

NB Global Corporate Income Trust
(Expected ASX Code: NBI)

August 2018

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Note: This report is based on information provided by the Manager as at August 2018 and is available for wholesale market distribution only

Rating



Key Investment Information

Name of LIT	NB Global Corporate Income Trust
Manager	Neuberger Berman Australia Pty Limited
Investment Type	LIT
ASX Code	NBI
ASX Listing Date	26 September 2018
Offer Open	20 August 2018
Offer Close	7 September 2018
Offer Price	A\$2.00
Min Offer Raise	A\$150m
Max Offer Raise	A\$500m
Day 1 NTA	A\$2.00
Market Capitalisation	Subject to raise
Target Distribution	5.25% p.a. (net) paid monthly
Benchmark	ICE BofAML Global High Yield. Constrained Index
FX Exposure	Fully hedged to AUD
Management Costs	0.85%
Performance Fee	None

Fees Commentary

Total Management Costs of 0.85%, inclusive of a management fee of 0.70%, is competitive relative to global and domestic high yield peers. We also acknowledge that investors are benefitting by the Manager incurring all issue costs.

Portfolio Characteristics (as at June 2018)

Current Yield Hedged	6.77%
Weighted Average Coupon	5.96%
Weighted Average Duration (yrs)	4.29
Weighted Average Maturity (yrs)	6.23
Number of Issuers	307

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

NB Global Corporate Income Trust ('the Trust' or NBI) is proposed to list on the ASX in August 2018 and is seeking to raise A\$250m+. The Trust will be managed by Neuberger Berman (the 'Investment Manager') and its 56 person strong global non-investment grade credit team. Neuberger Berman is an independent, 100% employee-owned investment management firm headquartered in New York, and which has approximately US\$300 billion in assets under management. The named manager of the Trust is Neuberger Berman's wholly owned Australian subsidiary, Neuberger Berman Australia Pty Limited (the 'Manager'). The Trust will provide exposure to high yield bonds issued by companies located globally and will be allocated approximately 60% to U.S. companies, 20% to European companies and 20% to Emerging Market companies (hard currency denominated bonds only). Neuberger Berman's non-investment grade team has a 20+ year track record managing high yield corporate bonds, beginning with the U.S. high yield market in 1997 and subsequently expanding into Emerging Market high yield corporate bonds and European high yield corporate bonds, as those markets developed in size and sophistication. The Investment Manager's Global High Yield strategy was launched in 2016 and integrates its respective regional capabilities, being managed by members of the same investment team, employing the same fundamental investment process, subject to the same risk controls and holding predominantly the same corporate bonds as held in the regional strategies. We note that these regional exposures may change over time reflecting changes in the global high-yield market itself as well as the Investment Manager's tactical allocation process. The portfolio will be diversified by individual issues, industries, geographies and credit quality tiers. From a credit quality perspective, the focus is on non-investment grade positions between B and BB, with opportunistic use of BBB and CCC credit tiers and avoidance of defaulted and workout issuers. The portfolio is constructed based on a long-standing, rigorous and repeatable fundamental investment approach, that ultimately seeks to understand the financial strength of a corporate bond issuer.

INVESTOR SUITABILITY

The Trust is seeking to pay a stable and consistent monthly distribution equivalent to at least 5.25% p.a. and to generate a moderately accretive NAV over the long-term. The Investment Manager seeks to do so with a strong emphasis on capital preservation and downside risk mitigation and, historically, has delivered on this performance objective. More broadly, the Trust has the ability to fill a gap in many domestic retail investor portfolios. For many retail investors, the income component of the portfolio tends to be both domestically focused and often significantly equity biased, with a degree of hybrids to achieve an income stream. In our view, a fundamental benefit of the Trust's investment strategy is that many domestic investors may be able to benefit from at least a comparable returns profile but in doing so significantly diversify the income component of their portfolio by geography, industry and credit quality tier. Investors should note that the Trust's portfolio predominantly comprises non-investment grade bonds. By its very nature, non-investment grade bonds tends to have a higher probability of default and this risk tends to cluster around specific events / economic environments.

RECOMMENDATION

IIR ascribes a "RECOMMENDED PLUS" rating to the NB Global Corporate Income Trust. IIR has conviction in the Investment Manager's ability to at least achieve the stated investment objectives over the foreseeable future. This is based on a comprehensive, proven and repeatable investment process, a broad and highly qualified investment team, strong risk-management processes, and a long-term track-record of generating alpha (primarily by mitigating downside risks in less benign market environments). We believe the investment processes, with a strong emphasis on downside risk mitigation, accords well with the investment objective of stable and consistent income and a moderately accretive NAV.

SWOT ANALYSIS

Strengths

- ◆ The global non-investment grade credit team comprises 56 investment professionals. The team is significantly resourced, highly qualified, stable, incentivised and backed by a strong track-record.
- ◆ The fundamental investment process is comprehensive, long-standing and proven by way of a long-term track-record of alpha generation. These attributes provide IIR with conviction in the ability of the Investment Manager to achieve the performance objectives of the Trust.
- ◆ The Investment Manager places a strong emphasis on capital preservation and downside risk mitigation through its fundamental investment processes. It is here where the Investment Manager seeks to drive alpha and indeed, historically, it has been during less benign market environments where the Investment Manager has recorded lower drawdowns, lower volatility and lower defaults than the market in general.
- ◆ The Manager will bear all IPO costs. IPO investors will not be adversely impacted by a day 1 NAV lower than the issue price. Additionally, the Manager will not be issuing 'loyalty' options, which often adversely impact subsequent price performance. We also note the management fee (0.70% p.a.) is competitive relative to high yield peers.

