

## Bentham Defensive Income Fund (Class I)

May 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 May 2023 (%)

	1 month	3 months	6 months	1 year	Since inception (p.a.)
Gross return (before fees)	-1.01	0.44	1.89	1.71	-0.11
Benchmark*	-0.46	1.51	1.55	3.77	1.94
Excess return (before fees)	-0.56	-1.07	0.34	-2.06	-2.05

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 -1.01% for the month, underperforming the benchmark by 0.56%.

### Portfolio update

Investment markets were mixed in May amid varied economic signals, sticky inflation data and a more hawkish tone from major central banks. Equities were flat, with broad based weakness offset by strength in the tech sector and positive sentiment relating to AI. Bond and credit markets were generally weaker.

The US Fed lifted rates for the 10th time in just over 12 months to their highest level in 15 years while the ECB followed up with a 0.25% rate hike taking their official rate on deposits to 3.25%. Locally, the RBA hiked rates to 3.85% (and by another 0.25% in June) citing that inflation remained too high and "strong demand continued to contribute to strong price increases for many services".

The Fund reduced its banking and insurance exposure during the period. In addition, the Fund opportunistically sold a BNP position and participated in a new AUD transaction from Credit Agricole.

The Fund participated in the UK RMBS primary market during the month, adding to its senior AAA RMBS portfolio. In terms of the CLO market, primary US AAA spreads moved in from SOFR +185bp to SOFR +180bp, while European AAA CLO spreads remained steady at EURIBOR +185bp.

### Portfolio Summary Statistics

Yield to maturity	6.01%
Running yield	4.48%
Credit spread <sup>1</sup>	+184bps
Number of issuers	84
Interest rate duration	5.00 years
Credit duration	2.65 years
Average credit quality <sup>2</sup>	AAA
Investment grade <sup>3</sup> exposure	98% of portfolio
Ratings implied loss rate	-0.02%
Fund size	A\$37,371,503

### Risk Characteristics

1 Year Volatility	4.46
1 Year Sharpe Ratio	-0.46
1 Year Tracking Error	2.87
1 Year Information Ratio	-0.72

### Fund Distributions

Distribution frequency	Monthly
Monthly distribution <sup>4</sup>	0.40% (May 2023)
Target distribution rate (FY23) <sup>5</sup>	5.0%

<sup>1</sup> Spread over the swap rate.

<sup>2</sup> 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.

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

<sup>4</sup> 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.

<sup>5</sup> 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.

# Bentham Defensive Income Fund (Class I)

May 2023

## Monthly Distribution Returns History (%)<sup>1</sup>

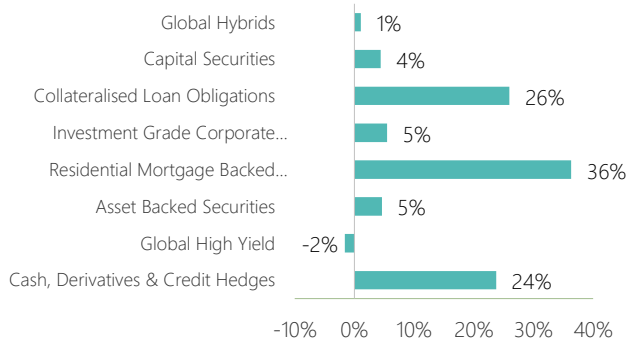
Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD <sup>2</sup>
2023	0.42	0.42	0.42	0.41	0.42	0.40	0.42	0.42	0.40	0.41	0.40	-	4.58
2022	0.13	0.13	0.12	0.11	0.10	0.11	0.10	0.10	0.10	0.11	0.12	5.09	6.09
2021												0.09	0.09

Source: Fidante Partners

Past distributions are no indication of future distributions.

