

Bentham High Yield Fund

Annual fund profile – 30 June 2021

Investment style

The Bentham High Yield Fund (the Fund) is actively managed and focused on generating higher income than traditional fixed income investments.

The Fund provides diversified exposure to the US high yield bond market with active allocation between individual securities and industries.

Investment objective

The investment objective of the Fund is to outperform the Merrill Lynch High Yield Cash Pay Constrained Index (hedged to AUD) over the suggested minimum investment timeframe. The Fund's investment performance is also compared with the Bloomberg AusBond Composite Bond Index.

The Fund aims to provide returns higher than traditional fixed interest investments through investing primarily in US sub-investment grade corporate debt securities.

Management team

Bentham is a specialist fixed interest and credit investment manager. Bentham actively manages a number of high yielding funds with varying risk profiles. The portfolios are designed to generate income while diversifying risk in global credit markets. Bentham's goal is to deliver higher income to investors than can generally be achieved in traditional fixed interest and equity markets.

Prior to the establishment of Bentham, the founders worked together as part of the Credit Investments Group of Credit Suisse Alternative Capital Inc. Credit Suisse continues to provide exclusive sub-advisory investment management services for the Fund.

Bentham has 15 staff located in Australia and the Credit Investments Group has over 50 investment staff based in New York and London. The US team have a strong track record of managing riskier High Yield (non-investment grade) portfolios and are well resourced with market leading risk portfolio systems.

Fund facts

Fund name	Bentham High Yield Fund
Investment Manager	Bentham Asset Management
Responsible Entity	Fidante Partners Services Limited
Fund aim	To provide investors with a diversified exposure to the US high yield bond market with active allocation between individual securities and industries
Portfolio managers	Richard Quin, Chief Executive Officer of Bentham Asset Management, and the senior members of the CIG portfolio management team (including Tom Flannery, Managing Director of Credit Suisse CIG and David Mechlin, Managing Director of Credit Suisse CIG).
Inception date	15 October 1998
APIR code	CSA0102AU
Fund size	A\$149.2 million as at 30 June 2021
Entry and exit fees	Nil
Management fees*	0.60% p.a.
Buy/sell spreads	+0.19%/-0.19% (reviewed periodically)
Pricing frequency	Daily unit pricing
Minimum initial investment	A\$10,000
ASX mFund [^]	ASX mFund class available

*Does not include reimbursable expenses which can be up to 0.07% p.a.

[^]See relevant PDS (located on the ASX mFund website) for additional information

Fund features

- Access to a diversified high yield credit portfolio
- Targeted income distribution frequency: quarterly
- Open Fund with daily unit pricing
- Australian domiciled trust with a 22 year+ track record – one of Australia's longest running high yield funds
- Investments not generally available to direct retail investors
- Access to a global investment universe.

High yield bonds – overview

High yield bonds are corporate debt securities that are generally senior unsecured or subordinated and have below investment grade credit ratings. High yield bonds generally pay a fixed rate coupon. This fixed rate tends to be much higher than investment grade bonds in order to compensate investors for default risk. While high yield bonds are traded in many geographical locations, the US has the largest and most mature high yield bond market.

Historically, the high yield bond market has outperformed cash and has had a low correlation with traditional fixed interest and equity markets.

Portfolio construction

The Fund consists mainly of high yield unsecured bonds with additional discretion to make investments in senior secured loans and collateralised loan obligations.

The Fund is constructed using bottom up analysis to select individual investments and employs a conservative approach to credit selection emphasising preservation of principal.

Using a credit-intensive relative value approach, high yield bonds are managed on the belief that returns above benchmark are driven by a strong credit culture and a systematic investment process. Security selection is based on relative value within the capital structure of comparable companies and industries.

The preservation of principal plays an important role in the investment process and the Fund has a high level of industry and issuer diversification.

The portfolio is highly diversified with less than 2% maximum exposure to any one company. The portfolio will usually have more than 150 separate issuers spread across many different industries.

Fund risk profile

Suggested investment time frame	Medium to long term – three years plus
Volatility/risk level	Medium
Income distribution frequency	Quarterly
Fund benchmark	Merrill Lynch High Yield Cash Pay Constrained Index (hedged into Australian dollars)
Currency exposure	Hedged into Australian dollars
Diversity	Minimum of 50 issuer exposures
Issuer exposure limits	Maximum of 2% per issuer
Industry exposure limits	Maximum of 12% per industry

Benchmark profile as at 30 June 2021

Fund benchmark	Merrill Lynch High Yield Cash Pay Constrained Index (hedged into Australian dollars)
Market size	US\$1,600 billion
Number of issuers	896
Security	Predominately senior unsecured debt
Average credit rating	B+/B1 (S&P/Moodys)
Interest rate duration	4.16 years

Distribution as a % of Net Asset Value (NAV)*

Financial Year	Q1	Q2	Q3	Q4	FYTD*
2021	1.36	1.35	1.32	5.83	10.78
2020	1.22	1.22	1.85	2.08	6.20
2019	1.36	1.40	1.37	1.63	5.99
2018	1.25	1.24	1.25	4.22	7.90
2017	1.20	1.21	1.15	1.03	5.11
2016	1.22	1.24	1.29	2.43	6.14
2015	1.76	1.62	-	3.10	6.67
2014	2.43	2.91	2.42	1.94	10.43
2013	1.52	2.31	2.57	3.07	10.35
2012	2.76	0.78	3.19	4.35	11.87
2011	0.96	4.26	2.63	6.66	16.35

Source: Fidante Partners

Past distributions are no indication of future distributions.

