

First Sentier Global Credit Income Fund



First Sentier
Investors

Formerly the First Sentier Global Credit Fund

Quarterly Factsheet

30 September 2023

For Adviser use only

Portfolio Description

The Fund is suitable for investors seeking to invest in a diversified portfolio of higher yielding Australian and international fixed interest investments.

Investment Strategy

The Fund's strategy is to invest directly or indirectly in a portfolio of predominantly global credit investments. The Fund aims to deliver an income return from its investments. The Fund aims to control risk through the Investment Manager's investment selection and monitoring, combined with broad diversification. Generally, the increased credit risk of credit securities means that these investments have the potential to deliver higher returns over the medium term compared to cash. Responsible investment considerations form an important component of the research and investment processes. ESG risks and how they are being managed by issuers help influence the assignment of internal credit ratings, which in turn drive portfolio construction decisions. Derivatives may be used for risk management, return enhancement or hedging purposes. The Fund aims to hedge currency exposure.

Investment Objective

The Fund aims to provide income-based returns and to outperform the Bloomberg AusBond Bank Bill Index over rolling three-year periods before fees and taxes by investing in a diversified portfolio of Australian and international fixed interest investments.

Key Investment Personnel and Experience (Industry / Firm)

Tony Togher	Head of Fixed Income & Credit	(1983 / 1988)
Craig Morabito	Senior Portfolio Manager	(2003 / 2005)
Ben Samuel	Portfolio Manager	(2008 / 2015)

Product Overview

APIR code	FSF0083AU
Inception date	04 January 2002
Benchmark**	Bloomberg AusBond Bank Bill Index
Buy / Sell spread	0.15% / 0.15%
Minimum investment (A\$)	20,000
Management fees and costs (p.a.)*	0.40%

* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

Portfolio Overview

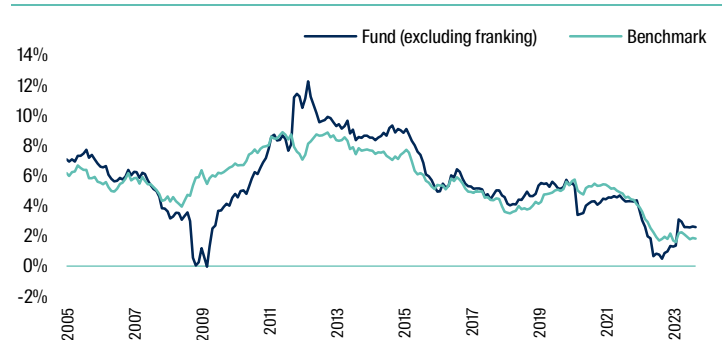
Fund Size (A\$)	29 million
No. of Issuers	476
Largest Issuer	1.05%
Running Yield	5.94%
Yield to Maturity	5.96%
Interest Rate Duration	0.62 years
Credit Spread Duration	3.60 years

Performance Summary (%)

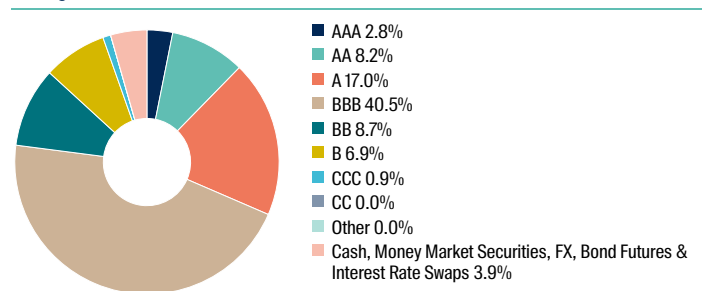
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	1.8	7.9	2.6	3.4	3.5	4.3	5.5
Benchmark return	1.1	3.6	1.8	3.6	3.4	4.1	5.4
Excess net return	0.7	4.3	0.8	-0.2	0.1	0.2	0.1
Income return	1.3	3.6	3.5	3.7	6.0	6.0	6.2
Growth return	0.5	4.3	-0.9	-0.3	-2.6	-1.7	-0.7

Past performance is not a reliable indicator of future performance.

