




Atchison Active Floating Rate Portfolio

Illuminating
the way forward





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This document provides details about the portfolio including, fund facts, portfolio objectives and the investment philosophy employed by Atchison Consultants.



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Atchison Active Floating Rate Portfolio

The Atchison Active Floating Rate Portfolio (the “portfolio”) offers a bespoke solution for your fixed income allocation. Investing across a broad spectrum of asset types and structures, the portfolio combines assets that are primarily floating rate, 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 index-tracking exchange traded funds (ETFs) across the fixed income sector.

The Portfolio has been constructed to provide an exposure to global and domestic fixed income markets, including government, semi-government and corporate bonds, credit, senior, subordinated and related instruments with a flexible duration mandate, or duration less than three years.

Duration refers to the sensitivity of a fixed income asset or investment to movements in interest rates. For an asset where duration is three, a one per cent increase in bond yields is expected to produce a three per cent fall in the value of the investment.

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

What is in the Atchison Active Floating Rate Portfolio?

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

The Portfolio aims to generate returns from active asset allocation and investment selection decisions, whether they be duration position, credit risk or carry. The Portfolio is diversified across countries, issuers, fund managers, credit sleeves, the balance sheet and is continuously reviewed and adjusted to ensure it remains appropriately positioned to deal with evolving investment and economic conditions.

Given the nature of investments in fixed income markets, the minimum suggested timeframe for investors in this portfolio is 5 years.

The Portfolio can hold up to 15 investments, with a minimum of two, with the average being six to seven underlying funds.

Example of underlying holdings and funds within the portfolio



What is the 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. We will not use the cash weighting to express views on macroeconomic or valuation conditions.

	Range
Alternatives	85 – 99%
Cash	1 – 15%

What is the objective of the portfolio?

The Portfolio is suited for investors seeking to generate defensive income, but is subject to the risk of 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 at market rates.

A Portfolio solely invested in fixed income is deemed lower risk, however when combined with the other Atchison asset class portfolios, will allow the financial adviser and investor to create a tailored and customised diversified multi asset class portfolio investing through some of the best investment managers.

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 - 15
- ▲ **Standard Risk Measure:** 3
- ▲ **Managed Account Fee:** 0.401% p.a.
- ▲ **Minimum Investment Amount:** \$25,000

How does Atchison invest?

The Portfolio is managed in line with Atchison's investment philosophy, a summary of which is as follows:

- ▲ **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 alternatives in offering non-correlated returns.
- ▲ **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 minimized.

More information on our investment approach and investment philosophy is available in our 'guiding lights' document.

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 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, with the aim being to reduce the 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.

Important Note: This publication is issued by TAG Asset Consulting Group Pty Ltd (ABN 58 097 703 047; Australian Financial Services License no 230846, ACN 097 703 047). Prior to making any investment decision concerning any financial product referenced within this document, we kindly request your careful consideration of the following information:

- ▲ 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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