



Hedging Strategies for Penguin Infrastructure

CBA Global Markets Case Competition 2026

PWSK Capital – William Liu [Penultimate UQ 2027]

All information and data as of 26th of May 2026

Penguin Infrastructure Overview



Penguin infrastructure must develop a more stable covenant and earnings environment

Penguin Infrastructure's Position

- **Structural ICR Decline:** ICR has already fallen below 2.0x covenant on operating pressure from **increasing Opex and D&A**, due to long term expansion goals into newer markets
- **Rate Exposed:** \$4.1bn of debt is effectively floating BBSY. Higher rates lift interest expense and compress ICR
- **FX Exposed :** We assume 30% of EBITDA is earned in USD. A stronger AUD can compress ICR via weaker earnings

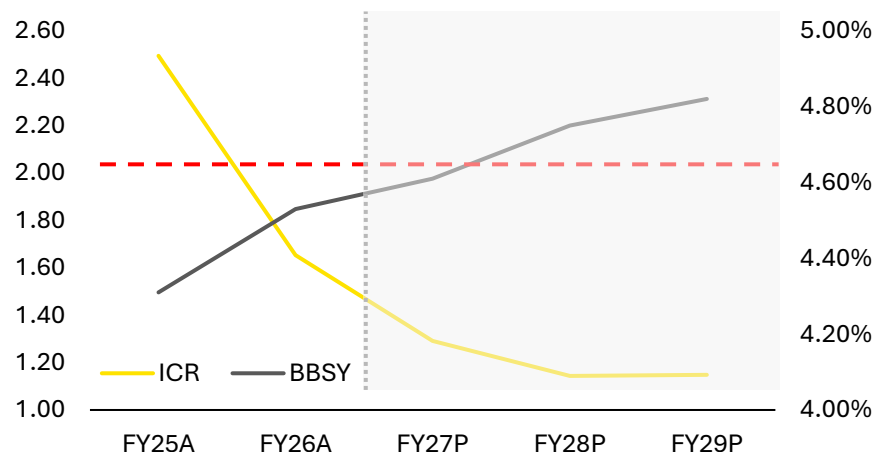
Current Debt Strategy

	Notional	Currency	Fixed Rate	Maturity
BBSY	2,000A\$m	AUD	-	FY35
CD – A*	550A\$m	AUD	5.50%	FY31
CD - B	320A\$m	AUD	5.10%	FY34
CD-C*	450A\$m	AUD	5.50%	FY30
CD-D*	780A\$m	USD	4.90%	FY37

- ***Swapped completely back to floating BBSY**

BBSY (%) vs PI ICR Forecasts and Hedging Implications

Structural Decline of ICR covenant due to deteriorating metrics



Due to the structural decline of ICR our hedging follows:

- **Maintain Earnings Stability:** Hedging dampens swings in interest expense and USD translation that can destabilise earnings
- **Protect Funding access across markets:** Assuming ICR breach does not mean full funding cut off, hedging can help keep the breach shallow and promote a more predictable trajectory
- **Limit risk of further covenant downside:** Hedging limits further downside to the ICR to severe levels (<1.0x)

Forward Outlook



Forward macroeconomic environment is expected to continue pressuring ICR metrics – disrupting PI's expansion goals

Growth

- Private demand, particularly dwelling investment and household consumption **expected to fall due to lower household wealth and higher rates**
- GDP growth slowdown could signal reduced industrial activity, compressing freight volumes across rail and port assets (exact impact not key to our analysis)

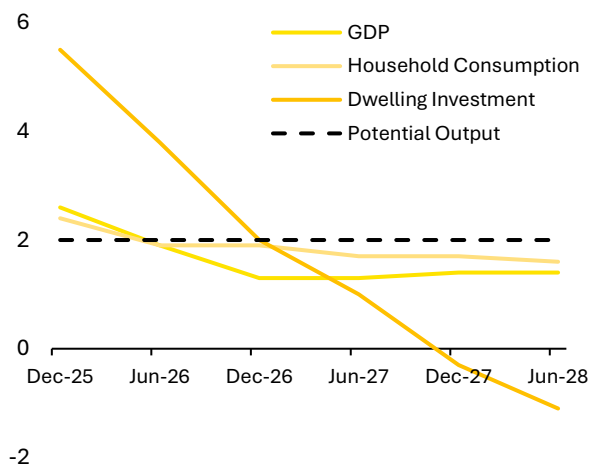
Unemployment

- Anticipated weaker growth in economy weighs on labour demand, and unemployment rate **is forecast to increase to 4.7% by mid-2028**
- RBA Liaison measures of hiring intentions have fallen since the start of the year, **indicating potential declines in labor demand later in the year**

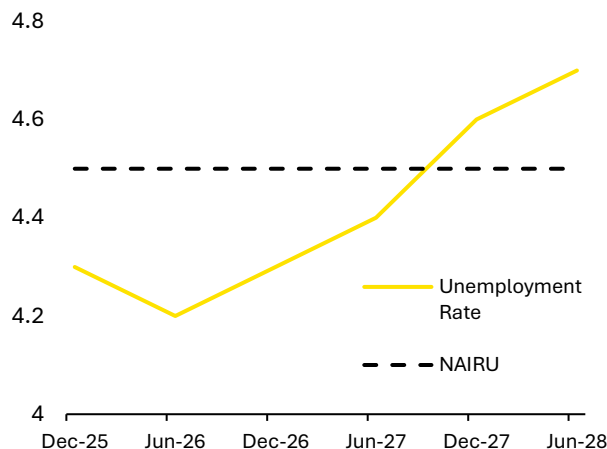
Inflation

- Inflation is likely to remain elevated due to **second pass-through of oil shortage combined with domestic capacity pressures**
- Rolloff energy government rebates are likely to continue to **place upward pressure on inflation leading into FY27**, masking true inflation

