25 August 2021

Weekly Market Insight

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BondIncome is pleased to announce our change of name to IAM Capital Markets. The new name reflects our capabilities across fixed income investment and bonds expertise. We provide greater access to corporate bonds for wholesale and professional investors.

Weekly Insights

- Ferguson Hyams Investment Management FHIM Trade Logistics USD 4.5% 2025 Bond
- Lendlease (LLC) Switch
- Ansett Aviation Training Consent Event: A No Vote Places Note Holders in the Cockpit
- Reporting Season – Week 2: What Caught Our Attention
- Westpac Capital Notes 8
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Week in Review

- The AUD continued to slide last week following the release of soft unemployment data. While the headline unemployment figure was down 0.3% from the previous release, it coincided with a fall in the participation rate, given the limited ability for people to look for work during lockdowns. Full-time positions were down by 4,200, while part-time roles increased by 6,400.
- Westpac Bank returned to market last week with the release of the ASX-listed Westpac Capital Notes 8. The notes were very well received with demand in excess of three times the initial issue size. The final issue size of the notes was AUD1.45bn, pricing at the tighter end of guidance of 3 month bank bills +290 basis points.

Ferguson Hyams Investment Management FHIM Trade Logistics USD 4.5% 2025 Bond

In our view, this would be a very low risk within the non-investment grade space. The Fund's main activity is trade financing, which is a lower-risk asset class than SME and bank lending respectively. It has similarities to the residential mortgage market, with risk marine insurance policies kicking in to cover any loss in the value of the goods.

The Fund does not take direct credit exposure, with the main risk being commodity price declines if the Fund cannot recover the full purchase price on an asset. The Fund's performance has been exceptional, even throughout COVID-19. Indicative of its superb risk management, the Fund has achieved a historical buyer default rate of 0.00% across over 700 transactions.

There are not a lot of comparables in this sector. However, from a relative value perspective, the yield of 4.5% is around 150bps wider than the USD single-BB credit-rating yield curve in Chart 6. In the unrated and rated high-yield space, it looks fair value to the comparables in Chart 7 when factoring in an illiquidity premium. Investors would want to be mindful of the lack of liquidity in this line and should consider it as part of a diversified portfolio.

The Investment Strategy

- The bonds provide investors diversification within the fixed income space to trade finance, outside regular bond issues from the banks and property A-REITs
- Trade finance is a low-risk asset class with historically low default rates and high recovery rates/recovery times given the asset-backed and fungible commodity nature of financing
- Similar to residential mortgages and lenders mortgage insurance (LMI), trade finance utilises risk marine insurance policies to cover any loss in the value of the goods
- The bond provides investors protection by ranking senior to equity unitholders in the Fund
- From a relative value perspective, the yield of 4.5% is around 150bps wider than the USD single-BB credit-rating yield curve

Credit Fundamentals

Trade finance activities relate to short-term, asset-backed transactions between 15-120 days that are completed via traditional finance instruments (letters of credit, bank guarantees, and bills of lading) through a Fund.

The Fund generates a return by simultaneously executing a buy and sell contract and taking a positive margin between the two contracts. This margin reflects the implied balance sheet cost charged for holding the commodity. The Fund then provides transport of the cargo, taking ownership of the asset, at the place of port. This means the Fund is not exposed to the credit risk of the purchaser – although exposure to commodity price risk is triggered by the buyer defaulting.

Chart 1. Trade Finance Default and Loss Metrics

	Weighted Default Rate	Loss Given Default	Weighted Expected Loss	Time to Recovery (days)
SME	1.62%	27%	0.44%	393
Banks & FIs	0.25%	28%	0.07%	427
Commodities Finance	0.68%	24%	0.16%	350

Source: International Chamber of Commerce, calculated for 2008-2018

Risk marine insurance policies limit the loss in the value of the goods. A key part of the trade financing strategy is using insurance policies to cover the risk of physical damage to the commodities during transit and storage. This improves expectations of recovery in both idiosyncratic and systematic-type risk possibilities. All risk marine insurance policies are undertaken from an A (or better) rated insurer.

Additionally, it will bear transaction costs in relation to finding a secondary purchaser, executing the contract, and costs of storing or warehousing the commodity due to the delay. These risks are partially mitigated by the Fund demanding a Trade Facilities Fee (TFF) calculated as a portion of the purchase price from the buyer before transit. This fee will cover the transaction costs of the secondary contract and provide a buffer margin to cover any commodity price decline.

The minimum TFF is 10% and there is no maximum. However, during COVID-19, it was as high as 60%. On average the TFF is 20%. This is almost analogous to a prepayment on a residential mortgage.

