

Bentham Syndicated Loan Fund

Annual fund profile – 30 June 2018

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 equivalent 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 12 staff located in Australia and the Credit Investments Group has 35 investment staff based in New York and London. The Australian team have a strong track record of managing global diversified fixed interest 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\$4,529 million as at 30 June 2018 |
| Management costs* | 0.84% |
| Buy/sell spread | +0.34%/-0.34% (reviewed periodically) |
| Entry and exit fees | Nil |
| Pricing frequency | Daily unit pricing |
| Initial investment | A\$10,000 minimum |
| Other classes | NZD hedged equivalent available |
| ASX mFund | ASX Class available via mFund code BAM04 |

* Inclusive of management fee and estimated reimbursable expenses (%p.a.)

Fund features

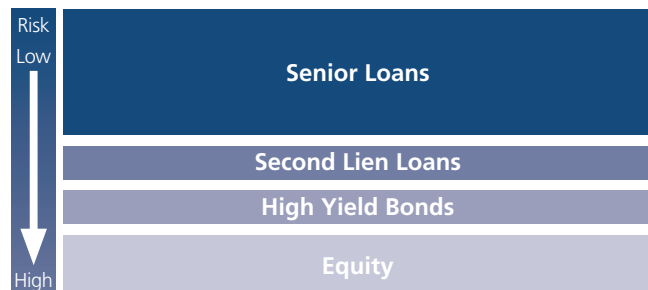
- Access to senior secured syndicated loans which are not generally available to direct retail investors
- Targeted income distribution frequency: monthly
- High running yield with low interest rate risk
- Australian domiciled trust with a 14 year track record
- Loans are valued to market prices daily – 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.

A loan is 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

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

| Financial Year | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | YTD** |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| 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 |
| 2012 | 1.02 | 0.96 | 1.01 | 0.69 | 0.70 | 0.67 | 0.73 | 0.70 | 0.70 | 0.67 | 0.62 | 1.91 | 10.56 |
| 2011 | 0.74 | 0.73 | 0.74 | 0.74 | 0.75 | 0.75 | 0.75 | 0.91 | 0.91 | 0.91 | 0.02 | 5.00 | 14.10 |
| 2010 | 0.62 | 0.62 | 0.63 | 0.65 | 0.67 | 0.70 | 0.70 | 0.69 | 0.68 | 0.68 | 0.72 | 1.24 | 10.09 |
| 2009 | 0.65 | 0.66 | 0.65 | 0.56 | 0.46 | 0.36 | 0.38 | 0.32 | 0.26 | 0.29 | 0.27 | 0.28 | 4.85 |
| 2008 | 0.49 | 0.50 | 0.54 | 0.58 | 0.57 | 0.58 | 0.59 | 0.59 | 0.59 | 0.64 | 0.66 | 5.26 | 11.15 |

Source: Fidante Partners. Past performance is no indication of future performance.

* 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.

and protection against downside risk plays an important 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 FY19 set at one month Australian Bank Bill Swap Rate (BBSW) plus a range of 2.75% to 3.25% 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 FY2019 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 2018 and assumes the Fund continues to achieve an equivalent yield for FY2019. 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 2018

| | |
|------------------------|--|
| Fund benchmark | Credit Suisse Leverage Loan Index (hedged into Australian dollars) |
| Market size | USD\$1,125 billion |
| Number of issuers | 1,307 |
| Average credit rating | Split BB (below investment grade) |
| Interest rate duration | 0.12 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.

1 January 1992 to 30 June 2018

| Correlation | Global Govt Bonds | Australian Fixed Interest | US IG Corporates | US Preferred Securities | Leveraged Loans | US High Yield Bonds | Emerging Market Bonds | World Equities (Unhedged) | Australian Equities | Australian Property Trusts |
|----------------------------|-------------------|---------------------------|------------------|-------------------------|-----------------|---------------------|-----------------------|---------------------------|---------------------|----------------------------|
| Global Govt Bonds | 1.00 | 0.67 | 0.45 | 0.05 | -0.35 | -0.20 | 0.26 | -0.27 | -0.17 | 0.10 |
| Australian Fixed Interest | 0.67 | 1.00 | 0.17 | -0.03 | -0.35 | -0.28 | 0.02 | -0.04 | -0.30 | 0.07 |
| US IG Corporates | 0.45 | 0.17 | 1.00 | 0.75 | 0.43 | 0.62 | 0.79 | 0.02 | 0.37 | 0.40 |
| US Preferred Securities | 0.05 | -0.03 | 0.75 | 1.00 | 0.60 | 0.68 | 0.69 | 0.26 | 0.44 | 0.48 |
| Leveraged Loans | -0.35 | -0.35 | 0.43 | 0.60 | 1.00 | 0.89 | 0.52 | 0.35 | 0.54 | 0.45 |
| US High Yield Bonds | -0.20 | -0.28 | 0.62 | 0.68 | 0.89 | 1.00 | 0.73 | 0.33 | 0.63 | 0.46 |
| Emerging Market Bonds | 0.26 | 0.02 | 0.79 | 0.69 | 0.52 | 0.73 | 1.00 | 0.05 | 0.50 | 0.47 |
| World Equities (Unhedged) | -0.27 | -0.04 | 0.02 | 0.26 | 0.35 | 0.33 | 0.05 | 1.00 | 0.53 | 0.50 |
| Australian Equities | -0.17 | -0.30 | 0.37 | 0.44 | 0.54 | 0.63 | 0.50 | 0.53 | 1.00 | 0.70 |
| Australian Property Trusts | 0.10 | 0.07 | 0.40 | 0.48 | 0.45 | 0.46 | 0.47 | 0.50 | 0.70 | 1.00 |

