

# **PACIFIC COOLABAH GLOBAL ACTIVE CREDIT STRATEGY**

## **NGF INTERNATIONAL**

September 2024

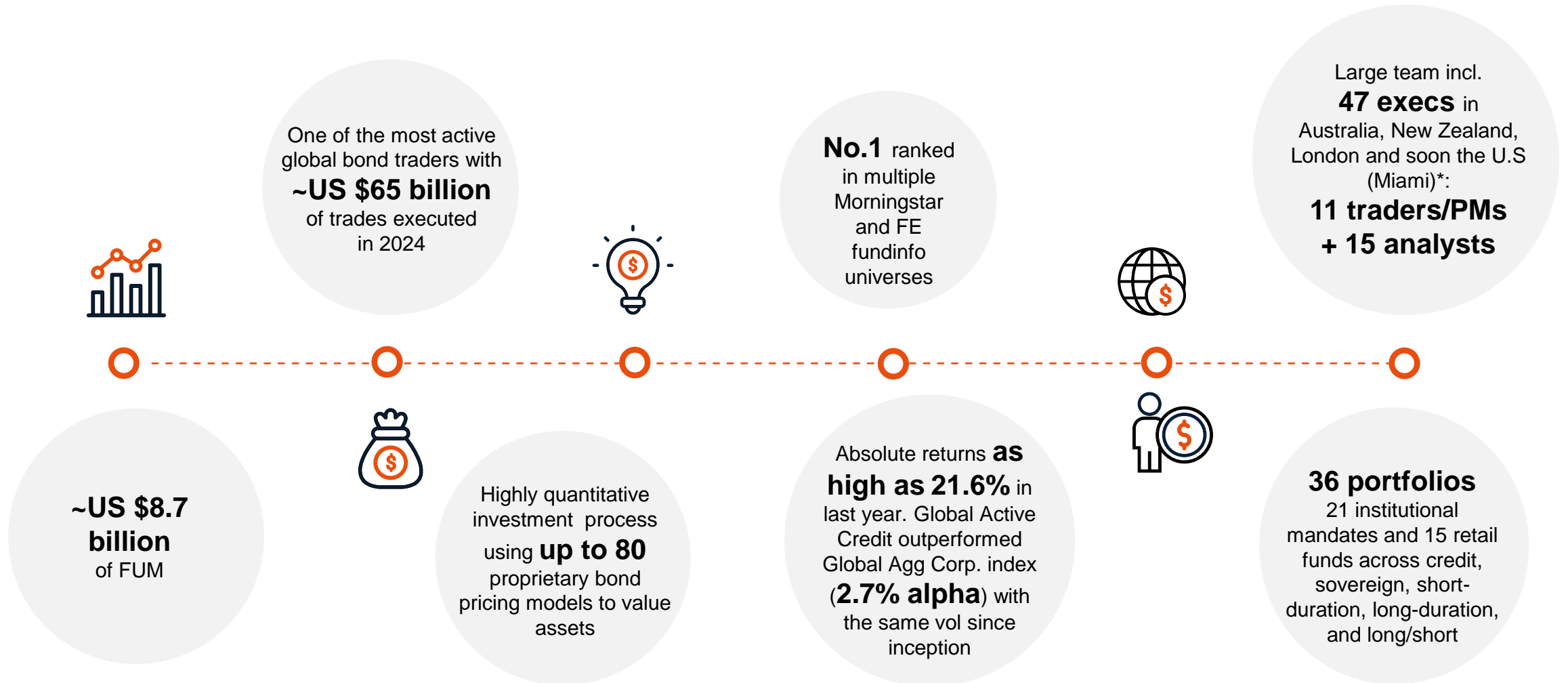


**CHRIS JOYE**  
*Founder & CEO of  
Coolabah Capital  
Investments*

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# One of the World's Most Active Alpha Generators in Bond/Credit Markets

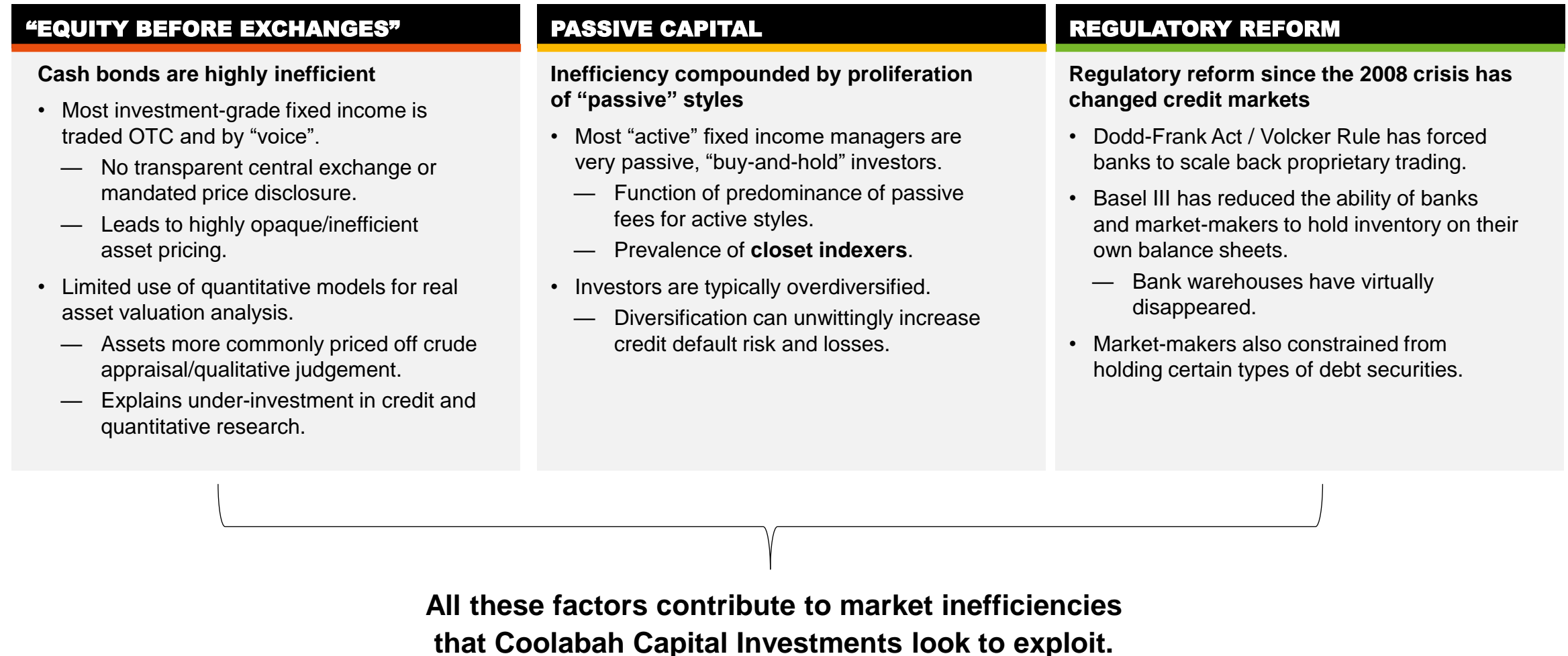




# **INVESTMENT** **PRINCIPLES & PROCESS**

# Global fixed income markets are highly inefficient

Providing compelling active trading opportunities



# Our Three Major Investment Principles

## **1 ALPHA FROM INEFFICIENCIES IN LIQUID HIGH-GRADE BONDS**

Identify mis-priced assets that offer the expectation of superior risk-adjusted returns.

The liquid credit market trades bilaterally over-the-counter (off exchange) leading to opaque asset pricing and opportunities. CCI utilise an intensively active style with a high trading turnover to monetise mis-pricings.

## **2 MINIMISE IDIOSYNCRATIC CREDIT RISK**

Dedicated Credit Research Team undertakes deep credit, commercial, regulatory and ESG analysis with high risk aversion and negative veto rights over all credit exposures.

Minimise exposures to idiosyncratic fundamental risks while leveraging allocations to high quality assets.

## **3 FOCUS ON QUANTITATIVE & TECHNICAL DISLOCATIONS**

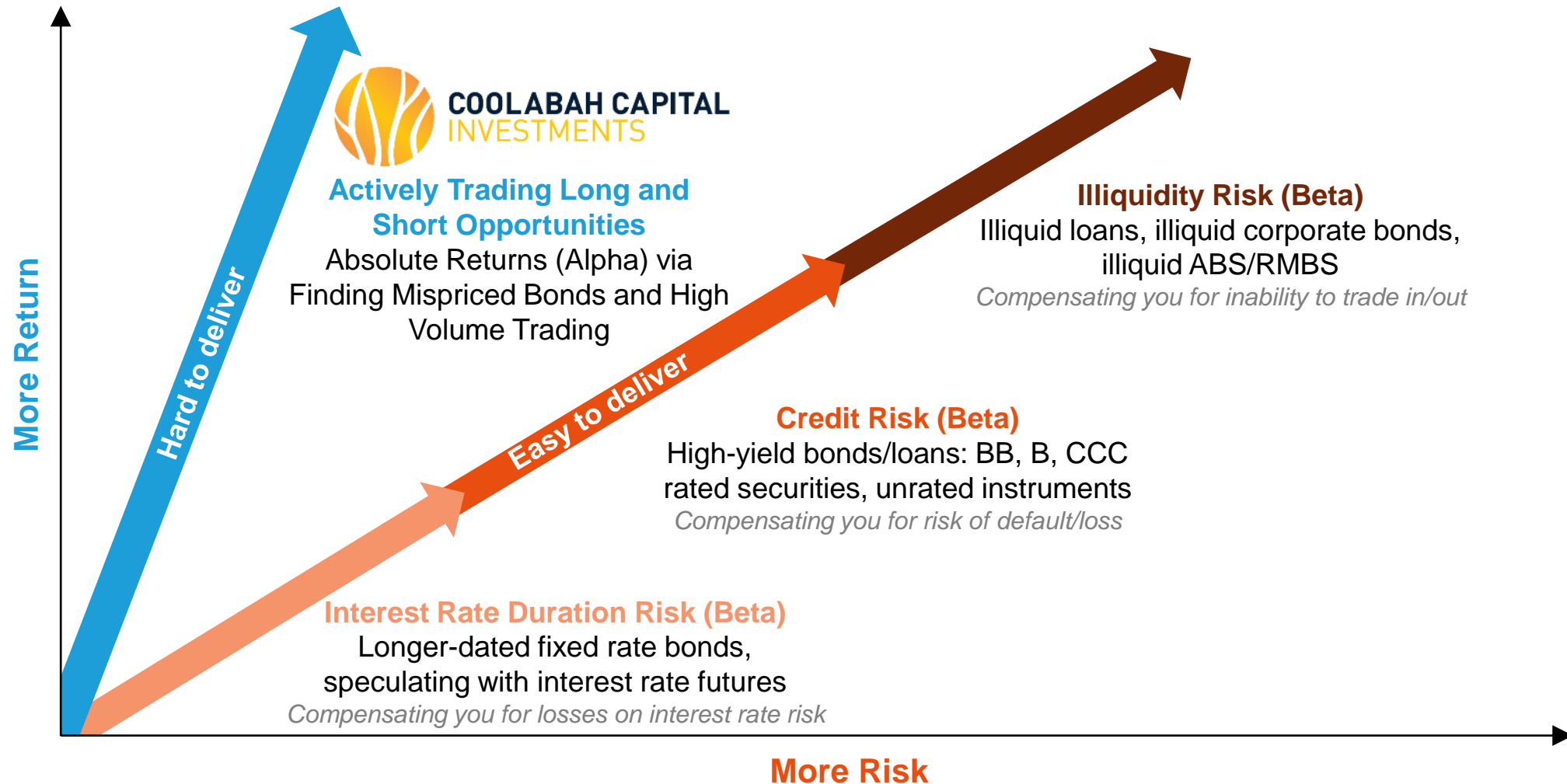
Sophisticated, proprietary, and scalable models, developed and productionised internally by the dedicated Data Science Team.

