



Alexander
Funds

The Alexander Perspective

Quarterly Update
March 2025

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CEO's Update

Welcome to our quarterly update for March 2025.

The changing political environment and resulting economic uncertainty has driven tensions and volatility in global markets. The Australian economy has continued to show its resilience but has not been immune to the gyrations that markets can impose on investors.

Credit markets have come into the spotlight in recent months with the concerns of investors and advisers perhaps highlighting the gap in understanding between what a manager actually does as opposed to what they thought they did. In some cases, the risks are dramatically higher than thought to be the case and with others they are much lower.

Alexander Funds prioritises diversification within our portfolios, and our investment team have a wide-ranging skillset across credit markets. We invest in both public and private markets, aiming to identify the best possible value across all credit assets. Our philosophy is designed to ensure that the Alexander products are not siloed in one segment of the credit market and are well placed to withstand periods of market volatility.

Clearly certain types of lending carry more risk than others and the wide array and opaque nature of private debt markets does make it difficult for advisers and investors to feel fully informed. This is particularly so considering some recent isolated high-profile defaults. In all times, we believe it's important for investors to do their due diligence before investing so they are aware of the underlying nature of investments within private credit products. Such research should be focused on credit quality, sensitivity of their portfolio to market movements and liquidity.

At Alexander Funds the management of risk is at the forefront of all decision making. We are steadfast in our focus on the protection of capital, provision of income and meeting the liquidity expectations of our clients.

The present market circumstance reminds me of the adage thrown around in the TMT boom and crash of the late 90's known as "throwing the baby out with the bath water". To this end, much of the credit market continues to perform strongly with borrowers meeting their obligations.

The team at Alexander Funds is always available to discuss any current or future investment in our funds. We believe in providing investors and advisers with accessibility to the most senior people in our business so don't hesitate to reach out if you need assistance.

Warm Regards

Rachel Shirley
CEO





Market Commentary

What happened over the quarter?

During the quarter, activity within financial markets was dominated by the plans of the Trump administration post being sworn into office in late January. The spectre of tariffs and their potential impact on growth carried the market from a general feeling of buoyancy coming into 2025 to being much more circumspect by the end of March. This dynamic was felt most acutely in US markets (particularly the “Mag 7”) after being a notable outperformer over 2023 and 2024.

Within government bond markets, the US 10 year rallied 36 bps over the quarter as the market priced in lower growth driven by concerns over the impact of tariffs. However, most of this move has been reversed in the first 10 days of April as the bond market digests tariff policy that is likely to stoke inflation going forward.

In line with the move in equities, credit moved wider in March – albeit new issuance volumes remained healthy until late in the quarter. Of note, these numbers are to quarter end and do not take into consideration the further general deterioration in asset prices levels post April 2nd “Liberation Day”.

	March 25 Quarterly Change
S&P 500	-4.6%
NASDAQ	-9.4%
ASX 200	-3.9%
US 10 Year (bps)	-36
Aust 10 Year (bps)	-2
Aust iTraxx (bps)	19

Where to from here?

Clearly the global economic outlook has deteriorated due to the radical protectionist policy platform of the new US administration. Even if the US tariff policy is successful in achieving its stated objectives (which we consider highly unlikely), the evidence of this success will take time to present itself, leaving the US economic backdrop for remainder of 2025 precariously balanced.

In Australia, the situation is more stable but not without challenges. The direct impact of tariffs to the US is considered manageable, however, the secondary impacts of tariffs on our key trading partners (i.e. China and Japan), has the potential to meaningfully impact economic activity. Mitigating this is the ability of the RBA to continue providing rate relief which feeds directly into consumers.

From a capital market perspective, even with the short-term picture in Australia looking more stable, ultimately financial market pricing will be tied to the moves in the US, leaving us cautious on the outlook for the rest of 2025.



Sector Performance & Fund Positioning

Debt Capital Markets

The AUD debt capital markets remained robust through the first 2 months of the year, with healthy issuance levels being generally digested by investors. However, pricing (as represented by credit spreads) found a base with the relentless rally from 2024 levelling off.

Coming into March, as the market began to increase the likelihood of US tariffs being at the extreme end of expectations, spreads began to widen. It is worth noting that;

- Despite the softness in spreads, new issuance volumes were healthy in March as the market was willing to price and clear risk despite the growing uncertainty in the background.
- The 18-month rally heading into 2025 had left credit spreads at post GFC tight, thus even with the small move wider it still left the market priced tighter versus recent history at the end of the month.

All this commentary comes with the caveat that the market moves in early April have been a more pronounced move wider (with a lot of volatility) and several potential primary transactions being indefinitely postponed.

Structured

In a similar theme to Debt Capital Markets, Structured markets opened positively in 2025 with spreads tightening and issuance levels on par with

2024's record. Reflecting a market that is chasing yield, spread compression was most acute within the lower rated class of Notes, leaving the margin between AAA and lower rated notes at their tightest level post GFC. Despite the declining spreads on offer, new deals generally remained heavily oversubscribed. Our Funds selectively participated in new transactions with issuers where we have a long history of investing.

