

ASX Announcement 31 October 2022

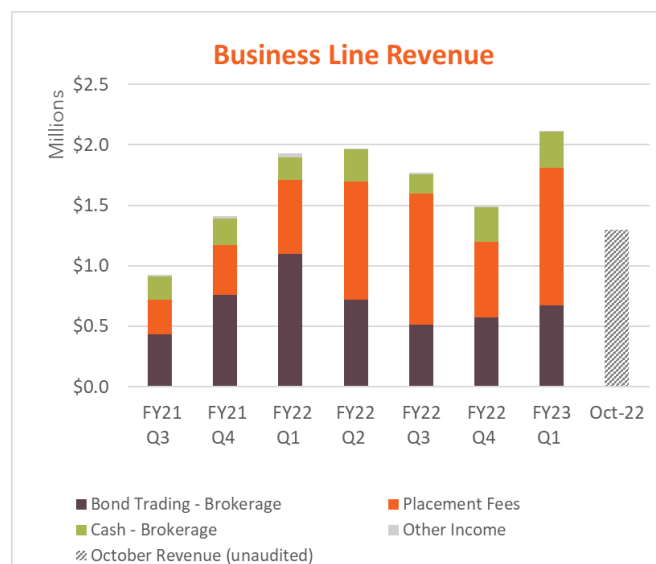
Income Asset Management (IAM) Q1 FY2023 Quarterly Activity Report

## IAM Group Q1 FY23 underlying revenue increased 40.3%\* to a record \$2.13 million, clients increased by 20.9% and cash AuA increased 17.5%

**Income Asset Management Group Ltd** (ASX:IAM) (**IAM** or **Group**) is pleased to announce its operating results for the first quarter to 30 September 2022 (Q1 FY23). The quarter was characterised by increasing demand for IAM's debt capital raising capabilities resulting in record distribution and placement fee revenue, driving a new quarterly underlying revenue record of \$2.11 million.

### Key highlights

- **Underlying revenue for the quarter was up 40.3%\*** to \$2.13 million compared with \$1.52 million in Q4 FY22, driven by placement fees and bond trading revenue.
- **Record placement fees of \$1.14 million** in Q1 FY23
- Bond trading revenue increased **18.0% to \$674k quarter on quarter (QoQ)**. **For the month October alone we have already exceeded this number.**
- **20.9% increase in new bonds clients** Quarter on Quarter (QoQ), driven by a growth in direct clients and expansion into the advised client segment leveraging IAM's relationships with our intermediary partners
- Assets under Administration (**AuA**) across **bonds and cash increased 14.8% to over \$2.3bn QoQ**. In October, with the bonds AuA now exceeding \$1bn, the group **AuA is over \$2.45bn**.
- Cash AuA rose **17.5% QoQ**
- Bond AuA rose 11.1% QoQ, and has **increased 161.7% Year on Year (YoY)**



### Post Quarter End Highlights

- **\$10m IAM Note** successfully placed to institutional and sophisticated investors, to support the growth to the business. This raise will extinguish the \$4.5m debt that was due in December 2023 and will lift cash holdings for the firm by over \$5m, net of fees.
- October revenue is over \$1.2m for the month.
- Trustees Australia has taken on the role of bare trustee and sub-custodian for a large bond trade in the infrastructure sector, enabling further revenue to flow to this business.



### **As we look forward in Q2 FY23, we see:**

- A very significant pipeline of new-issue transactions into the close of the calendar year and building also for February and March.
- A large take-up from advisory groups of our Model Bond portfolio, offering a simple, transparent and cost effective way to invest in Investment Grade bonds.
- Continued growth of our funds under advisement.
- Exploration of the provision of Custody and Administration services to smaller (sub \$500m) funds, to generate an annuity style revenue to complement our existing trading-based revenue.

