



ASX Announcement: 04 October 2024
Income Asset Management (IAM)

IAM ANNOUNCES PERPETUAL AS CLIENT PLATFORM PARTNER

Income Asset Management Group Limited (IAM:ASX) ("IAM" or "Group") is pleased to announce it has entered into agreements regarding its new Client Platform through partnering with Perpetual Corporate Trust. This **results in an anticipated cost out exceeding \$4m p.a., greater client experience and improved investment administration. This improvement will also create annuity style recurring revenue ("ARR") commencing Q3 FY25. Both the cost out and additional revenue we expect will enable IAM to achieve cashflow positivity¹ once fully implemented.** This is a material inflection point for IAM.

IAM has selected Perpetual Corporate Trust ("**Perpetual**") to be its Fixed Income SaaS platform, settlement, middle office and custody partner to support IAM's growth aspirations. IAM continues to build scale, currently having more than ~2,000 client accounts and ~\$2b in Capital Markets FUA, an achievement we are proud of in such a short period.

Material highlights include:

- IAM will achieve more than **\$4m p.a. in cost savings** from reducing technology, custody and settlement administration from multiple platforms to a singular platform partner, being Perpetual. Both parties expect full transition to be completed in Q2 FY25.
- The resulting cost out means that **IAM expects to be cashflow positive² by the end of FY25 even** if it only achieves similar revenue to previous years.
- **A new administration fee, starting Q3 FY25, forms a new and valuable ARR.** This will be net revenue to IAM's bottom-line and is powered by Perpetual Corporate Trust's Fixed Income Intelligence e2e products, which will drive material efficiencies. This will enable IAM to continue to grow scale in its client assets and improve customer experience.
- **Client portal, tax reporting and cashflow reporting directly from Perpetual to IAM's clients and their adviser, if applicable.** IAM clients will receive market leading reporting services directly from Perpetual Corporate Trust's Fixed Income Intelligence SaaS platform.
- **Reduced risk for IAM** given the custodial role Perpetual Corporate Trust will play ensuring client assets are in safe custody, IAM will transact with all clients within the Perpetual Corporate Trust platform and therefore reduce error rates, double entry and overall improved risk, compliance and cyber security.
- **More efficient allocation of IAM resources** away from administration to sales and revenue growth.



Said Jon Lechte, CEO of IAM, "This material announcement will drive a significant reduction in costs, reduced operational risk, improved client services and increased annuity revenue. We have built the scale of our FUA through IAM Capital Markets to ~\$2b and over ~2,000 clients in only three years and this scale enables us to utilise this game-changing external administration with Perpetual. We take comfort in the capability of the Perpetual Corporate Trust business who have \$1.2tn in FUA and ~\$250bn FUA as an institutional custodian. Perpetual's unique end-to-end product offering combines their custody business with middle office management and settlements, through to their innovation company Perpetual Digital, which provides their integrated SaaS platform for order management, deal facilitation and client reporting to enable our business growth objectives.

"IAM clients will continue to be on-boarded by Trustees Australia Limited (**TAL**) as incidental custodian. TAL has appointed Perpetual as custodian of all client assets and purchases. All client assets will be held by Perpetual, reporting will come directly from Perpetual and all payments for Sales, maturities and coupon payments, will be made by Perpetual. Clients will benefit from enhanced reporting, timely coupon payments and their assets being held in custody with Perpetual Corporate Trust through our "Business to Business" relationship. Once the transition to Perpetual Corporate Trust is completed, IAM will be in a very strong position to deliver profitable growth. We are targeting a fast transition given how material this change is for us. The Perpetual Corporate Trust transition team have been great to work with already and we look forward to building a great partnership."

Dickie McCarthy, Chief Executive Officer of Perpetual Corporate Trust said:

"We are excited to partner with IAM and support their success through our innovative Fixed Income Intelligence Solution. This offering includes our collaboration with BondAdviser for comprehensive research and asset selection, as well as the Perpetual Intelligence SaaS platform, which provides order management, deal facilitation, and client reporting, all seamlessly integrated into our custody and settlements business.