Weakness

- ◆ While recognising the Investment Manager's 20+ year track record managing U.S. high yield corporate bonds and that U.S. high yield corporate bonds will constitute approximately 60% of the Trust's portfolio, we note that the Investment Manager's track record managing the Emerging Market and European constituents of the Trust's portfolio, as well as the fully integrated Global High Yield strategy itself, are not as long and are yet to be tested in a difficult credit market. Having said this, we do note that the US high yield strategy has performed well over the full market cycle and that the investment team employs the same fundamental investment process and is subject to the same risk controls across all its high yield corporate bond strategies.

Opportunities

- ◆ The income component of many domestic investors' portfolios is often heavily domestic focused and with a significant equity (hybrid) component. The Trust's investment strategy provides the means to earn potentially similar returns but diversify by geography, credit market conditions, investment names and sector. In many respects, this is the key benefit of the Trust from an overall portfolio perspective, in addition to the merits of the product itself (team, process, risk management, track-record, etc).
- ◆ Access to a proven investment manager with one of the largest investment teams globally in the high-yield segment and which implements investment decisions based on a thorough and proven investment process.
- ◆ There is a strong alignment with investor interests, both by way of a portfolio manager's deferred compensation being invested in the strategies which he/she manages and through equity ownership in Neuberger Berman.

Threats

- ◆ With back to back losses in February and March 2018 driven by a spread widening the global high yield sector suffered its first quarterly loss in just over two years and its first Q1 loss since 2008. This comes after a nearly two-year run of declining volatility. The Investment Manager, persuasively argues the sector has a fundamentally strong outlook. However, with central banks slowly tightening monetary policy combined with relatively high indebtedness it may be prudent for investors to factor in an outlook of pressure on credit spreads over the short to medium term. We would note, however, that there is a general expectation of rising volatility in most asset classes, including equities.
- ◆ By the very nature of the strategy, the Trust's portfolio predominantly comprises non-investment grade bonds. Non-investment grade bonds tends to have a higher probability of default and this risk tends to cluster around specific events and/or economic environments. We do acknowledge, however, that high-yield investors have historically been compensated by this higher risk (relative to the investment grade market) by way of meaningfully higher historical yields.
- ◆ A significant deterioration in corporate balance sheets and in the global economic environment. This may result in significant mark-to-market losses in the portfolio and NAV depreciation risk. We note that this may not actually result in any realised losses.

PRODUCT OVERVIEW

The proposed global corporate bonds portfolio comprises predominantly high-yield (non-investment grade) bonds, with the focus on B and BB rated bonds. From a regional perspective, the Investment Manager will use the global high-yield market (as reflected in the benchmark index, the ICE BofAML Global High Yield Constrained Index) as a guidepost to regional allocations. At this point in time, the regional allocation is approximately 60/20/20 to the U.S., European, and Emerging Markets. These allocations are likely to change over time as the global high-yield market itself naturally changes. Additionally, the Trust's regional allocations may also vary based on the Investment Manager's tactical asset allocation investment process.

The Investment Manager has an established track-record in managing high-yield strategies in all three regions, the longest being in the U.S. market where it has a track-record dating back to 1997. As the size of the European and Emerging Market high-yield markets grew (the U.S. used to constitute 90% of the global market) so too did the Investment Manager's global team and regional specialisation. We note that while the Investment Manager has shorter track-records in its European and Emerging Market strategies, all three regional strategies are run by the one global team and based on the same investment processes.

The portfolio will be diversified by issuer (average 250-350 issuers, average issuer size within the portfolios of 0.25% - 0.50%, maximum issuer allocation of 3%), industry and geography (20-30 industries represented and industry maximum generally 3x market weight), and bonds issued by large and liquid corporates (to facilitate moving in and out based on relative value and/or a deterioration in credit quality). While the focus is B and BB, there will be an opportunistic use of BBB and CCC credit tiers. Currency exposure will be fully hedged back to the Australian dollar.

The Investment Manager has the flexibility to invest up and down the capital structure / credit quality spectrum and to vary the allocations across the U.S., Europe and Emerging Markets, although we expect potential variations of the latter to be at the margin. The Investment Manager will seek to generate alpha through industry and quality rotation, country selection and relative value analysis. The Investment Manager seeks to particularly drive alpha during less benign market environments through the avoidance of credit deterioration and defaults. In this regard, the Investment Manager's longer term track-record is strong.

As noted overleaf, the NB Global Corporate Income Trust will be managed by portfolio managers from across Neuberger Berman's Global Non-Investment Grade Credit and Emerging Market Debt teams. This team focuses on companies issuing non-investment grade bonds from both the developed markets and emerging markets. The investment team is significantly resourced by analysts, portfolio managers and directly supporting personnel, specifically economists and traders. It is a highly qualified, globally based team, marked by a high degree of team stability and solid long-term track-record.

The team commenced managing US high yield bonds in 1997 and added further regional capabilities in line with the growth and evolution of the high yield market. The Investment Manager began managing European high yield corporate bonds in 2006 and launched its dedicated European High Yield strategy in 2014, coinciding with the maturation and increased depth of European high yield markets. The Emerging Markets Debt team's experience in managing emerging market high yield bonds dates back to 2003. In 2016, the firm launched a dedicated Global High Yield strategy which brings together the respective regional high yield capabilities. As at 31 March 2018, the Non-Investment Grade Credit and EMD Corporate Credit teams managed USA\$43.9 billion in developed market high yield bonds and US\$3.5B in emerging market corporate bonds.

