

Bentham Defensive Income Fund (Class I)

July 2022

Fund Aim

Fund aims to provide investors with access to a diversified, defensive, multi-sector credit strategy with a focus on providing steady monthly income with a focus on downside volatility.

Fund Performance as at 31 July 2022 (%)

	1 month	3 months	6 months	1 year	Since inception (p.a.)
Gross return (before fees)	1.35	-0.86	-2.09	-2.18	-1.81
Benchmark	0.12	0.21	0.20	0.22	0.20
Excess return (before fees)	1.23	-1.07	-2.29	-2.40	-2.01

Source: Fidante Partners. Past performance is not indicative of future performance. Returns may be volatile and may vary from year to year.

The inception date of the fund is 16 June 2021.

Portfolio and Market Returns

The Bentham Defensive Income Fund had a before fees return of 1.35% for the month, outperforming the benchmark by 1.23%.

Portfolio update

Credit markets generally rallied in July, with credit spreads tightening across most corporate credit markets including investment grade corporates and capital securities.

Global bank capital securities staged a strong rally in July, outperforming broader investment grade credit indices. In particular European banks staged a strong intra-month rally on the back of Russia re-starting gas flow and the ECB raising rates and introducing its Transmission Protection Instrument to help support peripheral spreads. Broader market optimism improved as market participants believe that the FED will not raise interest rates as much as feared. During the month, the Fund opportunistically reduced its exposure to a number of capital securities which had outperformed in recent months.

Securitised credit markets lagged the broader rally, with CLO spreads and RMBS (both Australian and UK) moving wider over the month. The Fund was partially insulated from the RMBS volatility given the seasoning of the Fund's exposures.

The Fund's interest rate duration position supported performance during the month. The Fund's interest rate duration position of ~2 years had a positive contribution to performance during July.

Portfolio Summary Statistics

Yield to maturity	5.46%
Running yield	5.45%
Credit spread ¹	+268bps
Number of issuers	56
Interest rate duration	2.15 years
Credit duration	3.30 years
Average credit quality ²	A
Investment grade ³ exposure	92% of portfolio
Ratings implied loss rate	0.10%
Fund size	A\$33,049,462

Risk Characteristics

1 Year Volatility	2.41
1 Year Sharpe Ratio	-0.99
1 Year Tracking Error	2.37
1 Year Information Ratio	-1.01

Fund Distributions

Distribution frequency	Monthly
Monthly distribution ⁴	0.42% (Jul 2022)
Target distribution rate (FY23) ⁵	5.0%

¹ Spread over the swap rate.

² The average credit quality is calculated using a duration adjusted Moody's Weighted Average Rating Factor (WARF) for both the S&P and Moody's security credit ratings within a portfolio.

³ An assigned credit rating of BBB-/Baa3 or better by a credit rating agency.

⁴ Calculated as the cents per unit (CPU) distribution at the month end divided by the ex-distribution unit price at the start of the month.

⁵ Target distribution rates for FY23 set at 5.0% of the monthly unit price. Bentham intends to achieve the distribution rate for FY2023 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 2022 and assumes the Fund continues to achieve an equivalent yield for FY2023.

Monthly Distribution Returns History (%)¹

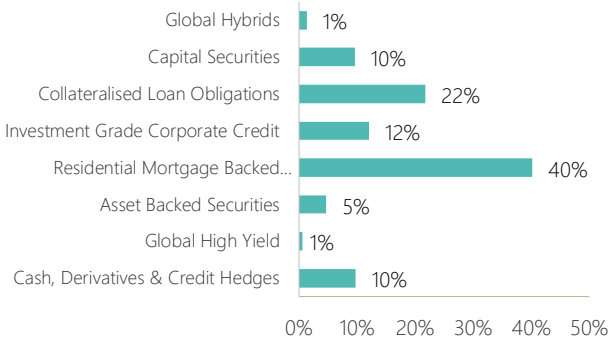
Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD ²
2023	0.42	-	-	-	-	-	-	-	-	-	-	-	0.42
2022	0.13	0.13	0.12	0.11	0.10	0.11	0.10	0.10	0.10	0.11	0.12	5.09	6.09
2021												0.09	0.09

Source: Fidante Partners

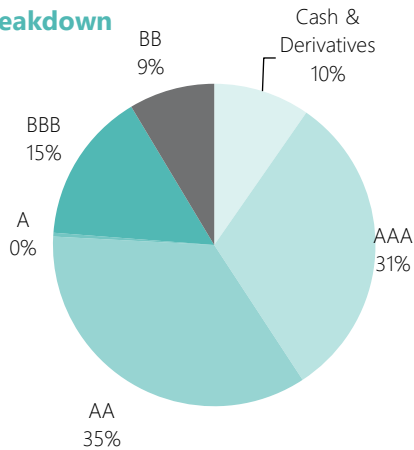
Past distributions are no indication of future distributions.

