

# Adelaide Managed Funds

ASX Release

17 August 2011

## ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST INVESTOR PRESENTATION

Adelaide Managed Funds as Responsible Entity for the Adelaide Managed Funds Asset Backed Yield Trust (**AYT**) has today released to the market an Investor Presentation (attached) to accompany the release of AYT's full year results.

### **For further information, please contact:**

Mr Mark McKay  
Adelaide Managed Funds  
08 8300 6686

---

### **About Adelaide Managed Funds**

Adelaide Managed Funds, a wholly owned subsidiary of Bendigo and Adelaide Bank, is the responsible entity of the Adelaide Managed Funds Asset Backed Yield Trust.

For further information about Adelaide Managed Funds and AYT, please visit:  
[www.adelaidemanagedfunds.com.au](http://www.adelaidemanagedfunds.com.au)



ADELAIDE MANAGED FUNDS  
ASSET BACKED YIELD TRUST

August 2011

Adelaide Managed Funds

# DISCLAIMER

- > This presentation has been prepared by Adelaide Managed Funds Limited (Adelaide Managed Funds) as the responsible entity for the Adelaide Managed Funds Asset Backed Yield Trust (the Fund). The information contained in this presentation is provided for information purposes only and is subject to change without notice. Nothing contained in this presentation constitutes investment, legal, tax or other advice.
- > This document is provided to you on the basis that you keep this presentation and the information contained within it confidential and do not copy or circulate it in whole or in part.
- > The information in this presentation has been prepared without taking into account your particular investment objectives, financial circumstances or needs. You should consider all of the risk factors that could affect the performance of the Fund and which are associated with investing in the Fund in light of your own particular investment objectives, financial circumstances and needs. If you have any questions, you should contact your independent financial or other professional adviser for advice.
- > Any forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to Adelaide Managed Funds, and its officers, employees, agents or associates. Actual future events may vary materially from any forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on any such forward looking statements.
- > Adelaide Managed Funds has prepared this document based on information available to it. Although all reasonable care has been taken to ensure that the facts stated and opinions given in this presentation are fair and accurate, the information provided in this presentation has not been verified. Accordingly, no representation or warranty, expressed or implied is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this presentation. To the fullest extent permitted by law, none of Bendigo and Adelaide Bank Limited, Adelaide Managed Funds, their agents, directors, or officers, or any other party named in this presentation, accept any liability for any loss or damage (including any direct, indirect, incidental or consequential loss or damage) whatsoever arising from any use of the information in this presentation, or otherwise arising in connection therewith.
- > Bendigo and Adelaide Bank Limited, Adelaide Managed Funds, and their respective, officers, employees, agents and associates may, from time to time, hold interests in the securities of, or fees or other benefits from the Fund and corporations and investment vehicles in which the Fund holds interests.

## CONTENTS

1. Highlights
2. Full Year Financial Performance
3. Investment Portfolio Update
4. Strategy Update

## APPENDICES

- I. Additional Details on the Investment Portfolio
  - II. Full Year Financial Statements
-

# 1. HIGHLIGHTS

## HIGHLIGHTS

- > Orderly wind down progressing well, with total capital returns of \$1.51 per Unit paid during FY11 and an additional \$0.03 to be paid in September 2011
- > Non-Conforming Mortgage investment on track to be fully repaid in October 2011, consistent with previous forecast
- > Delisting expected to occur by January 2012 (subject to ASX approval)
- > Impairment provision against MIS investment reduced by \$4.51 million as at 30 June 2011, reflecting expectations of increased future cash flows
- > Subject to no superior proposals, Management and Board currently expect that holding the MIS investment to maturity will result in the optimal outcome for Unitholders
- > Total income distributions of 5.24 cents per Unit for FY11

## 2. FULL YEAR FINANCIAL PERFORMANCE

## FY11 FINANCIAL PERFORMANCE

- > Interest income decreased by 63.84% to \$5.97 million compared to the previous comparable period (pcp)
- > The decline in interest income was primarily due to the impact of asset repayments and subsequent capital returns to Unitholders, as well as asset impairment
- > Unitholders earned total income distributions of 5.24 cents per Unit during FY11
- > Unitholders received total capital returns of \$1.51 per Unit during FY11