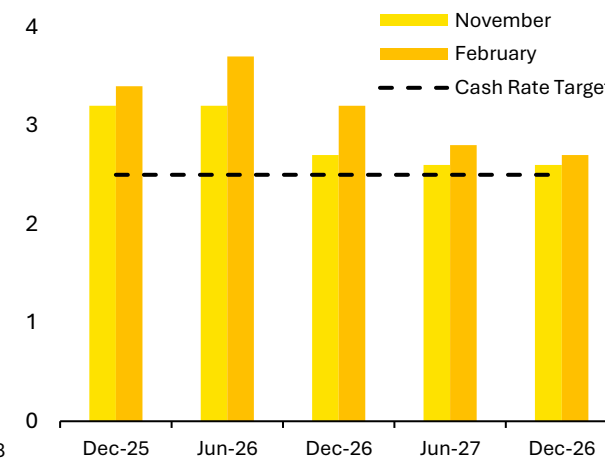
GDP to Lack Impulse



Unemployment forecast to exceed NAIU



RBA pushes back timeline to inflation target



Sticky inflation keeps near-term rate risk skewed higher while a weakening economy may lead to later rate eases

Quantitative Analysis



Rates are near peak, but not pivoting: sticky inflation keeps the RBA on hold before gradual easing

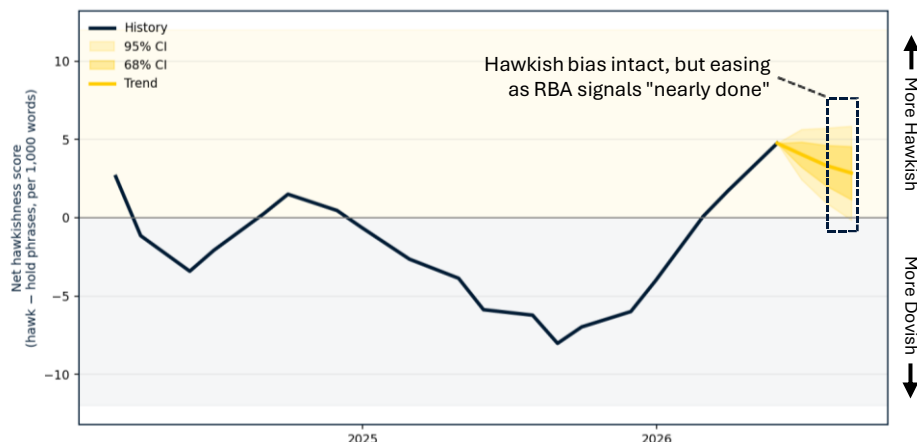
Overview of Projections

- Vector Autoregression** forecasts inflation and the cash rate together as one linked system
- Captures feedback loop** between rates and inflation and gives a probability range not a point

Variable	TMI (%)	CR (%)	SS
Model	VAR	VAR	NLP
Q2 2026	3.5	4.3	+4.5
Q3 2026	3.3	4.3	+3.6
Q4 2026	3.1	4.2	+2.8
Q1 2027	2.9	4.1	+2.2
Q2 2027	2.73	4.0	+1.8

Sentiment Analysis (SS)

Hawkish bias is fading, not reversing; RBA tone remains cautious but less urgent



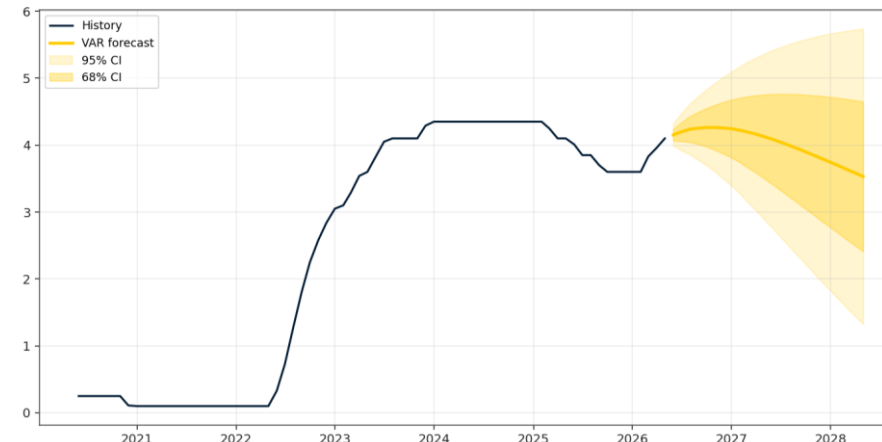
VAR Trimmed Mean Inflation Forecast (%)

Trimmed mean holds above target through 2027 before falling to 2.4% by mid-2028



VAR Cash Rate Forecast (%)

