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Switching into Pacific National Hybrid for Enhanced Yield

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Pacific National's **BBSW +3.85% (AU3FN0094504, callable 11 Nov 2029)** is currently offered at **around 102**, providing a **~7.4% yield to call** with an **8%+ coupon**. This presents a compelling opportunity for investors seeking **high-yielding hybrid exposure** while optimising portfolio positioning by switching from lower-yielding alternatives.

Key Highlights

- **Attractive Yield & Coupon:** Offers a **higher trading margin** than many investment-grade alternatives.
- **Credit Profile:** Rated **BB (hybrid)** vs. **BBB- (senior debt)**.
- **Portfolio Optimisation:** Enhances yield while locking in profits from outperforming holdings.

Switch Recommendations

1. **From Ampol BBSW +3.40% (Mar 2027 call) - ISIN: AU3FN0064739**
 - a. Locks in a **profit**.
 - b. Improves **coupon rate and trading margin** by approximately **116 bps**.
 - c. Slight step down in credit rating (**BBB- → BB**).
2. **From Liberty Curve Holdings**
 - a. Existing holdings have realised **substantial profits**, with most Liberty lines trading **above \$105**.
 - b. Reallocating from a **senior BBB-rated credit to a hybrid BB-rated Pacific National**.
 - c. Enhances **income and trading margin** while securing gains.

Risks to Consider

- **Credit Risk:** Moving from **investment grade (BBB-)** to **high yield (BB)**.
- **Liquidity Considerations:** Switching into a hybrid bond may carry **different liquidity dynamics**.
- **Market Volatility:** Credit spreads and funding conditions could **impact relative value**.

Switching into **Pacific National Hybrid (BB, callable Nov 2029)** provides a **superior yield profile**, allowing investors to **capture profits from outperforming holdings while increasing income and trading margin**. Given IAM clients' appetite for **BB-rated hybrids**, this trade aligns well with portfolio optimisation strategies.

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