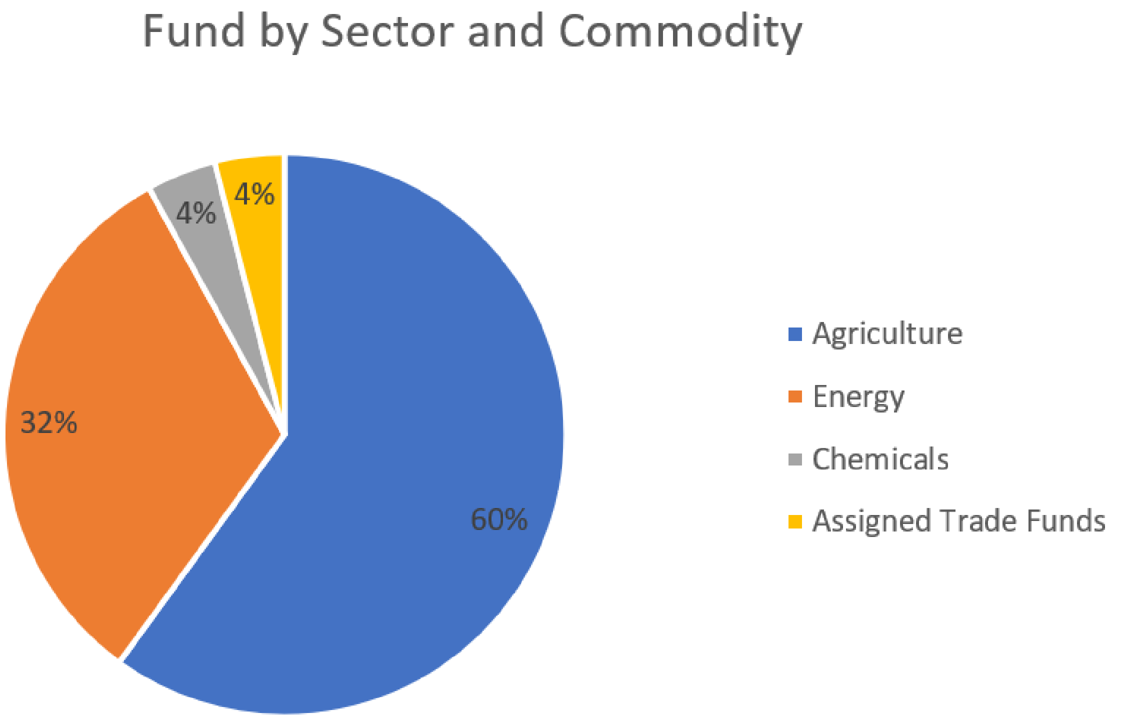
The Fund has an exceptional track record in its risk assessment, with a historical buyer default rate of 0.00% across over 700 transactions. The transaction size is typically in the range of USD200,000 to USD3m, with an average of USD370,000 as at April 2021.

Using a $100 Cargo Example

Two examples of what happens if there is a default **Issue A** or when the buyer walks **Issue B**.

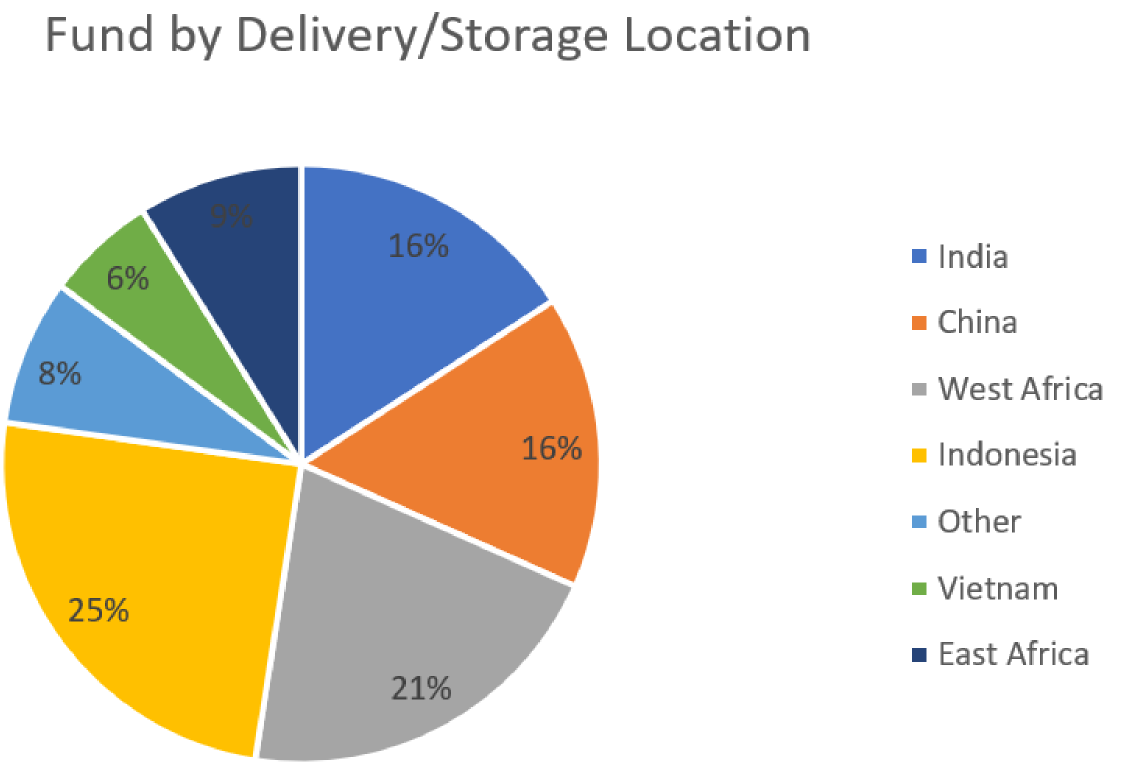
Event	Outcome
Issue A: Insurance is always risk marine insurance from an A (or better) rated insurer. This covers 100% of the cargo, should the boat sink, the cargo is damaged or partly lost, etc.	**Issue A:** If the cargo is lost, risk marine insurance pays 100%.
Issue B: The Trading Facilities Fee (TFF) or prepayment is calculated with reference to the required P&L and the spot price at the destination. This allows the Fund to buy the cargo, knowing that if the buyer defaults, they can offload the cargo at the destination port in the spot market and not adversely affect its P&L.	**Issue B:** If the buyer defaults, that event is not insured (its collateralised by the cargo). Thus, the cargo is sold in the spot market at the destination port, however it is "owned" at a 20% discount (based on average TFF).

Chart 2. Fund by Sector and Commodity



Source: BondAdviser

Chart 3. Fund by Delivery/Storage Location



Source: BondAdviser

The Fund has consistently delivered target returns to unitholders of 5% net of all fees. Especially notable is the performance of the Fund through COVID-19. A core feature of the Fund is the lack of correlation to broader markets.

The monthly returns of the Fund exhibit minimal correlation to domestic and international equity, commodity, and credit markets. Over the past three years, the Fund did not have a correlation coefficient above 0.40 for any major index and recorded a negative coefficient for a number of major credit indices.

