

Bentham Asset Management adds its fourth fund to ASX mFund Service

Sydney, 10 December 2018 – Global credit investment manager, Bentham Asset Management, has added the Bentham Asset Backed Securities (ABS) Fund to the ASX mFund Settlement Service under the code BAM06.

The Bentham ABS Fund joins Bentham’s Professional Global Income Fund, Professional Syndicated Loan Fund and High Yield Fund, which were made available via the ASX mFund service in 2014 and 2015.

Bentham Asset Management CIO and Principal, Richard Quin, said the ABS fund was created to provide investors with access to a global floating-rate income strategy which targeted real returns over cash with a low amount of default risk.

As at 30 November 2018, the Bentham Asset Backed Securities Fund had returned 4.31% p.a. (net of fees) over the last two years since its inception in October 2016, providing an active return (after fees) of 2.48% greater than cash (the Fund’s benchmark). In a month where credit and equity markets were generally ‘in the red’, we were pleased that our ABS Fund returned a modest positive +0.16% for November.

“We saw a need in the Australian market for a conservative monthly income fund which can provide real yield above cash or term deposits while focusing on highly-rated global investments, typically single-A, double-A and triple-A. Many of our clients were disappointed with the yield on traditional domestic investment grade fixed income funds and were concerned about the amount of interest rate risk and corporate bond exposure.”

“If anything, the need for such a fund is increasing, which is why we are now making it available via mFund. The mFund service provides simple access to diversifying asset classes, such as global credit and fixed interest, which have traditionally been difficult to access and are underinvested in by individuals,” Mr Quin said.

“True to label, the Asset Backed Securities asset class can provide a useful, conservative credit investment with capital stability and regular income. The ABS financial structure is unique within credit markets, offering valuable rights and protections in favour of creditors and a naturally improving credit profile over time”.

Mr Quin added that, generally speaking, ABS was an unfairly maligned asset class, with the reputation of the broad ABS market suffering due to the underperformance of some very specific sub-sectors.

“In many ways, the 2008 global financial crisis (GFC) has set the foundations for what we see as an attractive opportunity for investors now – there have been improvements to origination and rating processes, and regulatory reforms. As a consequence of the GFC, the security structures of most classes of ABS have become materially more robust. Pricing dynamics in global ABS markets have also shifted in favour of

investors post crises. Tighter capital requirements for banks and changes in the investor base have increased target investor credit spreads, leaving the asset class offering attractive absolute and relative credit risk premium in our assessment,” Mr Quin said.

The global Asset Backed Securities market is very large and well-established, with more than A\$14 trillion of outstanding issuance across US, Europe and Australia, and many different sub-sectors (such as Residential Mortgage Backed Securities (RMBS), Commercial Mortgage Backed Securities (CMBS), Collateralised Loan Obligations (CLOS) and securitisations of aviation, credit card, and personal loans). With such a diverse range of opportunities, Bentham aims to add value through active management, both in sector allocation and security selection.

Bentham Asset Backed Securities Fund facts

- **Strategy:** focused on generating income while preserving capital by investing in highly rated global asset backed securities
- **Performance objective:** to exceed the benchmark (cash) by 1.5% p.a. post fees over rolling three-year periods while maintaining a minimum average credit quality of A-
- **High credit quality:** minimum 90% allocation to investment grade issues
- **Volatility/risk level:** low
- **Interest rate risk:** low – ABS is a floating rate asset class
- **Monthly distributions:** targeted monthly income distributions
- **Daily pricing:** daily unit pricing
- **Fund currency:** The Fund is offered in AUD, and offshore investments are hedged in to AUD
- **Fee:** Competitive management fee of 0.35% p.a.

More information

For further information on the Bentham Asset Backed Securities Fund, please visit Bentham’s website: <https://www.benthamam.com.au/funds-and-performance/asset-backed-securities-fund/overview/>

About Bentham

Bentham Asset Management is an established and experienced Sydney-based fund manager whose founding team members worked together for a decade at Credit Suisse before establishing Bentham eight years ago. Bentham’s investment strategies span global credit and fixed income markets, including: global loans, high yield bonds, asset backed securities, and multi-sector credit. Bentham is responsible for any statements made in this release. All figures are as at 30 Nov 2018.

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