Forecasted singular cash rate hike before gradual decline



Overview

Macro

Model

Outlook

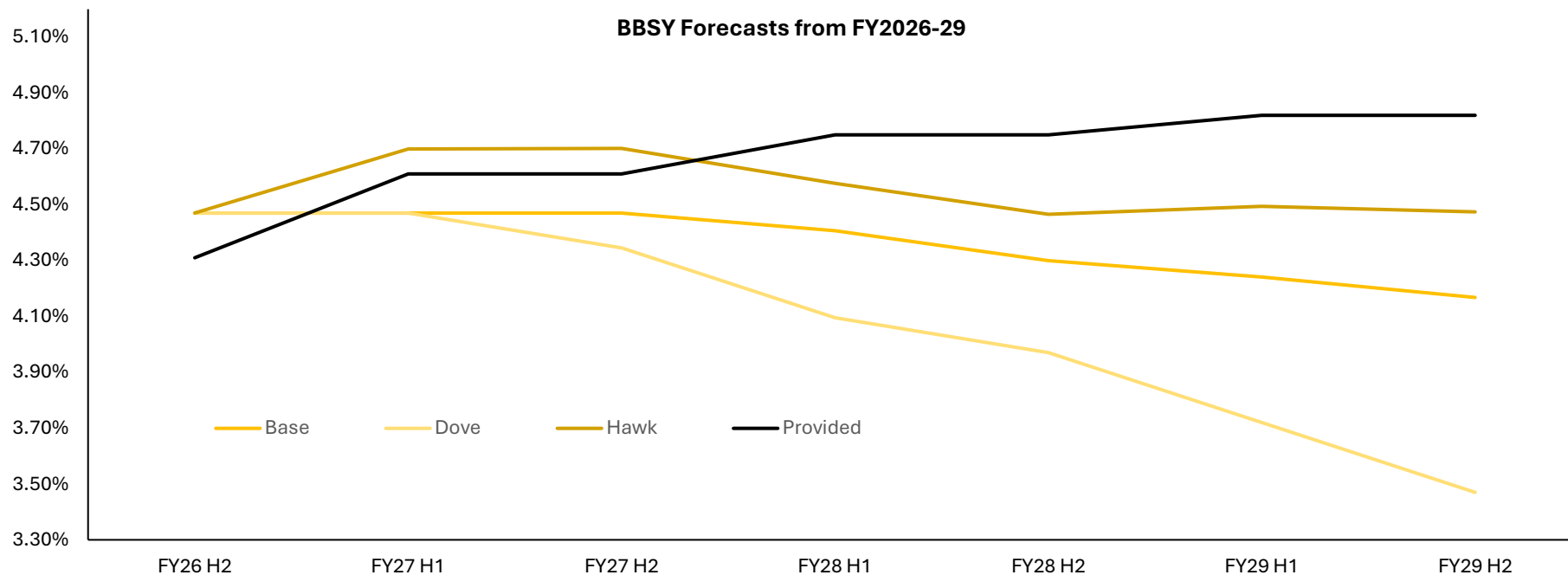
Hedging

Conclusion

Interest Rate Outlook



Cash rate to hold at 4.35% throughout FY2026, followed by slow gradual rate cuts



FY2026: Hold @ 4.35%

- **Fuel prices** push up headline CPI but simultaneously compress household spending power, so the **oil shock is disinflationary** for demand – which hiking doesn't fix
- Australia's high share of **variable-rate mortgages** means rate hikes hit household cash flows harder and faster
- Monetary policy takes **1-2 years to fully transmit**; recent hikes have yet to fully show up in the economy

FY2027-29: Gradual Cuts to 4.14%

- **Steeper-for-longer** curve disadvantages floating rate borrowers
- AI-driven capex boom lifting energy, construction and skilled labour demand; prolonged geopolitical tensions **sustaining elevated oil cost pressures**
- Expansionary July 2026 federal budget **compounding fiscal-driven demand**, keeping RBA tighter for longer

AUD/USD Analysis



30% of Revenue derived from offshore USD operations, meaning EBIT is also exposed to AUD/USD fluctuations, part of ICR

Driven by risk sentiment

- AUD/USD **shrugged off the repricing of RBA rate expectations** after the latest jobs data
- AUD/USD remains **closely tied to equities and volatility** rather than domestic expectations

Distribution Modeled, Not Forecast

- Meese & Rogoff (1983)** – structural and fundamental FX models fail to beat a random walk out-of-sample
- Volatility set to current **12M implied volatility (9.4%)** – **above the 8% long run norm for AUD/USD**

Hedge Defensively against uncertainty

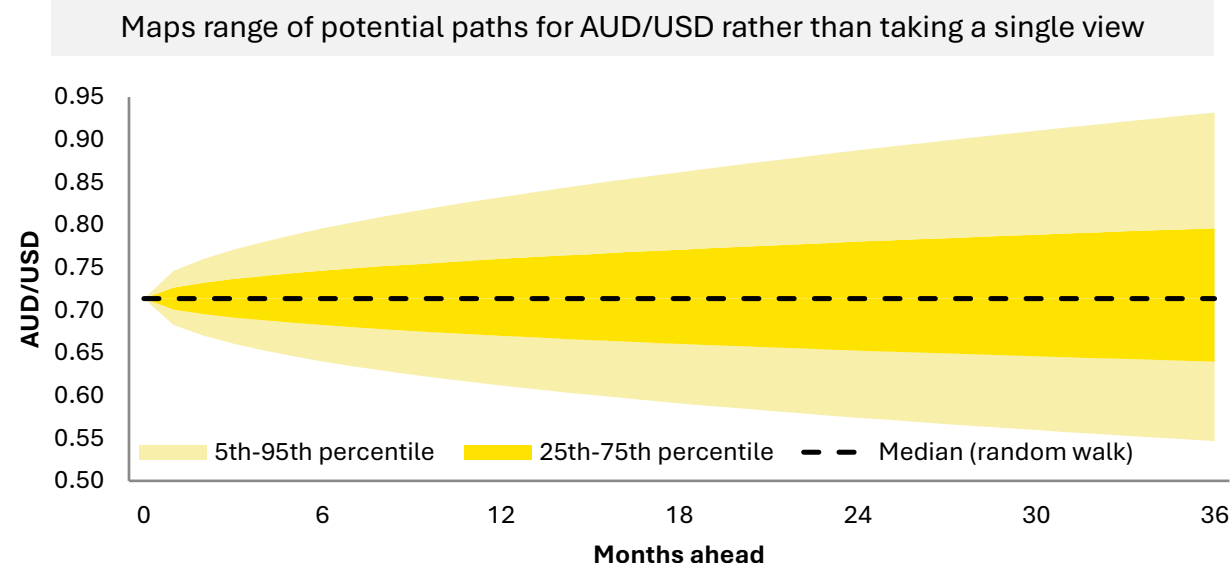
- Hedge the exposure, not a view** – with no high conviction forecastable direction, PI hedges defensively against the full distribution
- Stabilises the ICR** – capping the adverse tail while keeping some upside

AUD/USD cross asset correlations

Driver	5d	20d	60d
2Y spread	-0.26	0.35	0.14
10Y spread	-0.18	0.38	0.19
VIX	-0.82	-0.45	-0.51
S&P	0.93	0.78	0.68
Brent	-0.58	-0.49	-0.39

Current Regime: AUD/USD correlated to equities and VIX more than rate spreads, confirming sentiment as the main driver

AUD/USD random walk model



Elevated AUD/USD uncertainty supports a more defensive hedging framework to stabilise EBIT and covenant metrics