Sources: Barclay's Capital, Bentham, BoA Merrill Lynch, Bloomberg, Credit Suisse, JP Morgan, Morgan Stanley & UBS.

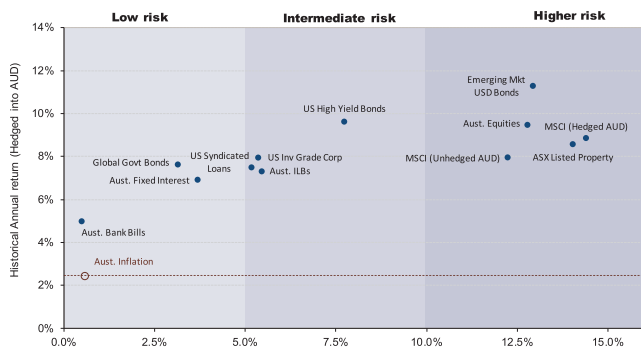
[#] Period of years: 10 to 30-6-2018. Overseas returns (except World Equities) are fully hedged into Australian dollars.

Past performance is no indication of future performance.

Risk and return

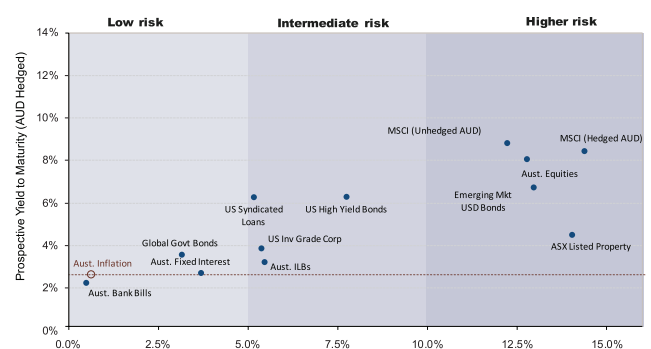
Loans have historically generated returns above the BBSW over the medium to long term. Syndicated loans as an asset class typically have a level of intermediate risk as characterised in the risk return chart below. For specific and current return data please refer to the current monthly fact sheets or quarterly commentaries.

Historical returns versus historical risk (as at 30 June 2018)



Historical standard deviation of returns (# of years: 26.5 to 30 June 2018)

Prospective yield versus historical risk (as at 30 June 2018)



Historical standard deviation of returns (# of years: 26.5 to 30 June 2018)

Sources: Barclay's Capital, Bentham, Bloomberg, BoA Merrill Lynch, Credit Suisse, JP Morgan, Morgan Stanley and UBS. Note: for equities we have added an additional 2.5% for growth to the inverted fwd PE.

[^] 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

Retail Investors: Fidante Partners Investor Services on 13 51 53.

Advisers: Fidante Partners Adviser Services on 1800 195 853 or your State Business Development Manager.

Institutional Investors/Consultants: institutional@benthamam.com or Daniel Conti on (61) 2 9994 7923.

New Zealand Advisers and Institutional Investors: The Investment Store on 0800 331 041.

More information: www.benthamam.com

Researcher ratings – Bentham Syndicated Loan Fund



Bentham industry awards



Finalist – Fixed Interest Category
Bentham Global Income Fund



Bentham Asset
Management



Bentham Asset
Management



Bentham Global
Income Fund



Bentham Global
Income Fund



Diversified Credit Category 2015
Bentham Global Income Fund



Bentham Global
Income Fund



Bentham Global
Income Fund



Winner – Fixed Interest Category
Bentham Global Income Fund



Diversified Credit Category 2014
Bentham Global Income Fund

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