

# Adelaide Managed Funds

ASX Release

8 October 2009

## ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST MIS PROGRAM INVESTMENT UPDATE AND IMPAIRMENT INCREASE

- **AYT has invested in a securitisation program that has exposure to investor loans backed by Great Southern MIS**
- **AMF is of the view that an increase in the number of borrowers contesting their loan obligations has contributed to increased arrears and expected future losses**
- **This has contributed to an increase in the impairment provision carried by AYT from \$4.3 million to \$16.7 million**
- **AMF confirms the FY2010 forecast Distributable Yield for Unitholders of between BBSW + 4.00% and BBSW + 4.50%**

Adelaide Managed Funds (AMF) as Responsible Entity for the Adelaide Managed Funds Asset Backed Yield Trust (AYT) has increased the impairment provision raised against its Managed Investment Scheme (MIS) investments.

AYT has invested in a securitisation program that has lent money to individuals who have invested in MIS promoted by Great Southern Limited (Great Southern). AYT has no direct exposure to Great Southern or any exposure to any other MIS provider.

AYT is invested in the two junior notes in this program, which have a face value equal to \$22.3M or 12.3% of AYT's total investment portfolio. As the MIS investments are junior notes, any losses that occur within the securitisation program have a direct impact on the value of AYT's investment before impacting the senior noteholders.

On 25 May 2009, following Great Southern entering into receivership, AMF announced that an expected increase in arrears and losses would result in AYT recognising an impairment provision against its MIS investments. AMF recognised an impairment provision equal to \$4.3 million in its FY2009 accounts based on the information available at that time.

AMF notes that there has been an increase in the proportion of borrowers who have sought legal advice in relation to their loan obligations and have chosen not to meet their loan repayments. AMF has also become aware, that as a result of this, the Servicer of the loans, Bendigo and Adelaide Bank Limited (the Bank), has modified its approach to collections and the pursuit of payments from borrowers whose loans are in arrears. These factors have resulted in the AMF Board increasing its expectations of future losses within the underlying portfolio.

While the MIS loans are secured by woodlots and there is full recourse to the underlying borrower, the increase in arrears and expected increase in losses has caused AMF to increase the impairment provision against its MIS investments to \$16.7 million.

This increased impairment provision will reduce the AYT's 30 September 2009 unaudited Net Tangible Asset backing by 13.1 cents per Unit to \$1.78 per Unit.

In response to the situation, and due to its relationship with the Bank, AMF has established an Independent Board Committee to deal specifically with all issues relating to AYT's MIS investments.<sup>1</sup>

The Independent Board Committee of AMF intends to continue to fully pursue all rights that it has in relation to these investments where it is in Unitholders' interests to do so. AMF will ensure that the market continues to be updated as appropriate.

AMF announced a September quarter distribution of 3.80 cents per Unit on 21 September 2009, payable on 14 October 2009. The Board of AMF confirms that this distribution is unaffected by the increase in the impairment provision and will be paid on that date.

Due to the structure of AYT's investment in the MIS securitisation program, the increase in impairment provision is not expected to impact upon Distributable Income for remainder of FY2010. All other assets within AYT's portfolio continue to perform as expected and Management are confident that AYT will continue to deliver a Distributable Yield to investors of between 30-day BBSW + 4.0% and 30-day BBSW + 4.5% in FY2010. However, AMF continues to monitor the performance of the MIS investments and further developments may reduce our ability to continue to deliver this yield in the future.

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**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 the AYT, please visit:

[www.adelaidemanagedfunds.com.au](http://www.adelaidemanagedfunds.com.au)

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<sup>1</sup> AMF is a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited. The Independent Board Committee is comprised of AMF's Independent Directors, Ms Nancy Fox and Mr Stephen Treanor.