

ASX Announcement 28 July 2022

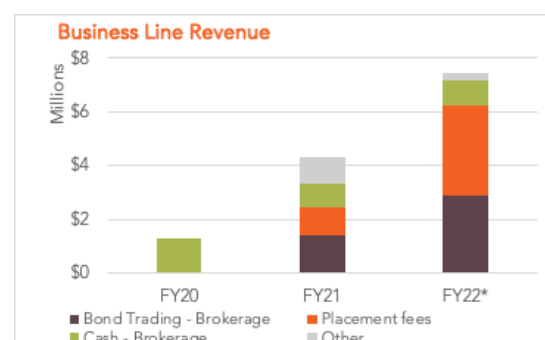
Income Asset Management (IAM) Q4 FY2022 Quarterly Activity Report

## IAM Group FY22 Revenue increased 72%, as Total Assets Under Administration passed \$2bn and Placement Fees increased 216% (YoY)

Income Asset Management Group Ltd (ASX:IAM) is pleased to announce its operating results for the fourth quarter to 30 June 2022 (Q4 FY22), which come at a time of unprecedented adverse market conditions for investors and businesses.

### Key highlights

- **Revenue for the year was up 72%\*** to \$7.40 million compared with \$4.3 million in 2021, driven by positive contributions across the Group
- Assets under Administration (**AuA**) across **Bonds and Cash over \$2bn**
- **Placement fees have increased 216%** Year on Year (YoY) to \$3.3 million
- **Bond trading revenue was up 103% YoY** to \$2.9 million
- **IAM Cash Markets brokerage revenue increased 72%** Q3 to Q4
- IAM Capital Markets won a \$160m mandate
- **New clients grew 192% YoY** with strong demand from the financial advisor market
- **Bond AuA rose 33%** for the quarter
- For the year we have made two material investments - \$3m for our 25% holding in Tactical Global Management, a \$26bn global overlay manager and providing Fortlake Asset Management with \$917,000 fully repayable loan facility to support its growth.



With Capital Markets opening up and a strong flow of mandates, **IAM has returned to its near-term profitability target**. We have sensibly deployed capital into our investments, including allocating \$917,000 in loans to Fortlake Asset Management to support its growth. With Investment Grade bonds in demand, such as the recent NAB placement, we see opportunities to **greatly enhance our profitability by using our balance sheet** to participate in these offerings. These placements are ultimately sold through to our clients, as reflected in our Appendix 4C commentary.

IAM is well positioned to raise debt through our network to support these balance sheet requirements. IAM **has stabilised its cost base over the year** through efficiencies in systems and may achieve further cost savings because of our continued investment in our systems, which will flow through to our near-term profitability target.

\*FY22 Revenue unaudited

## CEO statement

"Last quarter, I said these were the most challenging conditions for fixed-income markets in a generation. This statement has continued to play out in Q4." CEO Jon Lechte said.

"With many investment firms reporting double digit downturn in revenue and significant outflow of assets, our revenue has remained stable and assets under administration and management have grown across Bonds, Funds and Cash. Importantly whilst we are a growing business, we have stabilised our expenses. As we head into the new financial year, we have seen a strong sentiment back to the debt markets.

"We have built an investment house focused on debt markets and we continue to grow despite the headwinds facing the broader market."

"Our funds management business continues to build, with strong interest in our distribution capability from other fund managers. We are confident this business will grow to be a strong contributor to the bottom line in the future."

"We see significant momentum in the advisor segment accessing the bond and cash markets. We are expertly placed for these groups to use our services, with our reputation for transparency in pricing and client management beyond question."

## Key highlights detailed for Q4 FY22

Total revenue was slightly lower, down 3% from Q3 FY22. This reflected difficult market conditions in the second half as seen across the equity and debt markets. In particular new-issue flows were effectively paused in Q4 as investors and corporates attempted to re-assess the market conditions.

As we look forward in FY23, we see:

- New issue flows reopening as corporates seek alternative funding. We have four new issue mandates that we expect to bring to market in Q1 of FY23.
- Secondary bond trading to maintain significant growth especially from Financial Planners and Brokers wanting to offer their clients access to our Small Parcel Bond Service that enable clients to invest from \$50,000. Clients are increasing their bond trading as they can achieve significant yields in investment grade bonds.
- Not-for-profits and corporates seeking enhanced returns through bespoke cash management solutions for cash held on balance sheet.
- Increased opportunity to provide Custody and Administration services which will generate an annuity style revenue.