Allows portfolio managers to identify and exploit mis-pricings in primary and secondary markets.

Enables CCI to serve as an opportunistic liquidity provider, generating alpha from execution.

# The existential choice – add value or add risk?

Focus on trading liquid, high-quality credit to minimise idiosyncratic default risks



# Quantamental Investment Process

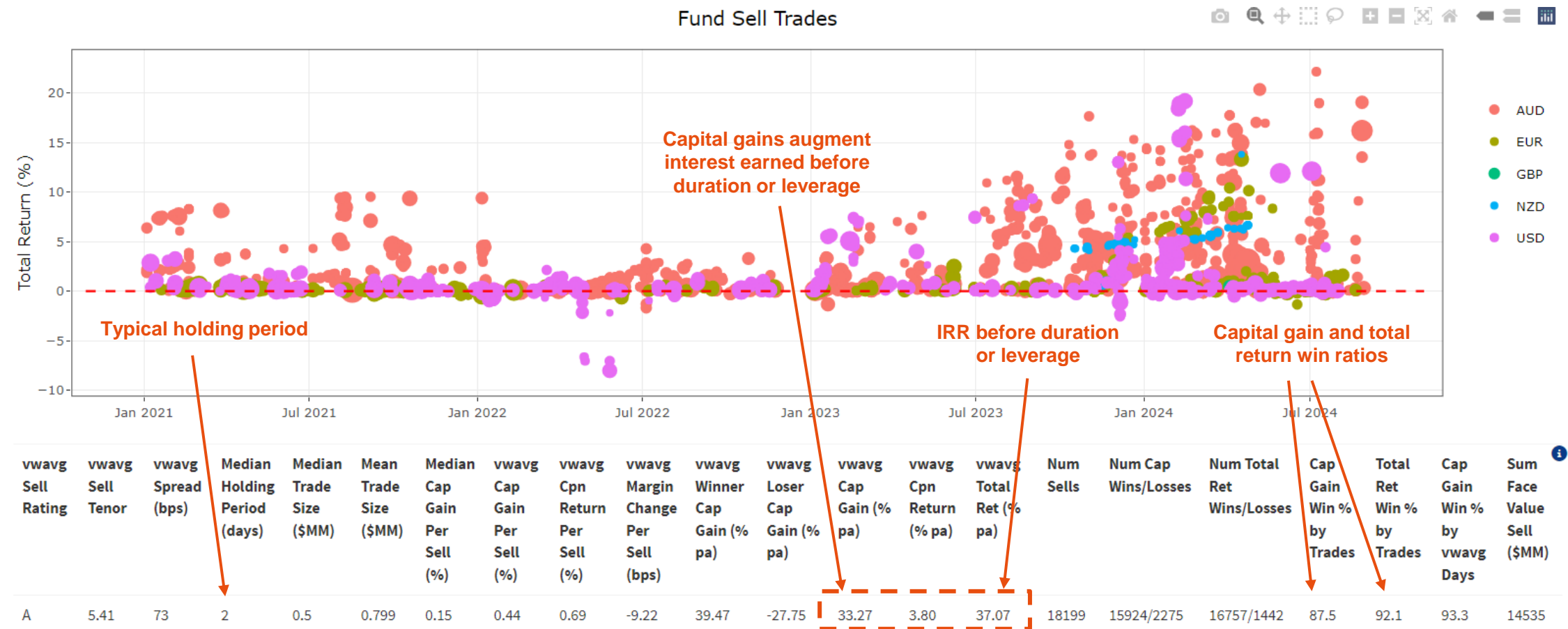
Phase 1	Investment & Governance Mandate (IGM) or Investment Management Agreement (IMA) Rules Detailed portfolio limits/targets • Approved/reviewed by Investment Committee						
	Top-Down Quant Valuation Models (DST)	Bottom-Up Quant Valuation Models (DST)	Quant Credit Rating Models (DST)	Traditional Credit Analysis & ESG (CRT)	Market Technicals Analysis (PMT/DST)	Macroeconomic Research (CRT)	Environment, Social & Governance (CRT/DST)
Phase 2	<ul style="list-style-type: none"> <li>• Use current and historical market data on every bond/FRN in fund's universe</li> <li>• Run numerous multi-factor regressions cross-sectionally and over time</li> <li>• Provide market-based "fair value" yield/spread estimate</li> <li>• Assumes market valuation process is efficient</li> </ul>	<ul style="list-style-type: none"> <li>• Use issuer financial data</li> <li>• Account for bond terms + capital structure position</li> <li>• Predict probability of default and loss given default</li> <li>• Provides "fair value" estimate of spread/yield using multiple custom in-house Merton models</li> </ul>	<ul style="list-style-type: none"> <li>• Machine-learning based predictions of real-time ratings based on relationships b/w issuers' financial data and credit ratings</li> <li>• Provides quant credit rating for any given issuer/security based on objective financials</li> <li>• Outperforms S&amp;P's quant rating model</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed fundamental analysis of individual target companies</li> <li>• Assessment of profitability, liquidity, leverage, equity, assets, liabilities, arrears etc</li> <li>• Heavy-duty commercial due diligence of issuer/security</li> <li>• Extensive commercial and operational due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• Modelling supply and demand of individual bonds</li> <li>• Understanding street and investor preferences for individual securities</li> <li>• Understanding flow data</li> <li>• Shaping expectations regarding valuations and events that influence them</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed macro research led by dedicated Chief Macro Strategist Kieran Davies and Christopher Joye (ex RBA)</li> <li>• Quant models forecasting different macro variables</li> <li>• Macro research provides insights on sizing, timing, mispricings, and also duration environment</li> </ul>	<ul style="list-style-type: none"> <li>• Deep proprietary internal quant and qual ESG analysis</li> <li>• Reports carbon intensity automatically each day for all portfolios</li> <li>• CCI evaluates ESG research prepared by MSCI, Sustainalytics, S&amp;P and Bloomberg</li> <li>• CCI is a UN PRI signatory</li> <li>• CCI targets minimum MSCI ESG rating of 'A'</li> </ul>
Phase 3	<p><b>Independent Credit Research Team Approval/Rejection of Investment</b></p> <ul style="list-style-type: none"> <li>• Summarised in formal research report</li> </ul> <p><b>Pre-Trade Quantitative Compliance and DST Analysis of Investment</b></p> <ul style="list-style-type: none"> <li>• Bloomberg AIM System incorporates IGM/IMA rules</li> </ul> <p><b>Portfolio Manager Approval/Rejection of Investment</b></p> <ul style="list-style-type: none"> <li>• Final decision on pricing/sizing • Additional qual/quant DD</li> </ul>						



# **PROCESS IN ACTION**

# Global Primary Since 2021: ~US\$9.8bn; ~37.1% IRR; ~92% Win Rate; 2 Day Hold

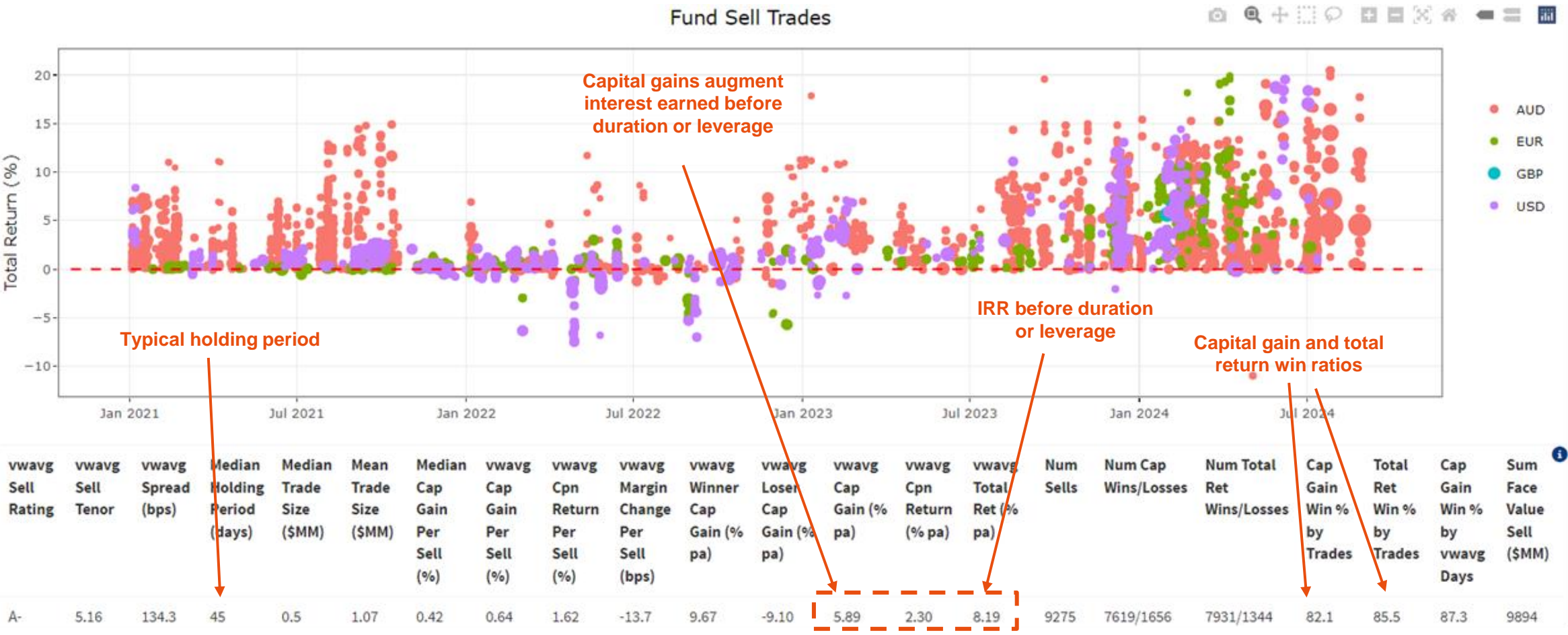
Screenshot from CCI's quant lab – Global primary credit trades ex hybrids from 1-Jan-2021 to 31-August-2024



Source: Coolabah Capital Investments as of 31 August 2024. Past performance does not assure future returns. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. The above figures are shown in Australian Dollars (AUD) unless otherwise shown and could be reduced, or losses incurred due to currency fluctuations. Refer to investment disclaimer at start of presentation.

