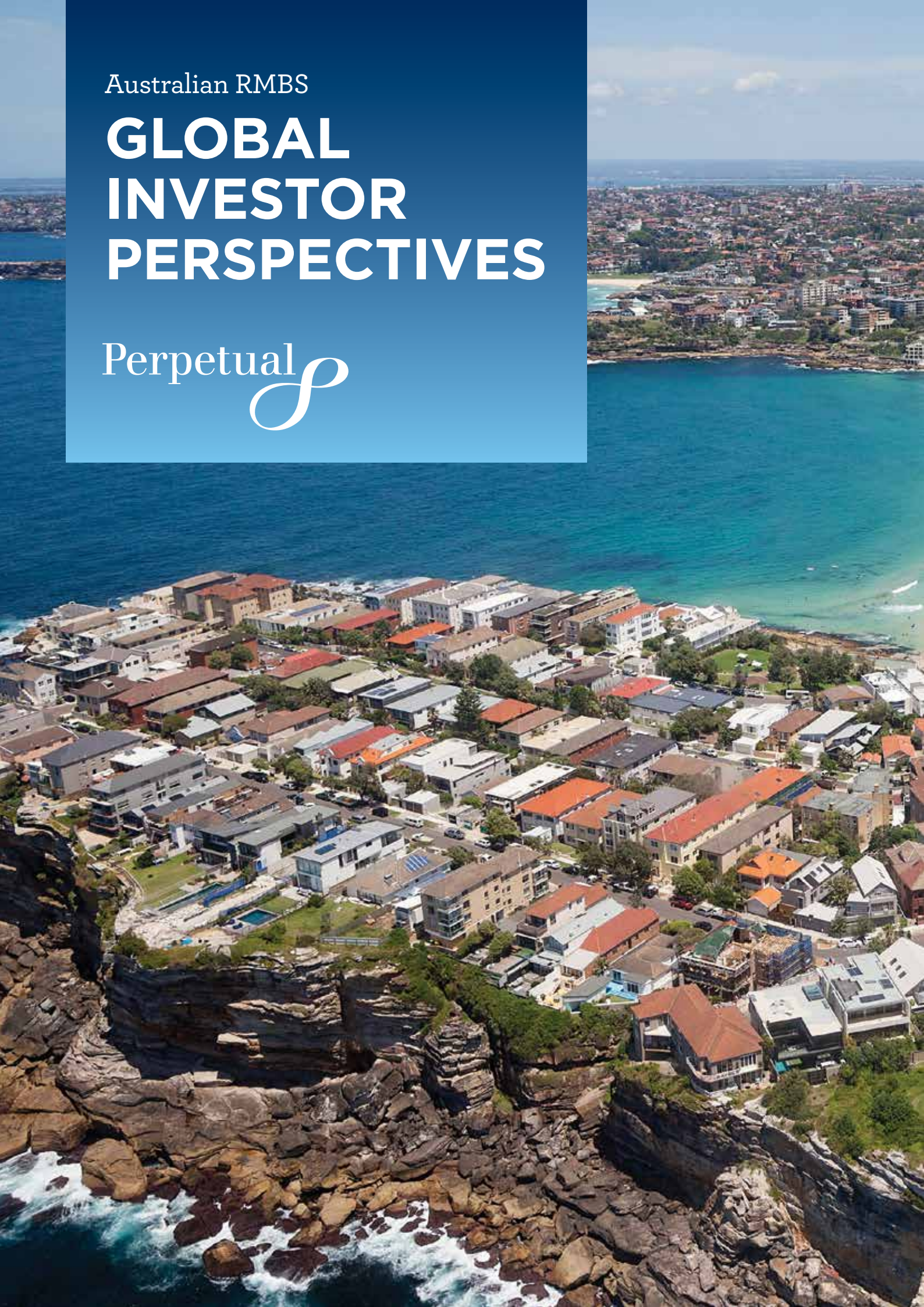


Australian RMBS

GLOBAL INVESTOR PERSPECTIVES

Perpetual 



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KEY FINDINGS



GLOBAL RMBS INVESTORS: ANALYTICAL, INTELLIGENT AND ARTICULATE

RMBS investors are great talkers with a keen eye for value equally at home poring over spreadsheets as they are discussing global trends with economists.



THE RMBS MARKET IS TRULY GLOBAL Most RMBS investors operate globally irrespective of their 'base'. Australia offers value but is rarely a large component of an investor's portfolio if they're based offshore.



DECISION CRITERIA ARE NUMEROUS Credit and collateral quality are fundamental and often mandated. The size of the deal and term are always considered and relative value always central to evaluation.



INFORMATION IS CRITICAL Investors use every piece of information they can get. They expect minute detail for deals but are equally hungry for information on market trends.



LOAN LEVEL DATA IS AN EXPECTATION Each investor has their own special way of evaluating deals and the market. Loan level data and advanced analytics gives them an edge.



MANY INVESTORS REVEL IN SECONDARY MARKETS Many global RMBS investors invest for relatively short terms and would love to see a thriving secondary market in Australia. They like the prospect of master trusts being introduced.



AUSTRALIA HAS STRENGTHS BUT IS NOT CAPITALISING ON THEM

Australian issuers are easy to deal with and the RMBS market offers value relative to other markets yet investors can't get enough of our RMBS and question our commitment.



AUSTRALIAN PROPERTY IS FACING SOME CHALLENGES An oversupply of apartments and doubt about ongoing foreign investment are issues investors have an eye on. They believe RMBS is strong and sustainable nevertheless.



AUSTRALIANS ISSUERS COULD BE MORE ENGAGING Investors claim there is no lack of engagement when a deal is on the table but crave more contact in-between deals. The best issuers stay in touch.



DEMAND EXCEEDS SUPPLY Investors see Australia as a stable market that offers value relative to overseas RMBS markets and would invest much more in Australian RMBS if it was available.



1. INTRODUCTION

Welcome to Perpetual's inaugural Australian RMBS Global Investor Perspectives Report.

The report is a result of a series of in-depth discussions with investors in Australian RMBS from across the globe.

The concept for the report came directly from Australian RMBS issuing institutions. In early 2015 Perpetual spent some time talking to our issuing bank clients about their communication needs. We uncovered an intense, common interest in the thoughts and feelings of global RMBS investors. It was telling that when asked the question who they would like to see as the primary guest speaker at the next industry conference 9 out of 10 said they'd like to hear from an overseas investor.

What drove their interest was that, while they might have had some exposure to overseas investors through deals they'd done in the past, there was a view there were many potential investors we simply didn't know and understood very little about.

There was a strong sense amongst Australian issuers that demand for Australian RMBS may be much greater than was currently known or understood.

Perpetual's strong relationships with Australian issuers and our network of international contacts provided a strong foundation from which to begin.

The discussions with investors generated an enormous volume of material about what drives them as individuals, how they make decisions, their perceptions of Australia and, most importantly, what they believe Australian issuers can do to ensure a sustainable, vibrant market for Australian RMBS.

We would like to express our gratitude to our Australian issuer clients for not only sparking the idea that led to the creation of this report but also their contribution to its design and the sourcing of investors. We would also like to thank all of the investors who gave their time and thought to the questions we set out to answer.

We covered a wide range of topics and the discussions with investors were both full of detail and free flowing making it difficult to encapsulate in this brief introduction but it's fair to say there is much we have learned and much to feel positive about in relation to the ongoing health of the Australian RMBS market.

We trust you will enjoy hearing from these investors and will find something of personal value no matter what role you play in this interesting and dynamic industry.



2.

THE RESEARCH

2.1 RMBS INVESTORS ARE AN INTERESTING GROUP

The first place to start in discussing the findings of this report is to talk a bit about the people who contributed most to it: the global investors. And it's important to start that discussion by understanding these investors as individuals.

What struck us most about investors in the RMBS market is their typically effusive personality in combination with an analytical mind. They are equally comfortable dealing with vast amounts of complex data as they are negotiating with banks and chatting about the weather.