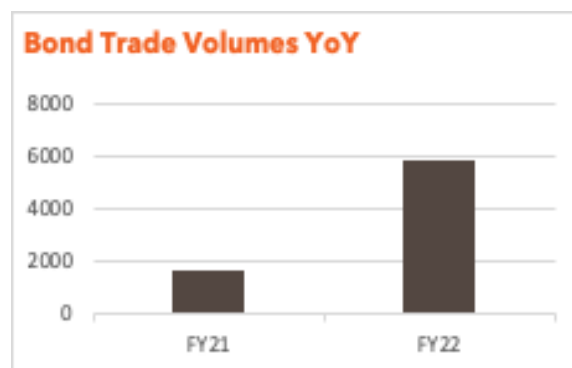
## IAM Capital Markets

**YoY trading volumes increased 250% with strong client growth through financial advisor groups highlighting that bonds are a key focus for investors.**

Highlights:

- Assets under management (AUM) grew 33% Q3 to Q4 via organic client acquisition and a large fixed-income execution and administration mandate.
- Bonds transacted grew from \$619m to \$1.24bn Q3 to Q4.
- We began administration and execution services for a A\$160m Not-For-Profit (NFP) portfolio.
- Year on Year trade volumes increased 250%

- New clients grew 192% YoY with strong demand from the financial advisor market. While quarterly private client numbers grew 17%, we onboarded a number of financial advisor groups which significantly increases the number of clients that can access our Small Parcel Bond Service.
- Bond trading brokerage revenue in Q4 was up 11% on the prior quarter to \$572k. Trading volumes increased 100% from Q3. Trading revenue was relatively strong, despite market conditions, with the gap in the Capital Markets business for the quarter being a lack of primary market new issues, when this returns we expect strong results.



### Financial Advisor - Service upgrades

To support our significant partnership with boutique and larger financial advisor groups, along with our private investors, IAM now offers more than 500 securities in parcel sizes of \$50,000 across AUD, EUR, GBP and USD. This gives investors increased access to the corporate bond market and more ability to build robust and diversified fixed-income portfolios. The increased scope of our small parcel bond offering supports our goal to provide investors an unparalleled choice in the fixed-income market at the most competitive price. In line with this service, we have enhanced our client portal to enable more advisor functionality.

### IAM Cash Markets

**Cash broking revenue increased for the quarter, and we are expecting further growth in a rising interest rate environment.**

- Cash markets revenue was up \$119k for the quarter reflecting an increase in assets and clients investing for longer terms.
- 58% increase for the year in Negotiable Certificates of Deposits held on platform as clients seek flexibility and returns. These deposits with Banks offer liquidity for clients compared to traditional Term Deposits with similar investment rates.
- Assets on platform increased 13% to \$1.16 billion in Q4, with brokerage revenue up 72% for the quarter.

## 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 in many ways replicates other successful incubation and distribution businesses.

The Group holds a 25% investment in Fortlake Asset Management and a 25% investment in Tactical Global Management (TGM). The Group provides distribution, marketing, licencing and back-office services to support the growth of these businesses.

#### Highlights

- Fortlake's public offer funds delivered strong risk-adjusted returns over the past 12 months, well above relevant peers and in line with, or above, objectives. See the attached performance charts.
- Momentum continues to build across investor channels, with broadening support across platform and advisor channels, while engagement with key consultant and research gatekeepers continues to progress well.
- New ETF - Fortlake and Trustees Australia are finalising preparation for the listing of the first Fortlake ETF into the market in September 2022.
- TGM continues to develop strategies focused on Sustainable Development Goals (SDG). Soon the business plans to launch pooled funds that will invest only in climate-friendly global companies or those that comply with UN Sustainable Development Goals. Based on TGM's rigorous framework and access to data, these strategies are designed to be at the forefront of sustainable investing.
- IAM Funds has expanded its distribution and marketing team, with key individuals added in NSW and Queensland to further broaden our distribution footprint.

#### Trustees Australia Ltd

- We are seeing demand from institutional investors for our Responsible Entity and custodial services for small parcel bonds and small funds. We expect this business to expand in FY23 and become a source of recurring revenue.

**Australian Financial Services Licences** – streamlined and enhanced licencing capability to reduce cost, complexity and enable additional revenue lines

- The group handed back two of our four Australian Financial Services Licences as they overlapped and were surplus to our needs. Returning these licences reduces the annual compliance and financial audit costs on the business, as well as internal management time.