The Investment Manager has a target net income return of 5.25% per annum over the foreseeable future. We expect returns to be largely in the form of income and it is the Manager's intention that income will be paid on a monthly basis. As an LIT, all income earned in the form of coupons paid on the underlying debt instruments and capital gains / losses on the disposal of debt investments will be passed through to investors. NAV changes will be a function of changes in the market value of the bonds held in the portfolio.

In terms of fees, the Manager anticipates the Trust incurring Management Costs of 0.85% p.a. This amount is inclusive of a management fee of 0.70% p.a. and other costs and expenses including those payable to the Responsible Entity, Administrator and Custodian (other than transaction related), auditor and lawyers. There are no performance fees. The management fee is competitive relative to global and domestic high-yield peers. Additionally, investors gain from the fact that the Manager will incur all listing costs.

The Manager intends to have the option to implement a unit buyback program should it be deemed necessary in the situation of a material and sustained discount to NTA. Investors can gain comfort from the fact that the Investment Manager has implemented such a program for a U.K. listed entity when deemed in the best interests of investors.

MANAGEMENT GROUP PROFILE

Neuberger Berman Australia Pty Limited is a proprietary limited company incorporated in Australia and operates under an Australian financial services licence (AFSL no.391401). The Manager's primary role is to make available Neuberger Berman's investment strategies to wholesale investors in the Australian market and to provide certain financial services relating to such strategies. As at 31 December 2017, the Manager had oversight over A\$7.6 billion in funds under management/advice for Australia based clients across equities, fixed income and alternative strategies.

Neuberger Berman is an independent, 100% employee-owned investment management firm headquartered in New York and with offices in 20 countries. The employee ownership is very broad, with in excess of 400 owners. In terms of major historical milestones, the firm was founded in 1939; publicly listed on the NYSE in 1999; privatized (by Lehman Brothers) in October 2003; and became independent again in May 2009 via a management buy out.

Since its reemergence as an independent firm, Neuberger Berman has recorded a period of stable and sustained growth. Today Neuberger Berman has approximately US\$300 billion in assets under management across fixed income, equities and alternative strategies, partnering with institutions, advisors and individuals globally to address needs for income, growth and capital preservation. Neuberger Berman has approximately 2,000 employees, of which approximately 570 are investment professionals, and runs over 100 investment strategies. The breadth of its investment platform by major asset class is summarised below.

Neuberger Berman Investment Platform by Asset Class			
	Fixed Income	Equity	Alternatives
AUM US\$304bn	US\$132bn	US\$103bn	US\$77bn
Investment Professionals	164	228	149
Fundamental Strategies	Global Investment Grade Global Non-investment Grade Emerging Markets Opportunistic / unconstrained Municipals Specialty Strategies	Global / EAFE US Value / Core / Growth Emerging Markets Regional EM, China Socially Responsible Income Strategies	Private Equity: multiple Alternative Credit: multiple Hedge Funds: multiple
Quantitative		Global US Emerging Markets Custom Beta	Risk Premia Options Global Macro Commodities

The roots of Neuberger Berman's fixed income investment organization extend back to 1981 when a three-person team of fixed income professionals joined Lincoln Capital Management Company. In 2003, Lehman Brothers acquired the fixed income capabilities of Lincoln Capital to become its institutional fixed income investment management group, and established Lincoln Capital Fixed Income Management Company, LLC. Following Neuberger Berman's management buyout in 2009, the fixed income investment organisation became an integral part of Neuberger Berman.

Neuberger Berman's investment management strengths are manifold, including: an alignment of interest, with portfolio managers investing alongside clients; a breadth of investment expertise, with in excess of 570 investment professionals connected across public and private markets, credit and equity; experienced and stable teams with approximately a 25+ year average industry experience for lead PMs, and 96% annualised retention rate of senior investment professionals since becoming an independent firm in 2009; extensive fundamental research, with access to management, innovative ESG research, and sophisticated risk management.

Additionally, Neuberger Berman notes its track-record of long-term outperformance, with 87% of institutional-oriented equities AUM outperforming respective benchmarks over a 10-year period (ended Sept 30, 2017), 78% of institutional-oriented fixed income outperforming respective benchmarks similarly over a 10-year period, and 88% of NB Private Equity funds

raised between 2002 - 2014 (since inception performance) outperforming MSCI World Index + 300 bps benchmark.

INVESTMENT TEAM

The NB Global Corporate Income Trust will be managed by portfolio managers from across the Investment Manager's Global Non-Investment Grade Credit and Emerging Market Debt teams who focus on high yield issuers from both the developed markets and emerging markets. Namely, the lead portfolio managers responsible for the Trust are Tom O'Reilly, Patrick Flynn, Vivek Bommi, Nish Popat and Jennifer Gorgoll. Collectively, the aforementioned portfolio managers have an average of 23 years of investment experience, are supported by 33 research analysts, four economists/strategists and five dedicated traders.

The strategy is managed with a disciplined team-based approach, in which a collaborative decision-making process is balanced by individual accountability for portfolio recommendations. While the strategy's portfolio managers are ultimately responsible for making buy and sell decisions, the team's individual analysts have primary responsibility for identifying investment ideas and carrying out all aspects of the research process. As such, the team has an organisational structure through which it seeks to maximize the potential contributions of its research personnel while incorporating the perspectives of the portfolio managers and traders.

The team's research teams are structured along sector lines (Consumer, Cyclical, Telecom and Energy/Utilities), with each research team consisting of analysts who focus on specific industries. Each analyst has significant industry and company-specific knowledge and is responsible for understanding an issuer's capital structure, from the most senior to the most junior of securities. To leverage its credit resources, the team also works closely with its team of global investment grade analysts. With regard to the Emerging Markets analysts, responsibilities are further split between the emerging markets regions: Asia, Latin American (LATAM) and Central Eastern Europe Middle East & Africa (CEEMEA).