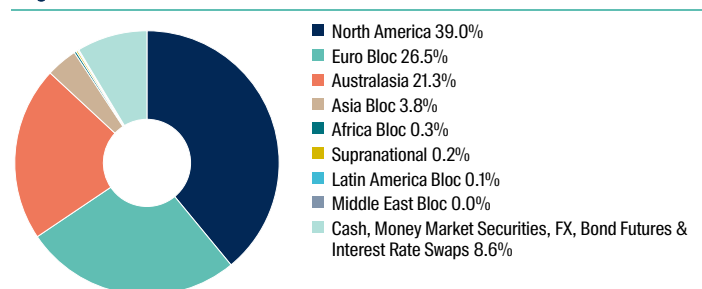
Rolling 3 year return (%)



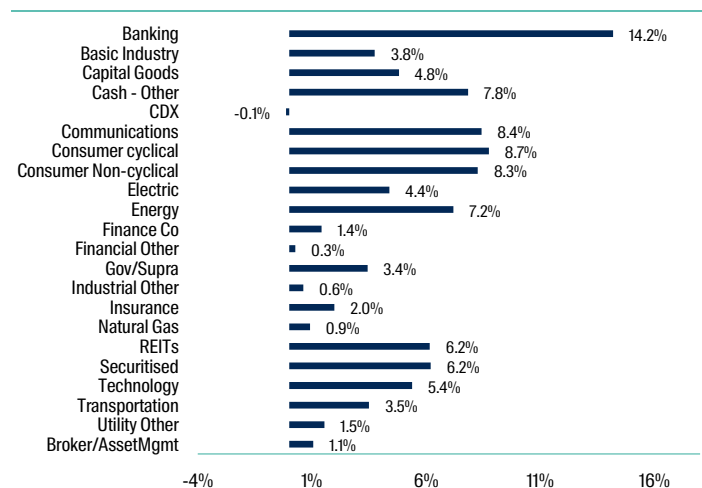
Rating Breakdown

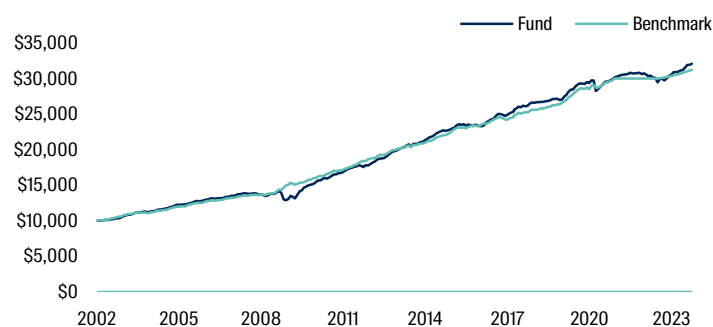
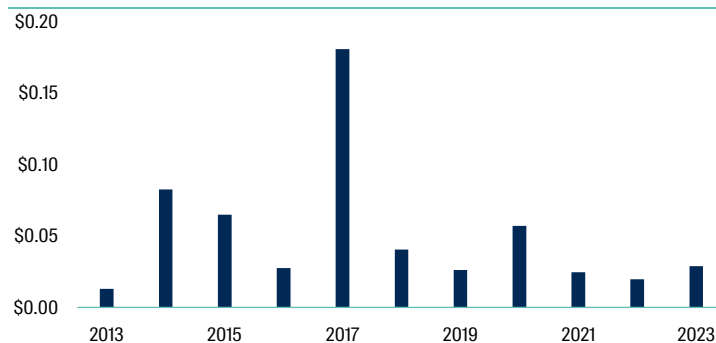


Regional Breakdown



Sector Breakdown



Growth of AUD 10,000 Investment Since Inception**Distributions****Risk Characteristics**

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	1.5	2.4	3.3	2.9	2.7	3.3
Benchmark standard deviation (%)	0.2	0.6	1.7	1.7	1.6	1.9
Tracking error (%)	1.5	2.2	2.5	2.2	2.1	3.0
Fund Sharpe ratio	2.9	0.5	0.6	0.7	0.9	0.6
Information ratio	2.9	0.4	-0.1	0.0	0.1	0.0

Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance. Data source: First Sentier Investors 2023 Data as at: 30 September 2023

Fund Performance

A further narrowing in credit spreads provided a tailwind for credit and enabled corporate bonds to generate pleasing returns. The Fund appreciated by 1.8% after fees, which compared to a return of 1.1% from the bank bill benchmark. Returns are now more than 4% ahead of the benchmark on a rolling annual basis, extending the Fund's favourable long-term performance track record.

