

## Fixed Income Strategy 2

### Important information

This Additional Information for Investors – Underlying Investment Managers has been prepared and issued by Specialised Private Capital Ltd trading as Centric Capital ABN 87 095 773 390, Australian financial services licence (“AFSL”) number 246744 (“we”, “us”, the “Manager”, “Responsible Entity” or “Centric Capital”). Centric Capital is part of the Findex Group Limited ABN 40 128 588 714. Centric Capital does not promise that you will earn any return on your investment or that your investment will gain or retain its value, nor does anyone else. Centric Capital is the only company to make any statement or representation in this PDS. Centric Capital is the responsible entity of the Fixed Income Strategy 2 (“the Fund”).

The information provided in this document is general information only and does not take account of your objectives, financial situation or needs. Before making a decision to invest in the Fund, you should consider whether the information in this document is appropriate for you. You should speak to a financial adviser to obtain financial advice tailored to your personal circumstances.

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The information in this document forms part of the Product Disclosure Statement dated 29 July 2024 for the Fixed Income Strategy 2 ARSN 616 097 717 (“PDS”). You should not read this document without referring to the PDS. The PDS and this document are available on **Our Website** or you can request a copy by calling us on +61 2 9250 6500.

Certain information in this document is subject to change. Any updated information which is not materially adverse may be updated and obtained online at **Our Website** or by calling us on +61 2 9250 6500. A paper copy of the updated information will be provided free of charge on request.

### Centric Capital – description of role as Fund manager

Centric Capital is responsible for determining the asset allocation of the Fund and for selecting and blending investment managers (“Underlying Investment Managers”) within an asset sector. Centric Capital looks to blend Underlying Investment Managers with the aim of consistently delivering outperformance across the business cycle within an acceptable risk management framework.

The Fund provides exposure to Underlying Strategies managed by one or more selected Underlying Investment Managers. The Underlying Investment Managers selected to manage the assets of the Fund are listed below.

The Underlying Investment Managers are monitored regularly and as part of this review process, they can be added or removed at any time and without prior notice.

Underlying Investment Managers have given and at the date of this PDS, have not withdrawn, their written consent to:

- be named in this document; and
- the inclusion of the statements made about it and are attributed to it based on information they have provided, in the form and context in which they appear.

#### Underlying Strategies

MFS Global Opportunistic Fixed Income Trust - I Class

JPMorgan Global Bond Fund Class T

Insight High Income Fund

Wellington Securitised Opportunities Fund (Feeder) - Class S-A

Shenkman Opportunistic Credit Trust

## Underlying Investment Managers



Founded in 1924, MFS is a global, active investment manager guided by a single purpose: to create value by allocating capital responsibly for clients. Through our

investment approach, MFS combines collective expertise, long-term discipline and thoughtful risk management to uncover what MFS believes are the best investment opportunities in the market. Headquartered in Boston, the firm has investment offices in Hong Kong, London, Luxembourg, São Paulo, Singapore, Sydney, Tokyo and Toronto. As of 31 March 2024, MFS managed US\$628 billion in assets on behalf of individual and institutional investors worldwide.

### MFS fixed income investment approach

The investment team believes a flexible approach to active investment management can achieve higher levels of performance while effectively managing portfolio risk across varying economic and market environments. While this is a highly flexible approach that is able to take high conviction positions, it will maintain a level of interest rate exposure that seeks to deliver a performance experience of the fixed income asset class.

MFS is a signatory to the Principles for Responsible Investment (PRI).

### Investment strategy

The investment strategy is benchmark aware (Bloomberg Global Aggregate Index (AUD Hedged), before fees, taxes and expenses) and seeks to take positions relative to this benchmark. The strategy is fundamental in nature and seeks to generate excess returns from a diverse set of return sources as MFS believe that blending positions effectively allows for consistent performance across economic and market environments.