Globally, the team represents one of the largest in the global non-investment grade segment. Each analyst generally covers between 25-35 corporate entities, compared to an industry average in the vicinity of 60 to 70 corporate entities. The intention is to enable more in-depth research into each credit. There is a relative active company visitation program as part of the research process, with every analyst expected to visit each management team on-site generally twice a year. The team is spread globally to facilitate a closer degree of contact with the covered corporate entities and credit conditions that generally prevail in the relevant geographies and sectors.

While the analysts work in teams and each issue selection decision is subject to committee review, the analyst is at the heart of the selection recommendation process and there is a high degree of visibility and accountability. Analysts witness their ideas at work in client portfolios and, from a practical point of view, analysts' compensation is tied directly to the performance of their recommendations.

The key members of the investment team are detailed below.

- ◆ Thomas P. O'Reilly, CFA, Managing Director, joined the firm in 1997. Tom is the Head of Global Non-Investment Grade Fixed Income and is also a Senior Portfolio Manager for High Yield and Blended Credit portfolios. Tom serves on the firm's Partnership Committee and is a member of the investment team setting overall portfolio strategy. Tom had previously been a high yield analyst at Stein Roe and Bank of America for eight years. Tom earned a BS in Finance from Indiana University, an MBA from Loyola University, and has been awarded the Chartered Financial Analyst designation..
- ◆ Patrick H. Flynn, CFA, Managing Director, joined the firm in 2006. Patrick is a Senior Portfolio Manager for high yield portfolios. He came to the firm with more than 15 years of experience, including positions with Putnam Investments, JP Morgan Chase and UBS. Most recently, Patrick served as director of research for DDJ Capital Management, LLC. He holds an AB from Columbia University, an MBA from the University of Chicago and has been awarded the Chartered Financial Analyst designation.
- ◆ Vivek Bommi, CFA, Managing Director, joined the firm in 2007. Vivek is a Senior Portfolio Manager. In addition, he sits on the Credit Committee for high yield bonds and senior floating rate loans. Prior to joining the firm, Vivek worked in the leverage finance groups at The Carlyle Group and Banc of America Securities. He started his career as an investment analyst at Intel Capital. Vivek earned a BS from the University of Illinois, an

MBA from Columbia Business School, has been awarded the Chartered Financial Analyst designation and is a Certified Public Accountant..

- ◆ Nish Popat, Managing Director, joined the firm in 2013. Nish is a Co-Lead Senior Portfolio Manager on the Emerging Markets Corporate Debt team. Nish joined the firm after working at ING Investment Management, where he was most recently a senior portfolio manager on the Emerging Markets Corporate Debt team. Prior to that role, he was head of fixed income for the Middle East and North Africa. Prior to joining ING, Nish was the head of the fixed income trading desk at NBD Investment Bank running relative value/ market-making books in Middle East debt, and before that worked in Saudi Arabia for the Saudi Holland Bank as head of fixed income and derivatives. Nish started his career in London where he held several fixed income positions.
- ◆ Jennifer Gorgoll, CFA, Managing Director, joined the firm in 2013. Jennifer is a Co-Lead and Senior Portfolio Manager on the Emerging Markets Corporate Debt team responsible for global portfolios investing in high grade and high yield emerging market corporate debt across the regions. Jennifer joined the firm after working at ING Investment Management, where she was most recently the head and a senior portfolio manager of the Emerging Markets Corporate Debt team. Before that Jennifer worked in ING's Private Placement group where she focused on private fixed income investments in emerging market corporates and structured credit. She also spent several years in the Special Asset Group where she was responsible for restructuring distressed assets globally. Prior to joining ING Investment Management, Jennifer worked at Prudential Capital Group specializing in private placements for US-domiciled companies based in the Southeast and before that worked in the Financial Institutions Group at Salomon Brothers Inc. and at Patricof & Co. Capital Corp., a boutique investment bank. Jennifer received an MBA with Honors from Columbia Business School with a concentration in Finance and a BS in Finance and Insurance from The Honors College at the University of South Carolina. Jennifer has been awarded the Chartered Financial Analyst designation.

Key Investment Personnel			
Name, Position	Focus	Experience (yrs)	Most Advanced Degree
Thomas O'Reilly, CFA	High Yield	28 years, 20 years with NB	MBA, Loyola University
Patrick Flynn, CFA	High Yield	25 years, 11 years with NB	MBA, University of Chicago
Vivek Bommi, CFA	European High Yield	19 years, 10 years with NB	MBA, Columbia University
Nish Popat, CFA	EMD / Corporate	24 years, 4 years with NB	-
Jennifer Gorgoll, CFA	EMD / Corporate	19 years, 4 years with NB	MBA, Columbia Business School

INVESTMENT PROCESS

Investment Philosophy

The Investment Manager's underlying premise is that corporate debt has historically been, and in the Investment Manager's view continues to be, a good segment of the market to achieve recurring income through a coupon stream. The Investment Manager emphasises that the primary risk it focuses upon in corporate bonds is the deterioration of a business, and the consequent possibility of a default. The premise of the Investment Manager's investment style is a strong focus through research in avoiding potential credit deteriorations and / or defaults by pro actively identifying such trends and divesting bonds that are subject to such risks.

To execute upon this, the Investment Manager has built a global non-investment grade team of 56 investment professionals located globally in the belief that a bottom-up, in-depth understanding of businesses is the most effective way in which to proactively avoid credit deterioration. The Investment Manager holds that the most effective way to generate returns is to protect client assets on the downside while endeavouring to participate on the upside.

