

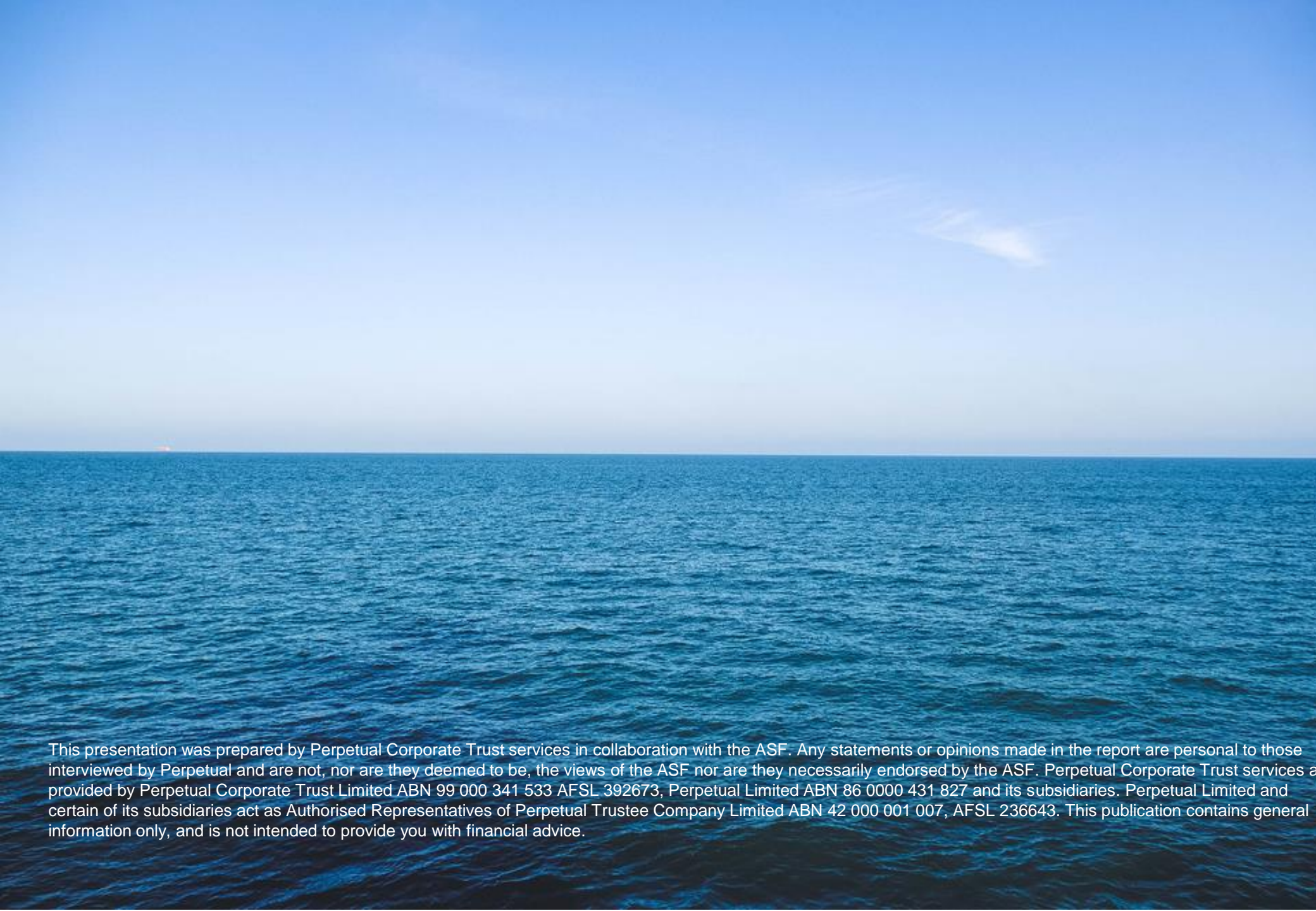


Australian
Securitisation
Forum

Perpetual 

TWENTY-TWENTY VISION SECURITISATION IN THE NEW DECADE

SEPTEMBER 2020



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THE STUDY

25

PERSONAL INTERVIEWS

January 20th - February 7th 2020
August 17th - August 25th 2020

PARTICIPANT ROLES

CEOS

TREASURERS

CFOS, CROS, COOS

CHIEF INVESTMENT
OFFICERS

HEADS OF CAPITAL
MANAGEMENT

INVESTMENT
MANAGERS

HEADS OF CREDIT

PARTICIPANT TYPES

WAREHOUSES

INVESTORS

FINTECHS

NEOBANKS

SERVICE PROVIDERS

NON BANK LENDERS

THE INDUSTRY

CHARACTERISTICS

DEEP EXPERIENCE

OBSESSION WITH
QUALITY

PRECISION

DISCERNMENT

COLLEGIATE

SUPPORTIVE

DYNAMIC

CURIOUS



THE NEW DECADE

The biggest threat is things like the potential for pandemics to come through and the possible flow on impacts to the economy

NEO

SURPRISED AND DELIGHTED

It's going quite well almost gang busters I think

NBL

Our world is in the throes of being somewhat good value

NBL

The market is as good as I can remember it

INV

It is relatively buoyant at the moment

NBL

It's a good time to be an issuer

NEO

All the signs are pretty positive

SP

EMERGING THEMES



INCREASE IN PARTICIPATION

DIVERSIFICATION OF ASSET CLASSES

RISE OF THE WAREHOUSE

GROWTH IN NON-BANK SHARE OF RMBS

INCREASE IN PARTICIPATION

If you look at the buy now-pay later players that have achieved a rating in a very young book. That was a big confidence booster for others that were watching and suddenly thought it might be possible for them

FIN

On the positive there's a lot more participants, both issuers and investors

INV

Everything is broken open in the securitisation space. The barbarians have stormed the gate and they're in.

WH

At the ASF conference this year, there's a whole bunch of guys in t-shirts.

WH

The other thing that we see as a positive is the offshore banking participation in the Aussie ABS market

NBL

DIVERSIFICATION OF ASSET CLASSES

BUY NOW



If you look at the return on ABS it actually offers good quality value. So there's a clear hunt for yield on in the market.

NBL

Rating agencies are more open to new asset classes now than they were ever before

FIN

