BARWON

Barwon Global High Income Fund

Quarterly Report September 2024

The Barwon Global High Income Fund offers diversified exposure to private debt through investments in publicly traded and unlisted private debt funds. These private debt funds focus on senior secured, hold-to-maturity loans to middle-market businesses. The fund is available in two unit classes: currency hedged and unhedged.

Net Performance as at 30 September 2024

BGHIF I - Unhedged[1,3]	
CUM NAV[2]	$0.9415
Quarterly Distribution	$0.0152
Ex-NAV	$0.9263

Net Returns	1 month	3 months	1 year	3 years p.a.	5 years p.a.	ITD p.a.
Capital Return	-3.9%	-7.1%	-5.0%	-2.0%	-3.1%	1.0%
Income Return	1.6%	1.6%	8.0%	7.9%	7.7%	6.2%
Total Return	**-2.3%**	**-5.5%**	**3.0%**	**5.9%**	**4.6%**	**7.2%**

BGHIF II - Hedged[1,4]	
CUM NAV[2]	$1.0994
Quarterly Distribution	$0.0176
Ex-NAV	$1.0818

Net Returns	1 month	3 months	1 year	3 years p.a.	5 years p.a.	ITD p.a.
Capital Return	-2.2%	-4.4%	-2.5%	-3.6%	-	2.4%
Income Return	1.6%	1.6%	9.8%	6.9%	-	7.2%
Total Return	**-0.6%**	**-2.8%**	**7.3%**	**3.4%**	**-**	**9.6%**

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

Market Review

Annual Recurring Revenue loans or "ARR" loans, have been a theme cropping up with increasing frequency in private credit conversations. The recent, highly publicised default of Pluralsight, a Vista Equity-backed company funded with an ARR loan, has further spotlighted this funding model and raised questions amongst investors.

ARR loans are distinct from traditional cash flow-based lending, which typically uses an EBITDA-based covenant. Instead, these loans are secured on a company's recurring revenue streams, making them particularly suitable for SaaS companies. They are underwritten on predictable income from subscriptions or long-term contracts. Whilst these companies often operate profitably at a gross margin level, they tend to reinvest heavily for growth. Typically, the loans will convert to EBITDA-based covenants at a specified point during their term, with sponsors often incentivised to convert early to benefit from a step down in pricing.

Software represents one of the largest sector exposures for private credit lenders and Business Development Companies (BDCs). Whilst there is a wide range of BDC manager exposure to ARR loans, many have reported positive performance as these loans convert to EBITDA-based covenants. However, ARR loans constitute only a small proportion of the overall Fund portfolio on a look-through basis.

In our previous quarterly, we noted the return of banks and the resurgence of activity in the broadly syndicated loan market in 2024. This has led to increased competition for deals, particularly in the upper middle market (EBITDA >US$100M), and high volumes of refinancing and repricing activity.

Credit spreads have compressed sharply this year, decreasing by 50-150bps, largely due to the surge in refinancing and repricing. Additionally, better than expected economic performance and lower than median defaults have contributed to this tightening. Lower portfolio yields plus some idiosyncratic credit issues within various BDC portfolios have seen the sector rerate from trading at 1.01x book value at 30 June to 0.97x book value today.

We believe valuations remain attractive and private credit continues to offer strong all-in-returns supported by the current high interest rate environment.

Portfolio Summary

The Fund was invested across 11 publicly traded and 1 unlisted private debt funds at 30 September 2024, with a focus on maintaining a high look-through exposure to senior secured loans, diversified across industry and borrower.

Number of stocks	12
Weighted average Price / Book multiple*	1.04x
Underlying Debt / Equity exposure	0.95x
Number of underlying companies / loans	>2,000
Underlying portfolio floating rate exposure	92%
Underlying senior secured debt exposure	90%

* Weighted average has been adjusted to exclude unlisted private debt funds.

Quarterly Contributors & Detractors

Contributors	Currency	Return
Bain Capital Specialty Finance	USD	4.5%
Ares Capital Corp	USD	2.8%
Golub Capital Private Credit	USD	2.3%

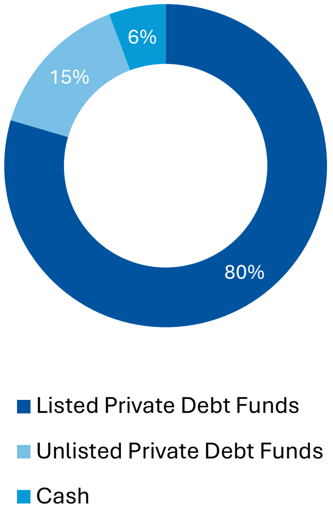
Detractors	Currency	Return
Oaktree Specialty Lending Corp.	USD	-10.3%
Morgan Stanley Direct Lending	USD	-6.7%
Blue Owl Capital Corp	USD	-2.3%

Five Largest Holdings

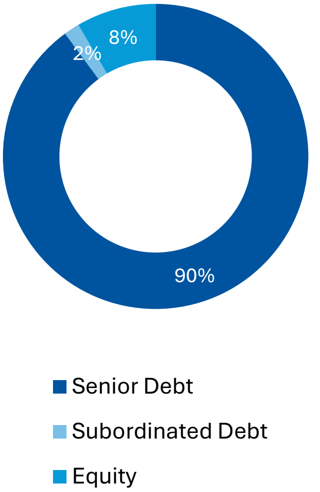
Investments	Portfolio Weight[1]	Price/Book Multiple	Gross Dividend Yield
Golub Capital Private Credit Fund	14.6%	N/A	10.5%
Oaktree Specialty Lending Corp	10.1%	0.90x	13.5%
Ares Capital Corp.	10.1%	1.07x	9.2%
Blue Owl Capital Corp.	9.9%	1.19x	10.1%
Sixth Street Specialty Lending	9.7%	0.95x	11.8%

1. Portfolio weights for BGHIF (unhedged) as at 30 September 2024. BGHIF II (hedged) managed to same target weights.

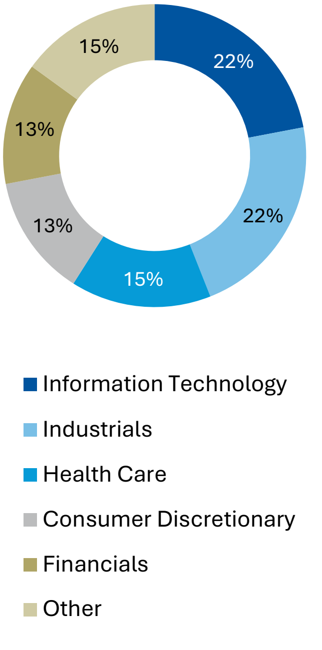
Listed Private Debt Fund Exposure



Look Through Loan Exposures



Look Through Industry Exposures



Key Information

Trustee & Manager	Barwon Investment Partners
Structure	Open-ended Australian domiciled unit trusts
Unit Prices	Monthly
Applications and Redemptions	Monthly
Management fee	0.65% p.a. of net assets
Performance fee	No performance fee
Minimum Investment	A$20,000, unless otherwise agreed
Currency	**BGHIF I:** unhedged **BGHIF II:** AUD currency hedged
Inception Date	**BGHIF I:** 28 February 2014 **BGHIF II:** 18 November 2020
Distribution Frequency	Quarterly

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