ASJ

AUSTRALIAN SECURITISATION JOURNAL

Incorporating Australian and New Zealand Securitisation and Covered Bonds

>> Issue 27 • November 2024

Reaching new heights

Australian securitisation surpassed its all-time annual issuance record by the end of Q3 2024. Thoughts are turning to how to build on this growth.

Australian Securitisation Forum

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It is my pleasure to introduce the 27th edition of *ASJ*. During the first half of 2024, the Australian securitisation market capitalised on strong conditions and we witnessed levels of primary market issuance not seen since 2005. By the end of October, the Australian securitisation market had achieved close to A$71 billion of issuance and the market is clearly set to achieve an all-time record for new primary market issuance in 2024, surpassing the previous record set back in 2006.

This is clearly a testament to the continued success of Australian structured finance in attracting new capital to the market, as well as the market's ability to diversify with the introduction of new entrants and the continued growth in alternative asset classes such as autos, SMEs and consumer loans.

It is particularly noteworthy that a number of first-time issuers were welcomed to the capital market in 2024. These include ORDE Financial, Household Capital, MoneyMe, ScotPac and BNK Banking Corporation. These new programmes financed mortgages, autos, reverse mortgages and SME receivables, evidencing the increasing diversity and variety of the Australian securitisation market.

The Australian Securitisation Forum (ASF) has continued to undertake productive advocacy efforts with regulators and government. During 2024, it has actively engaged with the Council of Financial Regulators, Australia's federal Treasury, the Australian Prudential Regulation Authority, the Reserve Bank of Australia, the Reserve Bank of New Zealand and EU authorities, to form positions on several regulatory, policy and market matters affecting the efficient operation of the Australian and New Zealand securitisation markets.

The ASF has also actively represented the Australian and New Zealand securitisation markets by making written and oral submissions to their respective governments on the need to clarify the exemption of securitisation special-purpose vehicles from the implementation of the OECD instigated minimum tax imposition on multinational corporations (Pillar II) legislation.

During the course of 2024, the ASF has also been engaged with developments in Europe, specifically highlighting issues affecting "third countries" such as investor due diligence and prescriptive European reporting obligations in the context of securitisation and covered bonds.

The ASF remains committed to promotional activities locally and offshore. In 2024, the ASF held its second annual New Zealand securitisation conference in Auckland, its annual London investor seminar in June followed by its participation at Global ABS in Barcelona, and its annual Japanese investor seminar at the Australian embassy in September.

During the course of the year, the ASF was able to offer its programme of in-person lunchtime and evening events in Sydney, Melbourne, Brisbane and Auckland, giving the industry an opportunity to interact with market specialists and other ASF members. Among these was the annual Women in Securitisation lunch event held at the Ivy in Sydney in October.

The ASF also worked on a number of projects to support the development and growth of the Australian and New Zealand markets. The investor subcommittee instigated discussions with the leading syndicate banks to make primary market disclosure for transactions more consistent. The ASF collaborated with Moody's Analytics to establish an Australian auto ABS performance tracker which captures all the active issuers of auto ABS.

The ASF continued to support the SME receivables sector of the asset-backed securities market through an update of the industry reporting template for SME receivables, which is available on the ASF website. The ASF-sponsored SME lending project – undertaken by the University of Technology, Sydney – is now in its final stage. The research is complete and the report is being reviewed by ASF advisory committee members. The research findings will be presented early in 2025.

The ASF also remains dedicated to its longstanding securitisation education programme, with more than 16 courses delivered in 2024. I would like to take this opportunity to thank those members who volunteer their time and expertise to present these courses.

ASF membership continues to grow. We welcome the following new members: Assured Guaranty, Crédit Agricole CIB, Hedge Effective Advisory, Household Capital, LMG, Longreach Credit Investors, McMillan Shakespeare, Mizuho Bank, Nomura, Pallas Capital, Peter Hodgkinson, Taurus Finance, Vangeld Capital, Verofi and Westlawn Finance.

As we look ahead to the remainder of the year and into 2025, we anticipate continued expansion of the securitisation market in Australia and New Zealand. The ASF will continue to support the securitisation and covered-bond markets by providing the industry with a forum to discuss, form and promote industry positions on regulatory, policy and market matters. I would like to wish all market participants a successful 2025.

WILL FARRANT
CHAIR, AUSTRALIAN SECURITISATION FORUM

COPUBLISHED COLUMN

RECORD YEAR PAVES WAY FOR NEXT LEVEL GROWTH

A faster and more transparent Australian securitisation market has proved its resilience to deliver another record issuance year. National Australia Bank's Melbourne-based director, securitisation origination, Paul Kok, explores the path to achieving a step change in growth for the industry.

Securitisation has certainly exceeded expectations for the year, with the Australian dollar market hitting record issuance volume by September and a pipeline of deals meeting ample demand in Q4. Through testing times and regulatory changes, the primary issuance market for residential mortgage-backed securities (RMBS) and asset-backed securities (ABS) has shown remarkable resilience, offering capital efficiency and liquidity while acting as the pivotal funding source for the nonbank sector.

Industry innovation and process improvement means what used to take 8-10 weeks from inception to settlement can now be done in as few as six. Greater access to loan-level data and third-party verification has helped build this speed and confidence for participants.

Now, having already surpassed 2023's post-financal-crisis record issuance volume of A$58.3 billion (US$38.4 billion) according to KangaNews data, the market sailed past A$70 billion for the year by mid-November. Given such momentum and market enthusiasm, it is timely to examine what is needed to achieve this sort of step change and take RMBS and ABS issuance further mainstream.

While National Australia Bank (NAB) continues to offer strong and consistent balance sheet support for origination and warehouse funding, issuers' end game for growth is the establishment of a programmatic term global capital market funding platform to achieve greater diversity and scale.

This is the pathway that has helped the market triple in size since 2010, along with an environment of strong government support when needed through the Australian Office of Financial Management. This relative stability has proved attractive to investors, which have seen no rating downgrades or charge-offs despite testing times.

These conditions have attracted new market participants – in 2024, most notably from Japan and the UK – that all show a healthy appetite across the capital stack and diversity of collateral.

NAB's engagement suggests offshore investors are ready and willing to deploy capital so long as issuers can match global best practice on a range of fronts, and provide simplicity and value relative to their domestic markets.

The first steps are to align securitisation issuance formats and standards while staying in tune with current and emerging global investment themes. This involves future-proofing securitisation funding platforms with enhanced data availability and transparency of stratification and loan-level reporting.

Factoring in regulatory requirements in different jurisdictions is also needed, including targeting 5 per cent risk retention compliance, and European Securities and Markets Authority reporting where possible.

High levels of environmental, social and governance are also mainstream requirements, with ISO 37000 as the global governance benchmark. In an evolving world of reporting scope-three indirect emissions, well-credentialled climate policies and supporting data are the road ahead, as well as having advanced workplace policies in place.

Servicer rankings are another increasingly important expectation – almost considered compulsory for Japan – along with having transparent capital market allocation policies and pricing.

WORKING TOGETHER

These are all challenges NAB can help customers navigate, while presenting Australia's unique value proposition to the world, working with other industry stakeholders at leading global conferences and through investor engagement in key markets including the US, UK, Europe, Japan, Hong Kong and Singapore.

The rise of the nonbank sector as a strategic shift in the Australian landscape forms a key part of this story. As the banks step back from noncore lending – whether auto and equipment, consumer or nonconforming loans – disciplined growth for nonbanks is being done with effective risk management. This has been proved through asset performance across the latest rate shocks.

Maintaining these strong credit underwriting standards for stability, along with consistent and predictable issuance cadence and repeatable structures, will only serve to increase the attractiveness of Australian RMBS and ABS for global investors.

To help customers set up for success, NAB is continuing to ensure through-the-cycle balance sheet support, as well as investing and improving its rate sheet and secondary market pricing capability.

Looking ahead, there is also great potential in exploring securitisation to help fund the pipeline of in-demand assets like digital and renewables infrastructure and, potentially, social and affordable housing.

Whatever your funding needs in 2025, NAB is well-placed to provide the appropriate securitisation pathways to access the opportunities we see on the road to the next market milestone. ■

COPUBLISHED FEATURE

CYBER SECURITY IN FOCUS AT SXSW 2024

Commonwealth Bank of Australia was a super sponsor of South By South West Sydney in 2024. The bank brought together industry leaders, futurists and tech experts to discuss the future of cybersecurity and payments innovation.

"Our cyber defence team now analyses approximately 400 billion signals each week to detect potential security threats. As a whole, the organisation invests more than A$800 million [US$526.5 million] annually in cybersecurity, targeting fraud, scams, and financial crime risks,"[1] Andrew Hinchliff, Commonwealth Bank of Australia's group executive, institutional banking and markets, told senior business leaders.

He continued: "Over the past year, this commitment has yielded significant results, with fraud affecting Australian consumers and customers reduced by an impressive 50 per cent. While these gains are encouraging, we understand that cyber security is not a solitary effort. Achieving a secure digital environment requires an ecosystem-wide approach."

Brian David Johnson, former chief futurist at Intel, called on Australian business leaders to foster a culture of innovation within their teams. He emphasised the need for organisations to extend beyond leadership insights, empowering teams to engage creatively – even in exploring challenging, "darker" scenarios – to build resilience and scale ideas.

Johnson highlighted the importance of embedding innovation into the fabric of day-to-day work through methods such as intelligence sharing, wargaming and cross-departmental collaboration. By granting teams permission to think expansively and prepare for complex issues, leaders can unlock new dimensions of strategic creativity and strength. To strengthen cyber resilience, Johnson advocates "threat casting" – a method that enables teams to adopt the attacker's perspective.

Andrew Pade, CBA's general manager, cyber defence operations, elaborated on this strategy, describing the synthesis of vast swathes of data that inform the bank's security efforts. "We synthesise the 400 billion signals we receive a week down to critical focus areas. Our red and blue teams simulate attacks on our systems to address vulnerabilities proactively," he said.

The blue team handles "known knowns", Pade explained, while the red team "simulates known unknowns by hacking ourselves". The bank also engages in threat hunting to address "unknown unknowns", identifying threats before they even emerge.

AI AND SCAMMING

AI plays an increasingly vital role in identifying and mitigating innovative threats. Kate Crous, CBA's executive general manager, everyday business banking, pointed to the A$2.7 billion Australians lost last year to scams, largely originating from outside traditional banking channels.

Leah Pinto, cyber intelligence lead at CyberCX, highlighted the agility of cyber criminals in adopting AI without the procedural delays that legitimate businesses face. "Threat actors can rapidly deploy AI to exploit vulnerabilities, even using deepfakes to impersonate executives in sensitive financial negotiations."

Pade noted how critical AI will be in reinforcing defence, for the benefit of security and the productivity of cybersecurity workforces. "One of the most significant developments is the introduction and adoption of AI technologies within detection and response capabilities," he noted. "This advancement enables us to address more threats at speed. Historically, the issue has been that the more signals we receive, the more people we need to manage them – it is like playing whack-a-mole."

CBA is now shifting toward greater automation and integration. AI allows the bank to move beyond simply managing signals to actively targeting threats, Pade continued. "It enables us to pinpoint critical moments before an event occurs. We want to ensure our detection and response teams don't face burnout. AI-driven automation assists by picking up on critical signals, which helps our teams respond effectively."

Crous, reflecting on recent strides made by the Australian Financial Crime Exchange's intelligence-sharing framework, described the transformative potential of industry-wide data sharing. "What if financial institutions, telcos and platforms collaborated more closely to prevent scams?" she asked. "By sharing data across sectors, we could block scams before they reach customers."

CBA's executive general manager, payments, Ethan Teas, continued: "This exchange has become integral to Australia's fraud response, now powering the National Anti-scams Centre in Canberra. We aim for collaboration at the infrastructure level – which means setting common standards – while remaining competitive in innovation." ■

1 See tinyurl.com/cbareport24

COPUBLISHED FEATURE

MOODY'S RATINGS

REVERSE MORTGAGE SECURITISATIONS POSE OPPORTUNITIES AND CHALLENGES

The securitisation of reverse mortgages and other home equity access products is emerging as a structured finance asset class in Australia as the population ages. Moody's Ratings examines the opportunities and challenges of this nascent sector, and the prospects for issuance in 2025 and beyond.

Reverse mortgage securitisations have different credit characteristics from deals backed by standard residential mortgages and pose some unique credit risks. In July, Moody's Ratings rated an Australian reverse mortgage securitisation deal for the first time in more than a decade: Household Capital 2024-1 RMBS Trust.

Household Capital is a specialist nonbank lender and is one of a small but growing cohort of nonbanks and small banks entering the Australian reverse mortgage and wider home equity access market over recent years.

Two primary drivers are underlying the growth of interest in the asset class. The Australian population is rapidly ageing. The share of Australians aged 65 and over reached 17 per cent in 2023 and the World Bank projects it to grow to around a quarter of Australia's population by 2050.

As the population continues to age, demand for retirement products such as reverse mortgages and related products – including retirement living – is likely to surge. In line with these trends, the federal government's 2020 *Retirement Income Review* endorsed equity release products like reverse mortgages as a viable method for addressing retirement financing requirements.

Meanwhile, over recent years Australian households have built up unprecedented levels of equity in their homes. Australian household equity, which is the total value of dwellings less the total value of household debt – comprising mortgages and other debt, including short-term loans – has grown by around A$3.5 trillion (US$2.3 trillion) over the past five years, to A$7.9 trillion (see chart).

The vast amount of equity Australians have locked in housing has driven interest in home-equity oriented products, targeted at retirees and younger borrowers.

UNIQUE CREDIT CONSIDERATIONS

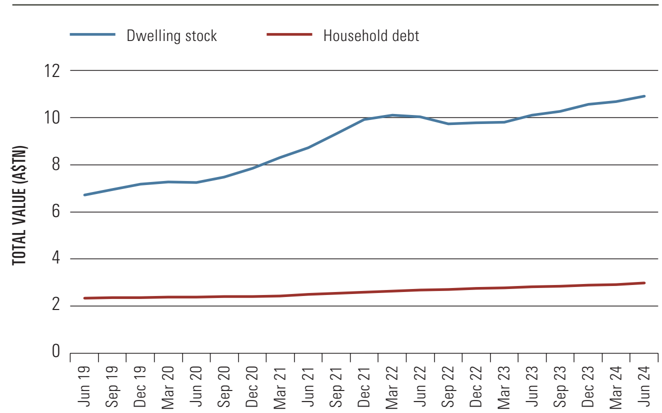
Reverse mortgages pose a distinct set of credit challenges, driving innovation in deal structures and requiring careful modelling of cash flows. Because the loans are mostly repaid when borrowers die, move into long-term care or move out of their property, the timing of cash flows can be irregular. More broadly, changes to mortality or morbidity rates are important: for instance, if life expectancy increases it can delay the repayment of reverse mortgages, heightening liquidity risks for deals backed by these loans. As a result, reverse mortgage structures typically include a liquidity reserve to make payments of senior expenses and note interest.

Conversely, high interest rates and cost-of-living pressures, critical to the performance of other securitisation deals, are not a direct credit risk for reverse mortgages. Interest rates are high and inflation remains sticky in Australia. However, unlike standard residential mortgages, borrowers do not have to make ongoing repayments for reverse mortgages.

A key factor that differentiates reverse mortgage-backed securities from more familiar transaction types is the rate of repayments. In Australia, reverse mortgage borrowers can choose to pre-pay their loans at any time without penalty. If there is a steady stream of prepayments, there is a regular flow of cash to a reverse mortgage securitisation. This reduces liquidity risk. But if pre-payments are too high or too low, there will be negative credit consequences for reverse mortgage securitisations, particularly those with notes that feature a scheduled amortisation profile.

Moody's expects Australian reverse mortgage and other equity release securitisation issuance to grow over time. There is also likely to be innovation in deal structures designed to address the relevant credit considerations. ■

VALUE OF AUSTRALIAN DWELLING STOCK AND HOUSEHOLD DEBT



SOURCE: AUSTRALIAN BUREAU OF STATISTICS 2024

COPUBLISHED FEATURE

DIVERSITY, REGULAR ISSUANCE AND OFFSHORE DEMAND

Strong momentum in the Australian securitisation market over 2024 meant primary issuance eclipsed the 2023 post-financial-crisis record issuance volume, of A$52.4 billion, by the end of September. Subsequent activity has now surpassed the previous high-water mark of A$64.1 billion set all the way back in 2006. With numerous active mandates as of the end of October, 2024 will undoubtably set a formidable benchmark for activity.

The year started on a strong note with Westpac Banking Corporation's WST 2024-1 residential mortgage-backed securities (RMBS) deal in late January. At A$2.75 billion (US$1.8 billion), this was the largest major-bank deal since January 2020. It also helped lay a tremendous runway for pricing and relative value in Q1.

Relative undersupply from the major banks over the last few years has seen a rapidly diminishing stock outstanding, which has flow-on effects to secondary benchmark pricing. A deal of this size helped stimulate turnover and secondary price discovery.

A feature of the maturing market has been the diversity of issuers and the rise of nontraditional asset classes across areas such as auto and equipment, personal loans and consumer receivables. In total, 71 per cent of Q1-3 2024 issuance came from the nonbank sector, on par with levels observed over the last few years though head and shoulders above the immediate post-financial-crisis period.

Martin Jacques, head of securitisation and covered bond strategy at Westpac Institutional Bank (WIB) in Sydney, says this has continued the trend of the last decade as nonbank originators have "gone from strength to strength and really built on their investor base".

Jacques adds: "Over the last few years, many ADIs [authorised deposit-taking institutions] have withdrawn from certain segments of the market including standalone auto and equipment finance. This has created an opportunity for nonbanks to get involved, which has not only diversified their product offering but led to a lot of volume coming through primary markets."

As well as the number of originators, the diversity of asset types being offered has continued to grow – including reverse mortgages and medical lease receivables among others. A corollary to this dynamic has been a growing appetite from the investor segment to diversify their holdings and enhance returns.

Demand has continued to grow strongly, built on Australia's relative value and also because offshore investors are well acquainted with nonresidential and other asset-backed securities (ABS) as an asset class. "The rapid growth of other ABS issues in our market has attracted a large amount of offshore investment and Australia looks comparatively cheap from a global relative value point of view," Jacques explains.

Another factor winning the confidence of foreign investors is a more mature market with efficient risk-retention structures and enhanced data and analytics capabilities. Amy Kok, director, structured finance at WIB in Sydney, says the increasing adoption of international data reporting standards has been key to engaging offshore investors and "made it easier to draw their attention and bring them into deals".

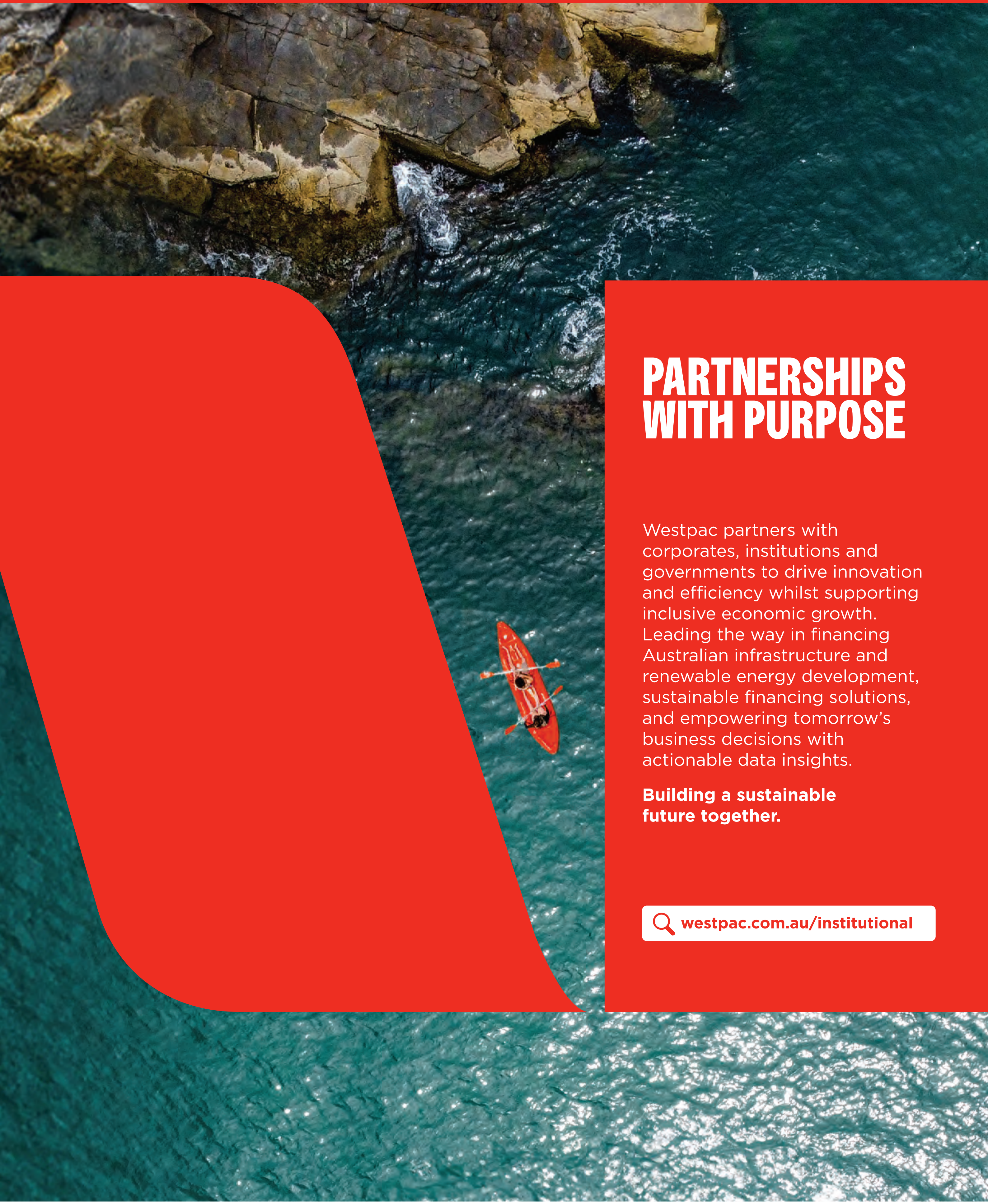
She continues: "There will always be peaks and troughs of course, but we are certainly among the favourite markets for foreign investors at the moment." In particular, Kok notes the strong interest from Europe and Japan.

Hugh Norton, WIB's Sydney-based global head of credit trading, adds that "greater availability and quality of information at hand" has changed perceptions about liquidity. "This has also been assisted by expanded active market-making, along with some public displays of liquidity including the LDI [liquidity-driven investment] related BWICs [bids wanted in competition] in late 2022," he says.

Market momentum has also been conducive to the development of a deeper secondary market, which Jacques notes has been important in giving offshore investors more confidence in Australian securitisation. He explains: "If they get involved in primary issuance it is good for them to know there is a robust secondary market should they need to liquidate their holdings at any time. I believe secondary-market liquidity has been a key feature in attracting the rate of investment."

All this has added up to a regular flow of issuance with deal sizes sufficient to retain the engagement of offshore investors. "Until recently, and particularly in the ABS space, deals were smaller and we didn't have regularity of issuance coming through. It is only in recent times that there has been the ability for investors to participate and stay invested in decent sizes," Jacques says.