- The Group enhanced its remaining licences to enable the business to offer margin lending, foreign exchange, market-making and derivatives trading, opening up additional revenue and service capabilities.
- With these changes, the business is able to offer a full suite of services to clients in addition to our Trustees Australia Limited business that provides Responsible Entity (RE) and Custody related services.

#### Client engagement and support

- Our first net promoter score (NPS), which is a measure of customer satisfaction, was 48/100. We are very pleased with this first result given the early stage of our business. An NPS of 50+ is considered excellent based on Bain & Co, the creators of NPS.

#### Quarterly cash flow

The net operating outflows of cash this quarter were \$1.525m, down 25% compared with Q3 2022. Cash inflows from customers were up slightly for the same period, with outflows to suppliers and employees also remaining relatively flat – up 2.3%, indicating that the business' cost based has stabilised. In addition, IAM Group received an R&D incentive grant of \$192k in June.

The Group sees continued growth in revenue uplift in FY23 across all areas of the business as the economic cycle favours broad income focused investments.

Items to note:

The Group has over 5 quarters of funding, with this figure fluctuating as we change the volume of bonds held on balance sheet which are ultimately sold to clients and reflects the nature of the trading business, as shown in the table below.

We provide a \$125,000 quarterly loan facility to Fortlake Asset Management, which is fully repayable. IAM has now lent Fortlake a total of \$916,666. This is reflected in investing cash flows.

In FY22 we made a \$3m investment in TGM for a 25% holding.

<b>IAM Group cash flow FY22</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
8.1 Net cash from / (used in) operating activities	(3,371)	(244)	(2,031)	(1,525)
Add back cash flows for bond holdings during the quarter	1,581	(598)	(264)	(650)
<b>Adjusted operating cash flow</b>	<b>(1,790)</b>	<b>(842)</b>	<b>(2,295)</b>	<b>(2,175)</b>
8.4 Total financing facilities	17,965	11,873	9,544	7,849
Bonds on balance sheet	1,592	107	731	80
<b>Adjusted financing facilities (incl. bonds)</b>	<b>19,557</b>	<b>11,980</b>	<b>10,275</b>	<b>7,929</b>
8.5 As reported estimated quarters of funding available	5.3	48.7	4.7	5.1

### **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 directors' fees of \$81,000, salaries (including superannuation) of \$123,749 and interest on issued notes of \$19,817. Item 2 is comprised of payments to Fortlake Asset Management Pty Ltd of \$125,000 under an agreed loan facility. IAM has now lent Fortlake a total of \$916,666; this is recorded as an asset on the balance sheet.

### **Annual General Meeting**

The Annual General Meeting of shareholders of Income Asset Management Group Limited will be held on Friday 28 October 2022 at 11am (AEDT). Details of the meeting will be communicated to all shareholders. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 25 August 2022 (for persons who are not shareholders of the company) and 9 September 2022 (for shareholders).

\*All FY2022 numbers are unaudited, subject to variation at audited year-end results.

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

For more information, please contact:

**Jon Lechte – CEO**

E: [shareholders@incomeam.com](mailto:shareholders@incomeam.com)

W: [incomeam.com](http://incomeam.com)

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

Income Asset Management Group Ltd. (ASX: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

