

Tuesday, October 19, 2021

We have performed an analysis of the effect where the existing allocation to the Western Asset Australian Bond Fund (WABF) is augmented by an allocation to the FHIM Trade Logistics Strategy (FHIM) from October 2017 to the end of September 2021.

Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using the daily NAVs as our base valuation data. For WABF, we are not including Fees or spreads and have assumed that all distributions are retained (not re-invested). For FHIM, this strategy is net of fees and there is nil spread in the Fund all distributions are retained and not reinvested.

Historical monthly correlation of FHIM to WABF: -0.0249 (-2.49%) R Squared: 0.00062 (0.062%)

On a hypothetical allocation of 50% (WABF) and 50% (FHIM) there is an improvement to the risk adjusted returns. Sharpe and Sortino improves by 110% and 142% respectively. The max draw down improves by 2.29% (an improvement of 59%). This can be explained by the FHIM strategy where investments are made into income streams that are uncorrelated to equity or credit markets. Additionally, these investments are Investment Grade where FHIM is senior secured.

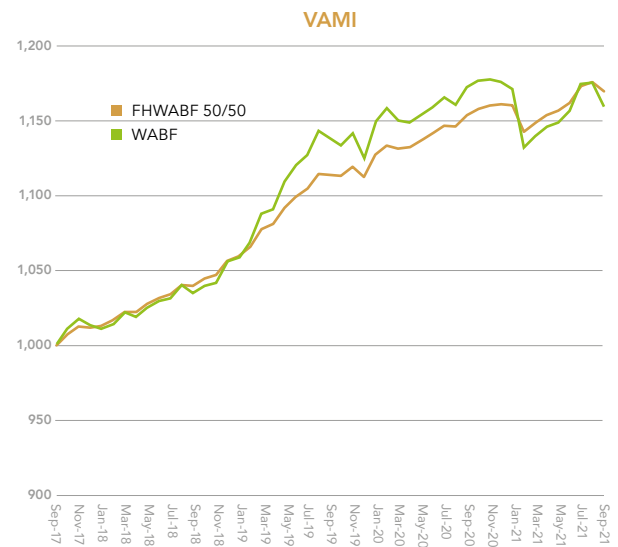
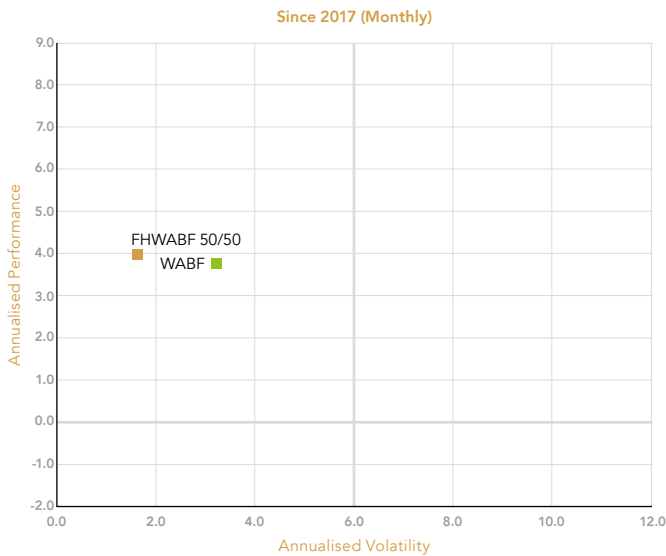
The returns are asset backed and fixed at 4.5% which supports a defensive approach to managing a basket of Fixed Income holdings.

The improved risk adjusted returns are reflected in the smoothing of the overall returns (refer Table of results)

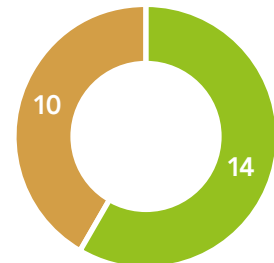
	WABF 100% allocation	WABF with 50% FHIM allocation	Change
CAGR	3.77%	4.00%	-0.19%
Sharpe Ratio	0.85	1.80	+0.30
Sortino Ratio	1.26	3.06	+0.43
Max Drawdown (EOM)	-3.87%	-1.58%	+7.94%
2017 (from October)	1.35%	1.22%	+0.50%
2018	4.19%	4.33%	-1.44%
2019	6.46%	5.36%	-0.02%
2020	4.58%	4.34%	+0.27%
2021 (end of September)	-1.38%	0.75%	-0.09%

The noticeable examples of FHIM’s positive impact with an allocation of 50% WABF and 50% FHIM is:

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|---|------------------|
| 1. 0.23% increase in CAGR - | 6.1% improvement |
| 2. 2.29% reduction in Max Drawdown - | 59% improvement |
| 3. 0.94 increase in the Sharpe Ratio - | 110% improvement |
| 4. 1.80 increase in the Sortino Ratio - | 142% improvement |



	Down months	% of all months	total no. of months
WABF	14	29%	48
FHWABF 50/50	10	21%	48



The analysis supports the conclusion that downside volatility is reduced whilst maintaining consistent fixed income revenue and improving the overall return. This is achieved without reinvesting bond distributions or impacting the principal investment. On this basis we would suggest that there would be merit in having an exposure to the FHIM Fund.

Regards



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