

Apostle Ethical Global Credit Fund

Monthly Report – August 2024



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.

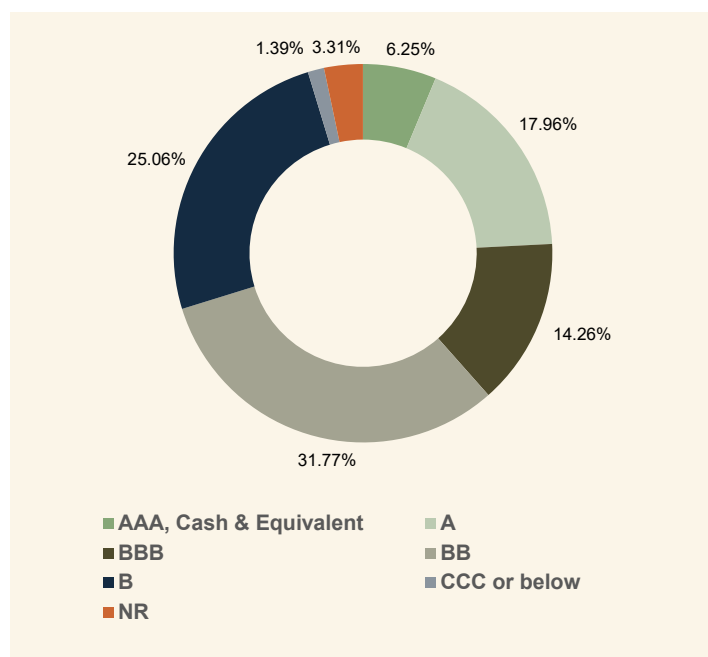
Investment Objective

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)	1.0279
Fund Size (AUD)	\$61,319,151.99
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	John Barrasso, Portfolio Manager Tony Breen, Investment Specialist
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Breakdown by Credit Rating



As at 31/08/2024. Source: State Street, Bloomberg, Apostle FM. Data for private market investments is based on information provided by sub-investment managers. All figures are approximate and based on the best available data.

Performance

Return (%)	1 mth	3 mth	6 mth	1 year	Since inception (p.a.)
Total (gross)	0.67	1.95	3.85	7.39	5.24
Total (net)	0.59	1.70	3.36	6.38	4.25
Benchmark	0.45	1.31	2.57	5.14	5.10
Relative (net)	0.14	0.39	0.79	1.24	(0.85)

As at 31/08/2024. 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 maturity (A\$ hedged)	7.54%
Yield to maturity with curve (A\$ hedged)	6.71%
Credit spread	273 bps
Interest rate duration	0.79
Credit spread duration	3.16
Average credit rating	BB+
Floating rate exposure	77.19%
Number of holdings	291

As at 31/08/2024. Source: State Street, Bloomberg, Apostle FM. Data for private market investments is based on information provided by sub-investment managers. All figures are approximate and based on the best available data.

Portfolio Look-Through

Asset Class/Strategy	Allocation (%)
Bonds	45.75%
Corporate Bonds	20.52%
Infrastructure Bonds	24.03%
Government Bonds	1.20%
Loans	42.43%
Corporate Loans	36.77%
Infrastructure Loans	5.67%
Private Debt	10.43%
Private Real Estate Debt	10.43%
Cash or Cash Equivalents	1.39%
Total	100.00%

As at 31/08/2024. Source: State Street, Bloomberg, Apostle FM. Data for private market investments is based on information provided by sub-investment managers. All figures are approximate and based on the best available data.

Portfolio Commentary

The Fund returned 0.59% net of fees in August, with all underlying strategies producing positive returns. Infrastructure-focused bonds returned approximately 0.97%, the Australian tier 2 corporate debt strategy returned approximately 0.36%, the U.S. senior loan strategy returned approximately 0.75%, and private real estate debt returned approximately 0.60%.

The Fund's allocation to fixed-rate infrastructure bonds was the key driver of returns in August, as their fixed rate bonds experienced capital appreciation when interest rates fell over 0.58% in the US. Additionally, the Asset Allocation Committee decided to change the Fund's Dynamic Asset Allocation (DAA) at their July meeting, reducing the allocation to U.S. loans and reallocating it to Australian tier 2 floating-rate bonds. This change increased the portfolio's credit quality and positioned it well for the continued credit spread-widening events that may take place as the FED begins its rate cutting cycle.

Market Commentary

August was an eventful month for investors. Any hopes of a late summer lull were quickly dashed at the beginning of month after the publication of disappointing US economic data, together with an interest rate hike by the Bank of Japan, sparked a sharp sell-off across global equity markets. However, by month end, the market had rebounded as investors began to price in more aggressive policy easing by the Federal Reserve (Fed).

In the second half of the month the prospect of lower US interest rates helped equity markets rebound, and developed market equities closed 2.7% higher over the month. Other interest rate sensitive assets classes, such as real estate, were also well supported and the Global REITs Index rose 6.2%.

August was a positive month for most fixed income investors. The volatility observed at the start of the month led to a flight to quality while ongoing concerns about the economic outlook led investors to discount more aggressive rate cuts from major central banks in the coming months. Against this backdrop, the Bloomberg Global Aggregate Index posted a performance of 2.4% last month, as its yield decreased by 14bps.

Global credit markets performed well, with a stable corporate earnings outlook continuing to support the asset class. The flight to quality helped global investment grade bonds which delivered 1.9% to end the month as the best performing sector. Conversely high yield lagged somewhat rising 1.6% and 1.2% respectively in the US and Europe. Emerging market debt also posted a strong performance last month delivering returns of 2.3%, as a weaker US dollar provided a tailwind for the region.

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.35% as expected. The messaging was tough, noting that policy will need to be sufficiently restrictive, and that inflation will take some time before coming sustainably into the target range. The updated staff forecasts is for a slightly strong growth profile (GDP 1.7% in Dec '24 and 2.5% in Dec '25) and steady inflation view. Trimmed mean inflation is forecast to be within the top of the target band by Dec '25 (2.9%). The RBA does not require inflation to be in the target band to cut rates, but moving towards it.

Contact us

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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

Signatory of:



Member of:



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