Penguin Infrastructure Key Exposures

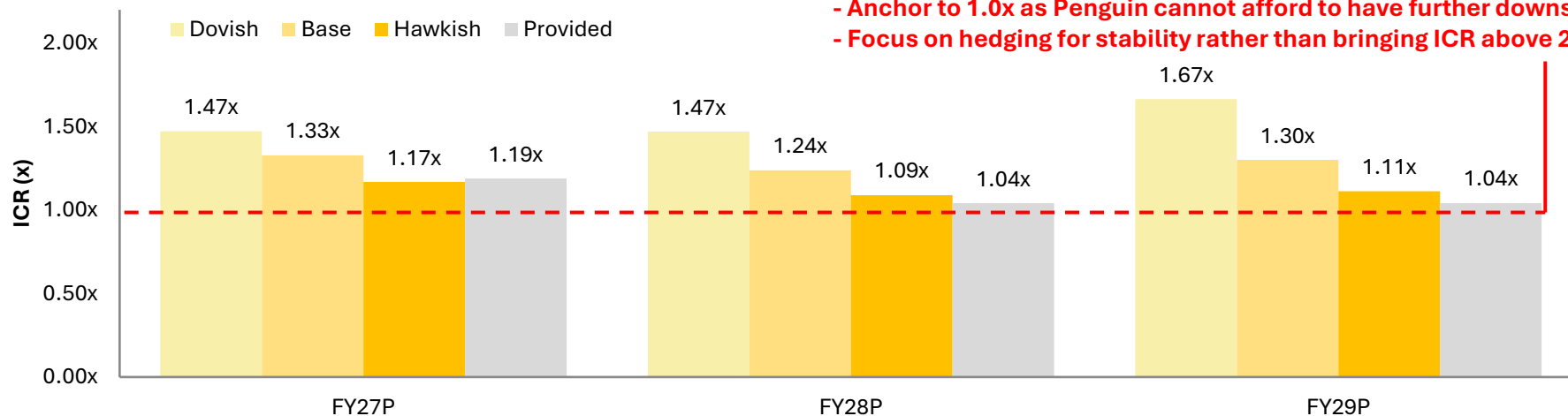


Penguin's interest coverage ratio is exposed to movements on both the earnings and interest expense side

Unhedged ICR Scenario Analysis for BBSY and AUD/USD rates

Given ICR is already significantly below covenant:

- Anchor to 1.0x as Penguin cannot afford to have further downside
- Focus on hedging for stability rather than bringing ICR above 2.0x



Interest Rate Exposure

- **Business Structure:** PI swapped debt structure to **92% floating rate**, away from previous fixed rate loans. **PI Implied Market view** -> **DOVISH** on rates
- **Underlying Exposure:** Significant floating rate loans -> exposed to **upside BBSY movements from RBA rate hikes**
- **Impact on Covenant:** Increase in interest expense due to upside **BBSY risks will lead to declining ICR** and pose risks of inability to acquire funding

FX Exposure

- **Business Structure:** PI **eliminated natural FX hedge** by converting Corporate Debt D back into AUD floating rate. **PI Implied Market View** -> **BEARISH** on AUD/USD
- **Underlying Exposure:** 30% of USD revenue flows through to EBIT -> **exposed to strength in AUD**
- **Impact on Covenant:** Fluctuations in EBIT due to adverse FX movements can **weigh on ICR** and **disrupt earnings stability**

Combined exposures pose significant risks to company values and long-term expansion capabilities

Suggested Interest Rate Hedging Strategies



A few strategies for Penguin Infrastructure to consider that allows them to hedge against interest rate risk given moderate risk profile

Low cost + High Risk

Recommended Strategy

High Cost + Low Risk

(1) Zero-Cost BBSY Collar		(2) BBSY Cap Spread		(3) Pay-Fixed Swap + Forward Cap	
IR Leg	FY26-27: Zero-cost interest rate collar caps BBSY against the hawkish tail while keeping the rate fall benefit down to the floor - Protects against extreme hawkish rate shock while retaining rate-cut benefit down to the sold floor	FY26-27: Buy a 4.47% BBSY cap and sell a 5.45% BBSY cap to reduce premium while protecting the key upside risk range FY27-29: Roll into a tighter cap spread, buying a 4.47% cap and selling a 4.70% cap as the RBA cutting cycle begins	FY26-27: Enter a below-par 4.47% pay-fixed swap, receiving floating BBSY to lock near-term funding costs FY27-29: Buy a 4.47% BBSY cap to protect the back end while preserving benefit if rates fall	Benefits: Highest certainty while covenant pressure is most acute; protects FY27–29 upside risk; retains rate-cut benefit in Phase 2 Risks: Highest upfront cost; Phase 1 swap gives up benefit if cuts arrive early; swap exit may create MTM cost	
	Benefits: Zero upfront premium; protects against extreme rate upside; simple set-and-forget hedge Risks: Relies heavily on base case projection being correct				
Indicative Upfront Cost	A\$0	Indicative Upfront Cost	A\$19.0M	Indicative Upfront Cost	A\$33.0M
Buy Cap Rate	5.45%	Phase 1 Spread	4.47% / 5.45%	Phase 1	4.47%
Sell Floor Rate	3.61%	Phase 2 Spread	4.47% / 4.70%	Phase 2	4.47%

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Macro

Model

Outlook

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Suggested Foreign Exchange Hedging Strategies



A few strategies for Penguin Infrastructure to consider that allows them to hedge against FX risk given moderate risk profile

Low cost + High Risk

Recommended Strategy

High Cost + Low Risk

(1) Long AUD/USD Forward		(2) AUD/USD Collar		(3) Long AUD/USD Call option	
FX Leg	- Long 12M AUD/USD forward and roll every 12 months over forecasted period - Protects EBIT from strengthening of AUD which can worsen or cause volatile moves in ICR by locking in rate at which USD converts to AUD	- Buy an AUD/USD call for protection, funded by selling an AUD/USD put – known as a zero-cost collar , rolled over the forecast period - Unlike the forward, PI keeps the benefit of a weaker AUD down to the floor, only giving up deeper moves below it - Benefits: Funding via writing a put option allows for zero premium cost, which preserves EBIT for hedge protection - Risks: Surrenders favourable AUD upside below the 0.6804 floor	- Long AUD/USD EU call options, bought as an annual strips across FY26-FY29 - The right but not the obligation to sell USD for AUD at a set strike, with each tranche sized to that year’s USD EBITDA - Benefits: Caps the downside from a stronger AUD while keeping the full upside if AUD weakens - Risks: Higher premium for longer dated option eats into already weak EBIT numbers in ICR covenant		
	- Benefits: Complete certainty on translated USD EBITDA - Risks: Completely surrenders PI’s ability to benefit from weakening AUD, which can help restore EBIT numbers				
Indicative Upfront Cost	A\$0	Indicative Upfront Cost	A\$0	Indicative Upfront Cost (Total)	A\$10.37M
AUD/USD 12M Rate	0.7120	Collar Range	0.68-0.7350	Strike Price	0.7350
Duration	12M rolling	Duration	12M rolling	Duration	12M per strip

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Model

Outlook

Hedging

Conclusion

Conclusion



We recommend hedging Strategy 2 from both the IR and FX hedging strategies discussed for Penguin Infrastructure