By mid-March, in response to the US tariff situation, the market became more guarded and several potential new transactions have been delayed, with the likely outcome being the market demanding wider spreads when they do come to issue.

Fundamentally, our exposure to Structured markets continues to perform in line with expectation. Loan pool performance (i.e. arrears and losses) is generally at the level we expect to see on a through the cycle basis.

Private

As discussed in previous editions of this newsletter, Private Credit is a broad term that applies to a range of different markets that don't have any direct connection to each other. As such, when thinking about the risk and performance characteristics of private credit, it's important to understand exactly which market you're considering. Alexander's activity within Private Markets is limited to a specific sector, private securitisation (which is colloquially known as the "Warehouse" market).



Sector Performance & Fund Positioning

The Warehouse market is designed to help fund the loan books of non-bank lenders and has some unique attributes that we believe make it very attractive regarding the risk involved. Given our focus in this area, we thought providing some more detail and background would be constructive. Warehouses contain many structural features that are well suited to Alexander Funds' investment philosophy. In short, these features provide enhanced credit quality allowing Warehouses deliver attractive risk-adjusted returns.

Securitisation is the process of pooling a high number of loans and packaging them into an investable security (tranches). While each tranche is exposed to the same pool of loans, they offer varying levels of risk and thus return. These securities can be issued in public debt markets – in what is referred to as a term transaction (i.e. RMBS/ABS), or in bespoke, privately negotiated Warehouses.

Who is making the loans and why do they need to securitise them? For Alexander Funds the answer is restricted to non-bank lenders (the originator), who provide finance across a range of lending markets, including - residential mortgages, commercial mortgages, automotive loans, SME borrowing, or consumer finance sectors. These lenders have experienced rapid growth in Australia as the major banks have continued to withdraw from certain customer segments. The main benefit of a Warehouse to these originators is that it provides funding at a cheaper rate and in greater volume than if they used traditional corporate loans.

In creating a Warehouse, the originator and financier will privately agree on terms and conditions that are quite prescriptive. These terms are captured in a Warehouse's governing documents, which include strong protection mechanisms for investors. Though not exhaustive, some of these features include;

Portfolio Parameters: These are key conditions that the loan portfolio must consistently meet, including type of loan, geography of loans, industry profile of loans, arrears performance and average return of the loan portfolio. These parameters will ensure that the loan pool remains well diversified, with the intention of minimising credit risk.

Credit Enhancement: The securitisation process will generally create multiple classes of securities, known as Notes. The lower rated Notes provide credit support (enhancement) to the higher rated Notes, meaning Senior Notes carrying less credit risk than Junior Notes but also lower returns.

Performance Triggers: Triggers are included to capture any deviations away from the agreed performance metrics of the loan pool, which includes the portfolio parameters.

Separation of duties: Investors in a Warehouse are protected through the assignment of key roles. Specifically, an independent trustee is appointed to act in the best interests of financiers of the warehouse, not the originator. This trustee monitors and reports on Warehouse performance monthly, including verifying that the loan pool is within the limits of its



Sector Performance & Fund Positioning

portfolio parameters, that incoming payments are enough to cover outgoing costs, and that the trust has enough collateral.

Alexander has intentionally avoided exposure to concentrated loan portfolios tied to large real estate development or single exposure, cash flow lending. These forms of private credit have tended to be the epicentre of recent reported defaults. Warehouses continue to provide an ideal vehicle to generate strong risk adjusted returns.

Whilst our portfolios haven't been completely immune to the rise in volatility from mid-March, the hedging has largely helped cushion the impact thus far of widening credit spreads (and this falling capital values) in the markets where we invest.

Our focus (as always, but particularly in times of heightened turbulence), will be to position our Funds in a manner that gives us the best chance of minimising the impact of increased volatility.

Fund Positioning and Activity

In the December '24 Alexander Perspective, we discussed our transition in positioning over 2024, where we balanced selective additions to market risk (as measured by Credit Duration) and credit risk (as measured by credit rating) with additional hedging. Initially, the hedging was in place to give us time to assess the ongoing stance of the RBA and their willingness and ability to provide monetary relief to domestic consumers that were clearly struggling. However, even as our view towards the state of the domestic situation improved, we maintained the hedging because;

- The global geopolitical landscape is littered with potential, large impact events, and
- Given the overall strength of the market, the cost of hedging remained immaterial in the context of the current yield of the funds.

Fund Performance

Credit Opportunities Fund

The Alexander Credit Opportunities Fund has a benchmark of the Bloomberg® AusBond Bank Bill Index +2% pa. The Fund achieved a net return of 1.93% for the quarter ended 31 March 2025 for an annualised net return over the previous 12 months of 8.69%, and paid a distribution for the quarter of 2.85 cents per unit.

Source: Bloomberg Index Services Limited

	Fund	Benchmark
1 Month*	0.65%	0.52%
3 Months	1.93%	1.57%
12 Months	8.69%	6.56%
3 Years (pa)	7.75%	5.64%
5 Years (pa)	6.77%	4.21%
Since Inception (pa)	10.66%	4.68%

*Past performance is not a reliable indicator of future performance. Returns greater than one year are annualised.