The more transactions we do the more people get comfortable

FIN

There's more liquidity coming into their pockets to invest but you can't keep buying the same paper. You've got to buy something else.

FIN

They're responding to a gap in the market, these are gaps in the market that the banks have traditionally underserved

WH

RISE OF THE WAREHOUSE

We've certainly been fortunate to work with some partners that are happy to try and think of what are innovative ways that we can do warehouse funding in the first instance, but the term market, there's probably still some education that will need to happen before we'll be able to access that

NEO

I've always believed to have true competition in the mortgage market you need it at the warehouse level

INV

Banks are more restrictive on the warehousing that they offer which means that they provide more credit to players that have been established and have a good capital basis and have been around for a while.

NBL

I have seen emergence of overseas warehouses all over my 30 years in the industry, they will come and go

INV

The rise of the warehouse is going to continue. People are seeing the virtues of good governance.

FIN

GROWTH IN NON-BANK SHARE OF RMBS

Maintaining a transparent, ethical, honest, solid and proper relationship, doing the right things by investors and banks is massively important for a business.

NBL

I think the growth in the non-banks is probably more of a return.

NBL

Banks have been forced to retreat and that space has been filled

NBL

The liquidity is there for non-banks. They've moved from situations through '16, '17 and '18 where really they had if they were lucky, two issues a year, and then the market grew to support three and sometimes four.

WH

INNOVATION

TECHNOLOGY

PRODUCT & STRUCTURE

CONSUMER DRIVEN

INNOVATION IN TECHNOLOGY

A third of our staff are technology staff, and it's just a virtual circle, once you start to get ahead of the curve you stay there and ride the wave

FIN

There is some merit in the innovation in what I will call the super prime non-bank space where certain lenders have very clean, simple and cheap products and very high tech or automated, efficient processes which allows them to deliver cheaply.

