

# Barwon Global High Income Fund

## Quarterly Report March 2024

The Barwon Global High Income Fund provides exposure to a portfolio of publicly traded private debt funds, whilst offering monthly liquidity. The core investments are private debt funds that make senior secured, hold-to-maturity loans to middle-market businesses.

### Net Performance as at 31 March 2024

	NAV <sup>1</sup>	1 month	3 months	1 year	3 years p.a.	5 years p.a.	ITD p.a.
BGHIF – Unhedged <sup>2,3</sup>	\$1.0284	0.1%	8.0%	25.2%	12.1%	7.2%	7.9%
BGHIF II – Hedged <sup>2,4</sup>	\$1.1464	1.6%	5.4%	22.9%	7.2%	N/A	11.3%

<sup>1</sup>: CUM Unit Price. Both funds have a 30 bps buy/sell spread on entry/exit. <sup>2</sup>: A\$ domiciled wholesale unit trust. <sup>3</sup>: Inception date is 28 February 2014. <sup>4</sup>: Inception date is 18 November 2020.

### Distribution

	CUM NAV	Distribution	Ex-NAV	Income Returns					
				3 months	6 months	1 year	3 years p.a.	5 years p.a.	ITD p.a.
BGHIF <sup>3</sup>	\$1.0284	\$0.0211	\$1.0073	2.1%	4.6%	8.7%	7.4%	7.4%	6.2%
BGHIF II <sup>4</sup>	\$1.1464	\$0.0171	\$1.1293	1.5%	6.0%	7.7%	6.8%	N/A	7.1%

### Market Review

Private debt funds performed well over the quarter with resilient credit performance and higher interest rates supporting near record annualised operating ROEs of 12.9%. On average, our holdings are paying a dividend yield of 11.1% on their share price. Credit stress levels, as measured by rates of non-accrual, increased marginally over the quarter by 10bps to 2.7% of cost, and remain below the historical average of 3.7%. Instances of credit issues have been idiosyncratic to date rather than indicative of broader industry challenges.

The sector currently trades at 0.98x P/BV, higher than its 5-year average of 0.92x P/BV. Sector valuations have opened the door for equity issuance from existing listed BDCs, and during the quarter, we even saw the listing of four new BDCs from experienced managers: Morgan Stanley Direct Lending Fund, Nuveen Churchill Direct Lending Corp., Palmer Square Capital BDC, and Blue Owl Capital Corp. III.

In January 2024, Golub Capital BDC (GBDC), a core holding of the Funds, has announced a merger with one of Golub Capital's non-traded BDCs to increase its liquidity and scale. Concurrently, Golub Capital has announced a permanent reduction in its incentive fee from 20.0% to 15.0% effective 1st January 2024.

Together with its reduced management fee announced last August, these two fee reductions have been meaningfully accretive (160 basis points) to shareholder ROE. This has enabled GBDC to raise its core cash dividend and pay multiple special cash distributions. GBDC's credit performance remains strong, and with its best-in-class fee structure, the market has reacted positively with the shares trading at 1.11x P/B, and we believe the stock is on track to regain its prior premium rating.

In March 2024, the Funds exited its holding in Barings BDC (BBDC) following the departure of more than 20 investment professionals including co-head Ian Fowler. Since the announced departures to newly formed Nomura-backed Corinthia Global Management, Barings has commenced litigation against Corinthia and its former executives. We believe this could have a negative near-term impact on portfolio management and origination while the team at Barings is rebuilt.

We have redeployed the capital into newly listed Morgan Stanley Direct Lending (MSDL). It has a \$4bn portfolio of PE sponsor backed, first lien senior secured loans. It favours larger borrowers (average annual EBITDA of \$146M), has a post-IPO discounted fee basis reverting to a competitive rate, and trades on a reasonable 1.0x P/B valuation.



## Portfolio Summary

The Funds were invested across the same portfolio of listed private debt funds, with a focus on maintaining a high look-through exposure to senior secured loans, diversified across industry and borrower.