It's true we could focus on their expertise and knowledge of the RMBS and ABS markets but that would be to ignore the unique role they play. As personalities they are individuals and as a group they exhibit some common, interesting characteristics.

Every project of this nature relies on the goodwill of individuals to contribute to the discussion. The vast majority of investors we spoke to were more than willing to help and just as likely to arrange a time that suited Australian time as their own.

Even so, there were many early mornings and late nights talking to investors who came from all parts of the globe.

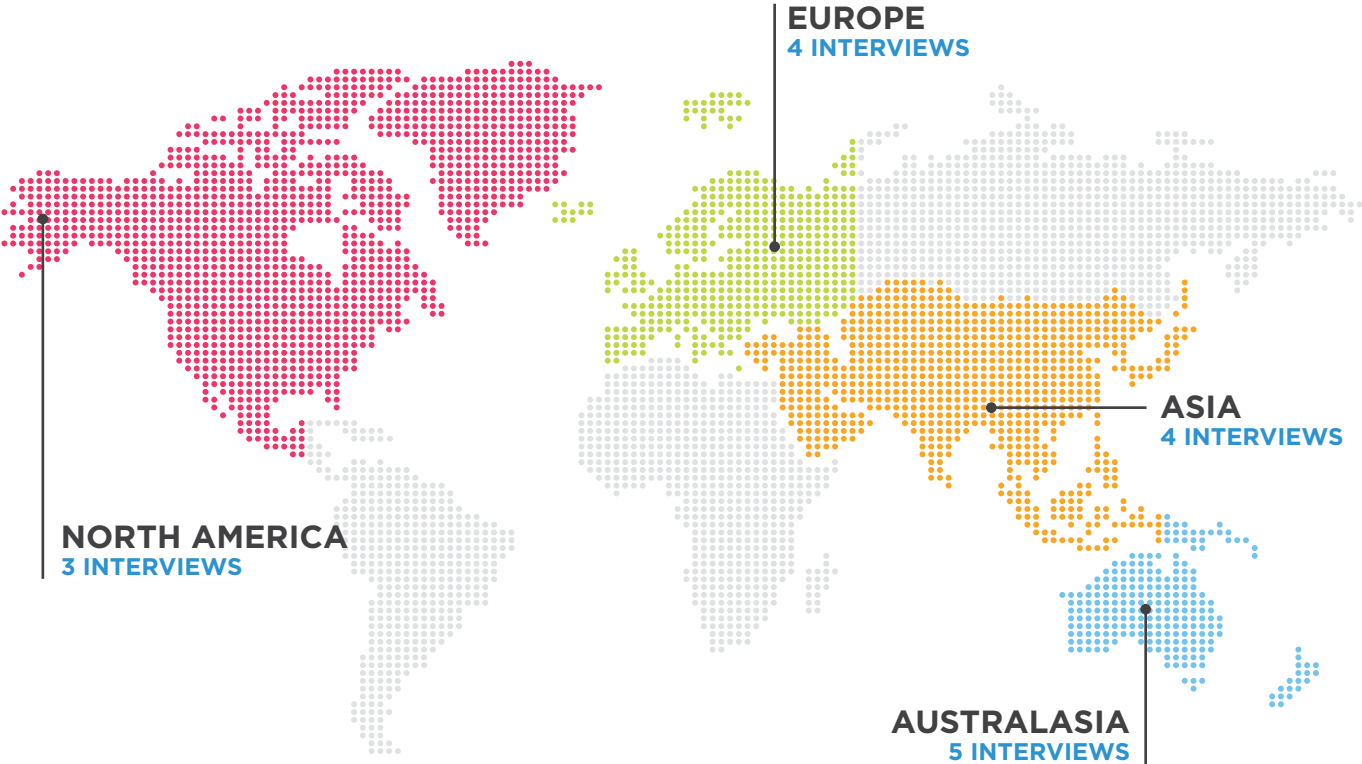
In their roles, investors in RMBS and ABS are truly the expert in their field. Many operate solo and even when part of a larger team it is common for the RMBS investor to be the Lone Ranger in their organisation.

This role means they're more than happy to discuss what they do with others who have some involvement in the market, whether as an investment provider, an investor or someone who has a particular interest. They welcome contact with others across their quite dispersed network.

The other factor that makes this group unique is that they typically have a global focus for investment so not only are they dealing with a highly specialised product in a highly specialised market they are managing this across time zones, cultures and language barriers.

We are very appreciative of the time given by these investors and we hope to do justice to their views in delivering this inaugural Global Investor Perspectives report.

WHO WE INTERVIEWED



RANGE OF ORGANISATIONS REPRESENTED



2.2 THE RESEARCH APPROACH

The immediate challenge in designing the approach to this research was to consider how we would find overseas investors.

The decision to utilise a qualitative research approach was easy, being the best method for eliciting the sort of feedback we were looking for which was a deep understanding of investor needs. To use a quantitative approach you need to start with an accurate picture of the size and structure of the market you are investigating but this just is not available in the global RMBS market.

A small number of our issuing clients made a valuable contribution to the development of our discussion guide ensuring we were well placed to commence the process of talking to investors.

The discussions were managed and moderated by Perpetual's specialist insights manager Gary Lembit over a few weeks of early mornings and late evenings to ensure we captured the views of a representative group of investors across the globe.

It made sense to represent the primary region in which either issuers or investors were most likely to be found so we chose to conduct interviews in North America, Europe, Asia and Australasia. In the end we completed 16 interviews.

Each interview was about half an hour long and that generated many pages of notes and a very large number of interesting comments from investors.

So this report is not about putting numbers against investors' views but more looking for a deep understanding of who they are and what makes them tick.

INVESTOR INSIGHTS

Throughout this report, we have included direct quotes from our interviewees. We have indicated the region where they come from using a coloured icon:



NORTH AMERICA



ASIA



EUROPE



AUSTRALASIA

Our discussions stretched from the personal to their investment habits, views on Australia and hopes for the future. We hope you enjoy hearing what these investors have to say.



"So an average day looks like this. I'll turn-up, probably a little on the early side for New York, keep an eye on what's going on in European secondary markets, catch-up on what's happened in primary in Australia and in Europe. Then I'll read a bunch of research, typically I'll have a few things to work on whether that's primary analysis on a primary deal coming up, or analysis on secondary bonds that are coming out, that's sort of taken up your day."



"We've got an ABS covered bond analyst and he's focussed on timing, on surveillance but also undertaking cash flow allocations prior to investment, and also general desk management, installation, collation, we have a strategist on the desk as well, effectively he's a treasury and he's a macro economist but also provides us with a strategy that helps me wade through the regulatory jungle, so there are five of us on the desk."



3.

INVESTOR BEHAVIOUR

3.1 THE SCOPE OF INVESTOR ACTIVITY

3.1.1 Investor characteristics

RMBS investors have some fairly common characteristics. They are typically the sole expert in their field in their organisation. They look after at least a couple of billion dollars of investment. They specialise in RMBS but do participate in ABS where it falls within their mandate or where they have a particular interest. In some cases ABS opportunities are sought because they simply struggle to find enough RMBS product to meet their needs.

While some of these investors do invest in other areas it is fair to say that for the majority, their primary focus is RMBS. The other common characteristic is their global focus. Interestingly, investors based overseas are much more likely to have a global focus than Australasian-based RMBS investors. This is partly explained by the difficulty in managing exchange rate risk from Australia but more indicative of the fact Australian issuers seem to favour dealing with Australasian investors purely for the convenience of having them close at hand.

Of course the other big difference is potentially the size of the portfolios being managed. Many of the overseas investors allocate only a very small percentage of their mandate to Australian RMBS. In contrast, for Australasian investors, it forms a relatively large proportion of their investment mandate.

A global focus with a flexible mindset

There is a sense of the adventurer in the investors who also deal in the ABS market on a regular basis and this adds another layer of complexity given the vast range of potential assets they might be dealing with. Whether it be Korean credit cards or Spanish tractors, it takes a very experienced investor to assess the quality of a deal and to have the confidence to invest in some of the more obscure ABS assets.