How we have approached Penguin's Situation

Penguin Infrastructure Position

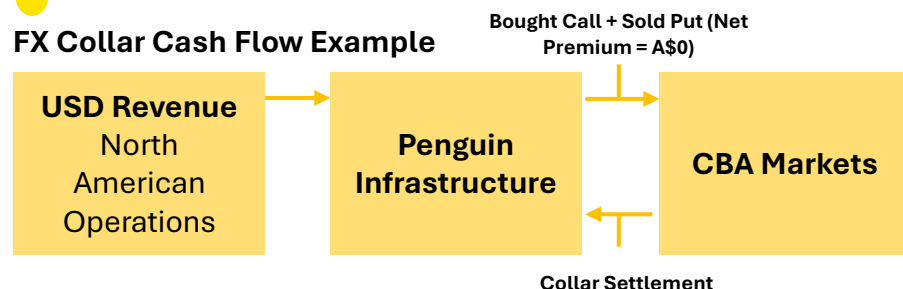
Long term expansion goals mean significant D&A costs significantly depress EBIT margins over the forecast period

Hedging Implications

ICR meaningfully below covenant, hedging alone cannot bring the ICR up to covenant levels

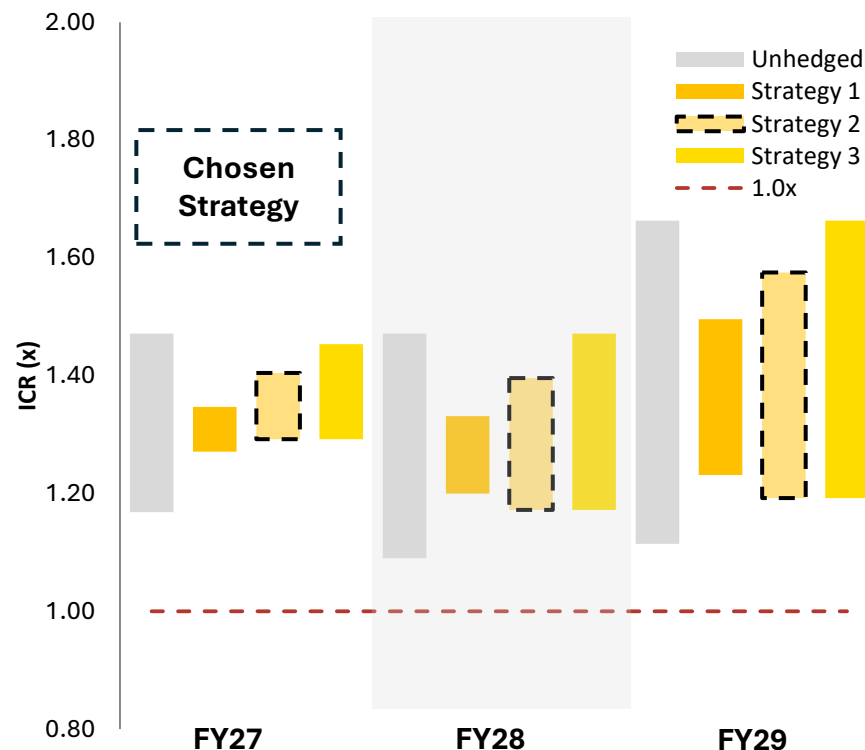
Goal of hedging should be to stabilise the trajectory of the expansion, allowing for a more predictable path for ICR and protection against adverse scenarios that could exacerbate the situation

FX Collar Cash Flow Example



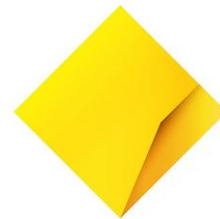
Net Result: USD EBITDA converts to AUD at an effective rate bracketed within the 0.6804-0.7350 band, for ~A\$0 premium

Potential ICR outcomes by hedging strategy vs unhedged



Strategy 2 matches the downside protection of the costlier option strategy (3) at zero premium, while keeping the favorable participation that the forward surrenders entirely

Given the ICR is already in breach, Strategy 2 helps achieve the key goal of providing stability in Penguin's long-term expansion



Appendix

1.0 Assumptions

2.0 Alternative Forecasts and Limitations

3.0 Financial Statement Model – Provided Forecasts

3.1 Financial Statement – Provided Case

3.2 Financial Statement – Hawkish Scenario

3.3 Financial Statement – Base Scenario

3.4 Financial Statement – Dovish Scenario

4.1 Hedging Costs – Strategy 1

4.2 Hedging Costs – Strategy 2

4.3 Hedging Costs – Strategy 3

5.0 Scenario Analysis Minimum ICRs

1.0 Assumptions



Several Key Assumptions were made pertinent to our analysis

Qualitative Assumptions

- [1] EBIT is not fixed and is subject to changes in Opex, FX and Rates, so should be considered in ICR hedging strategy
- [2] Modelling business forecasts specifically is outside of the scope out of the case and what the client is asking for. Revenue forecasting should be considered more from FX exposure sense (which may apply to costs)
- [3] Assume Penguin Infrastructure has IG credit rating, and no significant credit spread is required on top of the BBSY (I mean we could add one on top if we wanted to)
- [4] We assume that costs and revenue are equally impacted by changes in AUD/USD exchange rates, and so EBITDA can be used as a proxy for overall impact of FX changes by the business
- [5] We assume that given USD costs are 30% of revenue, 30% of operating expenses are also derived from USD. If it is not 30%, then we can change it.
- [5] ICR below 1.0x is not an acceptable outcome for Penguin Infrastructure in any scenario
- [6] Assume USD section of the business has the same margins as the overall group (30%)

Quantitative Assumptions

[Random Walk]