Number of stocks	13
Weighted average Price / Book multiple	1.09x
Underlying Debt / Equity exposure	0.96x
Number of underlying companies / loans	>2,500
Underlying portfolio floating rate exposure	93%
Underlying senior secured debt exposure	90%

## Quarterly Contributors & Detractors

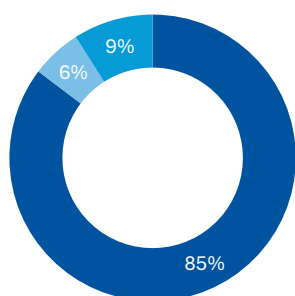
Contributors	Currency	Return	Detractors	Currency	Return
Blackstone Secured Lending	USD	15.5%	BlackRock TCP Capital Corp.	USD	-6.6%
Golub Capital BDC	USD	13.4%	Oaktree Specialty Lending Corp.	USD	-0.9%
Hercules Capital Inc.	USD	13.6%	FS KKR Capital Corp.	USD	-0.6%

## Five Largest Holdings

Investments	Portfolio Weight*	Price/Book Multiple	Gross Dividend Yield
Blackstone Secured Lending Fund	10.1%	1.17x	9.9%
Golub Capital BDC Inc.	10.1%	1.11x	11.1%
Ares Capital Corp.	9.7%	1.08x	9.2%
Sixth Street Specialty Lending	9.6%	1.26x	10.1%
Oaktree Specialty Lending Corp.	9.5%	1.03x	11.2%

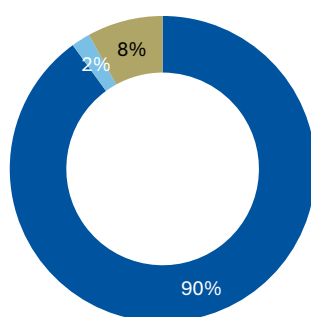
\* Portfolio weights for BGHIF (unhedged) as at 31 March 2024. BGHIF II (hedged) managed to same target weights.

### Listed Private Debt Fund Exposure



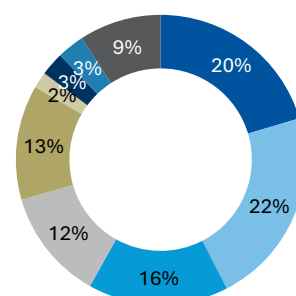
- BDC - Corporate Debt
- BDC - Venture Debt
- Cash

### Look Through Loan Exposures



- Senior Debt
- Subordinated Debt
- Equity

### Look Through Industry Exposures



- Industrials
- Information Technology
- Health Care
- Financials
- Consumer Discretionary
- Real Estate
- Communication Services
- Consumer Staples
- Other



## Key Information

<b>Summary</b>	Investing in a concentrated portfolio of listed and unlisted private loan funds.
<b>Objective</b>	<p>Both Funds aim to generate distribution yields of 9-11% p.a. and approximately 1-2% p.a. capital growth over the market cycle, net of fees.</p> <p>The Hedged Fund's distribution yield may be impacted by gains and losses on FX hedging contracts in any given period.</p>
<b>Universe</b>	<ul style="list-style-type: none"><li>▪ Funds publicly traded on globally recognised stock exchanges which make direct, hold-to-maturity loans across a range of loan types, industry sectors and geographies (referred to as Listed Private Debt Funds or LPDFs).</li><li>▪ Unlisted, semi-liquid funds which make loans in the same areas (referred to as Unlisted Private Debt Funds or UPDFs).</li></ul>
<b>Strategy</b>	High conviction, bottom-up stock selection Long-only, unleveraged, benchmark unaware
<b>Inception Date</b>	<b>BGHIF:</b> 28 February 2014 <b>BGHIF II:</b> 18 November 2020
<b>Structure</b>	Open-ended Australian domiciled unit trusts
<b>Currency</b>	<b>BGHIF:</b> unhedged <b>BGHIF II:</b> AUD currency hedged
<b>Distribution Frequency</b>	Quarterly



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