

# Bentham Syndicated Loan Fund NZD

## Annual fund profile – 30 June 2021

### Investment style

The Bentham Syndicated Loan Fund (the Fund) is actively managed and focused on generating stable investment income.

The Fund provides investors diversified exposure to the global syndicated loan market, with an active allocation to investments in different industries, issuers and geographies.

### Investment objective

The Fund aims to achieve investment returns above the Credit Suisse Leveraged Loan Index (hedged to NZD) over the suggested investment time frame. The Fund's investment performance is also compared with the Bloomberg AusBond Bank Bill Index (hedged to NZD).

Primarily investing in the US syndicated loan market, the Fund seeks to add value through loan and security selection and industry rotation, while maintaining a highly diversified portfolio.

The Fund will be as close to fully currency hedged into NZD as is practicable.

### 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, which 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 global syndicated loan portfolios and are well resourced with market leading risk portfolio systems.

### Fund facts

Fund name	Bentham Syndicated Loan Fund NZD
Investment Manager	Bentham Asset Management
Responsible Entity	Fidante Partners Services Limited
Fund aim	To provide investors with a diversified exposure to the global syndicated loan market with an active allocation to investments in different industries, issuers and geographies
Portfolio managers	Tom Flannery and Richard Quin
Inception date	30 September 2013
ARSN code	165 696 300
Fund size	NZ\$57.349 million as at 30 June 2021
Management costs	0.84%
Buy/sell spread	+0.35%/-0.35% (reviewed periodically)
Entry and exit fees	Nil
Pricing frequency	Daily unit pricing
Initial investment	NZ\$50,000 minimum

### Fund features

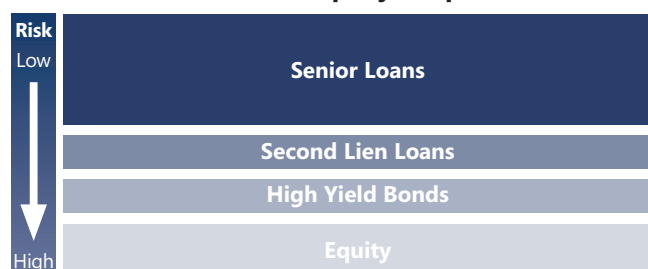
- Access to senior and secured syndicated loans which are not generally available to direct retail investors
- Targeted income distribution frequency: monthly
- High running yield with low interest rate risk
- Australian domiciled trust with a 16 year track record
- Loans are broadly syndicated and are traded and valued to market prices daily – with daily unit pricing
- Access to a global investment universe.

## Syndicated loans – overview

A syndicated loan is a senior loan that is made to a company, whose credit rating is generally below investment grade. Loans generally pay a floating rate of interest, have a maturity date and can be redeemed early.

Senior loans have priority in repayment and are protected from the borrower's failure to repay the interest or principal by taking security over assets. This security is generally in the form of a fixed and floating charge over the company's assets. Security enhances recovery levels in the event of default (i.e. the secured debt holders get paid before all other debt and equity). In addition, loans generally have covenants which allow the lender to take action to protect their investment.

### Senior loans within a company's capital structure



### Portfolio construction

The Fund uses bottom-up analysis to select individual investments and employs a conservative approach to credit selection, emphasising preservation of principal. Active allocations are made to senior secured loans with additional investments in high yield bonds and collateralised loan obligations.

Using a credit-intensive relative value approach, loans 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

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

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD**
2021	0.40	0.39	0.40	0.39	0.40	0.40	0.40	0.40	0.39	1.49	1.51	2.46	9.70
2020	0.41	0.41	0.36	0.36	0.37	0.36	0.36	0.37	0.36	0.29	0.30	0.29	3.99
2019	0.41	0.40	0.41	0.40	0.40	0.41	0.41	0.40	0.41	0.40	0.41	4.42	8.76
2018	0.46	0.41	0.42	0.43	0.42	0.42	0.42	0.42	0.42	0.42	0.43	0.42	5.21
2017	0.51	0.50	0.49	0.50	0.48	0.41	0.46	0.47	0.45	0.47	0.46	2.91	8.63
2016	0.51	0.48	0.47	0.48	0.48	0.46	0.46	0.43	0.45	0.43	0.42	1.14	6.14
2015	0.54	0.55	0.54	0.54	0.57	0.55	0.55	0.54	0.53	0.55	0.56	0.00	6.19
2014	0.00	0.00	0.00	0.51	0.51	0.51	0.51	0.51	0.51	0.52	0.52	5.62	9.72

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.