It was particularly pleasing to see corporate bonds generating positive returns over the quarter, given weakness in risk assets more broadly and as hopes of interest rate cuts in 2024 began to fade. All of this suggests that income-oriented investors remain comfortable with the current risk/reward trade off with global credit and are still being attracted by prospective yields that are meaningfully above those available on comparable government bonds.

Market Review

Large cap companies in the US and Europe announced their quarterly results for the three months ending 30 June. On the whole, these reports were well received by investors and affirmed that profitability is holding up quite well, despite increases in costs in many cases. Most companies remain well-placed to service their debt repayment obligations, although the increase in debt servicing costs owing to higher interest rates does mean default rates are likely to edge higher in the months ahead. This underlines the importance of ongoing monitoring and a willingness to amend portfolio positioning as and when deteriorating issuers are identified.

Less positively, sentiment towards Asian credit continued to be affected by ongoing financial issues in the Chinese property development sector. Several large companies in the property development sector in China are still battling to avoid defaulting on their debt during an extended credit crunch. A contagion effect spread to other developers, as well as other parts of the Asian market as risk appetite started to evaporate. The financial position of various Chinese companies remains precarious, in our view, and we remain comfortable with having no exposure to this area of the market.

Fund Activity

We continued to monitor macroeconomic developments as well as the performance of individual companies, amending exposures as relative valuations between individual securities moved.

Investment in banks and selected REITs was increased, for example, with relative valuations appearing attractive in these areas of the market. A thorough analysis of the risk/reward trade-off is required before investing in individual names, but pleasingly favourable security selection in these sectors added value to the portfolio.

We also added to the Fund's exposure to high-quality residential mortgage backed securities, which offer good value for risk in our view. The addition of these securities should help support the Fund's overall income generation.

The Fund remains very well diversified, currently holding exposure to well over 400 issues across 28 countries. Maintaining such a high level of diversification mitigates risk, and helps to provide consistent long-term returns.

Market Outlook

Although interest costs have increased, most companies seem well-placed to continue servicing their debt repayment obligations and default rates remain below long-term averages. Companies in the US and Europe will be reporting their latest quarterly earnings during October, but few negative shocks are anticipated. On the whole we are not seeing widespread deterioration in the financial position of corporate bond issuers and are encouraged that economic indicators remain quite resilient in most regions.

More broadly, most investors were surprised by the extent of increases in sovereign bond yields over the period. Investors had arguably been too quick to price in the possibility of interest rate cuts, but the ferocity of the move in Treasuries and other government bond markets was nonetheless quite remarkable. The significant increases in yields also provided a reminder of the merit of short duration portfolios such as the Global Credit Income Fund. In this product we aim to keep duration low and therefore minimise the Fund's sensitivity to changes in interest rates. Conversely, credit funds with a longer duration profile will likely have struggled as interest rates headed higher in all key regions.

**The benchmark was changed from the Bloomberg AusBond Credit Index 0+Yr Index with effect from 1 January 2021. Longer-term benchmark performance outcomes are calculated by combining returns from the Bloomberg AusBond Credit Index 0+Yr index from inception until 31 December 2020 and returns from the Bloomberg AusBond Bank Bill Index thereafter. Past performance is not a reliable indicator of future performance.

RIAA Certification

The First Sentier Global Credit Income Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestments.com.au for details.¹

www.firstsentierinvestors.com.au

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The product disclosure statement (**PDS**) or Information Memorandum (**IM**) (as applicable) for the First Sentier Global Credit Income Fund, ARSN 094 088 454 (**Fund**) issued by The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) (**Perpetual**) should be considered before making an investment decision. The PDS or IM are available from First Sentier Investors on its website. The target market determination (**TMD**) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

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