MFS utilize a structured yet dynamic investment process. The process consists of four key components which employ the full breadth and resources of MFS's fixed income and equity platform. Each of the stages is supported by a regular cycle of MFS's fixed income forums.

Primary considerations within the strategy are risk budgeting, idea generation, asset allocation and portfolio construction.

- Risk budgeting is the first stage of the process and dynamically establishes the overall level of risk MFS wish to take in the strategy.
- Asset allocation seeks to determine the portfolio's composition of risk as well as setting portfolio themes regarding regional exposures and sector allocation.
- Idea generation is the stage where the portfolio is populated from the bottom-up across security, interest rate, and currency decisions.
- Portfolio construction is the final stage of the process that brings together risk budgeting and allocation decisions and idea generation into a diversified portfolio that fully reflects the team's convictions.

## J.P.Morgan

ASSET MANAGEMENT

JPMorgan Asset Management ("JPMAM") is a leading asset manager for individuals, advisors and institutions, with \$3.0 trillion under management (as of 31 March, 2024). Our investment professionals (portfolio managers, quantitative analysts, risk management, senior management and economists) around the world and across the asset class spectrum share one common goal: to help build stronger portfolios that solve the real needs of our clients.

With a storied and distinguished record dating back to 1863, JPMAM began its most recent period of development in 2000 with the establishment of our parent group, JPMorgan Chase & Co., following the merger of J.P. Morgan & Co. Incorporated and The Chase Manhattan Corporation. JPMorgan Chase merged with Bank One Corporation in 2004.

JPMAM is the brand name of the group of companies that constitute the investment management business of JPMorgan Chase and its affiliates worldwide, and has its headquarters in New York.

JPMAM is a signatory to the Principles for Responsible Investment (PRI).

### Fixed Income Investment Approach

JPMAM has unparalleled resources with 306 fixed income investment professionals across 5 countries, a global research team with 74 quantitative and fundamental research analysts leveraging a common trading platform that creates scale and delivers best execution. There is a proven process with globally integrated, research-driven Fundamental (macroeconomic data, corporate health and ESG profile), Quantitative (Proprietary Quantitative Research models, absolute, relative and historical basis valuations) and Technical (supply / demand and investor positioning and momentum) inputs used to underwrite every investment with continuous collaboration, including weekly global strategy meetings and investment quarterly macro meetings. Three tiers, Portfolio Management, Investment Directors and Independent Risk provide an integrated and multi layered framework for risk management.

### Investment Strategy

The investment strategy is benchmark aware (Bloomberg Global Aggregate Index (AUD Hedged)). The Benchmark is used solely for performance comparison. The JPMAM Fund is actively managed without reference or constraints relative to its Benchmark. The JPMAM Fund will invest primarily in global investment grade debt securities, using derivatives where appropriate. There are multiple levers to generate performance:

- Actively manage sector allocation, security selection, duration / yield curve management, currency and hedging.
- Targeting interest rate and credit spread beta.
- Asset allocation relative value and global duration relative value.
- Risk diversification to reduce volatility and drawdowns.

The strategy seeks a consistent, strong risk-adjusted return profile by:

- Outperformance in both rising and falling market environments, with stable levels of volatility.
- Leveraging diversified sources of alpha – duration/yield curve strategies, sector allocation and security selection, and FX overlay.

## Wellington Management

Tracing its roots to 1928, Wellington Management (“**Wellington**”) is one of the world’s largest independent investment management firms. As of 31 March 2024, Wellington is serving as a trusted adviser to over 3,003 clients in more than 64 countries, and they manage more than US\$1.3 trillion for pensions, endowments and foundations, insurers, family offices, fund sponsors, global wealth managers, and other clients.

Wellington have chosen to do things differently, including the way they structure their ownership model, organization, and investment platform. They believe that the best investment ideas are found when a diverse workforce is encouraged to bring forward unique perspectives. As a private partnership whose only business is investment management, they are positioned to seek to align their long-term views and interests with those of their clients.