James Kanaris, head of structured finance at WIB in Sydney, observes that the growth in the Australian securitisation market has been facilitated by a growing number of intermediaries supporting it. He comments: "At WIB, we provide our clients with a comprehensive range of structured finance services to streamline market access efficiently and promptly. It has been rewarding in 2024 to facilitate more than 50 Australian public ABS issuance transactions to date." ■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Perpetual

PERPETUAL'S DIGITAL DNA

Perpetual Corporate Trust is dedicated to becoming the most trusted partner in the banking and financial services industry. Its strategy is to empower its people, its clients and the market to become more effective, efficient and economical, while managing the ever-increasing risk of cyber security and maintaining compliance.

Perpetual Corporate Trust (PCT) has approximately A$1.2 trillion (US$802.9 billion) of funds under administration (FUA) as at 30 September 2024. PCT has been a partner to Australian lenders – banks, nonbanks, mutuals and fintechs – throughout its 35-year history. The securitisation industry, meanwhile, represents more than A$175 billion of long-term asset-backed debt securities issued domestically. This provides funding for homes and cars, and supports the real economy, with PCT providing a broad range of roles to enable its clients and the market's success.

In 2021, PCT launched its innovation company, Perpetual Digital, to focus on optimising the PCT business and the broader banking and financial services industry. Its mission is to develop software as a service (SaaS) applications and data analytics platforms that support PCT's operations and enable clients to undergo digital transformations.

PCT began its digital innovation 25 years ago with investor reporting technology. It now services more than 300 financial clients, managing A$3.5 trillion in FUA through its diverse range of products and the Perpetual Intelligence platform.

Initially, Perpetual Digital aimed to enhance its operations and retain PCT's clients in debt markets and funds management by supporting their financial, regulatory and investor reporting needs. Strategic acquisitions including RFI Roundtables and Laminar Capital have broadened its capabilities in credit and risk, advisory services, and digital solutions.

Perpetual Intelligence's cloud-based SaaS platform includes several products designed to improve efficiency in banking and finance. The Treasury and Finance Intelligence (TFI) product, developed in collaboration with clients and the securitisation industry, addresses specific needs and has experienced positive adoption rates from companies seeking to digitally transform their own business and make them more cyber secure.

Traditionally, treasury and funding operations relied on spreadsheets, creating challenges related to scalability and error management. TFI digitises transaction processes, automating workflow solutions for better portfolio monitoring, data-driven business decisions and improved investor experience.

Perpetual Digital distinguishes itself through a focus on co-creating solutions with the market, tailored to Australian lenders' specific needs. Its offerings are complemented by a locally based team adept at managing and integrating solutions.

Unlike competitors, PCT provides an end-to-end solution that streamlines processes from trustee, trust management and funding optimisation across a client's entire portfolio, from portfolio management through to automated pool selection for market deals and investor reporting.

Key differentiators include:

- **Efficiency in funding processes**. Advanced algorithms optimise loan allocations to funding vehicles, potentially unlocking substantial value in the capital structure.
- **Trust management**. The platform enhances compliance and efficiency in managing investor interests within securitisation, addressing the limitations of Excel-based processes.
- **Integration across markets**. Perpetual Intelligence connects lenders and funders, streamlining communication and data exchange.

PCT has onboarded 130 trusts, facilitating A$47 billion of funding in funding through TFI. As digital transformation progresses in the finance sector, its products cater to various stakeholders, providing accurate data and insights while ensuring robust cyber security measures.

STRATEGIC SHIFT

In May 2024, the Perpetual board announced a binding scheme implementation deed with Kohlberg Kravis Roberts & Co (KKR) for the acquisition of Perpetual's corporate trust and wealth management businesses. This transition promises continuity in operations, strategy, and product offerings. The Perpetual brand, with its 138-year legacy, will remain intact under KKR's ownership, ensuring a continued focus on fiduciary duties and asset protection.

The separation will enhance PCT's agility and enable strategic growth investments, allowing for quicker decision-making and a sharpened focus on institutional trustee, custodian and digital services. KKR's experience in complex carve-outs and financial services positions PCT for future success while upholding confidentiality and conflict of interest standards.

It will be business as usual for PCT and its clients, with exciting opportunities for capital to be invested in the business to enable it to continually innovate products to support clients and the market's continued success.

The transaction remains subject to a number of material conditions precedent, with a scheme meeting anticipated to be held in early 2025. PCT remains committed to delivering exceptional service during this transition, ensuring minimal disruption while positioning itself for a dynamic future in the financial services landscape. ■

AUTO LENDING DRIVERS TO KEEP NONBANK ABS SUPPLY HIGHWAY OPEN

Issuance data – and the shape of the auto finance sector – suggest the recent surge in auto securitisation volume should be here to stay, says Graham Metcalf, head of structured capital markets at ANZ in Sydney. The main driver is the nature of lenders that are active in the auto space.

A decade ago, the auto asset-backed securities (ABS) market in Australia comprised a handful of issuers making occasional visits to the primary market. A review of 2014 issuance shows approximately A$32 billion (US$21.1 billion) equivalent of total residential mortgage-backed securities (RMBS) and ABS issuance. The total was heavily skewed to RMBS, which made up about 86 per cent of issuance.

The same year, Macquarie Leasing completed three public ABS deals – in multiple currencies – out of a total of six from the sector. The bank accounted for two-thirds of total nonmortgage ABS issuance and 70 per cent of auto ABS issuance in the year. Fleetpartners provided all the nonbank supply from a single deal, the A$190 million FP Turbo Series 2014-1. Total ABS volume was around A$4.4 billion equivalent and market participants bemoaned the lack of issuer diversity and investment opportunities.

Fast forward to 2024 and the Australian auto ABS securitisation market – including mixed collateral deals – is super-charged. As at 31 October, ABS issuance is nearly one-quarter of the A$68 billion equivalent of total supply from 58 issuers. Auto ABS including mixed collateral deals makes up 63 per cent of ABS and 15 per cent of total volume. A total of 12 issuers have completed auto ABS transactions this year, with four of them completing more than one deal in the year to date.

Bank-sponsored auto issuance is no more. Instead, specialist auto lenders with rapidly growing, multibillion dollar loan books – including Angle Auto Finance, Allied Credit, Metro Finance and Plenti – are supplying the market with very substantial senior and mezzanine ABS tranches.

In addition, the asset finance businesses within established nonbank mortgage lenders – including Pepper Money, Resimac, Liberty Financial and Firstmac – continue to grow to scale and require securitisation funding in public and private format.

WHERE NEXT?

With the banks largely out, supply of auto ABS should be a function of overall market growth and market share of nonbanks versus captive finance companies.

There are more than 100,000 new car sales per month, pushing higher even as used car prices are now easing from their 2022 peak. We have imperfect data on what percentage of new and used vehicle purchases are financed in Australia but we know Australians are prepared to lease vehicles through novated or other leasing. We know from the Australian Bureau of Statistics that household new loans for road vehicles for 2023 totalled A$15.6 billion, which was 11 per cent higher than the previous year.

The aggregate loan book of the top five Australian captive finance companies sits at A$42.1 billion. However, growth across these five captives has been modest – at 2 per cent in the financial year.

Brand market share statistics for H1 2024 reveal that the top five brands in Australia collectively provide half the total new vehicles. But only one of these is directly funding a local captive through the public ABS market: Volkswagen Financial Services Australia, through its highly regarded Driver programme.

The vast majority of supply in the public ABS market is therefore likely to come from the newer nonbank specialist lenders and the well-established nonbanks perhaps best known for mortgage lending. Considerations for these entities include access to growth capital – which is more capital intensive than mortgages – sustainable profit through interest rate cycles, and complying with the extensive suite of regulatory obligations for Australian consumer and small business lenders.

In 2024, mezzanine capital for securitisation warehouses and ABS issues has been readily available, with a larger investor base and strong underlying asset performance driving primary spreads in to very attractive levels for these issuers. Relatively low arrears and low losses due to high disposal values on any repossessed vehicles have also been beneficial to the growth phase of many of these companies.

The local securitisation market also seems keen to support green tranches with climate certification. With 140,000 electric and hybrid vehicles sold in the first half of this year, compared with 13,000 in the whole of 2014, more potential collateral is becoming available.

Overall, nonbank auto issuers need the ABS market to continue to thrive and auto ABS should continue to be a very welcome complement to well-established, reliable RMBS supply. ■

The view from a higher peak

The closing weeks of 2024 find the Australian securitisation market in a rude state of health, including all-time record issuance that has soared past historical norms. Participants in an ASJ roundtable discussion – featuring the market's leading intermediaries and service providers – share their views on the factors supporting the positive environment and where market participants should be focusing their attention in 2025 and beyond.

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- **John Stormon** Managing Director and Head of Securitisation, Australia and New Zealand, and Head of Fund Finance, Asia Pacific MUFG

GROWTH DRIVERS

The Australian dollar securitisation new-issuance record for a full calendar year fell before the end of September and passed A$70 billion (US$46.1 billion), for the first time ever, in November. This time last year, however, most market participants seemed to feel 2023 was a high-water mark. What has happened to make this further leap forward in issuance volume possible and why was it not more widely anticipated?

◆ **LE** There have been more newer participants this year including first-time offshore investors in Australian securitisation – based on the relative value the asset class brings. While spreads have tightened further even from the first half of the year, they still look relatively attractive.

Further, growth in the nonmortgage asset-backed securities (ABS) sector has also continued in 2024 even after a doubling of issuance in 2023. This has attracted new investors as well as providing some asset diversification to residential mortgage-backed securities (RMBS) investors.

Collateral performance has held up despite the interest rate rises in Australia over the course of 2023. Overall, the outlook for Australian assets remains positive – driven by resilient house prices, strong unemployment data and forecast interest rate cuts from 2025.

◆ **METCALF** Most market participants were surprised by the growth. Once the market got going, the only sign of a slowdown was a little investor resistance in August. There was also a rush across the capital markets and most issuers have made sure they were not trapped with funding still left to do after the US election.

The further growth in issuance beyond the previous record has been due to supply and demand. On the supply side, the uptick has stemmed from the asset-backed sector. As a percentage of the whole market, ABS now represents nearly one-quarter whereas it had been as low as 10-15 per cent.

But mortgages have been vital, too. Large nonbank mortgage issuers have done great things. The biggest RMBS issuers are La Trobe Financial, Resimac, Columbus Capital, Firstmac and Pepper Money – not the big banks. The nonbanks are securitisation-dependent and they will continue to issue. They

"THERE HAVE BEEN MORE NEWER PARTICIPANTS THIS YEAR INCLUDING FIRST-TIME OFFSHORE INVESTORS IN AUSTRALIAN SECURITISATION – BASED ON THE RELATIVE VALUE THE ASSET CLASS BRINGS. WHILE SPREADS HAVE TIGHTENED FURTHER EVEN FROM THE FIRST HALF OF THE YEAR, THEY STILL LOOK RELATIVELY ATTRACTIVE."

SHARYN LE NATIONAL AUSTRALIA BANK

have done a very good job of engaging with the investor base and in some cases have been able to issue more than A$3 billion a year. This is a lot of money but the deals are being well absorbed.

◆ **MINEEFF** When looking ahead to 2024, market participants expected two trends to set the agenda: the prospect of increased ADI [authorised deposit-taking institution] activity due to normalised funding needs and increased auto ABS issuance away from ADIs.

While these key drivers were largely agreed, what has surpassed everyone's expectations is their sheer scope of influence. Non-ADI lenders in particular have also experienced increased mortgage origination volume versus 2023, which has played a part in boosting the volume of securitisation new issuance.

Meanwhile, offshore and domestic wholesale investors continued to find relative value in the market, which has facilitated thriving volume and favourable pricing levels for issuers. As we look ahead to next year, in the absence of the unpredictable exogenous factors, we view 2024 as a reasonable proxy for 2025.

◆ **KANARIS** I agree on the two main sector factors that have driven issuance growth this year. One is that ADIs have returned to the market: around A$20 billion of ADI asset-backed securities has come to market in the year to date, making it the busiest year for ADI issuance since 2017.

There has been notable growth in auto ABS, which has also facilitated demand. Last year, issuance out of the auto segment reached roughly A$13 billion and this year the market is approaching A$16 billion.

Meanwhile, relative value in Australia continues to stack up – driving offshore demand for Australian paper and facilitating the growth we have experienced in 2024.

◆ **POWELL** At the same time, nonbank lenders continue to grow. While banks are also using securitisation for capital needs, much of the growth in issuance is from nonbanks. This is partly connected to APRA [Australian Prudential Regulation Authority] making it harder for banks to lend to certain asset classes. But is also the result of banks stepping out of sectors or products where they do not get the scale they require. This has allowed nonbanks to enter and execute at size.

The second factor is demand. I believe most market participants underestimated the increased flow into credit from higher base rates. It was only a few years ago that we had a 0.1 per cent cash rate. It is now 4.35 per cent. This has materially reduced the returns differential when compared with equities and other noncredit assets, especially in the mezzanine segment where total return can match equity returns.

The amount of issuance volume has not been a surprise to me, and I believe this bull market can continue absent some form of external shock. The amount of supply is creating a lot of optimism and issuance will continue to grow, underpinned by continued demand from investors as they continue to allocate funds to credit.

This outlook could change, of course – but if it does the cause will probably be something we didn't think about or know about. Absent some big left-tail event, I suspect central banks will be slow to reduce rates. But borrower performance is likely to hold up, as will property prices due to the shortage of housing. If borrower performance remains resilient, 2025 will be another strong year.

Finding incremental investment dollars for senior notes in securitisation structures has been the main requirement for growth on the demand side. Where has new triple-A demand come from in 2024 and how much more potential is out there for support of traditional ABS and RMBS structures? By contrast, relative value has been on the side of Australian issuers this year – what is the risk of demand taking a step back in 2025?

◆ **KANARIS** Relative value for Australian ABS and RMBS continues to be attractive versus other markets – particularly Europe, the UK and Asia. As ever, when there is an attractive spread differential it drives growth in the market.

While relative value is always a key ingredient to demand, the recent dynamic of larger transaction sizes has also allowed investors to get invested and stay invested, which is compelling.

◆ **MESZAROS** Relative value on triple-A rated paper has tightened compared with 2023 but there is generally still a decent pick-up versus comparable asset classes in Europe and the US. We think there is still room to deepen the market of offshore buyers – particularly from Asia and Europe. Investors are looking for new markets, including Asian credit investors driven by offshore China credit drying up.

"WHEN LOOKING AHEAD TO 2024, MARKET PARTICIPANTS EXPECTED TWO TRENDS TO SET THE AGENDA: THE PROSPECT OF INCREASED ADI ACTIVITY DUE TO NORMALISED FUNDING NEEDS AND INCREASED AUTO ABS ISSUANCE AWAY FROM ADIs. WHAT HAS SURPASSED EVERYONE'S EXPECTATIONS IS THEIR SHEER SCOPE OF INFLUENCE."

JUSTIN MINEEFF COMMONWEALTH BANK OF AUSTRALIA

The return of ADI issuance

WHILE NONBANKS CONTINUE TO BE THE BIGGEST SECTOR OF ISSUERS IN THE AUSTRALIAN DOLLAR MARKET, 2024 ALSO BUILT ON THE PREVIOUS YEAR'S TREND FOR AUTHORISED DEPOSIT-TAKING INSTITUTION (ADI) ISSUERS TO RETURN TO MARKET. THERE ARE HOPES FOR SOLID ONGOING SUPPLY FROM BANKS.

The past year or two has delivered a steady but significant uptick in Australian bank securitisation. Is this just a relative-value play for issuers, based on tighter residential mortgage-backed securities (RMBS) spreads? Also, to what extent is it likely to be maintained in 2025? Does consolidation in the bank sector make a material difference in likely supply?

STORMON With tighter spreads, there is greater impetus for ADIs to issue RMBS. We have seen some large transactions and even some issuers tapping the market twice in last 12 months.

While price will always be a factor, from the outside it is hard to think it would just be about price for ADIs. There are other circumstances at play here, including the relative stability between senior-unsecured and RMBS pricing. The unwinding of the term funding facility (TFF) cannot be ignored, either.

Looking ahead to 2025, it is hard to imagine that ADI issuance will dry up unless there is a major shock to the system or the relativities gap out against RMBS. However, a slowdown could be in order if ADIs have already adjusted to, for example, life without the TFF.

APRA [the Australian Prudential Regulation Authority]'s recent calling of time on ASX-listed hybrids may not be a factor, but it highlights how regulators might also have an impact on ADIs' funding mix. This is probably the point to consider.

Even so, in the course of ordinary functioning markets, we should expect ADIs to diversify their funding base and RMBS should not disappear as a funding source even if it is more expensive than other forms of issuance.

Similarly, consolidation in the banking space should lead to increased ADI RMBS issuance – particularly if one or both of the consolidating ADIs has not issued RMBS in the past. Again, there would be merit in issuance from a diversification point of view alone.

MCCOOK I agree with most of this. For all banks, the final repayment of the RBA [Reserve Bank of Australia]'s TFF required some access to wholesale markets – and RMBS is part of this. Meanwhile, APRA's announced liquidity review in November 2023 had particular implications for lower-rated ADIs that led to marked widening in triple-B spreads. As a result, RMBS became more attractive as a funding tool for ADIs in this rating band.

Looking forward, ADI RMBS issuance volume is likely to remain at a similar proportion of overall funding needs based on system growth. At the moment, elevated loan servicing test rates for ADIs are constraining lending growth and ceding market share to the nonbanks as a result.

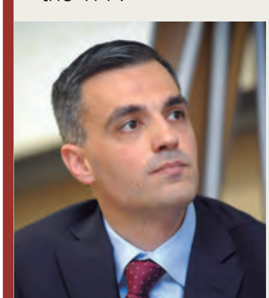
We also believe bank consolidation creates a mixed outlook for RMBS issuance from the sector: the number of programmes is likely to remain the same or even shrink but issuance volume is likely to increase at the margin.

Some bank securitisation programmes are likely to be grandfathered, where both the merging ADIs were active issuers, while one or two mutual ADI mergers will likely result in new public RMBS programmes over time where neither party was an issuer pre-merger.

KANARIS A key component of the RMBS market for regional ADIs is the ongoing presence of capital relief. We saw this play out in 2024 and we certainly expect it to continue next year.

Fundamentally, the cost of securitisation funding is attractive versus an equivalent senior-unsecured transaction. Meanwhile, it is hard for some of the smaller ADIs to achieve the same volume of issuance in the senior-unsecured market.

Outside the major banks, consolidation within the smaller ADI sector has meant the number of active ADI securitisation programmes has diminished over time. Through ongoing consolidation, the larger regional banks may need more funding and capital-efficient structures, and this may lead to more ADI RMBS issuance in future.



"Fundamentally, the cost of securitisation funding is attractive versus an equivalent senior-unsecured transaction. Meanwhile, it is hard for some of the smaller ADIs to achieve the same volume of issuance in the senior market."

JAMES KANARIS WESTPAC INSTITUTIONAL BANK

"OVER TIME, I EXPECT TO SEE GREATER CONSISTENCY IN THE SME MARKET AS MORE PLAYERS ENTER AND EXISTING ONES BROADEN THEIR PRODUCT OFFERINGS. THERE IS STILL SIGNIFICANT ROOM FOR GROWTH AND DEVELOPMENT IN SME SECURITISATION AND WE ANTICIPATE FURTHER DEEPENING OF THIS MARKET AS IT MATURES."
ILYA SEROV MOODY'S RATINGS

The offshore bid will continue to be mainly driven by relative value, we believe, although there is an ongoing demand from offshore commercial banks that find Australian triple-A paper to be an attractive, capital-efficient balance sheet investment – much like domestic joint lead manager interest. There could be a few more new entrants next year.

For mezzanine, relative value may come and go but we think there should continue to be ample domestic demand.

◆ **AUSTIN** Incremental demand continues to build in Japan and a number of new investors are starting to take an interest. Interestingly, investors that traditionally have only invested in short-term repack notes of combined transactions are now exploring direct exposures with a number of issuers in the primary market. We think this is likely to continue to grow into next year, assuming collateral performance remains strong and markets remain constructive.

Relative value has definitely been a factor for some of the US and European accounts that have newly entered or re-entered the market this year. But the benefit of their participation is that a lot of these investors have now undergone significant due diligence and credit work on the market and its key issuers. Therefore, our view is that these investors may be slightly stickier – also supported by the perception of increased liquidity in the Australian market generally – even as relative value flattens out.

At the very least, we think demand should be more reliable through the cycle. When relative value emerges, investors should come back quickly given their base level of understanding and knowledge.

The mezzanine part of the stack has been particularly well bid this year, but what is the outlook for 2025?

◆ **AUSTIN** We believe the mezzanine part of the stack will likely be well bid continually into 2025 – although it is hard to see how pricing can tighten any further and there is still risk that spreads could gap wider suddenly, given the level of compression to date.

But so much money has been raised and put toward private credit in the last few years – a lot of funds are active in the space domestically and internationally, and there is a lot of pressure to deploy capital.

All this depends on the continued strength and performance of the underlying collateral, which has remained robust versus historical standards despite an uptick in arrears throughout 2024.

◆ **STORMON** Mezzanine note bids have been relatively aggressive in 2024, with margins grinding in alongside senior margins and mezzanine tranches being well oversubscribed – sometimes including whole-of-tranche bids from more than one investor.

We understand this is driven by significant inflows of cash to some of the key mezzanine investors participating in the Australian market, off the back of broader interest in the securitisation space and increased allocations to private credit and alternatives in general.

This dry powder needing to be deployed has naturally resulted in significant oversubscription of mezzanine notes. It is worth keeping in mind that this interest is likely heavily dependent on the continued strong performance of the underlying portfolios. As long as the underlying performance remains strong, we expect this trend will continue into 2025 as more capital is allocated to mezzanine investors.

◆ **METCALF** There used to be just a small number of funds buying mezzanine. Now there are many and they are heavily competing for supply. It might be that some consider the spread to be tight enough. Even so, there can be 20 investors for mezzanine tranches now – and they are typically competing for relatively

"THERE ARE SO MANY MORE FUNDS TODAY, AND THE PEOPLE RUNNING THESE FUNDS UNDERSTAND HOW GOOD THE PRODUCT IS. EVEN DOWN THE CAPITAL STACK IN AUSTRALIAN SECURITISATION, IT IS VERY HARD TO SEE INVESTORS LOSING CAPITAL."
GRAHAM METCALF ANZ

ESG securitisation seeks momentum

THERE HAVE BEEN SOME POSITIVE DEVELOPMENTS IN SECURITISATION CARRYING AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) LABEL. EVEN THOUGH SECTOR ADVOCATES ACKNOWLEDGE THAT CONSISTENT MOMENTUM IS LACKING, EMERGING DEVELOPMENTS MAY FACILITATE A POSITIVE COURSE.

What can the Australian market do, collectively and individually, to rebuild momentum in green, social and sustainable securitisation?

HOLTSBAUM Australian dollar labelled bond issuance reached record high volume in 2024, with A$41.5 billion (US$27.3 billion) issued by November. This represents around 15 per cent of total Australian dollar issuance. However, labelled securitisation issuance has been fairly subdued over the last few years, with just less than A$1 billion issued in 2024, having peaked in 2022 when A$1.7 billion was issued.

