

# Bentham Syndicated Loan Fund

## Annual fund profile – 30 June 2023

### 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 AUD) over the suggested investment time frame. The Fund's investment performance is also compared with the Bloomberg AusBond Bank Bill Index.

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 AUD as is practicable. A NZD hedged version of the Fund is also available.

### 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 17 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
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	16 August 2004
APIR code	CSA0046AU
Fund size	A\$1,946 million as at 30 June 2023
Management fees*	0.77%
Buy/sell spread	+0.52%/-0.52% (reviewed periodically)
Entry and exit fees	Nil
Pricing frequency	Daily unit pricing
Initial investment	A\$10,000 minimum
NZ investors <sup>^</sup>	NZD hedged version available
ASX mFund <sup>^</sup>	ASX mFund version available

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

<sup>^</sup>See relevant PDS (located on the Bentham Asset Management website) as different fees may apply.

### Fund features

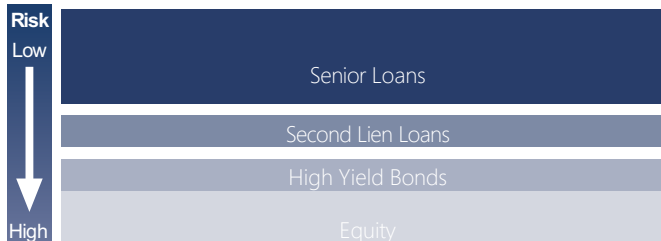
- Access to senior and secured syndicated loans which are not generally available to direct retail investors
- Targeted income distribution frequency: monthly
- High running yield with low interest rate risk
- Australian domiciled trust with a 19 year track record
- Loans are broadly syndicated and are 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 and protection against downside risk plays an important

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

Financial Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD*
2023	0.51	0.54	0.59	0.63	0.65	0.67	0.67	0.68	0.68	0.72	0.70	0.72	8.00
2022	0.29	0.30	0.29	0.30	0.30	0.29	0.30	0.29	0.29	0.29	0.31	0.33	3.38
2021	0.39	0.38	0.38	0.37	0.38	0.37	0.38	0.37	1.86	1.50	1.50	2.10	10.69
2020	0.37	0.35	0.35	0.36	0.34	0.33	0.34	0.34	0.33	0.29	0.28	0.28	3.70
2019	0.41	0.41	0.40	0.41	0.40	0.41	0.42	0.41	0.41	0.39	0.38	0.37	4.83
2018	0.45	0.41	0.40	0.41	0.40	0.41	0.42	0.42	0.42	0.42	0.43	0.45	5.16
2017	0.45	0.47	0.44	0.45	0.45	0.45	0.44	0.45	0.45	0.44	0.45	0.45	5.79
2016	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.39	0.39	0.29	4.65
2015	0.47	0.48	0.47	0.47	0.47	0.49	0.48	0.45	0.43	0.44	0.43	1.33	6.53
2014	0.54	0.53	0.52	0.52	0.52	0.52	0.53	0.52	0.52	0.53	0.54	2.31	8.47
2013	0.64	0.68	0.67	0.66	0.66	0.64	0.63	0.62	0.61	0.62	0.61	0.59	8.20

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.

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 FY2024 set at one month Australian Bank Bill Swap Rate (BBSW) plus a 4.25% to 4.75% of the monthly unit price*
Fund benchmark	Credit Suisse Leveraged Loan Index (hedged into Australian dollars)^
Currency exposure	Hedged into Australian 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.

^ Bentham Syndicated Loan Fund NZD Benchmark is Credit Suisse Leveraged Loan Index (hedged into NZD).

## Benchmark profile as at 30 June 2023

Fund benchmark	Credit Suisse Leverage Loan Index (hedged into Australian dollars)
Market size	USD\$1,273 billion
Number of issuers	379
Average credit rating	Split BB (below investment grade)
Interest rate duration	0.51 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.