<sup>1</sup> 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

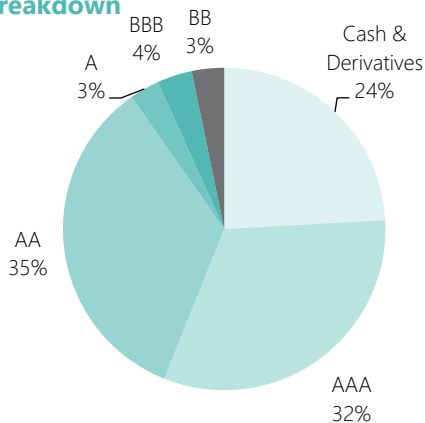


## Top Issuer Exposures

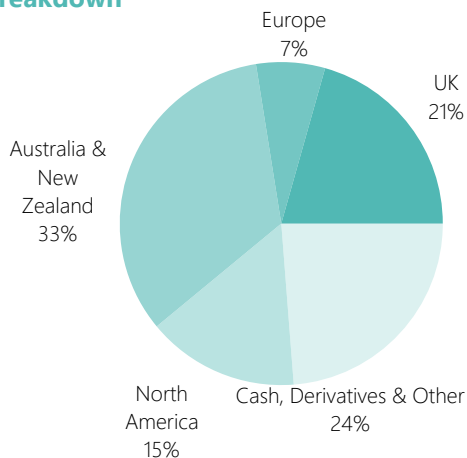
CIFC European Funding CLO - 4X	3.7%
Ivy Hill Middle Market Credit - 7x	3.0%
Bluestone Prime Trust - 2021-1	3.0%
Madison Park Euro Funding - 17X	2.9%
Dryden Euro CLO - 2020-89X	2.7%
Liberty Funding Pty Limited - 2021-2P	2.7%
Vermilion Trust - 2021-1	2.7%
Triton Trust - 2021-2	2.6%
Canada Square Funding 2021-2 PLC	2.5%
Resimac Premier Series 2021-1	2.4%

Interest Rate Duration (yrs)	AUD	USD	EUR	GBP	CAD	NZD	Total
<b>Total</b>	2.33	-0.01	-0.01	1.25	0.00	1.45	5.00

## Credit Rating Breakdown



## Regional Breakdown



**Fund Overview**

<b>Portfolio Manager</b>	Richard Quin
<b>Inception date</b>	16 June 2021
<b>APIR code</b>	CSI0521AU
<b>Benchmark</b>	50% Bloomberg Ausbond Composite Bond Index and 50% Bloomberg Ausbond Bank Bill Index
<b>Performance objective</b>	To exceed the Benchmark (cash) by 1.5% p.a. over rolling three-year periods
<b>Suggested investment time frame</b>	Medium term, minimum 3 years
<b>Investment universe</b>	Global credit and fixed interest markets, including but not limited to, investment grade securities, asset backed securities, capital securities and derivatives.
<b>Credit quality</b>	Minimum exposure of 90% to investment grade rated securities
<b>Interest rate exposure</b>	Actively managed
<b>Currency</b>	AUD Hedged, between 95% and 105% of NAV
<b>Tail risk management</b>	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.
<b>Fund documentation</b>	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**

<b>Unit frequency pricing</b>	Daily
<b>Management fee (Class I)</b>	0.35%
<b>Recoverable expenses</b>	0.05% p.a. estimate
<b>Buy/sell spread<sup>1</sup></b>	+0.220%/-0.220%
<b>Minimum initial investment</b>	A\$10,000

<sup>1</sup> 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:**
**Fund Information (for Wholesale and Institutional investors):**

Daniel Conti, CAIA  
 Senior Portfolio Specialist  
 Bentham Asset Management  
 Tel. +61 2 9994 7923  
 Email: daniel.conti@benthamam.com

Kate Harris  
 Senior Portfolio Specialist  
 Bentham Asset Management  
 Tel: +61 2 9994 7329  
 Email: kate.harris@benthamam.com

Larry Francis  
 Business Development Manager  
 Bentham Asset Management  
 Tel. +61 2 9994 7927  
 Email: larry.francis@benthamam.com

David Livera  
 Director - Wholesale Distribution  
 Bentham Asset Management  
 Tel. +61 3 9947 9412  
 Email: david.livera@benthamam.com

**Fund Administration:** Fidante Partners Investor Services on 13 51 53 or [info@fidante.com.au](mailto:info@fidante.com.au)

**Advisers:** Please contact [funds@benthamam.com](mailto:funds@benthamam.com) or call 02 9994 7929

**Institutional Investors / Consultants / Researchers:** [institutional@benthamam.com](mailto:institutional@benthamam.com)

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

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.

It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Information memorandum and/or Target Market Determination and Product Disclosure Statement (PDS) available at [www.fidante.com](http://www.fidante.com) should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

Past performance is not a reliable indicator of future performance.

Bentham and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Bentham and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties.

Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.