

# Trilogy Enhanced Income Fund

6.10% P.A<sup>1,2</sup>

## Investment Report: October 2024

### Fund Overview

#### Key Metrics

**Inception** May 2017

**Funds under management** \$75.18m

**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<sup>4</sup>

**Minimum initial investment** \$5,000

**Distribution frequency** Monthly

**Withdrawal notice period** 30 days<sup>5</sup>

**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<sup>5</sup>.

**APIR** TGY9789AU

#### Independent research ratings<sup>6</sup>



### 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.

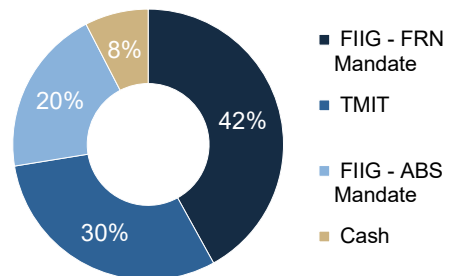
#### Historical Performance<sup>2,3</sup>

	1 month	3 month	6 month	1 year	3 year	5 year	Inception
Return	0.52%	1.55%	3.13%	6.19%	4.73%	4.11%	4.12%
Bench mark	0.50%	1.47%	2.95%	5.85%	4.45%	3.37%	3.22%
Excess	0.02%	0.08%	0.18%	0.34%	0.28%	0.74%	0.90%

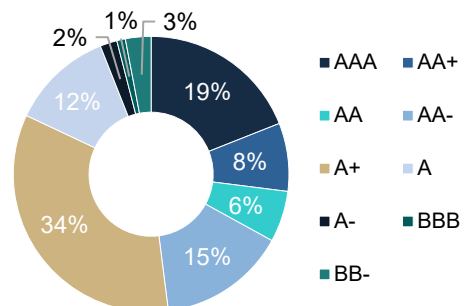
**Note:** 3-year, 5-year and inception data are reported on a per annum basis

### Fund Snapshot<sup>7</sup>

#### Asset allocation



#### Credit quality exposure (FIIG Mandates only)<sup>8</sup>



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](http://www.trilogyfunds.com.au). Please also consider the Target Market Determination (TMD) dated 10 April 2024 which is available at [www.trilogyfunds.com.au](http://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

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The Fund delivered a return of 6.10% p.a. for the month ending 31 October 2024. In October, the Australian primary market for Asset-Backed Securities (ABS) remained active, with securitisation continuing to drive issuance. Despite already setting a record for full-year volume by September, the steady flow of new issues persisted. Demand remains robust, as evidenced by several deals increasing their initial volumes. Looking forward to November, the Portfolio Management Team anticipates ongoing issuance activity, particularly from issuers like Barton, Progress, and Medallion, who are expected to refinance their 2019 RMBS notes.

Domestic bank issuance remained subdued in October. The National Australia Bank successfully priced a \$2.75bn 3-year Fixed and Floating Rate senior note, while Bendigo Bank issued a \$750m 4-year Fixed and Floating Rate senior note. Bank of Queensland (BOQ) launched a Tier 2 10.25 year floating rate note (with a 5.25-year call date), meeting high demand with over \$2bn in bids.

Australia's inflation landscape reveals both moderation and persistent underlying pressures. In the third quarter of 2024, headline CPI increased by 0.2% quarter-on-quarter (QoQ), influenced by various rebates and temporary government interventions, particularly in the energy sector. This brought annual headline inflation down to 2.8% from 3.8% in the previous quarter, the lowest level since early 2021. However, core inflation, which excludes volatile items like energy and food, remains high at 3.5%, underscoring steady demand in essential service sectors such as housing, healthcare, and education.<sup>9</sup>

On the 5th November the RBA left interest rates at 4.35 per cent for another meeting, marking one year since the central bank has lifted rates.<sup>10</sup> Rate pressures are evident in the market and was exemplified by ANZ's earning results. ANZ chief executive Shayne Elliott said competition in home lending and deposits was intense over the past year. Although profit was down 8 percent, the bank recorded strong volume growth for mortgages, winning market share over the period, indicating another round of mortgage wars<sup>11</sup> Additional pressure on commercial rates has resulted from a decrease in three-month term deposit rates. The average three-month rate offered by major banks dropped to 3.20% p.a. in September, down from 3.35% p.a. in August. In September alone, 218 term deposit rates were cut by 43 providers.<sup>12</sup>

## Outlook

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Despite the big four banks' optimism for an earlier rate cut as inflation trends lower, the International Monetary Fund (IMF) holds a more cautious outlook for Australia. The IMF, in its October 2024 World Economic Outlook, expects Australia's headline inflation to sit at 3.6% by the end of 2025. Not only is this a significant revision from its April outlook of 2.83%, but it also places Australia well above the advanced economy median of 2.0%, ranking second highest among this group, trailing only the Slovak Republic.<sup>13</sup>

The Australian dollar was among the biggest losers against the US dollar following election results. Markets expect Trump's tariff and immigration policies to be inflationary, meaning the US Federal Reserve may not cut interest rates as aggressively as initially thought. When US interest rates are expected to stay higher, investors tend to favour the US dollar which in turn appreciates against the AUD.<sup>14</sup>

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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 October 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 October 2024.
8. Only includes investments associated with FIIG Investment Management Limited (FIIG) (FIIG Mandates) in the portfolio.
9. <https://www.afrc.com/policy/economy/inflation-tumbles-to-2-8pc-but-no-rate-cuts-until-2025-20241028-p5k1xp>
10. <https://www.abc.net.au/news/2024-11-05/reserve-bank-rba-rates-on-hold-november-despite-lower-inflation/104557206>
11. <https://www.afrc.com/companies/financial-services/anz-cuts-dividends-as-profits-slip-amid-intense-lending-competition-20241105-p5ko2x>
12. <https://tradingeconomics.com/australia/deposit-interest-rate>
13. <https://www.afrc.com/policy/economy/australia-fails-on-inflation-as-us-wins-on-growth-20241023-p5kkne>
14. <https://www.afrc.com/markets/currencies/australian-dollar-slumps-on-trump-victory-bets-20241106-p5kqog2>