APOSTLE

Factsheet

Apostle Ethical Global Credit Fund (AEGCF)

January 2024

Prepared by
Apostle Funds Management

Apostle Ethical Global Credit Fund

Monthly Report - **January 2024**

APOSTLE

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 andprivate 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.

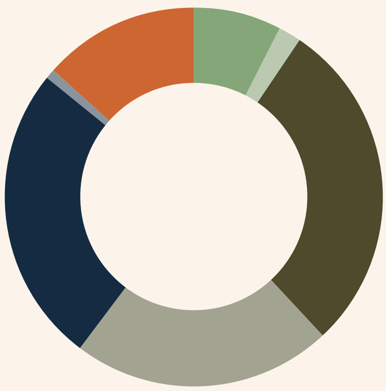
Investment Objective

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)	$1.0475
Fund Size (AUD)	$52,140,283.07
Benchmark	5% p.a. over rolling 5-year periods
Asset Class	Fixed Income
Portfolio Inception Date	8 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 and quarterly distributions
Portfolio Team	Steven Spearing - Portfolio Manager
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Breakdown by Credit Rating



AAA, Cash & Equivalent 7.69%
BB 22.17%
CCC or below 0.90%
A 1.99%
B 25.66%
NR 13.30%
BBB 28.27%

Source: Bloomberg, State Street. As at 31/01/2024. 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)	0.37	4.19	3.38	4.93	4.41
Total (net)	0.29	3.95	2.89	3.94	3.43
Benchmark	0.41	1.23	2.55	5.10	5.07
Relative (net)	(0.12)	2.72	0.34	(1.16)	(1.64)

As at 31/01/2024. 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	7.63%
Yield with Curve	7.18%
Credit spread	+306 bp
Interest rate duration	0.98 years
Credit spread duration	3.08 years
Average credit quality	BB+
Floating rate exposure	68.27%
Number of holdings	215

Source: Bloomberg, State Street. As at 31/01/2024. 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	49.98%
Corporate Bonds	24.19%
Infrastructure Bonds	23.42%
U.S. Treasury Bills	2.37%
Loans	34.29%
Corporate Loans	29.72%
Infrastructure Loans	4.57%
Private Debt	12.61%
Private Real Estate Debt	12.61%
Cash or Cash Equivalents	3.12%
Total	100%

Source: Bloomberg, State Street. As at 31/01/2024. 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.

Portfolio Commentary

Performance Overview

The Fund returned 0.29% net of fees in January as momentum from the November and December rally ran out of steam. Risk-free bond yields drifted higher over most of the month before recovering to end the month close to where they started, and sub-investment grade credit spreads were moderately wider,

While all of the Funds underlying strategies provided positive returns, its floating-rate strategies outperformed its fixed rate allocations. Its allocation to U.S. private real estate debt returned 0.74%, while U.S. senior loans returned 0.52% and Australian financial subordinated debt returned 0.28%. The Funds asset allocation remained unchanged over the month.

Market Commentary

The new year started off in an orderly fashion as the market took stock after the Fed-pivot induced year-end rally. Given the magnitude of the fall in bond yields and credit spreads in November and December, it is understandable that we saw a slight reversal of those moves to start the month. The lack of any real catalyst to give the market direction ahead of the February 1st Federal Reserve Open Market Committee (FOMC) meeting resulted in a general drift higher across stock markets, while credit spreads were more or less contained within a tight range over the month.

U.S. CPI data for December came in stronger than market expectations with a headline number of 3.4% year on year (y/y) and core number of 3.9% y/y. U.S. GDP data revealed that the U.S. economy expanded by and annualized 3.3% in Q4 2023, beating expectations. Over the year as a whole, the economy grew 2.5% vs 1.9% in 2022. More broadly, ongoing disinflation and weaker survey and hard economic data have paved the way for the expectation of rate cuts across most developed markets. The question now turns to the timing of these cuts and whether the markets has become over eager in its expectation for timing and trajectory of potential monetary policy easing this year, or not.

U.S. 10-year Treasury yields ended the month 3 basis points (bps) higher at 3.91% after reaching a high of 4.17% during the month. The Australian 10-year government bond fell by a similar 5 bps. In U.S. sub-investment grade credit, yields on the Bloomberg US High Yield Corporate Bond Index rose 21 bps to 7.80% and option adjusted spreads widened by 21 bps to 3.44% as index returns were flat. The Morningstar LSTA Leveraged Loan Index returned 0.73%. In investment grade, spreads on US BBB corporates (ex-Financials) fell by 3 bps to 1.11%. The Bloomberg Global Aggregate Index returned 1.38% and the Ausbond 0+Yr Composite index returned 0.21%.

Apostle's Exclusions

We avoid any company or asset that has direct exposure to the following industries and activities:

- 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

Contact us

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Signatory of: PRI Principles for Responsible Investment

Member of: riaa Responsible Investment Association Australasia