



ASX Announcement 27 April 2022
Income Asset Management (IAM) Q3 FY2022 Quarterly Activity Report

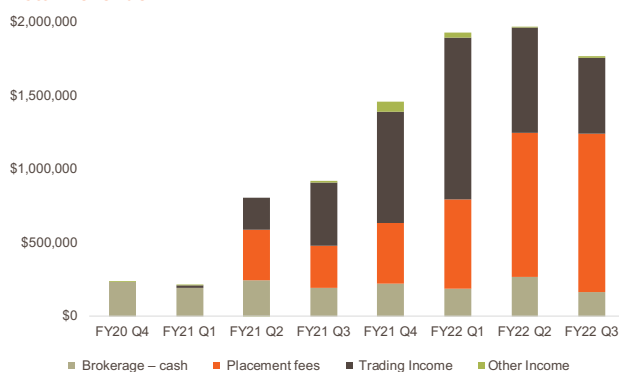
IAM Group Revenue up 91% on PCP

Income Asset Management Group Ltd (ASX:IAM) is pleased to announce its operating results for the 3 month period to 31 March 2022 (Q3 FY22), which showed continued strong growth across the business following a period of significant investment in people, technology and compliance.

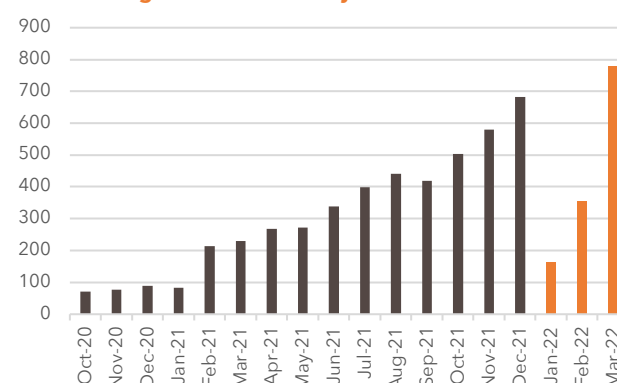
Key highlights for Q3 FY2022

- Continued strong revenue growth in Q3, up 91% on prior corresponding period Q3 2021 (pcp) to \$1.77 million (Q3 FY21: \$0.92 million), driven primarily by another strong contribution from placement fees.
 - Placement fees up 276% on pcp to \$1.1 million. These are the largest fees achieved to date, following the successful placement of \$85m for Moneyme (ASX:MME). In April another significant \$30m placement was completed for Earlypay (ASX:EPY).
- New clients grew 210% on pcp, with strong demand from financial advisor market.
- Secondary market trading income was up 19% on pcp to \$514k. This result is pleasing considering the seasonally slow holiday month of January and then followed in February by market volatility from inflationary expectations and the onset of Geopolitical events.
- IAM Funds – The Group’s first fund investment, Fortlake Asset Management continues to provide performance in the top quartile which can be seen in the Appendix.
- Given the momentum of the Group, the business removed a \$2.5m financing facility that was not needed.

Total Revenue



Bond Trading Volumes - Monthly





Commenting on the Q3 FY22 performance, CEO Jon Lechte, said, “This quarter was another very pleasing period for IAM, particularly in light of volatile debt market conditions that significantly impacted trading volumes in January and February.

The investments we have made across the business since February 2021 have added significant scale and capabilities that are delivering improved financial outcomes. While we are still in a period of investment, we are making large strides, as we offer investors and portfolio managers the most trustworthy and capable platform to research, execute, and manage their income investments.

“Placement fees continue to be a key driver for our business, with Q3 seeing IAM involved in placements that contributed \$1.1 million in revenue. With market expectations of an increased interest rate environment, we are seeing growing demand in corporate bond issuance, which we expect to continue to drive our placement fee performance.

We are seeing corporates look to debt markets as an alternative source of funding and believe we are well placed to support these companies.

We have a strong pipeline of transactions, with currently over \$200m primary issuances mandated for completion in Q4 2022. When combined with our secondary trading revenue and expected uplift in cash deposits as a result of higher cash earning rates on offer we are in a positive position to deliver further growth in Q4.