The team expects to generate alpha through avoiding credit deterioration, timely sector rotation, regional allocation, emerging market country selection and rigorous relative value analysis. In practice, the Investment Manager will tend to move up and down the credit spectrum in response to how the market is generally pricing risk; at this point in the cycle where credit spreads are relatively tight the Investment Manager has generally rotated into a higher level of credit quality while, conversely, where risk has been re-priced the Investment Manager will rotate the portfolio into bonds regarded as 'cheap' to capture the potential upside. The Investment Manager is active in sector, regional, and emerging market country

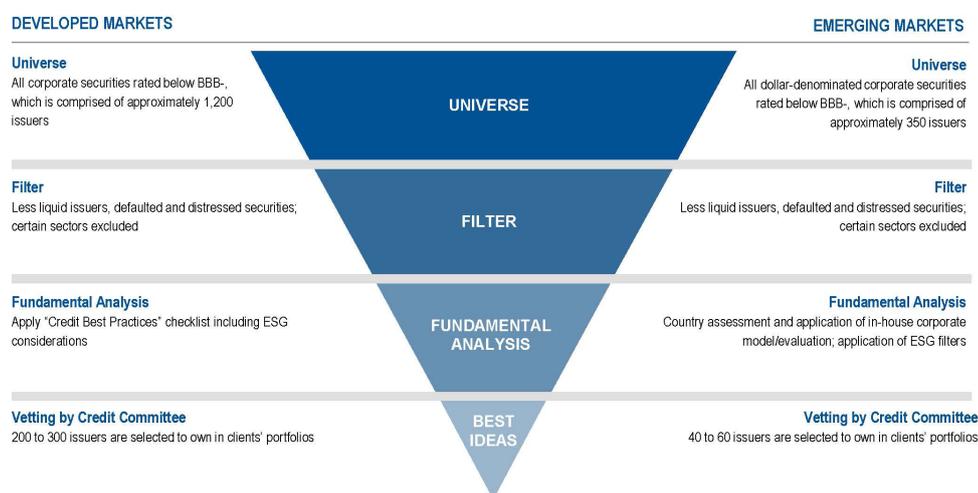
rotation in the sense that if a bond hits its valuation it will typically divest the holding and rotate into other bonds.

Investment Process

The team's investment process is diagrammatically presented and described below.

Global High Yield Credit Selection

Bottom-up process starts with credit analysts' fundamental ideas



The credit ratings noted above are those of Standard & Poor's. Ratings of BB and below are considered non-investment grade. Credit ratings are subject to change at any time. This material is intended as a broad overview of the portfolio managers' style, philosophy and investment process and is subject to change without notice. Portfolio managers' views may differ from those of other portfolio managers as well as the views of Neuberger Berman. See Additional Disclosures at the end of this presentation, which are an important part of this presentation.

Investment Universe

The investment process begins with the screening of the respective developed and emerging market high yield markets to identify eligible securities. The goal is to reduce the broad global high yield universe to a manageable size of potential investments that will then be subject to detailed fundamental analysis. For the developed market component of the portfolio, the universe is comprised of all corporate securities rated below BBB- (approximately 1,200 issuers). For the emerging market component, the universe is comprised of all dollar-denominated corporate securities rated below BBB- (approximately 350 issuers).

From the high yield rated universe (roughly 1,550 issuers), the team screens out: 1) for the US: issuers with less than US\$500 million in publicly-traded debt outstanding, defaulted securities, and issuers with less than US\$100 million in EBITDA; 2) for Europe: issuers with less than US\$200 million in publicly-traded debt outstanding and defaulted securities; 3) for EM: issuers with less than US\$300 million in publicly-traded debt outstanding and defaulted securities; 4) issuers in sectors deemed high risk with respect to structural issues, such as certain auto suppliers, fashion-oriented retailers and finance companies; 5) outliers including severely distressed and one-time issuers.

Credit Analysis

Issuers that are screened in based on the above filter are subject to an in-depth fundamental analysis which focuses on understanding a company's financial strength. For each company, the analyst models the financials across three scenarios: base case, upside case and downside case. Analysts monitor each company relative to the scenarios to identify situations that could cause a change in each company's ability to service its debt.

The process is driven by the long-standing "Credit Best Practices" checklist to ensure that analysts cover all important aspects of credit research. This due diligence process is applied to all issuers and is designed to be repeatable, comprehensive, and proactive and results in a circa 15-page document.

The checklist covers the material credit aspects of the investment decision, including:

1. Financial review with specific attention to revenue and cost drivers, predictability of cash flows, internal cash flow generation and the implications for interest and principal payments and capital expenditures.
2. Deal structure and covenants.

3. Assessment of management, partly through a strong company visitation program
4. Sources of liquidity such as bank lines, cash on hand, access to capital markets, and asset sales.
5. ESG assessment.
6. In-depth inspection of applicable filings with an eye toward any outstanding litigation and other commentary germane to the investment decision.
7. Thorough review of any other indentures.
8. Assessment of relative valuation based on its internally generated credit quality rating and prevailing spreads for the industries and quality tiers.

For the emerging market segment of the portfolio, country selection is an important source of potential added value, as the performance of high yield bonds issued by emerging market corporates tends to be significantly impacted by changes in the credit quality of the respective emerging market sovereign.