Wellington is headquartered in Boston, Massachusetts, and they also have US offices in Chicago, Illinois; Needham, Massachusetts; New York, New York; Radnor, Pennsylvania; San Francisco, California. Internationally, Wellington have offices in Dubai, Frankfurt, Hong Kong, London, Luxembourg, Madrid, Milan, Shanghai, Singapore, Sydney, Tokyo, Toronto, and Zurich.

Wellington Management Company LLP (“**WMC**”), a private Delaware limited liability partnership, serves as investment manager to Wellington Securitized Opportunities Fund (Feeder) (“**Wellington Fund**”) and Wellington Securitized Opportunities, Ltd. (the “**Master Fund**”). The Wellington Fund invest substantially all of its assets into the Master Fund, and the investment objective and investment approach described below is implemented by the Master Fund (references to “Wellington Fund” below shall be construed accordingly).

WMC is a signatory to the Principles for Responsible Investment (PRI).

### Investment objective

The investment objective of the Wellington Fund (through its investment in the Master Fund) is to seek long-term total returns above a cash benchmark over the medium to long term. There can be no assurance that the investment objective or any particular investment result will be achieved, and investment results may vary substantially over time. The Bloomberg Barclays US Treasury Bellwethers 1 Month Index will serve as the cash benchmark. The Index consists of short-term US Government securities with a remaining term to final maturity of one month or less.

### Investment approach

The Wellington Fund will invest primarily in agency and non-agency residential and commercial mortgage-backed securities (RMBS and CMBS), asset backed securities (ABS), collateralized loan obligations (CLOs) and credit risk transfer securities (CRT). A portion of these credit investments may be backed by non-US collateral or may be issued in currencies other than US dollars. A portion may also be below investment grade. Agency RMBS include securities issued by US Government agencies, including Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), including both pass-throughs (either in pool or “to-be announced” (TBA) form) and collateralized mortgage obligations (CMOs). The Wellington Fund’s CMO positions may include both simple structures (including, but not limited to, Sequential Pay Classes (SEQs), Planned Amortization Classes (PACs), Targeted Amortization Classes (TACs)) and esoteric structures (including, but not limited to, Interest Only (IO), Principal-Only (PO), and Inverse Floating Rate tranches). In addition, the Wellington Fund may invest in both US Treasury obligations and in obligations of US Government agencies or instrumentalities, including when-issued and delayed delivery securities and forward commitment transactions, credit-linked and structured notes, mortgage and real estate related securities, and short-term investments, including cash and cash equivalents.



## Insight Investment

Insight Investment Management (Global) Limited (“**Insight Global**”) is a private limited company incorporated under the laws of England and Wales. It manages and advises on the investment of managed funds and is a subsidiary of Insight Investment Management Limited (“**Insight**”) which is part of The Bank of New York Mellon Corporation. Insight is a leading global asset manager, responsible for over A\$1,203 bn in assets under management across fixed income, multi asset and risk management solutions. Insight, through its heritage business has worked with Australian clients since 1993 and currently manages assets of circa A\$40 bn for investors in Australia.

Insight is a signatory to the Principles for Responsible Investment (PRI).

### Fixed income investment approach

Insight’s fixed income investment philosophy aims to deliver consistent performance through precision and diversification. By precision, Insight means targeting only the risks it considers attractive, while aiming to eliminate unintended risks. Through diversification Insight seeks to add value through actively managing risk and return potential across a broad range of investment opportunities. Based on this approach, Insight aims to identify the most attractive risk-adjusted returns across the full range of fixed income opportunities, over a range of time horizons and market conditions. Insight believes integrating ESG considerations in fixed income investment processes, where possible and relevant, can support better investment decision-making and ultimately help clients to achieve their desired outcomes.