This quarter saw the most challenging conditions for fixed income markets in a generation. We believe the debt markets now provide returns that compete with those of equities and property, both of which now face their own headwinds as interest rates rise. We are already seeing significant flow from stockbrokers, with clients looking to invest in investment grade, floating rate corporate bonds at rates not seen for nearly a decade. We have built an investment house, focused on debt markets, and we are at scale at precisely the right time.”

IAM Capital Markets

Placement fees up 276% on pcq; Strong growth in client numbers, up 210% on pcq

IAM announced that it had undertaken its largest capital market transaction with the successful raise of \$85 million for MoneyMe. This was a significant milestone for IAM, with 100 institutions and wholesale investors participating in the raising in a volatile market. This transaction drove placement fees of \$1.1 million for the quarter, up 276% on pcq.

With rising yields and an expectation of rising interest rates, IAM is seeing growing demand from both corporates to issue bonds, and investors looking for investment grade bonds. The Capital



Markets team are well placed to facilitate investment demand with expertise in all debt instruments, listed, OTC and private debt in loan format.

Secondary market trading, while up 19% on pcp to \$514k for the quarter, was impacted by the seasonal slowdown in January and volatile trading conditions due to the Russian invasion of Ukraine in an uncertain interest rate environment. Pleasingly, there was a marked improvement in trading activity in March, and it is expected that this momentum will continue into Q4.

New clients grew very strongly over Q3, 210% on pcp because of new marketing activities and sales team growth. The growth in clients represents a major opportunity to further grow AUA, as working with new advisers and direct clients, to build income investment portfolios, will take place in the months ahead.

Highlighting the breadth of the IAM Capital Markets fixed income offering, Quarter 3 2022 continued our increased participation in internally originated high yield offers and investment grade capital market transactions along with ASX listed hybrids.

- In the quarter, IAM lead the placement of over \$100m of unrated floating rate notes for ASX listed corporates
- IAM and clients participated significantly in new investment grade issues from the likes of CBA and Liberty Financial
- Significant participant in recent major bank ASX listed hybrid transactions.

Service upgrades

To support our significant partnership with boutique and larger financial adviser groups, along with our private investors, IAM now offer more than 500 securities in parcel sizes of \$50,000.00 across AUD, EUR, GBP and USD. This provides investors increased access to the corporate bond market and enhanced ability to build robust and diversified fixed income portfolios. The increased scope of our small parcel bond offering supports our strive towards providing investors un-paralleled choice in the fixed income market at the most competitive price.

Managed Account Service

IAM launched our managed account service. The service allows investors with larger pools of capital to work with IAM, within their investment mandates, to increase investment returns whilst managing their stated risk tolerance. The service is bespoke to individual investors and provided on a co-management or discretionary management basis. Our significant experience within the IAM Group across fixed income research, portfolio/risk management, execution and reporting, provides investors cost effective and transparent means to generate better risk adjusted returns.

IAM Funds Management

Building blocks now in place

IAM's funds management incubation business is still nascent, with early results showing a very positive outlook. The model we have built replicates other successful incubation fund managers such as Pinnacle Investment Management and Fidante Partners who have built an annuity style business.

The Group holds a 25% investment in Fortlake Asset Management. The funds have demonstrated strong risk adjusted returns for investors over CY 2021 across its three public offer funds, well above relevant peers, and strategy objectives. See the attached performance charts.



Momentum continues to build across investor channels, with initial support through private clients, independent financial planning groups and continued engagement with key consultant and research gatekeepers. Fortlake is also well progressed in preparation for the listing of its first ETF into the retail market. Considerable work was done over the quarter in rolling out initiatives across distribution and operations, to drive fee income going forward.

IAM will receive income through dividends and distribution fees. In addition, we recognise 25% of Fortlake's earnings through equity accounting.