With limited data to facilitate labelled RMBS [residential mortgage-backed securities], issuers have mainly used proxies such as construction year to determine an eligible pool of loans. This approach has been challenged by investors, who question if houses built after a certain year meet the definition of 'green'.

The Australian taxonomy, which is due to be released in 2025, includes specific technical screening criteria for the construction and built environment sector, which will guide product development. However, it may take time to design an appropriate product, establish the necessary systems and processes, implement required governance frameworks and build a pool of green mortgages sufficient to drive a real increase in growth in green RMBS issuance.

A pool comprising green mortgages will facilitate data collection at the point of origination, which may be used for impact reporting. Investors have expressed a desire for more data on the individual assets underpinning eligibility, such as energy efficiency data for houses, green star ratings, solar panel capacity, battery systems installed, flood and fire ratings, and greenhouse gas emissions avoided.

The recent work by CSIRO [Commonwealth Scientific and Industrial Research Organisation] and Corelogic on the RapidRate energy efficiency tool, which estimates the energy-efficiency performance of some of Australia's properties, is a step in the right direction. It will help provide transparency of underlying properties' performance.

The ongoing work undertaken domestically by the Australian Securitisation Forum provides helpful guidance to issuers and arrangers on recommendations for issuer and asset-level disclosure. This will assist with the development and expansion of the ESG securitisation market in Australia.

HELLERUD ESG is still evolving in the Australian securitisation market. There has been sporadic issuance of green tranches within commingled portfolios of auto, consumer finance and residential mortgage transactions under the guise, in some cases, of retroactively fitting the assets to specific criteria.

This has been an appropriate starting point for the market but issuance will need to be more convincingly ESG to continue the momentum in this space.

This is easiest to demonstrate for green assets because they are measurable and objective. But it will likely mean investors will be looking for, for example, issuance supported by 100 per cent green collateral.

The other critical component to support the continued evolution of ESG-linked issuance is to have formal frameworks in place, including prescribed asset-level reporting. This will also support a more deliberate approach to origination. Better data and clearer frameworks will also crowd in investors, particularly from the UK and Europe where they are further along in the ESG journey.

Government policy measures on fuel efficiency and emissions standards will also continue to influence the direction of ESG issuance. There is also the sense that issuance will be encouraged down this path by mandatory disclosure regimes.

small Australian dollar value amounts. Credabl was a great example this year. The demand for the mezzanine piece was literally overwhelming, for relatively small tranche sizes.

There are so many more funds today, and the people running these funds understand how good the product is. It is very hard to see investors losing capital even down the capital stack in Australian securitisation.

The risk has proved to be incredibly low and this realisation among more investors is contributing to spread contraction of 100-150 basis points, or even more for some lower tranches. Every time it gets tighter, it is a little harder to justify. But with this many funds around, the demand will remain.

KANARIS There is still strong demand domestically for mezzanine and this has held firm throughout this year. It will be interesting to see how it plays out in 2025. Absent any credit event, the determining factor will be where spreads land.

Mezzanine spreads have continued to tighten throughout 2024. The question is where they go from here. Future progress will be driven by how relative value develops for offshore investors considering playing in the market.

"THE INCREASING USE OF CLOUD COMPUTING AND GENERATIVE AI WILL NATURALLY LEAD TO DATA CENTRES EXPLORING ALTERNATIVE FUNDING SOLUTIONS. DATA CENTRES ARE A CAPITAL-INTENSIVE ASSET THAT WILL REQUIRE SIGNIFICANT FUNDING, AND THEIR HIGH-QUALITY UNDERLYING CASH FLOWS LEND THEMSELVES TO SECURITISATION."

JENNIFER HELLERUD RBC CAPITAL MARKETS

NEW FUNDING AVENUES

To what extent will capacity issues – either for the market overall or for single names – prompt issuers to engage more deeply with alternative funding options – including whole-loan sales and forward-flow agreements? If so, which options will be most fruitful in the medium term and why?

◆ **AUSTIN** Historically, there appears to be a natural cap at around A$20 billion for originators that are solely dependent on securitisation markets. Factoring in CPRs [conditional prepayment rates] of 25-30 per cent, to maintain A$20 billion in assets issuers need to originate and then issue around A$5-6 billion per year consistently.

There is potential to do more than this is in strong years, as we have just seen. However, there will be years where markets are largely closed or inefficient for extended periods, and where pricing doesn't work. Developing alternative funding sources is crucial to diversifying and ensuring the continuity of funding through market cycles.

Whole-loan sales can take shape in a range of formats and structures. It is really about accessing capital that otherwise wouldn't be participating in traditional securitised format. We believe there is a place for these alternate sources of funding, and it is a natural progression for the market – as we have seen in Europe and the UK over the last decade.

The key for issuers will be to work with investors that are aligned and hold a long-term view. It is important to ensure the partnership is accretive to an issuer's funding programme and not cannibalising existing, reliable funding.

From the investor perspective, the work and diligence required to facilitate a single transaction often doesn't make sense without a degree of certainty of continued volume and adequate returns. We believe investors managing a combination of insurance and private capital are ideal partners in this approach.

A number of players are already transacting and we believe this is likely to continue to grow over the next year or so.

◆ **HELLERUD** Alternative funding solutions are likely to form a larger part of issuers' funding plans, not only due to capacity considerations in more traditional markets but also a desire to proactively broaden funding channels and tap into alternate pools of investor capital. Intermediary banks also want to diversify revenue sources away from more volatile NIM [net interest margin] to capital-lite fee income.

We expect whole-loan sales, forward-flow programmes and bespoke private placements will form the majority of these alternative funding opportunities, with large private debt houses and offshore institutional investors showing a willingness to lend significant volume to less traditional structures. Continued demand for these structures will also serve to tighten margins and support product development, further enhancing the alternative funding proposition for issuers.

◆ **MESZAROS** We also believe whole-loan sales make a lot of sense as part of an overall funding strategy, giving originators more flexibility around their earnings profile by booking an upfront gain, releasing capital and adding an additional funding channel that isn't directly reliant on capital markets.

More and more originators are either already selling whole loans or considering it, and I think the number of buyers is also growing – including banks such as ourselves, credit funds and insurers. I don't think this is really driven by capacity issues, though. The market has been able to absorb substantial growth in the past couple of years and there is still room for more. The main benefit of whole-loan sales is really having a different financial profile for the seller.

Once issuers have set up a forward-flow arrangement it can be really simple to execute: it can potentially be done in a manner of days or a couple of weeks. This compares with the lead time that goes into setting up or upsizing a warehouse, or issuing a term deal.

◆ **POWELL** I agree that issuers are not generally looking at alternative funding options because of capacity issues. It isn't that the dollars are not available, in other words – it is generally because they have loans that are ineligible for their warehouses. Funders will give them money for more of the same types of assets but not for new assets or to stretch their portfolio parameters.

Issuers are exploring whole-loan sales or forward-flow to get certainty of funding for different assets, where they see credit opportunities but where funders don't have appetite.

I expect more growth in the space. Treasurers and CFOs are examining how they can optimise the efficiency of funding costs and ensure they can continue to write good credit that can be funded in different ways. Whole-loan sales and forward-flow look

"WE EXPECT THE AUTO ABS ASSET CLASS TO GROW IN SIZE INTO THE FUTURE BASED ON CONTINUED ORIGINATION ON NONBANK PLATFORMS. GLOBALLY, IT IS RECOGNISED AS RELATIVELY RESILIENT TO ECONOMIC FLUCTUATIONS, COMPARED WITH MOST OTHER ASSET CLASSES, AND IT BENEFITS FROM A SHORTER DURATION PROFILE THAN RMBS PAPER."
JOHN STORMON MUFG

a lot like securitisation, they just operate on a slightly different basis.

I believe securitisation and warehousing will still be the most predominant tools nonbanks use. But the prevalence of whole-loan sales and forward-flow agreements will grow as the supply of funders willing to offer them increases.

Alternative funding is coming from a low base so there will likely be material growth. Could it be 5-10 per cent of how the aggregate nonbank system funds itself in the medium term? Yes, I think it could be. It is unlikely to get more than this, though.

Traditional funding mechanisms are being challenged by alternative structures, which is fantastic and will continue. But I don't think it will materially disrupt the traditional term securitisation warehouse space.

There is a lot of interest in private credit in the Australian market. But what does this mean to market participants? Specifically, when we talk about private credit are we talking about the type of entity providing the financing or the method by which it does so?

◆ **POWELL** It is the same as public equity versus private equity. Public equity trades on an exchange and anyone can view how a company is performing. In private equity, the managers do not have ongoing reporting obligations other than to their direct investors.

The same is true in securitisation. Public securitisations provide monthly reporting, which is available to all investors whether they are in the pool or thinking about investing. There is also public disclosure about the performance of the pool. In a warehouse, only the funders know how the warehouse is performing.

◆ **MESZAROS** I think the lines between public and private will become increasingly blurred. More private, unrated deals that are similar to term club deals could emerge, especially for nontraditional or emerging asset classes. Private credit investors will come into public deals opportunistically as well.

The investors are mainly asset managers that may have historically focused on public markets and are now coming into the private space for things like warehouse financing. But it also means different structures, like whole loans. It could mean insurance-type or unfunded arrangements as well. Ultimately, it should be healthy for the market to add scale and liquidity.

◆ **HELLERUD** In our view, private credit in the context of Australian securitisation refers to alternative or bespoke structures that are financed outside public markets by nontraditional participants, like private debt funds, rather than banks. Examples include whole-loan sales, forward-flow agreements and bespoke private placements tailored to individual investor needs.

These alternative structures have grown in popularity in the Australian securitisation market, driven in part by the need for issuers to diversify their funding platforms and also by a material increase in the sources of capital seeking private credit exposure – including retail and insurance capital pools.

As such, we agree that a simple delineation between public and private credit has little value in our market. Rather, these alternative pools of capital should be viewed as complementary to traditional investor demand for ABS.

◆ **METCALF** I worry that 'private credit' covers a huge array of asset investment strategies and that funds with very different profiles are being bundled together in one conversation. The public versus private debate in the bond market has been more about regulatory differences in place in the US. I don't view these as so pronounced in Australia but it is certainly important that private funds provide appropriate transparency to their investors.

The original private credit funds here were fixed-income investors buying credit rather than rates product. Now they can be heavily focused on real estate, including leveraged finance loans, loans that banks have passed up on ESG [environmental, social and governance] grounds, or other loan types.

How relevant they are to securitisation is still to be worked through. The average size and bespoke nature of the loans appear to be different from portfolios securitised in warehouses or term deals in Australia, so it will be interesting to see how the sector develops.

AUTOS AND NEW COLLATERAL

The autos sector has been at the forefront of collateral and issuer diversity in the Australian market, but some nonbank lenders in this space have started to talk about the degree of competition in the sector based on the number of new entrants and existing players

"THERE WILL BE YEARS WHERE MARKETS ARE LARGELY CLOSED OR INEFFICIENT FOR EXTENDED PERIODS, AND WHERE PRICING DOESN'T WORK. DEVELOPING ALTERNATIVE FUNDING SOURCES IS CRUCIAL TO DIVERSIFYING AND ENSURING THE CONTINUITY OF FUNDING THROUGH MARKET CYCLES."
OSCAR AUSTIN NATIXIS CIB

with growth ambitions. Do you expect there to be consolidation in this sector or further proliferation of lenders, and what – if anything – will the evolving shape of the lending space mean for auto ABS supply volume?

◆ **METCALF** Banks including Macquarie Bank, Westpac Banking Corporation and ANZ have largely ceased their direct auto lending operations. This leaves the playing field for a large category of lending to the captive finance companies of global manufacturers and to nonbanks, assuming the economics align for the latter.

Three businesses – Angle Auto Finance, Allied Credit and Metro Finance – together with Pepper and Liberty Financial – which are large existing mortgage lenders with substantial asset finance businesses, including auto – are happily growing their books and using the Australian ABS market for funding. Volkswagen Financial Services has been the key issuer among the captives.

The big nonbanks appear positioned to continue to grow. There was a lot of talk about consolidation, but it seems this may help with scale but does not solve all the challenges of competing in the Australian finance market. There are many ABS issuers now with modest capitalisation and substantial ABS term issuance in place.

◆ **MINEEFF** It is certainly true that the Australian auto sector has experienced significant disruption over recent years. This started with a global supply-chain shock due to the semiconductor shortage in a post-COVID-19 world, which led to elevated used car prices.

More recently, there has been the exit of bank lenders from auto finance – with the departees citing capital returns – and the associated sale of auto asset books to new and incumbent nonbank financial institutions.

During the period when the auto manufacturers were absent from the market due to the supply challenges, nonbanks were able to expand their share of the new vehicle market. Now new car supply has normalised and the auto manufacturers are back in the market – via their captive financing entities, with subvention and guaranteed future value products – we can expect slower new auto originations from nonbanks.

Lenders that have found a niche among their borrower cohort or in a specific asset class will continue to thrive while those competing solely on price in the new vehicle market will be challenged as gross margins continue to tighten.

Despite this, we expect overall auto ABS supply volume to remain at elevated levels as auto manufacturer captives return to the securitisation market as a funding source and the nonbanks use favourable pricing in the public ABS market to refine pricing.

◆ **SEROV** Significant market depth has emerged in the auto sector over the past 2-3 years. Many of the recent new entrants have been concentrated in the auto space, with some also operating in consumer finance – typically through mixed business models. Unlike in the past, where banks dominated auto financing, nonbank players are now driving a large part of the market – and they have securitisation as their primary funding tool.

With this growth has come intensified competition, which can affect NIMs and may over time reduce the ability to grow quickly. This could create pressure on lenders, especially those reliant on growth to meet specific targets set by shareholders or investors.

As for the ABS sector, while it's speculative to predict potential consolidation in specific terms, any consolidation would occur within the nonbank sector – and this would keep activity strong in the securitisation space. Over time, we may see larger players emerge – much like we observed in the mortgage

"ALTHOUGH INTEREST RATES ARE EXPECTED TO DECREASE NEXT YEAR, THE LONGER THEY TAKE TO START DECREASING – AND IF THERE ARE ONLY A COUPLE OF CUTS – THE MORE MUTED THE EFFECT ON ARREARS WILL BE AS SOME BORROWERS HAVE BEEN USING THEIR, DECREASING, SAVINGS BUFFERS."
NATASHA VOJVODIC FITCH RATINGS

"THE LINES BETWEEN PUBLIC AND PRIVATE WILL BECOME INCREASINGLY BLURRED. MORE PRIVATE, UNRATED DEALS THAT ARE SIMILAR TO TERM CLUB DEALS COULD EMERGE, ESPECIALLY FOR NONTRADITIONAL OR EMERGING ASSET CLASSES. PRIVATE CREDIT INVESTORS WILL COME INTO PUBLIC DEALS OPPORTUNISTICALLY AS WELL."
ANDOR MESZAROS GOLDMAN SACHS

space during its early growth phase. Overall, the outlook for ABS issuance volume remains healthy.

◆ **CONEYBEARE** We believe there has been a structural shift, particularly in the auto ABS market, with financing moving to the nonbank sector from the banking sector. This shift appears to be long-lasting and we expect the programmatic issuance by nonbank lenders to continue.

Based on recent trends, we anticipate that some of these nonbank lenders will maintain a pattern of conducting multiple transactions annually, as they have over the past two years.

◆ **LE** There are a lot of players in this space, which has provided healthy competition in the sector. Consumers have benefited.

There may be some slight consolidation among the smaller players. However, other than a back-book offering, this may be challenging. The space is relatively new and the larger players, like Allied and Angle, have their own established distribution networks and platforms, so consolidation will be largely for volume growth.

Another potential contributing factor is the entry and push among captive financiers, which may put pressure especially on the smaller originators that are purely auto focused and thus drive consolidation. Auto volume will probably remain at current levels into 2025 as car sale volume has started to taper.

◆ **STORMON** Competition in the auto sector is fierce, with many originators offering competitive rates and comparable, customer-serving product offerings. As ADI auto books have transitioned to the nonbank sector, either through sale processes or organic growth, investors have been the beneficiaries thanks to the increase in auto ABS issuance.

We expect the auto ABS asset class to grow in size into the future based on continued origination on nonbank platforms. Globally, it is recognised as relatively resilient to economic fluctuations, compared with most other asset classes, and it benefits from a shorter duration profile than RMBS – which continues to dominate the local market.

We expect the number of issuers may diminish over time, however, with the cash flow challenge of upfront commissions proving too much for newer entrants without critical mass or other financial support.

Elsewhere, there has been steady growth of supply of SME ABS as well as more diversity in mortgage offerings – particularly nonresident, self-managed super fund (SMSF) and reverse mortgage products. Which sectors have the most potential for further growth?

◆ **SEROV** In the SME space, we have been rating a wide variety of deals over the past few years – ranging from unsecured micro-lending for SMEs to asset finance targeted at SME borrowers. For example, Judo Bank has originated more traditional relationship-based SME products. There have also been ancillary products, such as those involving SMSFs. Notably, in the consumer space, we rated a reverse mortgage deal for the first time since the financial crisis. This is a positive development.

Looking ahead, I'd like to highlight two key points regarding the reverse mortgage space. First, it is important to broaden the conversation beyond the traditional retirement-focused reverse mortgage products. There are also home-equity-oriented products targeting retirees and other demographics.

Given the macroeconomic pressures, Australia's demographic trends and the vast amount of home equity tied up in housing, we expect this sector to grow and for some of the growth to take a securitised form. This is a promising green shoot in the market.

On the SME side, we have rated numerous deals from a variety of issuers but the market hasn't yet reached the same level of homogenisation as the mortgage or auto sectors, where products are more standardised and competition is high. In the SME space, deals are still emerging in different niches.

Over time, I expect to see greater consistency in the SME market as more players enter and existing ones broaden their product offerings. There is still significant room for growth and development in SME securitisation, and we anticipate further deepening of this market as it matures.

◆ **LE** Large mortgage players will continually look for ways to enhance NIM, and product diversification is one strategy. We have seen increased volume in SMSF loans, which will continue as superannuation contributions continue to build and the asset class performs well – similar to prime mortgages. Given banks stepped away from this product, we expect growth here.

Meanwhile, offshore investors are increasing their knowledge of SMSF product so it is reasonable to expect more demand for SMSF-backed term securitisation transactions in the near future.

Reverse mortgages is an interesting one. None of the banks have offered this product since the royal commission so it is reasonable to expect the nonbank sector to explore it. There are

"ISSUERS ARE NOT GENERALLY LOOKING AT ALTERNATIVE FUNDING OPTIONS BECAUSE OF CAPACITY ISSUES – IT IS GENERALLY BECAUSE THEY HAVE LOANS THAT ARE INELIGIBLE FOR THEIR WAREHOUSES. FUNDERS WILL GIVE THEM MONEY FOR MORE OF THE SAME TYPES OF ASSETS BUT NOT FOR NEW ASSETS."
JOHN POWELL NEU CAPITAL

a couple of pure reverse mortgages out there and the sector may be one to watch for 2025.

◆ **CONEYBEARE** We have witnessed growth in SMSF lending within RMBS transactions over the past couple of years: these now make up about 5 per cent of loans in RMBS, up from about 1.5 per cent five years ago. We view SME lending as an evolving area with a range of lending products and lenders.

Reverse mortgage and equity release type products are other areas where we have seen increased interest, here in Australia and elsewhere. We have published some research in this space this year as we are having more discussions about it.

While these products are developing and evolving, they still represent a relatively small portion of the overall lending market. As such, we don't necessarily anticipate significant shifts in the overall composition of securitisation. However, they provide diversification as the market evolves.

◆ **VOJVODIC** Over the last few years, these asset classes have grown because nonbanks have found it more difficult to compete with the banks in the prime space and needed to write assets with more yield. As more lenders move into each space, competition increases and yield decreases – so some shift to the next asset class. SME ABS and more lenders in the low-documentation, self-employed space have been the most recent shift.

As a rating agency, when looking at lenders moving into new asset classes the things we consider are whether they have the relevant capabilities and staffing not only to write the new products but also to service them. Many are different from assessing a prime mortgage loan and are more high-touch when it comes to servicing.

◆ **HELLERUD** The ongoing diversification into niche products we are discussing has been driven largely by competition. NIM is being bid away not only on vanilla products but also on products that are considered more specialised – such as SMSF residential mortgages.

As a result, bridging loans, small-ticket commercial loans and nonresident loans, for example, are now becoming part of many nonbanks' offering. We expect this to continue while there is appetite to fund this product development, including by way of private credit.

Thinking about future asset classes, the increasing use of cloud computing and generative AI will naturally lead to data centres exploring alternative funding solutions to support sector growth. Data centres are a capital-intensive asset that will require significant funding, and their high-quality underlying cash flows lend themselves to securitisation.

Additionally, Australia's strategic position within the Asia-Pacific region, combined with its stable government, presents ideal conditions for investors and developers in this market. As the Australian market evolves, we can look to the US – where data centre securitisation has occurred since 2021 – for precedence.

◆ **VOJVODIC** The participation of private credit funds once again will be integral to facilitate the growth of this emerging asset class until data centres move beyond the development and ramping-up stages.

◆ **MESZAROS** There will be further growth in all the sectors being discussed but it is less clear that this will happen on a very large scale. I'm hopeful that there will be more consumer and SME ABS. Reverse mortgages is particularly interesting as Australia, like many other jurisdictions, is encountering demographic pressures due to ageing populations and high home ownership rates.

We have also experienced a lot of growth in the mid- and large-ticket commercial real-estate financing sector in Australia over the past couple of years – but so far this has been funded

"WE BELIEVE THERE HAS BEEN A STRUCTURAL SHIFT, PARTICULARLY IN THE AUTO ABS MARKET, WITH FINANCING MOVING TO THE NONBANK SECTOR FROM THE BANKING SECTOR. THIS SHIFT APPEARS TO BE LONG-LASTING AND WE EXPECT THE PROGRAMMATIC ISSUANCE BY NONBANK LENDERS TO CONTINUE."
NARELLE CONEYBEARE S&P GLOBAL RATINGS

privately, with public rated issuance mainly limited to small-ticket term loans.

Chunkier CMBS [commercial mortgage-backed securities] collateral may be the next frontier for the Australian market as more originators get into this space and require efficient and scalable funding. This could encompass a lot of things, from a portfolio of A$10-30 million of investment loans to massive data centre projects.

ASSET PERFORMANCE

Collateral performance in Australian securitisation pools has held up well through the high rates period, supported by a robust employment sector and housing market performance that some economists believe has become fundamentally disconnected from the economic cycle. The housing market has started to cool but is there a risk of irrational exuberance if, as many expect, 2025 brings rate cuts?

◆ **AIRD** We don't believe so. Interest rates are currently well above their pre-pandemic level and our base case is for a modest easing cycle of approximately 100 basis points over 2025, which would take the cash rate to 3.35 per cent. We do not expect lending standards to be relaxed, which means the conditions for a bubble are unlikely to eventuate.

The unemployment rate is forecast to remain less than 4.5 per cent, which supports overall household income growth and the housing market. We are forecasting home price growth of around 5 per cent in 2025.

As usual, the outcome will be divergent across the country. Momentum is currently soft in Sydney and Melbourne but more buoyant in Brisbane, Adelaide and Perth. Vacancy rates remain low given housing supply growth is soft and underlying demand is strong due to the big lift in Australia's population.

Housing affordability is stretched and price growth has been at odds with the lift in interest rates. But the growth in home prices largely reflects a big imbalance between new building and population growth, which does not reflect an easing in lending standards or a material lift in credit growth.