Chart 4. Monthly Return Correlation Matrix

	Underlying Fund	BBG C'mdty Ind	Crude	Wheat	Iron	Gold	US Gov	AU Gov	AusBond Credit FRN	Global HY	VIX	ASX
Underlying Fund	1.000											
BBG C'mdty Ind	0.306	1.000										
Crude	0.268	0.734	1.000									
Wheat	-0.042	0.162	-0.216	1.000								
Iron	-0.051	0.294	0.304	0.303	1.000							
Gold	0.126	0.089	-0.038	0.070	0.070	1.000						
US Gov	-0.102	-0.536	-0.465	0.090	-0.187	0.401	1.000					
AU Gov	-0.029	-0.050	0.196	0.068	0.076	0.299	0.268	1.000				
AusBond Credit FRN	0.089	0.352	0.598	-0.295	0.157	0.150	-0.240	0.473	1.000			
Global HY	0.328	0.733	0.856	-0.067	0.297	0.221	-0.355	0.393	0.781	1.000		
VIX	-0.356	-0.440	-0.477	0.021	-0.081	0.033	0.368	-0.043	-0.286	-0.493	1.000	
ASX	0.222	0.508	0.760	-0.154	0.189	0.015	-0.347	0.423	0.768	0.845	-0.530	1.000

Source: BondAdviser

Chart 5. Underlying Fund Monthly Net Returns (%)*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	0.41	0.52	0.45	0.40									1.78
2020	0.45	0.45	0.45	0.56	0.59	0.57	0.52	0.43	0.42	0.41	0.46	0.47	5.93
2019	0.69	0.70	0.45	0.45	0.25	0.42	0.46	0.43	0.52	0.54	0.48	0.46	6.01
2018					-0.38	0.15	0.24	0.18	0.18	-0.20	0.29	0.49	0.97

* Return is a monthly net total return based on NTA plus dividends

Source: BondAdviser, Underlying Manager. As at 31 April 2021

Company Background

Ferguson Hyams Investment Management (FHIM) is the investment manager on this Fund and focuses on generating returns with low or negative correlation to equity markets. Based in Brisbane, it is a regulated company, operating under an Australian Financial Services License (AFSL). In addition to facilitating the Opportunities Strategy USD 4 Year Bond, FHIM currently operate six strategies including a multi-strategy Fund and wholesale Managed Discretionary Accounts.

For this Fund, Ferguson Hyams sources strategies with verifiable trading histories from portfolio managers globally. FHIM performs the role of the administrator of this platform, and selects strategies and managers according to its investment methodology. Ferguson Hyams derives its income from management and performance fees.

Legal Structure

Bondholders (via Underlying Bond) effectively have protection by ranking senior to equity unitholders in the Fund. However, additional claims such as those of the Investment Manager, Advisor, Trustee, Banks, and Administrators will rank senior to bondholders. At the date of launch, the proforma debt to equity ratio of the Fund will be 100% and it is mandated that the Fund cannot exceed 200% of this ratio.

This effectively gives bondholders a loss-absorbing equity buffer. The claims of bondholders do rank senior to all fees earned by FHIM. This adds a degree of excess spread protection and aligns interests between bondholders and the investment manager.

The Underlying Bond will have an investment grade rating of BBB from Kroll Bond Rating Agency. If the rating is downgraded, the Underlying Bonds will be immediately redeemed at par plus accrued, which will pass through to bondholders.

Key Terms

Product Type	Structured Note
Outstanding Amount	$40,000,000.00
Par Value	$100.00
Fixed / Floating	Fixed
Payment Frequency	Quarterly
Current Distribution	4.50%
Issue Margin/Coupon	4.50%
Last Price	$100.00
Accrued	$0.00
Capital Price	$100.00
Running Yield	4.50%
Yield to Maturity	4.50%
Trading Margin	3.91%
Expected Maturity Date	6 September 2025

