Investment Manager Report –financial year to 31 December 2022

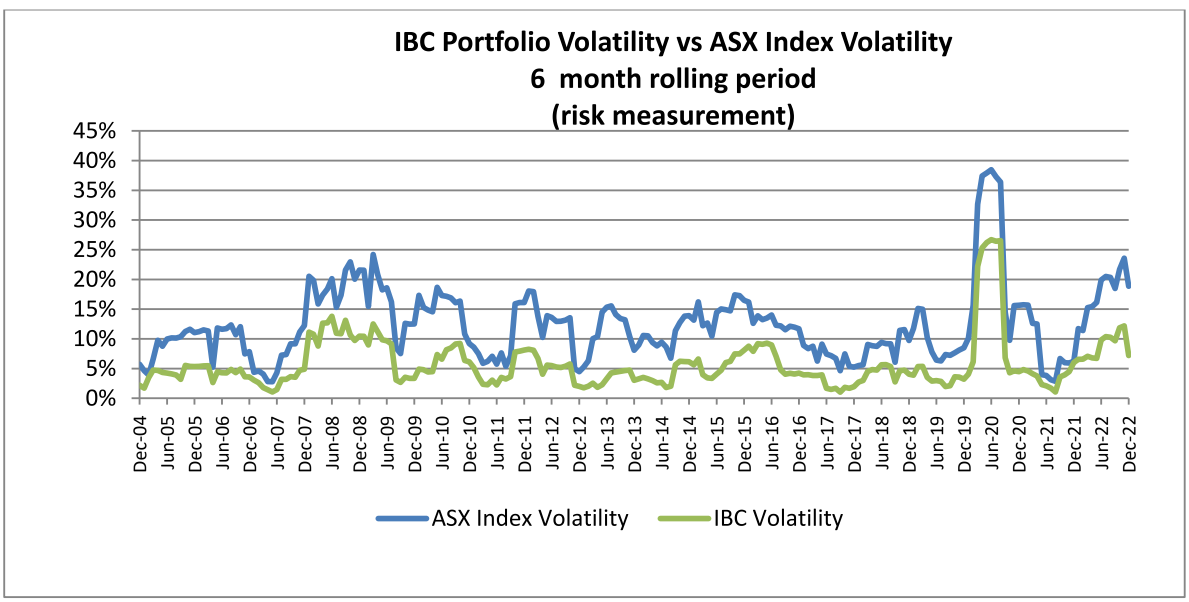
The manager's focus is to deliver consistent returns and a high fully franked dividend yield from the portfolio. IBC's performance benchmark is the 1-year swap rate plus 6% per annum.

Performance measurement includes franking credits and option premium income. Franking credits are a significant source of return from IBC's hybrid investments and for shareholders. Option premium income is generated from buy & write activity and varies with market conditions. Over the half year, realised option premium income was around $0.52m (0.9% of the portfolio). The calculation of the portfolio's current running yield of 6.9% excludes option income because realised option premiums are highly variable from year to year.

IBC recorded a strong portfolio return of 11.48% over the half year, outperforming equity and debt markets, and its benchmark return of 4.83% (1 year swap rate +6%pa). The ASX 300 Accumulation Index gained 9.62% over the six-month period. Since inception, over 20 years including three crisis periods (GFC, Covid-19, current inflation crisis), the portfolio achieved a return of 9.12%pa with 53% of equity market risk measured in terms of volatility.

PERFORMANCE TO 31/12/22 *FUM $61.8m*	Inception 20yrs % pa	10 Yr % pa	5 Yr % pa	3 Yr % pa	2 Yr % pa	1 Yr % pa	6 Mths %
IBC pre fees plus franking	**9.12**	**7.86**	**8.41**	**7.99**	**11.77**	**9.81**	**11.48**
1 yr swap +6%	9.46	7.72	7.23	7.01	7.24	8.70	4.83
Relative performance	-0.34	0.14	1.18	0.98	4.53	1.11	6.65
volatility IBC	**7.3**	**7.6**	**9.6**	**12.0**	**6.9**	**9.0**	**7.2**
volatility ASX300	13.8	14.1	16.4	19.8	14.2	19.5	18.9
ASX 300 Accum	**8.83**	**8.61**	**7.10**	**5.51**	**7.45**	**-1.77**	**9.62**
Vol relative to ASX	53%	54%	59%	60%	49%	46%	38%

IBC's focus on income generation and capital preservation from a balanced portfolio structure has delivered relatively lower volatility and very good risk adjusted returns compared to the equities market.