\* 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.

and protection against downside risk plays an important role in the investment process. The Fund has a high level of industry and issuer diversification.

### Fund risk profile

Suggested investment time frame	Medium term – three years minimum investment
Volatility/risk level	Medium
Income distribution frequency	Monthly
Target distribution rate*	Target distribution rates for FY22 set at one month NZ Bank Bill Benchmark Rate (BKBM) plus 3.25% of the monthly unit price*
Fund benchmark	Credit Suisse Leveraged Loan Index (hedged into New Zealand dollars)
Currency exposure	Hedged into New Zealand dollars
Issuer exposure limits	Maximum of 2% per issuer
Industry exposure limits	*Maximum portfolio exposure to any single industry sector will generally be up to 10% of the Fund's investment but will also allow two industries to be up to 15% and one industry to be up to 13.5%.
Diversity	Minimum of 60 issuers
Sector exposure limits	Minimum 60% syndicated loans Maximum 15% high yield bonds, Maximum 10% CDOs, Maximum 10% non-rated debt securities.

\* Bentham intends to achieve the distribution rate for FY2022 with taxable income. If there is a shortfall of taxable income, the distribution may possibly include a capital return. The current distribution rate setting was based on the running yield of the Fund as at 30 June 2021 and assumes the Fund continues to achieve an equivalent yield for FY2022. Actual distributions, however, can differ from this setting because of future matters which are not known or able to be presently identified.

### Benchmark profile as at 30 June 2021

Fund benchmark	Credit Suisse Leverage Loan Index (hedged into New Zealand dollars)
Market size	USD\$1,273 billion
Number of issuers	1,367
Average credit rating	Split BB (below investment grade)
Interest rate duration	0.54 years

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

Loans as an asset class have historically had a low correlation to equities and a negative correlation to government bonds as shown in the table below. An allocation to loans may improve the diversity of a balanced portfolio and has historically improved the risk and return outcome.

Correlation	Cash (Bank Bills)	Global Govt Bonds	US IG Corporates	Leveraged Loans	US High Yield	World Equities (Un-hedged)	US Preferred Securities	Emerging Market Bonds	NZ Fixed Income	NZ Equities
Cash (Bank Bills)	1.00	0.12	-0.15	-0.25	-0.25	-0.04	-0.17	-0.08	0.07	-0.19
Global Govt Bonds	0.12	1.00	0.45	-0.42	-0.23	-0.35	0.07	0.28	0.35	-0.24
US IG Corporates	-0.15	0.45	1.00	0.38	0.60	0.08	0.74	0.78	0.29	0.26
Leveraged Loans	-0.25	-0.42	0.38	1.00	0.88	0.42	0.57	0.47	-0.09	0.49
US High Yield Bonds	-0.25	-0.23	0.60	0.88	1.00	0.40	0.64	0.70	0.00	0.55
World Equities (Unhedged)	-0.04	-0.35	0.08	0.42	0.40	1.00	0.31	0.13	0.16	0.50
US Preferred Securities	-0.17	0.07	0.74	0.57	0.64	0.31	1.00	0.66	0.26	0.36
Emerging Market Bonds	-0.08	0.28	0.78	0.47	0.70	0.13	0.66	1.00	0.12	0.37
NZ Fixed Income	0.07	0.35	0.29	-0.09	0.00	0.16	0.26	0.12	1.00	-0.03
NZ Equities	-0.19	-0.24	0.26	0.49	0.55	0.50	0.36	0.37	-0.03	1.00

# Monthly data since October 2013 as at June 2021. Overseas returns (except World Equities) are fully hedged into New Zealand dollars.

