

Trilogy Enhanced Income Fund

6.15% P.A^{1,2}

Adviser Investment Report: August 2024

Fund Overview

Key Metrics	
Inception	May 2017
Funds under management	\$70.53m
Target asset allocation	Approximately 65% allocation to cash, term deposits, and direct and indirect investments in other short-term debt; and approximately 35% allocation to Trilogy Monthly Income Trust.
Fund Information	
Unit price	\$1.00 ⁴
Minimum initial investment	\$5,000
Distribution frequency	Monthly
Withdrawal notice period	30 days ⁵
Responsible entity management fee	0.35% p.a. (including GST) of total funds under management. Additional fees are charged to the Fund relating to the assets ⁵ .
APIR	TGY9789AU
Platform Availability	
Netwealth	HUB24
Mason Stevens	Macquarie Wrap
Allan Gray	OneVue
Australian Money Market	Powerwrap
uXchange/Dash	

Independent research ratings⁶



Investment Strategy and Performance

The Trilogy Enhanced Income Fund (Fund) invests directly and indirectly in a portfolio of cash, fixed interest investments and other financial assets such as a range of short to medium term bank deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities and income securities.

To enhance returns, part of the portfolio is invested in the Trilogy Monthly Income Trust (Trust). The Trust is a pooled mortgage trust that invests in loans secured by registered first mortgages of Australian property. The Trust finances a diverse range of property developments in the residential, commercial, industrial, and retail property sectors in Australia.

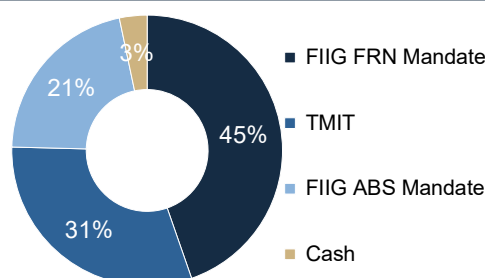
Historical Performance^{2,3}

	1 month	3 month	6 month	1 year	3 year	5 year	Inception
Return	0.52%	1.58%	3.16%	6.18%	4.55%	4.04%	4.07%
Bench mark	0.50%	1.47%	2.95%	5.81%	4.21%	3.25%	3.16%
Excess	0.02%	0.11%	0.21%	0.37%	0.34%	0.79%	0.91%

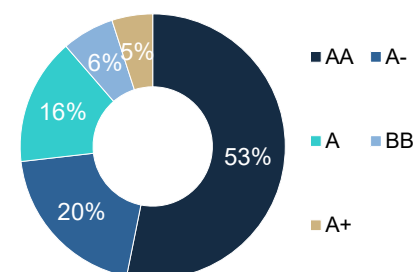
Note: 3-year, 5-year and inception data are reported on a per annum basis

Fund Snapshot⁷

Asset allocation



Credit quality exposure (FIIG Mandates only)⁸



Investments in the Trilogy Enhanced Income Fund ARSN 614 682 469 can only be made on the application form accompanying the Product Disclosure Statement (PDS) dated 10 April 2024 issued by Trilogy Funds Management Limited (Trilogy Funds) ABN 59 080 383 679 AFSL 261425 and available from www.trilogyfunds.com.au. Please also consider the Target Market Determination (TMD) dated 10 April 2024 which is available at www.trilogyfunds.com.au.

This product carries capital, distribution and other risks. You should consider Section 6 of the PDS before investing. Information included in this communication about investment yield and returns should be considered only as part of a balanced review of all the features, benefits and risks associated with the product. Please read the PDS and the TMD in full. All investments, including those with Trilogy Funds, involve risk which can lead to no or lower than expected returns, or a loss of part or all of your capital. Investments in Trilogy Funds' products are not bank deposits and are not government guaranteed.

Fund and Market Update

The Fund delivered a return of 6.15% p.a. for the month ending 31 August 2024. Fixed income valuations have been quite volatile throughout August due to global and local economic factors. Yields on government bonds fell, driven by a weaker global economy and local inflation relief. Initially cautious, the market's concerns about a potential Reserve Bank of Australia (RBA) tightening were eased after a moderated consumer price index (CPI) data release by the Australian Bureau of Statistics (ABS)⁹. As a result, markets rallied, and pricing now anticipates future rate cuts.