Portfolio

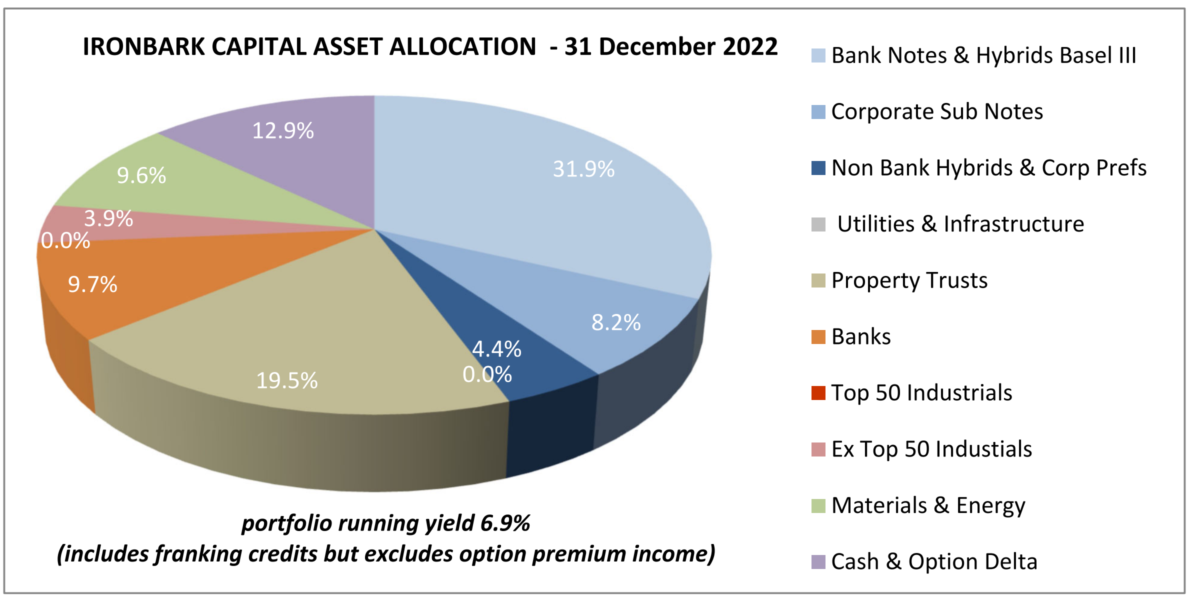
The portfolio is structured with an emphasis on income through yield orientated securities (hybrids and corporate bonds, utilities, property trusts) and buy & write positions in leading companies. The portfolio's running yield was 6.9% inclusive of franking credits but excluding option premium income.

The buy & write strategy involves buying selective shares and selling, subject to appropriate timing, call options over those shares. This strategy gives away some of the upside potential from a shareholding but generates option premium income consistent with the income emphasis of the portfolio.

The portfolio is diversified across 22 different entities. Higher risk exposures in banks, industrials and resources are largely held through buy & write option positions for income enhancement or added protection. The portfolio's hybrid and corporate bond holdings are mostly floating rate securities with little duration risk.

Approximately 44.5% of the portfolio was held in hybrids and corporate bonds and 15.1% in buy & write exposures in Banks, BHP and Woodside. The balance was represented by 19.5% in property trusts, 3.9% in mid-cap and small companies, 4.1% in small resources and 12.9% held in cash & option delta.

Asset allocation reflects a cautious stance.