“I mean it’s really just a question of being comfortable with the credit. I own Spanish business loans, German wind farm bonds and Australian RMBS. It’s really a question of how much work is it to get comfortable with the credit, how big is the investable universe that this work will open up, and what are the sort of yields on offer.”



“The current portfolio is limited to Asia but I guess there’s no hard rules there but obviously if I would venture outside there, let’s say if I would look at some European debt, I have to coordinate with the team in Frankfurt and some other things would be necessary if I would look at some American debt.”

3.1.2 Investment scope

The scope of an investor's mandate is the starting point for all investment decisions. Deals that are not in scope are simply not considered. Many do have a reasonably narrow mandate but there are also investors whose scope is broad and relatively unrestricted. These are also the investors more likely to be investing in opportunities outside the RMBS and ABS markets.

And even when a mandate is broad there might still be additional broad caveats on where and how they invest funds.

Some have country quotas for instance, although often these sorts of caveats are more likely guidelines than hard and fast rules because in reality demand currently far outstrips supply.

RMBS investors are largely unphased by geographic factors. They will invest anywhere they feel they can accurately value the deals on offer. Time differences are of little concern but, due to the solo nature of the work they do, they prefer contact over email even if that means working at odd hours.

The global RMBS investor: analytical, intelligent, articulate



"We've a zero tolerance for losses. Our principal mandate is capital preservation and therefore we're looking for absolute quality. I'll only say that that's used to determine above all others. After that, we're of course looking at maturity. If we've a sweet spot, it's five years, and to some degree the Aussie RMBS relative quality/relative value outweighs the one disadvantage that we see in the product at the moment, which is effectively the long tails."



"Whilst we do have a specialist responsibility side, someone who is in charge of the credit research and someone that is accountable for ABS, ultimately it's a shared decision on the investments. So we are effectively across all aspects of the business not just one particular aspect."

3.2 INVESTMENT FOUNDATIONS

3.2.1 The investor personality

The RMBS investor is typically a highly analytical thinker who is perfectly comfortable handling large volumes of complex data. It is probably fair to say you can never give them enough data. The odd investor that just sticks to the rating house view of investment opportunities is rare.

Given this analytical nature, there are a vast number of criteria investors consider when evaluating new deals. Similar to investors in most markets, RMBS investors do prefer to deal with institutions they know. It won't stop them investing in deals from a new issuer but it does mean they will favour issuers who take the time to get to know the investor, understand their needs and provide information that helps with their decision making.

It is important not to underestimate the depth of analysis investors undertake. Neither should we underestimate the incredibly accurate way in which investors can value a deal. It doesn't mean they will simply reject deals of a particular 'value' but they will compare the value with any alternative deals and weigh them up against the sometimes stronger need to maximise the degree to which their capital is invested.

Supply itself can be a very strong influence on behaviour, but even when deals are in short supply they'll be placed under the same intense scrutiny as when much choice is available.

3.2.2 The drivers of investment activity

Activity is driven by term and size. More than any other factor, investors looking to turn investments over relatively quickly (18 months to 3 years) are constantly on the lookout for new deals. While you wouldn't call their activity frenetic you can feel their frustration when markets are not moving as quickly as they would like them to. Liquidity becomes a real issue for them.

Size is an equally vexing issue particularly for the larger investors. We get the sense they'll get involved in smaller deals simply because larger deals are not available.

It becomes particularly frustrating for the larger investor when they can't get out of a deal.

There is strong frustration when they're expecting to obtain a particular size of investment and after doing the rounds via an intermediary they find they're offered less than what they've asked for. In contrast, there were one or two stories of investors who'd been given the opportunity of 'placing an order' directly with an issuer.

It's probably fair to say liquidity is the single biggest factor affecting demand in the RMBS market. Secondary market liquidity specifically has an enormous impact on investor interest in Australian RMBS and affects the time they spend keeping an eye on the Australian market. Overseas investors were all quick to stress that the Australian component of their portfolio was typically small (in their terms) although the Australian RMBS investors are quite the opposite.

The fact overseas investors think it's useful to invest in Australia but they're not reliant on the Australian market means **Australia cannot assume global investor demand will always be available.**

Term is a major issue. Some investors start out with the notion that RMBS is a relatively long term investment (7-8 years) but others like to turn books over regularly. In contrast, the two year investors hate the idea of getting stuck with an investment that they have to hold on to until the very end. Some investors call this the "fear of the long tail".

Minimum investment also has an impact on demand but probably not as strong as liquidity and of course it becomes more of an impact if you can't get as much as you want. Minimum investment sizes range from five million to 250 million. The inability to get fully invested in RMBS can be a driver to looking into ABS opportunities.

When we asked about currency risk the answer was not what we expected. It was definitely a detractor for some Australian investors looking at international RMBS or ABS opportunities but it rarely impacts an overseas investor from investing in Australia.



"We try and keep ourselves quite nimble. We are there for our clients. We won't do deals unless there is an existing relationship with our institution. And because of that it means if our clients don't need to raise money yet we still need to make our revenue we will refocus to a degree and we will try and help our clients in different areas."



"Preferences are driven by supply and demand given the ABS supply has dried up this year and is not going to get better."



"We generally wouldn't invest in very small deals for instance where there would be no liquidity. Because you know, the portfolio is there to invest excessive liquidity. So I would say a small deal is around \$200m-\$250m."



"I don't hear too many offshore investors wanting Aussie Dollar bonds and hedging the currency. Yeah, them doing a cross-currency basis swap for an amortising security is very expensive. What a lot of them might try to do is they just hedge to the next coupon and then every coupon payment they'll just roll the currency forward."



MOST COMMON CRITERIA

- ✓ Credit quality
- ✓ Size of the deal
- ✓ Relative value (asset class and geography)
- ✓ Term
- ✓ Collateral quality
- ✓ Risk rating
- ✓ Quality of data

- ✓ Relative value within asset class and against other asset classes
- ✓ Attraction
- ✓ Volatility
- ✓ Cashflow
- ✓ Price of spreads
- ✓ Minimum investment size (can be \$5-\$250 million)

LESS COMMON CRITERIA

- ✓ Acceptability to credit team
- ✓ Health of housing market
- ✓ Insights into delinquency
- ✓ (Issuer) control over the data
- ✓ Consistency of processes
- ✓ Market to market price
- ✓ Quality of the originator
- ✓ Quality of the servicer

3.3 EVALUATION OF OPPORTUNITIES

3.3.1 Investment criteria considered

There are so many things an investor might consider when evaluating a new deal, it's impossible to define the typical investment approach however the most common criteria used include:



Credit quality



Size of the deal



Its value relative to similar deals across asset classes and geographies



Collateral quality



Risk rating

In simple terms they consider where a deal fits in their portfolio and what impact it will have.

The decision to consider a deal or not happens pretty quickly but the final decision on whether to pursue a deal takes a bit longer.

This is when the deep analytical side of the process kicks in and it's at this point that investors start to look at criteria that are not readily apparent.

It's absolutely no surprise when they talk about the importance of insight and data. We were intrigued to understand how their communication network really works because, as much as they claim it's difficult to identify a common source of quality information, each investor seemed more aware of what was going on in specific countries and asset classes than one would think was possible.

This was especially so when we discovered that they're sourcing this insight themselves rather than relying on a consistent supply of information from any one source.

Perhaps it's normal to expect a professional with a global focus to be acutely aware of what's going on in their chosen market but investors have a deep awareness of market activity globally.

It is even more remarkable especially when we discovered that issuers are not known for their proactivity in providing information.

The other thing that's intriguing is their comfort with any kind of spreadsheet or data program you could put in front of them yet equally at home speaking openly and candidly about their views and issues. An unusual blend.

3.3.2 The process of evaluation

It's very hard to describe a typical approach to investment decision making by RMBS investors but if you take a helicopter view at a very high altitude perhaps what you would see is a two-step movement.