Following the completion of the 25% strategic investment in fund manager Tactical Global Management Ltd (TGM) in the last quarter which included a \$3m payment for the investment, much of Q3 was focused on developing the strategic joint venture partnerships focused on ESG and Sustainable Development Goals (SDG). Soon the business plans to launch funds that will only invest in climate friendly global equities or those compliant with the Sustainable Development Goals. Based on TGM's rigorous framework and access to data, these strategies will be at the forefront of this area of investing and provide clients with access to innovative and market leading capabilities. The Group will earn revenue from TGM through distribution fees, dividends and 25% earnings recognition through equity accounting.



IAM Cash Markets

Cash broking revenue still modest, but expecting growth in a rising interest rate environment

Cash markets revenue was down \$29,000 on pcp to \$165k. The decline in FUM and revenue reflects the seasonal decline combined with the low interest environment. This segment remains a relatively small contributor to the overall IAM business. With enhancements made to the products available to clients and focussed segment sales effort the business is positioned to grow strongly in a rising deposit rate environment.

Quarterly cash flow

The net operating outflows of cash this quarter were \$2.03m. Excluding seasonality and market volatility we experienced and given a strong March revenue result, we expected to see net outflows considerably less.

Cash outflows to suppliers and employees has remained relatively flat compared to Q2 2022. The operating cash position compared to Q2 reflects the change in volume of Bonds held on balance sheet at each of the quarter ends.

To enable investors to monitor and interpret our numbers, we have included a table showing the cash position plus bonds held as inventory, given these bonds can be readily converted to cash. Items to note:

- Given the momentum of the business and revenue uplift we are experiencing the business removed a \$2.5m financing facility that was not needed.
- The operating cash position compared to Q2 reflects the change in volume of bonds held on balance sheet at the quarter end. The volume of Bonds held reflects the nature of the trading business.
- In Q2 FY2022 the decrease in Cash and Finance was from the \$3m paid to TGM for our 25% investment in the group
- In addition, we make a \$125,000 quarterly investment in Fortlake Asset Management, which is fully repayable. IAM has now lent Fortlake a total of \$792,000
- The ratio can be heavily influenced by the timing of bond holdings and transactions over the end of the quarter.

	Q1	Q2	Q3
8.1 Net cash from / (used in) operating activities	(3,371)	(244)	(2,031)
Add back cash flows for bond holdings during the quarter	1,581	(598)	(264)
Adjusted operating cashflow	(1,790)	(842)	(2,295)
8.4 Total financing facilities	17,965	11,873	9,544
Bonds on balance sheet	1,592	107	731
Adjusted Financing facilities (incl bonds)	19,557	11,980	10,275
8.5 As reported estimated quarters of funding available	5.3	48.7	4.7

Related party transactions

With reference to payments to related parties (Section 6 of the attached Appendix 4C), item 1 comprises payments to related parties and their associates, including directors and key management personnel, and includes director's fees of \$81,000, salaries (including superannuation) of \$123,749 and interest on issued notes of \$19,603. Item 2 is comprised of payments to Fortlake Asset Management Pty Ltd of \$125,010 under an agreed loan facility. IAM has now lent Fortlake a total of \$792,000, this is recorded as an asset on the balance sheet.

This announcement was approved for release by the Board of Directors.

For more information, please contact:

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About Income Asset Management Group Ltd. (IAM) (ASX:IAM)

Income Asset Management Group Ltd (ASX:IAM), (IAM), has seen tremendous growth into a sophisticated income investing solution. The Group delivers unique solutions in Treasury Management, Cash, Bonds and Funds Management for sophisticated investors and professional investment managers.

Our vision is to provide investors and portfolio managers with the most trustworthy and capable services to research, invest and manage their income investments.

We are a traditional investment firm with real clients and robust governance and compliance, reporting to ASX, AUSTRAC and ASIC for regulatory obligations. Our direct investment services include deposits, loans, and both listed and unlisted fixed income securities. Our managed investment business incubates new funds and markets the services of those funds within our stable, Fortlake Asset Management and Tactical Global Management. We also own Trustees Australia Limited, an authorised Responsible Entity, regulated by ASIC.