¹ Calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

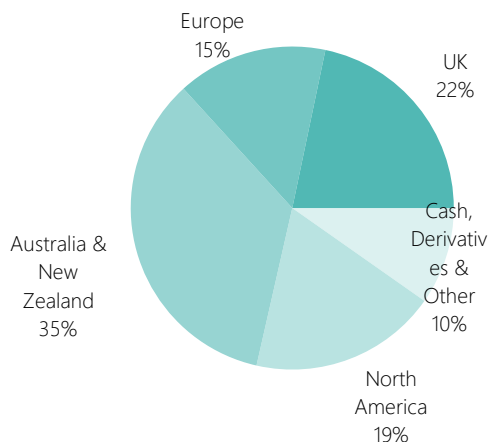
² Annual distribution return (Year-to-Date) is calculated as the Total Return (after fees) minus Growth Return. Total Return (after fees) is calculated using pre-distribution month end withdrawal unit price, and assumes distributions are reinvested. Growth Return equals the percentage change in unit price.

Portfolio Asset Allocation

Top Issuer Exposures

Finsbury Square 2020-1 Plc	4.1%
CIFC European Funding CLO - 4X	3.5%
Bluestone Prime Trust - 2021-1	3.2%
Ivy Hill Middle Market Credit - 7x	3.1%
Vermilion Trust - 2021-1	3.0%
RESIMAC Premier Series 2021-1	3.0%
Liberty Funding Pty Limited - 2021-2P	2.9%
Triton Trust - 2021-2	2.9%
Series 2020-1 Wst Trust	2.9%
Madison Park Euro Funding - 17X	2.8%

Credit Rating Breakdown


Interest Rate Duration (yrs)	AUD	USD	EUR	GBP	CAD	Total
Total	2.51	-0.14	-0.18	0.02	-0.06	2.15

Regional Breakdown


Fund Overview

Portfolio Manager	Richard Quin
Inception date	16 June 2021
APIR code	HOW4919AU
Benchmark	Bloomberg AusBond Bank Bill Index
Performance objective	To exceed the Benchmark (cash) by 1.5% p.a. over rolling three-year periods
Suggested investment time frame	Medium term, minimum 3 years
Investment universe	Global credit and fixed interest markets, including but not limited to, investment grade securities, asset backed securities, capital securities and derivatives.
Credit quality	Minimum exposure of 90% to investment grade rated securities
Interest rate exposure	Actively managed
Currency	AUD Hedged, between 95% and 105% of NAV
Tail risk management	Ongoing tail risk hedging strategy in place. The Investment Manager will use a small proportion of Fund yield to purchase options to protect the portfolio.
Fund documentation	Information memorandum for Wholesale Investors. Contact us for Product Disclosure Statement class

Fund Overview (Cont.)
Fund features

- The Fund is a diversified multi-sector credit strategy with a focus on providing investors with steady monthly income from an actively managed portfolio of fixed income securities with a focus on downside protection.
- Actively managed Fund with the flexibility to change the credit exposures to suit market conditions across the credit cycle.
- Access to global investment opportunities
- Diversified sources of income across many countries, industries, companies and investment types
- Unique asset classes with specialist expertise
- Regular monthly distributions
- Daily unit pricing

Pricing and Fees

Unit frequency pricing	Daily
Management fee (Class I)	0.35%
Recoverable expenses	0.05% p.a. estimate
Buy/sell spread ¹	+0.150%/-0.150%
Minimum initial investment	A\$10,000

¹ Buy/sell spread is retained in the Fund to cover transaction costs. It is not paid to the Investment Manager. The buy/sell spread is reviewed on a monthly basis to ensure it fairly reflects market transaction costs.

More information:
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