Valuation

The goal is to select bonds that analysts believe offer not only strong credit fundamentals, but also the potential for capital appreciation. A key source of added value is the team's relative value analysis. The team seeks opportunities that it believes offer appropriate compensation for risk and seeks to avoid opportunities that it believes do not. The relative value analysis begins with assigning each security an internal credit rating, which emerges from the team's credit research. This internal rating is used for spread comparisons across industry sectors and ratings categories.

Another source of added value in the team's investment process is industry and quality rotation. The team seeks attractive investment results in both bullish and bearish markets. This means it proactively positions the portfolio in more defensive industry sectors and quality categories during times of economic weakness while proactively increasing the portfolio's exposure to more cyclical sectors and lower quality tiers during stronger economic times.

Vetting by Global High Yield Credit Committee

Analysts' recommendations are first vetted within their respective sector teams. After an investment idea has been evaluated by the sector team, it is then reviewed by the senior professionals who constitute the Global High Yield Credit Committee. The committee consists of all 11 portfolio managers in the non-investment grade division.

Every eligible credit is reviewed by all 11 committee members, reflecting the Investment Manager's view that the more 'eyes' on each possible investment the better. It also ensures that all members feel responsible for all investments in the portfolio. Investment decisions have generally tended to be unanimous. The breadth of the credit committee removes key person and key decision maker risk. This further builds on the repeatable character of the fundamental analysis process.

Portfolio Construction Process

The portfolio construction process includes emerging and developed market perspectives in which top-down sleeves of the portfolio are populated by the portfolio management team. For the emerging market allocation of the portfolio, country selection is an important source of added value. The team produces credit scores for approximately 80 countries based on a broad range of macro factors (relating to the domestic economy and the external sector) and ESG factors. These emerging market country credit scores are a key factor in determining the country allocation for the emerging market allocation of the portfolio.

Regional asset allocation is an additional source of alpha for the strategy, and is based on a top-down allocation process focused on global macro outlook, regional fundamentals, technicals, and valuations in order to determine relative value opportunities. The Global High Yield Asset Allocation Committee is responsible for the overall asset allocation process for the strategy. It is comprised of the five portfolio managers and Brad Tank, Chief Investment Officer and Global Head of Fixed Income. Their top-down insight drives allocation among the strategy's investment geographies.

The Investment Manager has the flexibility to alter the allocations between the U.S., Europe and Emerging Markets. Additionally, the allocations may also change over time as the global high yield market itself continues to change. However, this flexibility is not intended to be a material driver of alpha generation (partly as the correlation between the three markets is

high at an approximate 95%). It is the Investment Manager's intention not to disrupt what, historically, has worked well at an individual bond and asset allocation level.

The portfolio construction process at the level of individual bonds is subject to formal limits and guidelines to ensure adequate diversification across individual issues, industries, geographies and bond quality tiers. The average holding is 0.25% - 0.5% with a 3% issuer maximum as a typical constraint (a limit very rarely approached). Global High Yield portfolios typically contain between 250 and 350 issuers. The maximum industry weight is generally three times the industry weight as it is represented in the high yield market and unlikely to exceed 20% in a particular industry. The portfolio will generally hold positions in at least 20 industry classifications with holdings across U.S., European and emerging market geographies. From a credit quality perspective, as noted the focus is on positions between B and BB, with opportunistic use of BBB and CCC credit tiers and avoidance of defaulted and workout issuers.

Additionally, any time a credit moves down 5% relative to market, the credit committee and analyst is immediately reconvened to ensure there is an understanding of the market dynamics particular to the credit. The process is partly designed to ensure that simply a 'buy-and-hold' mentality does not apply in situations that may present investment opportunities.

The Investment Manager is precluded from investing in sovereign and / or local currency emerging market debt, structured products / credit derivatives, and hybrid / convertible equity instruments. The portfolio will comprise predominantly corporate bonds, with a de minimis exposure to derivatives for hedging against the AUD and, potentially, interest rate sensitivity, and cash.

Proposed Portfolio

The tables below detail the proposed portfolio. It is based on the Investment Manager's existing global high yield portfolios as at 30 June 2018 and using the current 60/20/20 regional allocation of the global high-yield market as a guidepost to regional market allocations. Based on this proposed composition, the current yield (hedged) is approximately 6.77% p.a.

Credit Characteristics					Industry Breakdown	
Regional Allocation		60%	20%	20%	Industry Breakdown	
Key Metrics	Model Portfolio	U.S.	Europe	EM	Sector	% Portfolio
Current Yield Hedged	6.77%	6.38%	6.50%	8.05%	Financial & Real Estate	14%
Weighted Average Coupon	5.96%	6.02%	4.76%	6.63%	Energy	14%
Weighted Average Duration	4.29	4.13	4.87	4.14	Media	13%
Weighted Average Maturity	6.23	6.18	6.98	5.66	Telecomm	10%
Number of Issuers	307	175	74	83	Healthcare	9%
By Credit Quality Tier					Basic Industry	9%
Credit Quality Tier					Utilities	6%
BBB	BB	B	CCC and below	Not Rated	Services	5%
1%	55%	38%	6%	1%	Capital Goods	4%
By Regional Allocation					Retail	4%
Regional Allocation					Technology	4%
US	EU	EM			Leisure	3%
60%	20%	20%			Others	3%

The weighted average duration is approximately 4.3 years. Consequently, the portfolio does not have large interest rate sensitivity. The number of issuers is 307. In terms of credit quality tier, the majority is BB- through to BB+ rated. At 7% of the total portfolio, there is a relatively small degree of opportunistic use of CCC+ and below. The portfolio is diversified by industry. The largest exposure is to the communications sector (media and telecomms combined), largely encapsulating the less cyclical cable and wireless companies where the Investment Manager sees value currently.