*"Our end-to-end custody and SaaS solutions have been co-designed with market participants to enable Over-The-Counter (**OTC**) domestic and global fixed income markets to be more effective, efficient, economical, while managing the ever increasing risk of cyber security whilst maintaining compliance.*

"At Perpetual Corporate Trust, our mission is to enable client success. By partnering with IAM's Capital Markets expertise and leveraging our Custody and SaaS platform, we see a significant opportunity to expand the Fixed Income sector in Australia. We are highly impressed with IAM's fast-growing, dynamic business and look forward to supporting their continued growth."

Further details include:

- IAM will continue to onboard clients and own the relationship end to end.
- IAM will remove its reliance on multiple custody partners, to one end to end system that is purpose built. This reduces settlement risk and cyber risk significantly, while reducing our cost by over \$4m at the same time.
- Perpetual Corporate Trust will provide custody services for IAM clients providing additional



security which will assist IAM to continue winning more clients and more of their defensive assets given the size of Perpetual Corporate Trust and their strength in custody and Fixed Income SaaS solutions.

- IAM will continue to generate revenue on FUA through an administration fee on bonds, loans and our RMBS service.
- Clients of IAM will receive portfolio reporting, cashflow reporting and tax reporting purpose built for fixed income securities.
- IAM expect to launch our Single-Bond ETFs in Q2 FY25.
- Our Sales and Facilitation teams will operate more efficiently, working with the purpose- build Order Management System within the Perpetual Corporate Trust Fixed Income Intelligence platform.
- We are aiming to have the rollout completed by Q2 FY25 and have tasked our COO and General Manager of Operations to complete the transition with the Perpetual Corporate Trust transition team.

This announcement was approved for lodgement with ASX by the IAM Chair.

For more information, please contact:

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About IAM:

Income Asset Management aims to provide investors, advisers and portfolio managers with the most capable platform to research, execute, and manage their income investments.

With a wealth of specialised industry experience and with more than \$2 billion Funds under Administration, our business covers a broad spectrum of income investments including bonds, loans and treasury management services.

About PCT:

Perpetual's Corporate Trust Business is a leading provider of corporate trustee, agency, custody and digital solutions to the managed funds and debt capital markets industry comprising of the following segments:

- **Debt Market Services (DMS)** – provides a holistic suite of products which include trustee, agency, trust management, accounting, document custody and standby servicing solutions to the global debt capital markets and securitisation industry.
- **Managed Funds Services (MFS)** – provides services to managed funds including

independent responsible entity, custodian, wholesale trustee, investment management and accounting in Australia. It also operates in Singapore where it provides trustee, agency and escrow services. The division has a global client base serviced from the Singapore and Australian offices, administering a broad range of asset classes including property and infrastructure, debt, fixed income, equity, private equity, emerging markets and hedge funds.

- **Perpetual Digital** – combines Corporate Trust Business’ existing digital assets and the Laminar Capital platform to provide innovative solutions to clients. Perpetual Digital provides a holistic and growing number of products including Data Services (RBA & ESMA regulatory, investor and intermediary reporting), Perpetual Roundtables (benchmarking, industry and client portfolio insights) and Perpetual Intelligence SaaS products which provide a multitude of digital solutions to the banking and financial services industry. Laminar Capital, a specialist debt markets and advisory business, includes the Treasury Direct SaaS Platform. Laminar provides services to government organisations, superannuation funds, local councils, authorised deposit-taking institutions (ADIs), not-for-profits, wealth managers and sophisticated investors.

¹ The statements relating to profitability, cash flow and revenue timings involve known and unknown risks, uncertainties and other factors that may cause the Group’s actual performance, and achievements to differ materially from any performance or achievements, expressed or implied by these statements. Relevant factors may include, but are not limited to, financial market conditions, foreign exchange fluctuations and general macroeconomic conditions, increased costs, the risk and uncertainties associated with financial markets, geopolitical and social risks, changes to the regulatory framework within which the Group operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation. The Group monitors these factors in order to make periodic assessments, which could result in the impairment of its intellectual property and assets which are not able to contribute to free cash flow as intended. For further information as to the risks which may impact the Group’s results and performance, please see the IAM Annual Report lodged with ASX in August 2024.

² See above