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

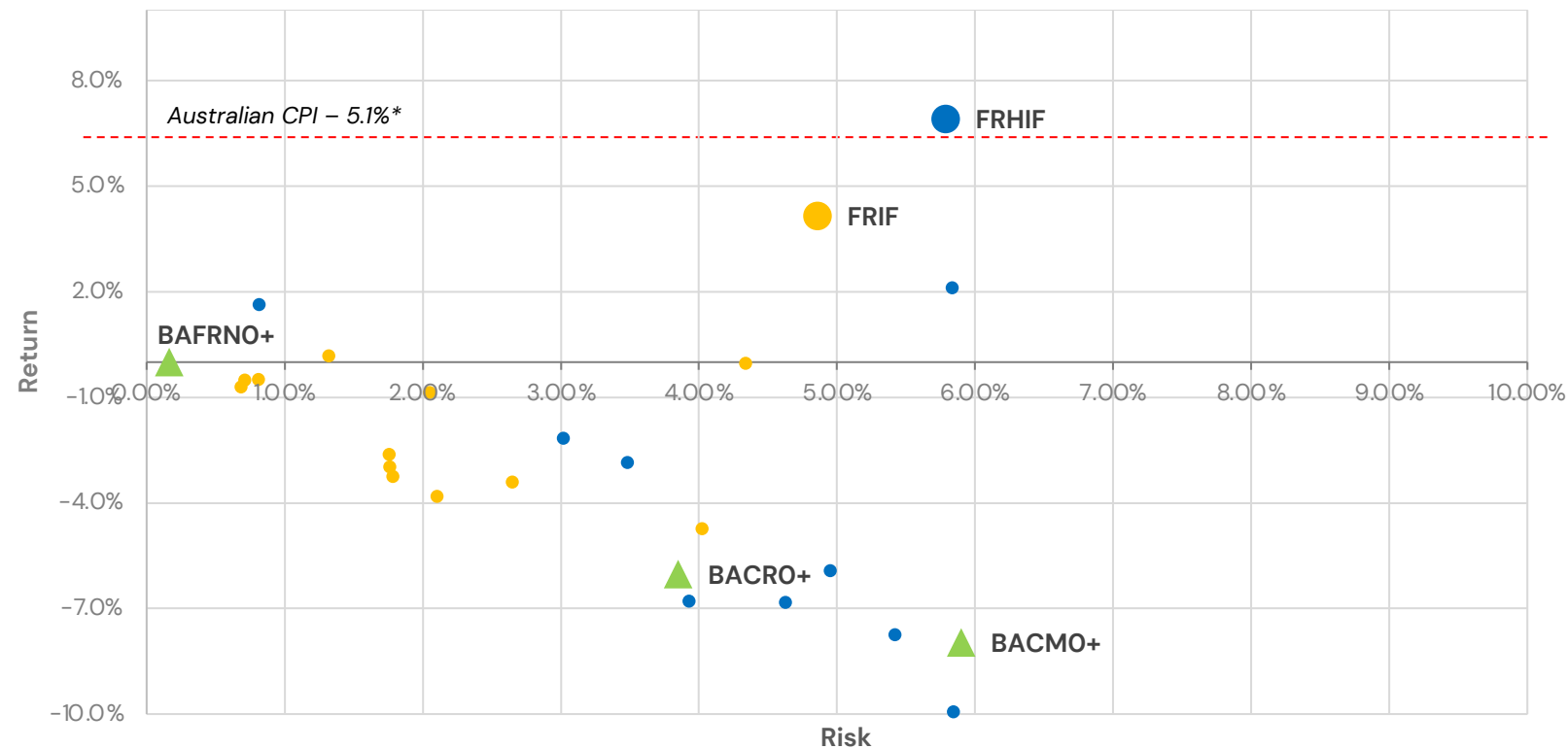


# Peer relative returns

Fortlake Real-Income Fund (FRIF)

Fortlake Real-Higher Income Fund (FRHIF)

Fixed Income Peer Group Inception to June 2022



\* Australian annualised CPI rate as at 31/03/2022

\*\* Return figures are Annualised



Return:

Daily returns net of fees 18<sup>th</sup> December 2020 to 30<sup>th</sup> June 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  
Pendal Credit Income  
Pendal Dynamic Income  
Perpetual Credit Income  
Realm High Income  
Coolabah Smarter Money Higher Income Direct  
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  
Pendal Pure Alpha Fixed Income  
Perpetual Pure Credit Alpha Fund Wholesale  
Coolabah 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+)