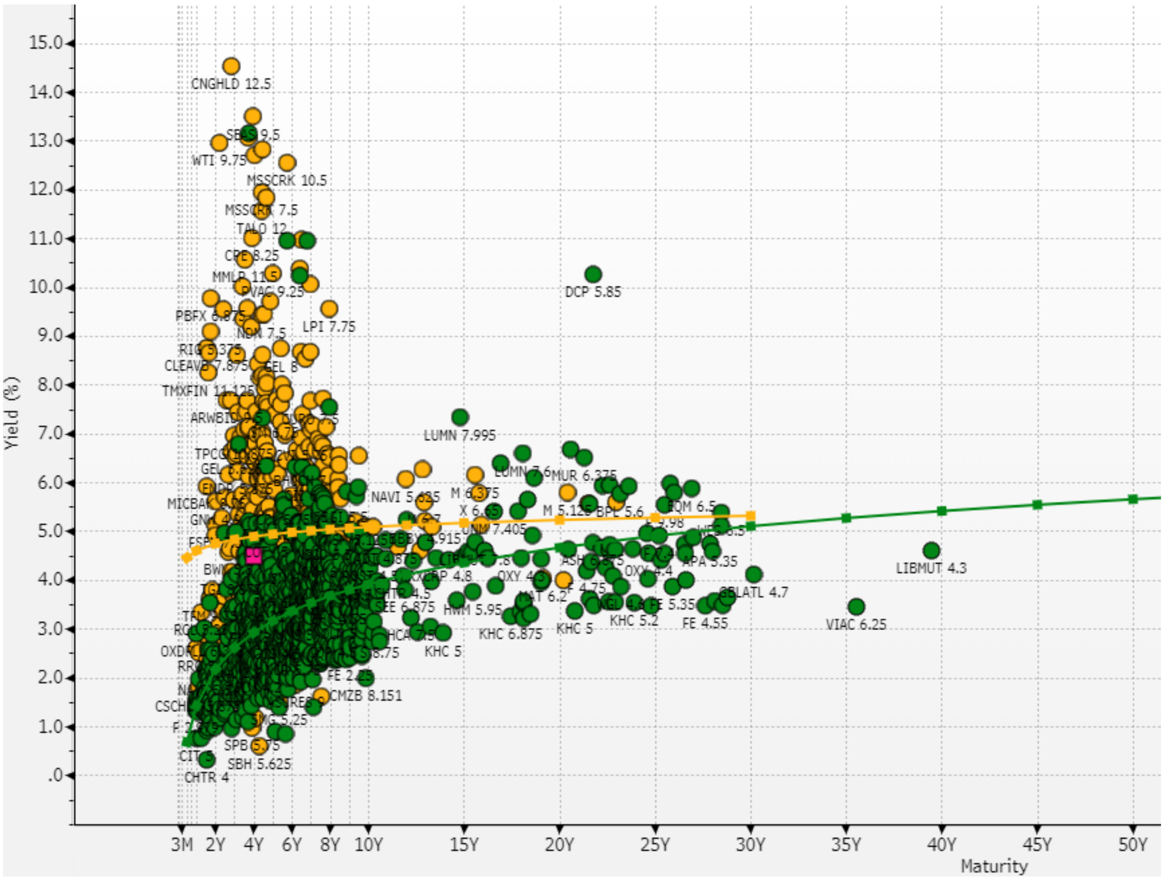
Source: BondAdviser

Relative Value

A USD coupon/yield of 4.50% translates into an AUD ASW of 4% based on USD to AUD fixed-to-floating margin over swaps margin. The AUD 4-year swap is around 0.5%, so in AUD terms it's also a comparable coupon/yield of 4.50%.

This could be attractive for investors who are worried about AUDUSD depreciating even further below 70c. Not only do you get a relatively high coupon for a very low risk non-investment grade credit you potentially stand to benefit from capital appreciation through the AUD/USD.

Chart 6. USD Single-B/Single-BB Credit-Rating Yield Curve

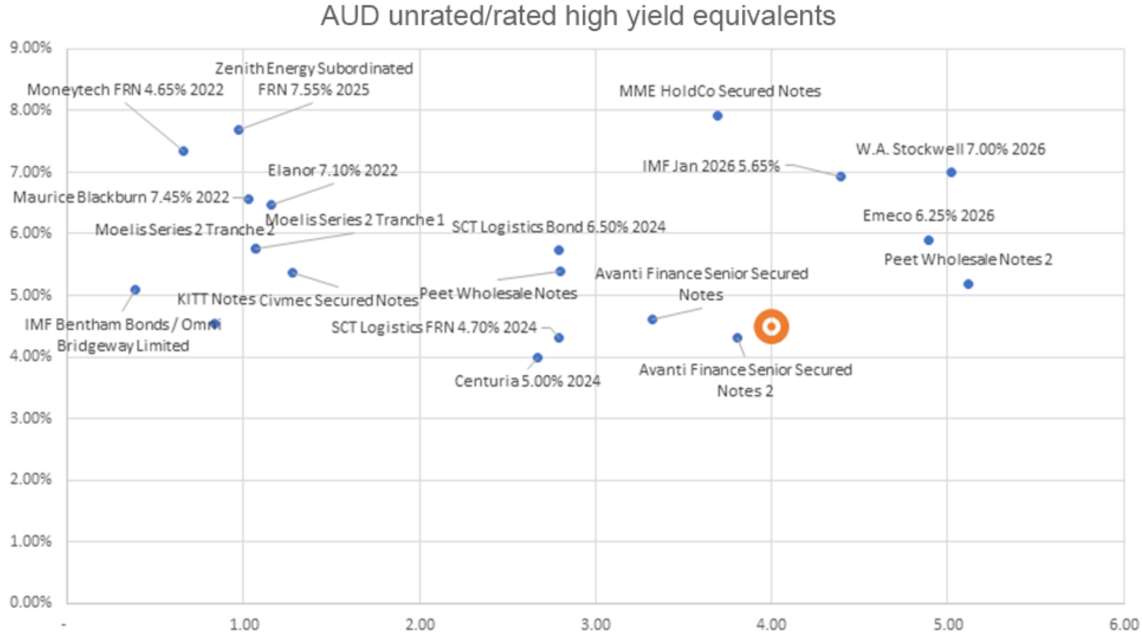


Source: Bloomberg USD High Yield Index

USD single-B (Yellow) credit-rating yield curve

USD single-BB (Green) credit-rating yield curve

Chart 7. AUD Unrated/Rated High-Yield Equivalents



Source: BondAdviser

Lendlease (LLC) Switch

We believe investors would benefit from a switch out of the LLC 31s and/or LLC 27s into the Lendlease International Towers Sydney (LLITST) 30s. Not only would there be a jump up two-notches in rating from Moody's (Baa1 versus Baa3), but there would be no sacrifice on overall yield.

Remember LLC is Baa3, and so one notch downgrade away from a non-investment grade rating. While we do not expect a downgrade to non-investment grade status, the risk/return favours an LLC switch – especially when the implications from COVID-19 are still unknown on the business.

The Investment Strategy

- Low risk, non-IG paper rated BB-/BB+ (S&P/Fitch)
- LLITST is rated two-notches above LLC from Moody's (Baa1 versus Baa3). Both issuers are not rated by S&P
- LLITST will be less impacted from COVID-19 compared to LLC on a relative basis
- LLITST 30s are yielding 2.5%, so just below the LLC 31s – but well above the LLC 27s
- LLITST 30s are trading at a much lower cash price than the LLC 31s and LLC 27s

LLITST

LLITST (Baa1/Stable, Moody's) is a separate vehicle which holds three commercial properties in the Barangaroo South precinct in Sydney and is managed by Lendlease. The properties in the Trust include Barangaroo International Towers, Sydney Tower Two and Tower Three, medium-low rise International House, as well as the Towns Place carpark.

The three commercial properties are basically at 100% occupancy. LLITST is less impacted from COVID-19 as leases are long-term and the company has the longest weighted average lease expiry (WALE) out of the listed A-REITs in the market.

