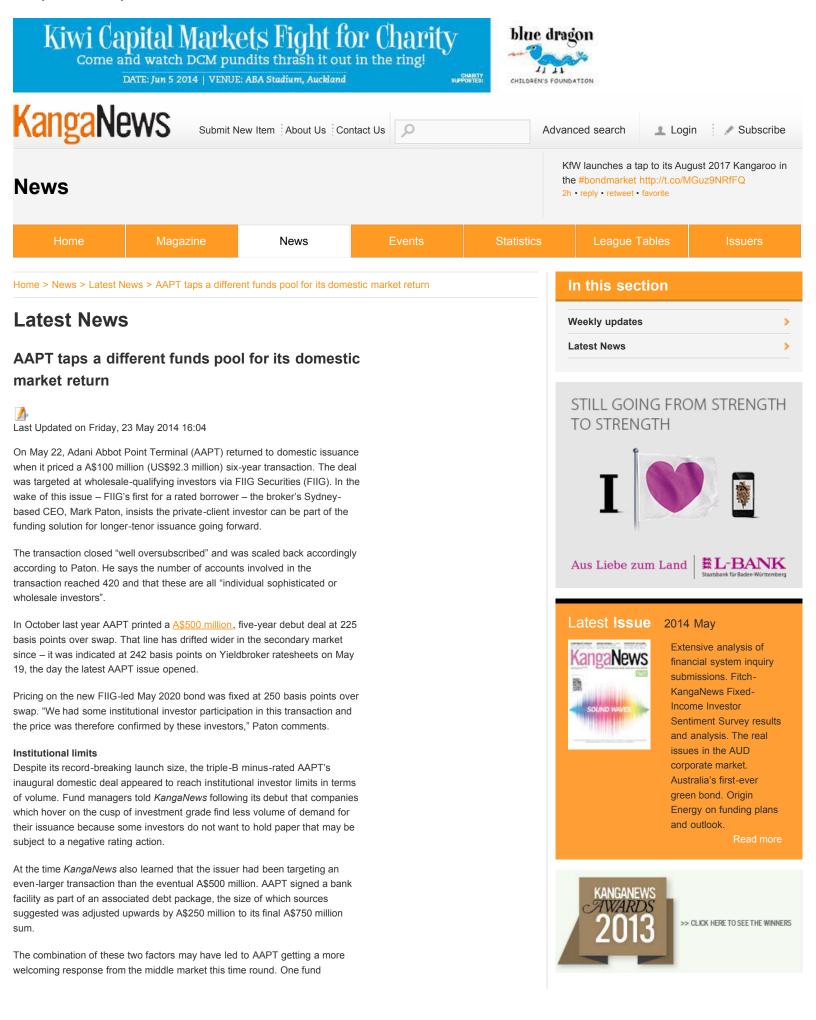
AAPT taps a different funds pool for its domestic market return



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manager suggested in 2013 that in order to ascertain whether the capacity existed for AAPT to return investors would need to assess how the debut deal performed. The issue's performance does not appear to support an asset manager-targeted follow-up deal.

Paton points out that AAPT's owner, Adani, also has access to a variety of offshore capital markets as befits is status as an international operation. "But, at the end of the day, proceeds have to be swapped back to AUD, so the net cost in AUD is the main comparator," he says.

Liabilities to match assets

While AAPT's transaction came at six-year tenor, Paton believes the real benefit the investor base FIIG attracts can give rated borrowers lies in its capacity for extended tenor. To that end, he reveals that FIIG is in dialogue with a number of Australian rated issuers that have also looked at the US and other capital markets in order to match their tenor needs. With increased swap costs due to Basel III and other regulatory restrictions, offshore markets are becoming prohibitively expensive for longer-tenor issues, he adds.

On the other side of the coin, Paton says FIIG's investors have appetite to match these needs. "What our investors are seeking in their self-managed super funds and their private fixed-income portfolios is good-quality assets that offer them yield. For rated issuers this requires them to look at longer-tenor issuance."

The real value for issuers may be longer tenor than the Australian dollar market normally offers. While Paton acknowledges that the mainstream wholesale market likely offers the best value proposition for many investment-grade rates issuers in the mid part of the curve, he also reveals that a reasonable proportion of FIIG's investor base has appetite for 10 year tenor or even more.

FIIG believes it can match these assets with liabilities. "We have been approached and we are approaching a number of rated issuers that we think have the correct credit profile for issuance at 10 years and beyond. We are confident that our investors, if offered an appropriate opportunity, can help to fulfil issuers' demands."

The AAPT transaction brings the total volume of FIIG-originated issuance to A\$515 million across nine deals since September 2012. At the A\$100 million final size, AAPT is FIIG's largest deal.





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