Distribution as a % of Net Asset Value (NAV), which is calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

* Annual Distribution Return (Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Returns (after fees) are calculated using pre-distribution month end withdrawal unit price and assumes all distributions are reinvested. Growth Returns equal the percentage change in the unit price.

Long-term correlation of asset class returns^{#^}

High yield bonds as an asset class have historically had some correlation to equities and a negative correlation to government bonds as shown in the table below. An allocation to high yield bonds may improve the diversity of a balanced portfolio and has historically improved the risk and reward outcome.

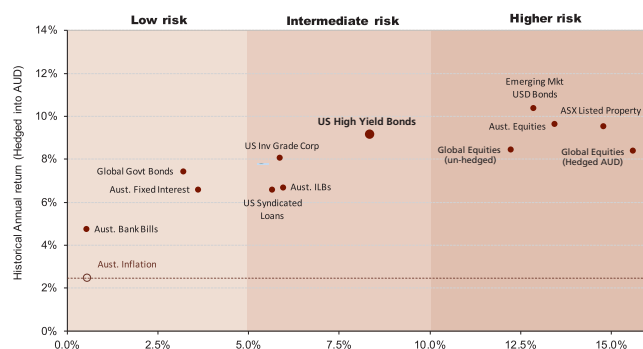
Correlation 30 June 2008 to 30 June 2021		Bonds		Credit				Equities					
		Global Govt Bonds	Australian Fixed Interest	US IG Corporates	US Hybrid Securities	Syndicated Loans	US High Yield Bond	Emerging Market Bonds	World Equities (Un-hedged)	Australian Equities	Global Hybrid Non-Financial Corporate	Emerging Market Bonds	Australian Property Trusts
Bonds	Global Govt Bonds	1.00	0.71	0.51	-0.06	-0.28	-0.15	0.28	-0.25	-0.15	0.10	0.28	0.11
	Australian Fixed Interest	0.71	1.00	0.27	-0.23	-0.25	-0.19	0.10	-0.01	-0.18	0.03	0.10	0.13
Credit	US IG Corporate Bonds	0.51	0.27	1.00	0.55	0.47	0.63	0.77	0.08	0.41	0.73	0.77	0.49
	US Hybrid Securities	-0.06	-0.23	0.55	1.00	0.58	0.67	0.57	0.26	0.56	0.62	0.57	0.47
	Syndicated Loans	-0.28	-0.25	0.47	0.58	1.00	0.89	0.53	0.38	0.60	0.63	0.53	0.55
	US High Yield Bonds	-0.15	-0.19	0.63	0.67	0.89	1.00	0.72	0.38	0.66	0.71	0.72	0.54
	Emerging Market Bonds	0.28	0.10	0.77	0.57	0.53	0.72	1.00	0.11	0.52	0.67	1.00	0.51
Equities	World Equities (Unhedged AUD)	-0.25	-0.01	0.08	0.26	0.38	0.38	0.11	1.00	0.58	0.28	0.11	0.52
	Australian Equities	-0.15	-0.18	0.41	0.56	0.60	0.66	0.52	0.58	1.00	0.48	0.52	0.74
	Global Hybrid Non-Financial Corporate	0.10	0.03	0.73	0.62	0.63	0.71	0.67	0.28	0.48	1.00	0.67	0.53
	Emerging Market Bonds	0.28	0.10	0.77	0.57	0.53	0.72	1.00	0.11	0.52	0.67	1.00	0.51
	Australian Property Trusts	0.11	0.13	0.49	0.47	0.55	0.54	0.51	0.52	0.74	0.53	0.51	1.00

Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS. # Period of years: 13 years to 30 June 2021. BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS. Overseas returns (except World Equities) are fully hedged into Australian dollars. Past performance is no indication of future performance.

Risk and return

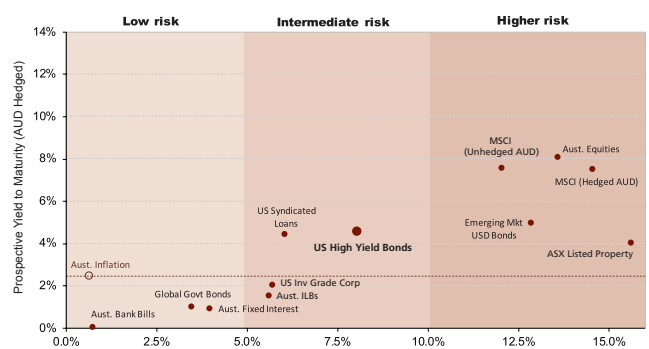
High yield bonds have historically generated returns above the Bloomberg AusBond Composite Bond Index over the medium to long term. High Yield bonds as an asset class have a level of intermediate risk as characterised in the risk return chart below. For specific and current return data please refer to the current monthly fact sheets or quarterly commentaries.