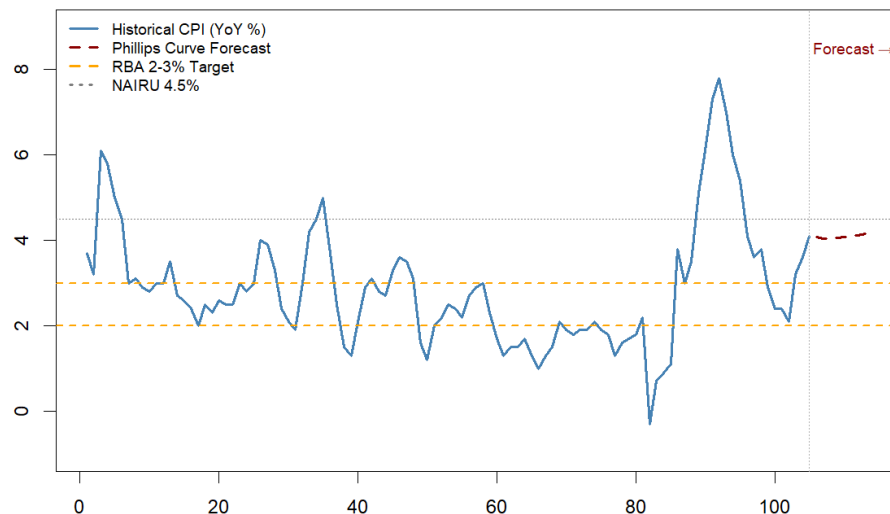
- Model assumes no predictable trend – the expected/central case is that the rate stays where it is. **Meese-Rogoff suggests that fundamental FX models don't reliably beat a random walk**
- Constant volatility = 8% per year. Volatility assumed fixed across 1-3 year horizon. **Source: V-Lab's GARCH** estimate of AUD/USD volatility (~8.1%) -> MAYBE WORTH RUNNING A SENSITIVITY AT
- Understates the probability of larger moves
- Each periods move is independent of the last. The rate is never “pulled back” toward a fundamental value.

2.0 Alternative Forecasts and Limitations



Forecasts that were considered but had limitations behind their methodology so were not chosen.

Phillips Curve Inflation Regression

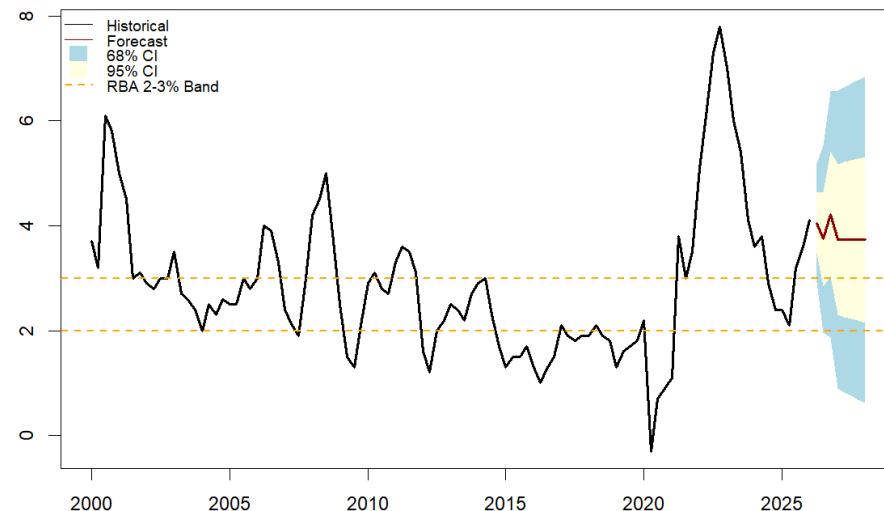


Based on formula:

$$\pi_t = \pi_t^e + \beta(\mu_t - NAIRU) + \epsilon_t$$

- Assumes stable linear trade-off between unemployment and inflation only – does not consider the interdependence between inflation, rates and growth simultaneously
- Relies on anchored inflation expectations – when expectations become unanchored (as seen post-COVID), the model's predictive power breaks down significantly
- In high-inflation regimes, the expectations term dominates the model, creating circularity – inflation is high because people expect it to be high, offering no actionable insight into what drives the path forward

ARIMA CPI Inflation Forecast



- ARIMA requires inflation series to be stationary/ follow the same statistical patterns as the past; the post-COVID inflation spike represents a structural break that violates this
- Confidence intervals widen rapidly beyond 2–3 quarters, rendering it unreliable over the 2-3 year horizon required to assess PI's hedging tenor
- Cash rate and unemployment have no role in model

Final Model

- The VAR model was selected because PI's hedging decision requires a model that can simulate how inflation, growth, and RBA policy evolve together – not in isolation

3.0 Financial Statement Model – Provided Forecasts



Forecasts that were considered but had limitations behind their methodology so were not chosen.

Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.61%	4.75%	4.82%
ICR	2.49	1.65	1.29	1.14	1.15

3.1 Financial Statement Model – Provided Case



Unhedged						Strategy 1: Zero-Cost Collar					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800	Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978	Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822	EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.61%	4.75%	4.82%	BBSY	4.31%	4.53%	4.61%	4.75%	4.82%
Total Interest Expense	179.238	187.554	190.578	195.870	198.516	Total Interest Expense	179.238	187.554	190.578	195.870	198.516
ICR	2.49	1.65	1.29	1.14	1.15	ICR	2.49	1.65	1.29	1.14	1.15

Strategy 2: Cap Spread Ladder						Strategy 3: Swap → Cap					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800	Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978	Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822	EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.61%	4.75%	4.82%	BBSY	4.31%	4.53%	4.61%	4.75%	4.82%
Total Interest Expense	179.238	187.554	185.286	186.704	189.822	Total Interest Expense	179.238	187.554	185.286	185.286	185.286
ICR	2.49	1.65	1.33	1.20	1.20	ICR	2.49	1.65	1.33	1.21	1.23

3.2 Financial Statement Model – Hawkish Scenario



Unhedged					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.70%	4.53%	4.48%
Total Interest Expense	179.238	187.554	193.980	187.365	185.664
ICR	2.49	1.65	1.27	1.20	1.23

Strategy 2: Cap Spread Ladder					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.70%	4.53%	4.48%
Total Interest Expense	179.238	187.554	185.286	185.286	185.286
ICR	2.49	1.65	1.33	1.21	1.23

Strategy 1: Zero-Cost Collar					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.70%	4.53%	4.48%
Total Interest Expense	179.238	187.554	193.980	187.365	185.664
ICR	2.49	1.65	1.27	1.20	1.23

Strategy 3: Swap → Cap					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.70%	4.53%	4.48%
Total Interest Expense	179.238	187.554	185.286	185.286	185.286
ICR	2.49	1.65	1.33	1.21	1.23

