

# Bentham Defensive Income Fund

## Annual Fund Profile – 30 June 2024

### Investment Style

The Bentham Defensive Income Fund (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. Investments are actively managed with allocations across different credit sectors, trading of individual securities and managing risk. The Fund has a global focus provides more investment opportunities and diversity when compared with the domestic fixed income market.

### Investment Objectives

The Fund's investment objective is to generate steady income based returns with a focus on managing downside volatility.

The Fund aims to outperform its benchmark over the suggested minimum investment timeframe.

### 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 Defensive Income Fund
Investment Manager	Bentham Asset Management
Responsible Entity	Fidante Partners Limited
Fund aim	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 managing downside volatility.
Inception date	16 June 2021
APIR code	HOW4919AU
Fund size	AU\$52.2 million as at 30 June 2024
Management fee*	0.35%
Buy/sell spread	+0.14%/-0.14% (reviewed periodically)
Entry and exit fees	Nil
Pricing frequency	Daily unit pricing
Initial investment	A\$10,000 minimum
Currency	AUD Hedged, between 95% and 105% of NAV

### Fund Features

- Access to global investment opportunities
- Diversified sources of income across many countries, industries, companies and investment types
- Unique asset classes with specialist expertise
- Targeted income distribution frequency: monthly
- Active interest rate management
- Daily unit pricing

### Portfolio Construction

Bentham manages the Fund on a top down basis, with active allocations to different global credit market sectors made according to quarterly forecasts of prospective risk adjusted returns. Drawing on a combination of both internal experience and strong relationships with specialist investment managers, Bentham seeks out and identifies global investment opportunities.

Bentham employs a bottom-up security selection focused on asymmetric risk/reward opportunities across industries, capital structure position and ratings cluster. Derivatives are primarily used for managing credit exposures and hedging portfolio risk.

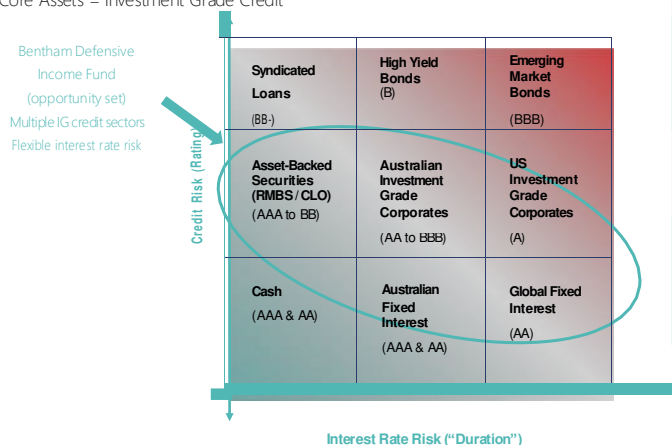
The Fund has a minimum of 90% exposure to investment grade securities. Credit risk is minimised with a focus on capital preservation and a high diversity of investments which would otherwise be difficult to achieve without access to global markets and an institutional size portfolio.

Bentham actively manages interest rate exposures in the Fund.

## Fund Opportunity Set

How the Fund generates Income above Cash

Core Assets = Investment Grade Credit



## Fund Risk Profile

Investment universe	Global credit and fixed interest markets, including but not limited to, investment grade securities, asset backed securities, capital securities and derivatives.
Suggested investment timeframe	Medium term – three years minimum investment
Volatility/risk level	Medium
Income distribution frequency	Monthly
Fund benchmark	50% Bloomberg Ausbond Composite Bond Index and 50% Bloomberg Ausbond Bank Bill Index
Credit risk	Minimum exposure of 90% to investment grade rated securities
Credit sector exposure limits	45% investment grade corporate debt, 20% banking & insurance sub-debt, 80% investment grade ABS and 20% cash
Interest Duration management	Interest rate risk (duration) actively managed
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.

## Bentham Defensive Income Fund - Summary



### What you get:

- Asset allocation diversified by
  - Sector (ABS core)
  - Geography (DM focus)
- Average rating A rating band
- Spread above cash

## Long-Term Correlation of Asset Class Returns# ^

The Fund has exposure to a number of different credit and fixed income asset classes for the purpose of generating returns. Actively allocating to multiple credit asset classes with varying levels of correlation – rather than focusing on one asset class – may improve the diversity of a portfolio. Usually this results in an increased diversification of risk.

	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	0.29	1.00										
Australian Fixed Interest	0.29	0.74	1.00									
Australian ILBs	0.18	0.59	0.72	1.00								
US IG Corporates	0.11	0.70	0.51	0.52	1.00							
Leveraged Loans	-0.03	-0.14	-0.09	0.15	0.38	1.00						
US High Yield Bonds	0.01	0.08	0.08	0.27	0.59	0.80	1.00					
World Equities (Unhedged)	-0.06	-0.03	0.11	0.16	0.14	0.27	0.36	1.00				
Australian Equities	-0.03	0.04	0.12	0.21	0.37	0.48	0.60	0.55	1.00			
US Preferred Securities	0.00	0.23	0.18	0.28	0.69	0.60	0.68	0.29	0.49	1.00		
Emerging Market Bonds	0.13	0.31	0.33	0.36	0.55	0.31	0.59	0.26	0.63	0.63	1.00	
Australian Property	-0.04	0.25	0.30	0.39	0.48	0.50	0.52	0.45	0.68	0.52	0.42	1.00

# of years: 30.6 to 30-06-2024

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

Through active management, the Fund offers diversified exposure to global credit markets. Over the long term, credit markets have achieved above cash returns, and have typically had an intermediate risk profile as characterised in the risk return chart below.

### Credit Sector Current Yields vs. Historical Volatility



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.

# of years: 32.0 to 30-6-2024

Asset Class definitions; Aust. Bank Bills is UBS Bank Bill Index, Aust. Fixed Interest is UBS Composite Bond Index, Global Govt Bonds is JP Morgan GBI, US inv Grade Corp 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 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)

## 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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