Step 1: Check fit with mandate

Step 2: Score against personal assessment criteria

The first step is the sweeping away of deals that do not fit their mandate. Whether it's the rating level, investment size, term or any other primary filter, this filter is applied as step one.

The second step would look, from very high above, like a scientist rapidly placing many aspects of the deal under a microscope and giving each a score as they do so. When they're finished they give the deal a 'price'. There'll be some tolerance around that price but essentially what they have done is assess the value of the deal from their own perspective. Investors carry this notion of acceptable price into their negotiations.

Ironically some investors express frustration at the lack of pricing transparency in Australian RMBS, particularly in the secondary market. However, if the price was set according to their value calculation we're sure it would be very accurate in predicting the future value of the asset.



"Obviously I look for value, looking to make sure that we are buying things which aren't ridiculously expensive. I'm looking to buy things which I think have got robustness, obviously again, that makes transparency a core part of it. And I guess I'm also looking to make sure that I'm not buying the same thing all the time, so I'm looking for diversity."



"When you go to look at an originator or servicer, you take an example of a loan book and take some of the loans that are in their portfolio. In some cases, and this is in the UK, I've found examples where people say 'these are our lending criteria' and you put up their loan book and you can find ten loans in there that don't fit the criteria."



"There are times when I feel very strongly that one asset class offers more value but I don't think that there are any areas that I have a strong preference for. The thing I don't like is things which are unduly complex or lack transparency. And that's across any area and it can be lack of transparency due to the issuer, but it can also be lack of transparency due to the industry, for example the airline industry is particularly not transparent and there are some parts of the ABS market which aren't transparent."



"Realistically, the sort of pearls that we are diving for here are probably still the really distressed European Spanish recovery story kind of bonds."



"If we don't have that conviction, well then there's no point us going further, it doesn't really matter what the spread is. So that was the earlier point I was making about the process, we don't have a philosophy that says no such thing as a bad bond just a bad price, we have a philosophy that says if it's a bad bond, it's a bad bond and you don't bother buying it no matter what the price."



"We are very much a sort of asset bank specialists so we will look at loan-level data, look at data tapes, stress test that part of the portfolio, make sure we are happy with underlying collateral."



"We like to think the edge that we have is in doing and understanding that sort of fundamental credit look at things and so you know it's much less what do I think will tighten in strength in the next three months or you know the opposite, much more what do I think is really fundamentally mispriced for the credit risk."



"Driven from forecasts, so we are neither short term higher frequency type guys who look at flow and the next data release, nor are we long term fair value investors. We're focussing on a sort of slightly shorter cycle than that, so 6-12 months is a sweet spot for us, very much driven by our fundamental research. We're not really, apart from maybe one strategy, big users of chartist techniques, it is more fundamental research driven."



"They're pretty much held to maturity. It's a buy and hold approach so we wouldn't really ever sell anything given that the prime purpose was ...it's not primarily to generate return but to fulfil regulatory requirement so we need to hold the assets. We would probably do some ... if a bond comes closer to maturity and we can replace them for a new investment for higher yield or higher spread then they would do that."

4.

INVESTOR NEEDS

4.1 INFORMATION NEEDS

4.1.1 The desire for information

As we've seen, investors have a very detailed approach to evaluating investment opportunities so that implies their information needs are quite intense. Oddly the answer is yes and no. Firstly there are a few investors who have a fixed filter and just invest when that filter is satisfied and they can get the price they expect. These few investors have minimal information needs.

As much as we'd prefer to avoid generalisation the rest are hungry, to the point of ravenous, for information.

We persistently asked investors whether they were being fed with information by issuers and found that the answer was almost always no. In fact, the contact investors have with issuers is rare unless a deal is on the table. This is not the way investors would like it to be.

Investors would welcome more touch points with issuers. It's not so much that they're concerned with missing something but more so because keeping up with global markets takes effort and also because they are naturally curious people and a little isolated on the RMBS desk.

They are confident they'll find what they need irrespective of what comes to them but value the interaction with issuers who take the trouble to inform.

Essentially there are two types of information they're looking for:



Information about a specific deal



Information about the issuer and the market in which the issuer operates.

Issuers should never underestimate the value of the latter. We say this because it's clear that issuers are terrific at supplying information about deals they put on the market but not good at all in helping investors understand what is going on in their business and in the market generally. The diagram on page 13 gives an idea of the scope of the data sought and the spectrum of needs investors have.



"I would say it's the standard information that comes with the routine size audit details that are relevant: pricing, structure, any specifics that are out of the ordinary timeframe criteria, things like that."



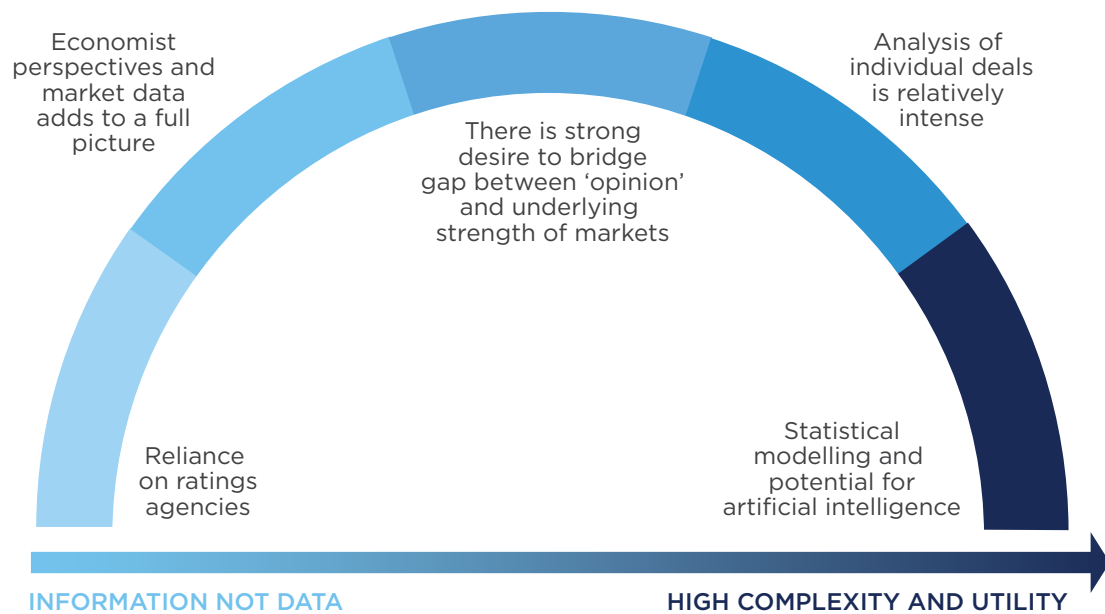
"It's basically exposure from work so from my investor universe, I've an Excel sheet that taps into Bloomberg and I try to stay up to date with the new issues that come to market. I do check on Bloomberg to see what's out there."



"We use a vast number of vendors from Bloomberg to Street. We use all of them as well as our own outlooks."



"Well it depends what you're looking at. If it is just the pure financials of an institution I would go to a rating agency. If it was the rules or the structures, I can look at the rating agency's provisions because they will actually have the information available. However, when it comes to interpretive aspects, there isn't one source that I would trust authoritatively. If there's any source that I trust the most it would be my analysts because I think that they are the ones who have got the most vested interest in ensuring that they're consistent with views of our company."



4.1.2 Deal specific data

Investors say issuers are generally pretty good at providing data for deals but we did find there were some areas in which they'd like to see improvement. And firstly let's qualify that statement about being generally good. We should have said when it comes to **new** deals because the investor view of the availability and quality of data once deals hit the secondary market is not good at all.

Three big data needs

- 1: Loan level data
- 2: Standardised data (across market)
3. Fast response to questions

The vast majority of investors are looking for as detailed information about any deal as they can get. Essentially they typically always want loan level data but they don't **all** get it and they don't **always** get it.

