	

### Strategy Performance as of 30<sup>th</sup> June 2024

RAM Diversified FI & Credit Strategy Performance	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	5 Years	Since Inception
Strategy cash return	0.66%	0.91%	2.43%	5.76%	5.09%	2.71%	2.55%	3.37%
Strategy Imputation Credits	0.23%	0.31%	0.61%	1.24%	1.08%	0.86%	0.75%	0.66%
<b>Strategy Gross Return*</b>	<b>0.90%</b>	<b>1.22%</b>	<b>3.05%</b>	<b>7.00%</b>	<b>6.17%</b>	<b>3.57%</b>	<b>3.30%</b>	<b>4.03%</b>

\* After taxation for a zero percent tax payer who is entitled to a rebate of imputation credits. Performance figures show RAMs model performance quoted gross of fees. Client performance may differ due to a range of factors. Past performance is no guide to future performance. Inception date 31/12/2016.

This brochure is for general information purposes only. Personal advice can be obtained from your Client Advisor.

Important Information Real Asset Management Pty Ltd (ACN 162 123 408) (RAM) is the holder of an Australia Financial Services Licence (No. 484263). RAM is authorised to provide financial services to wholesale clients only (within the meaning of the Corporations Act 2001 (Cth)). The information within this document has been prepared on this basis. The information within this document is general in nature and does not take into account your personal circumstances, financial needs or objectives. Before acting on any information, you should consider the appropriateness of it and the relevant product having regard to your objectives, financial situation and needs. Nor does it constitute an offer, solicitation or commitment by RAM. RAM does not represent or warrant that the information in this document is accurate, complete or up to date and accepts no liability if it is not. There can be no assurance that any targets or estimates of future performance of any securities or security classes discussed in this document can be achieved. Please be advised that any targets or estimates of future performance of any securities or security classes discussed are subject to change at any time and are current as of the date of this presentation only. Targets are objectives only and should not be construed as providing any assurance or guarantee as to the results that may be realised in the future from investments. All investments involve the potential for a loss of capital. Prospective investors should seek separate, independent financial and professional advice prior to making an investment to assess the suitability and risks involved. The information contained herein does not have any regard to the specific investment objectives, financial situation or the particular needs of any person. No representation or warranty, expressed or implied, is given by RAM or its affiliated companies or its respective directors, officers, representatives and/or employees (the "Parties") as to the accuracy or completeness of the material, information or opinions contained in this brochure and the Parties shall have, and accept, no liability for any statements, opinions, information or matters (expressed or implied) arising out of, contained in or derived from this presentation or any omissions from this booklet, or any other written or oral communication transmitted or made available to any other party in relation to the subject matter of this information. The information in this document is CONFIDENTIAL. It is intended solely for use by the person to whom it is given and may not be reproduced or redistributed. This document is not for distribution to the general public but for intended recipients only and may not be published, circulated, reproduced or distributed in whole or part to any other person without the written consent of Real Asset Management Group or its affiliated companies.

The rating issued 09/2022 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2022 Lonsec. All rights reserved.