

Tribeca Asia Credit Strategy

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Asymmetry in Fixed Income Today

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Aside from the events in the Middle East, the continued rise in bond yields has been the key topic on investors' minds over the past few weeks. One theme that is starting to gain attention in the investment community is the asymmetry of 1yr returns for fixed income. The recent rise in treasury bond yields has created a situation where investors can expect great 12-month returns if yields fall 100bps and yet still protect capital if yields rise another 100bps. This is due to the convexity of bonds and coupon income over a 12-month period.

We have included below an analysis that shows the expected returns for Tribeca Asia Credit Strategy versus US Treasury, US Investment Grade (IG) Corporate and US High Yield (HY) Corporate under different treasury yield scenarios. The analysis assumes credit spreads remain stable.

The Strategy looks very attractive on these metrics with a strong +13.2% 1-year total return if bond yields fall 100bps and the best return of the group (+8.8%) even if bond yields continue to rise another 100bps. This is due to our short duration and high coupon portfolio, which limits interest rate sensitivity and creates high income over 12 months.

This is part of the reason we have been able to significantly outperform recently, and we are set up very well to continue that in this environment.

	Current Yield	Yield To Maturity	Mod. Duration	100bps drop in bond yields 1yr Total Return	100bps rise in bond yields 1yr Total Return
Tribeca Asia Credit Strategy	7.8%	12.5%	2.9	13.2%	8.8%
US 10yr Treasury	4.2%	5.0%	7.9	12.7%	-2.0%
US 2yr Treasury	5.0%	5.1%	1.8	6.0%	4.2%
US IG Corporate	4.7%	6.4%	6.8	14.2%	-1.1%
US HY Corporate	7.0%	9.6%	4.0	13.1%	6.2%

The Strategy has two investment vehicles which run pari-passu, namely an Australian Unit Trust (AUT) and a Cayman Master Feeder Fund suitable for investors outside of Australia.

The Fund has continued to perform very well in spite of falling global markets, with a positive return of +0.48% (AUT) / +1.28% (Cayman) for September 2023. This brings the 2023 YTD gross performance to +18.32% (AUT) / +14.02% (Cayman) compared to +1.1% for Asia IG bonds and -1.6% for Asia HY bonds.

You can watch a concise explainer video where I discuss more about the Strategy Overview and the drivers of the Strategy's significant outperformance using the links below:

- **Australian Unit Trust (AUT):** [Explainer Video](#) and [Presentation Deck](#)
- **Cayman Master Feeder Fund:** [Explainer Video](#) and [Presentation Deck](#)

Should you have any questions, please do not hesitate to contact myself or Tribeca Investor Relations at investors@tribecaip.com.au.

Regards,
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