



Media Release

No substitute for quality in Australian Securitisation Market

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Demand for Australian Residential Mortgage Backed Securities (RMBS) from domestic investors has never been stronger yet investors are happy to walk away when quality is compromised.

The market, once dominated by the major banks, has a healthy range of active issuers with 85 per cent of investors having invested with non-bank issuers in the past 12 months. The trend looks set to continue according to a survey conducted by Perpetual and the Australian Securitisation Forum (ASF).

Investors are discerning and have high expectations of issuers, not just in the quality of deals they bring to market but also in the relationships they have with issuers. They claim the issuers who recognise the importance of ongoing dialogue, quality service, flexibility and the consistency in performance are the ones who'll get their business. More than half of the investors surveyed stated a preference for non-bank issuers as they excel in demonstrating these traits.

The survey, which forms the basis of the **2018 Australian Securitisation Investor Report**, found that demand for assets continues to grow despite record levels of issuance. While investors continue to value the quality of deals, there is frustration with the lack of a vibrant secondary market combined with the need to improve post-deal service. From investors' perspective, once a deal is done the work just begins.

The key findings of the report were as follows:

- Investors see value in RMBS despite tightening of spreads, but critically evaluate the relative value of new deals and will resist investment if the quality is not there
- Investors are confident in the strength of the industry even if faced with major challenges such as a financial crisis in China. Only 25 per cent of investors felt this would have a significant impact on their willingness to invest
- The median investor invests around \$750 million in RMBS and Asset-backed securities (ABS) and most have capacity for more
- 85 per cent of investors have invested with non-bank issuers in the past 12 months and more than half prefer dealing with these issuers
- Four in ten investors feel the quality of information provided by RMBS issuers varies considerably and the majority feel this is a key area for improvement
- When faced with a choice between more stock or better value stock, two thirds chose more stock highlighting the unfulfilled capacity available for RMBS.

"Non-bank and smaller ADI issuers were a stand out segment of the 2017 securitisation market. While larger banks took advantage of alternative funding options, the non-bank ABS and RMBS enjoyed solid domestic investor support for their new issues," Chris Dalton, Chief Executive Officer, Australian Securitisation Forum, said.

“This increased level of support reflected, in part, their significant investment in building and maintaining excellent relationships with the domestic investor community.”

Perpetual Corporate Trust Group Executive Chris Green said: “Investors are very keen to maintain ongoing dialogue with issuers and there’s a clear desire for more standardised pre and post-deal information, so investors can effectively monitor their investments.

“This reinforces the importance of transparency and comparability in the securitisation market.”

The report was conducted over two stages with 27 investors filling out a comprehensive online survey before in-depth interviews were conducted with a further 16 investors. (See note below for full details).

“With 48 per cent of investors thinking that the market either continues to be attractive or is getting more attractive, and another 36 per cent believing that the market is okay, it is clear that the Australian securitisation market is an appealing investment option,” Mr Dalton said.

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About the 2018 Australian Securitisation Investor Report

The report was conducted in two stages. Initially, an extensive online survey captured the opinions of 27 investors across a range of topical issues. This was followed by a series of in-depth interviews with a further 16 investors from 12 organisations to uncover their approach to the market and their views on its health. The vast majority (84 per cent) were either portfolio or investment managers.

About Perpetual

Perpetual is a financial services group operating in funds management, financial advisory and trustee services. Our origin as a trustee company, coupled with our strong track record of investment performance, has created our reputation as one of the strongest brands in financial services in Australia.

For further information go to www.perpetual.com.au

About Australian Securitisation Forum (ASF)

The ASF is the peak industry body representing participants in the securitisation market, which includes major banks, smaller Authorised Deposit-Taking Institutions, non-bank issuers, fixed income investors and service providers to the sector.

The ASF performs a pivotal role in promoting and representing the industry to government, regulators, the public, investors and others who have an interest or potential interest both in Australia and overseas, regarding the benefits of securitisation in Australia and aspects of the securitisation industry.

For further information go to <http://www.securitisation.com.au/>