Torica Absolute Return Income Fund

Performance Report 28th February 2025

Fund Objectives

The Torica Absolute Return Income Fund (the Fund) aims to provide clients with a consistent income stream by investing in a diversified portfolio of fixed income assets. The Fund aims to provide total returns (net of fees) that exceeds the RBA Cash Rate (Benchmark) by 2.5% p.a. throughout the market cycle.

Fund Strategy

The Fund is an absolute return fixed income strategy, designed to provide regular income and capital stability. The Fund is actively managed and can invest across the full spectrum of fixed income securities to capture relative-value opportunities across jurisdictions, sectors, asset-segments, companies, interest rate and credit curves. The Fund will hold 85-100% in investment grade securities.

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Fund Statistics	
Interest Duration	0.38 Years
Spread Duration	2.89 Years
Yield to Maturity	6.01% (pa)
Running Yield	6.42% (pa)
Ave Credit Rating	BBB+
12 Months Volatility	0.50%

Total Returns	1m	3m	6m	1yr (pa)	2yr (pa)	3yr (pa)	5yr (pa)	Incept. (pa)
Fund (Net)	0.71%	1.96%	4.08%	8.17%	7.87%	6.13%	4.40%	5.35%
RBA Cash Rate	0.35%	1.08%	2.18%	4.41%	4.26%	3.42%	2.07%	1.92%
Excess Return (Net)	0.35%	0.88%	1.90%	3.76%	3.61%	2.71%	2.33%	3.43%

Past performance is not a reliable indicator of future performance and results are never guaranteed. Fund returns are calculated using the exit price, net of fees, from inception date of 31/5/13, assuming reinvestment of distributions, and excluding franking credits and taxes. The Benchmark is the RBA interbank overnight cash rate. Returns greater than 1 year are annualised. Fund fees last changed on 01/07/2023. Refer to the Fund's Product Disclosure Statement and Target Market Determination for more important information. *12 Months Volatility* refers to the 12 months volatility of the Fund's total net returns.

Key Features	
Fund Manager	Torica Capital
Responsible Entity	Equity Trustees Ltd
Fund Inception	31st May 2013
APIR Code	MST0002AU
Pricing	Daily
Distribution	Quarterly
Management Fees and Costs	0.64%
Performance, Entry or Exit Fee	None
Buy/Sell Spread	+0.04/-0.08%
NAV Entry/Exit Price	$1.0141/ $1.0129
Min. Investment	$25,000
Administrator	Apex Fund Services
Custodian	BNP Paribas
Platform Availability	- Netwealth - Macquarie - Mason Stevens - HUB24 - Praemium - OneVue - Australian Money Market

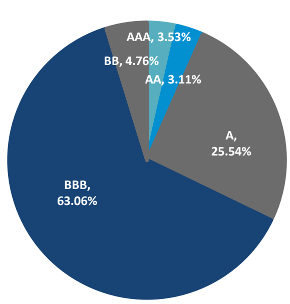
Portfolio Commentary

In February, the Fund produced a monthly net return of 0.71% and a yearly net return of 8.17%. Despite the sell-off in equities as markets reacted to the uncertainty surrounding the policies of the new US administration, the portfolio generated positive returns from its coupon carry strategy and the general move lower in risk-free yields.

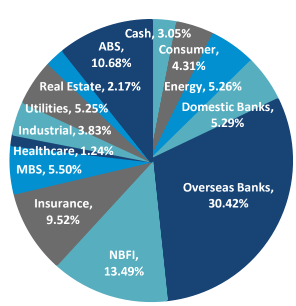
The Fund continues to have a sound running yield of 6.42%, underpinned by a portfolio of predominantly investment grade issuers, many of which hold strong market positions in their respective industries. The Fund was also active in trading, selectively rotating the portfolio into deals that optimise returns, and taking profit in selective bonds that have outperformed. The focus was on local currency bonds where credit spreads held up relatively well despite the softer equity backdrop.

The Fund moderately increased interest rate duration intra-month after yields initially rose. We subsequently took profit as yields fell, with interest rate duration exposure ending the month at similar levels to where they began. The Fund's yield curve steepener position was a detractor to returns as the trade consolidated and re-inverted by 12bpts, after steepening 40bpts in December 2024 and January 2025.