	Change from pcp	FY11 (\$m)	FY10 (\$m)
<b>Interest Income</b>	<b>(63.84%)</b>	<b>5.97</b>	<b>16.51</b>
Operating Expenses	(52.97%)	(1.03)	(2.19)
Distributable Income	(65.55%)	4.93	14.31
<b>Unitholder Distribution (cents per Unit)</b>	<b>(65.86%)</b>	<b>5.24</b>	<b>15.35</b>
<b>Average 30-day BBSW</b>	<b>23.32%</b>	<b>4.76%</b>	<b>3.86%</b>
<b>Average Investment Balance (\$m)<sup>1</sup></b>	<b>(57.04%)</b>	<b>79.93</b>	<b>186.06</b>

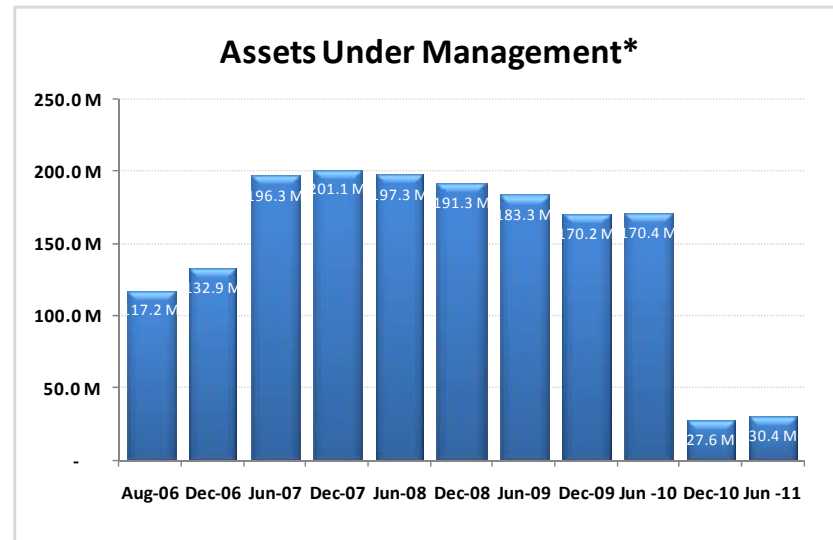
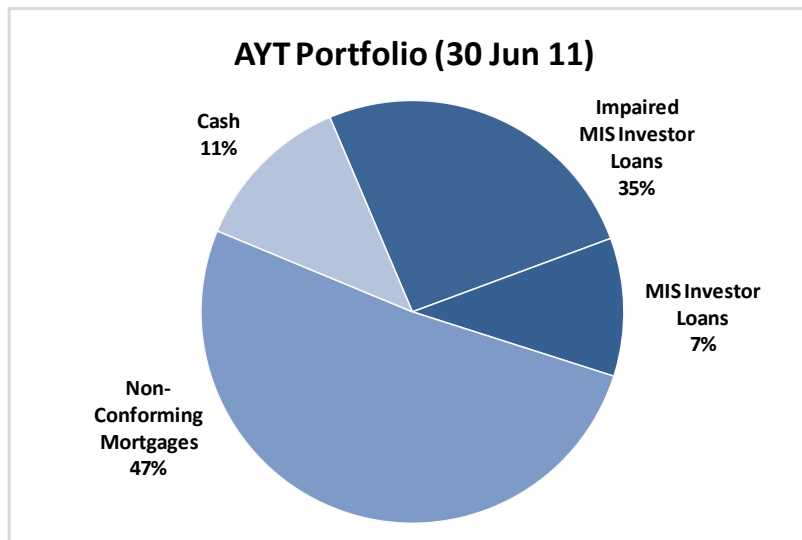
<sup>1</sup> Excludes impairment provision



# 3. INVESTMENT PORTFOLIO UPDATE

## PORTFOLIO OVERVIEW

- > Margin Lending investment fully repaid in September 2010
- > Total capital returns of \$1.51 paid to Unitholders in FY11
- > Performing assets under management (including cash) total \$30.38 million as at 30 June 2011 (30 June 2010: \$170.45 million)
- > Impairment provision against MIS investment reduced by \$4.51 million to \$10.53 million as at 30 June 2011 (30 June 2010: \$15.78 million)