Historical returns versus historical risk (30 June 2021)



Historical standard deviation of returns (# of years: 27.3 to 30 June 2021)

Current yield versus historical risk (30 June 2021)



Historical standard deviation of returns (# of years: 27.3 to 30 June 2021)

Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley and UBS. Note: for equities we have added an additional 2.5% for growth to the inverted fwd PE. Past performance is not a reliable indicator of future performance.

[^] Overseas yields are hedged into AUD using the one-month interest rate differentials *The Australian Equities and World Equities (unhedged) yields represent the estimated earnings yield. The historical standard deviation shown for these equity asset classes is based on the total return for the relevant index. The total return on equities will generally be comprised of both dividend income and share price movement and as a result could vary substantially from those shown above. The outcomes shown above may be affected by known or unknown risks and uncertainties that cannot presently be identified. Accordingly actual outcomes may differ from those shown above.

Asset Class definitions: Australian Cash is Bloomberg AusBond Bank Bill Index, Global Govt Bonds is JP Morgan GBI, Australian Fixed Interest is Bloomberg AusBond Composite Bond Index, US IG Corporates is Barclay's US Corporates, US Leveraged Loans is Credit Suisse Leveraged Loans Index, US High Yield Bonds is Credit Suisse High Yield Bond Index, World Equities (Unhedged) is Morgan Stanley MSCI Index (Developed), Australian Equities is S&P/ASX200 Accumulation Index, US Hybrid Securities is Merrill Lynch BoA Preferred Hybrids Index, Emerging Market Bonds is JP Morgan EMBI+, and Australian Property Trusts is S&P/ASX200 Accumulation A-REIT Index. Overseas index returns (except World Equities) are fully hedged into Australian dollars.

Fidante Partners

Fidante Partners Services Limited is the responsible entity of the Fund and issues units in it. Fidante Partners has appointed Bentham Asset Management Pty Limited as the Fund's investment manager. A related entity of Fidante Partners holds a partial equity stake in Bentham.

Contact us

Retail Investors: Fidante Partners Investor Services on 13 51 53.

Advisers: funds@benthamam.com or David Livera on 0402 387 931.

Key Accounts/Consultants: tyler.purviance@benthamam.com or Tyler Purviance on (61) 2 9994 7929.

New Zealand Advisers and Institutional Investors: The Investment Store on 0800 331 041.

More information: www.benthamam.com

Researcher Fund Ratings

Rated by Lonsec



Bentham Industry Awards



2019 Winner Best Income Fund
2016 Winner Best Income Fund
2015 Winner Best Income Fund



2018 Finalist Fixed Interest
2017 Finalist Fixed Interest
2014 Winner Fixed Interest category
2010 Winner Fixed Interest category



2018 Finalist Global and Diversified Fixed Interest
2015 Finalist Global and Diversified Fixed Interest
2014 Finalist Global and Diversified Fixed Interest
2013 Finalist Global and Diversified Fixed Interest



2019 Winner High Yield Bonds
2018 Winner High Yield Bonds

Visit www.benthamam.com.au/disclaimer/ to view the Morningstar award disclaimers.

The Lonsec Rating (assigned September 2019) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421445. The Rating is a "class service" (as defined in the Financial Advisers Act 2008 (NZ)) or is limited to "General Advice" and based solely on consideration of the investment merits of the financial product(s). In New Zealand it must only be provided to "wholesale clients" (as defined in the Financial Advisers Act 2008 (NZ)). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Bentham Asset Management product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: www.lonsecresearch.com.au/research-solutions/our-ratings. The Professional Planner | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards and ratings are solely statements of opinion and do not represent recommendations to purchase, hold, or sell any securities or make any other investment decisions. Ratings are subject to change. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

The information in this document is current as at September 2019 unless otherwise specified and is provided by Bentham Asset Management Pty Ltd ABN 92 140 833 674 AFSL 356199 (Bentham). Fidante Partners Limited (Fidante) (ABN: 94 002 835 592, AFSL 234668) is the responsible entity and issuer of interests in the Bentham High Yield Fund ARSN 088 907 224 (available via mFunds) (known as the Fund). It is intended to be general information only and not financial product advice and has been prepared without taking into account any person's objectives, financial situation or needs. Each person should, therefore, consider its appropriateness having regard to these matters and the information in the product disclosure statement (PDS) and any additional information brochure (AIB) for the Fund before deciding whether to acquire or continue to hold an interest in the Fund. If you acquire or hold an interest in the Fund, we will receive the fees and other benefits, which are generally disclosed in the PDS and any AIB for the Fund. Neither Bentham nor a related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. Past performance is not a reliable indicator of future performance. Neither Bentham nor Fidante Partners nor any of their related entities guarantees the performance of the Fund, nor capital invested in the Fund. The PDS and any AIB can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.benthamam.com.au. Please also refer to the Financial Services Guide on the Bentham website.