Despite continuing volatility, interest rates increases have invigorated the bond and cash markets, generating strong inflows into IAM's bond and cash markets products. Completion of two DCM mandates, improvements in secondary trading, and a strong pipeline of deals look set to **return IAM to its near-term profitability target**. IAM's growing client base, combined with strong demand for Investment Grade bonds, has seen IAM bid over \$200m into the recent CBA, Challenger Life, ANZ and NAB bond issues.

\*Q1 FY23 Revenue unaudited

### **CEO statement**

***"IAM is the only sub-institutional bond broker who is both listed and full service, able to source and execute demand at scale - with complete transparency at a fair and equitable cost."***

Jon Lechte, IAM's CEO, reflects on Q1 FY23 "We have discussed within the Annual Report, the challenges we faced back in H2 FY22 as markets repriced in all asset classes. We were impacted, as investors avoided bonds and investing generally. However, the massive repricing of the whole bond curve has resulted in Investment Grade bonds now trading at a level that is very attractive to both professional and SMSF investors. IAM is the only sub-institutional bond broker who is both listed and full scale, able to source and execute demand at scale - with complete transparency at a fair and equitable cost. We have been approached by many wealth advisers, often by word-of-mouth, to supply their fixed income needs. Trustees Australia has been active in a number of transactions and is now operating profitably. Our cash solutions business is engaged with a handful of large cash managers, as our simple and transparent offer is compelling, and we feel this business will soon be at scale."

## IAM Business Model

IAM runs a number of income asset focused business specialising in bonds, cash and fund manager incubation.

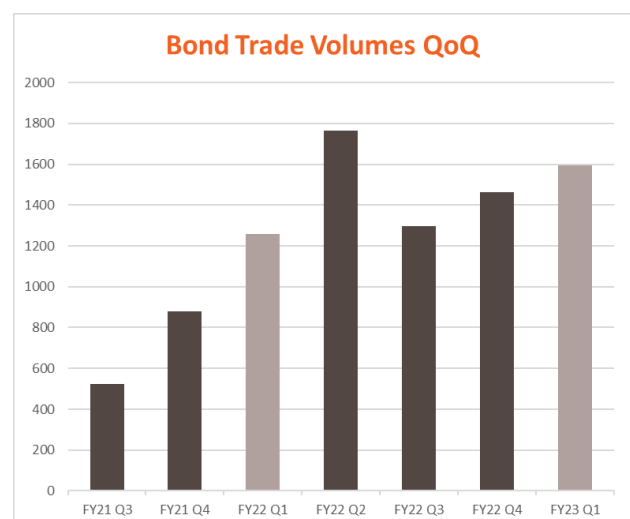


## IAM Capital Markets

**Our bond holdings under advice has more than doubled YOY, with increases driven by both market conditions and new clients transferring holdings into IAM**

### Highlights:

- All cylinders were firing for the Capital Markets business in Q1 FY23 with primary market new issue revenue returning to its historical upwards trend, contributing \$1.14 million revenue in the quarter, up 81.2% from \$627k in Q4 FY22.
- Secondary trading revenue grew by 18% from \$571k in Q4 FY22 to \$674k in Q1 FY23.
- AUA grew 11.1% QoQ and has increased 161.7% compared to Q1 FY22. This growth has been driven by client acquisition through our adviser-led model.
- The number of trades IAM completed for our clients grew 9.1% QoQ and is 26.9% higher than the same period last year.
- New capital markets clients grew 20.9% QoQ with the strong demand for bonds driving an inflow of new clients.