Income Asset Management Group Limited ACN 010 653 862 | AFSL 459645;

IAM Capital Markets Limited ACN 111 273 048 | AFSL 283119;

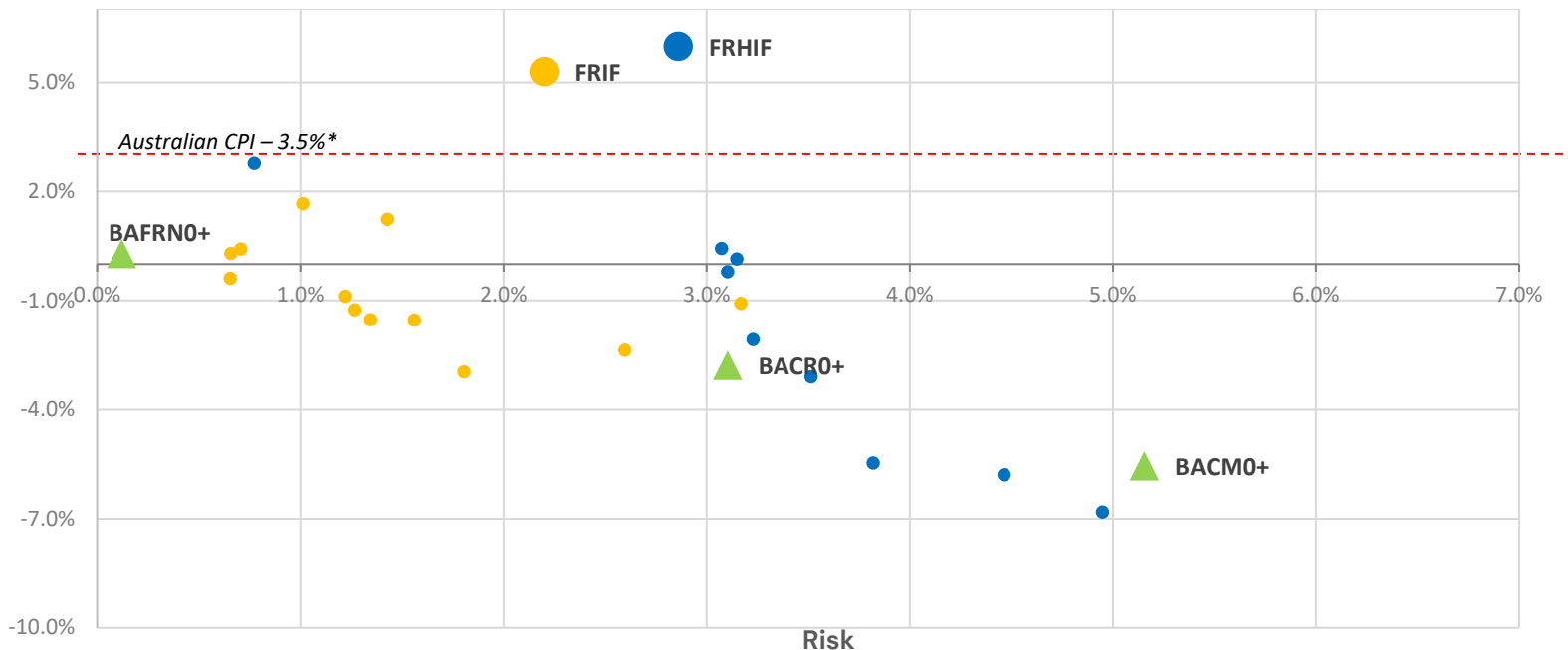
IAM Cash Markets Pty Ltd ACN 164 806 357 corporate authorised representative (no. 001295506) of AFSL 283119;

Trustees Australia Limited ABN 63 010 579 058 | AFSL 260038; and,

IAM Funds Pty Ltd ACN 643 600 088 corporate authorised representative of AFSL 260038

Peer relative returns

Fixed Income Peer Group January 2021 to March 2022



* Australian annualised CPI rate as at 31/12/2021



Return:

Daily returns net of fees 1st Jan 2021 to 31st March 2022



Volatility:

Standard deviation of daily returns for same period



Fortlake Fund:

Fortlake Real-Income Fund (FRIF)
 Fortlake Real-Higher Income Fund (FRHIF)

