

Fortlake Real-Higher Income Fund

Monthly Fact Sheet—May 2024

Fund Commentary

Portfolio Running Yield currently stands at 6.79%. One-year returns remain strong at 8.3% (net), and since inception the strategy's performance has maintained a solid 10.57% (net) return.

FRHIF performed in line with expectations given the significant rerating of front-end rates, globally. Movements higher in front-end rates will detract from short-term performance however will increase the long-term running yield of the Fund. This month we saw the "put-back" of performance from higher front-end rates as running yields kicked higher in prior months. A higher term structure is beneficial for strategy as higher rates allow a more significant contribution from risk-free rates which in turn allows the cross subsidisation of our default strategies. Therefore we believe the Fund is very well positioned going forward to capitalize on higher rates and a structural pick up in defaults. Interest rate volatility and credit volatility dropped over the month as markets stabilized and digested the new consensus of higher for longer interest rates. We expect the current run-rate of performance to last for some time as our volatility strategies move into the sweet spot of time versus risk. Our credit positioning remains at an extremely conservative setting, running only a modest amount of spread duration, around the lowest since inception.

In defaults, we continued to see significant additional news out of Europe where restructuring talks continue. Many individual names in Europe continue to play creditors off against one another with the future of these issuers hanging in the balance.

Portfolio Snapshot at 31 May 24

Portfolio YTM (Gross)	6.20%
Average Credit Quality	A-
Weighted Average Years to Maturity	2.93
Total Number of Exposures	508
Total Country Exposures	25

Portfolio Returns to 31 May 24

	Net	Benchmark*	Excess Return (net)
1M	0.97%	0.38%	0.60%
3M	2.38%	1.12%	1.26%
1Y	8.30%	4.40%	3.90%
2Y p.a.	12.48%	3.56%	8.92%
3Y p.a.	9.38%	2.40%	6.98%
Since Inception p.a.**	10.57%	2.10%	8.47%

*RBA Overnight Cash Rate. **Fund inception: 18-Dec-2020

Fund Statistics at 31 May 24

Since Inception*	
Best Month Since Inception	4.78%
Worst Month Since Inception	-2.07%
% Positive Months Since Inception	75.61%

*Fund inception: 18-Dec-2020. Past performance is not an indicator of future performance and fees or costs may change in future years.

We are yet to see broader contagion from select credits across into the broader credit universe albeit defaults and bankruptcy cases are now well above 2020 levels. We believe it is a matter of time until public markets experience some normalization of defaults, particularly given the recent rise in term interest rates.

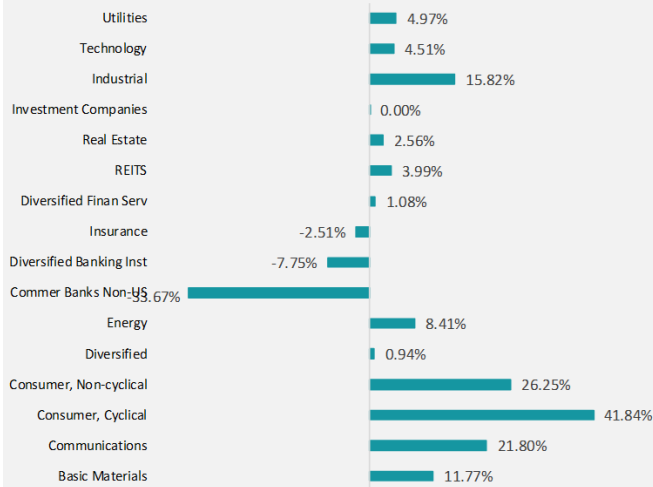
Fund attribution over the month was defined by **Default Arb** (+48.9 bps), **Corporate Hedges** (-31.9 bps), **Corporate/Gov Bonds** (+119.5 bps), **Inflation** (0 bps) and **Duration/Curve** (-32.3 bps) contributing to overall (gross) return.