Other forces have supported home prices, too, including the 'bank of mum and dad' – which is injecting equity into housing stock from the older generation helping their children enter the property market.

◆ **SEROV** In the immediate aftermath of interest rate rises, there was a period of uncertainty regarding how collateral in Australia would perform across the mortgage, auto, and consumer spaces. We observed a deterioration in performance, reflected in higher

Eyes to the digital future

AUTOMATION AND DIGITALISATION ARE PICKING UP PACE AND AUSTRALIAN SECURITISATION MARKET PARTICIPANTS ARE INCREASINGLY INCORPORATING THEM INTO THEIR BUSINESS PROCESSES ACROSS A WIDER RANGE OF FUNCTIONS. A KEY DRIVER IS MITIGATION OF THE LOOMING SPECTRE OF CYBER RISK.

Are market participants comfortable with the pace and direction of digitalisation and automation in the Australian origination-to-funding chain? In other words, is the market taking sufficient advantage of technological breaktghroughs while also paying sufficient attention to the risks, including in areas like cyber security?

MCCOOK The Australian securitisation market has been actively embracing digitalisation and automation, but comfort levels and approaches vary among market participants.

Historically, the focus has been on front-end origination platforms to enhance customer interactions. More recently, there has been a pivot toward investing in back-end funding and treasury technologies to manage operational risks, improve auditability and achieve funding efficiency through better-optimised funding and portfolio mixes. This shift aims to balance the benefits of digitalisation with the need for robust risk management, particularly in cyber security.

Market participants are increasingly viewing digitalisation as an opportunity to scale and compete more effectively. By investing in front-end and back-end technologies, they aim to streamline operations,

"Market participants are increasingly viewing digitalisation as an opportunity to scale and compete more effectively. However, the pace of adoption and the focus on risk management can vary widely – reflecting the diverse needs and capabilities of different organisations."

NIGEL MCCOOK PERPETUAL

levels of arrears. However, what we haven't seen is a significant increase in losses or defaults. There are two key factors.

First, the strong employment market during this period has played a crucial role. While people may experience temporary financial stress, this typically doesn't lead to defaults as long as they remain employed. Second, the robust housing market has been supportive, helping the mortgage space directly and indirectly benefiting other asset classes.

Looking ahead to 2025, we expect performance to continue to worsen slightly, mainly due to cost-of-living pressures – beyond just interest rate rises – working their way through the system. There tends to be a lag in these effects, so we anticipate arrears to keep rising – but not to a severe degree.

The pattern we have observed so far – high arrears without a significant increase in losses – is likely to persist into 2025. While potential interest rate cuts could help performance, our outlook is more focused on the stability of the employment market. We expect this to remain steady.

◆ **VOJVODIC** While prime loans have performed well, nonconforming portfolios with high proportions of low-documentation, self-employed loans have deteriorated more significantly since interest rates started to increase. These transactions would have experienced more losses if property prices weren't as strong.

Although interest rates are expected to decrease next year, the longer they take to start decreasing – and if there are only a couple of cuts – the more muted the effect on arrears will be as some borrowers have been using their, decreasing, savings buffers.

Overall, unemployment remains key to performance. For as long as unemployment is not expected to increase significantly, so too is the expectation for arrears.

◆ **CONEYBEARE** In our opinion, collateral performance in Australian securitisation has been supported by strong labour market conditions. We use forecasts provided by our economics team and our base case assumes modest rate cuts in 2025 and also a modest uptick in unemployment to 4.5 per cent on average across the year.

Historically, in Australia we have observed that a rate cut has often led to increased property purchasing and refinancing activity. When rate cuts occur, we may see similar spikes in activity.

As for our outlook on home loan performance, it is closely tied to employment conditions. We also expect unemployment to rise slightly in 2025, though it will likely remain low by historical standards. While we anticipate a modest weakening next year, we don't expect it to cause significant disruption in the market.

enhance efficiency and improve overall market competitiveness. However, the pace of adoption and the focus on risk management can vary widely – reflecting the diverse needs and capabilities of different organisations.

LE Nonbanks are constantly investing in automation and digitisation, which is more important than ever given the margin compression in originations. Some cyber investment is a long-term play – for instance rewriting archaic systems or platforms to improve turnaround times, reporting, timing of reporting and identifying fraud, for instance.

Cyber has increasingly become a key risk for the sector, as consumer and SME loan providers hold a lot a personal data and, if not appropriately protected, this may lead to significant financial repercussions and reputational damage. There have been a couple of cyber attacks over 2024 and the impact is long-lasting. It is a consistent theme that will continue to arise.

CONEYBEARE Cyber security has undoubtedly been a top priority for all market participants, especially in the past few years, with several high-profile incidents affecting Australian companies.

As a result, we place a strong emphasis on understanding how our originators and servicers are managing cyber risks. We believe there will continue to be increased efforts and investment in areas like information security and cyber security measures within the securitisation market.

SEROV Cyber risk has become a central concern for rating agencies. There have been a few challenges in this area, in this market and internationally. Cyber risk is not widely understood outside technical circles, but we are paying much more attention to it than in the past and we are starting to incorporate it into our analysis where possible.

VOJVODIC There have been cyber security attacks in lenders' systems in Australia as well as around the world, with varying degrees of infiltration. While cyber attacks can have an impact on business through the inability to originate new assets, they are also a risk in securitisation as they can affect the processes and systems used to service receivables and governing noteholder payments, especially if the impact is felt over weeks.

Risks in these areas can affect obligors' ability to make their payments as well as whether it can be identified to which trust they belong and whether those in arrears can be identified and contacted. If there is a delay in any of these areas, it could lead to increased defaults and losses.

Even if collections are received and able to be identified, there is a question about whether the reports calculating payments and instructing the trustee to make payment can be produced to enable payments to be made on time, avoiding an event of default. These factors need to be considered in addressing the risks involved.

◆ **POWELL** The theory is there will be a transmission mechanism if rate cuts occur, whereby consumers with mortgages use the savings to make increased expenditure on consumption or capital assets. My view is that, despite the strong employment environment, consumers and SMEs have been affected by lower wage growth and higher cost of living.

If we get rate cuts, I think people will take the opportunity to restore their balance sheets – putting more money toward their loans if they are a borrower and more toward savings if they are a renter.

It should also be noted that the providers of capital, the bank depositors and credit investors, will see a reduction in their income when rates fall. This withdrawal of spending power should not be underestimated.

◆ **MCCOOK** The RBA [Reserve Bank of Australia] commenced lifting interest rates in May 2022 and has now done so by 425 basis points – significantly affecting borrowers' maximum loan capacity. However, according to the CoreLogic House Price Index, as at the end of October 2024 national dwelling prices had grown by 6 per cent since the RBA commenced increasing rates. This is impressive given there was an initial fall of 7 per cent in the first 10 months following the first rate rise in May 2022.

Probably the most important driver in the robust performance of the housing market has been the lack of supply, which is particularly evident in markets such as Perth where dwelling prices have increased by 36 per cent since rate rises commenced.

In addition to lack of supply, Australia's current economic cycle is an interesting one: we are experiencing low GDP growth but at the same time a strong employment market. It could be argued that housing market performance is in fact not greatly disconnected from the economic cycle given the low unemployment rate.

Next year is likely to bring interest rate cuts, although economists appear to be suggesting that these may not occur until the second half and are likely to be modest. If this turns out to be correct, it is hard to see irrational exuberance in the housing market arising.

Lower interest rates will increase borrowing power, but strict serviceability requirements applied by lenders will continue to be in use – resulting in possibly modest further growth in house prices.

Further to this, according to the latest CoreLogic data, the market is already cooling – particularly in the largest markets of Sydney and Melbourne. This potentially indicates that affordability issues are already having an impact, further dampening the risk of irrational exuberance should we start to see modest rate cuts in 2025. ■

INSIDE THE GROUNDBREAKING US *CORPORATE TRANSPARENCY ACT*

A new law has changed the way entities operating in the US – including offshore businesses – are expected to report their ownership status. Mayer Brown partners, Amanda Baker and Jon Van Gorp, discuss the content of the new law and how Australian securitisation issuers should be thinking about it in connection with their potential forays into US capital markets.

The *Corporate Transparency Act* (*CTA*) is a groundbreaking change in the way the US federal government tracks the beneficial ownership of "reporting companies".

The *CTA* covers entities conducting business in the US. It is intended to help law enforcement agencies prosecute and deter money laundering, tax fraud and other fraudulent activities by requiring covered companies to file reports with the Financial Crimes Enforcement Network (FinCEN) about the company itself, its beneficial owners and its company applicants.

Effective 1 January 2024, most legal entities operating in the US – including domestic and foreign entities – must consider whether to file beneficial ownership information (BOI) reports with FinCEN, pursuant to the *CTA*[1].

Entities formed or registered on or before 31 December 2023 – including non-US entities registered to do business in any US state – will have a staggered compliance date (see table).

It is important for all domestic and non-US entities doing business in the country to ensure compliance, to avoid liability and penalties for violations. We recommend all business owners review the new reporting obligations and, if necessary, adopt policies and procedures to ensure ongoing compliance with the *CTA*.

In general, most Australian residential mortgage-backed securities (RMBS) transactions issued into the US capital market over recent years do not need to manage compliance with the *CTA* since none of the entities in the transaction are registered in the US or any state. If any entities are formed in any US jurisdiction, however, the securitisation entity must comply with the new legal requirements.

CTA SUMMARY

In 2021, Congress enacted the *CTA*, which requires FinCEN to implement a BOI reporting requirement, as part of the establishment of a national beneficial ownership registry. On 30 September 2022, FinCEN released a final rule to implement the *CTA*'s reporting requirements. This was amended on 29 November 2023[2].

The BOI reporting requirement applies to all domestic and foreign reporting companies. A domestic reporting company includes a corporation, limited liability company, limited partnership or any other entity created by the filing of a document with a secretary of state or similar office, including – in certain circumstances – limited liability partnerships and business trusts.

INITIAL COMPLIANCE DATES UNDER THE NEWLY ADOPTED EXTENSION[3]

Entity type	Timing for initial report
Entities formed or registered in 2024: • US reporting company created between 1 January and 31 December 2024. • Non-US reporting company registered to do business in any US state between 1 January and 31 December 2024.	Initial BOI report due within 90 calendar days of creation or registration.
Legacy entities existing in 2024: • US reporting company created on or before 31 December 2023. • Non-US reporting company registered to do business in any US state on or before 31 December 2023.	Initial BOI report due by 1 January 2025.
Entities formed or registered in 2025: • US reporting company created on or after 1 January 2025. • Non-US reporting company registered to do business in any US state on or after 1 January 2025.	Initial BOI report due within 30 calendar days of creation or registration.

SOURCE: MAYER BROWN NOVEMBER 2024

"It is important for all domestic and non-US entities doing business in the country to ensure compliance, to avoid liability and penalties for violations. We recommend all business owners review the new reporting obligations and, if necessary, adopt policies and procedures to ensure ongoing compliance with the CTA."

A foreign reporting company includes similar entities formed under the law of a foreign country that is registered to do business in any jurisdiction within the US.

Unless an exemption applies, each reporting company must submit information regarding itself, each of its beneficial owners and its company applicants to FinCEN.

The penalties contemplated for non-compliance are severe. The *CTA* establishes civil penalties – of US$500 per day, up to a total of US$10,000 – and criminal penalties of up to two years imprisonment for individuals who willfully provide false or fraudulent information in connection with a BOI report, or who otherwise willfully fail to comply with the *CTA* reporting requirements.

Though the *CTA* contains 23 exemptions, they are narrowly tailored and must be claimed on an entity-by-entity basis. At this time, Mayer Brown expects most newly formed and existing entities operating in the US will not be exempt, unless they are wholly owned or controlled subsidiaries of:

- A regulated entity subject to regular reporting with an agency of the US government, for example public companies, banks, broker-dealers and investment advisers, as enumerated in the *CTA*.
- An entity able to rely on the "large operating company" exemption, which requires 20 full-time employees in the US, filing a US federal income tax or information return in the US demonstrating more than US$5 million in US gross receipts or sales for the prior fiscal year, and an operating presence at a physical office in the US.

Notably, FinCEN currently interprets the statutory text as requiring an entity to be owned entirely by one or more specified exempt entities in order to qualify for the exemption, which may preclude controlled entities from qualifying. Therefore, pending further guidance from FinCEN, even if an entity is a controlled subsidiary of a public company for certain purposes – for instance accounting consolidation – it may not meet the definition of subsidiary for purposes of the *CTA* requirements unless it is, in fact, wholly owned.

An entity that was previously exempt from the BOI reporting requirement must file its initial BOI report within 30 calendar days of the date that it no longer meets the criteria for any exemption.

If the reported information changes, or if a reporting company becomes aware of an inaccuracy, it must file an updated or corrected BOI report with FinCEN within 30 calendar days of the date of the change to reportable information, or of the date it becomes aware or has reason to know of the inaccuracy.

Due to this ongoing requirement, some deals in the US are including language requiring investors to help facilitate compliance with the FinCEN requirements.

FINAL THOUGHTS

Market users should be aware of the BOI reporting requirements and how they may apply to legal entities they own, control or operate. All reporting companies should prepare for their applicable *CTA* compliance date by familiarising themselves with the *CTA*'s requirements, and by developing internal processes for identifying their beneficial owners and, if applicable, company applicants, as well as for collecting and updating the reportable information.

As noted, most Australian RMBS issued over recent years are not affected by the new reporting requirements as none of the entities are formed in US jurisdictions. Issuers in the securitisation market, however, should be mindful of the requirements to ensure compliance if any entities are registered in the US.

Any market users that would like assistance or guidance regarding compliance with the *CTA* should reach out to their regular Mayer Brown contact. ■

1 *FinCEN Extends Deadline for Companies Created or Registered in 2024 to File Beneficial Ownership Information Reports*, 29 November 2023: tinyurl.com/fincenasj.
2 Mayer Brown legal update on the final rule: tinyurl.com/mayerbrownasj.
3 A reporting company is deemed to be formed on the earlier of the date on which it receives actual notice that its creation or registration has become effective or the date on which a secretary of state or similar office first provides public notice, such as through a publicly accessible registry, that the reporting company has been created or registered.

EUROPEAN DATAWAREHOUSE

A WIND OF CHANGE IN THE EUROPEAN SECURITISATION MARKET

In January 1991, the West German rock band Scorpions released its song Wind of Change*, which topped charts around the world. The song uniquely captured the mood of the time, reflecting the profound political changes unfolding in Europe at the end of the Cold War. In the European securitisation market, a similar wind of change swept through 2024.*

After a decade marked by an unparalleled increase in regulation and restrictions alongside a steady decline in the European securitisation market, a broad political consensus among policymakers and central bankers has finally emerged to re-value and re-establish securitisation as an instrument for financing the European economy and its green and digital transformation.

From Christine Lagarde's "Kantian shift" speech in November 2023 to the long-awaited report by her predecessor, Mario Draghi, on the "future of European competitiveness" in September 2024, a growing number of policymakers and central bankers have voiced support for a revision of the current regulatory and prudential framework for securitisation in the EU.

"More proportionate capital requirements for securitisation positions held by European banks and insurance companies should expand the universe of potential investors in Europe, offering greater opportunities for Australian issuers."

To boost the supply of and demand for securitisation in the EU, several barriers currently hindering the market's revival must be addressed. The prudential framework needs adjustment to better align capital requirements for banks and insurance companies holding securitisation positions with the actual risk these positions represent. Additionally, improvements are needed in the treatment of securitisation within the calculation of the liquidity coverage ratio.

The EU's securitisation regulation also requires revisions to the due diligence work investors must conduct, as well as a more balanced – in other words, simplified – disclosure framework.

In this regard, the European Securities and Markets Authority (ESMA) launched a public consultation in late December 2023 to gather market feedback on securitisation disclosure templates. This consultation became necessary because the templates introduced by ESMA in September 2020 did not adequately provide for proportionality in transparency requirements, nor did they offer useful data for investors' due diligence. The results of this public consultation are expected in December 2024.

Meanwhile, the European Commission (EC) announced its targeted consultation on the functioning of the EU securitisation framework on 9 October 2024. The EC's consultation includes questions on the definition of securitisation under the EU's securitisation regulation, the due diligence required of investors, the transparency regime, and the prudential framework for banks and insurance companies.

Depending on the outcome of these consultations – and considering the political decision-making processes in Brussels and in EU member states – it can be cautiously anticipated that Europe's securitisation market may benefit from a revised regulatory framework as early as 2026.

FUTURE'S IN THE AIR

It is therefore time to ask what this wind of change in the European securitisation market could mean for Australian securitisation issuers seeking EU investors. In the – hopefully – not too distant future, Australian issuers should stand to benefit in two important ways.

First, more proportionate capital requirements for securitisation positions held by European banks and insurance companies should expand the universe of potential investors in Europe, offering greater opportunities for Australian issuers.

Second, more proportionate due diligence requirements for European investors and simplified disclosure requirements for Australian issuers should reduce operational cost and administrative burdens for market participants.

European DataWarehouse, Europe's leading securitisation repository with more than a decade of experience, has supported Australian issuers in complying with the EU's disclosure and reporting framework.

Until a potential revision of this framework, the main challenges for issuers unfamiliar with EU requirements often stem from the reporting templates introduced by ESMA in 2020. These templates not only demand information that is difficult or impossible for Australian issuers to provide, but they also have to be made available to investors in a rarely used .xml file format.

However, in collaboration with Australian issuers, the European DataWarehouse team has found solutions to overcome these challenges, enabling issuers to successfully enter the EU market by complying with the securitisation regulation. ■

Another gear for Australian sustainable securitisation

The Australian sustainable securitisation market is seeking ways to build momentum, as successful proof of concept trades and an ongoing supply of specialist collateral is yet to spur a full flourishing of consistent issuance. In October, RBC Capital Markets hosted a roundtable discussion at which a group of sector leaders shared their thoughts on market direction, collateral alignment, pricing and the emerging availability of green warehouse facilities.

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STATE OF PLAY

Lee *The environmental, social and governance (ESG) securitisation market in Australia has had some successes but there is certainly still unfulfilled potential. How do market participants characterise progress so far and what is emerging that could be significant for the sector?*

◆ **SAWJANI** I characterise the Australian ESG market as evolving. There has been sporadic issuance in the last few years in areas like solar loans, EVs [electric vehicles] and energy-efficient residential property. But a groundswell of ESG-linked ABS [asset-backed securities] has not come through yet in Australia.

This has been, in part, due to the absence of formal frameworks for ESG reporting and data collection, particularly compared with jurisdictions where ESG-linked ABS is more prevalent. But we are certainly moving into a position where the level of granular data available to investors to make decisions on what is green versus not green – and ESG or not ESG – is more prevalent.

Take residential mortgages. Portfolios of green residential mortgage loans started with a proxy approach based on a home's build date and state. This then evolved to looking through to the individual assets to verify if there were solar panels on the roof. Now, CoreLogic and CSIRO [Commonwealth Scientific and Industrial Research Organisation] are coming together to deliver the RapidRate score, which measures the energy efficiency of the property.

Better data related to ESG ABS will crowd in more investors, particularly from the UK and Europe where there has been more interest and focus.

◆ **HELLERUD** I agree that it is an evolution. We started with consumer ABS and RMBS [residential mortgage-backed securities] featuring a couple of green tranches. As this market continues to develop, investors will eventually start looking for unambiguously green transactions – for example, 100 per cent green collateralised transactions as opposed to comingled portfolios of assets.

The way the green RMBS market started – with proxies – while an appropriate starting point, may not necessarily cut it for investors anymore. We need further development.

◆ **CALLIGERIS** Various bodies are working on these frameworks. The idea of comingling green bonds as part of a securitisation deal structure has always been interesting to us. It is a bit like dipping our toe in the water to see if there is a market.

Going forward, though, the idea of a totally green structure is absolutely something investors want to get behind. It would fit mandates, and for issuers it would mean not getting questions from investors like 'what made the B tranche green and not the A tranche?'. As simplistic as it sounds, this is actually a good question – especially when the A tranche might be 90 per cent of the structure.

Hellerud *Is the advantage of a 100 per cent green structure that it removes the ambiguity and makes it an easier investment decision?*

◆ **CALLIGERIS** Yes, it makes it clean. We know exactly what we are buying, and we have the amortisation profile the whole way through. If certain assets are being brought out of the structure due to amortisation we can still be sure that the remaining underlying assets are green.

Lee *There are not many examples of labelled mezzanine notes but in general mezzanine has been very popular. How does the dynamic change when mezzanine is labelled, like in humm's transaction last year?*

◆ **KO** It ties back to investor demand. Absent any strict mandates – and there are not yet many investors in Australia that require very strict labels or a non-comingled pool – the label is usually seen as a positive feature that investors will select when available, but ultimately demand for the notes is subject to the same considerations as an unlabelled tranche.

In some instances where we have issued classes of notes with a green and a non-green tranche – a split that is driven by the volume of qualifying solar assets in the pool –the bids will usually come in with a preference for the labelled tranche. But, should the allocation fill up, appetite still remains for any of the remaining mezzanine notes. Sometimes investors will bid for only the green tranche, but we typically see the usual mezzanine investor considerations dictate demand.

Lee *The Australian dollar securitisation market has been extremely strong in 2024. Should we be a little disappointed that more of the volume that has come to market has not been in green, social or sustainability format?*

◆ **LOVELL** We would have liked to have seen more green issuance. But the reality is that the assets need to be there, and they take time to build. The approach of picking assets that have been passively created and retrospectively fitting a set of criteria over them was a useful place to start. However, going forward the expectation will be that assets have been originated for purpose rather than effectively occurring accidentally. This is a positive development.

Ultimately, frameworks are designed to enable better, faster and more transparent origination of assets that meet a lender's criteria. It is an ongoing process to develop these criteria. But it will not be the case that suddenly everything becomes possible – it is a matter of continuing to improve standards.

Other policy measures will come to bear on the creation of pools of green assets. For example, EVs and fuel-efficiency standards will influence the makeup of new cars financed in Australia and this will in turn be a measure that supports further ABS issuance.

◆ **CALLIGERIS** Issuance gets created by tighter credit spreads. The fact that credit markets have been so tight is by far the biggest leading indicator of the volume coming to market. At the moment, the securitisation market is at an all-time high, and it is at times like this that new product innovation comes through. But there has to be a lead time between when the assets are innovated, generated and written, and when there is enough volume to securitise.

The optimum environment for issuing new assets is a period with transparent and reliable pricing. Pricing stability through the cycle is needed so issuers know when they can bring the underlying assets and build securitisations off them.

◆ **KO** One interesting question to consider is how much of the growth in ESG securitisation has arisen from issuers recognising

"NORMAL SUPPLY AND DEMAND DYNAMICS FOR NEW VERSUS OLD SHOULD ASSERT THEMSELVES IN THE EV MARKET. ALL THE BAD PRESS IN THE US HAS BEEN BASED ON CARS BOUGHT FIVE YEARS AGO AT INFLATED PRICES. IT IS UNLIKELY TO BE REFLECTIVE OF WHAT THE ENVIRONMENT WILL BE GOING FORWARD."

