

Fortlake Real-Higher Income Fund

Monthly Fact Sheet—August 2024

Portfolio Running Yield currently stands at 6.02%. One-year returns remain strong at 4.56% (net), and since inception the strategy's performance has maintained a solid 10.35% (net) return. The Fund remains neutral credit with active tilts within the credit complex, meaning our preference is still to remain actively seeking out defaults in the high yield complex. Interest rates are an active area for the Fund, as we continue to see noteworthy cross market opportunities. Volatility across credit and interest rates is presenting significant investment prospects.

Dispersion has become the most prominent feature and thematic within credit markets to date albeit we are starting to see signs of a broader cross section of names and industries moving into distress. However, a significant few distressed credits are still driving overall spreads. We expect more news on these newly distressed names over the next 2 months. Consequently, hedging ex these widest names is at the cheapest levels seen since 2019. In the widest names we see significant loss priced and very little chance of a sufficient recovery outcome for creditors. The most defensive names are these widest names due to the pricing of such risks being in sync with the fundamental outlook. Consequently, the highest risk areas we see are those which have not priced lower to date, remain tight and still contain the macro risk element along with the standard idiosyncratic risks that individual names have. Over the month the Fund actively managed credit risk so as to reduce the cost of hedging.

It is very punitive being short the widest names in high yield indices due to the cost of carry and the elevated term structure of interest rates. However, we expect that as the term structure begins to fall, this will also make the cost of hedging more appealing, potentially pushing spreads wider. Risks are very nuanced in credit markets and across other relevant areas of the capital markets such as the European leveraged loan indices. In similar fashion we see dispersion amongst a few distressed credits, yet no significant aggregate widening in spreads. Our belief is that this will change as more names broaden out the surface area of distress, leading to a broader correlation of overall distress.

Portfolio Snapshot at 31 August 2024

Portfolio YTM (Gross)	5.65%
Average Credit Quality	A-
Weighted Average Years to Maturity	2.67
Total Number of Exposures	512
Total Country Exposures	25

Portfolio Returns to 31 August 2024

	Net	Benchmark*	Excess Return (net)
1M	-0.20%	0.36%	-0.57%
3M	1.81%	1.11%	0.71%
1Y	4.56%	4.46%	0.10%
2Y p.a.	13.76%	3.96%	9.80%
3Y p.a.	9.12%	2.77%	6.36%
Since Inception p.a.**	10.35%	2.26%	8.09%

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

Fund Statistics at 31 August 2024

Since Inception*

Best Month Since Inception	4.78%
Worst Month Since Inception	-2.07%
% Positive Months Since Inception	75.00%

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

This is likely to occur across more industries and the weakest names within these industries. Economic data is beginning to trend softer and we believe that any slight reduction in economic strength will likely have an exaggerated effect on credit fundamentals in some of these weakest names/industries. Interest rate volatility has remained high due to fears surrounding weakness in the labour market and the implications for economic growth, the upcoming US election and the imminent cutting cycle of the Federal Reserve. This has caused a dramatic reappraisal of the interest rate outlook and driven yields significantly lower. Over the month this trend continued with yields dropping further.

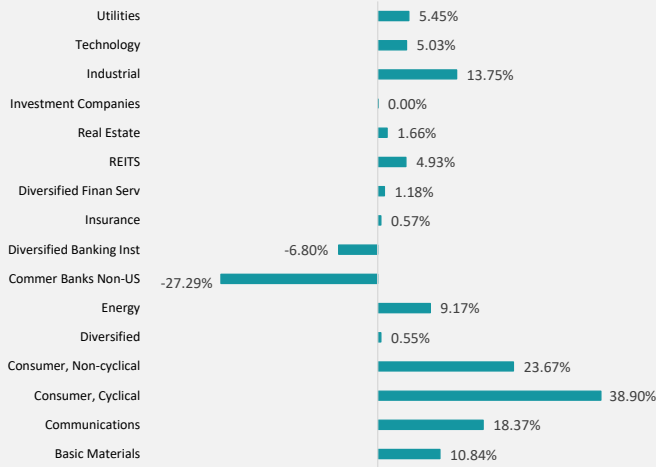
Fund attribution over the month was defined by **Default Arb** (-4.4 bps), **Corporate Hedges** (+89.5 bps), **Corporate/Gov Bonds** (-54.4 bps), **Inflation** (0bps) and **Duration/Curve** (-45.3 bps) contributing to overall (gross) return.

