

# Adelaide Managed Funds

ASX Release

26 November 2009

## ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST UNITHOLDER BRIEFING PRESENTATION

The Board and Management of Adelaide Managed Funds, responsible entity for the Adelaide Managed Funds Asset Backed Yield Trust (ASX: AYT), are today briefing Unitholders on the AYT's annual results for the period ending 30 June 2009 and on the prospects for the current year (refer attached).

Those Unitholders who are unable to attend the briefing in Adelaide can listen to the presentation from 1:00pm (AEST) today via the following link:

<http://www.brr.com.au/event/61757>

**For further information, please contact:**

Mr Mark McKay  
Adelaide Managed Funds  
08 8300 6686

Mr Kym Masters  
Adelaide Managed Funds  
08 8220 7258

-----  
**About Adelaide Managed Funds**

Adelaide Managed Funds, a wholly owned subsidiary of the Bendigo and Adelaide Bank Group, is the responsible entity of the Adelaide Managed Funds Asset Backed Yield Trust. For further information about Adelaide Managed Funds and the Asset Backed Yield Trust, please visit: [www.adelaidemanagedfunds.com.au](http://www.adelaidemanagedfunds.com.au)



ADELAIDE MANAGED FUNDS  
ASSET BACKED YIELD TRUST

November 2009

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. Overview of FY2009
2. Strong Corporate Governance
3. Investment Portfolio Update
4. Fund Outlook

## APPENDICES

- I. Additional Details on the Investment Portfolio
  - II. Possible Investment Maturity Dates
-

# 1. OVERVIEW OF FY2009

## OVERVIEW OF THE FUND

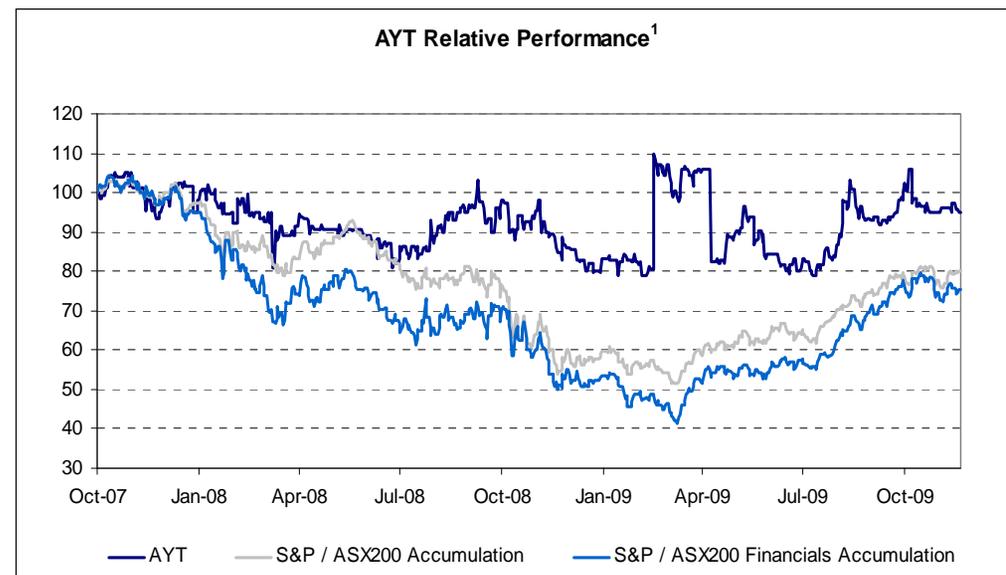
<b>Description</b>	<ul style="list-style-type: none"><li>&gt; <b>ASX Listed (ASX: AYT) with issued capital of \$188 million</b></li><li>&gt; <b>NTA per Unit equal to \$1.78 as at 30 September 2009 (ex 3.8c distribution)</b></li></ul>
<b>Unique Investment</b>	<ul style="list-style-type: none"><li>&gt; <b>Portfolio of investments not generally publicly available</b></li><li>&gt; <b>Invests in predominantly high yielding securitisation assets</b></li><li>&gt; <b>Focus remains on maintaining the credit performance of the Fund and generating a stable, predictable return for Unitholders</b></li></ul>
<b>FY2009 Financial Performance</b>	<ul style="list-style-type: none"><li>&gt; <b>Delivered a cash yield for investors of BBSW + 4.55% before one-off costs, which was at the upper end of the forecasted range</b></li><li>&gt; <b>Total Unitholder distributions of 17.2 cents per Unit</b></li></ul>
<b>Attractive Floating Yield</b>	<ul style="list-style-type: none"><li>&gt; <b>FY2010 forecast return of BBSW + 4.0% to BBSW + 4.5% on the \$2.00 issue price, or 7.8% to 8.3%<sup>(1)</sup> at current interest rates</b></li><li>&gt; <b>This is equivalent to a cash distribution to Unitholders of between 15.5 cents per Unit and 16.5 cents per Unit at current interest rates</b></li><li>&gt; <b>Offering a running yield of between 11.9% and 12.6%<sup>(2)</sup> at the current Unit price</b></li></ul>

