

Trading update:

Bond income insights

OVERVIEW

- Primary markets are the key focus for domestic fixed income markets this week. A broad spectrum of issuers are expected to come to market to raise capital. This comes on the back of a period of stability in credit markets with secondary market spreads broadly tightening across all parts of the capital structure.
- ANZ and Westpac Discount Perpetual securities continue to garner interest as investors have been buoyed by NAB's recent announcement around the ASX listed NABHA security. NAB are seeking shareholder approval to repay the NABHA issue in 2021 which adds further confidence we will see ANZ and Westpac treasury look to clean up their legacy Tier 1's in USD. Both issues are now trading at a yield to call in late 2021 of near ~25%pa.
- LendLease Finance Limited are today taking indications of interest for a 7 year fixed rate transaction returning ~3.5%pa. The issue will be investment grade rated and issued under "green bond" terms meeting strict global Environmental Sustainability Guidelines (ESG).
- Clearview Wealth Management are likely to come back to market this week to launch a A\$50m-\$100m subordinated debt (Tier 2) issue which will contribute to regulatory capital. The issue will have a maturity in 10 years from issue date and a call date 5 years earlier. Subordinated (Tier 2) debt from Clearview is rated by Fitch at one notch below investment grade. We expect the issue to offer investors 3m BBSW + 6.00%pa which is quite attractive pricing for an APRA regulated Tier 2 issue. Bond Income expect A\$50,000.00 minimum parcels investments.
- Australian Military Bank have launched a subordinated debt (Tier 2) issue. The structure of the deal will be a 10 year maturity and call date 5 years from issue. The deal is investment grade rated and offers investors a return of BBSW + 3.80% with an issue size of A\$15m.
- Genworth Financial Mortgage subordinated (Tier 2) issue has started to perform, buoyed by a broader tightening in Tier 2 spreads. Now trading at BBSW + 4.82%pa from an issue margin of BBSW + 5.00%pa

Bond Income “Six Packs”

Six Pack – One: Targeting a return of 2% p.a. with a focus on high quality issues, liquidity, and portfolio balance.

Issuer	Payment Rank	Rating	Return	Portfolio Summary
Verizon Communications	Senior Unsecured	Investment Grade	2.10%	Total expected return of 2.29% p.a
WSD Finance Pty Ltd	Senior Secured	Investment Grade	2.57%	Investment grade issues
Origin Energy Finance	Senior Unsecured	Investment Grade	2.10%	Subordinated (Tier 2) issues from high quality domestic financials
Suncorp Group Limited	Subordinated (Tier 2)	Investment Grade	2.45%	Senior secured or unsecured issues from liquid and well rated corporates
Macquarie Bank Limited	Subordinated (Tier 2)	Investment Grade	2.30%	Even mix of fixed rate bonds and floating rate notes
National Australia Bank	Subordinated (Tier 2)	Investment Grade	2.20%	Liquid issues in normal market conditions
Total Expected Return			2.29%	

Portfolio Changes

No portfolio changes this week.

Six Pack – Two: Targeting a return of 3% p.a. Moving down the capital structure to increase return whilst maintaining strong liquidity and well rated issues.

Issuer	Payment Rank	Rating	Return	Portfolio Summary
Brisbane Airport Corporation	Senior Secured	Investment Grade	4.13%	Total expected return of 3.42% p.a
Liberty Financial Pty Ltd	Senior Unsecured	Investment Grade	4.03%	Investment grade issues
QBE Insurance Group Limited	Subordinated (Tier 2)	Investment Grade	3.08%	A mix of higher returning senior issues from corporates and financials
Insurance Australia Group	Subordinated (Tier 2)	Investment Grade	2.43%	Subordinated (Tier 2) and Tier 1/Hybrid issues from high quality domestic issuers
Ausnet Services Limited	Subordinated (Tier 2)	Investment Grade	3.00%	Predominantly floating rate note portfolio
National Australia Bank	Tier 1/Hybrid	Investment Grade	3.83%	Liquid issues in normal market conditions
Total Expected Return			3.42%	

Portfolio Changes

No portfolio changes this week.

Six Pack – Three: Targeting a return of 4% p.a. with an increased risk profile and reduced rating constraints.

Issuer	Payment Rank	Rating	Return	Portfolio Summary
Ford Motor Credit Co LLC	Senior Unsecured	Sub Investment Grade	3.81%	Total expected return of 4.32% p.a
Liberty Financial Pty Ltd	Senior Unsecured	Investment Grade	4.03%	Investment grade, sub investment grade and non rated issues
Brisbane Airport Corporation	Senior Secured	Investment Grade	4.13%	Subordinated (Tier 2) issues from smaller domestic issuers
QBE Insurance Group Limited	Subordinated (Tier 2)	Investment Grade	3.08%	Short tenor, sub investment grade corporate issue
Genworth Financial Mortgage Pty Ltd	Subordinated (Tier 2)	Investment Grade	5.06%	Portfolio weighted to floating rate notes
ClearView Wealth Limited	Subordinated (Tier 2)	Sub Investment Grade	5.81%	Reduced liquidity in the portfolio with sub investment grade and unrated issues
Total Expected Return			4.32%	

Portfolio Changes

No portfolio changes this week.