\* includes impairment provision and cash balances

## PORTFOLIO PERFORMANCE UPDATE

- > Non-Conforming Mortgage investment remains well supported by funded subordination and has a substantial buffer against losses
- > Continued Management focus on impaired MIS investment
- > For the purposes of valuing the MIS investment, Management has forecast that total losses incurred by the program will reach 42.54% (30 June 2010: 28.24%)
- > Increase in forecast losses a function of historical actual performance, assumed continued poor performance and removal of the previously forecast program clean up call execution

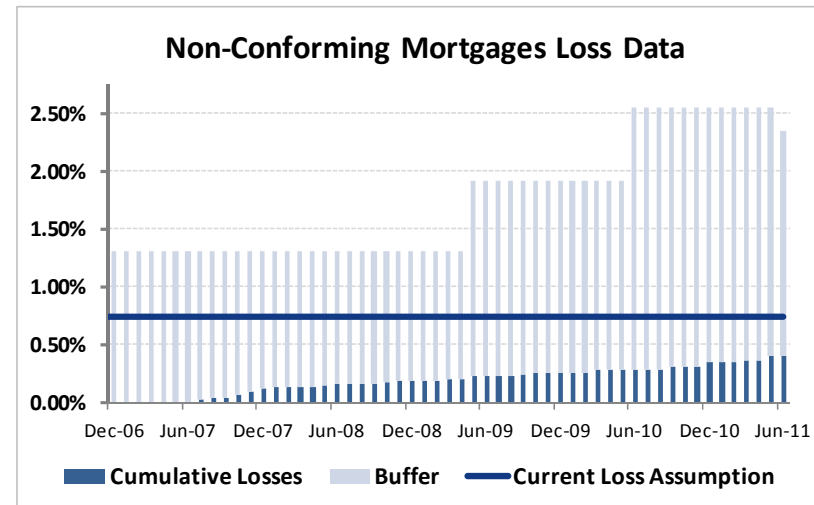
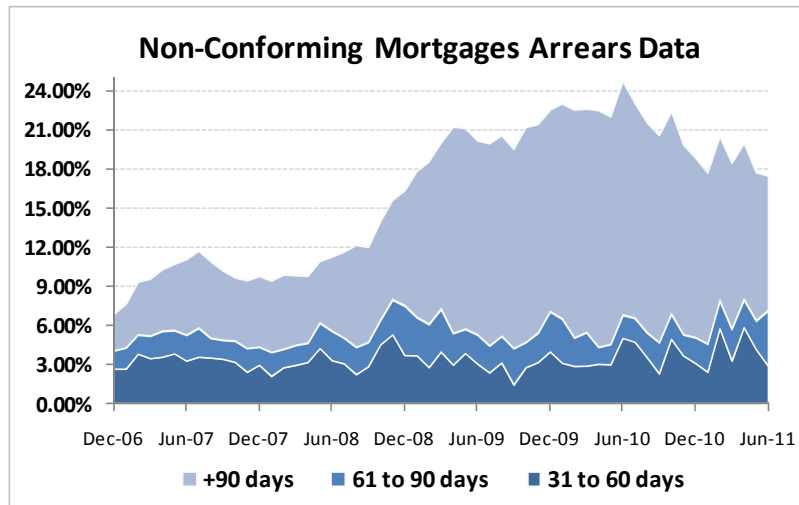
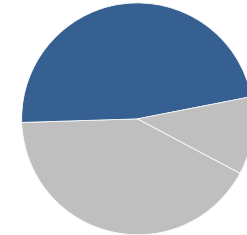
Investment	Actual Losses Recorded to 30 Jun 2011	Current Loss Assumptions	Losses where Fund Investment is Impacted	Loss Buffer Multiple (Current)	Loss Buffer Multiple (Previous)
Non-Conforming Mortgages	0.40%	0.74%	> 2.35%	5.9 x	7.3 x
MIS Investor Loans <sup>1</sup>	25.89%	42.54%	> 4.82%	0.0 x	0.0 x

