Colonial First State | FORTLAKE ASSET MANAGEMENT

Fortlake Real Income Fund

Understanding the approach

Fortlake invests more flexibly than traditional fixed income managers, allowing them to respond to changing market conditions and access a broader range of opportunities. This ‘unconstrained’ approach allows Fortlake to use tools not available to other bond managers, including their specialty: using insurance markets to profit from bond market stress. The result is a portfolio well positioned to potentially generate strong returns in both rising and falling markets.

How the portfolio is built

The strategy combines three distinct building blocks:

1. A high-quality bond portfolio
2. Active market positioning
3. Default protection (insurance)

Return building blocks

Fortlake Real Income Fund

Three key pillars

8.8%p.a.
net since inception[1]

5.5%

Steady income from quality bonds

Pillar 1 Bond Portfolio

Bond Portfolio

The core of the portfolio is a diversified portfolio of 500+ high quality corporate bonds (average credit rating A-). These are selected for safety and include well known Australian companies such as CBA, Woolworths and CSL.

0.3%

Managing opportunities and risk

Pillar 2 Active Market Positioning

Active Market Positioning

Fortlake adjusts the portfolio to changes in the economy – such as interest rates and inflation – to help manage risk and improve returns.

3.0%

Additional return from insurance markets

Pillar 3 Default Protection

Default Protection

The 'short' side of the portfolio. Fortlake seeks to benefit from bond defaults using insurance markets, boosting returns in market downturns. A default occurs when a bond issuer doesn't meet their obligations to creditors. Defaults can be company specific or driven by broader economic weaknesses. During difficult market conditions, defaults often accelerate.

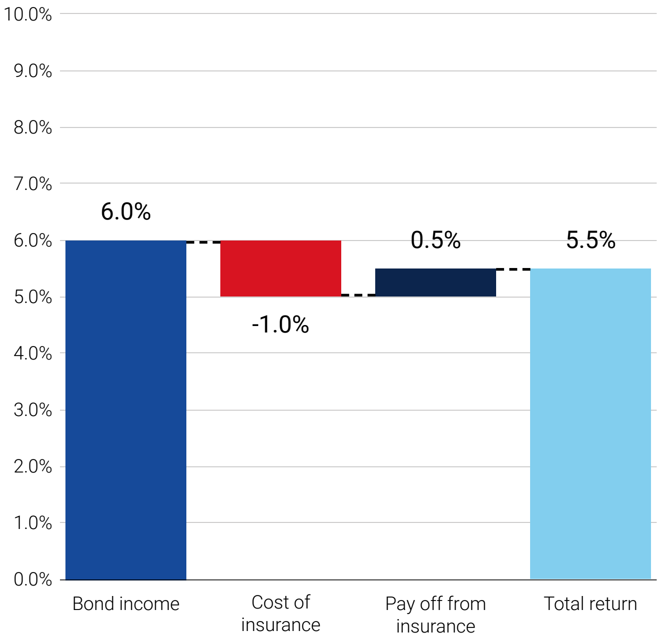
Fortlake holds insurance on around 700 'riskier' bonds (average credit rating of B), including businesses such as United Airlines, Hertz, and Xerox.

Insurance payoff in a ‘good’ year vs. a ‘bad’ year

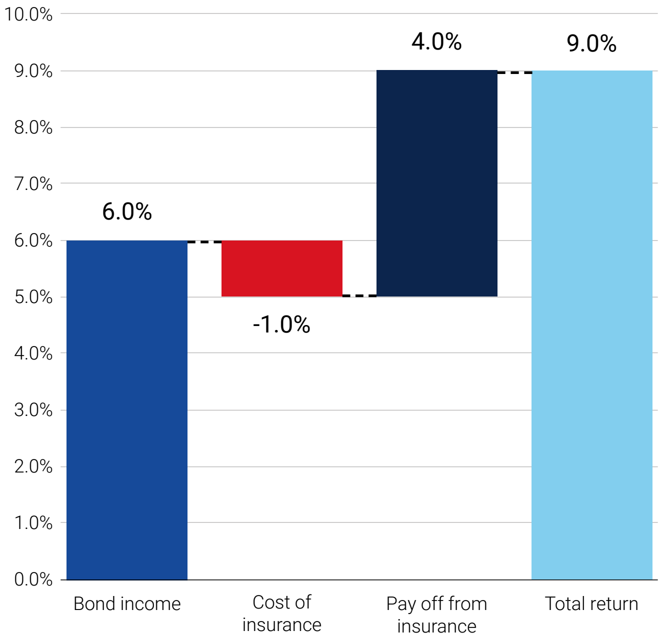
Fortlake specilises in generating returns from default protection. The portfolio naturally receives income from a range of high-grade bonds. Some of this income is used to fund default protection (insurance). The scenarios below illustrate hypothetical varying outcomes for the fund depending on market conditions over the course of one year:

