

Bentham Asset Backed Securities Fund

Fund Profile – 30 June 2024

Investment Style

The Bentham Asset Backed Securities Fund (Fund) is focused on generating income while preserving capital by investing in highly rated global asset backed securities (“ABS”). The Fund is actively managed, with individual investments made across different global ABS subsectors. The Fund is managed by Bentham Asset Management, which has over 20 years of investment experience in the sector.

Performance Objectives

The performance objective for the Fund is to exceed the Bloomberg AusBond Bank Bill Index by 1.5% per annum after fees over rolling three year periods while maintaining a minimum average credit quality of A-.

Primarily investing in the US and European ABS markets, the Fund seeks to add value through security selection and subsector allocation, while maintaining a highly rated, diversified portfolio. The Fund will be as close to fully currency hedged into AUD as is practicable.

Management Team

Bentham is a specialist global fixed interest and credit investment manager. Bentham actively manages a number of income focused funds with varying capital risk profiles. The portfolios are designed to generate income while diversifying risk in global credit markets. Bentham’s goal is to deliver higher income than can generally be achieved in traditional fixed interest markets with lower volatility than equity markets. The founders of Bentham previously worked together as part of the Credit Investment Group of Credit Suisse Alternative Capital Inc. (Now UBS Credit Investment Group). Bentham’s investment philosophy is based on a strong credit culture and a systematic investment process, with a focus on the preservation of principal and protection against downside risk.

Fund Facts

Fund name	Bentham Asset Backed Securities Fund
Investment manager	Bentham Asset Management
Trustee	Fidante Partners Limited
Fund aim	To provide exposure to the global asset backed securities (“ABS”) market and generate stable income with some capital growth
Inception date	31 Oct 2016
ISIN	AU60HOW28529
Fund size*	AUD 243.9m
Management cost	0.35%
Buy/Sell spread*	+0.13%/-0.13%
Entry and exit fees	Nil
Pricing frequency	Daily Unit Pricing
Initial investment	AUD 10,000
Target distribution rate*	Target distribution rate for FY2025 set at BBSW plus 1%
Currency	AUD denominated
Application frequency	Daily
Withdrawal frequency	Daily
ASX mFund^	ASX mFund class available

*As at 30/06/2024

^See relevant PDS (located on the ASX mFund website) for additional information

Fund Features

- Provides investors access to the global asset backed securities market
- Globally diversified sources of income
- High credit quality portfolio: minimum 90% allocation to Investment Grade issues
- Floating rate asset class targeting a total return above cash
- Low volatility / risk level. Focus on preservation of capital
- Targeted income distribution frequency: monthly
- Daily unit pricing

Fund Investment Profile

Suggested investment timeframe	Medium term – three years
Investment universe	Includes global asset backed securities, securitised debt, government bonds, government backed bonds, cash and derivatives
Volatility/risk level	Low
Income distribution frequency	Monthly
Fund benchmark	Bloomberg AusBond Bank Bill Index
Credit rating objective	Maintain a minimum average credit rating of A-
Credit risk	Minimum exposure of 90% to investment grade rated securities and cash equivalent
Issuer exposure limits	Maximum of: – 8% per AAA issuer – 6% per AA issuer – 4% per A issuer – 3% per BBB issuer – 2% per BBB- or below issuer
Interest rate risk	Active. The Fund is expected to have less interest rate risk than traditional fixed interest markets.

Portfolio Construction

The Fund's strategic positioning is based on a top down assessment of macro economic and investment market conditions. Active allocations to different global asset backed security sectors are made according to quarterly forecasts of prospective risk adjusted returns.

The Fund uses bottom-up analysis to select individual investments and employs a conservative approach to credit selection, emphasising preservation of principal.

Portfolio Management

Successfully investing in global asset backed securities requires specialist experience, global industry contacts and specialised portfolio risk systems.

Bentham has a long track record in managing global asset backed securities.

Bentham utilises market leading investment systems to assist in security selection, portfolio construction and risk management.

Asset Backed Securities – Overview

The global asset backed securities market is very large and well-established.

Higher rated tranches of ABS issuance offer investors a high credit quality, higher yielding, secured alternative to investment grade corporate and government bonds, with low interest rate risk.