(1) 30-Day BBSW at 20 November 2009 was 3.77%

(2) Unit Price at 20 November 2009 was \$1.31

## CURRENT ENVIRONMENT

- > Continued volatility in global financial markets which negatively impacted on the Unit price during FY2009
- > However, the Fund has outperformed the Australian Market on a Total Shareholder Return basis over the past two years
- > With the exception of the MIS investment, all assets in the Fund continue to perform to or above expectations
- > The Portfolio generated a stable, predictable investor return during FY2009



(1) On a Total Shareholder Return basis

# ENHANCING INVESTOR RETURNS

## Clear Investment Strategy

- > Focused on achieving an appropriate Unitholder return
- > Balance sheet remains ungeared to eliminate refinance risk for Unitholders
- > All distributions are paid in cash from interest earned from the Fund's Investment Portfolio

## On-market Buy-back

- > Has established an on-market buy-back to return capital to Unitholders while the purchase of Units represents the best use of funds
- > Has purchased 5.9 million Units (5.9% of original issue) at 30 September 2009
- > Board approval to purchase up to 10.0 million Units utilising available free cash arising from amortisation of the investment portfolio

## Transparent Communications

- > Committed to regular and clear updates for Unitholders, Advisers and Analysts
- > Commissioned Research and focus on increasing Analyst and Broker coverage
- > Detailed provision of information about Investment Portfolio to ensure transparency of Fund performance

## Strong Corporate Governance

- > Strengthened the independence of AMF Board with recent changes in Directors
- > Established formal protocols and Committee framework to protect Unitholders and manage any conflicts of interest
- > Established Independent Board Committee (IBC) to manage negotiations with Parent, Bendigo and Adelaide Bank (BEN) and protect Unitholders interests

## 2. STRONG CORPORATE GOVERNANCE

# MANGEMENT OF CONFLICTS OF INTERESTS

## Protecting Unitholder Interests

- > Board is focused on protecting Unitholders interests and has formal frameworks in place to ensure independence in all decisions
- > IBC was established to evaluate the proposal from BEN to acquire all Units in the Fund and to manage negotiations in relation to MIS Investment
- > IBC is comprised of the two Independent Directors of AMF, Ms Nancy Fox (Chair) and Mr Stephen Treanor

## Proposed Acquisition by Parent

- > The proposed acquisition of AYT by BEN did not proceed
- > AMF had completed all requisite enquiries but BEN was unable to gain the approval of the Australian Prudential Regulation Authority (APRA)
- > APRA decision did not reflect on the Fund's Investment Portfolio
- > IBC conducted all appropriate enquiry, negotiations and due diligence in relation to the proposal