<sup>1</sup> Impairment provision of \$10.5 million outstanding as at 30 June 2011

# NON-CONFORMING MORTGAGES

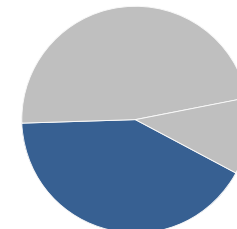
- > Investment continues to perform well despite high arrears
- > The continued high level of +90 day arrears reflects ongoing financial hardship cases however we note that these borrowers are still meeting payment arrangements and losses have not increased substantially
- > Cumulative losses remain substantially less than forecast and need to increase by more than 5 times before the Fund's investment is impacted
- > Investment forecast to be fully repaid in October 2011

Non-Conforming Mortgages (47%)

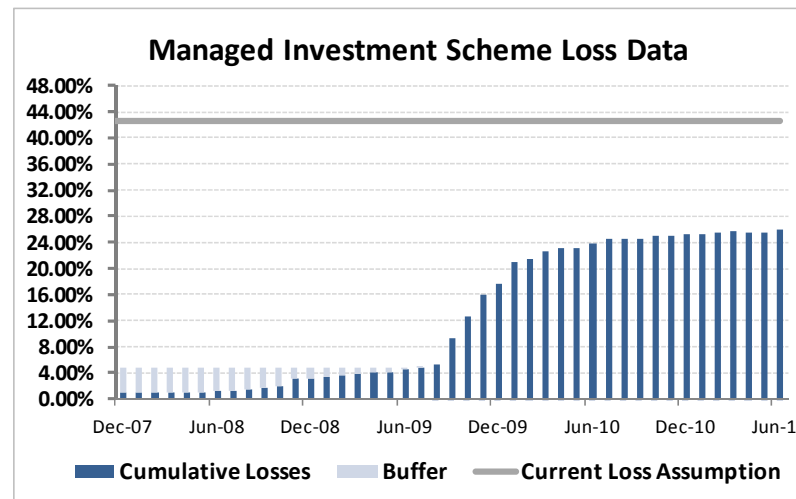
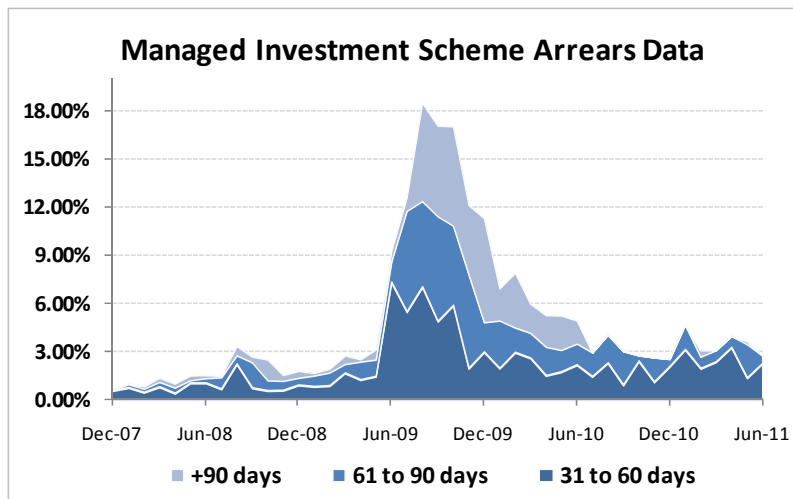


Managed Investment Schemes (42%)

# MANAGED INVESTMENT SCHEMES



- > All receivables are investor loans offered to borrowers to facilitate their investment in various Great Southern MIS
- > Trust Manager formally advised AMF in August that the program clean up call is unlikely to be executed, giving Unitholders access to additional cash flow previously not forecast
- > Impairment provision subsequently reduced by \$4.51 million to \$10.53 million as at 30 June 2010, reflecting AMF’s current best estimate of loss
- > Investment cash flows now expected to be received until July 2013