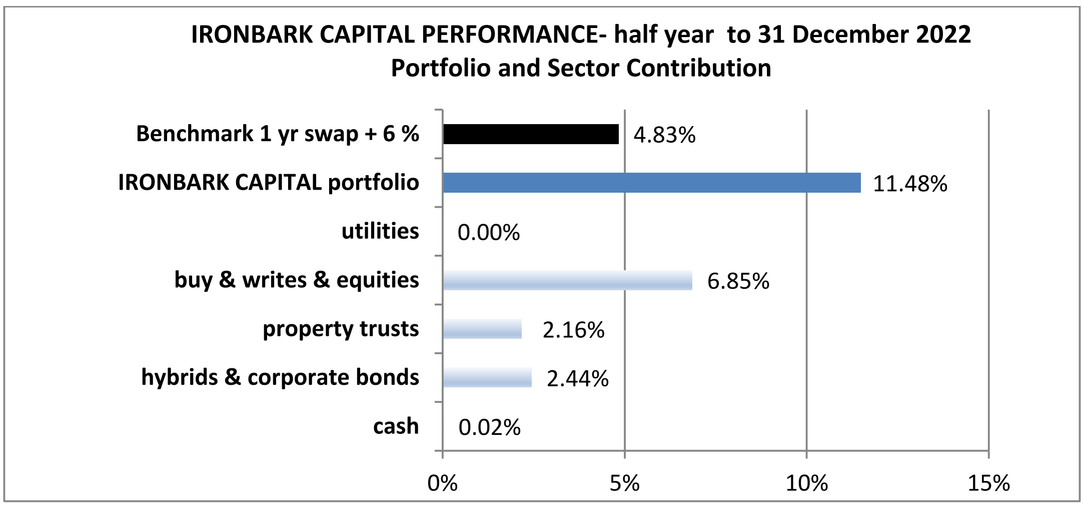
Portfolio Performance-half year to 31 December 2022

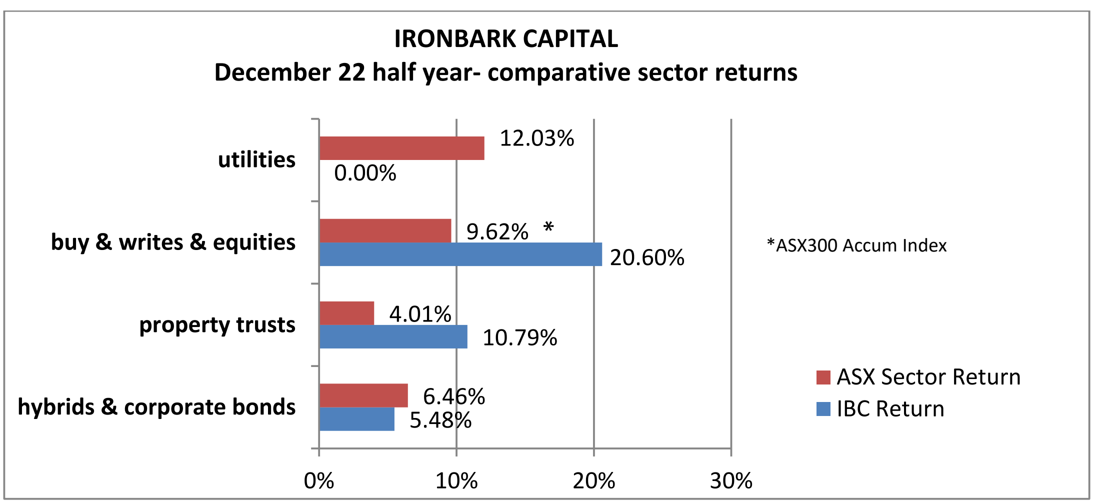
The portfolio recorded a return of 11.48% over the six-month period. Property trusts rebounded strongly, up 11%, as the RBA signaled a pause in rate hikes is possible. Resources and banks delivered strong gains under the buy & write strategy, up 21%, and hybrids and corporate bonds performed well advancing 5.5%.

The portfolio participated in recent new hybrid issues by IAG, CBA and Macquarie Group on margins of 350bps, 285bps and 370bps respectively above the 90 day bill rate. Current swap rate pricing indicates yields to first call for floating rate bank hybrids of: 5.8%pa (2 yrs), 6.3%pa (4 yrs) and 6.5%pa (6 yrs).

The portfolio also invested in subordinated floating rate notes issued by NAB and CBA on margins of 280bps and 270bps respectively, and a fixed to floating rate subordinated note issued by ANZ, fixed at 6.4%pa for 7 years then floating rate at 260bps margin for the remaining 5 years until maturity.

Investing in higher ranking subordinated debt compared to hybrids allows the manager to improve the risk return profile for the portfolio when margin differentials narrow.





KAPLAN FUNDS MANAGEMENT