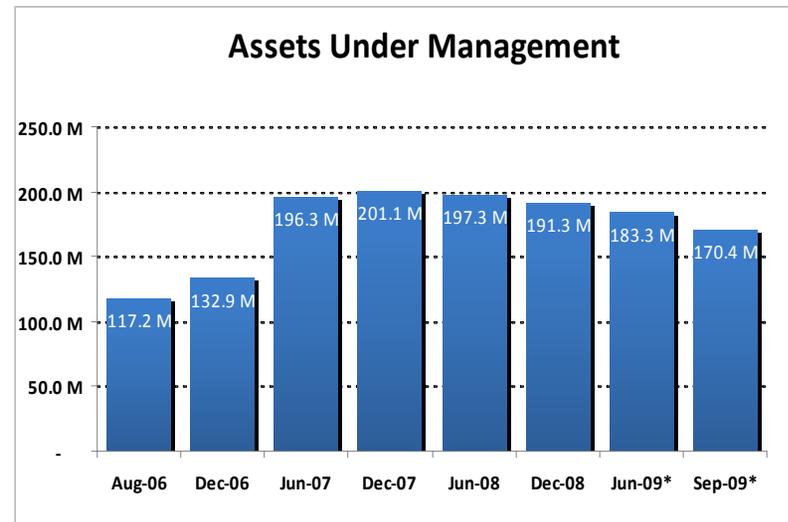
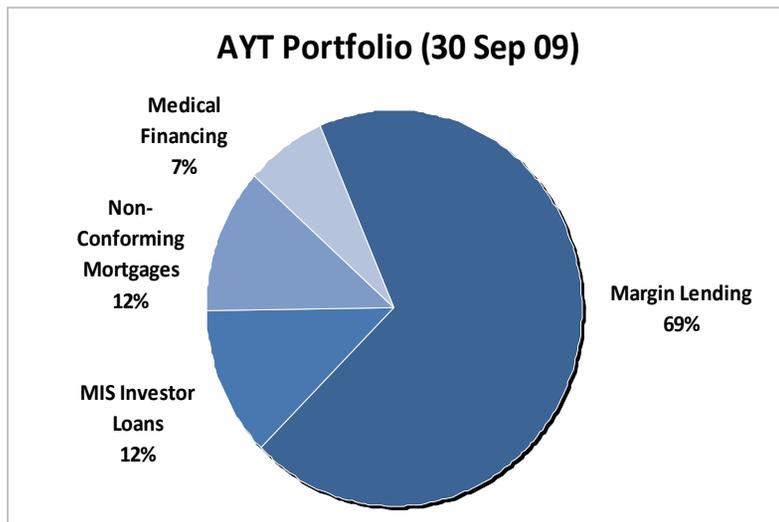
## MIS Investment

- > Roles of BEN within MIS securitisation trust creates potential for conflicts of interest with AMF as an investor
- > BEN originated and sold MIS loans to MIS securitisation trust, BEN subsidiary is Trust Manager, BEN is Servicer of loans, BEN subsidiary is Security Trustee
- > IBC currently managing negotiations with BEN in relation to the MIS Investment to ensure Unitholders interests are protected

# 3. INVESTMENT PORTFOLIO UPDATE

# PORTFOLIO OVERVIEW

- > No material change in asset mix and 41% of assets were shadow rated Investment Grade at 30 September 2009 (30 September 2008: 49%)
- > Assets under management total \$170.4 million (after impairment provisions) at 30 September 2009
- > Management returned \$6.8M of Unitholder capital during FY2009