NIKIT SAWJANI RBC CAPITAL MARKETS

Securitisation not anti-social but yet to embrace opportunities

SOCIAL SECURITISATION HAS PROVED EVEN HARDER TO CATALYSE THAN ITS GREEN COUSIN. MARKET PARTICIPATIONS ACKNOWLEDGE THAT IT IS A TOUGH NUT TO CRACK AND ASSET-CLASS GROWTH IS LIKELY TO BE A LONG-TERM PROSPECT AT BEST.

Lee *Is there any potential for growth in social securitisation?*

HELLERUD It's hard. There have been some social RMBS [residential mortgage-backed securities], but the argument is that it is issuers doing what they do in the ordinary course of business. There is an expectation that issuers need to achieve something beyond this. We are having conversations with issuers, but in general green is much easier because it is measurable and objective.

SAWJANI There is certainly appetite from investors. For instance, we have spoken to an investor that wanted paper linked to diversity and inclusion. There are pools of capital and managed funds for those that are interested in social investment. The problem is finding a framework and an angle to make it meaningful.

Lee *Will the taxonomy help?*

LOVELL I am part of a technical group for the Australian sustainable finance taxonomy, where the first task is climate change mitigation. It is going to take time to iterate definitions on social through taxonomies.

The draft taxonomy contains requirements covering "do no significant harm" and minimum social safeguards, but these are designed mainly to act as a negative screen for activity in the space. I don't think the taxonomy will be a fast pathway to anything ESG [environmental, social and governance]-related in securitisation apart from climate.

I would love to see it, and there are lots of niche applications for securitisation techniques for social-focused lending. But I don't personally think it will be a scalable opportunity anytime soon.

HELLERUD I think this point is key. The potential for scalability is the difficulty.

LOVELL When Jennifer and I were at another institution, the business completed a social impact bond that was tranched to deliver differentiated returns off the back of cash flows from the New South Wales government to a counterparty delivering social outcomes. This was very difficult work and took a long time to put together.

A big barrier is that securitisers need to comply with the NCCPA [*National Consumer Credit Protection Act*]. But if they do so, they are already cutting out the cohort that would be most in need of social support. There is an inherent contradiction.

CALLIGERIS We have not seen anything at all in social. It comes back to the point about innovation lead time. Warehouse volume needs to be built before an issuer can get it into a term securitisation structure. It doesn't happen overnight.

Getting the enquiries and making the decision to develop a new asset set is one aspect. Then the issuer needs to find brokers that will write loans. Then the assets need to sit in a warehouse and develop a track record before they get termed out.

Markets typically go through two or three cycles while this happens. Investors might ask for innovative products, but to be available these products need to have been written during the last market widening when it wasn't feasible to do so. There is a time delay between when investors want a product versus when it gets written. Issuers may be actively paying brokers to go out and find product that meets certain criteria, but it will not show up in term markets for another year and a half.

LOVELL Reverse mortgages is a good example. Just look at how long it took for a reverse mortgage product to come back after the financial crisis. I don't think this is an unrealistic comparison to what the time cycle could be for development of social-focused lending product.

that they have assets that fit the criteria and turning to such structures as an effective means to fund them, versus issuers observing a market developing for ESG-aligned debt and viewing it as a growth opportunity for their businesses to expand their originations in the relevant underlying assets.

There are additional policy motivations for ESG-aligned debt, in addition to achieving good pricing outcomes, that could encourage issuers to expand their books to these sectors.

Lee *The lack of greenium in Australian labelled capital market debt is becoming more of an issue as the scrutiny of securities – and thus the resources required to bring credible ones to market – increases but is not offset by a pricing benefit. Firstmac made green RMBS work even in the absence of a greenium by requiring investors to participate in the nongreen notes in order to get access to the green product. How else can issuers get value from green issuance?*

◆ **PAPPAS** We see green issuance as an opportunity to further diversify our investor base. A lot of investors – particularly in Europe – have an interest in green assets and are constantly

asking about the green composition of our book. They also ask for the inclusion of emissions information in our pool cuts and we have acknowledged the necessity of addressing these disclosure requirements..

We have included EV loans in our previous term-outs but we haven't highlighted them specifically or issued any green tranches. EVs have only ever been a small portion of the book. However, this is now rapidly changing with volume growing strongly following the introduction of our green product offering. We now have a specific warehouse for originating EVs and other energy-efficient assets, and we are deliberately holding these back so we can consider a 100 per cent green ABS issue over the course of the next 12 months.

We are confident the volume will be there for us to achieve this, but the timing for any issue will be a matter of our assessment of the market's appetite for green bonds and whether it makes sense to issue from a pricing perspective. We are not expecting a great pricing benefit, but this is not our overarching goal.

The reasons why our green warehouse exists are to provide subsidised concessional funding to our customers and to diversify our investor base by tapping the offshore investors that have mandates for green assets.

However, our green programme also facilitates product innovation. The fact that we have a green warehouse allows us to look at other assets. For instance, traditionally the business has focused on motor vehicles. However, the eligibility criteria of our green warehouse now enable us to look at commercial solar panels, electric trucks, electric forklifts and the like. Previously we wouldn't have financed these to a large measure, if at all.

◆ **LOVELL** There are incentives to green issuance. It helps issuers explore new markets and can lead to product niches that will expand in future. In general, though, increasingly we are seeing a reversing of the framing of why issuers should pursue it.

It is a reality – though perhaps an uncomfortable one – that all securitisation issuers are going to have to start disclosing their financed emissions under mandatory disclosure regimes. In effect, this means all issuers will need to do the work associated with green issuance.

Our advice to issuers it that if you are going to get hung for being a wolf, you might as well eat the sheep. In other words, if the work is happening anyway, it makes sense to create the assets that are going to give the best investor diversification and other benefits.

This is not just a philosophical debate, either. There are going to be disclosure requirements for financed emissions, so issuers might as well take advantage of and lean into them. The option to sit on the sidelines while others lead on green is not really available anymore.

DATA STATUS

Craig *What do issuers make of this?*

◆ **PAPPAS** We making sure we have all the data we need to do a green transaction. Disclosure of financed emissions is one aspect. When we create pool cuts, we have various interfaces to external parties that pull in emissions data and other information content specifically pertaining to these green assets.

◆ **LOVELL** The residential sector has a complicated journey about which I will only say that frameworks for the mandatory disclosure of energy performance at the point of sale or lease are being released by the government, which will progress this element of the market.

It is different for different asset classes. To George's point, for any portfolio of auto loans, anyone who has the VIN [vehicle identification number] or even the registration number and is willing to pay a relatively modest subscription fee to one of several data providers can get the theoretical tailpipe emissions profile of any fleet of vehicles. It is not overly complicated to do and, for transparency's sake, all lenders should be disclosing this.

Likewise, any auto lenders out there that think it's OK to be making vague sustainability claims about a portfolio that does not include EVs should change their view. The Australian auto fleet is behind other comparable economies, and these are the sorts of developments the market needs to accelerate.

There is a saying that it is the second mouse that gets the cheese, but in our experience this isn't true. The issuers that take a leadership position benefit from it because they capture market share, gain knowledge and build franchises with investors. The sooner lenders get on the journey, the better.

◆ **KO** Our green assets are a little different given they are mostly solar and our Climate Bonds Initiative (CBI) certification is obtained by ensuring the climate bonds are fully backed by solar

assets. This coverage must be maintained for the tenor of the notes. Consequently, the required reporting for this part of the portfolio is not too onerous for us and we have well-established processes in place for it.

In saying this, we are aware that Australian issuers are not at the same level as jurisdictions such as Europe, where there is much more rigorous impact reporting sought from merchants, including questionnaires about usage. It is a live topic for us.

More broadly for humm, there is work being undertaken internally for the purposes of our corporate reporting to articulate our ESG objectives as well as how we think about emissions reporting.

Lee *Will emissions reporting help clear the path to labelled issuance? In what other ways could it change the market?*

◆ **KO** Even with existing certifications, as the focus on the sector has grown and as more parties seek to make use of labelled issuance, there is increasingly more rigour about what it actually entails. For example, there has been a lot of attention on greenwashing and this has led to more attention on what certifications mean.

In the past, if we had lost CBI certification on our ABS issuance it wouldn't have resulted in any consequences apart from the obvious reputational impact. There was nothing in the transaction documents that spoke to what would happen if the certification fell away.

In light of this, for our last ABS transaction that included certified climate bonds, we included undertakings which deem the loss of certification as a declassification event. While there are no implications for the investor as a result, there is now at least something in the documents to point to the significance of the certification, and that if it is not maintained we will notify investors.

◆ **PAPPAS** We haven't explored certification yet. We are concentrating on making sure we have got the products right. We have launched a number of green products and good volume is coming through. Most of the volume is initially being driven by government tax concessions for EVs financed via novated leasing but we are trying to expand our offering and gain traction in other types of green assets.

Right now, we are focused on building the asset base and increasing the size of our warehouse. Later this year or early next, we will start exploring whether we have all the information we

"THE IDEA OF COMINGLING GREEN BONDS AS PART OF A SECURITISATION DEAL STRUCTURE HAS ALWAYS BEEN INTERESTING TO US. IT IS A BIT LIKE DIPPING OUR TOE IN THE WATER TO SEE IF THERE IS A MARKET. GOING FORWARD, THOUGH, THE IDEA OF A TOTALLY GREEN STRUCTURE IS ABSOLUTELY SOMETHING INVESTORS WANT TO GET BEHIND."

THEO CALLIGERIS REALM INVESTMENT HOUSE need to get the various certifications for issuance in green-bond format.

We have never issued in green format, but we understand the benefits of being one of the first issuers to go out there with a 100 per cent green structure. We will see if this is possible next year and if the market is receptive.

We also need to make sure we have all the emissions data we need, other ESG information, certifications, and that the groundwork is in place. We will not go to market unless we are sure we have the investors and that the governance and regulatory piece is in place. This may also involve doing a roadshow to gauge interest. The combination of all this will inform our decision of when to issue.

RELATIONSHIP BUILDING

Craig *Will this be a local or international roadshow?*

◆ **PAPPAS** It will be in Europe, because this is where most of the interest is.

◆ **SAWJANI** This is an important point. European investors are becoming much more sophisticated with ESG-linked product. Last year, there was a Toyota ABS transaction in Europe where the issuer elected not to use a green label because the majority of the portfolio was plug-in hybrids.

This is significant because plug-in hybrids qualified at the time as sustainable investments under the EU's green finance taxonomy, but by 2026 they will not. Interestingly, Toyota opted not to use a green label but still got the full allotment of investors that would have otherwise invested in green.

To George's point, it is critical to get a handle on what European and UK investors want with this asset class. They can represent up to 50 per cent of the volume of a normal deal, let alone in a green or ESG transaction where this allocation can be even higher. Doing a roadshow in the region, getting out to see investors and understanding their requirements is important as this segment of our market grows.

◆ **CALLIGERIS** It is also important to understand how demand changes. At the moment, offshore investors comprise 50 per cent of new transactions. But in certain areas, and especially when markets become dislocated or stressed, a lot of offshore investors completely disappear. Issuers need to build their investor base in a sustainable manner. They can tap into the offshore market when it exists, but when it goes away issuers need to be able to build a book without it.

Some of the responsibility comes down to us as onshore investors. We need to be transparent about pricing. For me, success is if an issuer knows where I'm going to price a bond, can be confident that I will be there for them and that I'm going to take it before they have even called me. They understand that they have the full support of Realm to enter any market, especially the testing ones.

◆ **LOVELL** It's a good point. In fact, it is interesting to compare the approach of European markets to sustainability-focused securitisation versus what is being done down here. For example, there were deals done in Europe and the US where issuers could raise proceeds with conventional collateral and say they would use the money to originate loans that meet ESG criteria. In my opinion, this is a very relaxed approach to ESG rigour and we have been more disciplined here.

To your point, Theo, having relationships with investors that understand the local context is equally important from an ESG lens as it is from a capital market perspective. This draws out the broader point that sustainability should be thought of as adding another dimension to conversations between lenders and their borrowing customers, and between issuers and investors. It is another dimension and should ideally result in a win-win.

Metro Finance is an obvious example. Previously, George's business was financing customers for ICE [internal combustion engine] vehicles and once they got the car it was done. Now, Metro is financing them for an EV and has the opportunity to have a conversation about how the EV can be an asset to their total energy mix, and how solar and the battery in the car can add value beyond just moving from A to B. This is a valuable conversation that makes the relationship between financiers stickier and more valuable for everybody.

◆ **CALLIGERIS** There is some truth to 'make hay while the sun shines', and this is the time that issuers want to be cleaning out their warehouses and issuing new or innovative product. They need to develop a track record now, because it is going to be harder to do so when markets dislocate.

◆ **SAWJANI** This reinforces the point about warehousing. If the market dislocates, it may become uneconomical to issue green publicly because the underlying product typically carries a lower margin than standard collateral, and hence the transaction becomes skinnier in NIM [net interest margin]. Having

"THE GREAT CHALLENGE IN THE CORPORATE SPACE IS THAT WHEN FINANCING A CORPORATE IT IS MUCH HARDER TO TELL IF WHAT IT IS DOING IS SUFFICIENT. ONE OF THE BENEFITS OF SECURITISATION IS EVERYTHING IS LOCKED IN. I THINK THIS IS SOMETHING THE SECURITISATION SECTOR SHOULD LEAN INTO."

RICHARD LOVELL CLEAN ENERGY FINANCE CORPORATION

Warehousing turns green

JUST AS THE BANK LOAN SPACE IS DELIVERING MANY OF THE MOST INNOVATIVE SUSTAINABILITY STRUCTURES IN THE CORPORATE DEBT SECTOR – AND DRIVING VOLUME OF SUSTAINABLE FINANCE – MANY BELIEVE SECURITISATION WAREHOUSES HAVE THE POTENTIAL TO STIMULATE GROWTH.

Lee *Why is RBC Capital Markets (RBCCM) involved in green warehousing and how is the market developing?*

HELLERUD From our perspective, it is important to be involved in the financing of green transactions. As far as I'm aware, the transactions we participated in with Metro Finance and humm are the first 100 per cent green collateral facilities. Others may be aware of more, but to my knowledge these are the first.

This is a sign of where we are in the evolution of ESG [environmental, social and governance] securitisation. Both facilities meet the eligibility criteria to be deemed as sustainable financing under RBCCM's initiatives, which is very important for us.

In general, warehousing is a way to incubate new asset classes until critical mass is reached. As the market becomes more comfortable with the collateral, we will eventually start to see 100 per cent green ABS [asset-backed securities] emerge.

The other aspect is that conversations are happening about the best way to fund green assets. To date, they have largely been funded in commingled portfolios. The yield and NIM [net interest margin] on these assets tend to be finer. Therefore, efficient funding becomes important.

From RBCCM's perspective, not only do these facilities fall within our sustainable finance eligibility criteria but we can potentially sharpen our pencil on pricing due to the performance of the collateral, which has been far stronger than what we have observed in comparable assets.

Craig *What is the volume of green warehousing?*

KO Our structure with RBCCM isn't strictly speaking a warehouse – it is a private placement with a one-off pool but with the functionality to top up with additional assets. However, we have consistent volume in our solar assets with positive growth projections and therefore the potential to expand to entirely solar warehouse structures.

PAPPAS Our green warehouse commenced originating in June 2024. The volume coming through is much stronger than we expected and it is filling up quickly. We expected to double the size of the warehouse around the end of October 2024.

We also have a number of other warehouses with EVs [electric vehicles] in them, but at comparatively smaller volumes. Given the continued strong origination flow, we expect our dedicated green warehouse together with the other warehouses to generate sufficient volume to do a reasonably sized term-out sometime in 2025.

Hellerud *Realm supports some of this warehousing. What is the incentive?*

CALLIGERIS It is easy to make the case to support initiatives like this. When we study the performance of these asset types, especially the novated leasing part of the market, the outcome is absolutely stellar. We look at a couple of things. For example, when we price performance we identify the asset types for which performance is substantially better than similar assets we are looking at in comparable markets, and therefore we can bring the pricing tighter.

Regarding size, in general more is always better. From a diversity perspective, we never tend to hit quotas for ABS [asset-backed securities]. It is a different story for RMBS [residential mortgage-backed securities], where if there are not enough loans in a portfolio

warehousing capacity and relationships with banks and investors is important to sustain funding and origination growth through the cycle.

◆ **CALLIGERIS** There are other forms of warehousing, too. Issuers need to explore these options so there is always somewhere to house assets and originators don't get left trying to write collateral that no longer has a place in the market. We want to work with issuers so we can figure out what we need to lend and so they have a place to write.

Hellerud *Theo, in your experience do green investors behave differently?*

◆ **CALLIGERIS** It is entirely dependent on where the pool of capital comes from. In certain markets, this pool of capital will grow and investors will be really motivated to get new transactions underway. In other markets the capital pool will shrink. It depends on how the investor is funded.

Hellerud *Does capital ebb and flow with the dynamics of credit markets, too?*

◆ **CALLIGERIS** Absolutely – and 2021 is the perfect example. In 2020 and 2021, money was being dropped from helicopters all over the street. Everyone had cash and was looking for places to deploy it, and the market was at all-time tights across every sector. In 2022 and 2023, investors were starting to get more wary, capital was being restricted and issuers couldn't clear tranches.

Capital moves around depending on what is happening in credit markets. At the end of the day, credit markets are a it begins to create problems around idiosyncrasies of single loans being large proportions of pools.

KO Jennifer's comment about efficient funding for these asset classes is one of the reasons we pulled out a specific solar pool and funded it in a standalone structure. It is good to hear that there may be more optimal pricing available. From a strategic perspective, this is an incentive for us to segregate these assets.

SAWJANI The other point on warehousing is flexibility. For example, novated leasing has been around for a long time but the EV push has only been in the last 24 months. As issuers accumulate volume and track record in originating these assets, there needs to be flexibility to tinker around the edges before exploring public issuance.

This is particularly the case given uncertainty on how rating agencies will treat recoveries on EVs. In the absence of formal guidance, unrated warehouse facilities play a critical role in developing the asset class before formalising through a public issue.

LOVELL On the point about green ABS being better credit, it is important to highlight that while we have absolutely seen outperformance from customers who have borrowed for the purposes of EV and solar – and we have benchmarks to compare them against – and there is some evidence to suggest the same applies to homeowners, the reality is that by 2030 there is a target for 75 per cent of new vehicle sales to be EVs.

This means there will be mean reversion on credit. If we are financing the entire population, it is not as if everyone is a better credit risk just because they are driving an EV. There are some complexities, but the bottom line is there will be normalisation and there needs to be understanding that this will be a function of the market becoming more mature.

Hellerud *By the same token, however, shouldn't increased EV take-up support secondary values?*

LOVELL Yes, which is another reason to be an early adopter. At the moment, there is a degree of rationalisation in secondary values for EVs. Second-hand EVs were even more highly sought after than second-hand ICE [internal combustion engine] vehicles during COVID-19. In some respects, all we are experiencing is a degree of normalisation – but it is being exacerbated by the novated lease policy. Right now, there are fewer incentives to buy a second-hand EV. These quirks will be ironed out over time.

On warehousing, we note all the same themes. There is a lot of activity happening across asset classes. We have a A$1 billion (US$658.1 million) fund that is aimed at supporting household upgrades. This is driving a lot of focus on personal lending and the like. Eventually, I hope this fund is aimed at a minimum of solar and a battery, rather than solar on its own, to support energy efficiency.

"In general, warehousing is a way to incubate new asset classes until critical mass is reached. As the market becomes more comfortable with the collateral, we will eventually start to see 100 per cent green ABS emerge."

JENNIFER HELLERUD RBC CAPITAL MARKETS

measure of confidence. When they get super tight everyone is looking for a place to put money and they widen when everyone holds capital back.

EV NIGGLES

Lee *There was some bad press earlier this year regarding the residual value of EVs. How is this playing out in an Australian context?*

◆ **PAPPAS** In regard to secondary market values, the market is still young and evolving. We haven't experienced any losses in our EV portfolio to date but it is difficult, without a track record of loss data, to make an assessment. Offshore, second-hand EV prices have deteriorated compared with combustion engines. Over time and as we move away from combustion engines, there will be some normalisation of residual values and combustion engine values will fall below those for EVs. But we are not seeing this at the moment.

In Europe, there are instances of Chinese EVs sitting on the docks with nobody buying them. There is a flood of cheaper Chinese vehicles, and likewise Tesla has pushed its prices down to compete. Having new vehicles at lower prices has an effect on secondary market prices.

◆ **HELLERUD** The US situation is interesting. But circumstances are quite different in Australia, for a couple of reasons. The US has local manufacturers of ICE vehicles, Tesla is taking an unconventional pricing approach and, culturally, Americans have different ideas about the kind of vehicles they want to drive.

This doesn't support great outcomes for existing EVs. This is uncomfortable for individuals but fleet managers can average through all of it when they buy new, cheap cars at a bigger discount because they are more readily available. When people were buying EVs when the market was at its peak, it was impossible to get a discount and even fleet owners were paying full retail price. Now, there are fleet-buying frameworks with quite a material discount from the retail price from a number of OEMs [original equipment manufacturers].

◆ **SAWJANI** I saw an interesting article on EVs that made the argument that, five years ago, buying an EV was effectively a technology purchase. Just as you don't get a discount on the latest Apple phone, the same principle applied to EVs, resulting in inflated prices. This has shifted over time to EVs being thought of more as a car and a utilitarian asset.

Eventually, normal supply-and-demand dynamics for new versus old should assert themselves in the EV market. All the bad press in the US has been based on cars bought five years ago at inflated prices that are now being sold at comparatively poor residual values. It is unlikely to be reflective of what the environment will be going forward.

◆ **LOVELL** This is spot on. The other point is there is 'fear and loathing' about battery degradation. Until there are significant pools of research about battery performance, it will be difficult to allay this fear. The indications are that batteries decline to about 80 per cent of their original capacity, then they flatline and don't deteriorate much further if charging is properly maintained.

Once there is general understanding that a new EV has a range of 500 kilometres and the same car second hand is 400 kilometres, the concerns will work themselves out. It is about certainty.

◆ **PAPPAS** The other aspect is charging infrastructure in Australia. This might not have an impact on residual values, but it does affect the take up of EVs. There is range fear.

◆ **LOVELL** The headline is that the ratio between the number of EV charge points available to the retail public and the number of EVs is poorest in Australia compared with a number of OECD nations. But there is a lot of awareness about this, and various state governments, as well as the federal government, have policies to try and address it.

Range anxiety is real but it is more anxiety than a real issue. For instance, the base model MG has a range of about 380 kilometres. The average kilometres travelled per day is 30. Unless someone thinks they will struggle to find a charge point for 12 days, they are going to be fine. In this regard it is perception.

There isn't any real direct comparison between Australia and the US.

◆ **LOVELL** Historically, residual value outcomes on ICE vehicles globally don't track those in Australia. There have been some well-publicised instances where entities have bought large fleets of EVs in the US, done it poorly when prices were at their peak and then failed to maintain the vehicles.

Hertz, for example, suffered significant losses on a large number of cars. It bought at peak, and then the perception is that it didn't maintain the fleet, didn't think about where it was going to put vehicles and, in the end, had to sell them to clear an accounting position on its books.

The residual value considerations are interesting. The ironclad law is that the price of batteries will continue to decrease. We see this from the perspective of the cost to construct industrial size batteries for the electricity grid. Batteries are a big part of the cost of an EV, so clearly EVs are going to get cheaper.