Investors often have questions about deals and they say issuer responsiveness is quite variable. Some are very quick to respond and others take time which investors find very odd when deals tend to happen pretty quickly once the process is underway.

The other source of common frustration is the lack of standardisation of data across the market with different issuers using different definitions for the same thing. There was hope that creating an industry wide system would help solve for this, but it hasn't.



"Lack of a standardised format for reporting that is downloadable makes it almost impossible to get the information we need. We have to go through individual PDFs which is a nightmare and then for individual banks we have to rely on Bank X and Bank Y being nice on a particular day."



"There are lots of institutions stuck with some old systems. If you are a non-bank which has been operating for 10 years your system is only 10 years old, which is great. A retail bank might have a system which is 25 years old and is core and it is still going, so it's not as modern as some of the non-banks."



"We spend a lot more time probably looking at the real drivers of a structure."

Investors understand that many issuers are using legacy systems for housing data and their ability to change the way that data is classified and stored is not easy. Yet investors claim the standardisation of terms would be a major incentive to invest in the Australian market.

Beyond an issuer's ability to answer questions quickly, the bigger issue for investors is the issuer's attitude in responding to queries. In a lot of cases investors are surprised at the lack of pace.

It's essential that issuers understand the quite sophisticated data modelling and analysis most investors undertake on every deal they consider. They'll be producing their own calculation of value and will be using every piece of information they can get their hands on.

4.1.3 Information needs beyond deals

Investors are a bit like hawks constantly surveying the land and looking for their opportunities that might exist today or in the future. Helping them understand what's going on in the Australian mortgage market as well as the RMBS market is valued highly. **Some issuers make their economists available to investors on a periodic basis and this is particularly valued.**

It's important to remember these investors have their eyes on every region across the world. If we don't help direct their attention to Australia they're just as likely to spend their time looking at other regions and deals.

Being analytical by nature, many of these investors would also value ongoing access to tools that help them keep an eye on the market as a whole. They recognise that ABS Perpetual could potentially play this role but currently do not find it as useful as it could be for two key reasons:

- a. It doesn't provide loan level data
- b. There is no industry standard set of definitions that have been adopted by all issuers



"We're aware of the latest RBA changes which I have to say will reduce the quality of what's available because it will shift everything over to the RBA system."



"You know in the UK, we had loan level data come in about five years ago, and the Bank of England house a pretty good website. Almost every single issuer has his loan level data option either on that portal or on their own portal. And it's pretty easy to get your hands on. This has not proven to be the case with Australia at all."



"I think if you look at the US market, it's a lot more commoditised. There are standard definitions and approaches to a variety of terms, things like how you measure arrears, how you report delinquencies, how you report your LMI cover, how you disclose LTV splits, postcodes, buyer types, interest types, what platforms you make your data available on. Having everything available on one platform in roughly the same format makes it a lot easier for us to compare and contrast deals."

4.1.4 Why loan level data matters

The primary need for loan level data arises from the need to accurately assess individual deal. But it is equally valuable in helping investors assess the health of the market and any trends that might impact future investment.

Investors can typically get loan level data for individual deals but that has a limited shelf life. They want to keep track of the value of 'books' after sale and analyse the whole market for trends. They have absolutely no interest in individual loans but intense interest in segmenting and analysing the market in ways even issuers may never have considered.

You would call what investors want to do proprietary analysis. They believe the insights gained from proprietary analysis can give them a competitive advantage. Once data is accumulated it can't be disintegrated hence the frustration.

In some respects, given the extraordinary ability of investors to model and manipulate data, the Australian industry is missing a golden opportunity by not making loan level data available and not learning from global investors about new and creative ways of evaluating what is going on in the market. It's important to note that they do get loan level data in other global markets and have had access to it for a relatively long time.

4.2 MARKET NEEDS

4.2.1 Secondary is an afterthought

Investors with a high need for liquidity are naturally particularly active and interested in the secondary market for RMBS. Some of these would argue that Australia really doesn't have a secondary market and certainly there is no ongoing substantial marketplace. A major source of frustration across the investor community is the lack of access to quality data about any book once it's left the primary market even when they have a substantial stake in those books.

Australia is attractive but demand exceeds supply

Quite a **few investors are simply active in secondary markets because their investment horizon is much shorter**. Investors believe Australia could easily support a strong secondary market and quite a few of them suggested master trusts as a positive step to help with the need to access RMBS at any time.

We suspect they'd be just as happy with a regular supply of secondary market deals especially if they could get the same quality data as they can get when these deals were primary.

By way of analogy, when you buy a new car you expect you can learn all about its features and when it ends up on the second hand market you'd no doubt want to know a fair bit about what that car has gone through since it was purchased.



"Australia's data availability is quite similar to, say, Europe pre-crisis. These days, though, even in Spain with post-crisis deals you will get loan level data on every interest payment date. So, I wouldn't say it makes it impossible, but obviously it means you've got to be much more comfortable to invest in stuff where you have much less data."



"One of the plus points, enormous plus points we've seen of loan level data, is its ability to be input into pricing models, and to the cash flow models. The fact that you've got such a rich data source means much greater accuracy of pricing."



"Once you have that information then you can look at an entire pool and know whether it's a good pool or a bad pool. But it's very dynamic. People are dynamic. The society, everything. Those rules are always going to change so being able to constantly analyse that data creates the ability to look at pools in a different way and gives you a competitive advantage in that situation. It just gives you that extra degree of confidence."



“If they engage with a broader array of investors, whether it’s here or offshore, it creates a bigger secondary market for us as investors. In turn, that could benefit the issuer because then people won’t demand as high a credit premium because they’ll know that issuer will be more liquid as a result of having a wider coverage and being more widely traded.”



“There’s data you get when a deal is originated, which we generally get straight away. But it’s more getting ongoing, monthly or quarterly data which is useful for our analysis. That’s much, much harder to come by. It hasn’t really worked out that well so far for Australia.”



“We look at surveillance data every month, and use it to create transaction snap shots which provide time series analysis of the delinquencies, charge offs, LMI claims, sign through the pool, CPR etc. All of those relative metrics that feed into the deal that allow you on a single side of paper to look quickly and say is this deal still doing well or is it not doing well?”



“To the extent that loan level information was available on the secondary market, we would be in a good spot to take advantage of that information.”

4.2.2 Global market influence

What is surprising about investors’ global market perspectives was their views were very similar irrespective of where they were based. It doesn’t do full justice to each market but it does give a sense of this common view if we use their words to summarise each region.

EUROPE: Limited supply and there is not much activity due to central bank influence

NORTH AMERICA: Recovering (US specifically) and showing signs of growth but it’s not always easy dealing in the US market

ASIA: Not a mature RMBS market and there are only a few countries presenting opportunities

AUSTRALIA: Attractive as a mature market but hard to get enough action

Investors readily draw comparisons between the Australian and European markets, particularly with respect to the UK. It is felt the banks and other issuers operate in similar ways in each market. It may also explain why UK investors are particularly active in the Australian market.

The US is interesting in that there are a few banks which are easy to deal with but many of the issuers are perceived to be difficult to deal with. One thing that does attract attention in the US is the propensity to securitise new asset classes to an extent that doesn’t occur elsewhere in the world.

