Apostle Ethical Global Credit Fund

Monthly Report – **May 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 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.

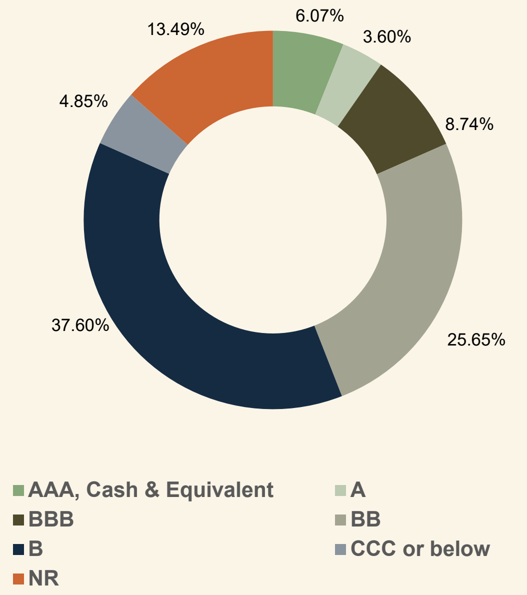
Investment Objective

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)	1.0558
Fund Size (AUD)	$61,432,710.27
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, Co-Portfolio Manager Tony Breen, Co-Portfolio Manager
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Breakdown by Credit Rating



Source: Bloomberg, State Street. As at 31/05/2024. 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)	1.09	1.87	4.20	7.32	4.87
Total (net)	1.01	1.63	3.70	6.31	3.89
Benchmark	0.45	1.25	2.47	5.12	5.07
Relative (net)	0.56	0.38	1.23	1.19	(1.18)

As at 31/05/2024. 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	8.28%
Yield with curve	7.66%
Credit spread	313 bps
Interest rate duration	0.83
Credit spread duration	3.14
Average credit quality	BB+
Floating rate exposure	71.01%
Number of holdings	318

Source: Bloomberg, State Street. As at 31/05/2024. Kayne Anderson Real Estate Debt Fund IV is unrated but assumed to be BB to calculate the Funds average credit rating. Indicated yields are unhedged. All figures are approximate and based on best available data.

Portfolio Look-Through

Asset Class/Strategy	Allocation (%)
Bonds	**29.10%**
Corporate Bonds	2.59%
Infrastructure Bonds	25.31%
U.S. T-Bills	1.20%
Loans	**58.54%**
Corporate Loans	54.66%
Infrastructure Loans	3.88%
Private Debt	**10.94%**
Private Real Estate Debt	10.94%
Cash or Cash Equivalents	**1.42%**
Total	**100.00%**

Source: Bloomberg, State Street. As at 31/05/2024. 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. Bonds includes hybrids and preferred securities.

Portfolio Commentary

The Fund returned 1.01% net of fees in May. Stock markets turned positive across most developed markets and bond yields fell as inflation fears receded. U.S. 10-year Treasury yields fell by 0.18% over the month while Australia's 10-year Government bonds fell only 0.01%, and U.S. sub-investment grade credit spreads moved higher.

The Fund's fixed rate bonds provided the strongest contribution to return due to the move lower in U.S. Treasury yields, but all of the Fund's strategies provided positive returns. Infrastructure focused bonds returned approximately 1.7%, while U.S. senior loans returned approximately 0.81%.

Market Commentary

May saw an unwind of fears of a reemergence of inflationary pressures and an escalation of tension in the Middle East, providing support for risk assets. U.S. inflation figures came in broadly in line or below market expectations and signaled a return to the disinflation trend, although it is clear that momentum stalled and that the ability of central banks to embark on a series of rate cuts is going to be challenging for some time to come. Data over the month also broadly pointed to a softening in the U.S. labour market and a slowing in economic activity which provided further support to bond markets.

The U.S. Federal Reserve (Fed) and the Reserve Bank of Australia (RBA) left policy rates unchanged at their meetings in May. The Fed downplayed the possibility of rate hikes and confirmed that they believe monetary policy to be substantially restrictive to bring inflation down, while acknowledging that there has been a lack of progress. Subsequent speakers over the month pointed to a higher for longer environment and kept possible rate hikes on the table, although the market has continued to price in rate cuts at the back end of the year. The RBA appear to be more open to further rate hikes, and the market is somewhat divided about what the next move by the RBA will be.

Global stock markets were broadly positive with the S&P 500 returning 2.9% and the ASX 300 0.9%, and credit spreads were slightly higher in sub-investment grade credit. The Bloomberg U.S. High Yield Index returned 1.10%, the Bloomberg U.S. Corporate Investment Grade Index 1.87%, and the Morningstar LSTA leveraged loan index returned 0.94%.

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.

For general-purpose securities, direct revenue exposure is defined as direct revenue from a company's operations or from any of its wholly owned subsidiaries. For special-purpose securities, defined as direct revenue from the investment's use of proceeds.

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