# Global Secondary Since 2021: ~US\$6.7bn; ~8.2% IRR; ~86% Win Rate; 45 Day Hold

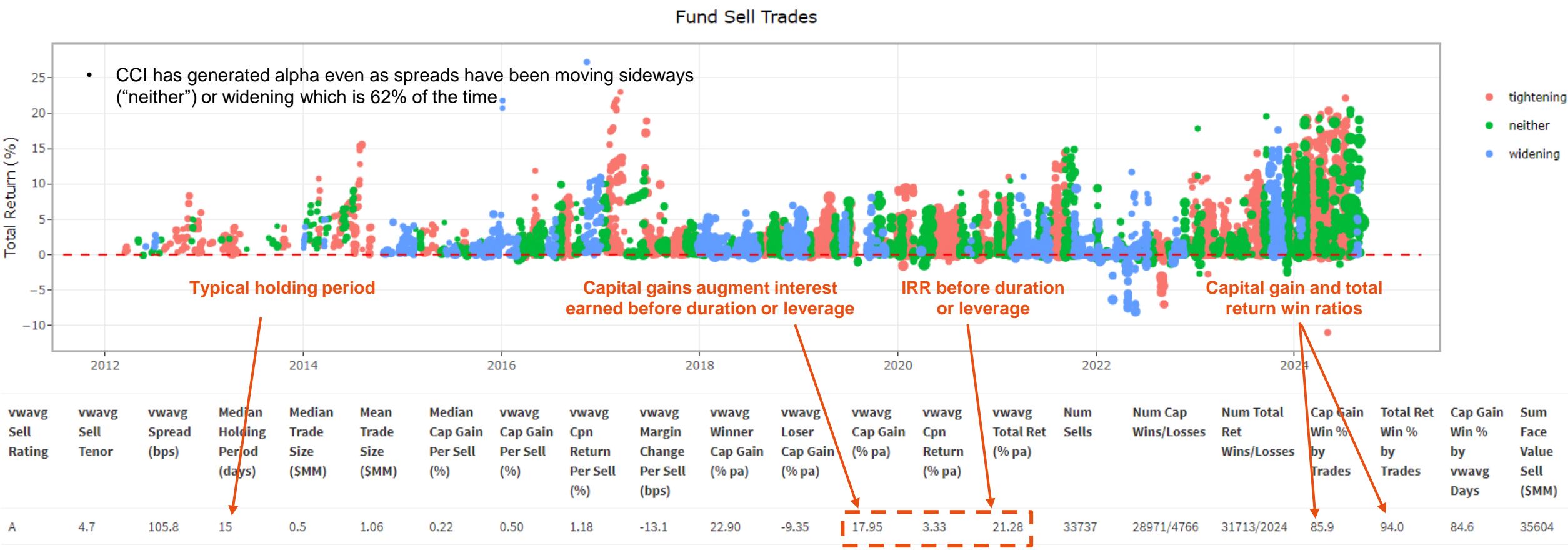
Screenshot from CCI's quant lab – Global secondary credit trades ex hybrids from 1-Jan-2021 to 31-August-2024



Source: Coolabah Capital Investments as of 31 August 2024. Past performance does not assure future returns. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. The above figures are shown in Australian Dollars (AUD) unless otherwise shown and could be reduced, or losses incurred due to currency fluctuations. Refer to investment disclaimer at start of presentation.

# Persistent Alpha: Across Different Market Conditions; US\$23.9bn

Screenshot from CCI's quant lab – Since inception long trades to 31 August 2024



# Since Inception Volumes & Costs: ~US\$221bn Trades

Every single buy/sell since inception covering ~US\$221bn of trades (to 31 August 2024)

- US\$103bn of sales/maturities
- US\$118bn of buys

**Bottom RHS screenshot from our internal systems shows all transaction costs each month as % of FUM (called slippage rate where negative slippage = execution alpha or positive returns)**

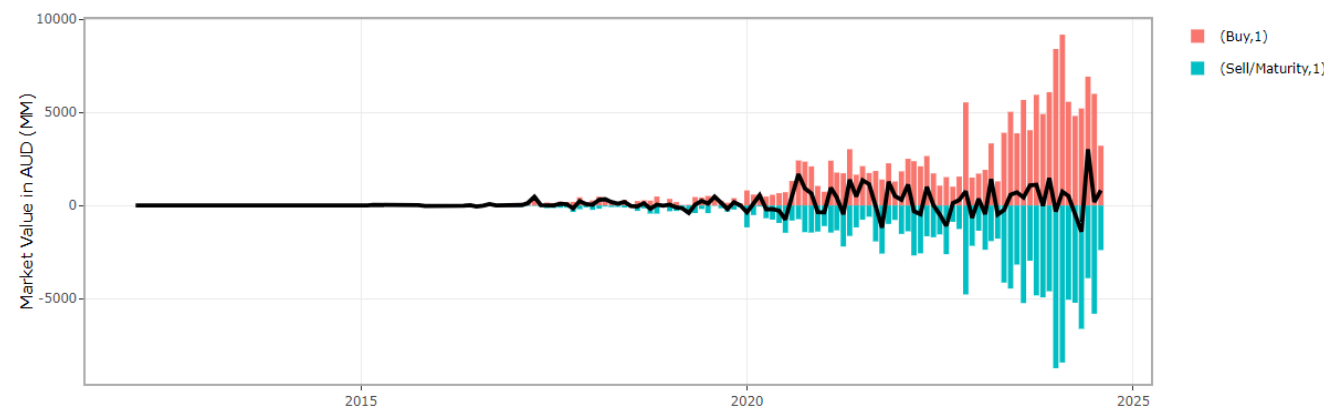
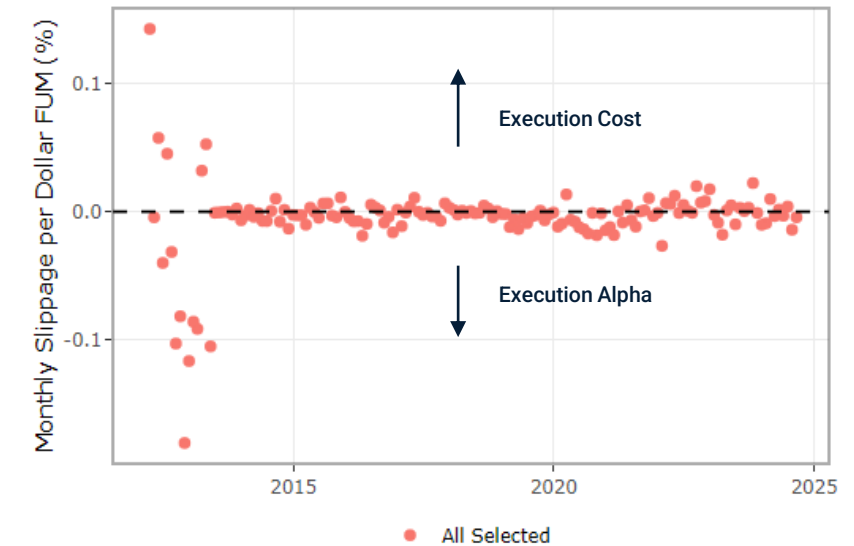
- CCI has added up to 0.07% p.a. in returns since inception by buying below mid price and selling above mid price
- Trading activity and paying bid/offer spread has not been a performance detractor

Negative slippage means positive execution alpha, ie we made money on execution wrt reference price.

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Fund	N Trades	Trade Val AUD	Slippage Dollar AUD	Slippage Rate Per Trade	Slippage Rate CAGR
All	All	All	All	All	All
All Selected	68291	\$157,627,462,018	-\$7,947,983	-0.0050%	-0.0660%
LSCF	7232	\$42,109,817,314	-\$2,732,373	-0.0065%	-0.0817%
LGIAHB	3850	\$16,262,147,732	-\$861,327	-0.0053%	-0.0657%
SMAC	6672	\$12,511,625,981	-\$1,880,387	-0.0150%	-0.0680%
ACACIA	3438	\$10,889,336,299	-\$210,896	-0.0019%	-0.0140%
SMHI	6019	\$10,781,127,336	-\$1,022,234	-0.0095%	-0.0375%
FIXD	4472	\$7,965,007,269	-\$67,572	-0.0008%	-0.0243%
CCCSHA	2706	\$7,550,341,871	-\$905,206	-0.0120%	-0.0787%
CCCSOP	2506	\$5,849,128,887	-\$148,639	-0.0025%	0.0571%
IACF	3248	\$5,665,602,536	-\$747,419	-0.0132%	-0.0283%

Transaction Cost Per Net FUM over Time



Source: Coolabah Capital Investments as of 31 August 2024. Past performance does not assure future returns. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. The above figures are shown in Australian Dollars (AUD) unless otherwise shown and could be reduced, or losses incurred due to currency fluctuations. Refer to investment disclaimer at start of presentation.

# **PACIFIC COOLABAH** **ACTIVE CREDIT SOLUTIONS**

# Pacific Coolabah Active Credit Solutions

**1** **DIFFERENTIATED  
APPROACH  
EXPLOITING  
INEFFICIENT  
ASSET CLASS**

**2** **APPLICABLE  
TO MULTIPLE  
MANDATES**

**3** **PROVEN &  
REPEATABLE  
INVESTMENT  
PROCESS**

# Pacific Coolabah Global Active Credit UCITS Fund

*“Inefficiencies in the global credit market offer an abundance of trading opportunities across all major currencies”*

Christopher Joye, CIO-CEO  
Coolabah Capital Investments

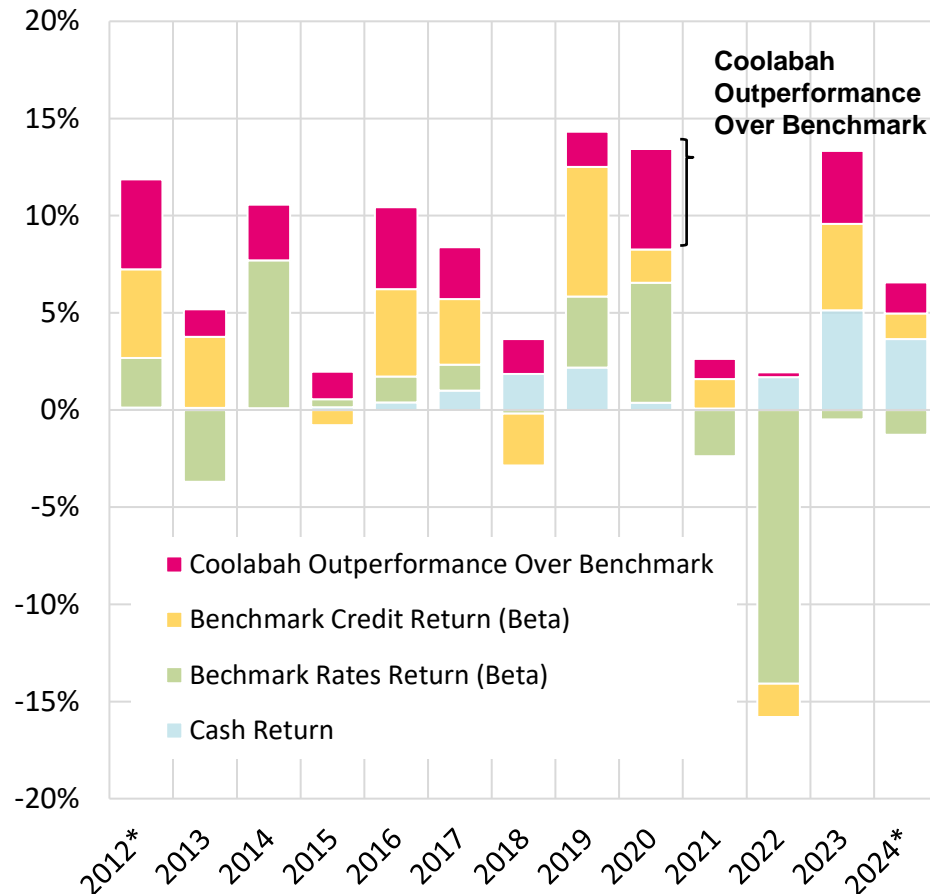
- Objective to return in **excess of global corporate bond index by +150bps**
- A liquid investment grade credit strategy **replicating benchmark duration**
- Combines a highly repeatable **proprietary quantitative approach and deep fundamental research**
- **High trading turnover** strategy, taking advantage of mis-pricings
- Seek to minimise idiosyncratic default and illiquidity risks
- Demonstrable **engagement and strong stewardship**

<b>Fund type</b>	Credit Long Only
<b>Fund structure</b>	Irish-UCITS
<b>Investment manager</b>	Pacific Asset Management
<b>Sub-investment manager</b>	Coolabah Capital Investments
<b>Inception date</b>	October 2023
<b>Currencies available</b>	GBP, USD, EUR, CHF, AUD, NZD, JPY
<b>Reference benchmark</b>	Bloomberg Global Aggregate Corporate USD Hedged Index
<b>Dealing frequency</b>	Daily
<b>Fees</b>	AMC 0.50% OCF 0.60%