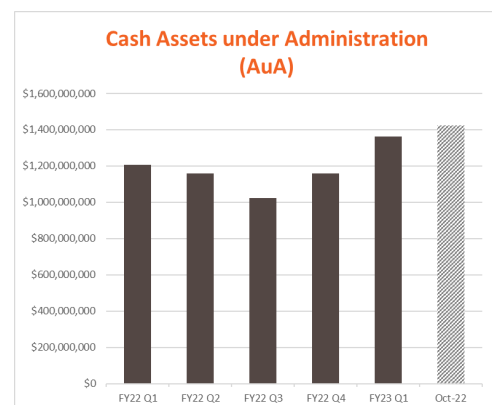
## New Model Portfolio

One benefit of IAM's small parcel bond service is that the smaller minimum parcel size (generally \$50k) makes it easier for an investor to diversify across issuers, sectors, investment maturity and coupon types. To demonstrate how to build a well-diversified fixed income portfolio, in Q1 FY23 IAM started publishing a balanced, diversified portfolio of investment grade bonds yielding over 6% p.a. (as of 30 September 2022). On a monthly basis the Credit Strategy team review the portfolio, provide performance and market commentary, and, when required, they suggest rebalancing opportunities. We believe giving our clients guidance on the best way to diversify their fixed income portfolios will help preserve capital, generate reliable income and assist building long-term wealth creation. The model portfolio service is discretionary, so our clients retain full control of their portfolio, we require approval to execute each and every change to the portfolio.

## IAM Cash Markets

**Cash AuA increased for the quarter, and we expect the rising interest rate environment to continue to attract clients to our market leading cash platform.**

- Cash AuA increased 17.5% from \$1.160 million in Q4 FY22 to \$1.363 million in Q1 FY23.
- 36% increase QoQ 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.
- 19% increase in Term Deposits QoQ.



## IAM Funds Management

**Building from a strong foundation**

IAM holds a 25% investment in Fortlake Asset Management and a 25% investment in Tactical Global Management (TGM).

### Highlights

- Momentum continues to build across investor channels, with broadening support across platform and adviser channels. FUM across the Fortlake funds is approximately \$250m at the end of September. The mandate executed and announced earlier this year, has not yet been funded. Should we be informed that the mandate is funded, we will update the market accordingly.
- TGM efforts in product development continue to gain momentum, with paper trading underway for their Sustainable Development Goal (SDG) focused strategy. Further progress is being made within their FX hedging vehicle, a first of its kind within Australia which will help advice groups to reduce transaction costs associated with active FX hedging decisions.
- The IAMF team is actively assessing multiple opportunities in the commercial property sector and small cap equities amongst others.

## Trustees Australia Ltd

Apart from providing Responsible Entity services for Fortlake, TAL has also been issuing agent for many of the IAM-led bond issues this year and has recently been engaged to be the Bare Trustee and sub-custodian for a large infrastructure bond. The business continues to also add clients for custodial services, building up a flow of recurring income.

## Quarterly cash flow

The net operating outflows of cash this quarter were \$1.738m, up \$213k or 14.0% compared with Q4 2022. Taking into consideration the \$192k R&D grant received in June 22, the underlying quarterly cashflows are flat QoQ.

The main underlying changes to cash outflows were the payments to suppliers and employees which was \$570k lower, but this was counterbalanced by \$640k less cash inflows from the movement of cash for settlement related to securities trading.

The Group continues to expect growth in FY23 revenue across all areas of the business as the economic cycle favours broad income focussed investments.

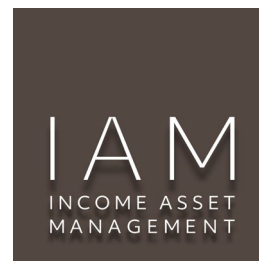
Items to note:

The Group has 4.3 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 \$1,041,666. This is reflected in investing cash flows.

<b>IAM Group cash flow FY23</b>	<b>Q1 \$A'000</b>
8.1 Net cash from / (used in) operating activities	(1,738)
Add back cash flows for bond holdings during the quarter	(10)
<b>Adjusted operating cash flow</b>	<b>(1,748)</b>
8.4 Total financing facilities	7,497
Bonds on balance sheet	70
<b>Adjusted financing facilities (incl. bonds)</b>	<b>7,567</b>
8.5 As reported estimated quarters of funding available	4.3

\*All FY2023 numbers are unaudited, subject to variation at audited year-end results.