Chart 8. LLITST's Asset Portfolio

31 March 2021

Asset	Portfolio Percentage (%)	Occupancy (%)	Major Tenants	Office NLA (sqm)	WALE by Income (Years)	Book Value (AUD million)	Cap Rate (%)
Tower Two	50.0	97.3	Westpac, Facebook, Gilbert & Tobin, Swiss RE, Visa	86,900	7.9	2,306.2	4.8
Tower Three	46.1	91.9	KPMG, Lendlease, First Sentier Investors, CMC Markets, Austrade, FDM Group	79,000	6.0	2,125.0	4.8
International House	3.6	100	Accenture	6,900	3.8	165.0	5.0
Towns Place Carpark	0.3	100	Wilson Parking Australia	191 bays	0.5	11.9	5.0

Source: Lendlease International Towers Sydney Trust

LLC FY21 results

LLC (Baa3/Stable, Moody's) reported weak FY21 results and noted that FY22 would be a challenging year for the group due to COVID-19 on its business – especially in its London operations. Prior to FY22 results, the company noted that FY21 core operating earnings were to be in the range of AUD375-400m, around half of the AUD800m+ it earned in pre-COVID years.

Additionally, the group announced higher provisions of around AUD90-175m in relation the engineering business, which was sold in September 2020. As a result, Statutory net profit after tax (NPAT) was expected to fall to between AUD200m and AUD320m.

The group is currently going through a strategic review which will result in cost savings of around AUD160m per annum in the medium to long term. However, in the short term, impairment expenses (noncash) will rise over FY22. The groups balance sheet and gearing remain solid, with gearing at the bottom end of the target 10-20% range. LLC's bonds have also outperformed over CY2021 and are now trading expensive to other low BBB names in the market.

Relative Value

Chart 9. LLITST 30s vs LLC 31s and LLC 27s Yield (%) Performance

Source: Bloomberg

Chart 10. Comparables for LLITST 30s (see low cash price)

Spread Analysis | Bond Data

Spread Type Z-Spd | Date Range 03/25/21 - 08/20/21 C

Comparable Bonds View [Modified] — Difference In Comparable Z-Spreads Over date range

Security	Price	Yield	Spread	Diff	Low	Range (Avg / Now)	High	Avg	+/-	#SDs
Avg of Comparables		2.23	127	30	25		78	43	-13	-0.8
12) LLCAU 3.7 03/31/31	108.61	2.65	157							
13) LLITST 2.85 06/28/30	102.83	2.48	144	13	7		17	12	1	0.5
14) CHCFIN 3.092 04/21/31	104.66	2.53	143	14	5		46	20	-6	-0.5
15) CHLWR 2.787 03/03/31	102.46	2.49	139	18	15		72	33	-15	-0.9
16) LLCAU 3.4 10/27/27	107.10	2.12	137	20	15		45	27	-7	-0.8
17) CHLWR 2.656 12/17/29	102.56	2.31	131	26	21		30	24	2	1.1
18) CHLWR 2.086 03/03/28	100.99	1.92	111	46	43		101	63	-17	-0.9
19) GAIF 1.9 12/14/28	100.89	1.77	87	70	57		105	73	-3	-0.3

Source: Bloomberg

Ansett Aviation Training Consent Event: A No Vote Places Note Holders in the Cockpit

Last Tuesday 17 August, holders of the Ansett Aviation Training (AAT) AUD40m 7.50% Nov 2021 notes were again asked to extend the maturity date for 12 months (from November 2021 to November 2022).

This second maturity extension appears to be an unattractive proposal for bond holders and simply delays inevitable balance sheet rationalisation at the expense of creditors and to the benefit of shareholders. At a high level, bond holders appear to be inadequately compensated and should consider voting against the consent event.

Last month we contributed a piece to leading financial news site, Firstlinks entitled Five Lessons for Bond Investors from the Virgin Collapse. In the article, we noted that the complex debt structure of Virgin was problematic for unsecured bond holders and inevitably diluted overall recovery.

Fortunately, AAT benefits from a simple hierarchy:

- An AUD6m CBA senior secured line; and
- AUD40m senior unsecured bonds.

The simple structure provides a platform for creditors to easily negotiate and realise the value of the company's assets now – rather than sit back and wait, as was the case with Virgin Australia (VAH) for value destruction. In the Virgin example, holders were too slow to enforce their rights and should have advocated for a debt-to-equity style restructure early in the business's downturn to protect their capital.

Note holders should step in now, force a recapitalisation, and secure the inherent value while the value of the equity is (more or less) zero. This will allow significant upside over the medium term, when the business eventually returns to normal operations in 2022 and beyond.

Extending a further year only allows underlying equity owners the ability to rerate the value of their equity and offer less attractive terms to creditors when the unavoidable debt haircut is proposed.

To compensate for this second extension request, AAT is offering the following additional terms to noteholders:

1. Coupons for the notes to step up to 8.50% (from 7.50%) from 13 November 2021 (to be paid at redemption of the notes);
2. First ranking security over the recently acquired Boeing 717 simulator;
3. Clarification and simplifying the extent to which AAT can on-lend funds to other parts of the group;
4. A provision of monthly update reports on the recapitalisation process; and
5. A deferred consent fee of 0.50%, payable upon redemption of the notes.

Putting the improved legal terms to the side, the 1.5% payment-in-kind (1% coupon + 0.5% consent fee) is insufficient compensation to bond holders – particularly considering holders are very unlikely to ever receive the cash incentive. Creditors will almost certainly be back to the negotiating table in 2022 and will force a haircut upon bond holders.

Therefore, kicking the can down the road only serves to provide a 'free hit' to equity holders. Extending by one year allows the opportunity for a recovery in the sector and a stronger capital market to inject capital to benefit shareholders at very little cost (1.5%).

