

Media Release

New report finds securitisation market healthy despite headwinds

15 May 2019

The outlook for the Australian securitisation market is healthy, with the majority of issuers expecting to maintain or increase issuance in the next two years. This is despite slowing demand for consumer and mortgage credit and tough macroeconomic conditions, according to a report released by Perpetual and The Australian Securitisation Forum (ASF).

The **2019 Australian Securitisation Issuer Report** reveals securitisation issuance is strong, competition is valued, and issuers have no plans to slow down activity. It also highlighted issuers remained focused on actively balancing the needs of investors while proactively engaging with new opportunities in the market.

The study was conducted across Australia and New Zealand over two stages with 20 in-depth interviews conducted with issuers. Furthermore, an extensive online survey captured the opinions of 35 issuers.

According to almost three quarters of issuers, performance of the underlying collateral is a primary strength for the Australian market. The established track record in the sector was also cited as a strength, with just over half (54%) of issuers noting historical market performance is a driver of demand, both locally and globally.

Despite this market stability, there is an undercurrent of uncertainty, largely due to macroeconomic headwinds such as the current housing market, and persistent regulatory change, which will bring both challenges and opportunities.

"Issuance of new RMBS and ABS continues at a measured pace in 2019. New issues are well supported with demand coming from local and international investors and margins are relatively stable. It is pleasing to note from the report that both issuers and investors have a positive outlook for the coming year," Chris Dalton, Chief Executive Officer, Australian Securitisation Forum, said.

Richard McCarthy, Group Executive Perpetual Corporate Trust echoed this sentiment and noted the Australian market is dynamic and ever-changing, and that issuers have always adapted to market conditions.

"Simple structures and quality loans or collateral have always been a strength of the Australian securitisation market. Continued diversification of the investor base is particularly important for local issuers and we are seeing an increase in overseas investors which is encouraging. Continued engagement with their investor base is critical as issuers compete in a global marketplace," Mr McCarthy said.

Mr Dalton added, "Australian issuers have long understood the need for strong relationships with investors backed up with high levels of disclosure. Reflecting the importance of these relationships, the report highlights that the vast majority of issuers are retaining a consistent presence in the market to meet investor appetite."

"Issuers must be nimble with how they structure their offerings, as those providing a range of securitisation types reported a much higher level of confidence than issuers with less diversity, particularly when faced with shifting demand," Mr McCarthy concluded.

The key findings of the Report were as follows:

- The health of the securitisation industry is stable, and more than 90 per cent of issuers expect to maintain or increase issuance in the next two years
- Quality of underlying collateral is a primary strength of the Australian and New Zealand markets and Australia's established track record is a driver of demand locally and globally
- Challenges for issuers include macroeconomic outlook (54%) a lack of secondary market (43%), followed by impact of regulatory changes (31%)
- Factors driving issue timing include an organisation's funding needs (60%) followed by maintaining a presence in the market (37%) and to maintain investor relationships (29%)
- More than three quarters of issuers consider investor needs when choosing when to issue and how to structure deals

For further information, please contact:

Matt Lee
WE Buchan
+61 (0) 411 193 412
matthewl@we-buchan.com

Notes to editors:

- **Securitisation** takes an illiquid asset or group of assets, such as home loans and other receivables, and pools them to offer securities backed by the underlying cash flows
- **Issuer** – an entity which issues, and is obligated to pay principal and interest amounts on, debt securities

About the 2019 Australian Securitisation Issuer Report

The study was conducted in two stages from January-March 2019 with 20 in-depth interviews conducted with issuers to uncover their perspectives on the securitisation industry. This was followed with an extensive online survey capturing the opinions of 35 issuers from a broad range of organisations across Australia and New Zealand.

About Perpetual Corporate Trust

Perpetual Corporate Trust is a leading provider of corporate fiduciary services to the Australian securitisation industry, administering more than A\$717 billion on behalf of our clients (as at 30/12/2018). Our services include trustee, trust management, accounting, document custody, data services and standby servicing. Having been involved in the Australian securitisation industry since its inception in the 1980s, we play a leading role in growing the industry and managing regulatory and technological change.

ABSPerpetual provides the link between issuers, the Reserve Bank of Australia and the investment community. Today, the new digital platform, Perpetual Business Intelligence, helps financial institutions manage their regulatory reporting obligations and promote a simple, transparent and comparable mortgage market. Our extensive knowledge of financial markets, our trustee heritage and the expertise and experience of our team ensures we are the trusted partner to our clients throughout the lifecycle of a securitisation program.

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/>