## **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 \$81,075, salaries (including superannuation) of \$124,073 and interest on issued notes of \$20,038. 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 \$1,041,666; 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 Wednesday 30 November 2022 at 3.30 p.m. (Sydney time) at the office of Blue Ocean Equities located on level 29, 88 Phillip Street, Sydney, NSW.

## **Change of Registered Address**

The Group gives notice that it will be changing its registered address and main place of business to: Level 11, 4 Martin Place, Sydney, NSW, with effect from 1 November 2022.

## **IAM A\$ Senior Secured Medium Term Notes (IAM Note)**

IAM completed the successful issue of \$10m Note to institutional and sophisticated investors. The Group will seek approval at the Annual General Meeting for the issuing of up to 46m options to investors at the rate of four options to acquire fully paid ordinary shares in IAM for each \$1 invested in the IAM Note at an exercise price of \$0.25, with a 3-year term.

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

For more information, please contact:

**Jon Lechte - CEO**

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

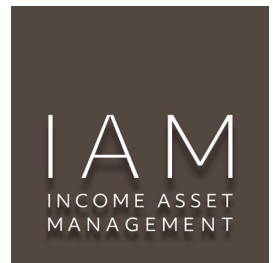
W: [incomeam.com](http://incomeam.com)

## **About IAM**

IAM (ASX:IAM) has seen tremendous growth into a sophisticated income investing solution provider. 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 the 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

## 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 September 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1.1 Receipts from customers – brokerage and fees		1,101	1,101
1.1.2 Receipts from customers – securities trading		674	674
1.1.3 Net in/(out)flows for settlement of financial instruments held on balance sheet		10	10
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(1,022)	(1,022)
(c) advertising and marketing		(108)	(108)
(d) leased assets		(15)	(15)
(e) staff costs		(2,082)	(2,082)
(f) administration and corporate costs		(212)	(212)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	1
1.5 Interest and other costs of finance paid		(85)	(85)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(1,738)</b>	<b>(1,738)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(g) entities		-	-
(h) businesses		-	-
(i) property, plant and equipment		(36)	(36)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
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	11	11
2.3	Cash flows from loans to related party	(125)	(125)
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>(150)</b>	<b>(150)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	1,140	1,140
3.6	Repayment of borrowings	(38)	(38)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(73)	(73)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,029</b>	<b>1,029</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	2,849	2,849
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,738)	(1,738)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(150)	(150)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,029	1,029
4.5	Effect of movement in exchange rates on cash held	7	7
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,997</b>	<b>1,997</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	1,997	2,849
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,997</b>	<b>2,849</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>
7.1.1	Loan facility	1,000	1,000
7.1.2	Loan Facility	500	-
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	15	15
7.3.4	Other – Supplier funding	116	116
7.4	<b>Total financing facilities</b>	11,131	5,631
7.5	<b>Unused financing facilities available at quarter end</b>		5,500
7.6	<p>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.</p> <p>7.1 Third Return Investment Pty Ltd – Unsecured facility to be used to purchase inventory or facilitate settlements for the Bond Income business. Interest rate of 6.00% and repayment on 1 September 2023.</p> <p>7.1 Adcock Private Equity Pty Ltd – Unsecured facility to be used to meet any liabilities that fall due and general corporate purposes. Interest rate of 6.00% and repayment on 1 September 2023.</p> <p>7.3.1 Issued notes – Unsecured facility. Interest rate of 6% and repayment date of 24 December 2023.</p> <p>7.3.2 Bond trading settlement (DVP) facility – Secured over the traded securities. Interest rate of 5%, settled up to T+5.</p> <p>7.3.3 Monument Funding – Unsecured facility. Interest rate of 2.95% and repayment date of December 2022.</p> <p>7.3.4 BidFin Capital – Unsecured facility. Interest rate of 4.6% and repayment date of July 2023.</p>		

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)	(1,738)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,997
8.3	Unused finance facilities available at quarter end (item 7.5)	5,500
8.4	Total available funding (item 8.2 + item 8.3)	7,497
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.3
	<p><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></p>	

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: 31 October 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.