Apostle Diversified Global Credit Fund

ARSN 659 135 734
Monthly Report – **December 2024**

The Apostle Diversified Global Credit Fund aims to generate higher yields than traditional fixed income securities, with lower volatility. The Fund aims to invest across a range of alternative fixed income securities by sourcing managers that specialise in sub-investment grade, investment grade and private debt markets.

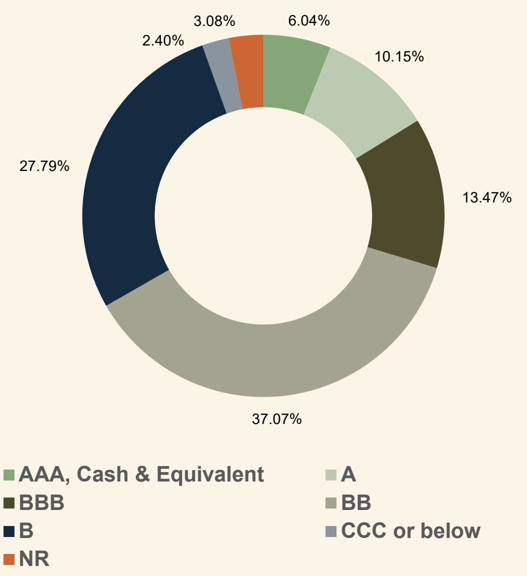
Investment Objective

The Fund targets a return of 2-3% p.a. net of fees above the RBA cash rate over rolling 3–5 year periods, focusing on capital stability whilst maintaining liquidity.

Fund Overview

Unit Price (NAV)	$1.0299
Fund Size (AUD)	$65,762,246.87
Benchmark	The RBA cash rate
Asset Class	Fixed Income
Portfolio Inception Date	8 August 2022
Investment Manager	Apostle Funds Management
Management Fee	0.95% p.a (inc GST and RITC).
Buy/Sell Spread	0.20%/0.20%
Minimum Investment	$25,000
APIR Code	KAM2611AU
ISIN	AU60KAM26113
Currency	Hedged to AUD
Pricing & Distributions	Daily unit pricing, daily liquidity and quarterly distributions
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Breakdown by Credit Rating



As at 31/12/2024. Source: State Street, Bloomberg, Apostle Funds Management. 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)	0.35	1.57	3.90	6.97	5.46
Total (net)	0.27	1.33	3.41	5.96	4.47
Benchmark	0.38	1.10	2.42	4.97	5.03
Relative (net)	(0.11)	0.23	0.99	0.99	(0.56)

As at 31/12/2024. Source: State Street. The Benchmark is the RBA cash rate. Note: Net returns are based on the Fund's full management fee of 0.95% p.a. Performance inception date is 8 August 2022. Prior to 1 October 2024, the Fund was wholesale and the benchmark was 5-7% net of fees p.a.

Portfolio Characteristics

Yield to maturity (A$ hedged)	7.33%
Yield to maturity with curve (A$ hedged)	7.12%
Credit spread	278 bps
Interest rate duration	0.93
Credit spread duration	2.99
Average credit rating	BB+
Floating rate exposure	74.43%
Number of holdings	296

As at 31/12/2024. Source: State Street, Bloomberg, Apostle Funds Management. 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	**41.80%**
Corporate Bonds	15.78%
Infrastructure Bonds	25.60%
U.S. Treasury Bills	0.42%
Loans	**45.06%**
Corporate Loans	39.43%
Infrastructure Loans	5.63%
Private Debt	**10.13%**
Private Real Estate Debt	10.13%
Cash or Cash Equivalents	**3.01%**
Total	**100%**

As at 31/12/2024. Source: State Street, Bloomberg, Apostle Funds Management. 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 achieved a net return of 0.27% in December, with performance driven by diverse outcomes across the portfolio's underlying strategies. The strong momentum of rising interest rates in the U.S. supported the floating-rate portion of the portfolio, which performed robustly, while fixed-rate strategies experienced moderate losses.

Specifically, the infrastructure-focused bonds returned approximately -0.41%, while the Australian Tier 2 corporate debt strategy generated a return of 0.63%. The U.S. senior loan strategy delivered a return of 0.60%, and private real estate debt contributed 0.59% to the overall performance.

Market Commentary

Rising bond yields across most developed economies shaped market movements in December. In the U.S., anticipation of fiscal support from the incoming administration fueled expectations of higher inflation, pushing the 10-year Treasury yield up by 40 basis points during the month. This increase reverberated through equity, bond, and foreign exchange markets.

Risk assets faced headwinds from higher long-term interest rates, with equity markets reflecting a higher cost of capital. The S&P 500 declined 2.7%, and the ASX 300 posted a negative return of 3.3%, while the STOXX600 advanced 0.7%, partially recovering losses from the previous month. Within equity styles, value stocks experienced the largest losses, while growth stocks fared better. Looking ahead, the second term of Donald Trump as U.S. president begins on January 20, 2025. Market participants are anticipating new policies, which could introduce volatility and weigh on broader market performance.

In fixed income, while central banks maintained a cautious stance with rate cuts, long-term interest rates rose significantly. The Federal Reserve implemented another 25-basis point rate cut at its December meeting. Yet, concerns over potential inflation drove the 10-year U.S. Treasury yield higher by 40 basis points, outpacing increases in other developed markets. The stronger dollar reflected these dynamics, with the U.S. Dollar Index gaining 2.6% over the month.

In Australia, the Reserve Bank of Australia (RBA) kept its policy rate steady at 4.35% during its December meeting. Meeting minutes indicated cautious optimism about guiding inflation back to target but flagged concerns over potential labour market weakness. This suggests the RBA may lean toward a dovish stance on interest rates, potentially delivering a rate cut sooner if labour market data deteriorates. Consequently, the Australian 10-year bond yield rose a modest 7 basis points in December, significantly less than in the U.S. The relative yield disparity pressured the Australian dollar, which depreciated 4.2% against the U.S. dollar during the month.

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PRI Principles for Responsible Investment

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