"ABSENT ANY STRICT MANDATES, THE LABEL IS USUALLY SEEN AS A POSITIVE FEATURE THAT INVESTORS WILL SELECT WHEN AVAILABLE. BUT ULTIMATELY, DEMAND FOR THE NOTES IS SUBJECT TO THE SAME CONSIDERATIONS AS AN UNLABELLED TRANCHE."
ELLY KO HUMM

People make arguments like, 'what if I want to drive to Byron Bay?' But how often do people just decide to do that? They are also likely going to be able to find a power point somewhere on the journey.

It is not just perception – for example, there have been well-publicised issues on periods around public holidays. Drivers would arrive at a charging site where there were supposed to be four chargers available but only one was working. Stories like this make people feel uncomfortable. Day-to-day it's actually fine, but the problem needs to be managed.

SOLAR TAKE-UP

Lee *Elly, almost one-third of the volume in humm's A$301 million ABS from October 2023 was green notes. Was this representative of the scale of solar assets in the overall book?*

◆ **KO** It reflects the solar portion of the portfolio, yes. We have generally kept to a similar mix of our consumer point-of-sale industries in our term deals. Historically, this has been about 30-40 per cent solar. The solar collateral in the pool is slightly larger than the green note balances because we want to ensure we maintain coverage as the deals pay down.

In the last few years, we have seen sustained growth in solar as a proportion of our portfolio. As the solar concentration across our portfolio changes, we correspondingly have to reconsider what the optimal funding structure looks like. We may seek to pursue more solar-only structures.

We have seen a lot of investor demand for solar, which is encouraging for issuers like us to be able to attain optimal and efficient forms of funding against solar assets.

Lee *What is the forecast for continued solar take-up and is there a saturation point?*

◆ **KO** There is still scope for rooftop solar and it is experiencing continued growth. One-third of eligible houses in Australia have solar and the public policy goal is for two-thirds to have it by 2030. There are some challenges with taking advantage of remaining scope. For instance, some of the dwellings that don't have solar are apartments, where it is hard because buy-in from all apartment owners is needed. Likewise, there is less incentive for landlords to install solar for the proportion of dwellings that are rental properties.

The Climate Council recently published an interesting piece and penned an open letter to government on what could be done to uplift solar take-up. For example, introducing regulatory requirements for solar in social housing developments. There is definitely more scope for rooftop solar to be taken up.

With improvements in technology, we will also see older solar panels being replaced, while batteries are a key area for growth. Historically, they have been expensive but the price has been coming down and it is becoming more viable for consumers to install a battery along with panels. With the changes to pricing for feeding solar into the grid, it makes sense to get a battery if customers are getting less money for this or even having to pay to put energy back in during peak times.

We are watching how the regulatory environment evolves as this will also contribute to continued take-up.

◆ **LOVELL** The other interesting point is that although it is commonly quoted that one-third of Australian houses have solar, the reality is a lot of these installations were done 10-15 years ago. The average size of a new system is 7.5 kilowatts and for a lot of households it makes sense to choose an even larger system. Meanwhile, the average size of older systems is around 1 kilowatt. We need to keep in mind that we can and should repower the homes that already have solar.

It is also true that we need significant investment in batteries. The energy market operator has a forecast for what needs to happen with rooftop solar take-up, which are the numbers Elly quoted. It also forecasts that we need about 1 gigawatt hour or so of extra storage behind the meter in Australia. We are not even close to this and we are not getting there quickly enough.

But, as prices come down, there will be very significant battery investment that will need to be funded through consumer finance. Ultimately, this will find its way to the securitisation market. It is a massive opportunity.

◆ **KO** Yes, and we currently offer battery financing. The limitation has been take-up. As battery pricing comes down this should improve.

FUTURE LANDSCAPE

Craig *Where will green securitisation be in 10 years' time?*

◆ **LOVELL** Lots of EVs and better home-energy outcomes through personal lending or mortgage-linked product. Also, hopefully

"THERE WILL BE MORE GREEN BONDS, AND GREEN-BOND PRICING WILL BE THE NORM FOR AUTO SECURITISATIONS. AS THE TAKE-UP OF EVs AND OTHER ENERGY-EFFICIENT ASSETS STARTS TO EXCEED COMBUSTION ENGINE VEHICLES, WE WILL PROBABLY ENCOUNTER WIDER PRICING FOR TRANSACTIONS THAT HAVE NON-ENERGY-EFFICIENT ASSETS."

GEORGE PAPPAS METRO FINANCE

some amount of innovative finance products for unconventional business models and approaches that achieve sustainability outcomes that are not currently easily addressed – such as charging infrastructure models, and commercial and industrial solar power arrangements that are more infrastructure in nature but could lend themselves to securitisation.

◆ **PAPPAS** Apart from EVs, in 10 years there could be take-up of other types of energy-efficient vehicles, for example hydrogen-powered vehicles. Who knows what other clean power sources will be developed.

From a market perspective, I think there will be more green bonds and that green-bond pricing will be the norm for auto securitisations. As the take-up of EVs and other energy-efficient assets starts to exceed combustion engine vehicles, we will probably encounter wider pricing for transactions that have non-energy-efficient assets.

Governments are aiming to phase out ICE vehicles and there are lots of climate initiatives. It will result in more green assets for securitisations.

Craig *We hear a lot about whether the bond market more generally should end up in a place where there isn't green or vanilla because everything is inherently sustainable. It is interesting to hear that there will be more green securitisation.*

◆ **LOVELL** The great challenge in the corporate space is that when financing a corporate it is much harder to tell if what it is doing is sufficient. One of the benefits of securitisation is everything is locked in. I think this is something the securitisation sector should lean into, and it could become a sector where investors can be much more confident that their lending is going toward sustainability outcomes. It is built-in governance, in effect.

◆ **CALLIGERIS** Many sub asset classes exist overseas but not in Australia. To support innovation in Australia, there needs to be more work toward being able to give issuers stable pricing to allow them to innovate – because to create new product they need to know what the cost is going to be for every loan written. There is a lot of lead time to term out a new asset type and the market environment ebbs and flows. But now is the time for this product innovation to happen.

It is great to have reverse mortgages back, but we have just this year had the first transaction in 17 years. Three or four issuers are writing reverse mortgages but they haven't been able to bring it back to market because there is still call risk from the last time similar transactions were issued. Those reverse mortgage bonds are still outstanding and still get traded today.

What we want is product innovation. We want the market to be more diverse. As a lender, my job is to assist this. We don't want to only be in traditional public bonds and typical warehousing. We want to be across the whole warehouse lifecycle and allow issuers to do more of what they want to do, whether we are lending for nursery warehousing or a line of credit to trial a new product.

Lending needs to be flexible enough to allow financiers to dip their toes in different markets and make the space bigger.

◆ **KO** As technology improves and prices come down, we expect increased volume in the underlying asset class and correspondingly financiers becoming more innovative about how to fund.

For example, investors have asked us if we have considered offering EVs, charging stations and solar panels as an entire package to consumers. It certainly makes sense from an origination perspective. The question is how we get the efficiencies to fund it. It could be a growth area.

◆ **LOVELL** There are already models where current market participants offer households a quarterly fee to allow access to their battery for the purpose of managing grid stability. We are probably some time away from vehicle-to-grid being more prevalent, though.

If someone is going to have an EV, they would be mad not to have solar – because it basically allows them to travel free. Once they have this combination of assets, they have essentially fully electrified a household. This is near-term. There are already commercial propositions in market.

Hellerud *Could retrofitting commercial properties be another new asset class?*

◆ **LOVELL** This would also be great, but so much of the lending in this space is done by banks. If banks were willing to securitise the asset class they would, but as we all know there are reasons why banks tend not to securitise this sort of asset.

This is improving and it is the sort of thing that could be a new asset class. Another is the securitisation of loans to farmers for carbon unit creation products. We are exploring this at the moment, so I hope it gets somewhere in 10 years. ■

AUSTRALIAN AND NEW ZEALAND AUSTRALIAN SECURITISATION FORUM MEMBER AND SECURITISATION INVESTOR PROFILES

Australian Securitisation Forum membership continues to grow – as does the group of investment firms with securitisation on their radar. The following sections profile members from across the industry – including a focus on investment firms.

56 MEMBER PROFILES

69 INVESTOR PROFILES

AMAL

Established in 1994, AMAL is Australasia's only integrated provider of loan servicing, corporate trust and agency services. It has more than A$30 billion of funds under administration and supervision in Australia and New Zealand.

The AMAL group allows originators and lenders to plug into a ready-made servicing and trustee services platform including industry-leading technology and support, a highly experienced operational team and a rigorous governance, risk and compliance programme.

AMAL has a "strong" servicer evaluation from S&P Global Ratings and is accredited under ISO9001:2015 for quality management, ISO27001 for information security and GS007 for internal controls.

Clients range from the smallest startup to some of the region's and the world's largest financial institutions.

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AMP BANK

AMP Group provides banking, superannuation, retirement and financial advice services in Australia and New Zealand. AMP is divided into the following operating business units: AMP Bank, platforms, superannuation and investments, and New Zealand wealth management.

AMP Bank offers residential mortgages, business financing, deposits and transactional banking services. The bank continues to focus on growth through its digital channels, improving the experience for customers and intermediaries. AMP Bank has helped around 188,000 customers with their banking needs. AMP Bank is launching a new digital bank division targeting small businesses and consumers in first quarter of 2025.

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ANZ

ANZ's market-leading capital markets team connects borrowers to global pools of liquidity via a fully integrated debt capital markets offering that encompasses bonds, securitisation and hybrid transactions. Working with ANZ's dedicated syndicate and sales teams, ANZ is committed to supporting clients' transactions.

Backed by ANZ's double-A category credit rating and strong balance sheet, the team's strength is in tailoring funding solutions to provide certainty of execution and achieve key price, structure and distribution metrics. The business is repeatedly recognised with industry and transactional awards.

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ASHURST

The Ashurst structured finance and securitisation team is one of the largest in Australia and is supported by a global network of Ashurst offices in Europe, the US and Asia. Ashurst acts for a range of participants in the domestic and offshore markets and is a leader in the space, having established and advised on a large number of funding programmes and innovative structures.

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ASX

ASX operates at the heart of the globally attractive, deep and liquid Australian financial markets. ASX partners with participants in the securitisation and covered-bond markets through Austraclear. The breadth of cash and wholesale physical debt settlement capabilities available through Austraclear make it an integral part of Australia's financial system. It is also a major service provider to the Asia-Pacific region, particularly through the issuing and settlement of Kangaroo bonds.

Austraclear services more than 1,000 participants, holds more than A$3 trillion worth of securities and settles on average more than A$80 billion of transactions per day via a real-time link to the Reserve Bank of Australia's RTGS system.

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ATLAS SP PARTNERS

Atlas SP Partners is a global investment firm that seeks to provide stable funding and capital market services to companies seeking innovative and bespoke structured credit and asset-backed finance solutions. The company is proud to build upon a legacy of excellence anchored in deep expertise and client service across the asset management landscape.

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BENDIGO AND ADELAIDE BANK

Bendigo Bank was established in 1858, with Adelaide Bank founded in 1900. The two groups merged in 2007.

As Australia's most trusted bank (Roy Morgan Single Source Australia; Risk Monitor, 12-month average to June 2024), Bendigo and Adelaide Bank (BEN)'s vision is to be Australia's bank of choice for customers, employees, partners and shareholders. The bank is a single-A rated, top 100 ASX listed company owned by more than 90,000 shareholders with a market capitalisation in excess of A$6.6 billion and almost A$100 billion in assets.

BEN is a warehouse funder to the nonbank financial institution and authorised deposit-taking institution sectors, funding a wide variety of asset classes. It is also an issuer of wholesale debt in unsecured and secured format – including securitisation under the Torrens franchise. The bank partners for sustainable long-term outcomes and to be relevant, connected and valued.

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BLUESTONE HOME LOANS

Established in 2000, Bluestone Home Loans is a diversified originator of residential home loans in Australia. With a dedicated team of professionals across Australia and the Philippines, Bluestone effectively manages around A$12 billion in home loans for Australian and New Zealand customers. This includes about A$5 billion in loans held within its own mortgage book.

Bluestone was acquired by the global investment firm Cerberus Capital Management in 2018, injecting significant capital and leveraging operational and credit expertise. Recently, Bluestone has strategically shifted its focus toward a higher proportion of nonconforming and alternative documentation assets, expanded its range of products and built broader relationships with investors. Bluestone is an active participant in the Australian RMBS market, with 44 public securitisation trusts since 2002 including 27 transactions since 2013.

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MEMBER PROFILES

BNY

BNY is a global financial services company that helps make money work for the world – managing it, moving it and keeping it safe. For 240 years, BNY has put its expertise and platforms to work to help clients achieve their ambitions. Powering capital markets with solutions that help issuers throughout the financial lifecycle, it is the only international bank providing full-service corporate trust solutions in Australia. Services support domestic and international funding including trustee, paying agent, trust management, investor and RBA reporting delivered through a robust analytics platform. As of 30 September 2024, BNY oversees US$52.1 trillion in assets under custody or administration and US$2.1 trillion in assets under management.

BNY is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). BNY employs over 50,000 people globally and has been named among *Fortune*'s World's Most Admired Companies and *Fast Company*'s Best Workplaces for Innovators.

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BOFA SECURITIES

Across the world, BofA Securities partners with leading corporate and institutional investors through offices in more than 35 countries. The firm provides a full suite of financial products and services, from banking and investments to asset and risk management. It covers a broad range of asset classes, making it a global leader in corporate and investment banking, and sales and trading.

To support institutional investor clients globally in their investing and trading activities, the global markets team provides financing, securities clearing, settlement and custody services. Global markets product coverage includes securities and derivative products in the primary and secondary markets. BofA Securities also works with commercial and corporate clients to provide risk management products using interest rate, equity, credit and commodity derivatives, and fixed-income and mortgage-related products.

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BANK OF QUEENSLAND

Bank of Queensland (BOQ) is a public company, domiciled in Australia, listed on the ASX and regulated by APRA as an authorised deposit-taking institution. At 31 August 2024, BOQ had total assets of A$103 billion.

In 2024, BOQ successfully piloted its much-anticipated digital mortgage, marking a significant milestone in its digitisation journey. The new digital offering will improve not only the experience and speed of obtaining a mortgage for its customers but will also allow for a material productivity uplift in distributing mortgages, in a market that has become highly commoditised and competitive.

BOQ has diversified funding access and capacity available through a range of term instruments, including domestic and offshore unsecured funding programmes, four securitisation programmes and two covered-bond programmes.

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CITI

As part of one of the world's largest financial services companies with a presence in nearly 100 countries, Citi Australia has been providing financial services to Australian corporations, institutions and governments for nearly a century. Recognised for its innovative range of global products and services, today Citi Australia counts more than 1,000 local corporate and institutions as valued clients.

Citi Australia provides a comprehensive range of services across banking, services and markets. It is one of the only financial groups in Australia with a full range of services and the ability to tap capital and expertise around the world for its institutional, corporate, and government clients.

Citi – including via Citi Foundation grants, employee volunteering and fundraising – supports community organisations develop innovative solutions to social and economic challenges facing low-income communities around the world.

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CLAYTON UTZ

Clayton Utz delivers value based on deep experience advising market participants (including financiers, sponsors, trustee and government bodies) on the most complex issues in securitisation transactions and drawing on the expertise of leading practitioners in the areas of tax, restructuring and insolvency, regulatory and ESG to ensure transactions are smoothly and successfully effected.

Clayton Utz has a long history in the domestic and international securitisation markets, being there from the beginning and maintaining a leading reputation with a band-one ranking in *Chambers Global*. Members of the team also played a key role in the development of Australia's covered-bond market.

The team supports the development of the industry, including volunteering time to the Australian Securitisation Forum in various capacities.

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COLCAP FINANCIAL GROUP

ColCap Financial Group, a prominent player in the residential mortgage-backed securities market since 2006, has achieved significant growth as a leading nonbank lender. The company has expanded from a wholesale and direct business into the broker market via the acquisition of Granite Home Loans in Australia and entering the UK market with the acquisition of Molo Finance.

With more than A$15 billion in loans under management, ColCap's offices operate across Australia, the UK and Asia. The company delivers innovative solutions in standard and niche markets, including self-managed super fund lending and lending to nonresidents.

ColCap continues to defy industry norms and is dedicated to championing an affordable housing market.

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COMMONWEALTH BANK OF AUSTRALIA

Commonwealth Bank of Australia (CBA) is a leading provider of personal banking, business and institutional banking, and equities trading services in Australia. The group has a strong capital position with a common equity tier-one capital ratio of 12.2% as at 30 June 2023, well in excess of regulatory minimum capital requirements.

Despite ongoing market volatility, the bank's global markets division has delivered solid performance – particularly in trading – and remains well positioned to support clients in a challenging macro environment. Aligned to the bank's commitment to support Australia's climate change goals and help reduce its clients' emissions, CBA has assisted on 64 sustainable finance transactions across loans, bonds and trade finance, totalling A$15 billion, and continues to invest in carbon capabilities in line with the strategy of the bank's institutional banking and markets business.

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COMPOSITE CAPITAL

Composite Capital is a warehouse lender, providing support for mortgage brokers and nonbank lenders to grow their lending businesses with committed funding.

Composite Capital provides partners with funding, systems and support to help them originate, credit decision, fund and manage their own loan books. Established in 2020, Composite Capital is 100 per cent Australian owned, with offices in Sydney and the Gold Coast.

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DELOITTE

Deloitte.

Deloitte's market-leading securitisation practice has global reach and capabilities that allow it to leverage the skills of the world's largest professional services organisations and to access the most up-to-date market practices.

The Deloitte securitisation advisory team works closely with many industry participants on a range of projects including issuance, warehouse funding reviews, prudential standard compliance assessments, debt advisory, and merger and acquisition due diligence.

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DEUTSCHE BANK

Deutsche Bank

Deutsche Bank is the leading bank in Germany, with strong European roots and a powerful global network. For more than 50 years, Deutsche Bank has been helping domestic and international clients achieve their goals in Australia and it continues to deliver innovative and sustainable solutions across investment banking, corporate banking and asset management.

The global securitisation group combines an ability to commit capital with an integrated approach to the debt needs of issuers and investors. The Australian team has been a market leader for more than a decade, uniting deep local expertise with Deutsche Bank's global network to provide cutting-edge client solutions and service.

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EQUITY TRUSTEES

Equity Trustees

Equity Trustees is Australia's leading specialist trustee company, with more than 130 years' experience and in excess of A$200 billion in funds under management, administration and supervision as at 30 June 2024.

The Equity Trustees group of companies provides a diverse range of services to individuals, families and corporate clients, including asset management, philanthropic services, superannuation trusteeship, responsible entity services, and debt capital markets and securitisation services for sponsors and issuers.

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ETICORE

ETICORE

Eticore provides corporate trustee, trust management, backup servicing, RBA reporting, European Securities and Markets Authority reporting, trust accounting and associated services to meet clients' securitisation and structured debt requirements. Its aim is to provide exceptional service, quality solutions and deep experience. The Eticore name reflects its ethos of putting integrity at the centre of all it does.

Eticore administers or manages more than A$12.5 billion and has a 100% on-time record for settlement of note issuance. Eticore works with clients to create flexible and bespoke solutions, using a fresh approach and up-to-date technology, while playing a dependable fiduciary role. The team is experienced and technically proficient, and the process is transparent from pricing to service levels. Eticore understands all the pain points, which is why it designs a solution that is easier and more agile to meet clients' needs.

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FIRSTMAC

Firstmac is an Australian-owned financial services provider with more than 45 years' experience in residential home loans and, more recently, auto loans. It has written more than 130,000 home loans in the past decade and manages approximately A$17 billion in prime mortgages and A$1 billion in auto loans.

Firstmac is fully funded by RMBS and ABS, having issued more than A$47 billion in RMBS since 2003. Market acceptance of the quality and performance of Firstmac RMBS has been consistently strong with support from domestic and offshore investors.

Firstmac has led the development of the Australian green-bond market, issuing the first green bonds for energy-efficient homes and, in 2024, completing an RMBS issue which was the first to include residential mortgages written under the rooftop-solar proxy accredited under the global climate bond initiative.

Firstmac offers market-leading transparency, reporting monthly loan book data to its investors.

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FITCH RATINGS

Fitch Ratings is a leading provider of credit ratings, commentary and research. It is committed to adding value beyond ratings, through independent and prospective credit opinions. Fitch has built a reputation for clarity, consistency and accuracy in the global structured finance market, and is an active participant across core market sectors with robust criteria, strong customer service and market engagement, and a leading voice in the industry.

In 2023, Fitch was the number one credit rating agency for structured finance transactions globally, by volume and number of deals. Fitch is the only credit rating agency that covers all active structured finance markets in the Asia-Pacific region, including Australia, China, India, Japan, South Korea, Singapore and New Zealand. Fitch rates 100% of the covered bonds in Australia and New Zealand.

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GOLDMAN SACHS

Goldman Sachs is a leading global financial institution that delivers a broad range of financial services to a large and diversified client base that includes corporations, financial institutions, governments and individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centres around the world.

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HELIA GROUP

As Australia's first Lenders Mortgage Insurance (LMI) provider and a specialist in the field, Helia has played an important part in the Australian RMBS market.

Helia offers pool LMI cover for RMBS, which transfers the credit risk associated with shortfall losses on residential mortgages to Helia. This assists lenders by lowering funding costs through reduced subordination levels. Helia has provided more than A$83 billion of pool LMI cover for RMBS programmes across 28 lenders in Australia, since 1998.

Helia's vision is to be the unparalleled leader in LMI. This focuses on growing the market for LMI by repositioning LMI with home buyers and brokers, and working with lenders, regulators and policy leaders to promote a strong and sustainable housing market in Australia.

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HERBERT SMITH FREEHILLS

HERBERT SMITH FREEHILLS

Herbert Smith Freehills is one of the world's leading professional services businesses, with staff in 24 offices advising clients across the globe. Herbert Smith Freehills' securitisation and structured finance specialists are at the forefront of many first-of-a-kind transactions, developing innovative financing solutions that reflect the consistently changing markets in which its clients work.

The firm offers comprehensive multijurisdictional coverage, advising arrangers and lead managers, corporate issuers, originators, credit enhancers, trustees, rating agencies and other market participants on a range of products and asset classes.

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HUMMGROUP

hummgroup

Hummgroup is an Australian company listed on the ASX since 2006, with operations spanning more than 30 years. Hummgroup is a diversified financial services group providing asset finance, leasing, point-of-sale payment plan products, credit cards and other finance solutions. Hummgroup provides commercial asset and equipment financing under its flexicommercial brand, and larger ticket consumer point-of-sale financing under its humm brand.

In Australia, hummgroup has been a regular ABS issuer under its flexicommercial ABS and humm ABS programmes. Hummgroup has played a market-leading role in the green ABS market in Australia since 2016. This has included several market-first structures. In New Zealand, hummgroup is a frequent issuer under its Q Card Trust programme, the first revolving master-trust programme to be established in Australasia. Since 2014, it has issued more than NZ$2 billion of ABS.

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ING

ING

Globally, the ING Group has more than 60,000 employees who serve about 378 million customers, corporate clients and financial institutions in more than 40 countries. ING commenced coverage of wholesale banking clients in Australia in 1997. In 2013, Australian wholesale banking was integrated with the retail business. Today, ING has more than A$73 billion in lending assets in Australia.

