Atchison Active Floating Rate Portfolio

The Atchison Active Floating Rate Portfolio offers a bespoke solution as part of your defensive bond asset class allocation. Investing across a broad spectrum of bonds and structures, the portfolio combines assets that pay a variable (or “floating”) interest rate, typically have duration less than three years or a flexible duration mandate.

What is the Atchison Active Floating Rate Portfolio?

The Portfolio is a diversified separately managed account (SMA) that invests into a curated selection of actively managed funds and specific index-tracking exchange traded funds (ETFs) across the floating rate note (FRN) income sector.

The Portfolio has been constructed to provide exposure to both global and domestic FRN income markets, including corporate bonds, credit, senior, subordinated and related instruments with a duration less than five years.

The key difference between FRNs and other types of bonds whether or not the interest coupon payment is fixed or variable. Most bonds carry a fixed coupon interest rate. This means the coupon interest rate, from the time the bond is issued through to its maturity, does not change. With FRNs, the coupon interest rate is variable, or ‘floating’ which means it tracks short-term interest rates.

This has the effect of preserving the capital value of the bond in a rising interest rate environment. FRN coupon interest rates are most commonly set by reference to the 90-day bank bill swap rate (BBSW). For example, a FRN may be issued with a face value of $100 for 3 years with a coupon of ‘3-month BBSW + 1%’.

This means coupon payments will increase if the benchmark 3-month BBSW interest rate rises or decrease as the 3-month BBSW interest rate falls. The coupon interest rate of a FRN is usually reset each quarter to capture any changes in the benchmark BBSW. Coupon interest payments on FRNs are typically quarterly.

The market price of a bond will vary over time depending on what's happening in the economy and with interest rates, as well as any changes in the credit worthiness of the borrower. If a borrower’s credit rating falls, then the prices of its bonds will also fall.

The Portfolio may be exposed to non-Australian dollar denominated cash and cash equivalent securities. Any foreign currency exposures will be largely hedged back by the relevant appointed Fund to Australian dollars.

The decision-making framework is guided by Atchison’s philosophy and investment approach.

The Portfolio is actively managed, from an asset allocation and investment selection perspective. It carries the ‘Active’ name due to the selection of both actively managed funds that seek to outperform their benchmark and specific index-tracking investments.

The Portfolio aims to generate returns from active asset allocation and investment selection decisions, taking into consideration the direction of interest rates, term to maturity, credit sectors and credit margin, and risk of default.The Portfolio is diversified across countries, issuers, credit ratings, fund managers, and is continuously reviewed and adjusted by Atchison to ensure the Portfolio remains appropriately positioned to deal with evolving investment and economic conditions.

Given the nature of investments in floating rate markets, the minimum suggested timeframe for investors in this portfolio is 3 to 5 years.

The Portfolio can hold up to 10 investments, with a minimum of two, with the average being six to seven underlying funds. An example of the underlying holdings and funds within the portfolio includes:

Asset Allocation:

The Portfolio must invest according to the asset allocation range in the table below. The Portfolio is intended to be fully invested at all times, with the exposure range for cash included to allow for portfolio changes to be implemented over a reasonable period of time. Atchison will not use the cash weighting to express views on macroeconomic or valuation conditions.

	Range
Australian Diversified Credit	0 – 99%
Global Diversified Credit	0 – 99%
Cash	1 – 15%

What is the objective of the Portfolio?

Provide returns above bank bill rates over rolling 3-year periods, benchmarked against the RBA Cash Rate. The Portfolio is suited for investors seeking to generate income with some potential for capital growth over the medium term, but is subject to the risk of adverse market conditions. Floating rate assets have historically performed strongly during periods of inflation and rising interest rates as the interest payments they provide are regularly reset to market rates.

A Portfolio solely invested in floating rate is deemed to have a medium risk profile.. However, when combined with complimentary Atchison asset class portfolios enables the financial adviser to create efficiently tailored and customisable diversified multi asset class, multi-manager solutions.