	Australian Bank Bills	Global Govt Bonds	Australian Fixed Interest	Australian ILBs	US IG Corporates	Leveraged Loans	US High Yield	World Equities (Unhedged)	Australian Equities	US Preferred Securities	Emerging Market Bonds	Australian Property
Australian Bank Bills	1.00											
Global Govt Bonds	0.30	1.00										
Australian Fixed Interest	0.29	0.72	1.00									
Australian ILBs	0.18	0.58	0.71	1.00								
US IG Corporates	0.11	0.69	0.49	0.51	1.00							
Leveraged Loans	-0.03	-0.15	-0.09	0.15	0.39	1.00						
US High Yield Bonds	0.01	0.05	0.06	0.26	0.59	0.80	1.00					
World Equities (Unhedged)	-0.06	-0.05	0.09	0.15	0.12	0.27	0.35	1.00				
Australian Equities	-0.03	0.01	0.10	0.19	0.35	0.48	0.59	0.55	1.00			
US Preferred Securities	0.00	0.21	0.17	0.27	0.70	0.60	0.68	0.29	0.48	1.00		
Emerging Market Bonds	0.13	0.29	0.32	0.35	0.54	0.32	0.58	0.26	0.51	0.63	1.00	
Australian Property	-0.04	0.21	0.26	0.36	0.46	0.51	0.51	0.44	0.68	0.53	0.41	1.00

# of years: 30.6 to 31-7-2023

Overseas returns (except World Equities) are fully hedged into Australian 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

US Preferred Securities return data is only available from Feb-1997

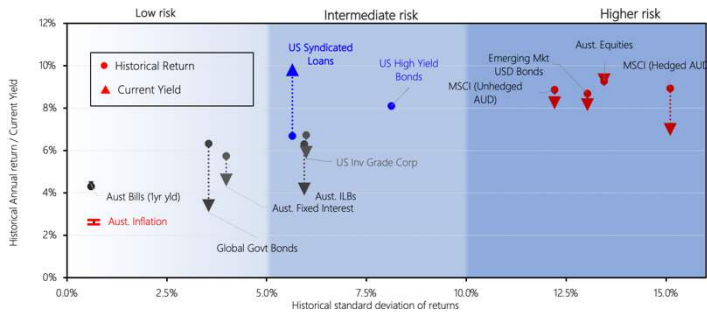
Australian RMBS AAA/AA return data is only available from Jan-1998

Asian Convertible Bond return data is only available from Feb-1994

## Risk and return

Loans have historically generated returns above the BBSW 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.

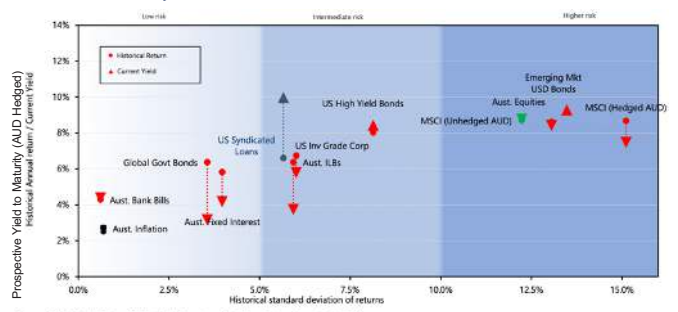
Historical returns versus historical risk (30 June 2023)



Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS  
Past performance is not a reliable indicator of future performance.  
For equities forward yield, Bentham inverted the forward PE and added 2.5% growth.

# of years: 31.0 to 30-6-2023

Current yield versus historical risk (30 June 2023)



Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS  
Past performance is not a reliable indicator of future performance.  
For equities Bentham invert the forward PE and add 2.5% growth. Investors should vary their estimate of growth to the equity earning yields to compare returns.

# of years: 30.9 to 31-6-2023

^ 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

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More information: [www.benthamam.com](http://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  
**2022 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



**2023 Winner**  
Global Fixed Income Fund of the Year

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