Antipodes Global Credit Opportunities Fund Investor Letter – June 2024

Dear Investor,

In this letter we'd like to address the changes in our business over the last 18 months, provide some more detail on our new partnership with Antipodes Partners ("Antipodes"), as well as provide an update on the fund's performance and outlook. In short, we are thrilled to be partnering with Antipodes, very excited about the opportunities ahead, and confident in the outlook for the fund.

Antipodes Partnership

Our new partnership with Antipodes is a tremendous improvement for all our investors. Under the partnership management rights have been transferred to Antipodes while the funds management team, mandate, fee structure and investment process remain unchanged. Anthony and I now work alongside Antipodes' investment team with an enhanced ability to deliver attractive credit returns for existing and new investors.

As many of you may know, Antipodes is a specialist global investment manager, founded in 2015, that currently manages ~A$10 billion in funds. The firm is majority owned by the investment team with Pinnacle Investment Management ("Pinnacle") holding a minority stake and providing a range of services to Antipodes including operational and distribution support. Together we expect significant benefits from this partnership. Importantly, it will allow us to spend more time focused on investing.

Antipodes has invested heavily in people, research, and technology since inception and the new partnership provides considerably more "firepower" to assess both opportunities and risks. The broader investment team at Antipodes has global coverage aligned across specialist industry groups and we see considerable benefits through the sharing of ideas and insights. While, Pinnacle will assist in reaching more investors and growing our funds under management.

Performance

For the 12 months ending June 2024, the Global Credit Opportunities Fund returned 5.0% and paid a 6.8 cents per unit distribution (7.6% distribution yield). The portfolio currently has a yield to maturity of 10.6% with a weighted average life of 3.0 years and comprises investments across 14 industries. We remain heavily weighted towards senior secured, floating rate investments with a weighted average credit rating of BB-.

While the return for the year was positive it was less than we would like. As an investment team, we feel this acutely - we have always been, and remain, large personal investors in the fund. The underperformance relative to our target can be largely attributed to two factors:

1. A relatively conservative positioning in the face of rising rates and the possibility of a hard economic downturn; and
2. Transition issues relating to the exit from River Capital.

While we regret missing some of the cheaper and more risky investment opportunities over the last 12 months, we also know this can sometimes be the price paid for focusing on absolute returns and prioritising "return of capital" over "return on capital", and we continue to remain on the cautious side of the investment spectrum. The exit from River Capital also resulted in some fund outflows which had to be delicately managed, including the unwind of associated currency swaps. While frustrating, these "teething issues" are now behind us, and the underlying portfolio is performing well.

We remain confident that returns going forward will be strong. The current market environment and the small size of the fund allows us to deploy capital in senior secured debt at yields to maturity of 8-12%. Moreover, as we receive repayments we are able redeploy capital at the same, or higher yields.

Outlook and Positioning

Higher rates and an uncertain economic outlook are driving a wider than usual dispersion of opportunities in global credit markets. In our opinion, the continued positioning for a return to a world of low rates means many unsecured fixed rate bonds are now "priced for perfection" and will underperform or even lose money if rates remain high, while many higher ranking senior secured floating rate loans still offer attractive yields that will prove more profitable if rates remain high. In many cases we are now seeing the 1st lien, senior secured loans offering higher yields than the more junior unsecured bonds from the same issuer (company). It appears many credit investors are investing heavily based on their outlook for treasuries and the yield curve rather than the outlook for the underlying business cash flows and relative risk in the capital structures. It's highly unusual for the market to offer secured debt at higher rates than unsecured debt, and we think this presents an attractive opportunity despite the trade -off between floating versus fixed rates.

Our industry positioning remains heavily defensive with a large weighting towards food, telecommunications and healthcare. We are consistently looking for opportunities where we can underwrite through the cycle and minimise downside risk.

As always, we are grateful for your support and welcome any questions.

Yours sincerely,

Daniel Saldanha
Portfolio Manager, Head of Credit
Antipodes Partners