Voting no applies maximum pressure on the AAT and the wider group to accelerate the recapitalisation process – including forcing shareholders to inject more equity in the group now and deliver creditors a proportioned equity stake at a very low valuation.

Unlike with VAH, note holders comprise most of the debt outstanding and there is only a small amount (AUD6m) of senior secured debt ranking ahead. The AUD6m senior secured facility provided by Commonwealth Bank Australia (CBA) is very unlikely to be enforced.

The CBA line benefits from significant hard asset coverage (approximately 4-6x) and aggressive tactics by the bank would go against their well-publicised COVID-19 duty and goodwill. Furthermore, it appears the major lender to the group (Europe-based), who holds security over the equity, is not extending terms in the business's other subsidiaries.

Bond holders should pursue a recapitalisation now and not 'kick the can down the road' to the benefit of equity owners.

Reporting Season – Week 2: What Caught Our Attention

Note: Moody's, S&P issuer ratings. In AUD unless otherwise stated.

A key trend from this earnings season has been the number of companies lifting dividends, issuing special dividends, or announcing share buybacks. This has been in an environment of companies reporting higher than expected revenue and EBITDA growth, which makes it more palatable for credit investors.

Merger news has also been a key feature. Woodside announced a merger with the petroleum division of BHP. Santos had strong shareholder support for its USD21bn merger with Oil Search, and Sydney Airport reported a new takeover offer from the Sydney Aviation Alliance, valuing it's shares at AUD8.45 per share.

Insurance companies have noted significant increases in premiums (QBE, Suncorp, and IAG). Suncorp lifted home premiums by around 9%, with QBE lifting premiums by 12% across Asia Pacific. Banks, including ANZ and WBC, reported their Q3 trading updates. CET1 ratios increased to 12.2% and 12.5% respectively – which helps the buffer for AT1 and T2 bondholders.

Where guidance statements have been provided, caution has been expressed for the following 12 months on COVID-19 related issues.

Emeco (B+)

The FY21 results were solid in the context of COVID-19 disruptions and high costs from supply-chain disruptions. Revenue and EBITDA was slight weaker in the rental business, but was more than offset by excellent performance in the Pit n Portal business.

The balance sheet and leverage metrics remain very good for the B+ rating (net leverage is around 1x). Improvement in the global growth outlook and commodity prices will continue to support the credit. We believe the existing EHLAU 6 ¼ 07/10/26 still looks good value at around 6% yield for a solid B credit.

BHP (A2/A)

Alongside very strong FY21 results, three key announcements are noteworthy:

- Entering a merger agreement with Woodside (WPL), which will combine their oil and gas portfolios and, in the process, create Australia's largest energy company;
- Moving ahead with a large potash project in Saskatchewan, Canada; and
- Ending its dual-listing on the London Stock Exchange, which has been in place since merging with Billiton in mid-2001.

In the context of the new company, BHP remains highly sensitive to the iron ore price. The company estimates that each USD1 per tonne move in the iron ore price will impact its underlying EBITDA by around USD234m in FY22.

We believe investors are better off looking outside the tight BHP USD curve at the NCIAU 4.4 09/29/27 (in USD) and STOAU 5 ¼ 03/13/29 (in USD) respectively.

Sydney Airport (Baa1/BBB+)

The H1 2021 results were better than H2 2020 in the context of lockdowns being lifted for some of the period. However, overall results are still weaker than pre-COVID levels. Compared to pre-COVID levels, passenger traffic is down 74% for the six months in H1 2021. EBITDA has remained positive but was down 65% from pre-COVID levels.

Based on expected FY21 results, Sydney Airport will not meet rating agencies' expectations for underlying passenger traffic recovery. Thus, a downgrade to Baa2/BBB from Moody's/S&P appears likely.

We believe a better relative value idea in the transportation sector lies in the BACAU 4 ½ 12/30/30. The Brisbane Airport bonds offer close to a 3% yield and the credit strength should improve as domestic COVID-19 disruptions abate following the progressive opening of border controls, vaccine rollouts, and increased consumer confidence in air travel.

While Brisbane Airport is rated one-notch below Sydney Airport at BBB/Baa2, we believe the credit metrics will improve as passenger volumes recover and non-aeronautical revenue streams continue to grow.

Please contact our IAM Capital Markets specialists for further research.

Westpac Capital Notes 8

Hot on the heels of Macquarie Bank Capital Notes 3 (ASX: MBLPD), we have Westpac looking to issue an ASX-listed Capital Notes 8 (ASX: WBCPK) to raise AUD1bn today. The offer is accompanied by a reinvestment offer for holders of Westpac Capital Notes 4 (ASX: WBCPG). The demand for the MBLPD offer was significant, especially from institutional investors, and we expect the same for the Westpac Capital Notes 8.

The Investment Strategy

- We see fair value inside the stated offer margin of 2.9-3.1% and believe this offers good relative value for investors versus the ASX-listed Capital Notes opportunity set.
- Westpac has improved their common equity tier 1 (CET1) ratios, which is a positive for AT1 securities as it increases the buffer above the 5.125% capital trigger.
- COVID-19 risks around loan repayment deferrals have been managed very well by Westpac and there is plenty of CET1 and loss provisions in place, which remain above pre-pandemic levels.
- Point of non-viability (PONV) is unlikely to occur in practice as a major bank would likely have preventative measures put in place by APRA prior to any conversion/write-down.

Westpac Group' s Q3 2021 and Pillar 3 Update

Westpac Group today released its Q3 2021 Pillar 3 report and slide pack, with an update on capital, funding, and asset quality.

Key highlights are:

- CET1 ratio 12.0%; internationally comparable CET1 ratio 17.7%
- Pro forma CET1 ratio of 12.5%, including the expected CET1 benefits of announced divestments (refer to our Q3 2021 update for more detail)
- NSFR 123% and LCR 127%
- Stressed assets to TCE fell 9bps in the quarter to 1.51%

Relative Value

We see fair value inside the stated offered margin of 2.9-3.1% and believe this offers good relative value for investors versus the ASX-listed Capital Notes opportunity set. The demand for the MBLPD offer was significant, especially from institutional investors, and we expect the same for the Westpac Capital Notes 8. In our view, it is likely to price somewhere at the tight end of the offered margin (2.9%).

