

AMF: Asset Backed Yield Trust

Market update - reaffirms FY09 yield guidance

Event

In a market update AYT: reiterated its FY09 forecast yield of 4.0% to 4.5% above the 30-day BBSW, which currently equates to an FY09 distribution of between 20.2cpu-21.2cpu; advised that all assets are performing to its expectations and the recent volatility in equity markets has not impacted upon its margin-lending investments; and the NTA as at 30 September 2008 was \$1.95 per unit (after payment of the 5.5cpu quarterly distribution).

Implications

This was a positive update from AYT, particularly given the current volatility in investment markets. Management attributed the relatively strong performance to its conservative investment strategy and risk management. We have lowered our distribution forecasts, due to the decline in bank bill rates. This has reduced our FY09 and FY10 EPS forecasts by around 11%. Consequently, distribution forecasts have fallen, the FY09 distribution is down from 23.5cps to 20.5cps and within the guidance range, while the FY10 distribution has been reduced from 22.5cpu to 20.0cpu. The NTA valuation has fallen from \$1.64 to \$1.56, which reflects a 20% discount to the last stated NTA of \$1.95 as at 30 September 2008. Since we last valued AYT (1 August 2008) we have increased the NTA discount used in our valuation from 15% to 20%, as the global economic environment has deteriorated further, which has seen further discounting of non-cash investments, in particular non-investment-grade assets.

Investment Opinion

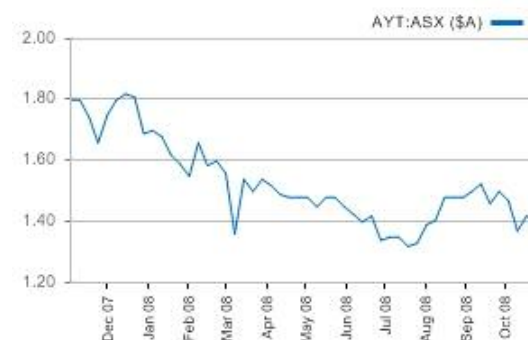
The research on this company has been commissioned and as such Aegis has received a fee for its initiation and ongoing research coverage.

No part of either the fee received by Aegis or the compensation paid to its analysts involved in preparing this report was, is or will be directly or indirectly, related to the valuation, earnings forecast or views expressed in this report.

Key Information

Share Price	\$1.40
Valuation	\$1.56

Price Performance



Market Statistics

Market Cap (M)	\$139
Shares (M)	98.9
% of All Ords	0.00
% of Sector	0.04
12 Month Range	\$1.26 - \$1.87
Company Risk	★ ★ ★ ☆ ☆
Share Price Risk	★ ★ ☆ ☆ ☆
Ethical rating	★ ★ ★ ★ ★

Performance against indices (%)

	3 Months	6 Months	12 Months
AYT	3.0	(7.4)	(26.7)
Sector	(11.5)	(25.9)	(45.7)
Market	(24.5)	(33.5)	(43.9)

Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT ¹ Adj \$M	EPS ¹ c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2007A	16.7	16.7	16.7	n/a	8.4	0.7	0.8	9.2	6.6	0	11.8
2008A	22.4	22.4	22.6	35.6	6.2	0.6	0.6	21.1	15.1	0	11.7
2009F	19.5	19.5	20.7	(8.7)	6.8	0.8	0.7	20.5	14.6	0	10.5
2010F	19.5	19.5	20.0	(3.1)	7.0	0.9	0.8	20.0	14.3	0	10.2