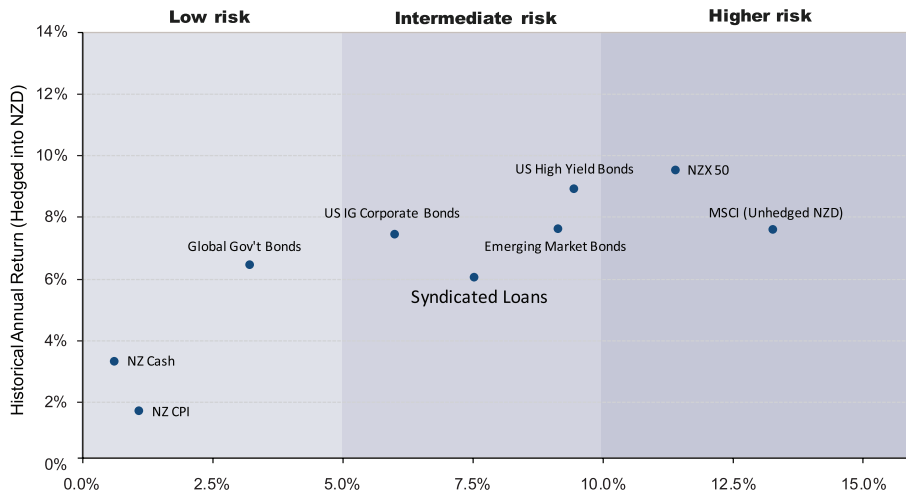
Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS.

Past performance is no indication of future performance.

## Risk and return

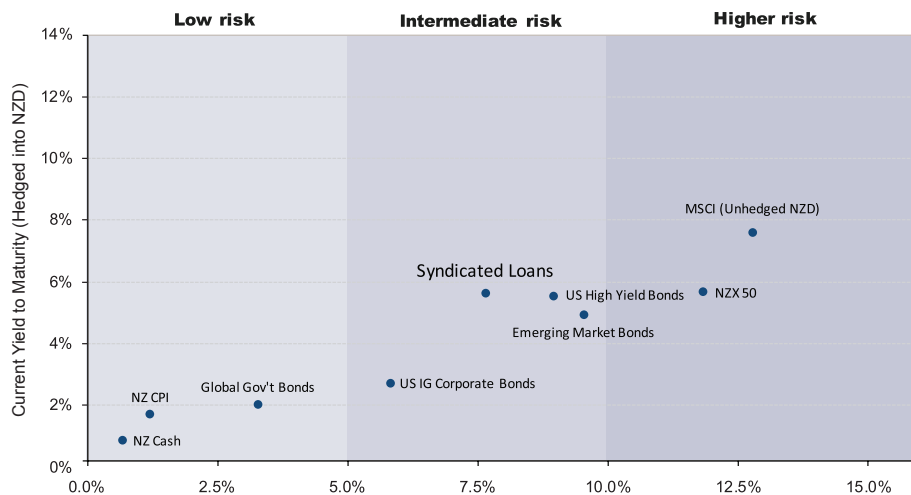
Loans have historically generated returns above the BKBM over the medium to long term. Syndicated loans as an asset class typically have a level of intermediate risk as characterised in the risk return chart below. For specific and current return data please refer to the current monthly fact sheets or quarterly commentaries.

Historical returns versus historical risk (30 June 2021)



Historical standard deviation of returns (# of years: 15.0 to 30 June 2021)

Current yield versus historical risk (30 June 2021)



Historical standard deviation of returns (# of years: 15.0 to 30 June 2021)

Sources: Barclay's Capital, Bentham, Bloomberg, BoA Merrill Lynch, 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.

^ 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.

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

**More information:** [www.benthamam.com](http://www.benthamam.com)

## Researcher Fund Ratings



Applicable to AUD version only.

## 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

This material has been prepared by Bentham Asset Management ABN 92 140 833 674 AFSL 356199 (Bentham), the investment manager of Bentham Syndicated Loan Fund NZD (Fund). Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion.

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