Bond Incomes “Issue in focus” – ClearView Wealth Management – Expected to return between 5.81%-6.31%pa

This week we highlight the expected upcoming issue for ClearView Wealth Management. ClearView are an ASX listed and APRA regulated provider of financial planning and life insurance products. This will be ClearViews first foray into the bond market with the deal issued in subordinated (Tier 2) format to count towards regulatory capital.

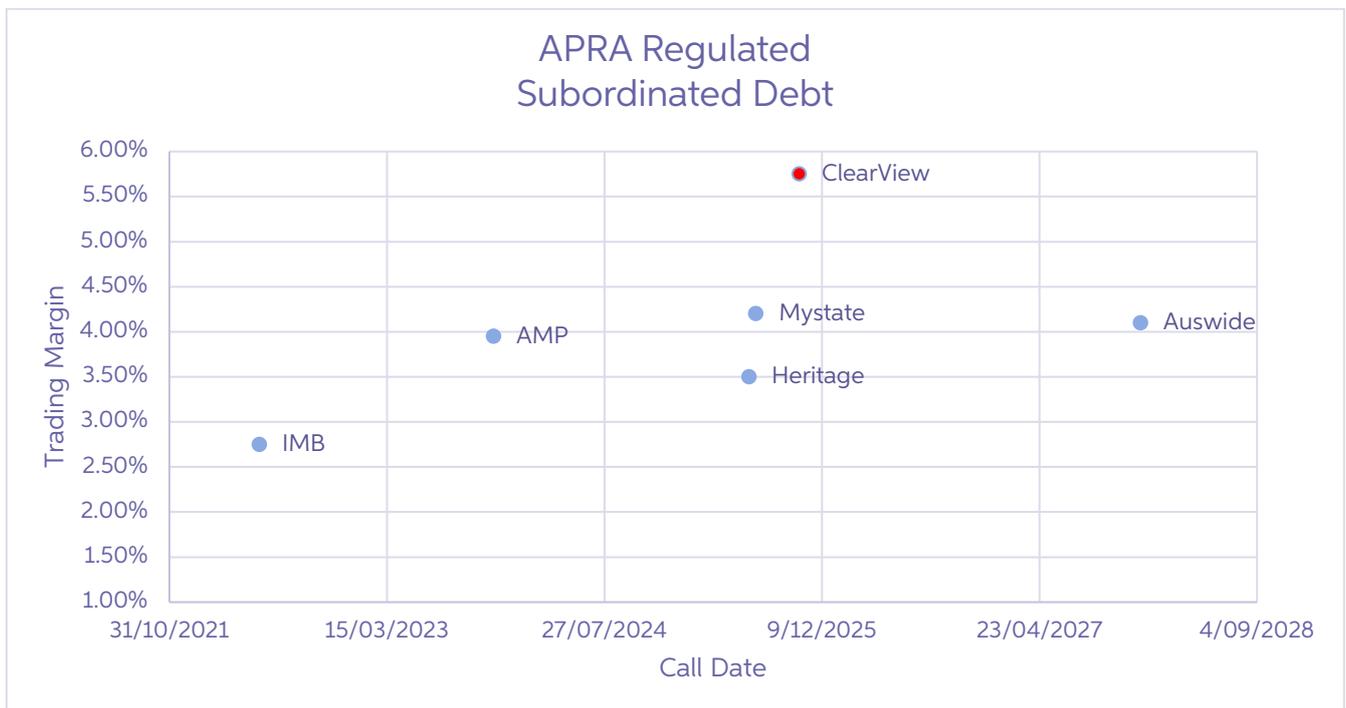
Expected Issue Details

Issuer	ClearView Wealth Limited
Issue Size	~A\$50-100m
Expected Issue Rating	Sub Investment Grade
Ranking	Subordinated, Tier 2
Expected Issue Margin	3m BBSW + 5.50%-6.00%
Expected Return	5.81%-6.31%pa
Call Date	5 years from issue date
Maturity Date	10 years from issue date
Minimum Investment	~\$50,000.00*

* Minimum investment to be confirmed on deal launch

Relative Value

At the expected issue margin, the new ClearView issue will be one of the highest yielding subordinated (Tier 2) issues in the Australian market from an APRA regulated issuer. The below relative value chart notes trading margins for subordinated (Tier 2) issues of similar size to the ClearView deal.



Source: Bond Income

A comprehensive Bond Adviser research report, Term Sheet and Information Memorandum will be available at launch. Please contact your Bond Income relationship manager to express interest in the new issue.

CONTACT US

If you need assistance or would like to speak with one of our bond income specialists, call or email between 9am - 5pm weekdays (AEST).

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