¹ NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

AMF: Asset Backed Yield Trust

Valuation: \$1.56

Company risk ¹: ★★☆☆☆

Share Price risk ¹: ★★☆☆☆

Ethical rating ²: ★★★★★

Year end Jun. All figures in A\$M

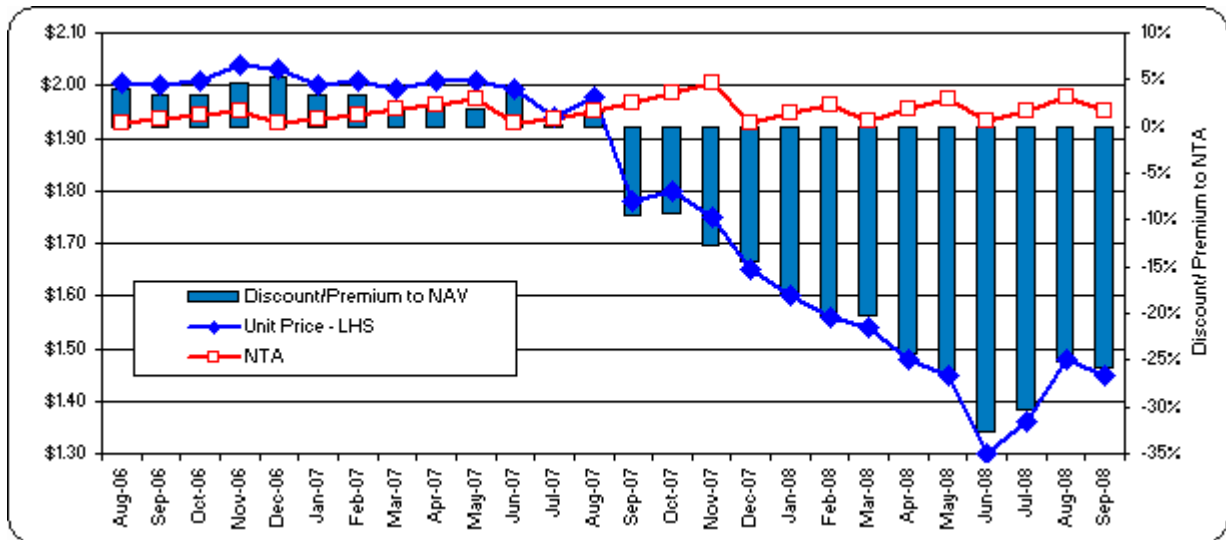
Profit & loss summary					Ratio analysis				
	2007A	2008A	2009F	2010F		2007A	2008A	2009F	2010F
Operating revenue	20.4	26.2	21.5	21.6	Revenue growth (%)	0.0	28.6	(17.9)	0.7
Invest & other income	0.0	0.0	0.0	0.0	EBITDA growth (%)	n/a	20.3	(18.7)	0.5
EBITDA	19.9	24.0	19.5	19.6	EPS growth (%)	n/a	35.6	(8.7)	(3.1)
Depreciation/Amort	0.0	(0.1)	0.0	0.0	EBITDA/Sales margin (%)	97.8	91.5	90.6	90.5
EBIT	19.9	23.8	19.5	19.6	EBIT/Sales margin (%)	97.8	91.0	90.6	90.5
Net Interest	(3.2)	(1.4)	0.0	(0.1)	Tax rate (%)	0.0	0.0	0.0	0.0
Pre-tax profit	16.7	22.4	19.5	19.5	Net debt/equity (%)	48.4	(2.8)	(53.1)	(48.5)
Tax expense	0.0	0.0	0.0	0.0	Net debt/net debt + equity (%)	32.6	(2.9)	(113.1)	(94.2)
Minorities/Assoc./Prefs	0.0	0.0	0.0	0.0	Net interest cover (x)	6.2	16.7	n/a	NaN
NPAT	16.7	22.4	19.5	19.5	Payout ratio (%)	55.4	93.1	99.2	99.8
Non recurring items	0.0	0.0	0.0	0.0	Capex to deprec'n (%)	0.0	0.0	0.0	0.0
Reported profit	16.7	22.4	19.5	19.5	NTA per share (\$)	1.91	1.97	1.96	1.96
NPAT add Goodwill & Pref	0.0	0.0	0.0	0.0	ROA (%)	10.6	10.6	10.1	9.9
Adjusted profit	16.7	22.4	19.5	19.5	ROE (%)	11.8	11.7	10.5	10.2
Cashflow summary					Multiple analysis				
	2007A	2008A	2009F	2010F		2007A	2008A	2009F	2010F
EBITDA	19.9	24.0	19.5	19.6	Market cap (M)		139		
Working capital changes	0.0	0.0	0.1	(0.0)	Net debt (\$M)		(5.4)		
Interest and tax	(0.7)	(1.4)	0.0	(0.1)	Peripheral assets (\$M)		(0.0)		
Other operating items	(6.3)	(1.6)	0.0	0.0	Enterprise value (\$M)		134.0		
Operating cashflow	12.9	20.9	19.6	19.5	EV/EBIT (x)	6.7	5.6	6.9	6.8
Required capex	0.0	0.0	0.0	0.0	EV/EBITDA (x)	6.7	5.6	6.9	6.8
Maintainable cashflow	12.9	20.9	19.6	19.5	EV/EBITDA All Ind (x)	6.5	6.3	5.9	5.5
Dividends	(3.3)	(20.7)	(20.9)	(18.9)	EV/EBITDA rel All Ind (x)	1.0	0.9	1.2	1.2
Acq/Disp	0.0	(0.6)	0.0	(20.0)	P/E (x)	8.4	6.2	6.8	7.0
Other investing items	(190.4)	0.0	0.0	0.0	P/E rel All Ind (x)	0.7	0.5	0.6	0.7
Free cashflow	(180.8)	(0.3)	(1.3)	(19.4)	P/E rel All Ind ex banks (x)	0.6	0.5	0.6	0.7
Equity	92.6	98.2	(4.7)	21.9	P/E sector (x)	10.9	10.9	10.1	9.1
Debt inc/(red'n)	99.7	(97.5)	6.0	(2.5)	P/E rel sector (x)	0.8	0.6	0.7	0.8
Balance sheet					Assumptions				
	2007A	2008A	2009F	2010F		2007A	2008A	2009F	2010F
Cash & deposits	6.2	6.7	99.3	101.7	GDP growth (%)	3.29	3.70	3.18	3.00
Inventories	0.0	0.0	0.0	0.0	Interest Rates (%)	6.33	7.38	6.75	6.50
Trade debtors	1.0	1.3	1.1	1.1	Inflation (%)	2.92	3.13	3.30	2.90
Other curr assets	98.6	0.0	0.0	0.0					
Total current assets	105.9	7.9	100.3	102.8					
Prop., plant & equip.	0.0	0.0	5.2	5.2					
Non-curr intangibles	0.0	0.0	0.0	0.0					
Non-curr investments	190.6	191.0	87.2	107.2					
Other non-curr assets	0.0	0.0	0.0	0.0					
Total assets	296.5	199.0	192.7	215.2					
Trade creditors	0.6	0.6	0.5	0.5					
Curr borrowings	98.7	1.3	1.3	1.3					
Other curr liabilities	6.0	6.3	6.3	6.3					
Total current liab.	105.2	8.2	8.1	8.1					
Borrowings	0.0	0.0	0.0	0.0					
Other non-curr liabilities	0.0	0.0	0.0	0.0					
Total liabilities	105.2	8.2	8.1	8.1					
Minorities/Convertibles	0.0	0.0	0.0	0.0					
Shareholders equity	191.2	190.8	184.6	207.1					