Increase in unemployment rate to a three-year high of 4.30% p.a. in July 2024 from 4.10% p.a. in June 2024 indicated that the United States (US) might be heading towards a hard economic landing. The labour market slowed significantly in July 2024, with the unemployment rate rising above expectations. This shift was driven by job losses rather than workforce growth. Market reactions were swift, with expectations for multiple rate cuts by year-end¹⁰.

Following the release of CPI data in the month, CBA have forecasted an easing by December 2024 whilst ANZ and Westpac have forecasted an easing in February 2025 and NAB in May 2025¹¹. Australian major banks have also trimmed term deposit rates in advance of expected cash rate changes¹². New Zealand's 25 basis points rate cut in the month also influenced market sentiment¹³.

Many debt instruments across the fixed income market repriced accordingly, some more rapidly than others. This rapid movement resulted in capital depreciation across several fixed interest sectors sensitive to long-term rates, including short-term debt instruments. This resulted in a reduction in the returns achieved by the Fund's portfolio allocations during the month.

Fixed Income Commentary

As expected, the Australian securitisation market experienced a significant increase in activity during August, following a quiet July. Notably, Pepper Money Limited (Pepper) and Resimac Group issued Residential Mortgage-Backed Securities (RMBS) with collateral comprising of non-conforming mortgages over Australian residential properties. Additionally, REDS (a securitisation programme established by Bank of Queensland Limited) and La Trobe Financial issued standard RMBS. We and our portfolio manager successfully secured allocations in Pepper and REDS this month. The momentum in the securitisation market is expected to continue, with numerous RMBS and asset-backed securities (ABS) deals announced to market and are likely to launch in September.

Similar to July, the issuance activity in the Australian subordinated Tier 2 market is relatively subdued compared to the securitisation market, as there was no Tier 2 issuance from the big four financial institutions. However, there were three Tier 2 issuances from Macquarie Bank, BNP Baripapas and Lloyds Bank.

We continue to monitor global bond yields and will reposition the portfolio if and when any emerging concerns arise.

Product Disclosure Statement (PDS) is available on the Fund webpage [here](#).

The Target Market Determination (TMD) for Units in the Fund is available free of charge on the Fund webpage [here](#).

1. Equivalent net distribution rate annualised paid to investors for the month ended 31 August 2024.
2. All distribution rates quoted are variable, net of fees, costs and taxes and assume no distribution reinvestment. Past performance is not a reliable indicator of future performance.
3. 3-year, 5-year and inception data are reported on a per annum basis. The target benchmark is the Official Cash Rate target plus 1.50% p.a. assuming reinvestment of distributions but before fees and expenses and taxes, over a rolling 12 months period.
4. The unit price is fixed, however, capital losses can occur in circumstances where the Fund incurs a capital loss.
5. See PDS & TMD for details.
6. The information contained in the Foresight Analytics report and encapsulated in the investment rating is of a general nature only. The report and rating reflect the opinion of Foresight Analytics and Ratings Pty Limited (AFSL 494552). It does not take into account an individual's objectives, financial situation or needs. Professional advice should be sought before making an investment decision. A fee has been paid by the fund manager for the production of the report and investment rating. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs of any specific person. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.
7. As at 31 August 2024.
8. Only includes investments associated with FIIG Investment Management Limited (FIIG) (FIIG Mandates) in the portfolio.
9. <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/jul-2024>
10. <https://www.reuters.com/markets/us/fed-policymakers-agree-need-rate-cuts-their-reasons-vary-2024-09-03/>
11. <https://www.afr.com/policy/economy/hopes-for-2024-cuts-weaken-as-data-signals-rba-stuck-on-hold-20240827-p5k5tu>
12. <https://www.afr.com/companies/financial-services/big-banks-pre-empt-rba-move-by-cutting-rates-on-term-deposits-20240816-p5k2yy>
13. <https://www.cbc.com/2024/08/14/reserve-bank-of-new-zealand-cuts-cash-rate-by-25-basis-points.html>