\*includes impairment provision

## PORTFOLIO PERFORMANCE UPDATE

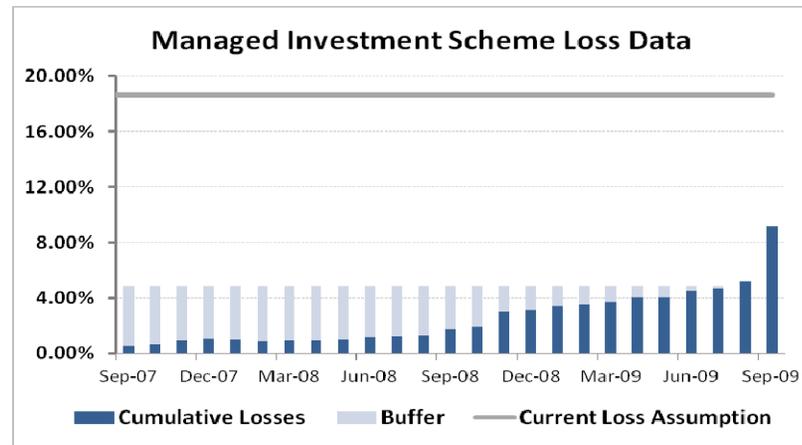
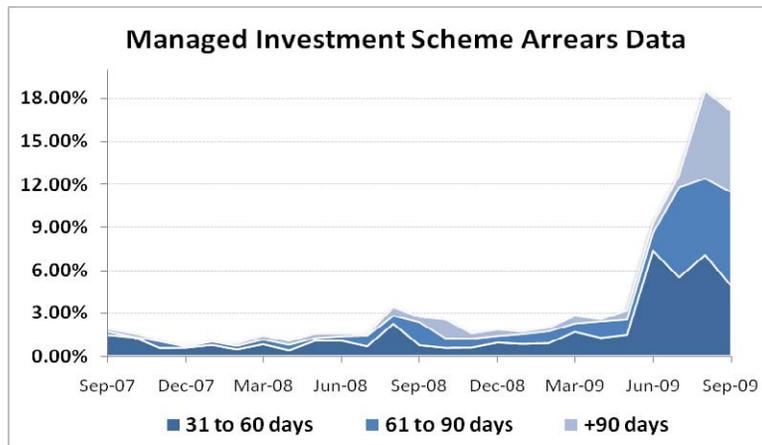
- > Margin lending remains the Fund's standout asset class and its loss buffer multiple is more than 20 times current losses
- > Non-Conforming Mortgage and Medical Financing investments are well supported by funded subordination and have a substantial buffer against losses
- > MIS investment has not performed to expectations

Investment	Actual Losses Recorded to 30 Sep 2009	Current Loss Assumptions	Losses where Fund Investment is Impacted	Loss Buffer Multiple (Current)	Loss Buffer Multiple (Previous)
Margin Lending	0.07%	0.35%	> 1.41%	20.1 x	20.1 x
Non-Conforming Mortgages	0.24%	0.74%	> 1.91%	8.0 x	8.3 x
Medical Financing Program 2	0.64%	1.64%	> 6.73%	10.5 x	10.4 x
MIS Investor Loans <sup>(1)</sup>	9.13%	18.62%	> 4.82%	0.0 x	0.0 x

(1) Fund has raised a \$16.7 million impairment provision against this investment

## MANAGED INVESTMENT SCHEMES

- > All receivables are investor loans offered to borrowers to facilitate their investment in various Great Southern MIS
- > All loans secured by woodlots and have full recourse to borrower
- > The impairment provision of \$16.7M recognised as at 30 October 2009 reflects AMF's current best estimate of program losses
- > Investment contribution to NTA, post impairment currently \$5.6M or \$0.06/Unit
- > High degree of focus from Management and AMF will continue to pursue all avenues to ensure maximum recoveries for Unitholders



## 4. FUND OUTLOOK

## OUTLOOK

- > FY2010 forecast yield of between BBSW + 4.0% to BBSW + 4.5%
  - > Equivalent to annual distribution of between 15.5 and 16.5 cents per Unit at the current BBSW
  - > Floating rate yield of between **7.8%** and **8.3%** at the current BBSW (based on weighted average Units on issue and par value)<sup>(1)</sup>
  - > Equivalent to a yield of **11.9%** to **12.6%** at a \$1.31 Unit price<sup>(2)</sup>
  - > Cash distributions paid **quarterly**
- > Management continues to focus on maintaining the credit performance of the Fund
- > Management will continue to conduct the on-market Unit buyback utilising available 'free cash' while the purchase of Units represents the most appropriate use of Unitholder Funds