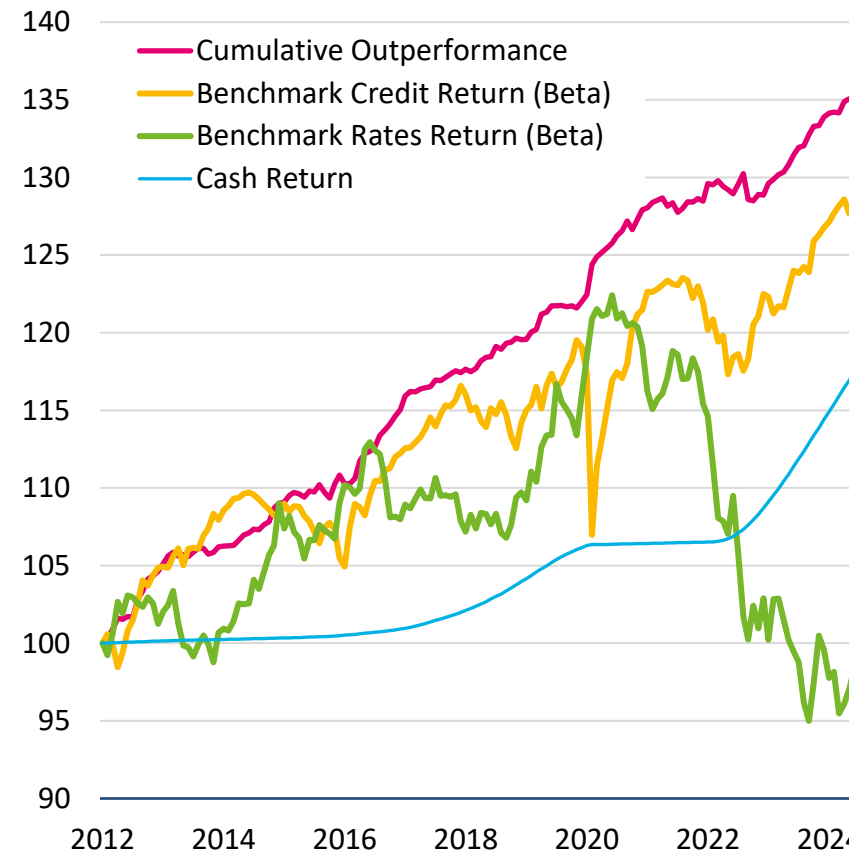
# Pacific Coolabah Global Active Credit Strategy

Demonstrable consistent credit alpha generation, matching benchmark rates and duration

Yearly Total Return Attribution



Cumulative Contribution to Total Return



Relative to Benchmark

- Outperformed by 254bps p.a.
- Similar Volatility
- Lower Credit Volatility

Past performance is not indicative of future performance and is not guaranteed.

As at 31 August 2024. Pacific Coolabah Global Active Credit is a gross track record combining 1) CCI's core active credit strategy with 2) a duration replication of the Global Aggregate Corporate Index. See Pacific Coolabah Composite Track Record Methodology for more detail.

# Pacific Coolabah Global Active Credit Zero Duration UCITS Fund – Launching Q4 2024

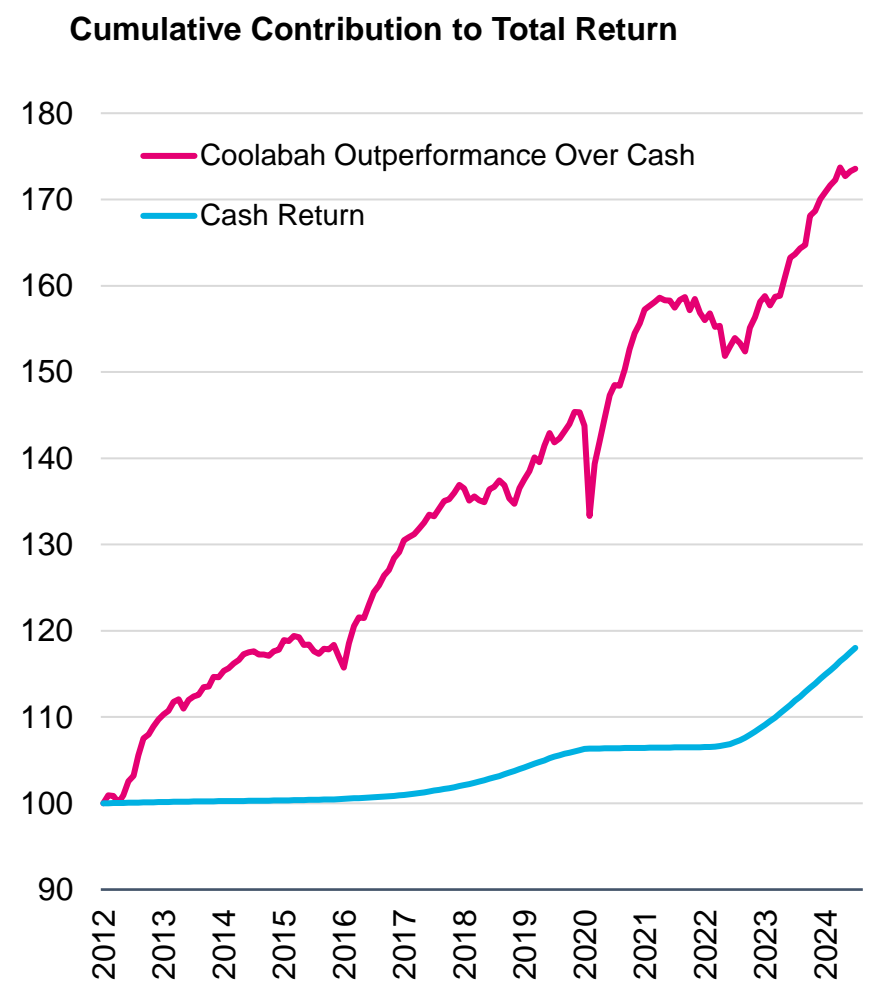
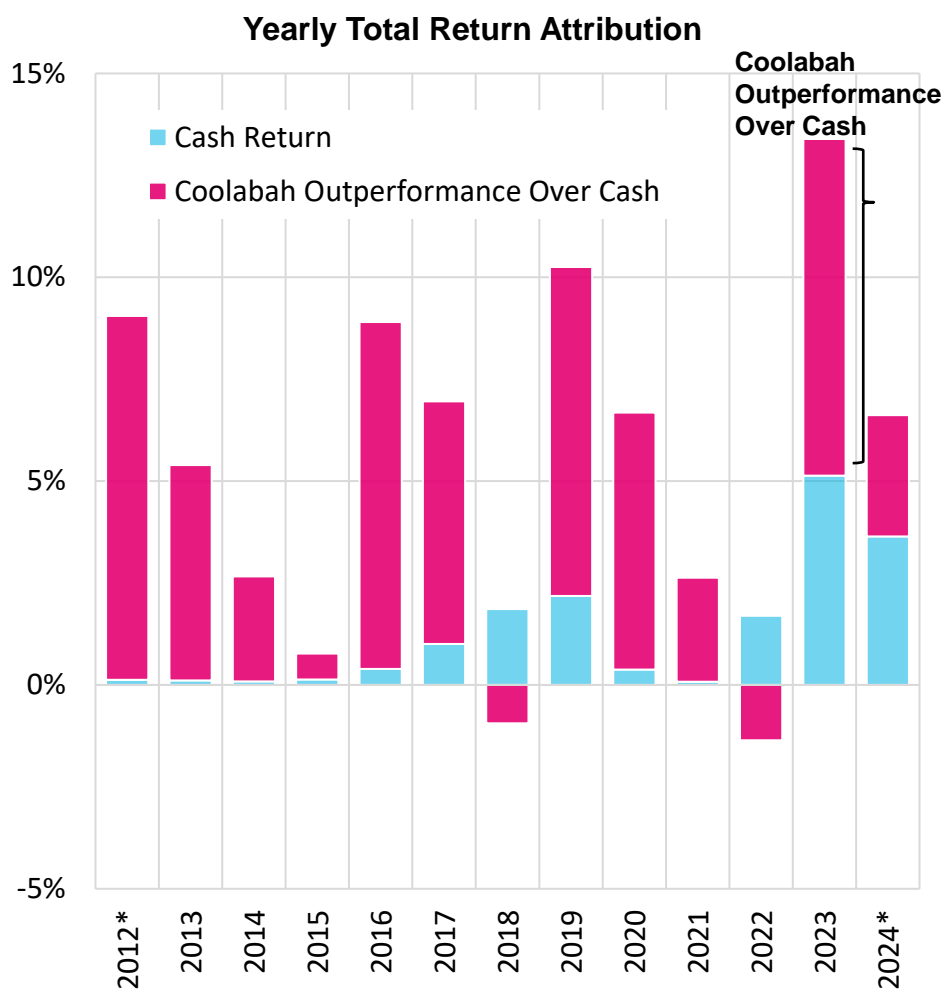
“Inefficiencies in the global credit market offer an abundance of trading opportunities across all major currencies”

- Objective to achieve a return in **excess of cash** by investing primarily in global investment grade corporate debt securities and government or sovereign bonds, using derivatives where appropriate.
- A liquid investment grade credit fund **with near zero interest rate duration** while looking to deliver higher quality risk adjusted credit returns.
- Combines a highly repeatable **proprietary quantitative approach and deep fundamental research**.
- Very **high trading turnover**, taking advantage of mis-pricings with a view to minimising idiosyncratic default and illiquidity risks.
- A commitment to giving investors **full transparency** on the investment process.
- Demonstrable **engagement and activism** via dialogue with bond issuers.

<b>Fund type</b>	Credit Long Only
<b>Fund structure</b>	Irish-UCITS
<b>Investment manager</b>	Pacific Asset Management
<b>Sub-investment manager</b>	Coolabah Capital Investments
<b>Inception date</b>	Q4 2024
<b>Currencies available</b>	GBP, USD, EUR, CHF, AUD, NZD, JPY
<b>Reference benchmark</b>	Cash
<b>Dealing frequency</b>	Daily

# Pacific Coolabah Global Active Credit Pro-forma Zero Duration Strategy

Demonstrable alpha return generation



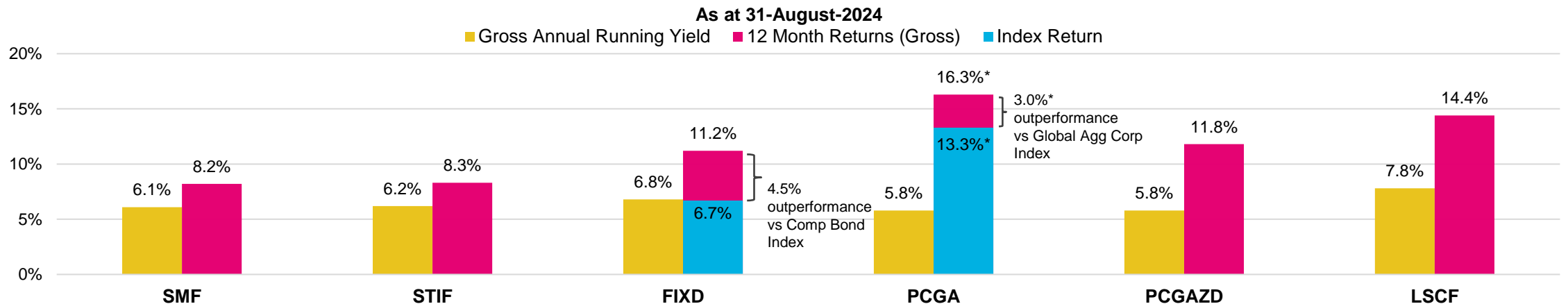
Outperformed Cash by  
**456 bp p.a.**  
with a volatility of  
**3.64% p.a.**

Past performance is not indicative of future performance and is not guaranteed.  
Source: Coolabah Capital Investments as at 31 August 2024. \* Partial year