Sell Discipline

To ensure gains are retained the Investment Manager applies a sell discipline. If a bond is assessed to have reached full value the Investment Manager will divest the holding and rotate into another investment. Additionally, if the Investment Manager is anticipating a deterioration in core results or an industry downturn it will typically divest relevant names. Unexpected management changes, and the like, are also typically viewed as a red-flag and cause to potentially divest.

Risk Management

The key risk with respect to high yield investing is credit risk and the potential for price erosion that can result from deterioration in the credit standing of a high yield issuer. The team carries out in-depth upfront credit analysis, but once a credit is purchased it monitors the credit on an ongoing basis. Accordingly, the team seeks to obtain an early warning on developments that could act as catalysts for credit deterioration by monitoring relevant data (key financial drivers, commodity prices, stock prices, regulatory developments, filings, financial results relative to their models, press releases, and management's commentary). The team also tracks bond and loan secondary prices and these are reviewed on a daily basis for significant price movements.

Quantitative systems and tools are important to managing the team's high yield bond portfolios. A proprietary quantitative risk control tool is used to compare portfolio risk characteristics with those of the market benchmark. The team utilizes its risk measurement software to monitor relevant characteristics including spread exposures, industry diversification, duration, maturity, coupon profile, and credit quality. The output from the risk management process is integral to portfolio construction, with the team seeking to ensure portfolios are structured with the desired levels of absolute risk as well as risk relative to the benchmark index.

The Investment Manager's Portfolio Analysis and Risk group assists the high yield team in quantifying and analyzing market risk. This internal group performs tracking error ("TE")/ value at risk ("VaR") analysis along with stress testing and scenario analysis and uses risk measurement analytical platforms to quantify and analyze market risk by examining factors such as credit spread, default, volatility, interest rates, currencies, etc.

These analyses are performed to seek to identify/avoid unintended risk and efficiently use risk on return-generating tilts, thereby improving risk-adjusted return. The analysis findings are conveyed and discussed with portfolio managers on a regular and ad hoc basis.

PERFORMANCE ANALYTICS

The table below details the historic five-year performance of the constituent benchmark indices to 31 December 2017. On a weighted basis, it equates to a coupon payment of 6.0% p.a. It is on this basis, supported by its track-record of alpha generation, that the Manager feels comfortable in communicating a 5.25% p.a. net distribution target.

It should be noted that the below details historic performance in the domestic currencies. This does not account for buying these asset classes and hedging into Australian dollar. In doing so, the Investment Manager would generally pick-up additional 'carry' by swapping the exposure into Australian dollar. In some cases, the 'carry' pick-up would, historically and currently, be very material. As such, in today's environment, the below understates the end-hedged yield amount.

Asset Class	Yield to Maturity (%)	Par Weighted Coupon (%)
Global High Yield	5.62	6.03
U.S. High Yield	6.20	6.36
EM Corporate Credit	5.94	6.29
European High Yield	3.52	4.65

The table below summarises the historic performance of the three regional high yield strategies plus the global high yield strategy since their respective inception dates. While the track-record of the global high yield, European, and Emerging Market strategies are materially less than the US high yield strategy, we would note that going back 10 years, or so ago, the US HY market constituted approximately 90% of the global HY market. As such, the longer term track-record of the US HY strategy is in some part indicative of the Investment

Manager's ability in a purely Global HY Credit strategy. The return figures represent gross performance to provide an indicator of manager skill (relative to benchmark).

Over the longer-term, the Investment Manager has recorded alpha, as evident by the longer-term performance of the US High Yield strategy. The notable aspect of longer-term performance is the bulk of the alpha was driven during less benign market environments. Additionally, in such market environments both the Investment Manager's volatility and drawdowns metrics were superior to the general market. The outperformance has predominantly been driven by downside risk mitigation, which is consistent with the Investment Manager's key message regarding its investment style.

While over the shorter to medium term the Investment Manager has marginally underperformed the index, the Investment Manager has nevertheless participated in the gains during the market upside. This is also somewhat reflected in the historic pattern of tracking error and volatility measures generally becoming very closely aligned to the broader market in positive market environments, while deviating in less positive / negative market environments.

Neuberger Berman Performance Across Corporate Credit Capabilities Globally (as at 28 Feb 2018)					
Composite	Inception	SI Returns (% p.a.)	Alpha (% pa)	Volatility (% pa)	Return/Risk
Global High Yield	2016	4.7	-1.0%	2.8	1.7
U.S. High Yield	1997	8.1	1.4%	8.9	0.91
EM Corporate Credit	2013	6.2	0.7%	4.84	1.29
European High Yield	2014	4.5	0.1%	4.0	1.13

* Quoted in AUD pre portfolio related fees, costs and taxes (gross performance).

Market Outlook

The purpose of IIR reports is not to provide a view on the outlook of any particular asset class, rather a manager's ability to achieve its performance objective over the intended investment time frame. However, we have provided a summary of the Investment Manager's market outlook over the foreseeable future (and as at the date of this report) for the benefit of readers. Investors should be mindful that this is purely the Investment Manager's view and, as the issuer of the Trust, there is an inherent risk of a positive bias on market outlook.

The global high yield sector has experienced a reversal in the first quarter of the year, driven by back to back losses in February and March and the high yield sector suffering its first quarterly loss in just over two years and its first Q1 loss since 2008. The reversal, in some regards, reflected market concerns about the perception of elevated valuations, higher company debt levels, the emergence of inflationary pressures and central banks tightening monetary policies. Irrespective of one's longer term view, many would say the market was due for a 'correction'.

