Funds in Court
Common Fund No. 2
Annual Fact Sheet - 30 June 2022

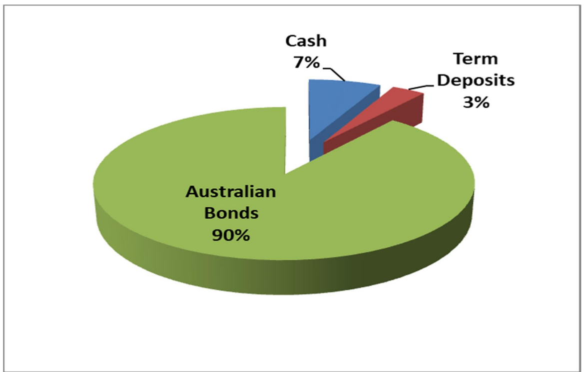
Fund Overview

Common Fund No. 2 [CF-2] provides beneficiaries with exposure to a low risk portfolio of defensive, income producing assets. The Fund invests primarily in a combination of ‘at-call’ cash, term deposits and high quality fixed income securities/ bonds.

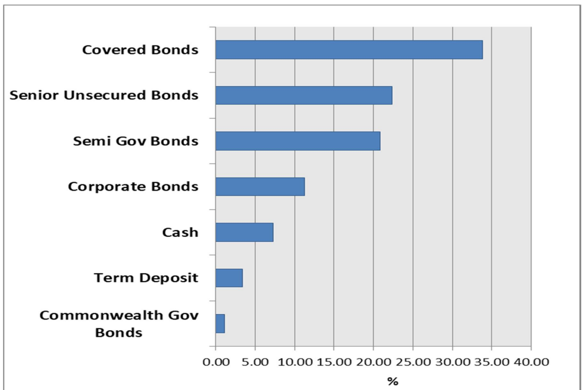
Fund Objective

To provide the maximum possible return with an emphasis on income and capital preservation over the medium to long term via investment in approved securities.

Asset Allocation



Sector Exposure



NEED FURTHER INFORMATION?
For further information on how we manage your funds please visit the FIC website at www.fundsincourt.vic.gov.au or call 1300 039 390 to speak to a member of staff.

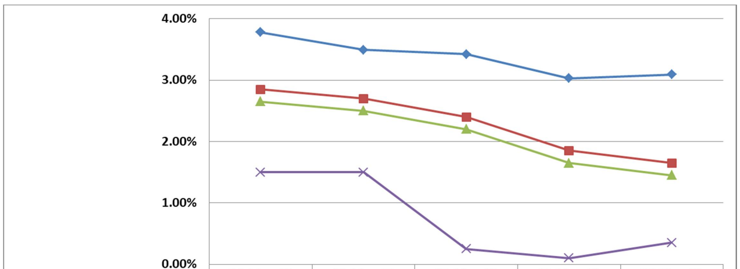
Interest & Crediting Rate

Interest earned by CF-2 is accrued daily and credited annually to the account of beneficiaries (normally on or around 1 June). The crediting rate is determined by the total gross income earned from CF-2 investments over the preceding 12 month period ending 31 May, less, the partial recoup of office operating costs. An interim rate equivalent to the Reserve Bank of Australia official cash rate was credited to the account of beneficiaries if their funds were paid out of Court during the year.

Since 2011, two separate annual crediting rates have been declared for CF-2. This means that beneficiaries with funds invested in both CF-2 and Common Fund No. 3 [CF-3] are paid a CF-2 crediting rate, that is, 0.20% p.a. less than the crediting rate declared for beneficiaries invested only in CF-2. This approach helps to cover the costs of administering CF-3.

For the 12 month period ending 31 May 2022, the gross interest return of CF-2 was 3.09%. Following the deduction of office operating costs an annual crediting rate of 1.65% was declared for beneficiaries invested in CF-2 only, and 1.45% for beneficiaries invested in both CF-2 and CF-3 as at 1 June 2021. The gross earnings rate, crediting rate for CF-2 and RBA Cash Rate over the last five years are shown below.

Annual Crediting Rate



	31-May-18	31-May-19	31-May-20	31-May-21	31-May-22
Gross Rate CF-2	3.78%	3.49%	3.42%	3.03%	3.09%
Crediting Rate CF-2 only	2.85%	2.70%	2.40%	1.85%	1.65%
Crediting Rate CF-2 & CF-3	2.65%	2.50%	2.20%	1.65%	1.45%
RBA Cash Rate	1.50%	1.50%	0.25%	0.10%	0.35%

Commentary

The income return generated by the Fund is linked to the official cash rate as set by the Reserve Bank of Australia [RBA] as well as bond yields. Both of these measures remained at historical lows during most of the financial year and contributed to the decline in the Fund's annual crediting rate declared on 1 June 2022.

The RBA maintained the official cash rate at a historical low of 0.10% throughout the majority of the financial year, in order to support job creation and the recovery of the economy from the pandemic. However, towards the middle and end of the financial year, rising inflation became a concern and to try combat this, in May 2022, the RBA lifted the cash rate by 0.25% to 0.35%, and again in June 2022 by 0.50% to 0.85%. The gap between the cash rate to the Fund's crediting rate will continue to narrow.

The 10 year Australian Government bond traded at 3.61% as at 30 June 2022 (1.53%, 12 months prior). This yield was relatively steady throughout the first half of the financial year where it hovered between the range of 1.10% and 1.60%. The second half of the financial year was a period of significant volatility in yields where the 10 year yield increased strongly throughout this period to reach levels around 4.10% in mid June 2022 on concerns of rising inflation expectations which may trigger central banks to increase cash rates earlier and larger than expected. The 10 year bond yield decreased slightly from these elevated levels by the end of the financial year

In the current environment we continue to seek ways to maximise the yield of the portfolio without compromising the high quality/ low risk nature of the Fund.

IMPORTANT NOTE:
For further information on the investment risks associated with CF-2 and how FIC seeks to minimise these risks, please refer to the relevant Information Guide on our website at www.fundsincourt.vic.gov.au

Fund Details

Portfolio Statistics	
Market Value	$895.675m
Number of Holdings	48
Portfolio Duration	3.81 years
Market Yield	3.97%

Top 10 Holdings (Market Value) excl. Cash (Coupon, Maturity)	%
NSWTC Semi Gov (3.00%, 20 Feb 2030)	5.78
CBA Covered Bond (4.50%, 10 July 2024)	5.75
CBA Covered Bond (4.275%, 26 Aug 2024)	5.67
WBC Covered Bond (3.875%, 4 June 2025)	5.52
ANZ MTN (3.10%, 8 Feb 2024)	4.68
WBC Covered Bond PP (3.05%, 5 April 2034)	4.60
WBC Covered Bond PP (2.95%, 16 May 2034)	4.51
SAFA Semi Gov (2.75%, 24 May 2030)	3.97
CBA MTN (3.20%, 16 Aug 2023)	2.81
NAB Covered Bond (5.00%, 11 March 2024)	2.77

Holdings by Long Term Credit Rating (excl. Cash & Term Deposits < 1 year)	%
AAA	37.6
AA+	16.8
AA	4.7
AA-	25.6
A+	13.4
A	0.0
A-	1.1
BBB+	0.5
BBB	0.3

Maturity Profile	%
0 – 1 year	15.6
1 – 3 year	43.2
3 – 5 year	9.2
5 – 10 year	19.9
10+ years	12.1