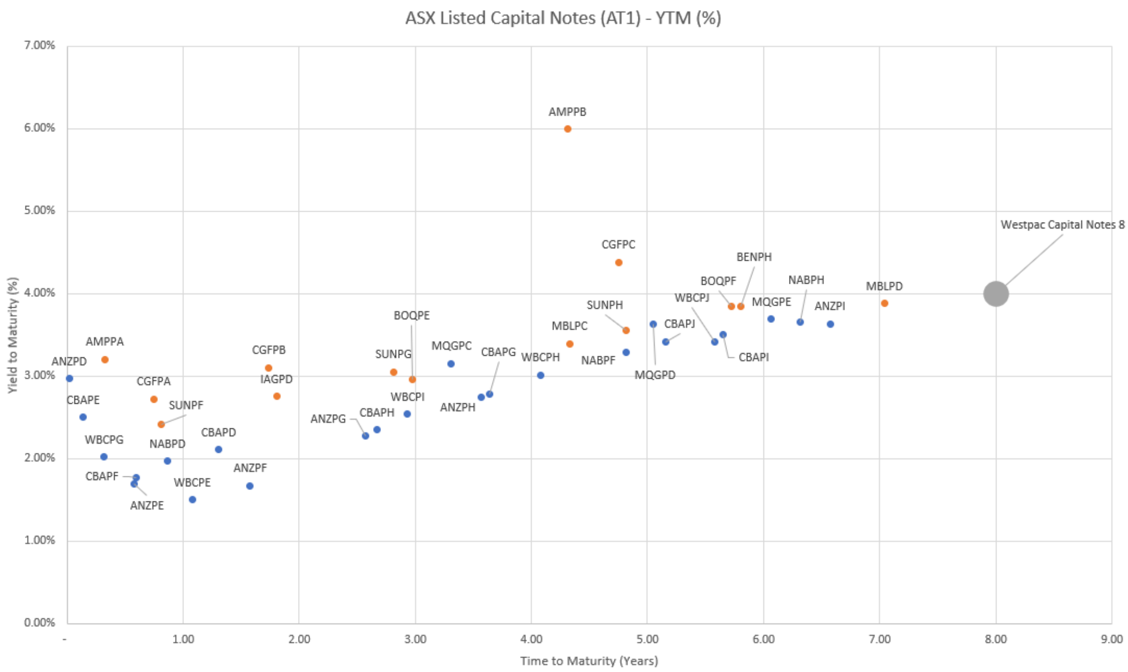
Structure

WBCPK are structured as redeemable, unsecured, subordinated, perpetual, convertible notes. The purpose of the transaction is to raise regulatory capital (Additional Tier 1) for WBC. The margin is guided at 2.9-3.1% per annum above the 3-month BBSW.

Distributions are expected to be discretionary, non-cumulative, floating rate, fully franked, and paid on a quarterly basis in arrears until converted or redeemed. This security has no fixed maturity date, but is scheduled for mandatory conversion into WBC ordinary shares on 21 June 2032, or later, when conversion conditions have been satisfied.

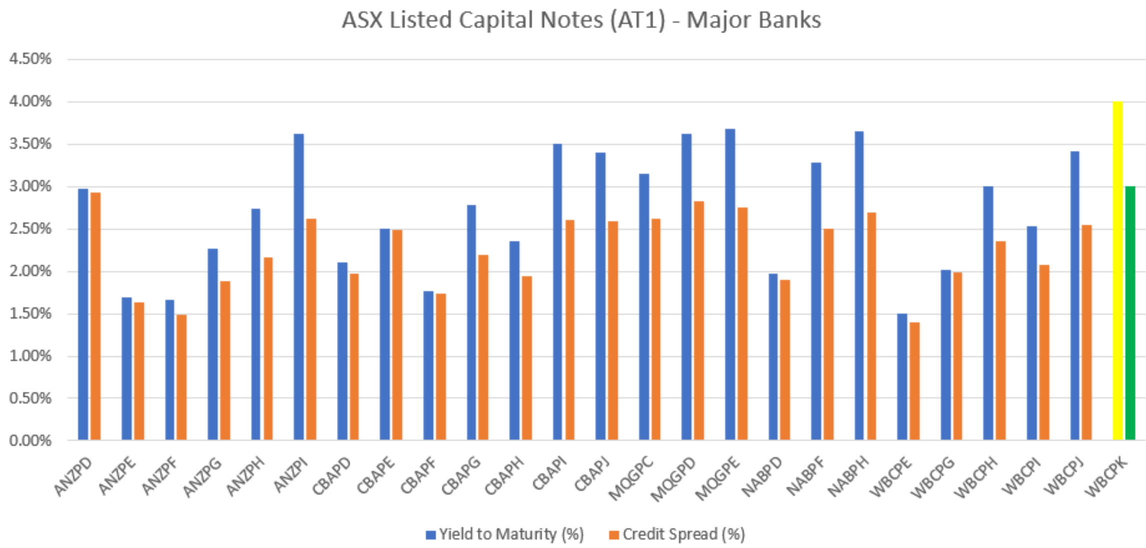
At the issuer's discretion and subject to approval by the Australian Prudential Regulation Authority (APRA), WBC can redeem or transfer the notes for cash at face value or convert the notes into WBC ordinary shares on 21 September 2029, 21 December 2029, 21 March 2030, or 21 June 2030 subject to conversion conditions. The notes may also be redeemed subject to APRA approval, resold, or converted into WBC ordinary shares if a tax or regulatory event occurs – subject to conversion conditions.