The Investment Manager's remit is, of course, to take a longer term fundamental view of the global high yield sector. In this regard, broadly speaking the Investment Manager is of the view that the market is in an environment now where defaults will remain low and corporate credit quality for the next several years solid. On this basis, the Investment Manager is comfortable with targeting a 5.25% p.a. net distribution paid by the Trust.

In terms of the interest rate outlook, empirical evidence supports the Investment Manager view that when rates do (expectedly) rise the credit market generally absorbs those rate rises (it is rate shocks that have historically led to market volatility). The reason being is because interest rates are rising on account of the occurrence of economic growth. Growth, in turn, generally leads to an improvement in corporate credit quality and, hence, a tightening in spreads. Overall, the Investment Manager views the rising interest rate outlook as indicative of stable to improving corporate credit quality which, in turn, is supportive of credit valuations (and mitigating NAV depreciation risks that may otherwise heighten in such an environment).

On the topic of defaults, the critical driver of losses and NAV impairment, the Investment Manager views the level of market risks is relatively benign / manageable. The Investment Manager points to the low level of debt coming due over the next couple of years (a key driver of debt default), the purposing of debt largely for refinancing (rather than more inherently risky leveraged buy-outs and mergers and acquisitions, for example), the generally strong state of corporate balance sheets, and the general 'upgrading' of credit quality in the high yield segment, with proportionally higher amounts of BB+ rated vicinity and conversely less in the CCC vicinity.

COMPARATIVE ANALYSIS

Based on available data, IIR has undertaken a comparative fee analysis on the Trust to determine competitiveness in this regard. The analysis encompasses European domiciled UCITS funds for both the high yield and corporate investment grade strategies. Additionally, we have considered what we deem to be the most directly comparable Australian based funds in the market, specifically the Bentham High Yield Fund and the AB Global High Income Fund. All data relates to management fees only as opposed to total costs, as generally referred to as a total expense ratio.

The UCITS fee data is presented in the tables below. We note the Bentham High Yield Fund and the AB Global High Income Fund charge a management fee of 0.72% p.a. and 0.95% p.a., respectively.

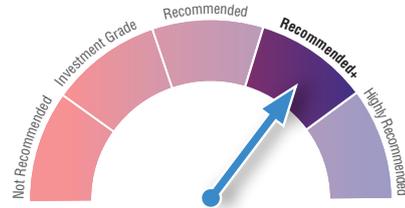
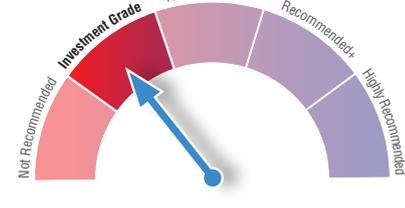
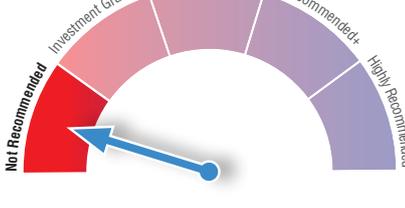
Comparative Management Fee Analysis		
	USD High Yield	USD Corp Investment Grade
Average Inst. Fee	0.61	0.45
Average Retail Fee	1.15	0.91
Median Inst. Fee	0.60	0.45
Median Retail Fee	1.10	0.80

The key point to note is that by charging a management fee of 70 basis points, the Trust compares favourably to both its domestic peers as well as the international peer group (for retail investors), including the investment grade segment. We also note that the latter is, on average, approximately 20 basis points below the high yield peer group, which we believe partly reflects the larger investment teams generally required for non-investment grade credit analysis.

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system

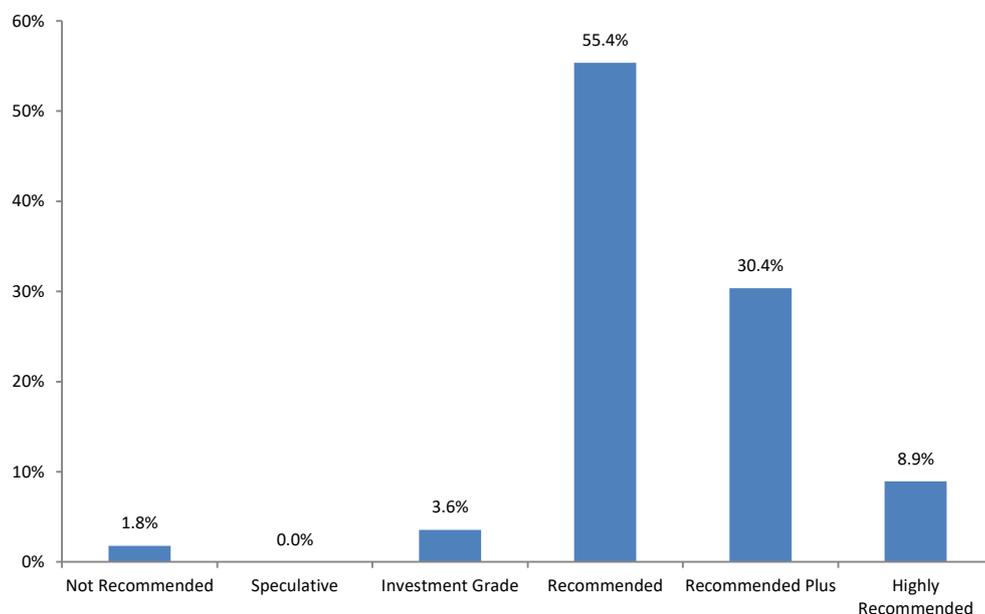
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–83</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>70–79</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Investment Grade</p> 	<p>60-70</p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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