Fund Facts

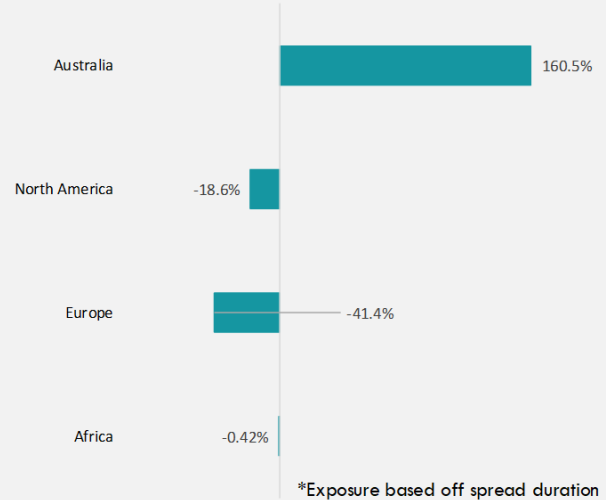
Investment Return Objective: RBA Overnight Cash Rate + 4% - 5% p.a.

Fund Managed by	Fortlake Asset Management Pty Ltd	Management Fee	0.52% p.a. including GST
Fund Type	Australian Unit Trust	Performance Fee	Nil
Fund Issued by	Colonial First State Investments Limited	Buy/Sell Spread	0/0.05%
Responsible Entity	Colonial First State Investments Limited	Distribution Frequency	Quarterly
Fund Inception	18-Dec-20	Liquidity	Daily
Minimum Investment	\$1,000		

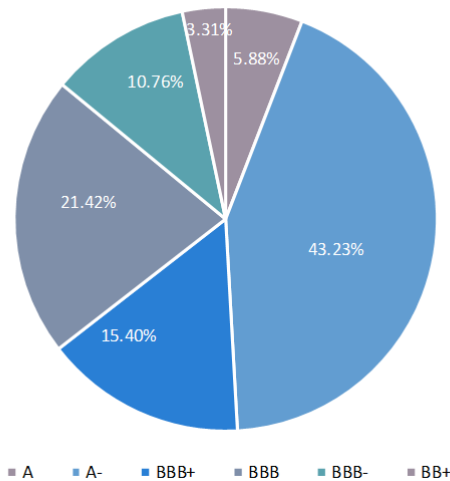
MARKET EXPOSURE BY SECTOR



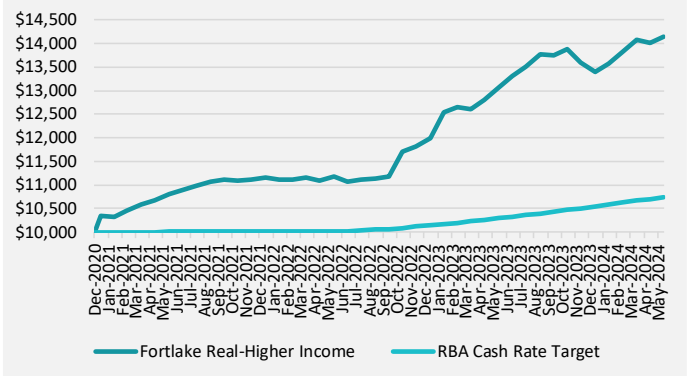
MARKET EXPOSURE BY REGION*



CREDIT RATING



INVESTMENT GROWTH OF \$10,000*



*Hypothetical performance assumes net returns and reinvestment of all distributions since inception. Past performance is not an indicator of future performance and fees or costs may change in future years. Source: Morningstar

Fortlake Real-Higher Income Fund Performance (net returns)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Year
2024	1.37%	1.73%	1.85%	-0.44%	0.97%								5.58%
2023	4.55%	0.89%	-0.34%	1.44%	2.06%	1.86%	1.49%	2.00%	-0.12%	0.92%	-2.07%	-1.46%	11.64%
2022	-0.47%	0.11%	0.29%	-0.56%	0.84%	-0.92%	0.27%	0.17%	0.41%	4.78%	0.86%	1.63%	7.55%
2021	-0.37%	1.28%	1.31%	0.81%	1.27%	0.81%	0.85%	0.85%	0.33%	-0.27%	0.18%	0.45%	7.75%
2020												3.54%	3.54%

Source: Morningstar. All data as at 31 May 2024 unless otherwise stated. Past performance is not an indicator of future performance and fees or costs may change in future years.

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