# 4. STRATEGY UPDATE

## STRATEGY UPDATE

- > On 17 September 2010 Unitholders approved the implementation of an orderly wind down of the Fund
- > Total capital of \$1.51 per Unit has been returned to Unitholders to date
- > A further capital return of \$0.03 per Unit will be paid on 9 September 2011, following the receipt of principal repayments on the Fund's MIS investment
- > AMF expect to delist the Fund by January 2012 (subject to ASX approval) following the repayment of the Non-Conforming Mortgage investment (forecast to occur in October 2011)
- > No distribution guidance to be given for FY12, though all distributable income (and capital) held in cash to be returned to Unitholders prior to delisting
- > Subject to no superior proposals, Management and Board currently expect that holding the MIS investment to maturity will result in the optimal outcome for Unitholders
- > Management and Board continue to seek to maximise returns to Unitholders throughout the implementation of the wind down

# APPENDIX I

## Additional Details on the Investment Portfolio



## ADDITIONAL DETAILS ON THE INVESTMENT PORTFOLIO

Name	Asset category	Face Value (\$M)	Carrying Value (\$M)	% of Portfolio <sup>3</sup>	Margin over BBSW (%)	Forecast Maturity	Repayment Mechanism
Cash	Cash at Bank	5.1	5.1	16.6%	-	-	-
Q10 Trust E Note	Mortgage Portfolio	10.0	10.0	32.9%	4.25% <sup>4</sup>	October 2011	Voluntary program clean up call expected to be executed in October 2011. Call at the discretion of the Trust Manager (NAML).
Q10 Trust F Note	Mortgage Portfolio	11.0	11.0	36.2%	6.50% <sup>5</sup>		
MIS Program 1 C Note	MIS Investor Loans	9.6 <sup>1</sup>	3.0 <sup>2</sup>	10.0%	4.50%	July 2013	Voluntary program clean up call (at 10% of initial pool balance) not expected to be executed. Cash flows now expected to be received until July 2013.
MIS Program 1 D Note	MIS Investor Loans	5.3 <sup>1</sup>	1.3 <sup>2</sup>	4.2%	12.50%		

\*rounding differences may occur

<sup>1</sup> Does not include impairment provisions – impairment provision of \$10.5 million outstanding against MIS investments as at 30 June 2011

<sup>2</sup> Includes impairment provisions

<sup>3</sup> Based off carrying value

<sup>4</sup> Increased by 0.50% from 3.75% on 16 June 2011

<sup>5</sup> Increased by 0.50% from 6.00% on 16 June 2011

# APPENDIX II

## Full Year Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME\*

	FY11 A\$M	FY10 A\$M
Interest Income	5.97	16.51
Other Income – Reduction in Impairment Provision	4.51	-
<b>Total Income</b>	<b>10.48</b>	<b>16.51</b>
Operating Expenses	(1.03)	(2.19)
Impairment Provision	-	(12.32)
Interest Expense	-	(0.01)
<b>Net Profit Before Finance Costs and Income Tax</b>	<b>9.44</b>	<b>1.99</b>
Finance Costs – Distribution to Unitholders	(4.93)	(14.31)
<b>Net Profit / (Loss) for the Year</b>	<b>4.51</b>	<b>(12.32)</b>
Distributable Income	4.93	14.31
<b>Distributable Income (cents per Unit)</b>	<b>5.24c</b>	<b>15.35c</b>

\* Rounding differences may occur

## STATEMENT OF CASH FLOWS\*

	FY11 A\$M	FY10 A\$M
<b>Cash Flows from Operating Activities</b>		
Interest Received	6.78	16.73
Interest Paid	-	(0.01)
Management Fee Paid	(1.22)	(1.92)
Other	(0.20)	(0.27)
<b>Net Cash Flows from Operating Activities</b>	<b>5.36</b>	<b>14.52</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to Unitholders	(7.82)	(15.08)
<b>Net Cash Flows used in Financing Activities</b>	<b>(7.82)</b>	<b>(15.08)</b>
<b>Cash Flows from Investing Activities</b>		
Principal Receipts from Investments	128.88	16.14
Capital Returned to Unitholders	(142.12)	-
<b>Net Cash Flows from / (used in) Investing Activities</b>	<b>(13.24)</b>	<b>16.14</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(15.69)</b>	<b>15.58</b>

\* Rounding differences may occur