# **APPENDIX**

# Coolabah Capital: Fixed Income Solutions – Daily Liquidity

Strategy	Smarter Money (SMF)	Short Term Income (STIF)	Active Composite Bond (FIXD)	Global Active Credit (PCGA)	Global Active Credit Zero Duration (PCGAZD)	Long-Short Credit (LSCF)
Target Return	US Federal Funds Target Range + 1.0%	US Federal Funds Target Range + 1.5%	Bloomberg Ausbond Composite Bond Index (USD Hedged) + 1.0%	Bloomberg Global Aggregate Corporate Index (USD Hedged) + 1.5%	In excess of SOFR + 1.5%	US Federal Funds Target Range + 4.0%
Inception Date	17-Feb-2012	8-Oct-2014	6-Mar-2017	10-Oct-2023	Launching Q4 2024	31-Aug-2017
Target Volatility	1.0% pa or less	2.0% pa or less	1.0% to 2.0% pa tracking error	1.0% to 2.0% pa tracking error	3.6% pa historical	5.0% pa or less
Target Credit Rating	A to AA band	A to AA band	A to AA band	A band	A band	A to AA band
Target Interest Duration	0 years	0 years	Match Index (Currently 5.10 years)	Match Index (Currently 5.9 years)	0 years	0 years
Sector	Short Term Income	Short Term Income	Global Fixed Income	Global Fixed Income	Global Fixed Income	High-Yield / Defensive Alts

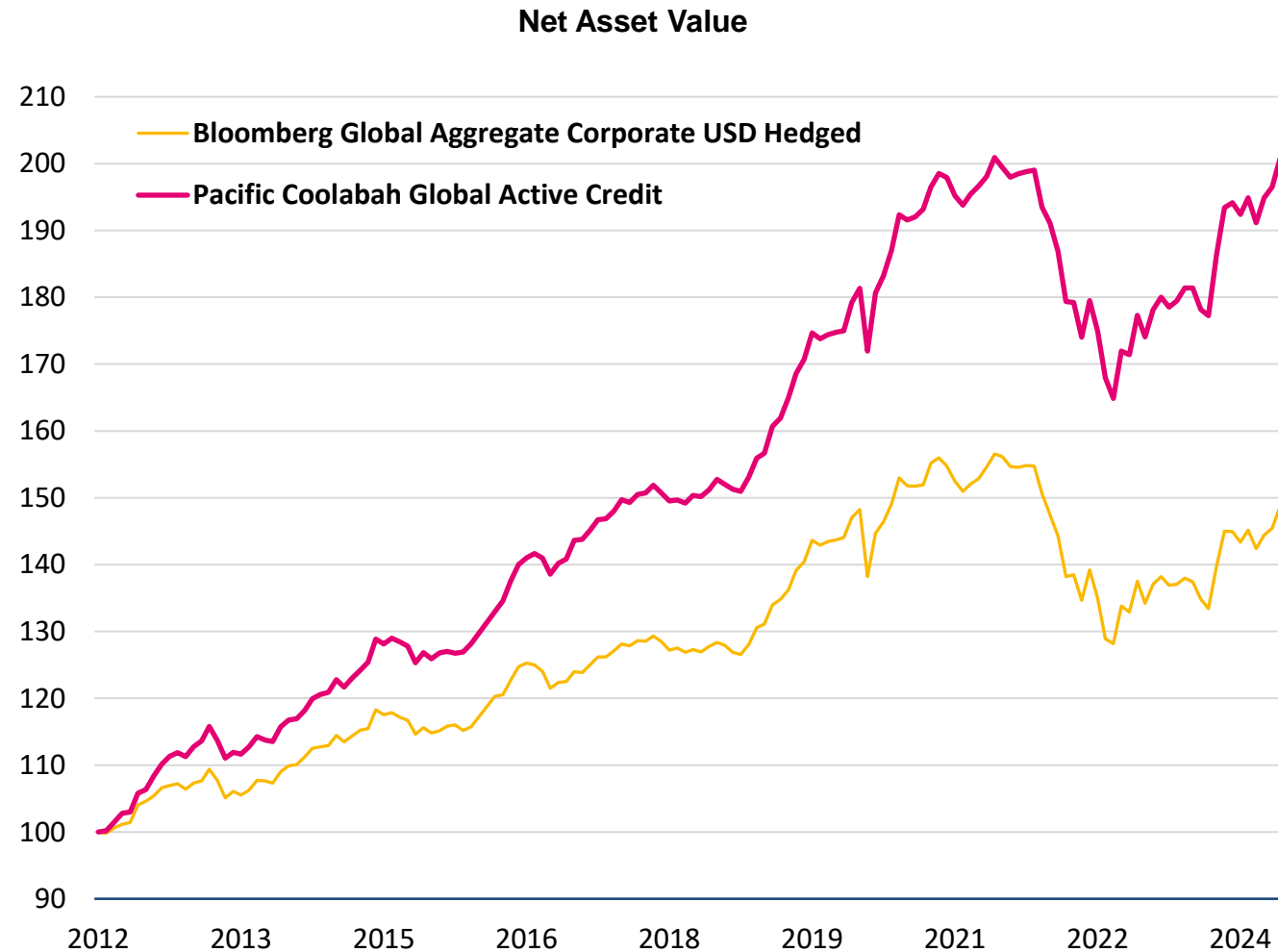


Source - Coolabah Capital Investments and Source: Pacific Asset Management \*Annualised return since PCGA inception (10/10/23)

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# Pacific Coolabah Global Active Credit Strategy

As at 31 August 2024



	Pacific Coolabah Global Active Credit	Bloomberg Global Aggregate Corporate USD Hedged	Excess over benchmark
Annualised Return	5.85%	3.32%	2.54%
Annualised Vol	5.38%	5.42%	-0.04%
Annualised Tracking Error	1.15%		
1yr return	12.27%	9.42%	2.85%
3yr return (ann.)	0.69%	-1.25%	1.95%
5yr return (ann.)	3.12%	0.92%	2.20%

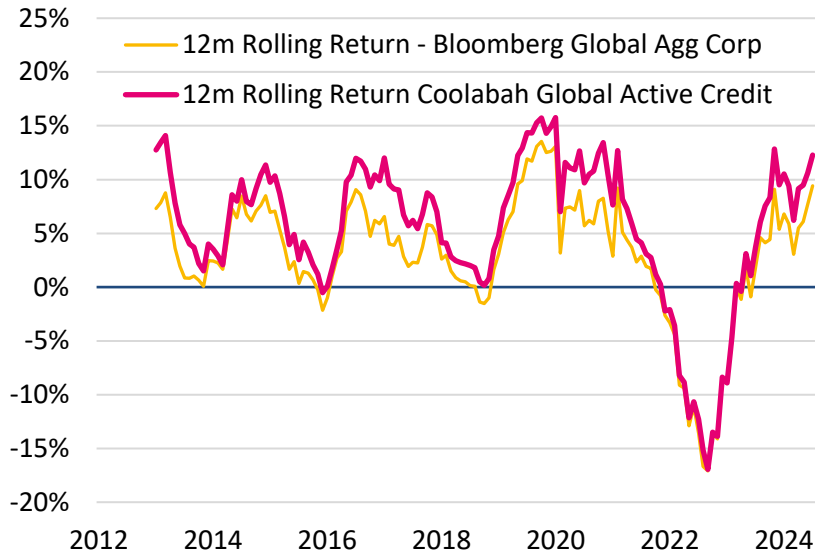
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As at 31 August 2024. Pacific Coolabah Global Active Credit is a gross track record combining 1) CCI's core active credit strategy with 2) a duration replication of the Global Aggregate Corporate Index. See Pacific Coolabah Composite Track Record Methodology for more detail.

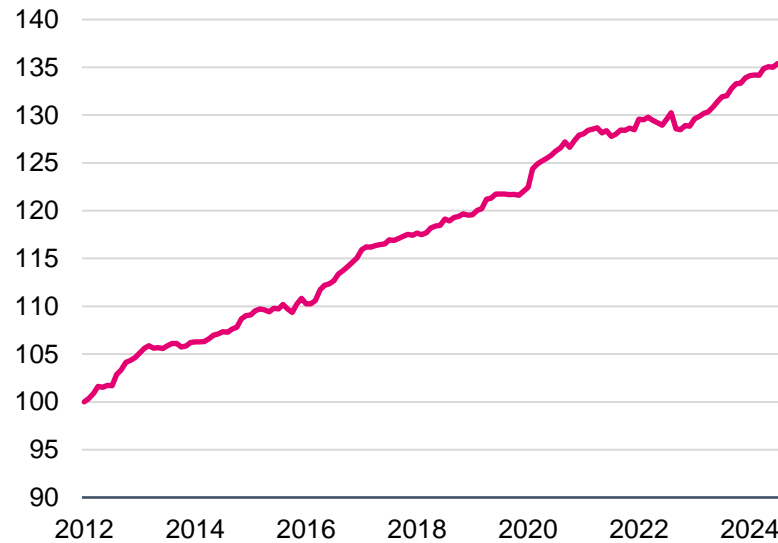
# Pacific Coolabah Global Active Credit Strategy

As at 31 August 2024

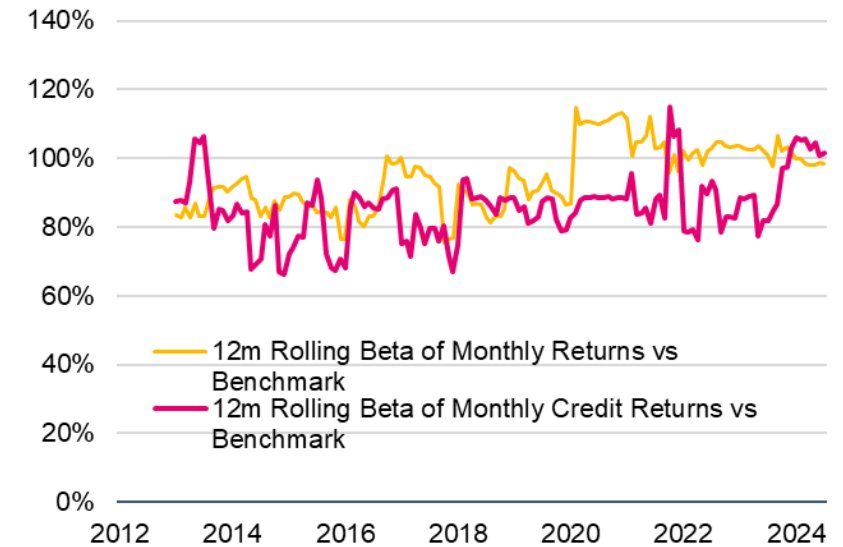
## 12 Month Rolling Return



## Cumulative Outperformance



## 12 Month Rolling Beta



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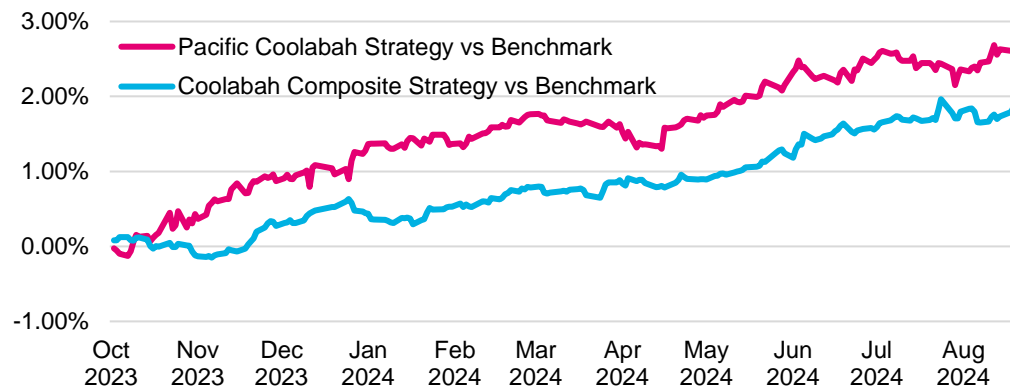
# Pacific Coolabah Global Active Credit Performance Update (USD hedged)

