APOSTLE ETHICAL GLOBAL CREDIT FUND

DECEMBER 2023

The Apostle Ethical Global Credit Fund is an actively managed strategy that provides investors with access to global credit markets hedged to Australian Dollars. The Fund aims to invest in public and private alternative high yield and investment grade fixed income markets by partnering with specialist investment managers. The Fund is actively managed at the underlying strategy and asset allocation level to position the portfolio to preserve capital and generate target returns across a full market cycle.

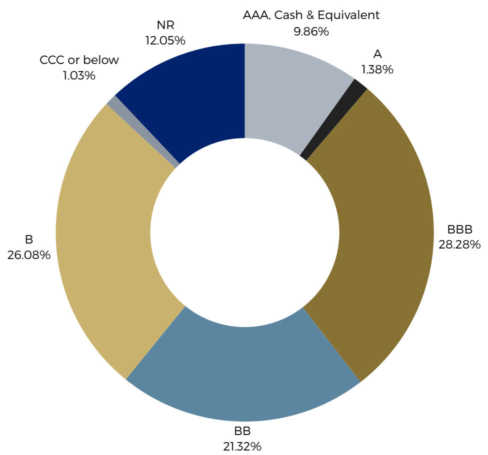
Investment Objective

The Fund targets a total return of 5-7% net of fees p.a. over rolling 5-year periods. It aims to produce strong risk-adjusted returns by focusing on downside protection. It invests responsibly by adopting Apostle's Ethical Investment Policy.

Fund Overview

Unit Price (NAV)	$1.0497
Fund size (AUD)	$52,371,905.90
Benchmark	5% p.a. over rolling 5-year periods
Asset Class	Fixed Income
Portfolio Inception Date	8th August 2022
Investment Manager	Apostle Funds Management
Management Fee	0.95% excl GST
Buy/Sell Spread	0.20%/0.20%
Minimum Investment	$500,000
APIR Code	KAM2611AU
ISIN	AU60KAM26113
Currency	Hedged to AUD
Pricing & Distributions	Daily unit pricing Daily liquidity Quarterly distributions
Portfolio Manager	Steven Spearing - Portfolio Manager
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Breakdown By Credit Rating



Source: Bloomberg, State Street. As at 31/12/2023. All figures are approximate and based on the best available data. Cash & Cash Equivalents is reported as the amount held by the Fund and its sub-investment managers. Unrated includes KARED IV private real estate debt.

Performance

Return %	1 mth	3 mth	6 mth	1 year	Since Inception (p.a)
Total (gross)	1.52	3.36	3.85	6.89	4.41
Total (net)	1.44	3.11	3.35	5.89	3.43
Benchmark	0.39	1.25	2.55	5.08	5.08
Relative (Net)	1.05	1.86	0.80	0.81	(1.65)

As at 31/12/2023. Source: State Street. The Benchmark is 5-7% net of fees p.a. For comparison purpose, 5% is used in the calculation. Note: Net returns are based on the fund's full management fee of 0.95% p.a. and do not account for fee rebates. Performance inception date is 8th August 2022.

Portfolio Characteristics

Yield to worst	7.53%
Yield with Curve	6.90%
Credit spread	+289 bp
Interest rate duration	0.92 years
Credit Spread duration	3.02 years
Average credit quality	BBB- / BB+
Floating rate exposure	68.99%
Number of holdings	218

Source: Bloomberg, State Street. As at 31/12/2023. AFM. Kayne Anderson Real Estate Debt Fund IV is unrated but assumed to be BB to calculate the Funds average credit rating. All figures are approximate and based on best available data.

Portfolio Look-Through

Asset Class / Strategy	Allocation (%)
Bonds	**49.57%**
Corporate Bonds	23.36%
Infrastructure Bonds	24.91%
U.S. T-Bills	1.30%
Loans	**34.52%**
Corporate Loans	30.00%
Infrastructure Loans	4.52%
Private Debt	**11.27%**
Private Real Estate Debt	11.27%
Cash or Cash Equivalents	**4.64%**
Total	**100.00%**

Source: Bloomberg, State Street. As at 31/12/2023. All figures are approximate and based on the best available data. Cash is reported as the cash amount held by the Fund excluding cash in investments in the Fund.

