

March 2025

Pacific National Finance Pty Ltd

Income of 7.6% and Yield to Call of 7.3%

By Cameron Window

This, in my opinion, is a great value bond in our secondary market. If you don't own it, consider adding it to your portfolio.

So many portfolios are dominated by financials, so this has the added benefit of providing some greater diversity across industries.

Pacific National are an investment-grade issuer, with their Senior bonds rated BBB-. However, as this bond is subordinated within their capital stack, it's rated two notches lower, at BB flat. This of course means that there's a bit more juice in the return to the investor, so provided you feel comfortable with Pacific National on the whole, there's a handsome pick up on offer...

The 'yield to call' in Dec 2029 of 7.30% represents a margin of 3.45% over the corresponding swap rate, and this is a good 1.5-2% wider than subordinated bonds that sit in the lower end of the investment-grade range. So, if the investment grade yields of 5.3 - 5.8% are starting to look a little skinny, and you don't wish to add to your unrated/HY positions at this juncture, then this offer from Pacific National might be a good middle ground.

The high fixed rate coupon of 7.75% makes this a great way to future proof your income. Meanwhile, the underlying market value should outperform, as rates fall and the term to call shortens.

Buy	
Issuer:	PACIFIC NATIONAL
ISIN:	AU3CB0316438
Security Name:	PNHAU 7.75 12/11/54
Payment Rank:	Subordinated
Rating (S&P, MOODYS, FITCH):	BB , NR , BB
Sector:	Industrial
Coupon Type:	FIXED
Coupon:	7.750%
Current Coupon:	7.750%
Next Coupon Date:	11-Sep-25
Next Call Date:	11-Dec-29
Maturity Date:	11-Dec-54
Currency	AUD
Duration:	3.9722
Margin:	345.4
Yield:	7.3043%
Running Yield:	7.6205%
Face Value:	50,000
Settlement Date:	20-Mar-25
Capital Price:	101.700
Consideration:	50,850.00
Accrued Interest:	1,058.00
Total Consideration:	51,908.00
~AUD Consideration:	51,908.00

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