From inception to 31 August 2024

	Pacific Coolabah Global Active Credit Fund	Bloomberg Global Agg Corporate	Coolabah Global Composite Strategy	Bloomberg Global Agg Corporate	Coolabah Active Composite Bond Fund <sup>2</sup>	Bloomberg Global Agg Corporate
Inception	10-Oct-2023		Feb-2012		Mar-2017	
Return since inception p.a.	14.4% <sup>1</sup>	11.7% <sup>1</sup>	5.8%	3.3%	4.6%	2.7%
Volatility p.a.	5.3%	5.2%	5.4%	5.4%	5.3%	6.4%
Vol vs Index p.a.	0.1%	-	0.0%	-	-1.1%	-
Excess Return p.a.	2.7% (3.1% pa)		2.5%	-	1.9%	-
Tracking Error p.a.	1.1%	-	1.1%	-	4.0%	-
Sharpe Ratio	2.0	1.5	0.83	0.37	0.46	0.08

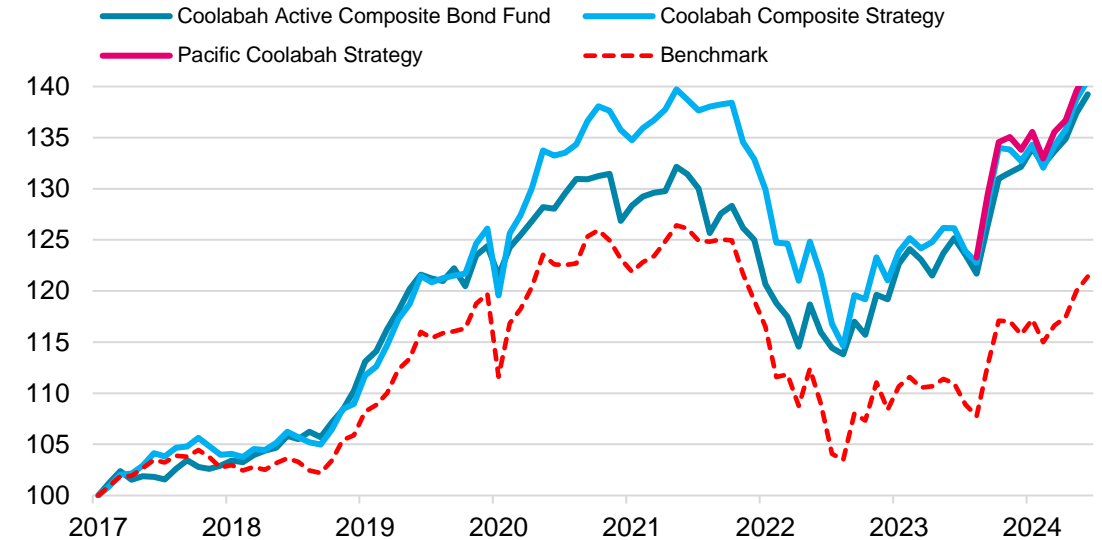
1. Non-annualized daily data. 2. This fund runs Composite Bond Index duration of approx. 5 years vs Bloomberg Global Aggregate Index duration of approx. 6 years

## Cumulative Performance Relative to Benchmark

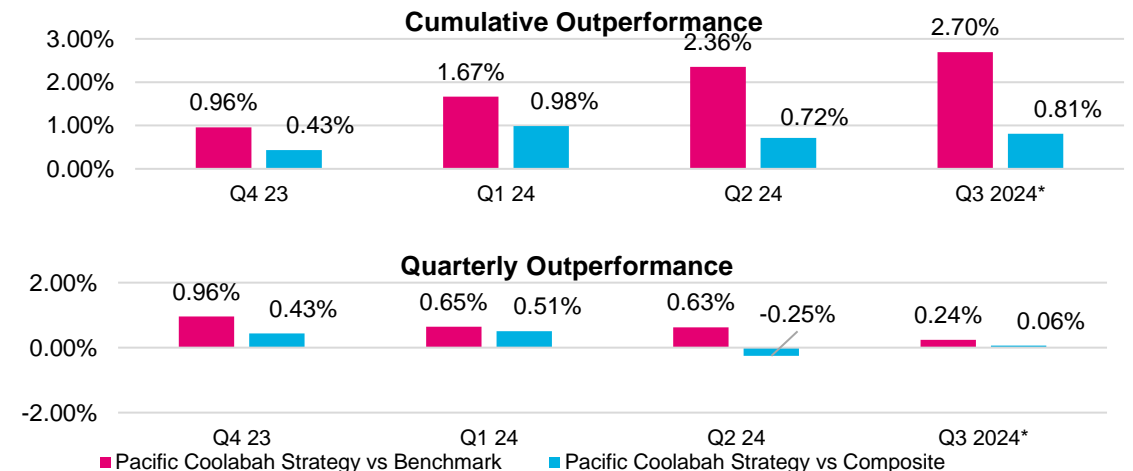


Gross returns. Benchmark: Bloomberg Global Aggregate Corporate Index USD Hedged  
All data to 31 August 2024

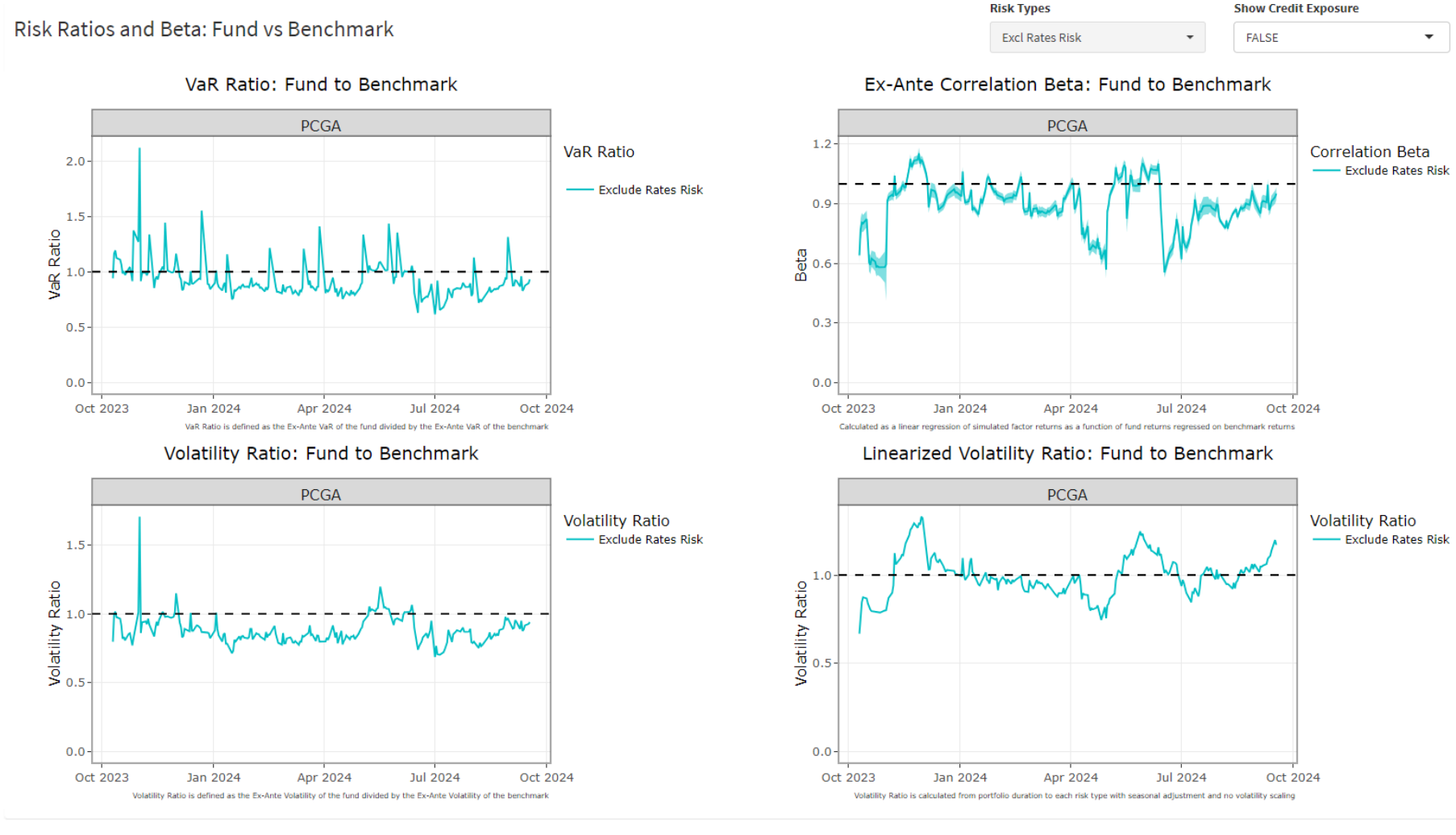
From Active Composite Bond Fund inception (March 2017)



From Pacific Coolabah Strategy inception (daily since 10 Oct 2023)



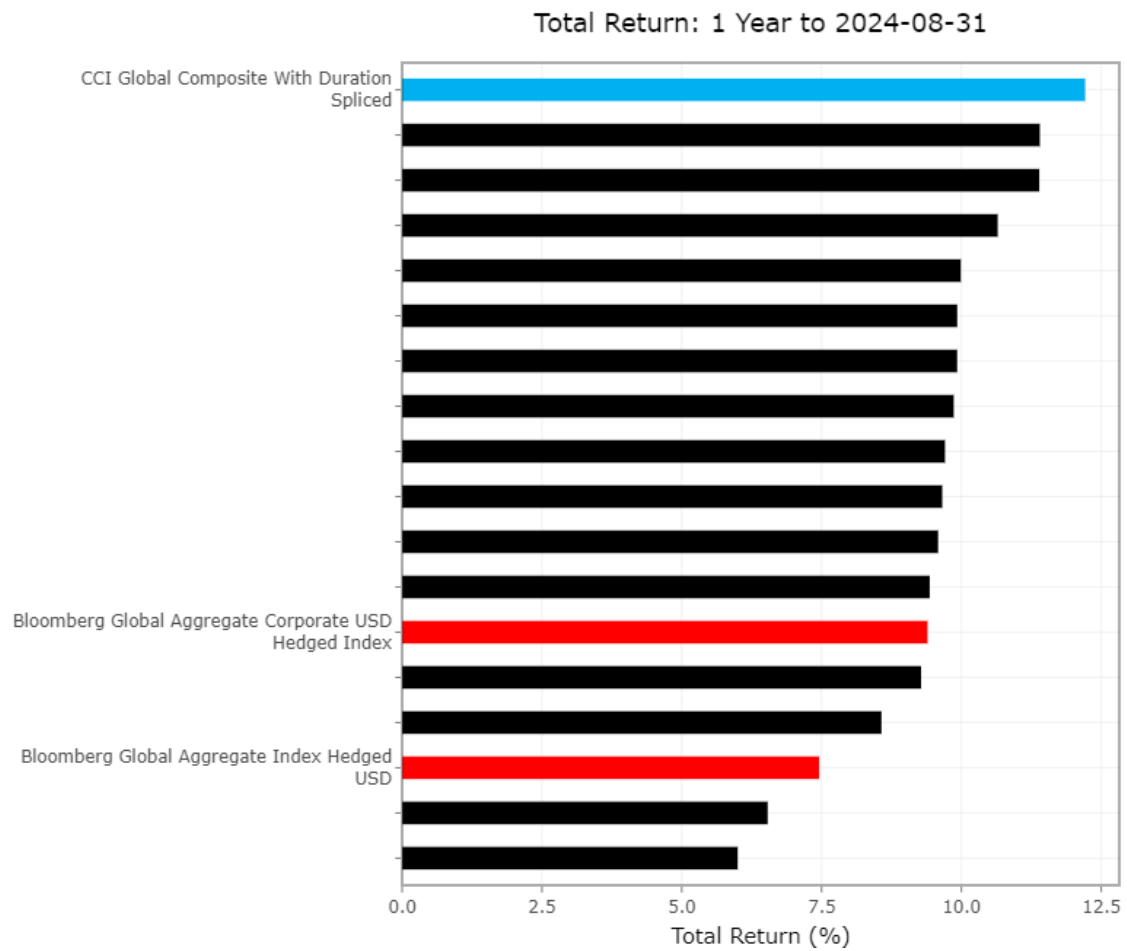
# Pacific Coolabah Global Active Credit: Risk Ratios and Beta vs Benchmark



