

Fortlake Real-Higher Income Fund

Monthly Fact Sheet—September 2024

Portfolio Running Yield currently stands at 5.70%. One-year returns remain strong at 5.11% (net), and since inception the strategy's performance has maintained a solid 10.23% (net) return.

We remain neutral on credit, with active tilts within the complex, focusing on high yield defaults. Increased volatility in credit and interest rates presents opportunities that we anticipate will enhance performance in the coming months. Dispersion remains a key theme in credit markets, with signs of more industries moving into distress. However, a few distressed credits still drive spreads. Avon Products Inc. (AVP) defaulted in August under Chapter 11 and delivered a recovery rate of 34 cents on the dollar in September, a neutral outcome for the Fund.

Credit spreads continued tightening, aided by the Federal Reserve's -50bp rate cut. Despite this, the dispersion between distressed and non-distressed names is at its lowest since 2019. The most defensive names are those with the widest spreads, in sync with their fundamental outlook. We see the highest risk in those that remain tight and haven't priced in macro risks. The Fund actively managed credit risk to reduce hedging costs.

Shorting the widest names in high yield indices remains punitive due to the cost of carry and the elevated interest rate term structures. However, as the term structure falls, hedging may become more appealing, potentially widening spreads. Arbitrage opportunities are emerging as panic buying tightens high yield indices compared to individual constituents, a symptom of credit short covering.

Credit risks are nuanced, particularly in European leveraged loans. Although distressed names show dispersion, aggregate spreads haven't significantly widened. We expect this to change as distress broadens across industries, especially in weaker sectors. Softer economic data could exacerbate credit risks in these areas.

Portfolio Snapshot at 30 September 2024

Portfolio YTM (Gross)	5.24%
Average Credit Quality	A-
Weighted Average Years to Maturity	2.99
Total Number of Exposures	482
Total Country Exposures	25

Portfolio Returns to 30 September 2024

	Net	Benchmark*	Excess Return (net)
1M	0.41%	0.36%	0.04%
3M	0.24%	1.12%	-0.87%
1Y	5.11%	4.49%	0.62%
2Y p.a.	13.76%	4.06%	9.70%
3Y p.a.	9.15%	2.89%	6.26%
Since Inception p.a.**	10.23%	4.77%	5.47%

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

Fund Statistics at 30 September 2024

Since Inception*

Best Month Since Inception	4.78%
Worst Month Since Inception	-2.07%
% Positive Months Since Inception	75.56%

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

Interest rate volatility remains high due to concerns about labour market weakness, economic growth, the upcoming US election, and the Federal Reserve's anticipated rate cuts. This has lowered yields further, continuing a recent trend.

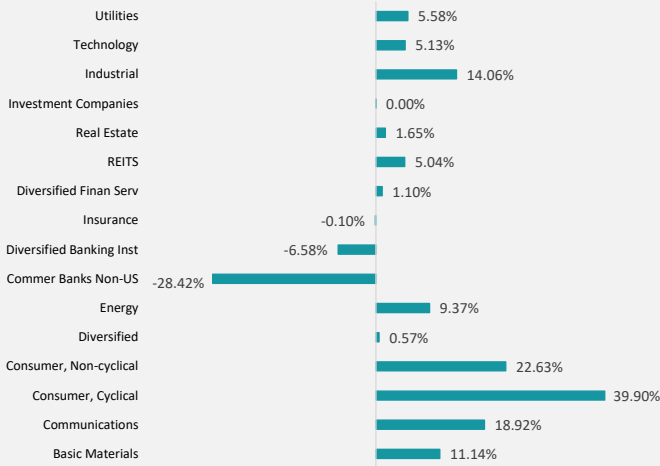
Fund attribution over the month was defined by **Default Arb** (+54.4 bps), **Corporate Hedges** (+43.3 bps), **Corporate/Gov Bonds** (-100.1 bps), **Inflation** (0bps) and **Duration/Curve** (+49.8 bps) contributing to overall (gross) return.

Fund Facts

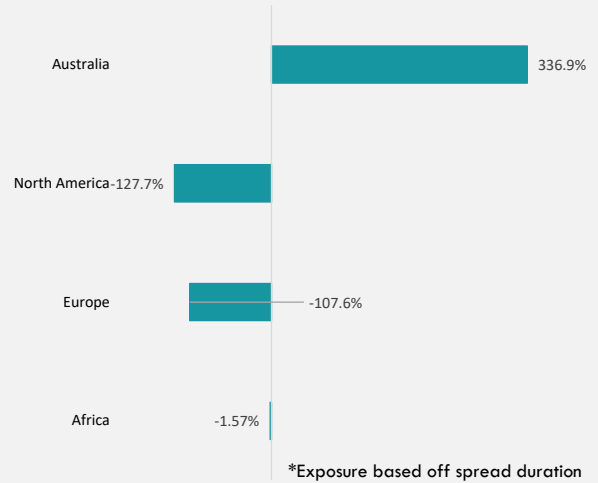
Investment Return Objective: RBA Overnight Cash Rate + 5% p.a.

Fund Managed by	Fortlake Asset Management Limited	Management Fee	0.484% p.a. including GST
Fund Type	Australian Unit Trust	Responsible Entity Fee and Indirect Costs	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		

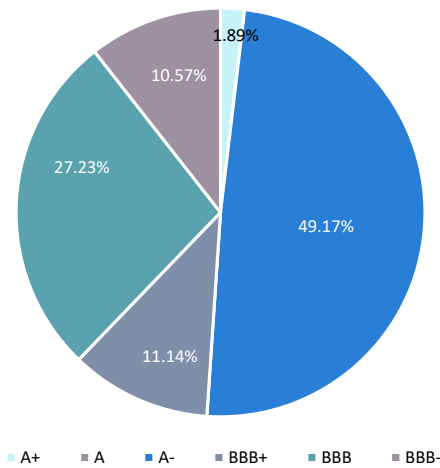
MARKET EXPOSURE BY SECTOR



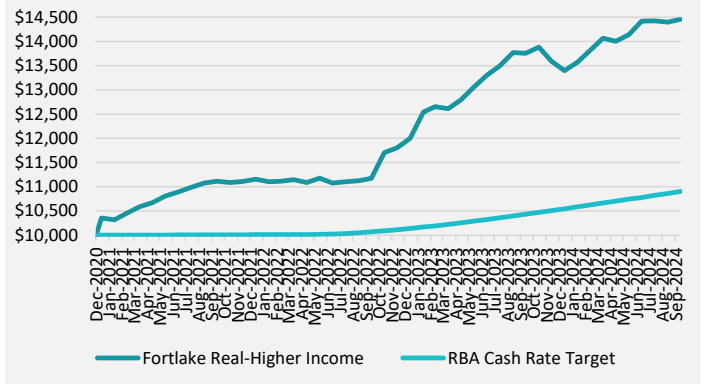
MARKET EXPOSURE BY REGION*



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%	0.41%				7.92%
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 30 September 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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