Apostle Exclusions

Investments that have direct exposure to any of the following activities are excluded:

- Fossil fuels (extraction and production of coal, oil, or natural gas)
- Weapons and armaments production
- Gambling production
- Alcohol production
- Tobacco production
- Nuclear Power – direct revenue from uranium mining or from the production of conventional nuclear power. Allows investment in 'new' nuclear technologies, such as nuclear fusion.

We qualitatively assess companies and may choose to exclude companies that do not comply with our corporate governance standards where they have operational involvement in any of the following activities:

- Human rights violations – disrespectful and unequal treatment of citizens, including modern slavery, human trafficking, and child labour
- Unethical corporate governance – unsatisfactory treatment of employees, customers, other stakeholders, and the environment.

Where possible we aim to have no exposure to our list of exclusions. However, where we are required to invest into pooled vehicles, and because in Over the Counter (OTC) securities data can be difficult to obtain, we aim to ensure that at least 95% of our Fund has no exposure to our exclusions list. We allow a 5% soft tolerance at the aggregate portfolio level where necessary.

For more details, please refer to Apostle's Ethical Investment Policy.

Platform Availability

- AMP North
- BT Panorama
- CFS Edge
- Hub24
- NetWealth
- Powerwrap

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Portfolio Commentary

Performance Overview

The Fund returned 1.44% net of fees in December. Growing expectations that central banks will start to cut rates sooner in 2024 than previously expected fueled a broad-based market rally. The fall in long-end interest rates experienced in November continued through December which saw strong performance across fixed rate corporate and government bonds, as well as credit spreads.

The Fund's fixed rate, duration sensitive bond exposure benefited from the fall in Treasury yields and provided the strongest relative returns in the Fund, returning approximately 2.9%. It's floating rate bank loans strategy returned 1.25%, and its Australian floating rate subordinated debt strategy returned 0.27% for the period that it was invested in during the month. Over the month the Fund took advantage of the rally in bond yields to moderately reduce its duration.

Market Commentary

December saw further easing in financial conditions and a broad-based rally across most major asset classes as investors continued to position for easier monetary policy next year. The Federal Reserve acknowledged that they expect to start cutting rates in 2024 in their December meeting, with the Federal Open Market Committee (FOMC) dot plots revealing that Fed officials now expect a median of 3 rate cuts next year. While still less than market implied pricing, it nonetheless provided a clear catalyst for the subsequent market rally, and it was a firm removal of their long held tightening bias. Data through the month was largely supportive of the soft-landing narrative. US CPI data for November came in line with market estimates, with core inflation remaining steady at 4% y/y and the headline number printing at 3.1% y/y. Unemployment remains low, but signs continue to point to a softening in the labour market, a slowdown in consumer demand, and an easing in inflationary pressures.

U.S. 10-year Treasuries fell by 42 basis points (bps) over the month, while market implied pricing of rate cuts increased from 4-5 cuts in 2024 at the start of December to 6-7 at the end of the year. The Australian 10-year government bond fell by a similar 46 bps, and expectations that the Reserve Bank of Australia will cut rates in 2024 increased from 1 to 2-3 cuts. Stock markets and credit spreads benefited from positive risk sentiment. The S&P 500 returned 4.5%, the ASX 300 7.2%, and U.S. high yield credit spreads tightened by 47 bps to end the year at +323 bps and at a yield to worst of 7.59% (Bloomberg US Corporate High Yield Index). Similar moves were seen across other developed markets.

With markets seemingly priced for a perfect outcome, the peripheral risks shouldn't be ignored. The risk of a recession or of growth and inflation reaccelerating continue to loom large, and volatility may persist for some time.

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Signatory of: PRI Principles for Responsible Investment

Member of: riaa Responsible Investment Association Australasia