

Trilogy Enhanced Income Fund

6.30% P.A^{1,2}

Retail Investment Report: May 2024

Fund Overview

Key Metrics	
Inception	May 2017
Funds under management	\$59.99m
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

Independent research ratings⁶



Investment Strategy and Performance

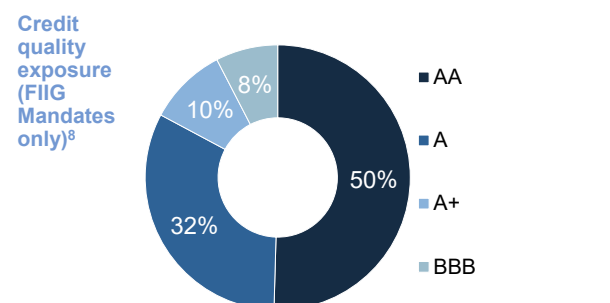
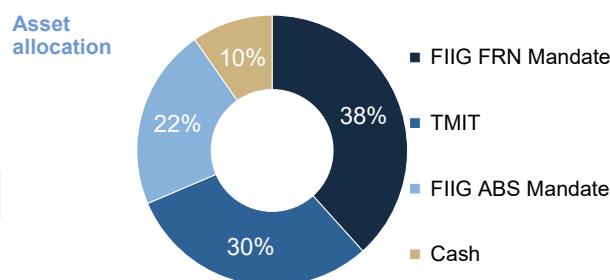
The Trilogy Enhanced Income Fund (Fund) invests directly and indirectly in a portfolio of cash, fixed interest investments and other financial assets such as a range of short to medium term bank deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities and income securities.

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	0.54%	1.58%	3.11%	6.09%	4.28%	3.95%	4.00%
Bench mark	0.50%	1.47%	2.93%	5.75%	3.86%	3.09%	3.06%
Excess	0.04%	0.11%	0.17%	0.35%	0.42%	0.87%	0.93%

Fund Snapshot⁷



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 6.30% p.a. for the month ending 31 May 2024. During the month, our investment strategy with our external fixed rate notes manager remained aligned with our mandate as excess cash was strategically deployed across the maturity curve and the capital structure. In addition, we and our manager continue to optimise our portfolio performance in the month with a strategic decision to infuse an additional \$2.0 million of asset backed securities (ABS) into the portfolio. To facilitate this, as more Tier 2 issuances occur in the primary market or when favorable secondary market opportunities arise, we and our manager stand prepared to liquidate very liquid short-dated major bank floating rate notes (FRNs) to raise capital.

In the month, the secondary market exhibited notable liquidity, particularly in the AA-rated securities. This liquidity trend underscores the resilience and attractiveness of assets with higher credit ratings, reflecting market participants' ongoing preference for securities with solid credit quality amidst prevailing economic uncertainties.

Outlook

The Reserve Bank of Australia (RBA) held the cash rate steady in May. The Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) indicator rose 3.6% in the 12 months to April 2024 from 3.5% in March 2024⁸. While inflation has been relatively stable over the past five months, this is the second month in a row where annual inflation has had a small increase. Michelle Marquardt (ABS head of prices statistics) highlighted that the sectors contributing most significantly to the annual increase were housing (+4.9%), food and non-alcoholic beverages (+3.8%), alcohol and tobacco (+6.5%), and transport (+4.2%).

Following the inflation data, interest rate markets have priced in a 50% chance of a rate increase before end of 2024. Economists are of the view that the market pricing looked "misplaced" with the expectation that RBA will keep rates steady¹⁰. Commonwealth Bank Australia's head of Australian economics, Gareth Aird has pushed his rate cut forecast back to November 2024. While inflation is higher than expected, the rate cut at the end of year is supported by the unexpected drop in March 2024 retail sales (-0.4%) reversing a 0.2% rise in February 2024¹¹.

Expectations of rate cuts in the United States (US) have been scaled back with the US Federal Reserve signaling that any decision to cut interest rates should be put on hold until there is more certainty that inflation is back on track to its 2% target. Economists at Goldman Sachs have now pushed their forecast for the first of two cuts to commence in September 2024 (from July 2024 in previous forecast) while Bank of America is forecasting just one rate cut this year, in December 2024¹².

Our team continue to be vigilant in monitoring market rate movements and repositioning assets in the portfolio as necessary if attractive risk-adjusted returns in fixed-rate instruments begin to appear.

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 May 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.
7. As at 31 May 2024.
8. Only includes investments associated with FIIG Investment Management Limited (FIIG) (FIIG Mandates) in the portfolio.
9. <https://www.abs.gov.au/media-centre/media-releases/monthly-cpi-indicator-rose-36-year-april-2024>
10. <https://www.afr.com/markets/debt-markets/rba-s-next-move-will-still-be-a-rate-cut-say-investors-20240429-p5fn8c>
11. <https://www.afr.com/markets/debt-markets/cba-tips-one-rate-cut-this-year-as-retail-sales-temper-hike-fears-20240430-p5fnpm>
12. <https://www.nbcnews.com/business/business-news/inflation-pressure-lingering-pandemic-keeping-fed-rate-cuts-pause-rcna154455>