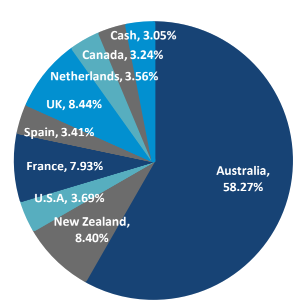
RATINGS



INDUSTRY



GEOGRAPHY



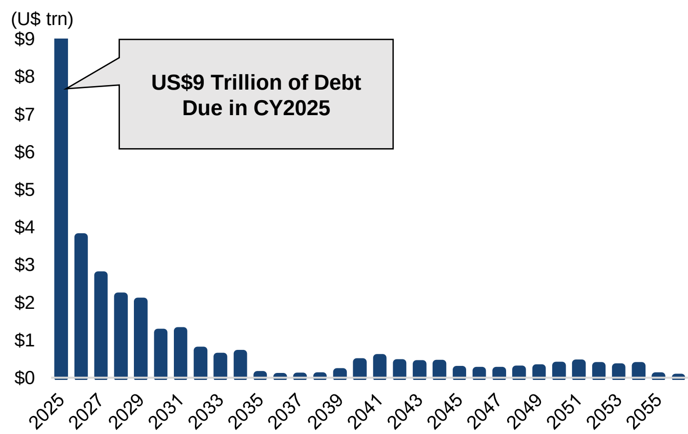
For further enquires, please contact the Investment Manager – Torica Capital on 02 9037 6555 or enquiries@toricacapital.com

Market Commentary

Following a relatively strong start to 2025, risk assets moderated with the S&P500 and Nasdaq falling 1.4% and 3.9% respectively. The markets responded to the increasing uncertainty from President Trump's policy agenda and its potential impact on economic growth. These concerns also led to a decline in global government bond yields, particularly in the US, where the 10-year bond fell 33bpts over the month. The decline in yields showed that bond markets dismissed, at least temporarily, the firmer inflation data and the possibility that tariffs would revive inflation and instead focused on risks to US growth and weaker sentiment data. In February, both business and consumer sentiment fell, with the Conference Board of Consumer Confidence Index experiencing its sharpest drop in over three years. US consumer spending data for January 2025 also showed negative growth (-0.2% MoM) for the first time in almost two years. These measures reinforce the increased caution around consumer spending that some companies have expressed in recent months

While the recent fall in yields are predominantly driven by fundamental reasons, we are also mindful of the technical backdrop of US government securities, which may place upwards counter pressure on yields over the course of the year, given the amount of debt coming due in 2025. Per Chart 1 from Bloomberg data, approximately US$9trn of US government debt will mature or require refinancing in 2025, amounting to ~25% of the total debt burden of US$36trn. The significant supply and issuance of US Treasury debt comes at a time when demand from the largest foreign buyers, namely China and Japan, are declining. To put the size of this US$9trn of US government debt into context, there are currently only five countries in the world with a GDP of more than US$4trn. To increase buyers of US government debt, US regulators may loosen banking leverage ratio rules to effectively allow US banks to hold more US government debt on their balance-sheet. These supply-demand technical dynamics remain a key focus for the administration in their efforts to lower yields across the curve.

Chart 1 – US Government Debt Maturity Profile



Source: Bloomberg

In Europe, the German elections dominated headlines. The conservative CDU/CSU alliance won with 28.5% of the vote and is in talks with the Social Democratic Party (SPD) to form a government and potentially reshape the country's political landscape. A coalition could lead to a reassessment of Germany's strict "debt brake" policy, which currently limits public borrowing. Loosening this constraint may allow greater investment in infrastructure and defence, with CDU/CSU already proposing a €200 billion rearmament initiative to bolster European security autonomy. Despite likely resistance from other members outside of the coalition to the relaxation of current fiscal constraints, the election signals a shift in Germany's policy direction, with implications for economic growth, regional monetary policy, and bond yields. Increased German public investment may stimulate EU-wide growth but also introduce inflationary pressures, potentially leading to higher rates and influencing ECB monetary policy. Whether the ECB adjusts interest rates will depend on the scale of Germany's fiscal expansion and its broader economic impact. As Germany navigates coalition negotiations, the outcome will be pivotal in shaping its economic trajectory and its role in European financial and security affairs. The 2025 election has set the stage for potential policy shifts with lasting implications for both domestic and regional spheres.

In Australia, the RBA cut the official cash rate for the first time since November 2020, lowering it by 25 basis points to 4.10% at its February monetary policy meeting. Despite this move, the RBA signalled a cautious stance, emphasising that further easing should not be taken for granted. The central bank remains wary of cutting rates too aggressively, as premature loosening could allow inflation to settle above their target. The decision to cut interest rates reflects progress in bringing inflation down, but some uncertainties remain regarding its sustainability. The RBA has adopted a 'wait and see' approach, with future interest rate adjustments dependent on inflation, labour markets, and fiscal policy developments related to upcoming federal election which could complicate the outlook. If the government implements expansionary measures to stimulate slowing growth, this may result in a stall in the 'last mile' of disinflation and potentially limit the extent of future rate cuts. While markets currently anticipate a gradual easing cycle and are pricing in two additional rate cuts in 2025, the RBA's data-dependent stance, together with the policy uncertainty that accompanies an impending election suggests it will proceed cautiously. Policymakers are likely to maintain a level

Market Commentary Continued…

of restrictiveness to ensure inflation reaches and remains firmly within target before committing to a more defined path of policy easing.