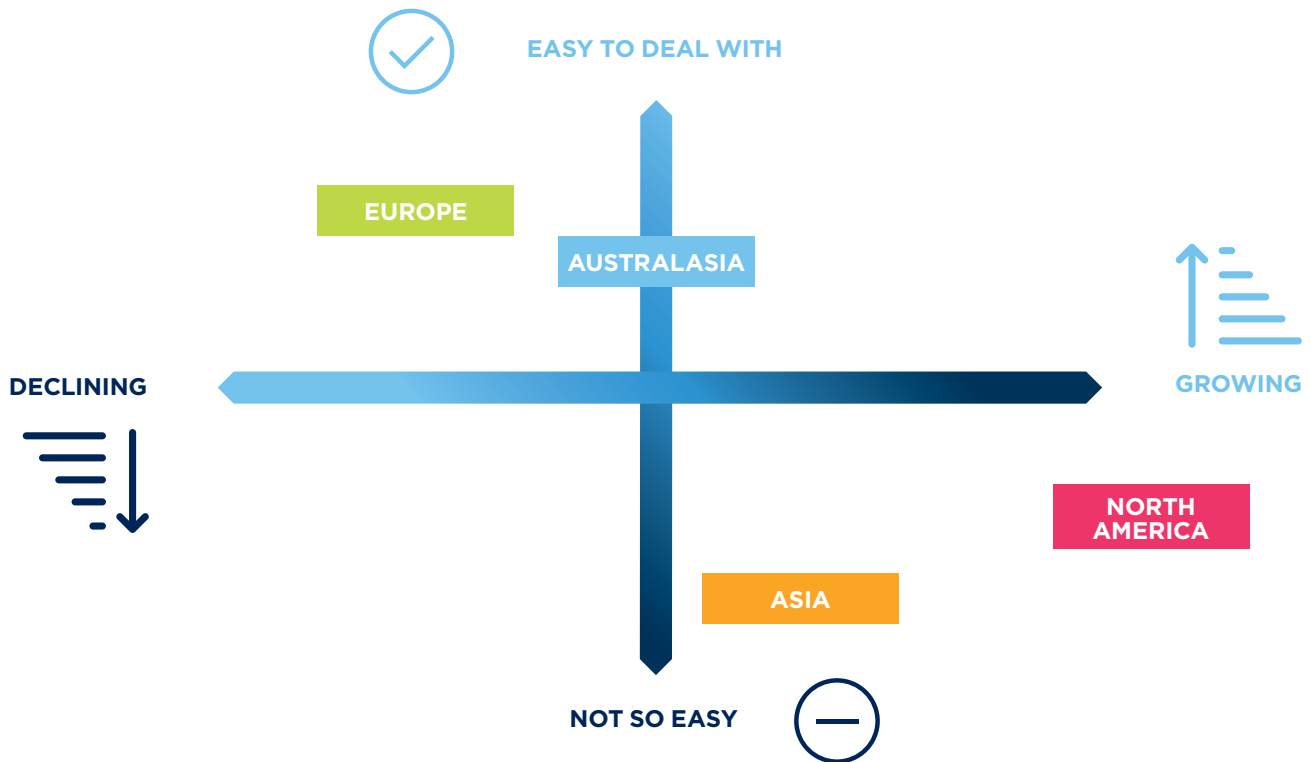
In Europe the big change recently has been the impact of the regulatory environment on the ABS market which has effectively made it impossible for many investors, particularly insurance companies, to participate.

We asked investors for their views on the future knowing full well how hard it is to predict but they had some interesting comments nonetheless. They don’t believe things will change quickly but even so tended to focus on the next couple of years when answering the question.

They see Europe and the US going along in much the same way as today as they don’t believe central banks will create much more change in the next couple of years. In Asia too, they’re not expecting much change but they do point out, as a new and developing market, it may become more attractive over time.

Australia they see as having limited opportunity in the sense that there is not much of a secondary market and the deals that are available are not always big enough to consider. It’s worth pointing out that investor interest in Australia is no more or less than their interest in any region.

However, if more US issuers were to suddenly provide better quality service you’d find investors flock to them. So it’s important to consider that Australia can’t simply rely on investors to be there when we need them and there may come a time when attracting overseas investors is just not possible.



“I think the UK and Aussie markets are very similar and not just in terms of pricing but also the structures and the way the banks and challenger banks operate. I feel like they’re a little closer as far as how they’re organised and they resemble each other a lot more.”



“Asian market never picked up before the crisis and has never changed since the crash. Korea has a little but not much secondary liquidity.”



“The other thing is a real lack of liquidity that’s developed in the markets and that has really impacted our sort of style of investing and how we go about it. Liquidity ... and this is not Australia specifically, but across the globe that has really impacted how you invest and how you manage your horizon. For example, we’ve never put ABS in an open-ended public liquidity-providing vehicle because we’ve just never felt that was the right thing to do.”



“UK, well Europe in general has been relatively slow, volumes are down. That’s really been driven by the underlying market. In the UK, for example, the term funding facility brought in by the Bank of England has significantly reduced what volume there was, especially from the retail banks. In the Netherlands, a lot of the mortgages have been originated and gone into pension funds and insurance companies on a whole loan basis. So in Europe, we have seen a little bit of a tail off in terms of issuance volume. We saw that similarly in Australia as well where a lot of the banks are cash rich and don’t need to do the level of funding that they were doing a few years ago.”



“The US market is very active, there are a couple of pockets that have not come back after the financial crisis, but the vast majority of the market is back and it’s really active. We’re pretty busy in the US market. The European market is a different story. Central Bank intervention has dramatically reduced the availability of certain assets in that market.”



“The US is quite interesting. You’re forever seeing new asset classes getting securitised in the US.”



“Most of the UK prime RMBS is well below 50 basis points relative to 120 or 110 in Australia.”

5. PERCEPTIONS OF AUSTRALIA

5.1 LET'S START WITH RMBS

Investors are very open-minded and are equally happy dealing with banks and non-banks. In fact they easily recognise differences between issuers but those differences are defined by attitude, not the type of organisation or the type of deals they offer. Attitude counts for a lot with investors.

Summing up investor perceptions of Australia's strengths in RMBS you'd include:

- quality of information for new primary market deals
- a well behaved regulatory environment
- a mature RMBS market
- knowledgeable participants who are easy to deal with.

In contrast, perceptions of weakness include:

- a lack of market transparency, particularly in the secondary market
- poor information quality outside primary market deals
- lack of stock and the ability to source large tranches, and
- minimal pipeline visibility.

These weaknesses make it difficult for investors to devote more than a little attention to Australia.

Contrary banks that are in the market one day and not the next are also a deterrent.

While it is hard to pin it down to a single statement, the sense is that investors feel Australian issuers do not demonstrate a level of commitment that investors expect. They feel that Australian issuers sometimes behave as if there really is no overseas investor base for their product beyond the individuals they deal with. They have good relationships with the issuers they deal with but don't think of them as a cohesive group ready to engage on a bigger scale.

PERCEPTIONS OF AUSTRALIA'S RMBS MARKET

ADVANTAGES



STABILITY



VALUE



MATURITY

CONCERNS



TRANSPARENCY



COMMITMENT



SUPPLY



“The liquidity in the Australian market is significantly more limited than the liquidity that we see in the US market. I think that’s definitely something where if the market were to grow in any meaningful way, it would need the support of the main players there, making sure that they’re making markets and keeping adequate levels of liquidity.”



“The local market has a better sense of liquidity than someone sitting in Hong Kong.”



“From our perspective we’ve not been fully invested because there is not as much supply and we’re not in the habit of chasing assets. It’s better to be underinvested than overinvested. We look at assets on basis of value and liquidity. From a spreads perspective there seems to be more value in Australia but the liquidity has not really improved, particularly secondary liquidity and there is no transparency around that as well. A lot is very domestic driven. We haven’t seen a big influx of overseas investors because the market is primarily driven by the Big Banks and it depends on their attitude.”



“At the moment we see the best value in the ABS across the world is probably in Australia.”



“In Australia, I’ve got to admit, I’m not entirely sure why someone like Big Bank A or Big Bank B would issue RMBS rather than covered bonds. But as long as you’ve got people like non-banks A and B and so on, who are competitive in the lending market, then you can see there being a viable RMBS market, right?”



“I know there are great spreads happening globally. The spread [paper] is relatively wide with regard to Australian RMBS and that’s a positive point too.”

5.2 WHAT MAKES AUSTRALIA ATTRACTIVE OR NOT?

More than anything investors like dealing with Australia because the Australian economy is stable and they don't expect there to be too many surprises. Australia compares very favourably with other global markets when it comes to value. There is absolutely no belief that this will last forever but it is a compelling reason to be currently involved in the Australian market.