NBL

The innovation is being able to have the product immediately with a payment solution attached and the payment solution delivered through digital channels

WH

So, we don't use black boxes. We don't have a computer says; "Yes" or "No". We still have creditor assessors check every loan. However, the difference is there's not paperwork lying all over the place

FIN

INNOVATION IN PRODUCT & STRUCTURE

If a structure is more complicated it is probably not good for you

INV

SUPERANNUATION

The missing arrow is super directly into households

FIN

MULTI-ISSUER

I think the next layer of innovation will be how do you get multiple obligors into one securitised trust

INV

MASTER TRUSTS

The buy now pay later providers have taken existing master trust technology to allow them to issue on a continuous basis

SP

ESG

Younger people are interested in sustainability and helping the environment transition to clean energy

SP

RANGE OF ASSETS

If the underlying assets are changing, that will obviously impact how to finance them and what ends up in a securitisation

NBL

CONSUMER DRIVEN INNOVATION

In our business or professional lives there is the desire for customers to get a better product, at better value, in an easier way. At the moment we're going through an information revolution and a technology revolution that are helping us to deliver a better service and better value to customers. That's constant.

FIN

EASY



HUMAN

I can't see why you would ever go in and visit a finance broker when you can just Facetime them or talk to a Chatbot. I see that continuing full steam ahead, direct will take up a larger share

FIN

The consumer goes; "Right I know that I can get a loan. It's a big decision for me. I better talk to someone instead of just spitting it out on my phone"

WH

FINTECHS AND NEOBANKS

Enterprising Fintechs are looking at the traditional models and figuring out a better, faster, cheaper way of providing and distributing financial services and products

FIN

The biggest challenge for Neos is the fact that we're new. I've got 10 years' experience as a treasurer but it's like starting from scratch.

NEO

I think the first time I met them I talked about FinTech and they said, "Stop right there."

SP

I think a lot of the SME lenders just saw an opportunity. I just think they saw that there was a pullback and that there were a lot of businesses and there was a gap right

SP

So, our experience is that there's a lot of them, and sometimes they're lined up at your door like you're selling the new iPhone

INV

WHAT ARE FINTECHS AND NEOBANKS HOPING FOR?

We think there's a real opportunity in the market that there's a proportion of customers that are either underserved or dissatisfied with their current proposition. They want a relationship and maybe they're not getting that at the moment.

NEO

We need to get rated first so that's another hurdle. It's not something you get on day one. They also want to see a track record. So a lot of people ask me, "What's so great about it?" I get to look forward, not look backwards

NEO

The Fintech's who are able to move along the spectrum of funding sources quicker tend to do well because they secure a lower cost of funds which gives them a sustainable cost advantage and that ultimately leads to a margin advantage. Things play out quite nicely when you can manage your margins effectively.

FIN

Without a shadow of a doubt, this is a scale game. If you don't get scale, you don't get any of the benefits of scale, the massive economies of scale, and the sooner you get there the better.

FIN

ADVICE FROM ESTABLISHED PLAYERS

WELL CAPITALISED

Aggression might be fine for a shareholder, but it is not great for somebody that has only got a limited upside and a long downside.

INV

RESPECT

The quality of the people is one aspect that will support the longevity of some of these businesses

WH

LONG TERM GOALS

They are well capitalised, have proper infrastructure and proper long-term goals, understand customers' needs and delivers them with a degree of simplicity and transparency

NBL

SIMPLICITY

TRANSPARENCY

They have a core base of expertise, a clear set of parameters and a very well-defined process. These are the things which will give us the comfort level.

INV

EXPERTISE

STRONG PROCESS

Quality and volume of originations, quality of servicing, who they partner with for distribution is very important and who they partner with for funding is really important.

SP

QUALITY PEOPLE

THE DECADE AHEAD

QUALITY

The cream will rise to the surface with some new froth, there is always going to be noise and froth and some of that froth will turn out to be cream, some of it will not.

INV

DIVERSITY

To have more choice in the Australian securitisation market is the goal. As strong as Aussie mortgages are, it's better to be skewed across an array of products in the securitisation space, credit cards and autos, the odd consumer personal, unsecured deal or whatever. I think people want choice.

WH

CONVENIENCE

So, our hypothesis is that in the next ten years the distribution change will be online. Only 2% or 3% of mortgages are written purely directly at the moment, but in ten years' time that number could be 15%, 20%, 25%, 30%

FIN

THANK YOU