Illustrative only

Insurance detracts from total return in a ‘bad’ year



Insurance adds to total return in a ‘good’ year



The example assumes:

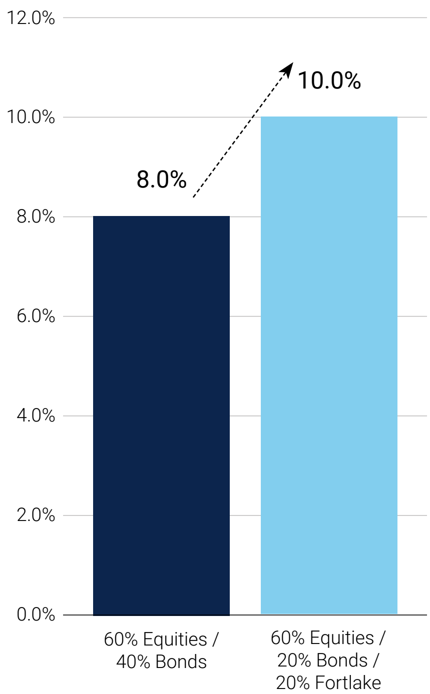
- Bond income of 6%, which changes year to year.
- Insurance costs of 1%, which also vary. Insurance costs generally increase in volatile markets and decrease in calm markets.
- At least one default in the ‘bad’ year, and numerous defaults in the ‘good’ year. Returns from a given default vary.

Please note this example is illustrative only, it does not represent actual performance.

Improve your portfolio with Fortlake

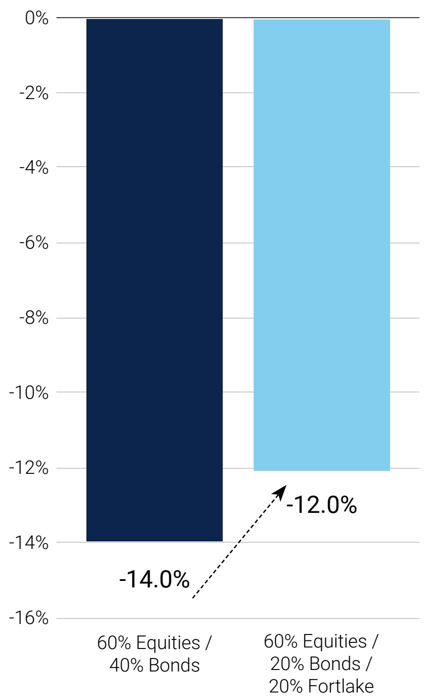
Traditional 60/40 Portfolio **VS.** Portfolio with Fortlake (20% allocation)

Return Enhancement
Annualised return (5 years p.a.)



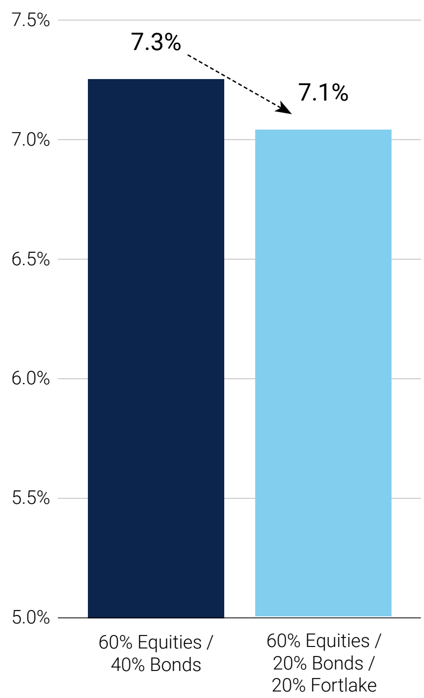
+2.0% p.a. higher returns

Drawdown Reduction
Maximum drawdown



2% less downside

Volatility
volatility (5 years p.a.)



0.2% p.a. lower volatility

Time period

December 2020 to
February 2026

Asset definitions

Equities = MSCI AC World TR Index AUD
Bonds = Bloomberg Global Aggregate TR Index (AUD Hedged)
Fortlake = Fortlake Real-Income Fund (net)

Why invest with Fortlake?

Strong track record
Exceeded return objective since inception 5+ years (minimum 3.5% above the RBA Cash Rate)[1]

Diversification
Returns have been uncorrelated to equities and bonds since inception, meaning when some of your portfolio's assets are lagging, others are more likely to pick up the slack.

Protection during stress
Typically, bond funds underperform when companies struggle to repay their debt. In contrast, Fortlake is likely to benefit from bankruptcies.

Access to your capital
Daily applications and redemptions, investing exclusively in highly liquid markets.

Smooth return profile
Targets quarterly distributions.

To find out more about Fortlake funds, please contact your local Business Development Manager.

Contact now

call 13 18 36 (8:30am to 6pm Sydney time)

visit cfs.com.au/investments

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1 Fortlake Real Income Fund – May 2026 Monthly Report.