(1) 30-day BBSW at 20 November 2009 was 3.77%

(2) As at 20 November 2009

# APPENDIX I

## Additional Details on the Investment Portfolio

## ADDITIONAL DETAILS ON THE INVESTMENT PORTFOLIO

Name	Asset Category	Face Value (\$M)	% of Portfolio	Margin over BBSW (%)	Funded Subordination (%)	Excess Spread <sup>(1)</sup>	Total Support <sup>(2)</sup> (\$M)
Lighthouse No. 4 Trust	Margin Lending	75.0	41.3%	1.25%	3.72%	1.41%	69.1
Lighthouse No. 4 Trust	Margin Lending	50.1	27.6%	12.50%	0.00%	1.41%	19.0
Q10 Trust E Note	Mortgage Portfolio	10.0	5.5%	3.75%	6.38%	1.91%	30.1
Q10 Trust F Note	Mortgage Portfolio	11.0	6.1%	6.00%	0.00%	1.91%	19.1
Program No. 2 D Note	Medical Financing	13.2	7.2%	6.00%	7.57%	0.00%	15.4
MIS Program 1 C Note	MIS Investor Loans	15.3	8.4%	4.50%	8.99%	0.00%	7.0
MIS Program 1 D Note	MIS Investor Loans	7.0	3.8%	12.50%	0.00%	0.00%	0.0

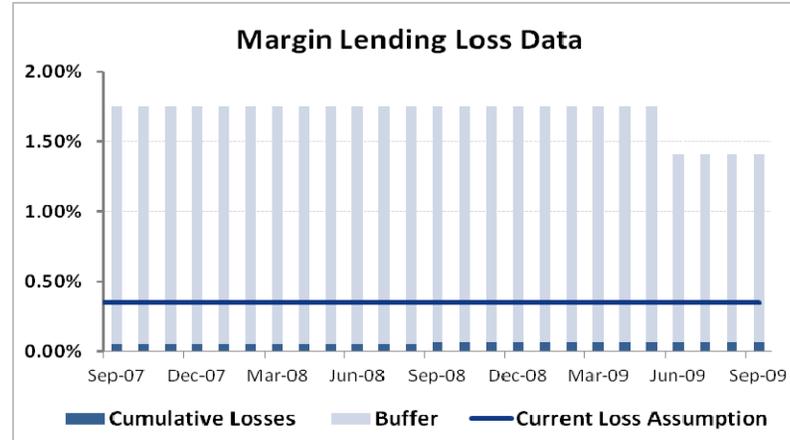
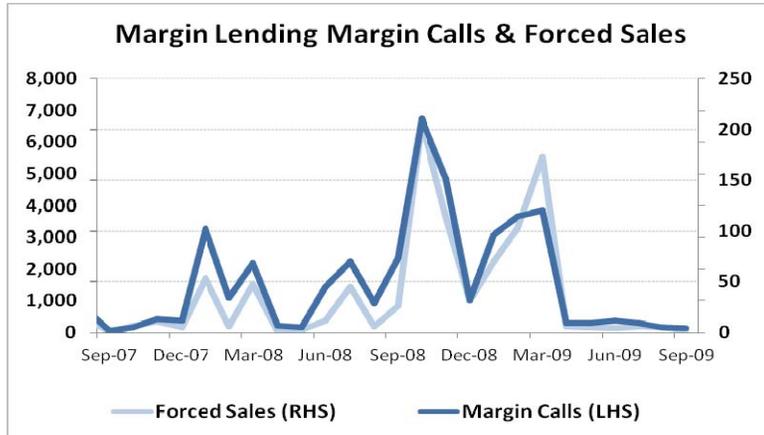
(1) Cumulative over the life of the program, noting that only the Q10 Program “traps” excess spread

(2) Funded subordination and cumulative excess spread based upon Investment as at 30 September 2009