Unique risk and return characteristics across ABS sub-sectors can provide portfolio diversification benefits to investors.

Underlying Assets

An asset backed security is a financial security that is backed (or secured) by a pool of underlying loans, mortgages, leases or other debt-like assets (the collateral). A key factor that determines the risk of an ABS is the credit quality of these individual assets. Debt backed assets have been proven to offer capital stability through different economic cycles and tend to be more commonly used.

Examples of global asset backed securities include, but are not limited to:

- Residential Mortgage Backed Securities (RMBS)
- Collateralised Loan Obligations (CLO)
- Aircraft backed securities
- Consumer auto loan backed securities
- Consumer credit card backed securities
- Commercial real estate mortgage backed securities (CMBS)
- Bank mortgage or cash flow backed securities (Covered Bonds)
- Container and rail car backed securities

The pool of underlying assets is managed by an investment manager in accordance with a set of portfolio investment rules.

Investors in ABS issues receive detailed information regarding the underlying asset pool and compliance with the issue's investment rules.

Structural Benefits in ABS

Global ABS structures typically include specific terms to help preserve the principal of investors in the higher quality, rated tranches. While these structural features vary across transactions, common examples include:

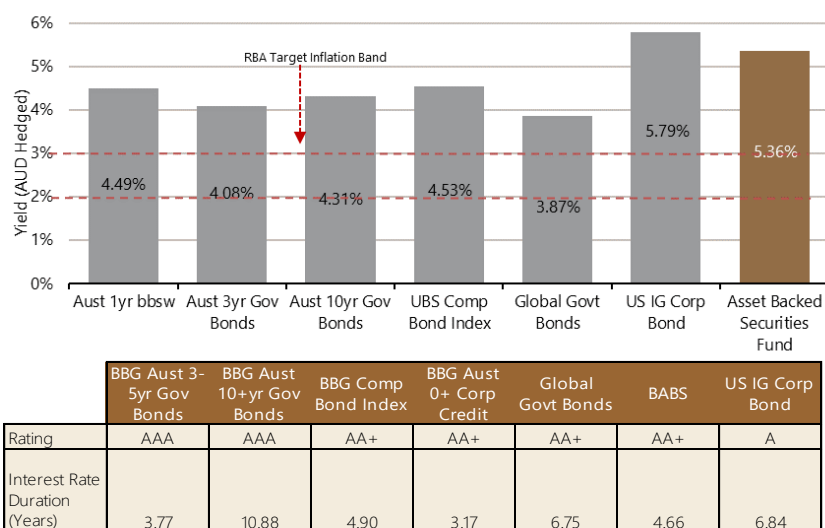
- Cashflow priority
- Security
- Seniority
- Structural subordination
- Reduction in leverage over time.

These features provide an important benefit to investors, supporting capital stability.

Investor Suitability

The Fund is suitable for Wholesale Investors. While credit risk in the Fund is low, the Fund's investments may be structurally complex and market conditions can lead to price volatility

Chart: Global ABS offers high yield, high credit quality, and low interest rate risk



^ Global credit yields are hedged into AUD assuming a duration matched interest rate differential

Source: Barclays Capital, Bentham, Bloomberg, Morgan Stanley and UBS

As at 30-6-2024

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

Researcher Fund Ratings



Bentham Industry Awards



2019 Winner Best Income Fund
2016 Winner Best Income Fund
2015 Winner Best Income Fund



2024 Winner Fixed Interest
2022 Winner Fixed Interest
2018 Finalist Fixed Interest
2017 Finalist Fixed Interest
2014 Winner Fixed Interest
2010 Finalist Fixed Interest



2024 Finalist
Global Fixed Income Fund of the Year
2023 Winner
Global Fixed Income Fund of the Year



2018 Finalist Global & Diversified Fixed Interest
2015 Finalist Global & Diversified Fixed Interest
2014 Finalist Global & Diversified Fixed Interest
2013 Finalist Global & Diversified Fixed Interest



2020 Winner High Yield Bonds
2019 Winner High Yield Bonds
2018 Winner High Yield Bonds

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