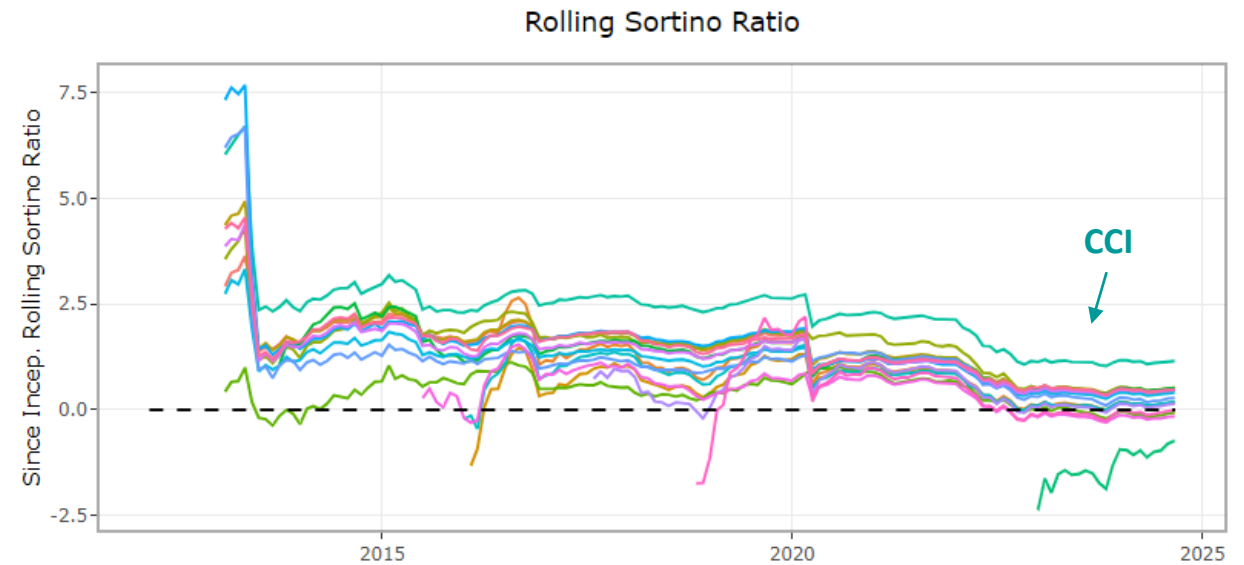
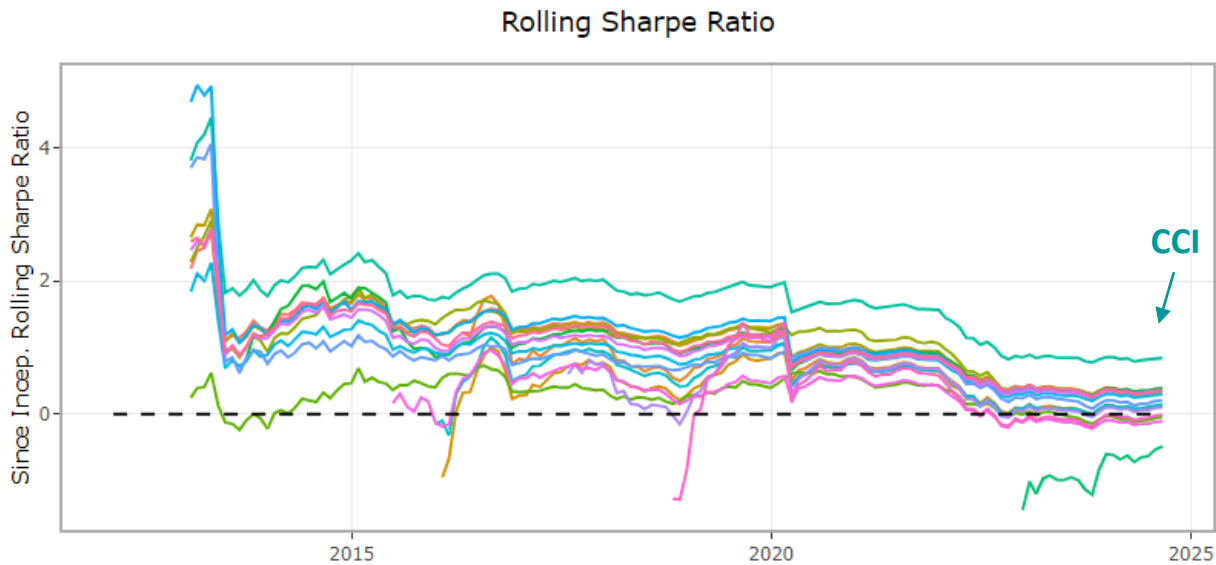
Past performance is not indicative of future performance and is not guaranteed.

Source: Coolabah Capital Investments

# Pacific Coolabah Global Active Credit: Peer Returns



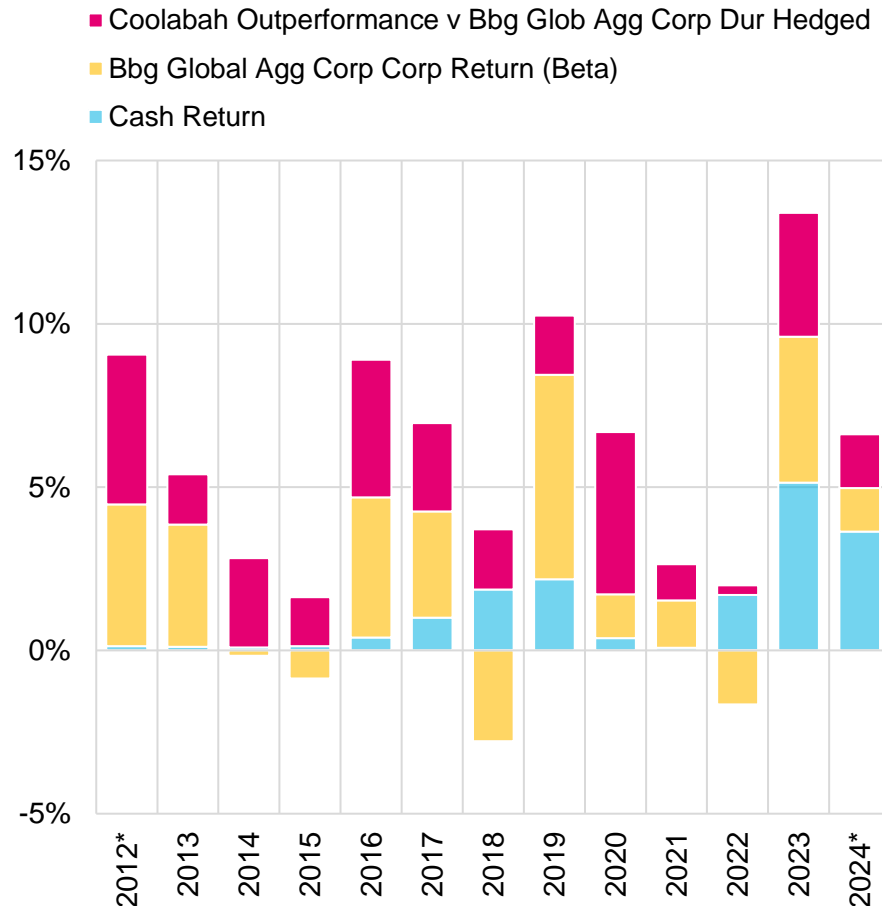
# Pacific Coolabah Global Active Credit: Risk Adjusted Returns vs Peers



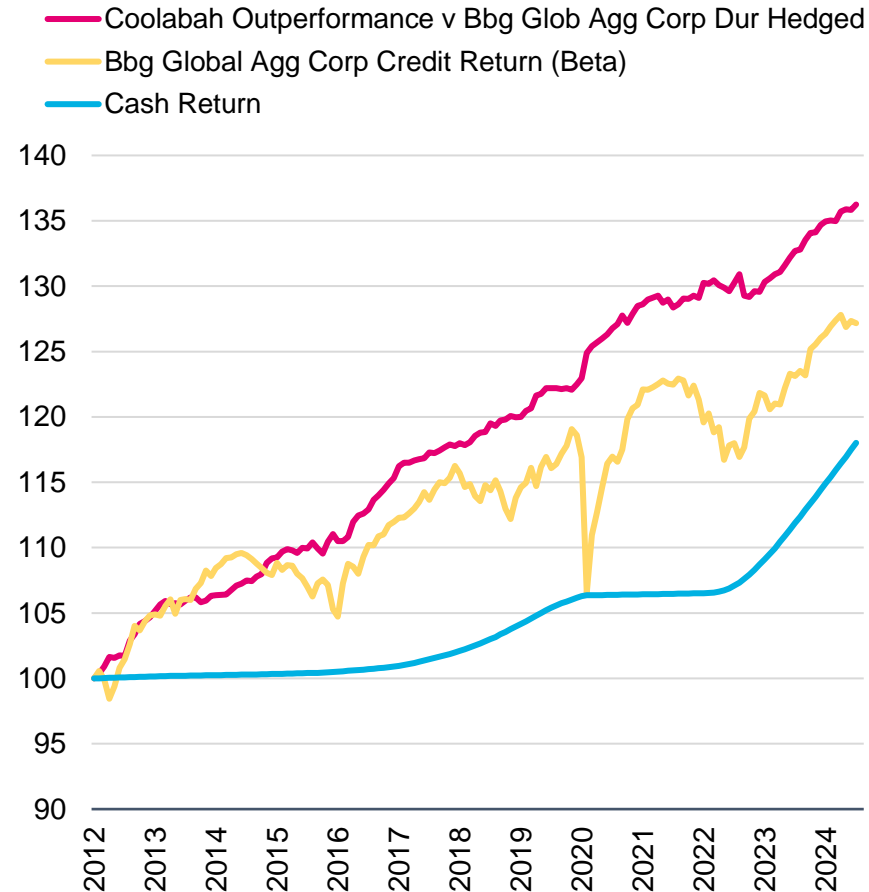
# Pacific Coolabah Global Active Credit Pro-forma Zero Duration Strategy

