

Bentham Defensive Income Fund (Class I)

March 2023

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 March 2023 (%)

| | 1 month | 3 months | 6 months | 1 year | Since inception (p.a.) |
|-----------------------------|---------|----------|----------|--------|------------------------|
| Gross return (before fees) | 0.81 | 2.95 | 4.13 | 0.81 | 0.08 |
| Benchmark* | 1.72 | 2.69 | 3.50 | 4.01 | 2.24 |
| Excess return (before fees) | -0.90 | 0.26 | 0.64 | -3.20 | -2.16 |

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 (Class I) had a before fees return of 0.81% for the month, underperforming the benchmark by 0.90%.

Portfolio update

Global credit markets were weak March as the market reacted to volatility in the banking market.

The Fund participated in the subordinated bank debt market during the month, including a primary transaction from NAB. The fund had a small position in Credit Suisse Capital securities which had a negative impact on performance during the month.

During the month, two of the funds UK RMBS positions repaid. This cash is expected to be redeployed back into the RMBS market in the coming months. In terms of the CLO market, primary US AAA spreads moved in from SOFR +185bp to SOFR +195bp, while European AAA CLO spreads moved from EURIBOR +170bp to EURIBOR +180bp.

Portfolio Summary Statistics

| | |
|--|------------------|
| Yield to maturity | 5.98% |
| Running yield | 4.95% |
| Credit spread ¹ | +206bps |
| Number of issuers | 80 |
| Interest rate duration | 4.15 years |
| Credit duration | 2.86 years |
| Average credit quality ² | AAA |
| Investment grade ³ exposure | 98% of portfolio |
| Ratings implied loss rate | -0.01% |
| Fund size | A\$37,045,808 |

Risk Characteristics

| | |
|--------------------------|-------|
| 1 Year Volatility | 4.75 |
| 1 Year Sharpe Ratio | -0.67 |
| 1 Year Tracking Error | 3.13 |
| 1 Year Information Ratio | -1.02 |

Fund Distributions

| | |
|--|------------------|
| Distribution frequency | Monthly |
| Monthly distribution ⁴ | 0.40% (Mar 2023) |
| 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.

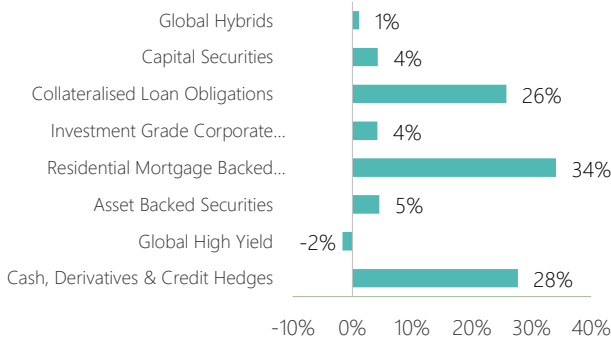
Monthly Distribution Returns History (%)¹

| Financial Year | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | YTD ² |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------------------|
| 2023 | 0.42 | 0.42 | 0.42 | 0.41 | 0.42 | 0.40 | 0.42 | 0.42 | 0.40 | - | - | - | 3.79 |
| 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 |

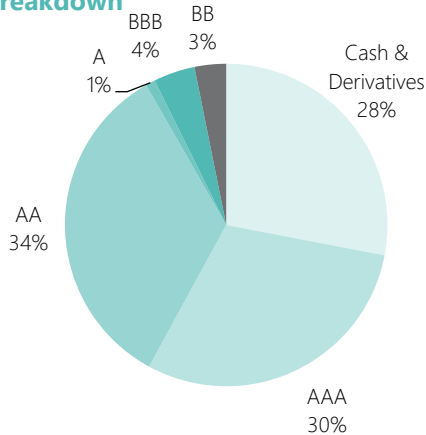
Source: Fidante Partners

Past distributions are no indication of future distributions.

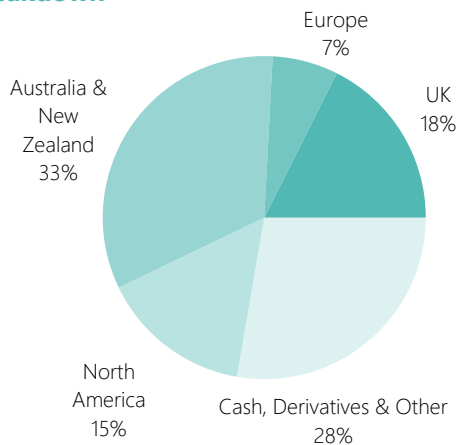
¹ Calculated as the cents per unit (CPU) distribution at month end divided by the ex-distribution unit price at the start of the month.

Portfolio Asset Allocation

Top Issuer Exposures

| | |
|---------------------------------------|------|
| CIFC European Funding CLO - 4X | 3.6% |
| Ivy Hill Middle Market Credit - 7x | 2.9% |
| Bluestone Prime Trust - 2021-1 | 2.9% |
| Madison Park Euro Funding - 17X | 2.9% |
| Resimac Premier Series 2021-1 | 2.7% |
| Dryden Euro CLO - 2020-89X | 2.7% |
| Liberty Funding Pty Limited - 2021-2P | 2.7% |
| Vermilion Trust - 2021-1 | 2.7% |
| Triton Trust - 2021-2 | 2.7% |
| National Australia Bank | 2.4% |

Credit Rating Breakdown


| Interest Rate Duration (yrs) | AUD | USD | EUR | GBP | CAD | NZD | Total |
|------------------------------|------|------|-------|------|------|------|-------|
| Total | 2.20 | 0.05 | -0.04 | 1.26 | 0.00 | 0.68 | 4.15 |

Regional Breakdown


Fund Overview

| | |
|---------------------------------|---|
| Portfolio Manager | Richard Quin |
| Inception date | 16 June 2021 |
| APIR code | CSI0521AU |
| Benchmark | 50% Bloomberg Ausbond Composite Bond Index and 50% 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 | +0.220%/-0.220% |
| 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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This material has been prepared by Bentham Asset Management ABN 92 140 833 674 AFSL 356199 (Bentham), the investment manager of Bentham Defensive Income Fund (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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