The wholesale banking team has deep expertise in sectors such as infrastructure, energy, real estate, telecommunications, food and agriculture, media and technology, and finance. The team also has locally developed capabilities in acquisition finance, securitisation, debt capital markets, financial markets and transactions. In Australia, ING is a wholesale banking leader in financing energy transition and is among the top three banks that finance local renewables projects.

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INTEX

INTEX

Intex is the industry's leading provider of cash-flow models and analytics, with its solutions facilitating the modelling of more than 50,000 RMBS, ABS, CMBS and CLO deals around the globe, including in Australia and New Zealand.

Hundreds of arrangers, investors, issuers and others rely on Intex's solutions to underpin complete, accurate and timely cash-flow models used in trading, portfolio management and risk management applications. Examples of applications developed by the business include INTEXcalc for single-security and portfolio analysis, and cash-flow stress testing, the Excel add-in INTEXlink, the INTEX Subroutine API for system builders, and INTEX DealMaker for structuring new deals.

Intex is an independent, privately held company focused entirely on cash-flow modelling and data. It is headquartered in Boston, with offices in London and Shanghai.

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J.P. MORGAN

J.P.Morgan

J.P. Morgan's commercial and investment bank is a global leader in banking, markets, securities services and payments. Corporations, governments and institutions entrust the firm with their business in more than 100 countries. The commercial and investment bank provides strategic advice, raises capital, manages risk and extends liquidity in markets around the world. J.P. Morgan is a global leader in credit distribution, balance-sheet solutions and securitised products across commercial and consumer asset classes.

J.P. Morgan has been a leader in providing securitised products in Australia over the past decade. It continues to offer warehouse financing solutions for key clients in Australia, as well as delivering access to J.P. Morgan's network of investors globally.

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KING & WOOD MALLESONS

KING&WOOD MALLESONS 金杜律师事务所

King & Wood Mallesons (KWM) is a top-tier international law firm, from Asia, for the world. A firm born in Asia, underpinned by world-class capability, KWM is driven by a simple purpose – to use its mastery of the law for the lasting prosperity of its clients, people and communities.

Strategically positioned in the world's growth markets and financial capitals, KWM's securitisation team is the most prominent practice in the region, acting on almost every landmark securitisation transaction in the Australian market. The team remains at the cutting edge of new product development, working with financial institutions, investment banks and corporates, including new entrants such as fintech and nonbank lenders.

KWM's clients value its global network, legal expertise and relationships with regulators and market participants. KWM can help arrangers, lenders, originators, trustees and rating agencies anticipate and avoid execution, regulatory and compliance risk.

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LA TROBE FINANCIAL

La Trobe financial

La Trobe Financial is Australia's premier alternative asset manager, with more than A$20 billion in AUM across key domestic and global strategies. Established in 1952, La Trobe Financial is a proven and trusted investment partner for institutional, wholesale and retail investors. It operates Australia's largest retail credit fund, with A$12 billion in AUM across more than 100,000 investors.

La Trobe Financial has one of the most diversified funding programmes in Australia, comprising Australia's largest retail credit fund, bank and institutional mandates, and public RMBS funding. Critical to success are La Trobe Financial's high-quality granular assets, and disciplined asset underwriting and management expertise. La Trobe Financial is a Brookfield-owned portfolio company.

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LATITUDE FINANCIAL SERVICES

LATITUDE

Latitude Financial Services is a leading consumer finance business in Australia and New Zealand, offering an integrated ecosystem of financial and lending products including award-winning credit cards, interest-free instalment plans, personal loans and auto loans. As of 30 June 2024, Latitude had A$6.4 billion gross receivables and had originated more than A$8.1 billion in total volume in the last 12 months.

Latitude originates credit card and interest-free instalment plans through a 6,000-strong network of merchant partners. Latitude's distribution channels also include more than 5,000 accredited broker partners and digital direct-to-consumer capabilities.

Latitude's funding strategy is anchored in diversity and duration, and it combines a well-established warehouse funding platform, supported by major domestic and foreign investors, with a diversified and programmatic public ABS programme.

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LIBERTY FINANCIAL

Liberty

Liberty Financial is a mainstream speciality finance group that champions free thinking. Since 1997, Liberty has helped more than 850,000 customers "get and stay financial". Liberty provides a wide range of products and services comprising residential and commercial mortgages, motor vehicle finance, personal loans, business loans, broking services, general insurance and investments. Liberty deploys its own capital in its operations, thereby reducing financial and operating leverage.

Liberty is Australia's only investment-grade rated nonbank issuer, at BBB (stable) from S&P Global Ratings. Liberty's term securitisation programme offers prime and nonconforming RMBS, auto ABS and SME ABS formats. It has raised more than A$48 billion from 96 ABS and MTN issues. Liberty has an unblemished capital markets track record whereby its rated notes have never been charged off, downgraded or placed on negative watch.

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MACQUARIE GROUP

MACQUARIE

Macquarie Group is a diversified financial group providing clients with asset management, banking, advisory, and risk and capital solutions across debt, equity and commodities. Headquartered in Sydney and with offices in more than 25 countries, the breadth of Macquarie's operations, combined with a strong capital position and risk management framework, has contributed to more than 50 years of unbroken profitability.

As part of Macquarie's commodities and global markets group, the financial markets division provides clients with access to global financial markets, including currencies, equities, fixed income, futures and credit. Clients benefit from strong deal execution and specialist financing solutions that are underpinned by deep technical and fundamental market analysis. The division also provides warehousing, structuring and distribution of securitised debt for clients.

◆ CONTACT DETAILS

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MINTERELLISON

MinterEllison

MinterEllison is an international law firm, headquartered in Australia and regarded as one of the Asia-Pacific region's premier law firms. The capital markets team sits at the forefront of local and global market trends and is recognised for its role in delivering some of the industry's most complex, innovative and leading-edge transactions. The firm's securitisation practice acts for major industry participants across a variety of asset classes.

MinterEllison has teams collaborating across Australia, New Zealand, Asia and the UK to deliver exceptional outcomes for its clients. MinterEllison is also actively engaged with clients in preparing and responding to regulatory developments that are having a major impact on the securitisation industry.

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MOODY'S

MOODY'S

In a world shaped by increasingly interconnected risks, Moody's data, insights, and innovative technologies help customers develop a holistic view of their world and unlock opportunities. With a rich history of experience in global markets and a diverse workforce in more than 40 countries, Moody's gives customers the comprehensive perspective needed to act with confidence and thrive.

For more than 115 years, Moody's Ratings has been a leading provider of credit ratings, research, and risk analysis helping businesses, governments and other entities around the globe to anticipate, adapt and thrive in this era of exponential risk.

◆ CONTACT DETAILS

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MUFG

Mitsubishi UFJ Financial Group (MUFG) is one of the world's leading financial groups. Headquartered in Tokyo and with more than 360 years of history, MUFG has a global network of about 2,000 locations across 40 markets. The group has around 120,000 employees and offers services including commercial and trust banking, securities, credit cards, consumer finance, asset management and leasing.

Through close collaboration among its operating companies, the group aims to respond flexibly to the financial needs of its customers, serve society, and foster shared and sustainable growth for a better world.

Outside Japan, the bank offers an extensive scope of commercial and investment banking products and services to businesses, governments and individuals worldwide. MUFG's shares trade on the Tokyo, Nagoya and New York stock exchanges.

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NATIONAL AUSTRALIA BANK

National Australia Bank (NAB)'s operations in Asia, Australia, New Zealand, the US and the UK serve more than 10 million customers, providing access to international financial markets and a range of specialised funding, liquidity, investment, asset services and risk-management capabilities.

A committed and leading participant in the securitisation market, NAB's team has strong structuring experience and capability as a key arranger and lead manager of capital market and balance-sheet transactions. NAB continually drives innovation in this sector and has a deep understanding of the needs of its issuer and investor clients.

This has placed NAB at the top of the securitisation league tables (KangaNews, Q1-3 2024) and as winner of the KangaNews Australian Securitisation House of the Year award for the past 12 consecutive years.

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NATIXIS CIB

Natixis CIB is a leading global financial institution that provides advisory, investment solutions, financing, corporate solutions and capital markets services to corporations, financial institutions, financial sponsors, and sovereign and supranational organisations worldwide.

Natixis CIB has teams of experts in around 30 countries, advising clients on their strategic development, helping them to grow and transform their businesses and maximise their positive impact. Natixis CIB is committed to aligning its financing portfolio with a carbon neutrality path by 2050 while helping its clients reduce the environmental impact of their businesses.

As part of the global financial services division of Groupe BPCE, one of the largest financial institution groups in France through its retail networks, Natixis CIB benefits from the group's financial strength and solid financial ratings (S&P Global Ratings: A+, Moody's Ratings: A1, Fitch Ratings: A+, R&I: A+).

◆ CONTACT DETAILS

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NEU CAPITAL

Neu Capital is a full-service debt advisory business with a focus on securitisation, structured debt, fund finance and corporate debt across public and private mid-market companies. Clients include Australian, New Zealand and UK companies.

Neu Capital specialises in designing and executing securitisation solutions to solve vanilla and non-vanilla funding requirements. The firm works with originators to source optimal funding structures, refinance warehouses, source additional warehouses to support balance sheet growth or achieve their first institutional facility. For larger nonbank originators, Neu Capital can structure and source operating company and holding company loan structures.

Neu Capital's global network of institutional investor relationships spans several hundred domestic and overseas banks, credit funds, private equity funds, hedge funds, pension funds and family offices. Since inception in 2017, Neu Capital has arranged more than A$2 billion in transactions.

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PEPPER MONEY

Pepper Money is one of the largest nonbank lenders in Australia. It commenced business in 2001 as a provider of home loans to consumers who fall just outside the criteria of traditional bank lenders. It has subsequently broadened its Australian business activities to also include the origination of prime residential mortgages, commercial real estate loans, auto and equipment finance, and third-party loan and broker servicing, as well as expanding into residential mortgages in New Zealand.

Pepper Money's approach to securitised debt funding is to be a programmatic issuer to a globally diversified investor base across a number of asset classes. As part of this strategy, Pepper Money was the first nonbank to issue green RMBS bonds and since 2003 has issued more than A$41 billion in bonds across 64 transactions via its four programmes – Pepper-Prime, PRS, Pepper-Social and Sparkz – in domestic and international capital markets.

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PERPETUAL CORPORATE TRUST

Perpetual Corporate Trust, a specialist business within the Perpetual Group, is a leading fiduciary, custody and digital business in Australia, with operations in Singapore.

The company provides a unique range of products to help clients and the industry be more effective, efficient and economical while managing ever-increasing cyber security risks and maintaining compliance. Domestic and global financial institutions leverage Perpetual's corporate strength, commercial approach, risk and compliance practices, expertise and service excellence in debt markets, managed funds and digital solutions to enable its clients' success.

Perpetual Digital, Perpetual's innovation company, helps drive Perpetual, its clients' and the broader market's success through next-generation software and data solutions.

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RBC CAPITAL MARKETS

The most significant corporations, institutional investors, asset managers, private equity firms and governments around the world recognise RBC Capital Markets (RBCCM) as an innovative, trusted partner with in-depth expertise in capital markets, banking and finance. RBCCM's securitisation platform specialises in structuring, warehousing and distribution. As a leading finance provider across multiple asset classes, RBCCM offers committed balance sheet support for warehouse financing and access to the US asset-backed commercial paper market, along with extensive term ABS structuring and placement expertise supported by dedicated global distribution, trading and derivatives capabilities.

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RESIMAC

Resimac is a leading nonbank residential mortgage lender and multichannel distribution business. It operates under a fully integrated business model comprising originating, servicing and funding prime and nonconforming residential mortgages, and SME and consumer finance assets, in Australia and New Zealand. Resimac has more than 250 staff operating across Australia, New Zealand and the Philippines, more than 50,000 customers and assets under management in excess of A$14 billion.

Resimac has issued more than A$45 billion in global fixed-income markets. The group has access to a diversified funding platform with multiple warehouse lines provided by domestic and offshore banks for short-term funding, in addition to a global securitisation programme to fund its assets over the longer term.

Resimac's asset-servicing credentials are recognised by a "strong" servicer ranking from S&P Global Ratings.

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S&P GLOBAL RATINGS

S&P Global
Ratings

At S&P Global Ratings, analyst-driven credit ratings, research, and sustainable finance opinions provide critical insights that are essential to translating complexity into clarity so market participants can uncover opportunities and make decisions with conviction. By bringing transparency to the market through high-quality independent opinions on creditworthiness, S&P Global Ratings enables growth across a wide variety of organisations, including businesses, governments and institutions.

S&P Global Ratings is a division of S&P Global (NYSE: SPGI). S&P Global is the world's foremost provider of credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of its offerings, it helps many of the world's leading organisations navigate the economic landscape so they can plan for tomorrow, today.

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SEQUENTIAL

sequential

Sequential is an Australian software company on a mission to take securitisation and treasury teams to the next level with great technology. The team previously built bankstatements.com.au (acquired by illion), which is used by hundreds of Australian and New Zealand banks and lenders in credit decisioning.

The Sequential trust management platform gives control back to treasury teams, with an intuitive and intelligent user interface that takes away the need for writing code or SQL queries. Clients use the platform to streamline trust management operations, waterfall calculations and reporting, while monitoring real-time impacts on portfolio performance.

Sequential is architected for the scale and complexity of modern securitisation teams. By replacing Excel spreadsheets and legacy technology providers, Sequential enables banks and lenders to grow confidently without adding head count. Sequential provides services to RMBS, ABS, SME and BNPL issuers.

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SOCIETE GENERALE

SOCIETE
GENERALE

Societe Generale is a top-tier European bank with 117,000 employees serving 25 million clients in more than 60 countries. It has been present and active in Australia since 1981. Operating from its Sydney branch, it serves clients by providing financing and advisory solutions as well as global markets solutions.

Societe Generale's asset-backed products division brings together primary markets, sectoral expertise, securitisation and structuring capabilities, secondary trading, distribution channels, and debt securities financing, enabling the firm to leverage its credit capabilities and to be a single-entry point for ABS-type products and illiquid loans in support of its clients.

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STANDARD CHARTERED

standard
chartered

Standard Chartered is a leading international banking group, with a presence in 52 of the world's most dynamic markets. Its purpose is to drive commerce and prosperity through its unique diversity, and its heritage and values are expressed in the company's brand promise, here for good. Standard Chartered is listed on the London and Hong Kong stock exchanges.

Standard Chartered provides a complete securitisation offering across warehousing, investments in public and private RMBS and ABS, trading, bond distribution, and repo and structured funding. The Australian team combines deep local expertise with Standard Chartered's cross-border network across Asia, the Middle East, Africa, Europe and the Americas.

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SUNCORP BANK

Suncorp Bank is a financial services provider of home and business loans, everyday deposit and savings accounts, credit cards and merchant facilities. Part of ANZ Group since August 2024, Suncorp Bank is focused on creating a brighter future for its people, customers, communities and the planet.

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TAO SOLUTIONS

With an established 15-year record of success, TAO Solutions has worked with financial industry leaders globally to drive growth, save costs, increase efficiencies and reduce risk. Representing a solution provider to 10% of the top global banks with more than C$1 trillion in assets administered, TAO Solutions is SOC II Type II and ISO 27001 accredited, and a Gold Microsoft Certified Partner.

Tao is a world-leading, AI-driven, boutique structured finance software firm, introducing innovative software and dedicated support designed to simplify the administration and regulatory compliance of structured finance, securitisation, covered bonds, trustees and institutional warehouse lending activities. Its technologies support industry participants of all sizes, asset classes and transaction types, enabling prospective customers to introduce industry best practices and displace legacy systems or other third-party solutions on favourable terms.

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WESTPAC INSTITUTIONAL BANK

Westpac Institutional Bank delivers a broad range of financial products and services to corporate, institutional and government customers operating in, or with connections to, Australia and New Zealand.

Westpac operates through dedicated industry relationship and specialist product teams, with expert knowledge in financing, transactional banking, financial and debt capital markets.

Customers are supported throughout Australia and via branches and subsidiaries located in New Zealand, the US, the UK and Asia. The institutional bank works with all the group's divisions in the provision of markets-related financial needs, including foreign exchange and fixed-interest solutions.

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ALEXANDER FUNDS MANAGEMENT

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$958 MILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	2

About Alexander Funds Management

Alexander Funds Management is a Melbourne-based boutique investment manager that specialises in the credit market. The business was established in 2009 and has built a strong and stable history with close to A$1 billion of funds under management.

Along with supporting investment professionals, the investment team has decades of experience in domestic and offshore credit markets, including trading and structuring all forms of credit products from vanilla corporate bonds to ABS and private markets. The firm has successfully managed credit portfolios through numerous economic cycles and periods of heightened market volatility.

The firm has two primary offerings available to retail and wholesale investors. The Credit Opportunities Fund and the Credit Income Fund share common investment philosophies but target different levels of risk and return. Both funds employ a relative value approach to selecting securities across public and private credit markets, whereby the investment team aims to invest in the most attractive assets it can identify, subject to the limits and constraints of the respective funds.

The Credit Opportunities Fund is the original flagship fund for Alexander Funds and targets a return profile of bank bills +2% while the Credit Income Fund was launched in 2018 as a more conservative interpretation offering higher liquidity and daily unit pricing. It targets a return of bank bills +1% after fees.

ALEXANDER CREDIT OPPORTUNITIES FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE
FUND BENCHMARK	AUSBOND BANK BILL INDEX +2%
KEY PORTFOLIO MANAGERS	CHRIS BLACK, ADAM SCULLY

ALEXANDER CREDIT INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE
FUND BENCHMARK	AUSBOND BANK BILL INDEX +1%
KEY PORTFOLIO MANAGERS	CHRIS BLACK, ADAM SCULLY

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AQUASIA

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$1.2 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	3

About Aquasia

Aquasia is an independent investment management and corporate advisory firm specialising in alternative investment strategies. Founded in 2009, the firm manages A$1.2 billion across a range of credit, private debt and private equity solutions.

Owned by employees, Aquasia combines more than a decade of market-leading investment performance with a committed alignment to the interests of clients.

AQUASIA ENHANCED CREDIT FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX +3%
KEY PORTFOLIO MANAGER	JAMES MCNABB

The Aquasia Enhanced Credit Fund aims to preserve capital and achieve returns over the medium term in excess of the Bloomberg AusBond Bank Bill Index +3% per annum. To achieve this, the fund invests in a range of fixed-income, credit, cash and cash equivalent assets.

AQUASIA PRIVATE INVESTMENT FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	10%
KEY PORTFOLIO MANAGER	NICK THOMSON

The Aquasia Private Investment Fund aims to preserve capital and achieve returns over the medium term in excess of 10% per annum. To achieve this, the fund invests in a range of credit assets including private market debt lending, real estate lending, opportunistic credit and convertible notes.

AQUASIA SHORT TERM INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBA CASH RATE TARGET +1.5%
KEY PORTFOLIO MANAGER	PATRICK HSIAO

The Aquasia Short Term Income Fund aims to preserve capital and achieve returns over the short-to-medium term in excess of the target return. To achieve this, the fund invests in investment-grade credit and fixed-income assets including RMBS and other ABS, corporate and government securities, and cash.

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AURA GROUP

AURAGROUP

FUNDS UNDER MANAGEMENT (30 SEP 23)	A$1.6 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	3

About Aura Group

Aura Group is a financial services business providing tailored wealth, funds management and corporate advisory solutions to clients. Founded in Australia in 2009, its head office is in Singapore and it has a significant footprint across the Asia-Pacific region.

Aura takes a client-centric approach and is proud to be awarded the best wealth and fund management company, and the client service excellence award for two consecutive years at the 2019 and 2020 International Finance Awards.

AURA HIGH YIELD SME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBA CASH RATE +5%
KEY PORTFOLIO MANAGER	BRETT CRAIG

The Aura High Yield SME Fund is an open-ended unlisted fund that invests in warehouses to Australian SME lenders. The fund can participate throughout the capital stack within a warehouse structure. The Aura High Yield SME Fund was the 2022 winner of the best fixed income, high yield and distressed fund at the With Intelligence HFM Asian Performance Awards.

AURA CORE INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +3%
KEY PORTFOLIO MANAGER	BRETT CRAIG

The Aura Core Income Fund is an open-ended unlisted fund that invests in online nonbank lenders across consumer and business lending. The fund offers monthly income, targeting assets yielding a margin of more than 350bp per annum (net of management fees) with a low level of expected capital loss. The fund invests in warehouse facilities to Australian lenders.

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CHALLENGER INVESTMENT MANAGEMENT

FUNDS UNDER MANAGEMENT (30 JUN 24)	A$16.6 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	6

About Challenger Investment Management

Challenger Investment Management is an alternative investment manager covering a global opportunity set in fixed income. The Sydney- and London-based team manages more than A$16 billion across public and private credit strategies, with a particular focus on less liquid market segments.

Since 2005, Challenger has been an active investor across the capital structure in private and public securitisation and whole loan markets in Australia, New Zealand, Europe and the US.

CHALLENGER IM CREDIT INCOME FUND

LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND TARGET RETURN	BLOOMBERG AUSBOND BANK BILL INDEX +3%
KEY PORTFOLIO MANAGERS	DAVID BOTHOF, PETE ROBINSON

The Challenger IM Credit Income Fund aims to provide capital stability and regular income accompanied by outperformance of traditional fixed-income strategies. The fund invests across public and private lending markets, consisting of global and domestic ABS, RMBS, corporate and real-estate lending. The fund maintains an investment-grade credit-risk profile.

CHALLENGER IM MULTI-SECTOR PRIVATE LENDING FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND TARGET RETURN	BLOOMBERG AUSBOND BANK BILL INDEX +5%
KEY PORTFOLIO MANAGER	PETE ROBINSON

The Challenger IM Multi-Sector Private Lending Fund aims to generate a consistent, high level of income by harvesting the illiquidity premium that exists between the public and private lending markets. By keeping spread duration low and focusing on floating-rate loans, the fund aims to have a low correlation to interest rates and broader equity markets. The fund invests across Australian and New Zealand securitised, corporate and real-estate lending.

CHALLENGER IM PRIVATE LENDING OPPORTUNITIES FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	INSTITUTIONAL
FUND TARGET RETURN	BLOOMBERG AUSBOND BANK BILL INDEX +8%
KEY PORTFOLIO MANAGER	PETE ROBINSON

The Challenger IM Private Lending Opportunities Fund is a floating-rate multisector credit strategy focused on private lending opportunities primarily in Australia and New Zealand. It targets subordinated debt opportunities across asset-backed, corporate and real-estate-backed markets. It is suitable for those happy to invest for at least five years and who do not need daily liquidity.

CHALLENGER IM GLOBAL ASSET BACKED SECURITIES FUND

CURRENCY	EUR
LISTING	UNLISTED
ELIGIBLE INVESTORS	INSTITUTIONAL AND WHOLESALE
FUND TARGET RETURN	EURO SHORT-TERM RATE +3-4% (THROUGH CYCLE, BEFORE FEES)
KEY PORTFOLIO MANAGERS	CHRIS WHITCOMBE, JUSTIN VOLLER

The Challenger IM Global Asset Backed Securities Fund is a floating-rate ABS strategy focused on investments in predominantly floating-rate ABS across developed markets. The fund seeks to produce a return for shareholders, generated from income and capital appreciation.