Demonstrable alpha return generation

## Yearly Total Return Attribution



## Cumulative Contribution to Total Return

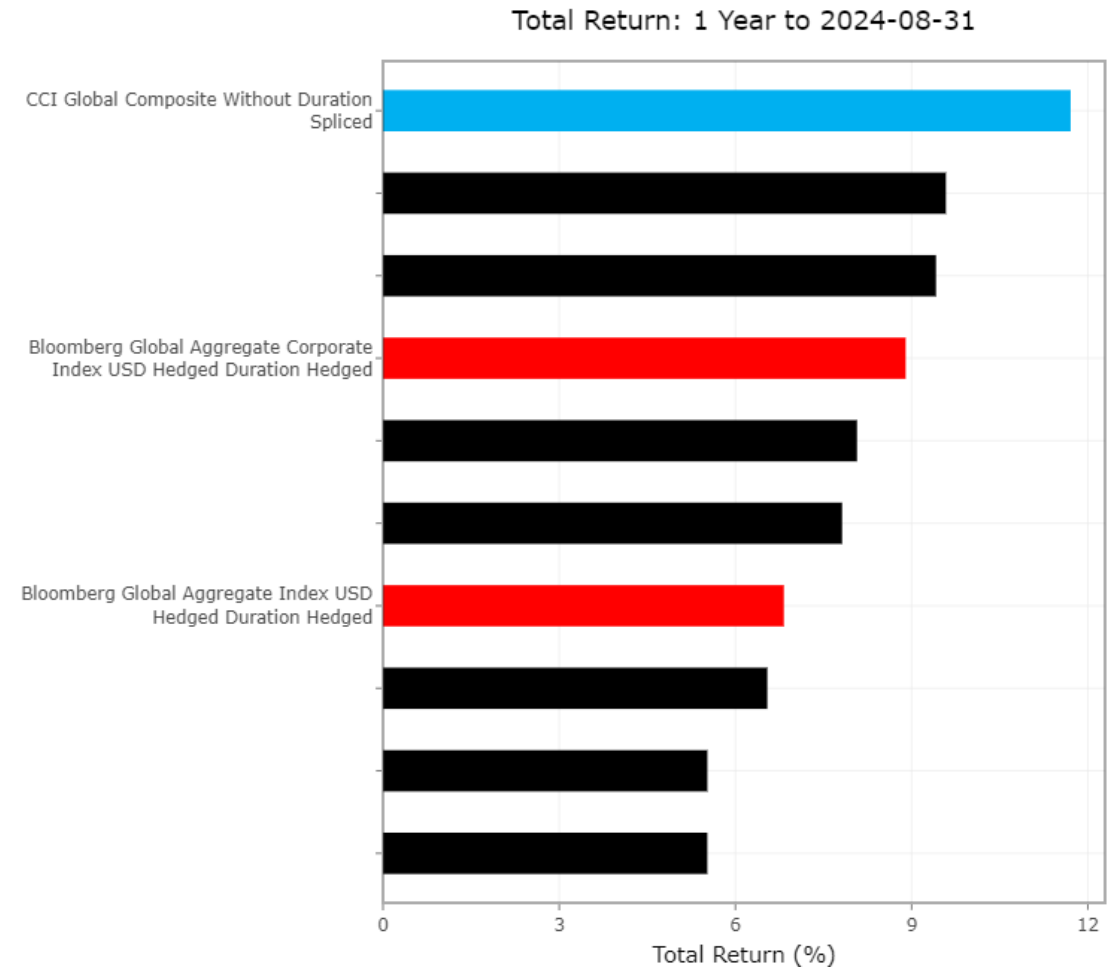
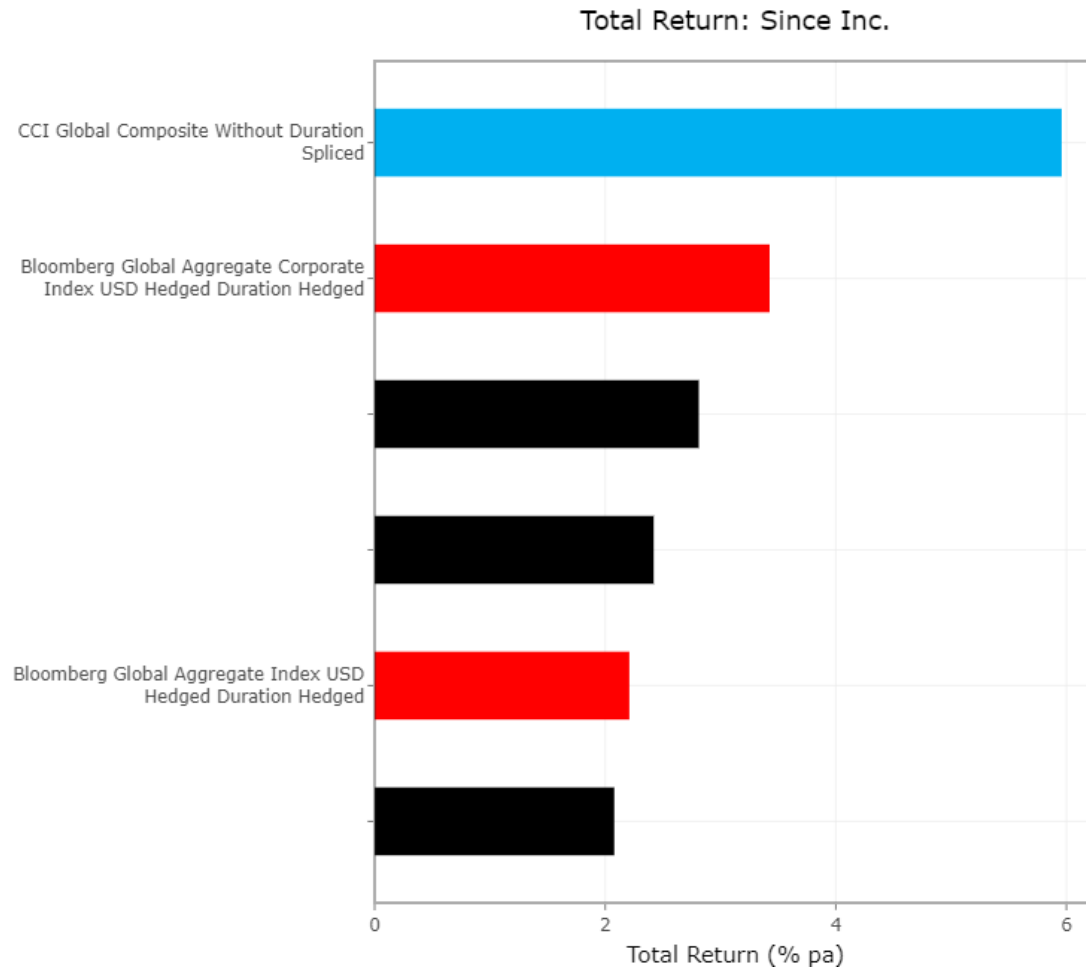


Outperformed  
Bloomberg Global Agg  
Corp Duration Hedged  
Index by **260 bp** p.a.

with a volatility of  
**3.64%** p.a.

compared with a  
benchmark volatility of  
**3.89%** p.a.

# Pacific Coolabah Global Active Credit Zero Duration: Peer Returns

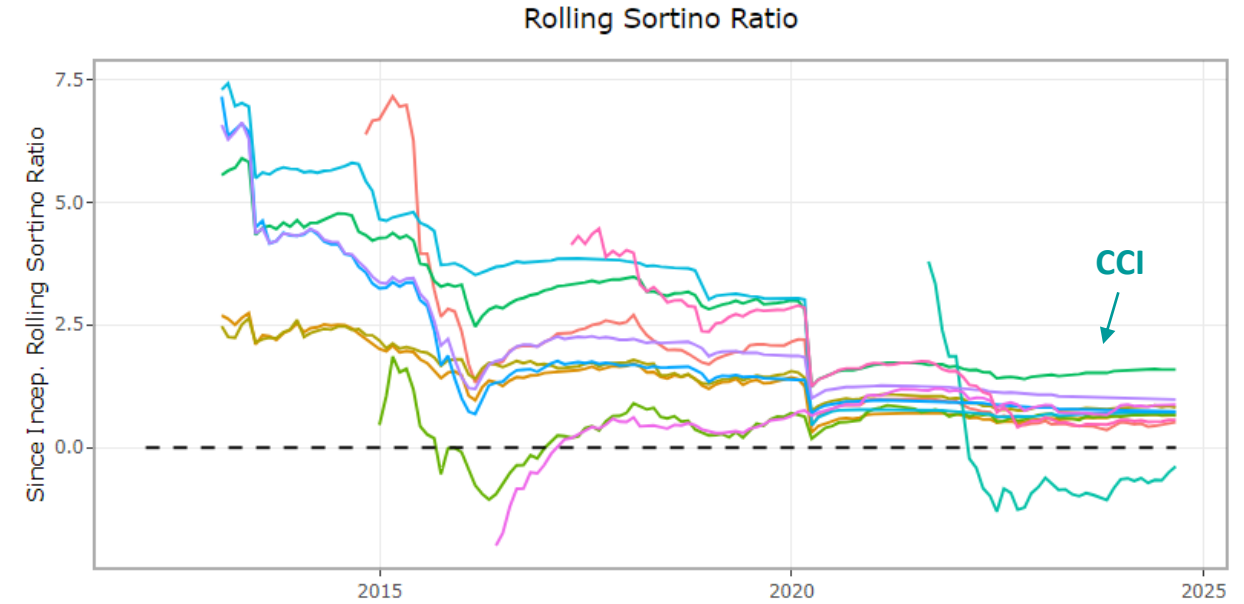
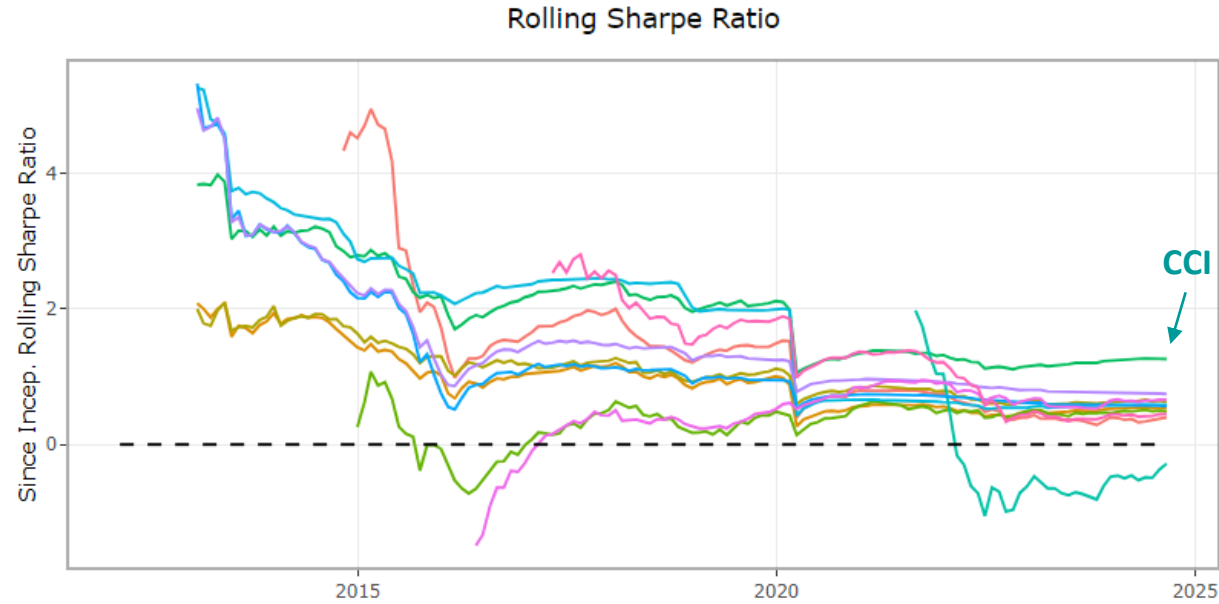


Past performance is not indicative of future performance and is not guaranteed. Source: Coolabah Capital Investments (Since Inception February 2012 to 31 August 2024)

\* Composite Track-Record combining 1) Coolabah's actual zero duration active credit returns with 2) an exposure to the Global Aggregate Corporate Duration Hedged Index to help secure index beta

# Pacific Coolabah Global Active Credit Pro-forma Zero Duration Strategy

## Risk Adjusted Returns vs Peers



Source: Coolabah Capital Investments (Since Inception February 2012 to 31 August 2024)

\* Composite Track-Record combining 1) Coolabah's actual zero duration active credit returns with 2) an exposure to the Global Aggregate Corporate Duration Hedged Index to help secure index beta

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