Notes:1. The risk ratings are on a 12 month perspective, where five stars denotes low risk and one star denotes high risk. Company risk takes into account expected financial, strategic and execution risks associated with the company. Share price risk is a measure of the expected volatility of the price and other trading factors.

2. The Ethical rating rates a company on an ethical investment basis where five stars denote very good and one star a poor rating. The score is based on four key factors: areas of operating, environmental, corporate governance and social factors. For more information see www.aegis.com.au.

AMF: Asset Backed Yield Trust

FIGURE 1: AYT UNIT PRICE VS. NTA



Source: AYT/Aegis Equities

Disclaimer & Disclosure of Interest

This publication has been prepared by Aegis Equities Research Pty Limited (ACN 085 293 910) ("Aegis") an Australian Financial Services Licensee. Whilst the information contained in this publication has been prepared with all reasonable care from sources, which Aegis believes are reliable, no responsibility or liability is accepted by Aegis for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflects the judgement and assumptions of Aegis as at the date of publication and may change without notice. Aegis and its officers, agents, employees, consultants and its related bodies corporate, exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the fullest extent permitted by law. This publication is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any securities recommendation contained in this publication is unsolicited general information only. Aegis is not aware that any recipient intends to rely on this publication or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether recommendations contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such recommendations. This publication is not for public circulation or reproduction whether in whole or in part and is not to be disclosed to any person other than the intended recipient, without obtaining the prior written consent of Aegis. Aegis its officers, employees, consultants or its related bodies corporate may, from time to time hold positions in any securities included in this report and may buy or sell such securities or engage in other transactions involving such securities. Aegis and its Directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from securities mentioned in this publication.

Aegis, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any recommendation contained in this report and/or on this web site. Aegis discloses that from time to time, it or its officers, employees and its related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in this publication; may effect transactions which may not be consistent with the recommendations in this publication; may have directorships in the companies mentioned in this publication; and/ or may perform paid services for the companies that are the subject of such recommendations. HOWEVER, UNDER NO CIRCUMSTANCES, HAS AEGIS BEEN INFLUENCED, EITHER DIRECTLY OR INDIRECTLY, IN MAKING ANY RECOMMENDATION CONTAINED IN THIS REPORT AND/OR ON THIS WEB SITE.

This information must be read in conjunction with the [Legal Notice](http://www.aer.com.au/disclaimer.asp) which can be located at <http://www.aer.com.au/disclaimer.asp>