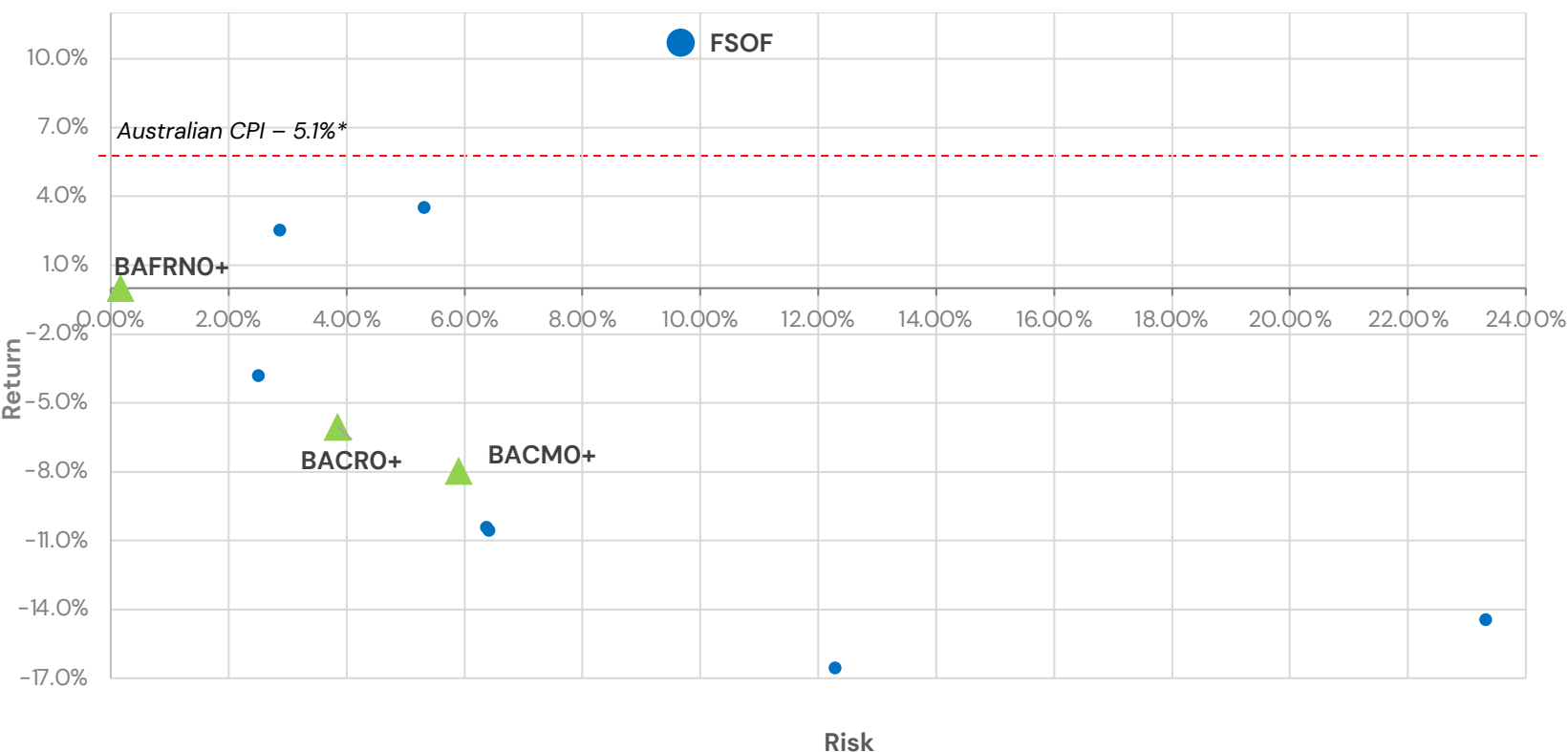
Source:

Morningstar Direct, Bloomberg & Fortlake Asset Management

# Peer relative returns

Fortlake Sigma-Opportunities Fund (FSOF)

Fixed Income Peer Group Inception to June 2022



\* Australian annualised CPI rate as at 31/03/2022

\*\* Return figures are Annualised



Return:

Daily returns net of fees 18<sup>th</sup> December 2020 to 30<sup>th</sup> June 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  
Pendal 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")**

30 June 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1.1	Receipts from customers – brokerage and fees	1,136	5,348
1.1.2	Receipts from customers – securities trading	573	2,903
1.1.3	Net in/(out)flows for settlement of financial instruments held on balance sheet	650	(70)
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(999)	(3,513)
	(c) advertising and marketing	(137)	(561)
	(d) leased assets	(41)	(173)
	(e) staff costs	(1,985)	(7,655)
	(f) administration and corporate costs	(838)	(3,343)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	5
1.5	Interest and other costs of finance paid	(78)	(306)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	193	193
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,525)</b>	<b>(7,172)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	(4)	(143)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(j) investments	-	(3,000)
	(k) intellectual property	-	-
	(l) other non-current assets	-	(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)	(417)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(129)</b>	<b>(3,657)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	49	49
3.6	Repayment of borrowings	(20)	(49)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(73)	(317)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(44)</b>	<b>7,599</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,544	6,030
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,525)	(7,172)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(129)	(3,657)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(44)	7,599
4.5	Effect of movement in exchange rates on cash held	3	49
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,849</b>	<b>2,849</b>

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	2,849	4,544
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,849</b>	<b>4,544</b>

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	(225)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(125)
<i>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.</i>		

7.	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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	29	29
7.4	<b>Total financing facilities</b>	9,529	4,529
7.5	<b>Unused financing facilities available at quarter end</b>		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 5%, settled up to T+5.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,525)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,849
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)	7,849
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	5.1
	<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: 28 July 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.