Peer Group:

ANZ Enhanced Yield Fund
 Ardea Real Outcome Fund
 Franklin Australian Absolute Return Bond WS
 Kapstream Absolute Return Income
 Macquarie Income Opportunities
 Payden Global Income Opportunities
 Pandal Credit Income
 Pandal Dynamic Income
 Perpetual Credit Income
 Realm High Income
 Smarter Money Higher Income Direct Inv
 UBS Income Solution Fund

Aberdeen Standard Global Corporate Bond
 Bentham Wholesale High Yield
 Brandywine Global Income Optimiser
 CC JCB Global Bond A Hedged
 Daintree Hybrid Opportunities
 Pandal Pure Alpha Fixed Income
 Perpetual Pure Credit Alpha Fund Wholesale
 Smarter Money Long-Short Credit
 State Street Global Fixed Income Index

Benchmark:



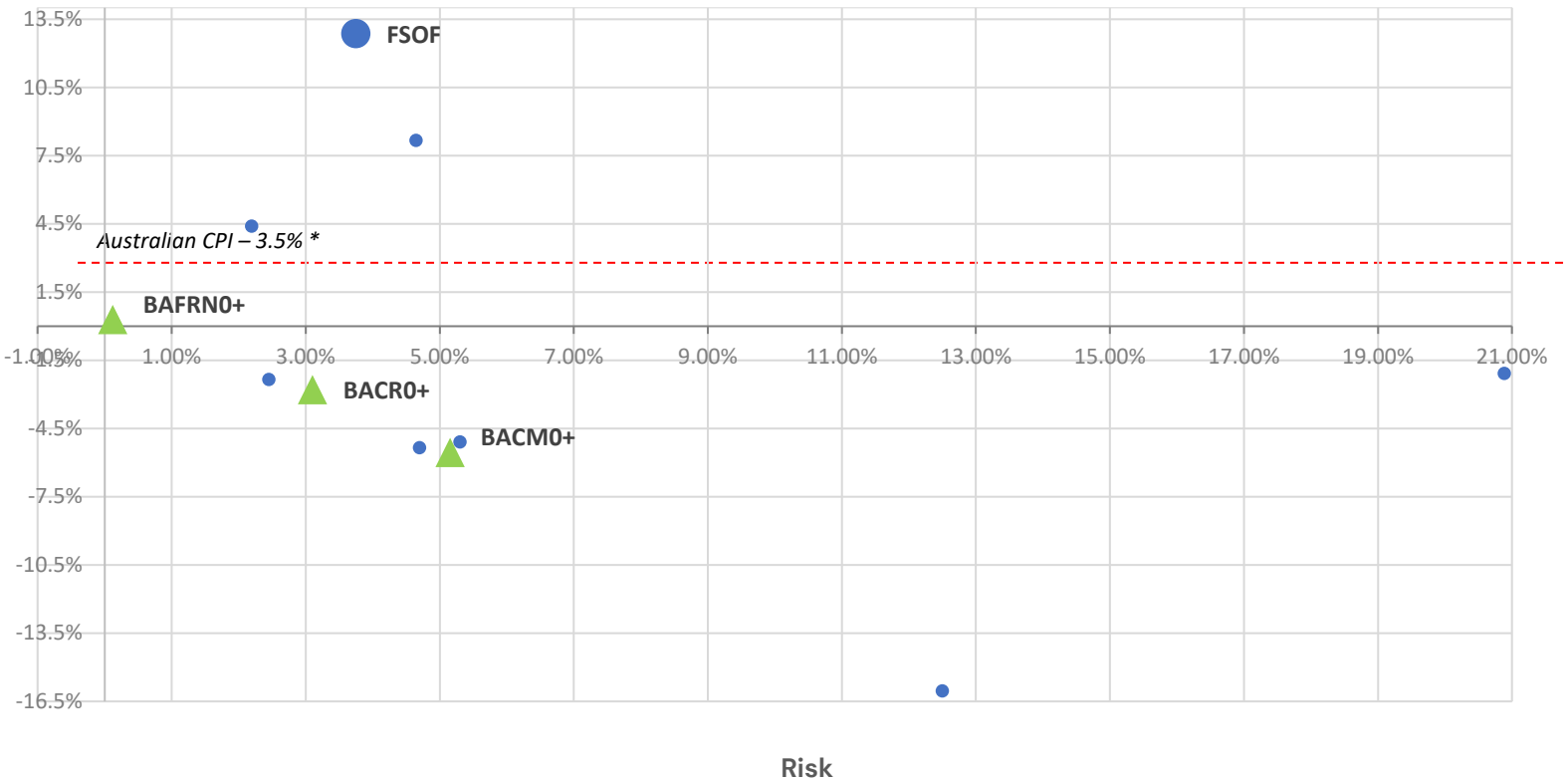
Bloomberg AusBond Composite O+ Yr (BACMO+)
 Bloomberg AusBond Credit O+ Yr (BACRO+)
 Bloomberg AusBond Credit FRN O+ Yr (BAFRNO+)