However, there is a very high level of frustration with lack of supply of RMBS opportunities from Australia. There is also concern with lack of quality supply globally but the feeling is intense in relation to Australia. Investors understand that banks chop and change with the state of their balance sheets but believe RMBS should remain a regular funding instrument to ensure continuity of their franchise with investors and to support secondary markets.

Irrespective of the desire of banks to come to market, investors would value a significant improvement in the way issuers let the market know of their plans. Currently, investors just wait until issuers post new deals and there is no single source of information letting them know what might be coming up. They use their own resources to stay in touch but we need to consider that Australia is just one small part of the average RMBS investor's portfolio.

Australia offers value

Almost every investor mentioned the value they would get from understanding what the pipeline for RMBS in Australia looked like. They're not talking about knowing dates and times but at the very least they'd like to know how active specific issuers might intend to be and roughly what timing they have in mind. Investors have to be good planners to manage everything they do and keeping investors up to date with basic information is highly valued.



"At any single point in time there is one part of Australia where you'd be going into a housing crisis. Over the years that's moved from South Queensland inner city units, to more generically Sydney and Melbourne, and we've had the whole Perth thing with the story about the properties that were worth \$1.5 million and are now worth \$200,000. In a growing country from a population perspective I see things relatively in balance, and we can go after the Australian economy. I don't necessarily think we're going to see the fantastic growth that occurred over the last decade which effectively created almost a super credit environment, but at the same time the robustness of the credit underwriting, the discipline that is imposed by LMI and the general requirements for prudence imposed on the banks through APRA makes it look like one of the more stable property markets globally and one that I'm prepared to continue to invest in."



"When we look at the quality of underwriting that comes out of Australia which is going to be largely dominated by the four major banks and prime in nature with LVR's that are pretty low compared to what you see here in the US, a downturn in the property market shouldn't be a terrible shock to the RMBS market."



"I think it's got a lot of challenges, I think there is going to be a lot of noise. The property market I'm not particularly positive on, the RMBS market I'm probably more positive on because I think the structural side of it protects us from the worst."



"Melbourne and Sydney have some risks. It's not particularly clear about money from foreign investors, not clear how leveraged that money is and how much has that come into the new housing markets in these cities. We've seen tremendous growth in housing markets but are worried about a downturn if there is a bigger slow-down in China. From a structural and performance perspective we are comfortable but concerned that 60-65% of underlying mortgages from Vic and NSW are reliant on overseas investment."

5.3 WHAT ABOUT THE AUSTRALIAN PROPERTY MARKET?

Investors have reasonably consistent views on the Australian property market. There is a sense of admiration for a market that sailed through the GFC so well and investors agree that Australia has all the characteristics of a mature market. They believe in the quality of Australian origination standards and issuers and believe they can collectively overcome any short term corrections in the property market itself.

There is a belief that the Australian property market has reached a peak and there would be no surprise to see a correction.

There is particular concern at the glut of apartments in Sydney and Melbourne and can't see how these developments will be sustainable. They recognise that originators are reluctant to lend on apartments and set much harder criteria to do so.

Investors are equally aware of the huge impact that overseas property investors have had on the Sydney and Melbourne markets in particular.

They can also see this changing. So there is a belief that the Australian property market is ready for a correction but they are not concerned about that from an RMBS point of view. They believe the RMBS market can weather any storm in the property market.

There are concerns about the oversupply of apartments and the sustainability of foreign property investors



"I think we'd be more worried about apartments, no great surprise there but we're just conscious of this bulge of supply that's going to be coming in 2017/2018."



"I think my personal view for quite a while has been that it's fairly fully priced and there's a bit of a bubble and it potentially could end in tears at some point but you know I've got a similar view about the UK market as well."



"The over build in Australia is purely apartments, it doesn't come down to residential housing."



"A lot of the house price appreciation in Sydney was a catch up to other states that had done well during the mining boom."

5.4 MASTER TRUST PERSPECTIVES

While the words of caution related more to the way a master trust is set up and structured there is also a view that only the major banks would have a large enough book to manage a master trust structure.

An industry-wide master trust would be valued

There is a sense that investors expect a master trust structure in Australia would be industry based, not issuer based, meaning a shared pool that would allow both large and small issuers to participate.

Master trusts are perceived to solve two key issues for investors, these being;

1. the desire for shorter term securities, and
2. the opening of cross currency opportunities.



“I think somewhat frustratingly, it depends is the answer. I think you know, yeah it just depends how they’re engineered, you know, how they’re supported, the big disadvantage with the Master Trust is you just don’t really get that fees and benefit over time because the pools have been dynamically topped up. The nice thing about a simple closed pool amortising pass-through is you get the benefit over time of a steady increase in subordination. The gradual seasoning of the underlying loans is a lot more dynamic in a Master Trust.”



“I can see that it maybe helps the majors because they’re the only ones who’ve got books big enough to make a master trust structure work in. Really nobody else has a big enough book to make it, easily to manage a sort of master trust structure.”



“I think we really need to make an effort to finalise the whole Master Trust regulation and start tapping the international market. The quality of the issuers is there and the quality of the market is there. It’s just making sure that you can be consistently present in this market.”



“Putting in the effort to get the Masters Trust going will give flexibility to tailor maturities to a broader base and make it relatively easy to create cross-currency opportunities.”



“For longer term assets I dislike them given commingling is effectively of a perpetual nature in a Master Trust. I don’t like the floating assets, and I also think from a funder’s perspective if they perceive that they don’t want to be invested in an asset class anymore and it comes to a maturity, they’ve got some big cliffs as far as their repayment goes.”



6.

ENGAGEMENT

6.1 DEALING WITH AUSTRALIAN ISSUERS

There is not a lot of direct contact with Australian issuers although that changes if an Australian issuer has an office in the country investors reside in. They do appreciate contact from Australian issuers but realistically find most contact occurs at industry conferences. We were surprised at the extent to which **the bulk of contact is driven proactively by investors rather than the other way around.**

Issuers are much more likely to be proactive when a deal is on the table but rarely in-between deals.

Investors though, are constantly gathering data and information about the markets in which they operate and it makes their job a lot easier when the information comes to them.

Being naturally inquisitive, they seek a broad range of information and are just as interested in the economic outlook as they are in new deals. **Access to economists is highly valued** and this occurs from time to time although the tyranny of distance means this type of opportunity is sporadic rather than regular.

There are basic expectations of issuers when it comes to deals including;

- timely notice of when new deals are likely to occur
- a speedy process for allocations on new deals
- the ability to get as much of a deal as they would like
- the need to get access to quality data about the deal
- quick answers to questions that are not covered in deal packs

Investors claim Australia falls behind global issuers when it comes to the speed and flow of the deal process.

Local investors express similar frustrations including one who had experienced situations in which they were not asked to bid for a deal and were told the issuer didn't think they'd be interested.

The quality of originator also has an impact on how investors feel about a deal. **They take more than a keen interest in the way in which originators deal with their customers.**



"All the major banks in Australia have got London-based sales people who are extremely knowledgeable about the Aussie market. Aussie banks also have sales coverage in Hong Kong and Singapore, which I think is pretty helpful. So you know that certainly offers a point of contact. And that works pretty well for us especially given the big time differences."



"We have developed over the years good relationships with some of the main dealers of Australia. We have pretty frequent contact with some of the major banks, particularly through their New York offices. Some of the specialty guys mostly out of London have deployed resources to also serve the clients here in the US."



"Aussie issuers have retreated from making those big trips, but actually from our perspective they are incredibly useful or valuable."

Probably the biggest issue for investors is a general perception that Australia is not serious about the RMBS market evidenced by the inconsistency of supply with some banks issuing for a period then leaving the market for long periods. It gives the impression there is not a stable, consistent and substantial RMBS market in Australia. There is a perception that Australia has a few very strong issuers who can be relied on to produce new deals on a reasonably regular basis.