3.3 Financial Statement Model – Base Scenario



Unhedged						Strategy 1: Zero-Cost Collar					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800	Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978	Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822	EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.47%	4.36%	4.21%	BBSY	4.31%	4.53%	4.47%	4.36%	4.21%
Total Interest Expense	179.238	187.554	185.286	180.939	175.269	Total Interest Expense	179.238	187.554	185.286	180.939	175.269
ICR	2.49	1.65	1.33	1.24	1.30	ICR	2.49	1.65	1.33	1.24	1.30

Strategy 2: Cap Spread Ladder						Strategy 3: Swap → Cap					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
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EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.47%	4.36%	4.21%	BBSY	4.31%	4.53%	4.47%	4.36%	4.21%
Total Interest Expense	179.238	187.554	185.286	180.939	175.269	Total Interest Expense	179.238	187.554	185.286	182.026	175.269
ICR	2.49	1.65	1.33	1.24	1.30	ICR	2.49	1.65	1.33	1.23	1.30

3.4 Financial Statement Model – Dovish Scenario



Unhedged						Strategy 1: Zero-Cost Collar					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800	Total Revenue	2,180	2,280	2,460	2,625	2,800
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EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.41%	4.04%	3.60%	BBSY	4.31%	4.53%	4.41%	4.04%	3.60%
Total Interest Expense	179.238	187.554	183.018	168.843	152.211	Total Interest Expense	179.238	187.554	183.018	168.843	152.616
ICR	2.49	1.65	1.34	1.33	1.50	ICR	2.49	1.65	1.34	1.33	1.49

Strategy 2: Cap Spread Ladder						Strategy 3: Swap → Cap					
Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P	Income Statement Item	FY25A	FY26A	FY27P	FY28P	FY29P
Total Revenue	2,180	2,280	2,460	2,625	2,800	Total Revenue	2,180	2,280	2,460	2,625	2,800
Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978	Total Operating Expenses	-1,347	-1,526	-1,706	-1,846	-1,978
EBITDA	833	754	754	779	822	EBITDA	833	754	754	779	822
EBIT	447	310	246	224	228	EBIT	447	310	246	224	228
BBSY	4.31%	4.53%	4.41%	4.04%	3.60%	BBSY	4.31%	4.53%	4.41%	4.04%	3.60%
Total Interest Expense	179.238	187.554	183.018	168.843	152.211	Total Interest Expense	179.238	187.554	185.286	172.954	152.211
ICR	2.49	1.65	1.34	1.33	1.50	ICR	2.49	1.65	1.33	1.30	1.50

Phase 1 – Zero Cost Collar

Overview

Model

Hedging

Conclusion

4.2 Interest Rate Hedging Costs – Strategy 2



Total Cost: ~A\$19.0m

Phase 1 – Cap Spread

Main	Details	Curves	Cashflow	Resets	Scenario	Risk	Matrix
Deal	Cap Spread	Counterparty	CAP CNTRPARTY	+ Ticker / CAP	20 Properties		
Style	Cap Spread	Index	3M	BBSW3M	Valuation Settings		
Notional	3,780,000,000	Spread	0.000	bp	Curve Date	05/25/2026	
Currency	AUD	Leverage	1.00000		Valuation	05/27/2026	
Type	0D X 1Y4M	Day Count	ACT/365		Model	Normal	
Effective	05/27/2026	Reset Freq	SemiAnnual		Volatility Type	Normal	
Maturity	09/30/2027	Pay Freq	SemiAnnual		Conv Adj	Replicate	
	Single Look	Fee Date	05/27/2026		☒ OIS DC Stripping		
	Fee(Pay)		0.00				
Strategy							
Strike A	1 X Long	4.470000	%	Digital			
Strike B	1 X Short	5.450000	%	Digital			
Market							
Valuation Results							
ATM Strike	4.598175	Premium	0.30078	DV01	-219,908.29		
Yield Value (bp)	23.281	BP Value	30.07778	Gamma (1bp)	10,580.06		
NPV Without Fee	11,369,400.29			Vega (1bp)	45,041.91		
NPV	11,369,400.29			Theta (1-day)	-9,716.53		

Phase 2 – Cap Spread

Main	Details	Curves	Cashflow	Resets	Scenario	Risk	Matrix
Deal	Cap Spread	Counterparty	CAP CNTRPARTY	+ Ticker / CAP	20 Properties		
Style	Cap Spread	Index	3M	BBSW3M	Valuation Settings		
Notional	3,780,000,000	Spread	0.000	bp	Curve Date	05/25/2026	
Currency	AUD	Leverage	1.00000		Valuation	05/27/2026	
Type	1Y4M X 3Y7M	Day Count	ACT/365		Model	Normal	
Effective	09/30/2027	Reset Freq	SemiAnnual		Volatility Type	Normal	
Maturity	12/31/2029	Pay Freq	SemiAnnual		Conv Adj	Replicate	
	Single Look	Fee Date	05/27/2026		☒ OIS DC Stripping		
	Fee(Pay)		0.00				
Strategy							
Strike A	1 X Long	4.470000	%	Digital			
Strike B	1 X Short	4.700000	%	Digital			
Market							
Valuation Results							
ATM Strike	4.445926	Premium	0.20138	DV01	-60,615.49		
Yield Value (bp)	10.062	BP Value	20.13805	Gamma (1bp)	906.51		
NPV Without Fee	7,612,181.28			Vega (1bp)	8,667.77		
NPV	7,612,181.28			Theta (1-day)	592.36		

Overview

Macro

Model

Outlook

Hedging

Conclusion

4.3 Interest Rate Hedging Costs – Strategy 3



Total Cost: ~A\$33.0m

Phase 1 – Pay Fixed Swap

Deal	Fixed Float Swap	Counterparty	SWAP CNTRPARTY	+ Ticker / SWAP	20 Properties
Swap	Leg 1:Fixed	Pay	Leg 2:Float	Receive	Valuation Settings
Notional	3,780,000,000	Currency	AUD	Curve Date	05/25/2026
Effective	0D 05/27/2026	Effective	0D 05/27/2026	Valuation	05/27/2026
Maturity	1Y4M 09/30/2027	Maturity	1Y4M 09/30/2027	CSA Coll Ccy	AUD
Coupon	4.47000000 %	Index	3M BBSW3M	☒ OIS DC Stripping	
Pay Freq	Quarterly	Spread	0.000 bp		
Day Count	ACT/365	Leverage	1.00000		
Calc Basis	Money Mkt	Latest Index	4.29633		
		Reset Freq	Quarterly		
		Pay Freq	Quarterly		
		Day Count	ACT/365		
Market					
Leg 1: NPV	-3,777,204,739.96	Leg 2: NPV	3,783,672,662.22		
Accrued	0.00	Accrued	0.00		
Premium	-99.93	Premium	100.10		
DV01	-490,323.26	DV01	369.13		
Valuation Results				Calculators	
Par Cpn	4.601784	Premium	0.17111	PV01	-490,796.03
Principal	6,467,922.26	BP Value	17.11091	DV01	-489,954.13
Accrued	0.00			Gamma (1bp)	-76.26
NPV	6,467,922.26				