Source:

Morningstar Direct, Bloomberg & Fortlake Asset Management

Peer Relative Returns

Fixed Income Peer Group January 2021 to March 2022



* Australian annualised CPI rate as at 31/12/2021



Return:

Daily returns net of fees 1st Jan 2021 to 31st March 2022



Volatility:

Standard deviation of daily returns for same period



Fortlake Fund:

Fortlake Sigma-Opportunities Fund (FSOF)

Peer Group:

Bentham Global Opportunities F
 BlackRock Fixed Income Global Opportunities D
 Capital Group Global High Inc Opportunities H
 Elstree Enhanced Income
 Pental High Alpha Fixed Income
 Principal Global Credit Opportunities
 Western Asset Macro Opportunities Bond A

Benchmark:



Bloomberg AusBond Composite O+ Yr (BACMO+)
 Bloomberg AusBond Credit O+ Yr (BACRO+)
 Bloomberg AusBond Credit FRN O+ Yr (BAFRNO+)

Source:

Morningstar Direct, Bloomberg & Fortlake Asset Management

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Income Asset Management Group Limited

ABN

42 010 653 862

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1.1 Receipts from customers – brokerage and fees	1,228	4,213
1.1.2 Receipts from customers – securities trading	514	2,330
1.1.3 Net in/(out)flows for settlement of financial instruments held on balance sheet	264	(719)
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(887)	(2,514)
(c) advertising and marketing	(153)	(424)
(d) leased assets	(27)	(131)
(e) staff costs	(2,009)	(5,671)
(f) administration and corporate costs	(885)	(2,505)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	(76)	(229)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,031)	(5,646)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(55)	(139)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(j) investments	-	(3,000)
(k) intellectual property	-	-
(l) other non-current assets	(55)	(106)
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	9
2.3 Cash flows from loans to related party	(125)	(292)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(234)	(3,528)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,030
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	300
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(414)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(30)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(73)	(244)
3.10	Net cash from / (used in) financing activities	(73)	7,642

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,873	6,030
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,031)	(5,646)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(234)	(3,528)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(73)	7,642
4.5	Effect of movement in exchange rates on cash held	9	46
4.6	Cash and cash equivalents at end of period	4,544	4,544

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,544	6,873
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,544	6,873

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	(224)
6.2 Aggregate amount of payments to related parties and their associates included in item 2	(125)

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements		
7.3.1 Other – Issued notes	4,500	4,500
7.3.2 Other – bond trading settlement (DVP) facility	5,000	-
7.3.3 Other – Insurance funding	-	-
7.4 Total financing facilities	9,500	4,500
7.5 Unused financing facilities available at quarter end		5,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
7.3.1 Issued notes – Unsecured facility. Interest rate of 6% and repayment date of 24 December 2023.		
7.3.2 Bond trading settlement (DVP) facility – Secured over the traded securities. Interest rate of 3.5%, settled up to T+5.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,031)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,544
8.3 Unused finance facilities available at quarter end (item 7.5)	5,000
8.4 Total available funding (item 8.2 + item 8.3)	9,544
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2022

Authorised by: By the Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.