Credit Income Fund

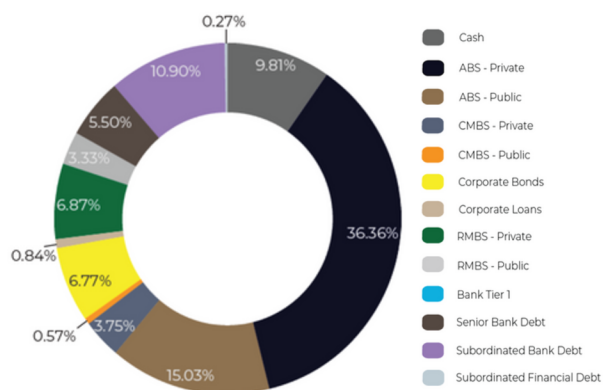
The Alexander Credit Income Fund has a benchmark of the Bloomberg® AusBond Bank Bill Index + 1% pa. The Fund achieved a net return of 1.75% for the quarter ended 31 March 2025 for an annualised net return over the previous 12 months of 8.25%, and paid a distribution for the month of 0.8 cents per unit.

Source: Bloomberg Index Services Limited

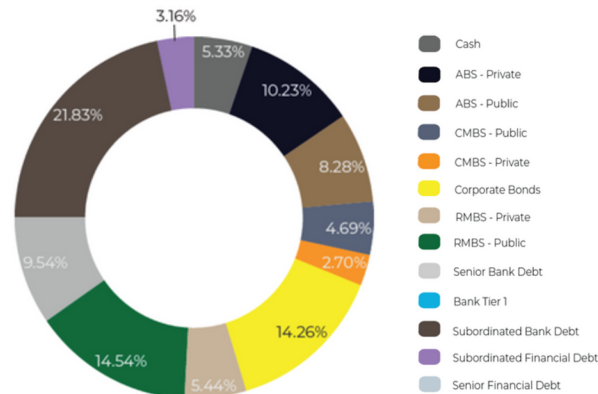
	Fund	Benchmark
1 Month*	0.55%	0.43%
3 Months	1.75%	1.32%
12 Months	8.25%	5.50%
3 Years (pa)	6.80%	4.60%
5 Years (pa)	6.06%	3.17%
Since Inception (pa)	5.34%	3.01%

*Past performance is not a reliable indicator of future performance. Returns greater than one year are annualised.

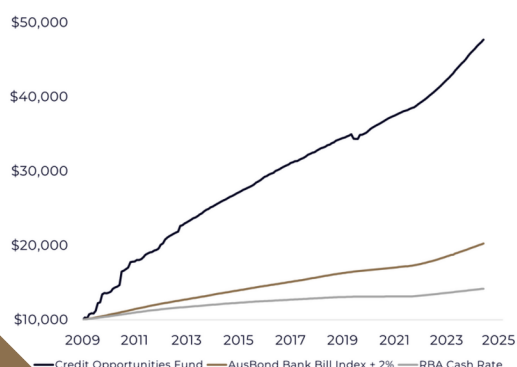
Portfolio~ as at 31 December 2024



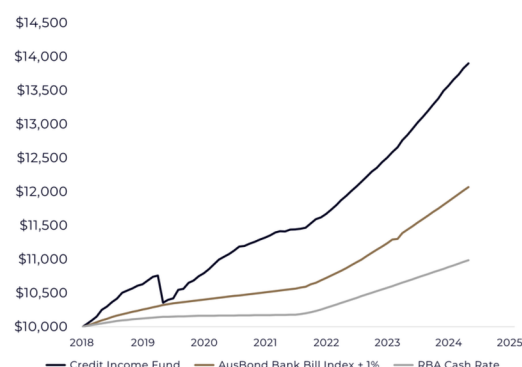
Portfolio~ as at 31 December 2024



Performance of \$10k Invested Since Inception^



Performance of \$10k Invested Since Inception^





Notices & Disclaimers

* The monthly return is an actual return net of all fees, costs and taxes generated by dividing the redemption unit price by the previous month's redemption unit price. Past performance is not a reliable indicator of future performance. All return figures for periods greater than 12 months are annualised.

~ Portfolio Composition is net of hedges

^ Assumes reinvestment of all distributions

Alexander Funds Management Pty Ltd (ABN 77 136 871 924) (AFSL 476697) ("Alexander Funds") is the Investment Manager of the Alexander Credit Opportunities Fund (ARSN 156 026 514) ("ACOF" or "Fund") and the Alexander Credit Income Fund (ARSN 629 915 199) ("ACIF" or "Fund"). Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the Fund. Equity Trustees is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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ACIF's PDS and TMD can also be found at

<https://www.alexanderfunds.com.au/alexander-credit-income-fund>

ACOF's PDS and TMD can also be found at

<https://www.alexanderfunds.com.au/alexander-credit-opportunities-fund>

A Target Market Determination is a document which is required to be made available from 5 October 2021. We recommend that you read this document as it describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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