Fund Facts

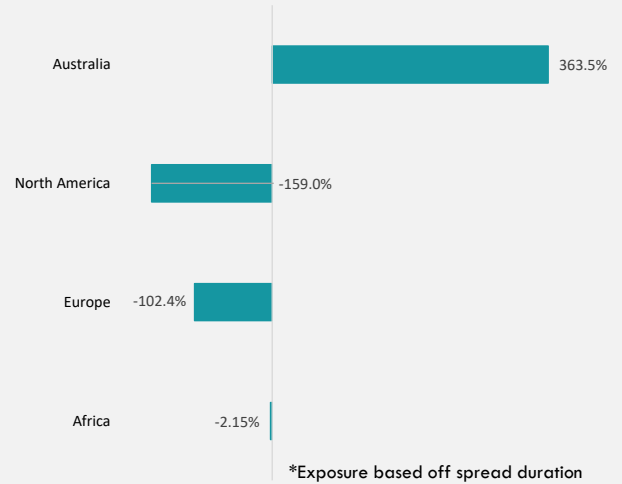
Investment Return Objective: RBA Overnight Cash Rate + 5% p.a.

Fund Managed by	Fortlake Asset Management Pty Ltd	Management Fee	0.484% p.a. including GST
Fund Type	Australian Unit Trust	Administrative Fees & Expenses	0.42% p.a. including GST
Fund Issued by	Colonial First State Investments Ltd	Buy/Sell Spread	0.1/0.1%
Responsible Entity	Colonial First State Investments Ltd	Distribution Frequency	Quarterly
Fund Inception	18-Dec-20	Liquidity	Daily
Minimum Investment	\$1,000		

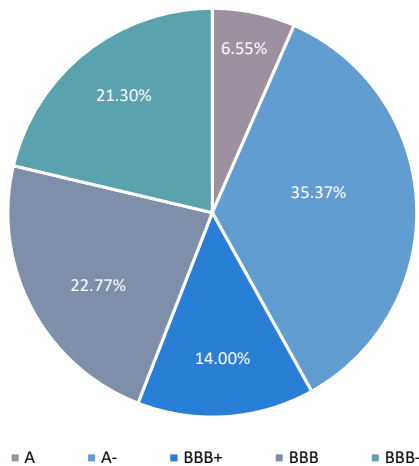
MARKET EXPOSURE BY SECTOR



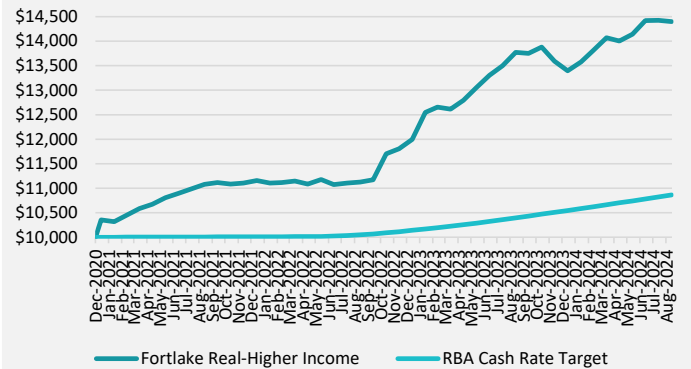
MARKET EXPOSURE BY REGION*



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%	1.97%	0.04%	-0.20%					7.48%
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 August 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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