◆ CONTACT DETAILS

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GRYPHON CAPITAL INVESTMENTS

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$3.4 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS (30 SEP 24)	9

About Gryphon Capital Investments

Gryphon Capital Investments is a specialist fixed-income manager focused on investments in the structured finance and less-liquid credit markets in Australia. Gryphon's experienced team of professionals is led by senior portfolio managers that each bring 30 years of experience in trading, originating and investing in global structured finance credit markets.

Gryphon manages individual segregated accounts on behalf of institutional investors and manages the investment strategies for the ASX-listed Gryphon Capital Income Trust (ASX: GCI) and the unlisted Barings Liquidity Investment Strategy (BLIS). These investment trusts are available to wholesale and retail investors in Australia seeking opportunities in credit markets, including RMBS and ABS.

In March 2023, Barings, a global asset management firm with more than US$431 billion (as of September 30, 2024) in AUM, acquired 100 per cent of Gryphon's parent entity, Gryphon Capital Partners. This acquisition enables scaling of Gryphon's investment strategy through leveraging Barings' extensive global platform.

GRYPHON CAPITAL INCOME TRUST (ASX: GCI)

CURRENCY	AUD
LISTING	ASX LISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +3.5%
KEY PORTFOLIO MANAGERS	STEVEN FLEMING, ASHLEY BURTENSHAW

Gryphon Capital Income Trust's investment objective is to produce regular and sustainable monthly income while keeping capital preservation as a primary concern. Accessing an asset class previously unavailable to retail investors, GCI targets risk-adjusted returns sufficient to deliver on its target return of the RBA cash rate +3.5%. GCI invests in structured credit markets, primarily RMBS – a defensive and loss-remote asset class.

BARINGS LIQUIDITY INVESTMENT STRATEGY

CURRENCY	AUD
LISTING	UNLISTED (AUSTRALIAN UNIT TRUST)
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +1.5-2% OVER ROLLING 12-MONTH PERIOD
KEY PORTFOLIO MANAGERS	STEVEN FLEMING, ASHLEY BURTENSHAW

The Barings Liquidity Investment Strategy (BLIS) is designed for investors seeking capital stability, above cash returns, and an ability to actively manage their liquidity allocation.

◆ CONTACT DETAILS

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HARBOUR ASSET MANAGEMENT

FUNDS UNDER MANAGEMENT (30 SEP 24)	NZ$12.2 BILLION (NZ$5.5 BILLION FIXED INTEREST)
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	5

About Harbour Asset Management

Founded in Wellington in 2009, Harbour Asset Management is one of New Zealand's largest independent asset managers. Its clients include KiwiSaver funds, charitable trusts, iwi, government institutions, corporate superannuation funds, financial advisers and direct retail investors. There are five members in the fixed-interest team.

CORE FIXED INTEREST FUND

CURRENCY	NZD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND SEGREGATED MANDATES
FUND BENCHMARK	BLOOMBERG COMPOSITE BOND INDEX +1%
KEY PORTFOLIO MANAGER	MARK BROWN

Harbour manages a number of benchmark-aware strategies that provide investors with diversified exposure to fixed interest. The flagship Core Fixed Interest Fund aims to beat the Bloomberg Composite Bond Index by 1%. The fund is mindful of liquidity and invests around 5% in securitisation, with a bias toward higher-rated tranches.

HARBOUR INCOME FUND

CURRENCY	NZD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	CASH +3.5%
KEY PORTFOLIO MANAGER	MARK BROWN

The Harbour Income Fund invests predominantly in New Zealand investment-grade fixed-interest securities, and Australasian equities that pay a sustainable dividend yield, to pay investors a favourable level of income while targeting a moderate level of overall portfolio risk. The fund holds significant highly liquid assets to offset the scope it has to participate in less liquid securitisation deals, including at lower tranches. It also has the remit to invest in a modest amount of private credit.

◆ CONTACT DETAILS

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KAPSTREAM CAPITAL

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$10 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	3

About Kapstream Capital

Kapstream Capital is the leading choice for institutional and individual investors seeking an alternative approach to fixed income, combining capital preservation techniques with unconstrained portfolio management skills in pursuit of stable, absolute returns.

Kapstream was founded on a simple belief: that by removing the constraints inherent in conventional benchmark-relative fixed-income portfolio strategies, and by setting absolute return targets and absolute risk limits, portfolios could be constructed using predominantly investment-grade assets that more closely meet the true requirements of investors in preserving capital, and delivering consistent and positive absolute returns.

KAPSTREAM ABSOLUTE RETURN INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED BUT HAS AN ETF (XKAP) ATTACHED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +2-3%
KEY PORTFOLIO MANAGERS	DANIEL SILUK, DYLAN BOURKE

With a target of 2-3% above cash, the fund is designed to preserve capital and to provide a steady income stream with minimal volatility.

KAPSTREAM ABSOLUTE RETURN INCOME PLUS FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +3-4%
KEY PORTFOLIO MANAGERS	DYLAN BOURKE, DANIEL SILUK

Targeting returns of 3-4% above cash, the fund is designed to provide superior income with low volatility and capital stability across economic cycles.

KAPSTREAM PRIVATE INVESTMENT FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBA CASH RATE +6%
KEY PORTFOLIO MANAGERS	DYLAN BOURKE, MARK BAYLEY

Targeting returns of 6% above cash, the fund is designed to provide superior income with low volatility and capital stability across economic cycles.

◆ CONTACT DETAILS

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LONGREACH CREDIT INVESTORS

FUNDS UNDER MANAGEMENT (30 SEPT 24)	A$570 MILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	1

About Longreach Credit Investors

Longreach Credit Investors is an Australian private debt investment management firm specialising in providing customised debt solutions to high-quality Australian and New Zealand lower-middle-market businesses.

Longreach's investment team has significant experience in Australian direct lending, credit and insolvency across industries and multiple economic cycles, advancing more than A$1.2 billion in loans to 70 Australian businesses since 2018. The firm leverages its extensive lending experience to offer flexible financing solutions to meet the needs of each business with competitive terms and structures.

LONGREACH DIRECT LENDING FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
TARGET RETURN	RBA CASH RATE +5%
KEY PORTFOLIO MANAGERS	ADRIAN MARTYN, BRADLEY MARR

The Longreach Direct Lending Fund is an open-ended unlisted fund that invests in Australian and New Zealand businesses through cash flow loans, borrowing base loans, enterprise value loans, and asset-backed facilities. The fund offers quarterly income, targeting total net returns of RBA cash rate +5% after all fees, costs and other expenses through economic cycles, with a focus on capital preservation.

LONGREACH AUSTRALIAN SENIOR SECURED LENDING FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
TARGET RETURN	RBA CASH RATE +5%
KEY PORTFOLIO MANAGER	ADRIAN MARTYN

The Longreach Australian Senior Secured Lending Fund is a close-ended unlisted fund that invests in Australia businesses through senior-secured cash flow and borrowing base loans. The fund offers quarterly income, targeting total net returns of RBA cash rate +5% after all fees, costs and other expenses through economic cycles, with a focus on capital preservation.

◆ CONTACT DETAILS

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MACQUARIE ASSET MANAGEMENT

MACQUARIE

FUNDS UNDER MANAGEMENT (30 JUN 24)	A$915 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	4

About Macquarie Asset Management

Macquarie Asset Management (MAM) is the funds management arm of Macquarie Group. It provides specialist investment solutions to clients across a range of capabilities including infrastructure and renewables, real estate, agriculture, transportation finance, private credit, equities, fixed income and multiasset solutions.

MAM's credit division is a global credit platform offering focused expertise and solutions across the liquidity, risk and return spectrums. MAM credit's fixed-income business offers fixed income and currency solutions to institutional and wholesale clients globally.

The MAM fixed-income team is located across four investment hubs in Philadelphia, New York, Sydney and London, with about 120 investment professionals covering the spectrum of global fixed-income markets as at 30 June 2024.

MACQUARIE INCOME OPPORTUNITIES FUND

CURRENCY	AUD
LISTING	UNLISTED AND ETF
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGERS	BRETT LEWTHWAITE, DAVID HANNA, ANDREW VONTHETHOFF

The fund aims to outperform the Bloomberg AusBond Bank Bill Index over the medium term (before fees). It aims to provide higher income returns than traditional cash investments at all stages of interest rate and economic cycles.

MACQUARIE DYNAMIC BOND FUND

CURRENCY	AUD
LISTING	UNLISTED AND ETF
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	BLOOMBERG BARCLAYS GLOBAL AGGREGATE INDEX (HEDGED TO AUD)
KEY PORTFOLIO MANAGERS	MATTHEW MULCAHY, ANDREW VONTHETHOFF, SHAUGHN WILKIE

The fund aims to generate attractive returns by dynamically investing in global fixed-income instruments. It aims to provide diversification against equity risk as well as capital growth and some income.

MACQUARIE REAL RETURN OPPORTUNITIES FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	AUSTRALIAN INFLATION +3-5%
KEY PORTFOLIO MANAGERS	GARY DING, DEAN STEWART, DAVID HANNA

The fund aims to provide positive returns of 3-5% per annum above Australian inflation over the medium term (before fees). It also seeks to provide regular income.

MACQUARIE AUSTRALIAN FIXED INTEREST FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	BLOOMBERG AUSBOND COMPOSITE 0+ YEAR INDEX
KEY PORTFOLIO MANAGERS	DAVID ASHTON, MATTHEW MULCAHY

The fund aims to outperform the Bloomberg AusBond Composite 0+ Year Index over the medium term (before fees) by using an active investment strategy. It aims to provide regular income and a moderate level of growth.

◆ CONTACT DETAILS

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MA FINANCIAL GROUP

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$9.9 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	1

About MA Financial Group

MA Financial Group is a global alternative asset manager specialising in private credit, real estate and hospitality.

MA Financial is made up of fundamentally oriented private credit investors, not traders, with a proven track record of prioritising capital preservation for investors through cycles. MA Financial's origin as a corporate advisory firm is the genesis of its market-leading workouts capability, with governance, risk management and focus on downside protection embedded in its DNA.

MA Financial's A$4.6 billion private credit portfolio leverages the shared benefits and scale of its global platform including access to proprietary deal origination, powerful data analytics, a diverse team of investment experts and institutional-grade asset management infrastructure.

The firm's conviction runs deep. As testament to this, MA Financial co-invests in many of its strategies alongside clients, ensuring alignment of interests. Reflecting this philosophy, MA Financial and its staff have co-invested about A$190 million into private credit strategies across diversified private credit, real-estate credit and growth credit.

MA PRIORITY INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
TARGET RETURN	RBA CASH RATE +4%
KEY PORTFOLIO MANAGER	JOHN SHEFFIELD

The MA Priority Income Fund is a diversified private credit fund with a unique structure. The fund provides investors with exposure to a diversified portfolio of defensive credit investments seeking to preserve capital and deliver stable monthly income of the RBA cash rate +4% p.a.

◆ CONTACT DETAILS

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MANNING ASSET MANAGEMENT

FUNDS UNDER MANAGEMENT (30 SEP 24)	ND
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	2

About Manning Asset Management

Manning Asset Management is a specialist fixed-income manager established in 2015, based in Sydney. Its clients include a range of high-net-worth, family office and institutional investors.

Manning is not a lender itself. Rather, it operates two funds that provide wholesale funding to nonbank lenders, secured against their loan books. Manning works with a range of consumer, business and mortgage lenders as counterparties and has expertise across private Australian credit markets.

MANNING MONTHLY INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBA CASH RATE +5%
KEY PORTFOLIO MANAGERS	JOSH MANNING, ADRIAN BENTLEY

The fund seeks to generate absolute returns of RBA cash rate plus 5% over rolling five-year periods (net of fees, excluding tax), with returns primarily delivered as income. The strategy is implemented by constructing a high-quality diversified portfolio of Australian fixed-income assets originated by proven counterparties. The fund is actively managed to enhance risk-return characteristics through time.

MANNING CREDIT OPPORTUNITIES FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBA CASH RATE +10%
KEY PORTFOLIO MANAGER(S)	JOSH MANNING, ADRIAN BENTLEY

The fund seeks to generate absolute returns of RBA cash rate plus 10% over rolling five-year periods (net of fees, excluding tax), with returns primarily delivered as income. The fund provides a unique exposure to carefully selected, high-yield credit opportunities from traditionally hard-to-access areas of the Australian credit markets. The fund employs a dynamic and nimble investment strategy to help navigate cycles and seeks to deliver the most attractive risk-adjusted returns.

◆ CONTACT DETAILS

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NARROW ROAD CAPITAL

FUNDS UNDER MANAGEMENT (30 JUNE 24)	A$404 MILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	4

About Narrow Road Capital

Narrow Road Capital is a boutique Australian fund manager specialising in high-yield Australian credit, with a particular focus on securitisation and property-backed lending. Clients include institutional investors, not-for-profits and family offices, with all clients having discrete mandates.

Narrow Road invests in securities from a wide range of originators, from emerging to well-established, predominantly in the nonconforming, nonresident and asset-backed sectors. Investments can include public and private transactions, rated and unrated, with bespoke and esoteric opportunities welcome.

As Narrow Road only has private mandates, there are no fund profiles.

◆ CONTACT DETAILS

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WOMEN IN SECURITISATION

The **Women in Securitisation Subcommittee** provides women in the securitisation industry with high-quality networking opportunities, raises awareness of issues that affect their professional advancement and encourages engagement from different levels of seniority.

Join the Women in Securitisation mailing list:

PERPETUAL

Perpetual

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$222.3 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	15

About Perpetual

On 8 May 2024, the Perpetual board announced it had entered into a binding scheme implementation deed with an affiliate of Kohlberg Kravis Roberts & Co, which will acquire Perpetual's wealth management and corporate trust businesses via a scheme of arrangement. Pending approvals, Perpetual will become a standalone, ASX-listed global asset management business operating in key markets across the globe. A scheme meeting is anticipated to occur in early 2025.

Perpetual is an ASX-listed (ASX:PPT) global financial services firm operating a multi-boutique asset management business, as well as wealth management and trustee services businesses. The Perpetual group owns leading asset management brands including Perpetual, Pendal, Barrow Hanley, J O Hambro, Regnan, Trillium and TSW.

Perpetual Asset Management offers an extensive range of specialist investment capabilities through seven brands in key regions globally. Within Australia, Perpetual and Pendal have a broad range of capabilities across Australian and global equities, credit, fixed income, multiasset and ESG. The firm has a growing presence in the US, the UK and Europe through Barrow Hanley, Trillium, JO Hambro, Regnan and TSW.

Perpetual's credit and fixed-income strategies aim to be well-diversified and income-focused. Perpetual takes an active approach to investing across industries, maturities and the capital structure. The senior members of the credit and fixed-income team at Perpetual have more than 100 years' combined experience in investment management and have worked together as a team for more than a decade.

PERPETUAL HIGH GRADE FLOATING RATE FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	THOMAS CHOI

The fund aims to provide investors with regular income by investing in deposits, money-market and fixed-income securities and to outperform the stated benchmark on an ongoing basis (before fees and taxes).

PERPETUAL DIVERSIFIED INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	VIVEK PRABHU

The fund aims to provide investors with regular income and consistent returns above the stated benchmark (before fees and taxes) over rolling three-year periods by investing in a diverse range of income-generating assets.

PERPETUAL EXACT MARKET RETURN FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	GREG STOCK

The fund aims to provide investors with a return that matches the pre-tax benchmark performance of the Bloomberg AusBond Bank Bill Index (referred to as exact benchmarking) on an ongoing basis.

PERPETUAL ESG CREDIT INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	VIVEK PRABHU

The fund aims to provide regular income and consistent returns above the Bloomberg AusBond Bank Bill Index (before fees and taxes) over rolling three-year periods by investing in a diverse range of income assets that meet Perpetual's ESG and values-based criteria.

PERPETUAL PURE CREDIT ALPHA FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	ND
KEY PORTFOLIO MANAGER	MICHAEL KORBER

The fund aims to provide investors with a positive return above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in and actively trading fixed-income securities and related derivatives.

PERPETUAL DIVERSIFIED PRIVATE DEBT FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	ND
KEY PORTFOLIO MANAGER	MICHAEL KORBER

The fund aims to provide higher regular income and positive returns above the cash rate over rolling three-year periods (before fees and taxes) by primarily investing in a diversified portfolio of private loans and securitised assets.

PERPETUAL CREDIT INCOME TRUST

CURRENCY	AUD
LISTING	LISTED
ELIGIBLE INVESTORS	RETAIL, WHOLESALE AND INSTITUTIONAL
FUND BENCHMARK	ND
KEY PORTFOLIO MANAGER	MICHAEL KORBER

The Perpetual Credit Income Trust (ASX: PCI) aims to provide investors with monthly income by investing in a diversified pool of credit and fixed-income assets.

◆ CONTACT DETAILS

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REALM INVESTMENT HOUSE

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$6.7 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	6

About Realm Investment House

Realm is an absolute-return-focused investment group, with deep experience investing in Australian credit and fixed-income markets. Its highly experienced team combines a risk-first approach to investing in seeking to deliver strong risk-adjusted returns. Strategy design and management is always focused on delivering client outcomes.

REALM HIGH INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +3% OVER A 3-5-YEAR HORIZON
KEY PORTFOLIO MANAGERS	ROBERT CAMILLERI, ANDREW PAPAGEORGIOU

The Realm High Income Fund targets an after-fees total return of RBA cash rate +3% through the market cycle. The fund earns its return through its asset-allocation and relative-value focus, aiming to maximise the Sharpe ratio of the portfolio while seeking to preserve capital. It can invest up to 60% in RMBS and ABS with a cap on private RMBS and ABS of 20%.

SHORT-TERM INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +1.5% OVER A 1-3-YEAR HORIZON
KEY PORTFOLIO MANAGERS	MYRON ITHAYARAJ, THEO CALLIGERIS

The Short-Term Income Fund targets an after-fees total return of RBA cash rate +1.5% over a rolling three-year period. It targets investment-grade and highly liquid securities that exhibit a low level of volatility, while seeking to preserve capital and maximise the Sharpe Ratio. The fund provides access to a diversified, actively managed fixed-income portfolio that invests in cash and domestic-issued fixed-interest securities. It has a 0-30% allocation limit to RMBS and ABS.

STRATEGIC INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +4.75%
KEY PORTFOLIO MANAGERS	ROBERT CAMILLERI, THEO CALLIGERIS

The fund provides high-conviction investment opportunities in the Australasian credit markets for noninstitutional investors. These investment opportunities exist due to certain market conditions that are driven by either regulatory change or market dislocation. Its focus is on the private debt market with a 0-100% allocation to RMBS and ABS.

GLOBAL HIGH INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +2.5-3.5%
KEY PORTFOLIO MANAGERS	ADRIAN CHOW, MATTHEW SLEIGHT

The Realm Global High Income Fund is a fixed-income strategy that invests in global asset-backed securities, bank-issued securities and corporate bonds. The objective of the fund is to deliver investors a consistent return (net of fees and gross of franking) of 2.5-3.5% over the RBA cash rate through a market cycle.

◆ CONTACT DETAILS

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REVOLUTION ASSET MANAGEMENT

FUNDS UNDER MANAGEMENT (30 SEP 24)	A$3 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	4

About Revolution Asset Management

Revolution Asset Management provides institutional, wholesale and professional investors access to the Australian and New Zealand private debt market. Investment activities are focused on the most compelling relative-value opportunities across real-estate debt, ABS, private company debt and leveraged buyout debt.

REVOLUTION PRIVATE DEBT FUND II

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	INSTITUTIONAL AND WHOLESALE
FUND BENCHMARK	RBA CASH RATE +4-5%
KEY PORTFOLIO MANAGERS	BOB SAHOTA, SIMON PETRIS, DAVID SAIJA

Actively managed exposure to the Australian and NZ corporate loan market and ABS designed to deliver superior risk-adjusted returns with downside protection.

AMP SEPARATELY MANAGED ACCOUNT

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	INSTITUTIONAL
FUND BENCHMARK	RBA CASH RATE +4-5%
KEY PORTFOLIO MANAGERS	BOB SAHOTA, SIMON PETRIS, DAVID SAIJA

Actively managed exposure to the Australian and NZ corporate loan market and ABS designed to deliver superior risk-adjusted returns with downside protection.

UNISUPER SEPARATELY MANAGED ACCOUNT

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	INSTITUTIONAL
FUND BENCHMARK	RBA CASH RATE +4-5%
KEY PORTFOLIO MANAGERS	BOB SAHOTA, SIMON PETRIS, DAVID SAIJA

Actively managed exposure to the Australian and NZ corporate loan market and ABS designed to deliver superior risk-adjusted returns with downside protection.

REVOLUTION PRIVATE DEBT PIE FUND (NZD)

CURRENCY	NZD
LISTING	UNLISTED
ELIGIBLE INVESTORS	WHOLESALE
FUND BENCHMARK	RBNZ OFFICIAL CASH RATE (OCR) +4-5%
KEY PORTFOLIO MANAGERS	BOB SAHOTA, SIMON PETRIS, DAVID SAIJA

Actively managed exposure to the Australian and NZ corporate loan market and ABS designed to deliver superior risk-adjusted returns with downside protection.

◆ CONTACT DETAILS

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SANDHURST TRUSTEES

FUNDS UNDER MANAGEMENT (30 SEP 23)	A$6 BILLION
NUMBER OF FUNDS THAT INVEST IN RMBS/ABS	4

About Sandhurst Trustees

Sandhurst Trustees is a wholly owned subsidiary of Bendigo and Adelaide Bank. Over the past 130 years, it has evolved from a traditional trustee provider to a modern full-service wealth manager.

Its goal is to better the financial future of its customers through quality financial products and services. These include leveraged equities, and income funds for wholesale and retail investors, superannuation, commercial loans, and corporate trustee and custodial services.

SANDHURST SELECT 90 FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	ROGER COATS

The Sandhurst Select 90 Fund aims to provide investors with regular income and capital stability. The fund invests in a diversified portfolio of income-generating assets with a focus on capital stability and liquidity, achieving this through exposure to high-quality mortgages, mortgage-backed securities and liquid, income-producing assets. The fund's return objective is to exceed the Bloomberg AusBond Bank Bill Index after fees and expenses on a rolling 12-month basis.

SANDHURST INVESTMENT TERM FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL
FUND BENCHMARK	BENCHED TO BANK TERM DEPOSIT RATES
KEY PORTFOLIO MANAGER	ROGER COATS

The Sandhurst Investment Term Fund was launched in 1988 and aims to provide investors with regular income, capital stability and a choice of fixed investment terms with anticipated returns. The fund invests in a diversified portfolio of income-generating assets focused on capital stability and liquidity. It achieves this through exposure to high-quality mortgages, mortgage-backed securities and liquid income-producing assets. The fund provides a range of fixed investment terms.

SANDHURST STRATEGIC INCOME FUND

CURRENCY	AUD
LISTING	UNLISTED
ELIGIBLE INVESTORS	RETAIL AND WHOLESALE
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
KEY PORTFOLIO MANAGER	ROGER COATS

The Sandhurst Strategic Income Fund's investment objective is to outperform the Bloomberg Ausbond Bank Bill Index over any two-year period. The fund aims to achieve this by investing in a portfolio of mainly domestic interest-bearing securities across a range of maturities.

◆ CONTACT DETAILS

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