One behaviour that investors understand but certainly do not appreciate is the flagging or tabling of a deal then removing it from the market on the basis that the issuer has found a cheaper source of funding. They understand why this happens but would prefer it didn't.

6.2 DIFFERENCES BETWEEN ISSUER TYPES

Size in this market does not necessarily mean quality. Investors have no qualms in dealing with large or small banks or non-bank lenders. However, they do pay attention to track record and like to know that an issuer will remain committed to the market, hence a tendency to favour issuers who have a consistent presence.

It seems the primary reason, if any, for avoiding a non-bank lender is when the issuer cannot deliver the size of deals sought or if their rating falls outside the mandate of the investor.

While perceptions are generally positive towards Australian issuers as a group, investors have little difficulty identifying differences between them. More than anything, an issuer's willingness to engage with investors, particularly proactively, makes the difference. And it's not necessarily the larger issuers who do this well.

Investors favour issuers who engage regularly

The use of mortgage insurance in Australia gives investors comfort in using large and small issuers alike.



"I think we have to knock on their door rather than them knocking on ours. I think with some of them we do have very active dialogue. Others we're more begging. It depends on the type of issuer but if you're fairly interested in doing a capital relief type of transaction then we're a much more important investor for them because we can look across the entire capital structure."



"Well it's always good to meet people face to face to get the impression on the person."



"It's not about data that I go back and ask for, I might make more comments or observations about the collateral than I do about what data I'm missing. What I'm trying to do is actually influence their thinking for the next year or two."



"One of the elements over the past 18 months, in particular with the widening of prime RMBS spreads, has been the fact the big four offerings have offered such good value compared to anything else. We, in terms of the space available within that country limit, we thought it more prudent to fill it up with that rather than effectively stretching for another 15 or 20 basis points, and giving up an element of liquidity."



"If it goes to the question of viability going forward I think it's very similar to the UK where you have some of the bigger banks really not looking to go through this funding channel."



"Sometimes, you'll see the majors have so many funding options that it's hard to know if they'll keep issuing. For example, if you take Big Bank A with their XX program, they used to do something but the impression you get is 'we'll only do something if it absolutely suits us' which almost by definition means it won't."



"There is definitely a difference just because the nature of the fact that they are generally going through a different kind of borrower. But I would say that the best originator we've seen by far is a non-bank lender. But we've also seen non-bank lenders who would, I would say don't give us as much confidence as some of the major banks."



"You find the non-banks and the private companies clearly look after their funders, they treat them like stakeholders much more because it does form a big part of the basis of their funding requirements. They tend to try and build integral relationships, the non-banks come across and visit us quite regularly and there are more conference calls about things. They tend to talk about their process, origination and their service intentions."

7.

SUMMARY AND CONCLUSIONS

7.1 AREAS FOR AUSTRALIA TO IMPROVE

A major frustration for many investors is the lack of a viable secondary market for RMBS in Australia. Many of the investors we spoke to have a relatively short time horizon for holding investments meaning a viable secondary market would be very attractive and well utilised.

Lack of transparency in relation to planned activity is equally frustrating to investors particularly as most investors feel there is value in the Australian RMBS market but have no confidence in having any certainty over the pipeline.

Investors see regulation being ever present, yet feel it's more likely to impact home owners directly than RMBS issuers. They also feel Australian regulators tend to be open to engaging with stakeholders so they don't expect regulation is likely to change what they do in Australia in the short to medium term.

Summing up the areas investors feel Australia could work on as an RMBS community, the following factors seem key (see box left).



MOVING FASTER Primarily once a deal is in progress and in particular in responding to investor questions about the deal.



OFFERING MORE DEALS Investors see value in the Australian market and have capacity to increase their stake yet find supply is just not meeting demand.



MORE CERTAINTY OF PIPELINE Investors are realistic enough to know that issuers will offer deals when it suits them yet lack of transparency about future intentions means overseas investors specifically just can't incorporate Australia in their plans.



PROVIDING LOAN LEVEL DATA Investors are highly analytical and are experienced users of loan level data in other global markets. Australia is seen as falling behind and missing opportunities that better quality information can provide.



IMPROVE LIQUIDITY This is specifically in relation to the secondary market and the fact there isn't a secondary market of any substance in Australia which tilts the market to 'buy and hold' investors and deters those who target a shorter time frame.



INTRODUCE MASTER TRUSTS Perceived as the solution for the absence of a solid secondary market. Positive response to master trusts was widespread but some did express words of caution.



PROVIDE BETTER REPORTING Access to loan level data is the ideal and market based analysis is also highly desired. The lack of transparency of data outside specific deals is an area investors would love to see addressed.



SPREAD THE ISSUES The market is seasonal with most activity in February-March, mid-year and Christmas (ASF Conference time). It makes it hard for investors to plan.

7.3 DESCRIBING THE IDEAL ISSUER

Not surprisingly, the primary quality sought from an issuer is their willingness to engage. RMBS investors are engaging individuals yet operate in a market with a relatively small number of peers with similar experience and expertise. Engaging with issuers is more than simply a means to do business, it's an opportunity to converse intellectually.

While perfectly capable of undertaking their own analysis, with such broad scope of markets and opportunities, an issuer who can deliver quality insight about their market is highly valued. Quality reporting goes hand in hand with quality analysis.

Investors recognise the capability of issuers to handle their detailed questions and an issuer that can do this quickly is highly sought after but not commonly found in the Australian market.

Like all good business to business relationships, issuers that have a deep interest in and understanding of investor needs are certainly favoured. Keeping investors informed and making a point of proactively contacting them with deals that suit their typical investing profile makes an issuer stand out.

Finally, investors seek issuers who demonstrate a long term commitment to the RMBS market. Again this is not common in Australia yet investors feel a stronger industry wide commitment will lead to a much more substantial, thriving market.



"We won't always get a call automatically, because there might be an assumption that on the counterparty's behalf, oh well look X Company, they're probably not going to be involved, it will be a harder sale, I'll just go straight to Y Company or whatever, Z Company and look at that cash trust."



"It depends on our relationship with the bank and the counterparties. Some of it is reasonably visible but that's just because we've worked a relationship over time, it's not anything proactive on the banking side."



"It's always a question when you meet issuers or they're trying to get their plans going forward, what their needs are, what their funding mix is, that certainly is looked at. We need to hear that before we get involved with anyone."



"We would invest more in Australia if you knew what was coming and more was available."



"The one criticism I've had previously about the industry is they tend to issue about three times a year and then there's nothing in between. It is a stupid seasonality and it does make funding these things difficult for investors."



"A commitment to work together to a common platform or framework of data provision would be great. It would help with transparency, liquidity and with global comparisons."



"I would want to meet with the macro research guys at all the banks that have credible macro research jobs and talk to them about their views on the economy and house prices. I think in terms of the issuers, once you've gone through it in detail once or twice then it is pretty easy to know what's coming next and when. Getting involved a little earlier in the process and having some input into how things are structured would be handy. In the UK, what has ended up being quite a sweet spot is excess spread outs where you basically structure a note that pays down out of the excess spread of the deal. As far as I know that's not something anyone's done over there."



“Quality reporting, which I think in Australia has been lacking, I guess compared to Europe and the US. Little things, like having cash flows on Bloomberg. There’s one pretty large Australian originator for instance who still hasn’t got a lot of their deals, cash flows up on Bloomberg. That kind of thing is quite important to us.”



“The ideal issuer is one where we’ve had enough dialogue. They know exactly the parameters under which we can and can’t invest. There are a few guys that we talk to on deals and they know whether we’re going to be able to help them or not on a particular kind of deal because they know what our priorities are.”



“I would like master trusts to allow more investors to come in and improve liquidity.”



“And talk about proactive, the [non-banks] often engage very early on when they’re thinking about coming to market, it’s just to understand what structuring needs you might have, what things you might be looking at or worried about within the collateral pool just so they can deal with those.”



“It comes down to spending the time to help us understand their business. What they’re trying to achieve, and where they perceive risks, because they’re the best placed to understand the business they’re writing.”

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