Fund facts

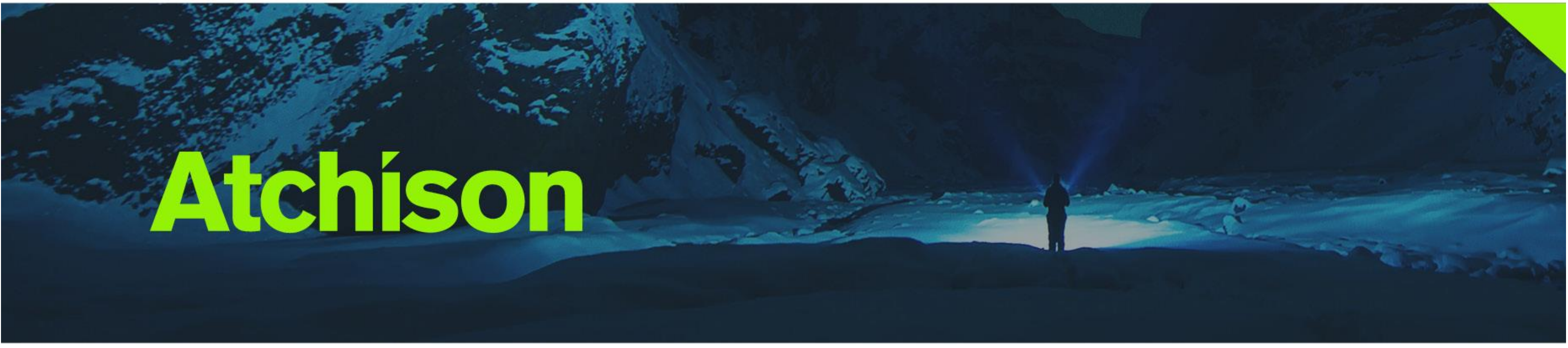
- Minimum Suggested Investment Timeframe: 3 Years
- Investment Objective: Provide returns above bank bill rates over rolling 3-year periods.
- Benchmark: RBA Cash Rate
- Investment Universe: Managed Funds, ETFs, cash
- Number of Holdings: 2 - 10
- Standard Risk Measure: Low
- Managed Account Fee: 0.401% p.a.
- Minimum Investment Amount: $5,000

How does Atchison invest?

- **It starts and ends with risk:** The basis of all investment decisions is a focus on identifying and managing risk and nowhere is this more important than in alternative asset classes. Atchison's are advocates of the diversification and return benefits of material allocation to the asset class.
- **Asset allocation is the primary driver of returns:** Research consistently shows that asset allocation decisions drive as much as 90 per cent of returns. Atchison believes in the value of a more granular approach to asset allocation and the role of floating rate notes in portfolio construction.
- **Liquidity is your friend:** Illiquidity is too commonly seen as resulting in less risk associated with an investor, but requires investors to give up on flexibility and optionality. We believe liquidity is paramount within the core of portfolios and thus is the focus of this sleeve.
- **Costs matter:** While we believe that investment fees should be kept to a minimum, our own research has shown that certain asset classes offer the potential for significant outperformance. Our focus remains on paying higher fees only where the investment offers something truly different.
- **Active management can smooth returns:** The fast-evolving nature of investment markets warrants a greater focus on the smoothing of volatility. This is best achieved by blending active managers and passive funds but ensuring any cancellation effects are minimised.

Why trust Atchison?

- **Active management:** Atchison are proponents of active management, at both the asset allocation and investment selection level. Atchison blends both low cost, index-tracking investments with actively managed funds and ETFs to seek the best outcome for investors.
- **Investment expertise:** You can be at peace knowing this portfolio is being constantly monitored and managed by our specialised and experienced investment team, with over 20 years of history supporting institutional investors and financial advisers.



- **Institutional history:** With our groundings in risk analysis, approved product list (APL) and independent research projects, we bring a truly institutional mindset to the management of all portfolios.
- **Communication:** We believe in absolute transparency, highlighting what worked, what didn't work, and how we are fixing it. We provide monthly market updates reviewing the Portfolio including attributions and contributions / graphs and charts / detractors and contributors.
- **True diversification**: We view diversification through multiple lenses, not only the selection of fund managers. This extends into company, sector, style, currency and revenue factors among others, aiming to reduce exposure to any single source of risk.

Key Risks:

Investing in Atchison Active Floating Rate Portfolio can offer diversification and a well-rounded approach to managing your investments in floating rate / short duration bonds. However, like all investment opportunities it carries certain risks, including, market risk, asset allocation risk, manager risk, liquidity risk, interest rate risk, credit risk, inflation risk, tax implications, diversification risk, duration risk and compliance risk.

Ensure before proceeding, you are receiving professional advice from a qualified and registered financial planner before considering this product, or any investment product.

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- While diversification is a valuable strategy, it's important to acknowledge that it may not fully mitigate systematic risk, such as the risk associated with an economic crisis, which could impact floating rate holdings.
- In the short term, floating rate income and credit funds can exhibit substantial volatility, meaning that the value of your investment will fluctuate. Consequently, investing in floating rate bonds / income funds should be approached as a medium-term strategy, with a minimum investment horizon of 3 years.

Warnings: Past performance should not be relied upon as a dependable indicator of future performance. Before making any investment decisions, it is essential for the reader to consider whether it aligns with their personal financial circumstances or seek independent financial advice regarding its suitability. If the financial advice pertains to acquiring or potentially acquiring a particular financial product, it is advisable for the reader to obtain and review the Investment Statement or Product Disclosure Statement for each financial product before making any decisions regarding its acquisition.

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