Chart 11. ASX-listed Capital Notes Across Major and Regional Banks



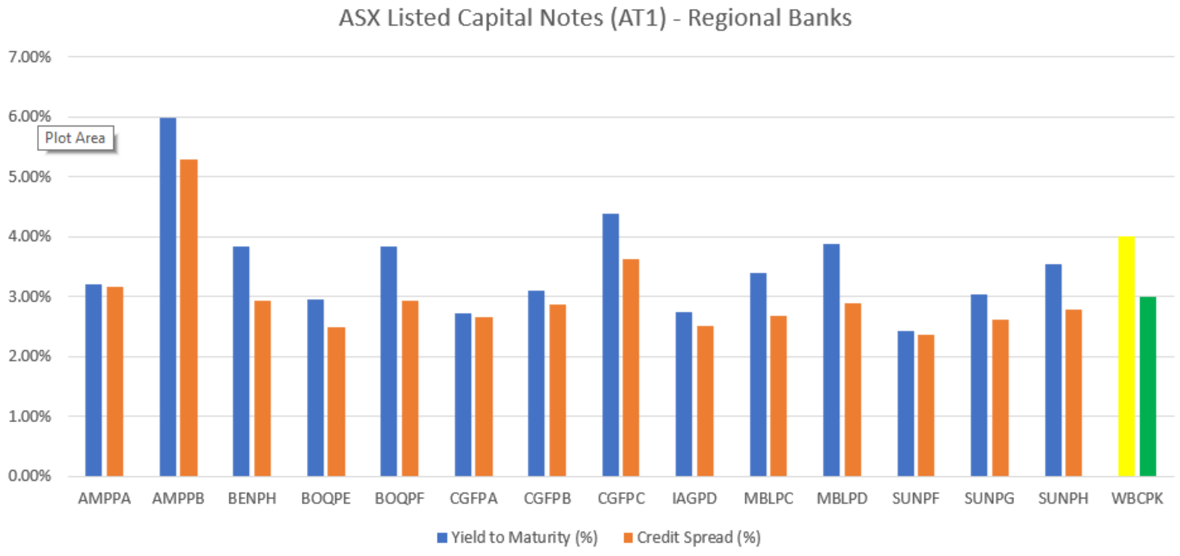
Source: BondAdviser

Chart 12. ASX-listed Capital Notes Across Major Banks



Source: BondAdviser

Chart 13. ASX-listed Capital Notes Across Regional Banks



Source: BondAdviser

Weekly "Most" Traded

The table below outlines our most frequently traded issues over the past week.

CCY	Issuer	Structure	Rating (Moody's, S&P, Fitch)	Cpn Type	Cpn	Call/Maturity	Yield to Call/Maturity
AUD	Au Pacific Mortgage Fund	Sr Secured	N/A, N/A, N/A	Fixed	7.000%	20-Aug-22	7%
AUD	Wesfarmers Ltd	Sr Unsecured	NA-, N/A, A3	Fixed	1.941%	23-Mar-28	1.571%
AUD	Transurban Qld Finance	Secured	BBB, N/A, N/A	Fixed	3.250%	07-May-31	2.629%
AUD	DWPF Finance Pty Ltd	Sr Unsecured	N/A, N/A, N/A	Fixed	2.600%	04-May-32	2.533%
USD	Macquarie Bank London	Jr Subordinated	BB+, N/A, Ba1	Fixed	6.125%	08-Mar-27	4.171%
AUD	Charter Hall LWR Ltd	Sr Unsecured	N/A, N/A, Baa1	Fixed	2.787%	03-Dec-30	2.539%
AUD	Aurizon Network Pty Ltd	Sr Unsecured	BBB+, N/A, Baa1	Fixed	2.900%	02-Jun-30	2.651%
AUD	Sydney Airport Finance	1st lien	BBB+, WD, Baa1	Fixed	3.120%	20-Nov-30	0.945%
AUD	QPH Finance Co Pty Ltd	Secured	BBB, N/A, N/A	Fixed	2.850%	29-Oct-30	2.478%
AUD	MoneyMe Ltd	Secured	N/A, N/A, N/A	Fixed	8.250%	29-Apr-25	16.738%
AUD	Bfmg	Secured	N/A, N/A, N/A	Fixed	10.000%	06-Nov-23	4.725%
AUD	Llitst Finance Pty Ltd	Sr Unsecured	N/A, N/A, Baa1	Fixed	2.850%	30-Mar-30	2.493%
AUD	BNP Paribas	Jr Subordinated	BBB-, BBB, Ba1	Fixed	4.500%	10-Jan-25	3.372%
USD	Aust & NZ Banking Group	Jr Subordinated	N/A, N/A, Baa1	Floating	6m USLIBOR +0.150%	30-Oct-21	9.110%
AUD	WestConnex Finance Co Pt	Secured	BBB+, N/A, N/A	Fixed	3.150%	31-Dec-30	2.635%
USD	NCIG Holdings Pty Ltd	Unsecured	B+, N/A, WR	Fixed	12.000%	31-Mar-27	10.834%
AUD	Ausnet Services Holdings	Jr Subordinated	BBB, N/A, Baa2	Floating	3m BBSW +3.100%	07-Oct-25	2.282%
USD	Lloyds Bank Plc	Jr Subordinated	BB+, BBB-, Baa3	Fixed	12.000%	16-Dec-24	9.809%
AUD	Naos Small Cap Opp Co	Sr Unsecured	N/A, N/A, N/A	Fixed	4.950%	03-Dec-21	4.612%
AUD	Members Equity Bank	Jr Subordinated	N/A, N/A, N/A	Floating	3m BBSW +5.000%	05-Dec-23	3.107%
AUD	Avanti Finance Ltd	Secured	N/A, N/A, N/A	Fixed	5.500%	14-Dec-22	3.939%
AUD	Peet Ltd	Sr Unsecured	N/A, N/A, N/A	Floating	3m BBSW +4.850%	30-Sep-23	3.950%

*Priced to the IAM Capital Markets assumption of repayment.

CONTACT US

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