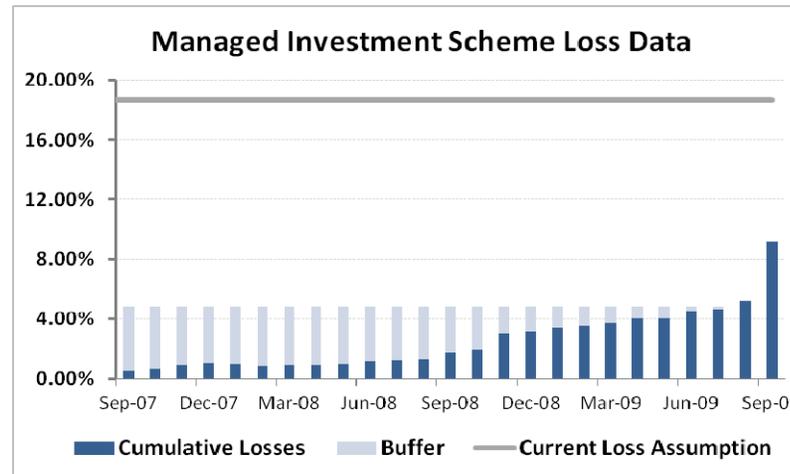
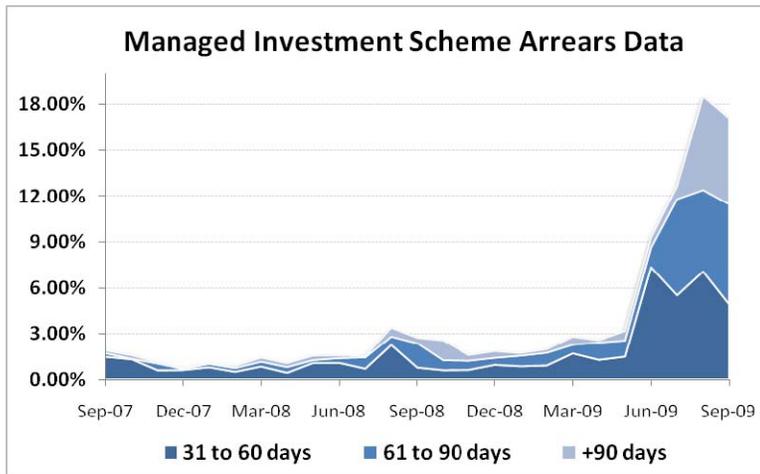
## ADDITIONAL DETAILS ON THE INVESTMENT PORTFOLIO

Name	Asset Category	Value (\$M)	Forecast Maturity	Mechanism
Lighthouse No. 4 Trust	Margin Lending	75.0	2.1 years	Program maturity on 30 September 2010. Subordinated Notes are to be repaid within 13 months of this date but only if the Senior Notes have been repaid or the repayment can be funded by the issue of new Subordinated Notes.
Lighthouse No. 4 Trust	Margin Lending	50.1		
Q10 Trust E Note	Mortgage Portfolio	10.0	1.8 years	Program called on 16 June 2011 or at 5% of initial pool balance. Call at the discretion of the Trust Manager (Perpetual).
Q10 Trust F Note	Mortgage Portfolio	11.0		
Program No. 2 D Note	Medical Financing	13.2	2.4 years	Issuer (Perpetual) has the option to redeem all Notes on the 6 <sup>th</sup> anniversary of the initial distribution date, 10 February 2012.
MIS Program 1 C Note	MIS Investor Loans	15.3	3.4 years	Program called at 10% of initial pool balance. Call at the discretion of the Trust Manager (AB Management).
MIS Program 1 D Note	MIS Investor Loans	7.0		