### Investment strategy

Insight High Income Fund (the “**Insight Fund**”) aims to generate a return in excess of the Bloomberg Barclays US HY Fallen Angel 3% Cap Total Return Index Value hedged to the AUD with similar levels of volatility over the medium to long-term before fees and expenses, whilst taking certain ESG factors into account. The strategy is benchmark aware and aims to invest the majority of net asset value in “Fallen Angels”. Fallen Angels are defined as sub-investment grade debt and debt-related securities that were previously rated as investment grade at the time of purchase by any rating agency, such as Standard & Poor’s, Moody’s Investor Services or Fitch Ratings. Insight Global first seeks to overweight bonds which have been downgraded from investment grade in the last 12 months, focusing first on those securities most newly downgraded. Insight Global may then consider Fallen Angels downgraded within 24 months. Insight Global also looks to reduce exposure to newly Fallen Angels with rapidly deteriorating fundamentals, for example a bond that has gone from BBB to CCC or lower within 2 months. Insight Global will also generally reduce exposure to Fallen Angels that have been downgraded over 24 months ago, as these are deemed by Insight Global to present a less compelling risk/reward opportunity relative to the remaining investment universe. Insight Global’s proprietary credit model informs its security selection process. This credit model scores and ranks the investable universe by gathering information from financial markets and corporate balance sheets to help identify the appropriate value that the securities are expected to trade at. Insight Fund may also invest in financial derivative instruments, open-ended collective investment schemes, including money market funds and open-ended exchange traded funds and government debt and debt-related securities.

("Shenkman") is an independently owned traditional and alternative credit manager, founded and registered as an investment adviser with the U.S. Securities and Exchange Commission in 1985. Since its inception, Shenkman has focused on the leveraged finance markets, earning a reputation as a pioneer in the asset class as well as an early practitioner of credit research analytics. Shenkman seeks to be a world leader in the research and management of leveraged finance investments for institutional and high-net-worth investors. Shenkman has offices located in New York, NY, Stamford, CT, Boca Raton, FL, and London, UK.

Shenkman is a signatory to the Principles for Responsible Investment (PRI).

### **Fixed Income Investment Approach**

Shenkman employs disciplined and detailed bottom-up research to exploit event-driven and mispriced investment opportunities, typically focused on less-followed credits across the corporate debt markets. We believe our robust research team, proprietary and structured approach to credit analysis, and specialized trading and capital market teams coupled with our opportunistic investment specialists allow us to generate consistent alpha relative to credit market benchmarks through a full market cycle with attractive risk adjusted returns.

### **Investment Strategy**

The investment objective is to maximize total returns through a value-oriented strategy focused on event driven situations across the corporate credit spectrum, including high-yield, stressed, distressed and special situation investments. The investment strategy utilizes an event driven approach that seeks to generate consistent alpha by profiting from mispricings across the corporate credit spectrum, including stressed, distressed, and performing bonds, loans, convertibles, and reorganized equity. The strategy focuses on event-driven opportunities, typically in underfollowed, liquid credits that suit one of six investment themes outlined below:

- **Stressed credit:** Credits trading at elevated yields where we have a favorable view on the fundamentals and upside/downside profile, do not think bankruptcy is the most likely outcome, and believe that the market will take a more favorable view on the credit.
- **Market transition:** Investments based on the expected migration from one investor base to another; for example, distressed investors to traditional high yield managers.
- **Catalyst Driven:** Long or short investments with a hard catalyst that are expected to drive security prices higher or lower.
- **Capital Arbitrage:** Typically, long secured bonds/loans paired with short unsecured bonds, carried flat, and traded with a short bias. The expectation is that the secured – unsecured spread will widen.
- **Restructuring / Deep Value:** Distressed credits where a restructuring of the balance sheet is needed, and we are favorable on the upside/downside profile.
- **Liquidations:** Businesses that may not continue as going concerns in which the liquidation value of the assets is expected to generate an attractive return to creditors.