Phase 2 – Buy Cap

Deal	Cap	Counterparty	CAP CNTRPARTY	+ Ticker / CAP	20 Properties
Cap	Style	Cap	Index	3M BBSW3M	Valuation Settings
Position	Long X 1	Spread	0.000 bp	Curve Date	05/25/2026
Notional	3,780,000,000	Leverage	1.00000	Valuation	05/27/2026
Currency	AUD	Day Count	ACT/365	Model	Normal
Type	1Y4M X 3Y7M	Reset Freq	SemiAnnual	Volatility Type	Normal
Effective	09/30/2027	Pay Freq	SemiAnnual	Conv Adj	Replicate
Maturity	12/31/2029	Fee Date	05/27/2026	☒ OIS DC Stripping	
Cap Strike	4.470000 %	Fee(Pay)	0.00		
	Digital				
Market					
Valuation Results				Calculators	
ATM Strike	4.453610	Premium	1.04289	DV01	-371,006.24
Yield Value (bp)	52.114	BP Value	104.28924	Gamma (1bp)	3,122.93
NPV Without Fee	39,421,332.22			Vega (1bp)	438,187.53
NPV	39,421,332.22			Theta (1-day)	-20,533.08

4.4 FX Hedging Costs – Strategy 1



Strategy that was considered but had limitations behind their methodology so were not chosen.

OVML AUDUSD EU 0.7350C 06/30/27 N113M			
		Strategy 1 ▾	
		Leg 1 ▾	
Price Date		05/26/26	23:56
Asset		AUDUSD	
Spot	↻	Mid ▾	0.7169
Style		European ▾	Vanilla ▾
Direction		Client buys ▾	Physical ▾
Call/Put		AUD ▾	Call ▾
Expiry		400 days ▾	06/30/27
Delivery		NY 10:00 ▾	06/30/27
Strike		0.7350	3.38% OTMF
Notional		AUD ▾	113,000,000.00
Model		Black-Scholes ▾	
More Market Data	↻		
Vol	BGN ↻	9.015%/9.430%	
Vol Spread		0.416%	
Points	BGN ↻	Mid ▾	-59.34...
Forward	↻	Mid ▾	0.7110
AUD Depo	Implied ↻	Mid ▾	4.784...%
USD Depo	USD SOFR ↻	Mid ▾	3.931...%
Greeks			
Gamma		AUD ▾	4,248,141.58
Vega		429,359.95	
Results			
Price	% AUD ▾	2.4138% P	
Premium	AUD ▾	2,727,551.08 P	
Prem Date		05/28/26	
Delta	Spot ▾	34.1414%	
Hedge		-38,579,775.96	

4.5 FX Hedging Costs – Strategy 2



Chosen FX Strategy

OVML AUDUSD EU 0.7350C 06/30/28 N0.1B			
		Strategy 1 ▾	
		Leg 1 ▾	
Price Date		05/26/26	00:54
Asset		AUDUSD	
Spot	Mid ▾	0.7174	
Style	European ▾	Vanilla ▾	
Direction	Client buys ▾	Physical ▾	
Call/Put	AUD ▾	Call ▾	
Expiry	767 days ▾	06/30/28	
Delivery	NY 10:00 ▾	06/30/28	
Strike	0.7350	3.96% OTMF	
Notional	AUD ▾	100,000,000.00	
Model		Black-Scholes ▾	
More Market Data			
Vol	BGN		8.992%/9.863%
Vol Spread			0.871%
Points	BGN	Mid ▾	-103.46...
Forward		Mid ▾	0.7070
AUD Depo	Implied	Mid ▾	4.876...%
USD Depo	USD SOFR	Mid ▾	4.061...%
Greeks			
Gamma	AUD ▾		2,587,463.65
Vega			512,615.27
Results			
Price	% AUD ▾		3.6698% P
Premium	AUD ▾		3,669,832.76 P
Prem Date			05/27/26
Delta	Spot ▾		34.1667%
Hedge			-34,166,695.12

4.6 FX Hedging Costs – Strategy 3



Strategy that was considered but had limitations behind their methodology so were not chosen.

OVML AUDUSD EU 0.7350C 06/30/29 N88M

Strategy 1

Leg 1

Price Date	05/26/26		01:07
Asset	AUDUSD		
Spot	Mid	0.7177	
Style	European	Vanilla	
Direction	Client buys	Physical	
Call/Put	AUD	Call	
Expiry	1134 days	06/30/29	
Delivery	NY 10:00	07/30/29	
Strike	0.7350	4.56% OTMF	
Notional	AUD	88,000,000.00	
Model	Black-Scholes		
More Market Data			
Vol	BGN	8.923%/10.141%	
Vol Spread		1.218%	
Points	BGN	Mid	-146.99...
Forward		Mid	0.7030...
AUD Depo	Implied	Mid	4.946...%
USD Depo	USD SOFR	Mid	4.143...%
Greeks			
Gamma	AUD	1,777,697.28	
Vega		525,534.10	
Results			
Price	% AUD	4.5134% P	
Premium	AUD	3,971,780.03 P	
Prem Date		05/27/26	
Delta	Spot	32.8310%	
Hedge		-28,891,278.12	

5.0 Scenario Analysis Minimum ICRs



Forecasts that were considered but had limitations behind their methodology so were not chosen.

ICR by scenario (x)	FY27P	FY28P	FY29P
Dovish	1.47x	1.47x	1.67x
Base	1.33x	1.24x	1.30x
Hawkish	1.17x	1.09x	1.11x
Provided	1.19x	1.04x	1.04x
ICR covenant	2.00x	2.00x	2.00x
ICR danger line	1.00x	1.00x	1.00x