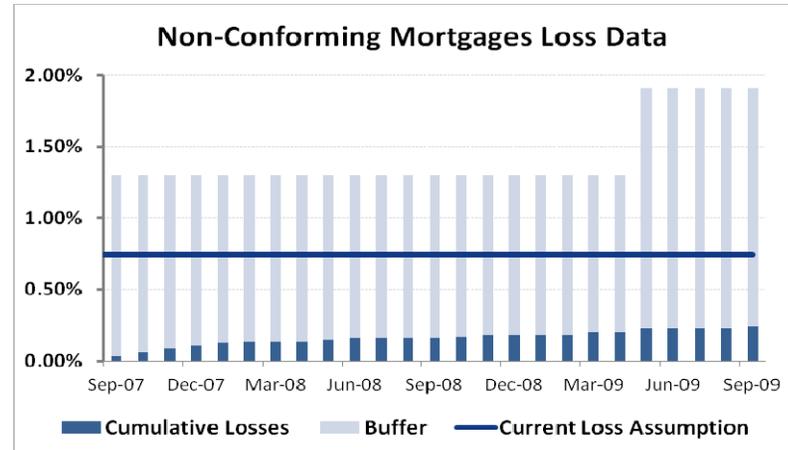
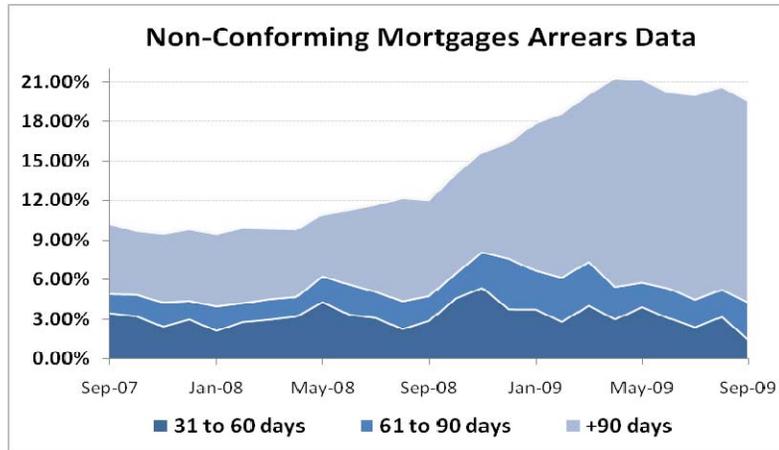
# MARGIN LENDING (69%)



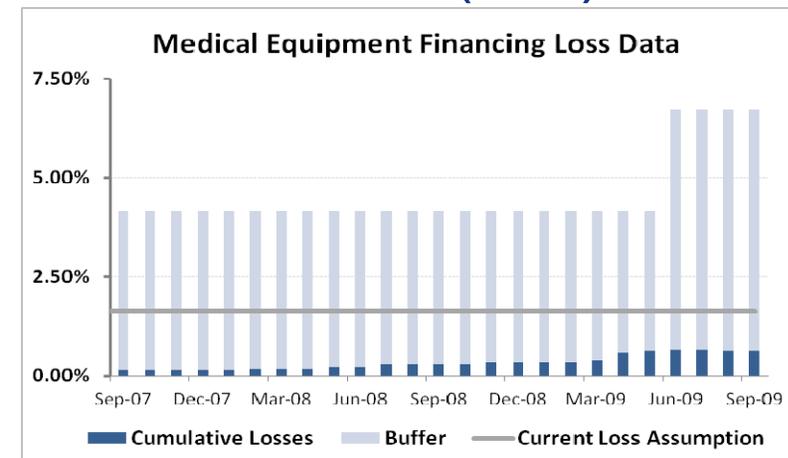
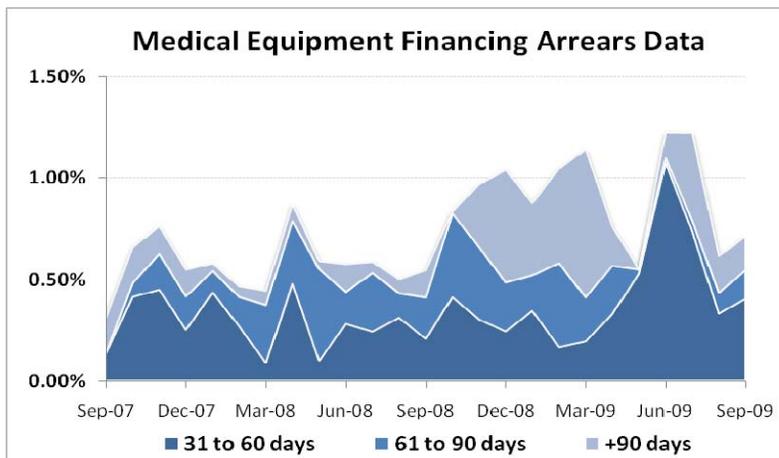
# MANAGED INVESTMENT SCHEMES (12%)



# NON-CONFORMING MORTGAGES (12%)



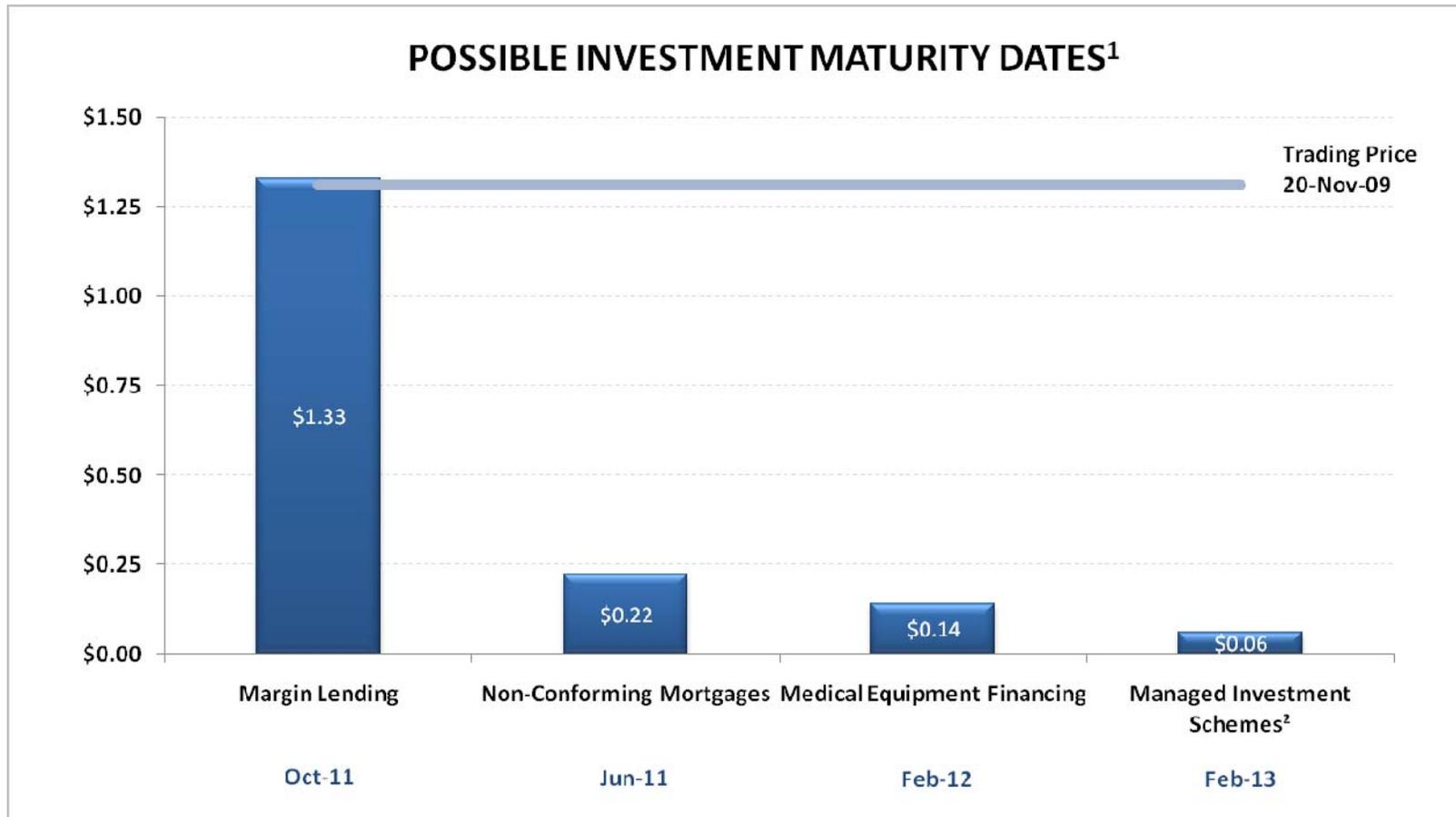
# MEDICAL EQUIPMENT FINANCING (7%)



# APPENDIX II

## Possible Investment Maturity Dates

# POSSIBLE INVESTMENT MATURITY DATES<sup>1</sup>



(1) These forecast dates are provided for illustrative purposes only and are subject to change. Actual future events may vary materially from these forecasts and the assumptions on which they are based. Given these uncertainties, you are cautioned not to place undue reliance on these forecasts.

(2) Includes impairment provision