

ASX Announcement 24 January 2023

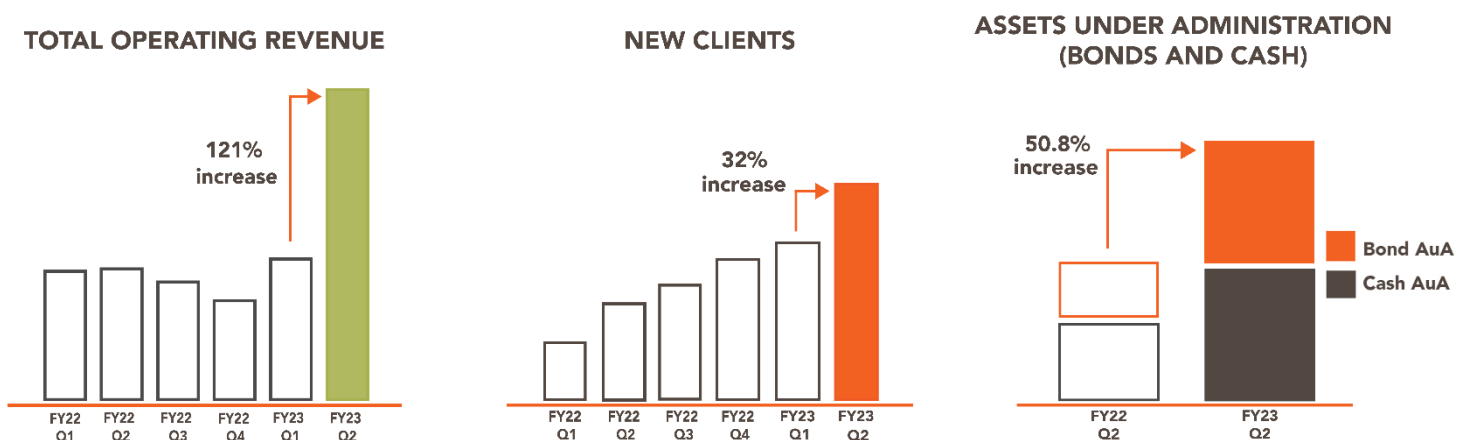
Income Asset Management (IAM) Q2 FY2023 Quarterly Activity Report

**IAM Group hits profitability in Q2, delivering 120% increase in Group Revenue (QoQ) from \$2.1m to \$4.7m and, now holds \$2.7b in AUA a 51% increase (YoY).**

**QoQ Bond trading revenue increased 510% to \$4.1m and 32% growth in HNW private client numbers.**

**\$2.7bn in Assets under Administration, a 17% increase from Q1 FY23.**

**Income Asset Management Group Ltd (ASX:IAM) (IAM or Group)** is pleased to announce positive net operating cashflow results for the second quarter to 31 December 2022 (Q2 FY23), reaching positive EBITDA\* of \$890,000 and delivering an overall profitable quarter. Group Assets under Administration (AuA) increased to \$2.7bn, a 16.7% increase from Q1.



## Key highlights

- **IAM reached profitability for the quarter and positive EBITDA of \$890,000 for the quarter.**
- **4% decrease in expenses** QoQ, reflecting a strong management of the cost base and the group reaching **scale**.
- **Group revenue for Q2 increased 120%** to \$4.69 million compared with \$2.13 million in Q1 FY23, driven by bond trading revenue.
- **Bond Trading Revenue increased 510.2% to \$4.12m** Quarter on Quarter (QoQ), reflecting strong demand for corporate bonds and increase in client numbers.
- **31.8% increase in the number of bond clients** QoQ to over 1,000 enabling the group to hit **scale** in client trading.

- **AuA across bonds and cash increased 16.7% QoQ to \$2.7bn.** Our managed investment service now has **assets over \$400m** delivering revenue from advisory and execution services.
- Cash AuA **increased 10.6% QoQ** from \$1.363 billion **to \$1.508 billion** in Q2 FY23
- **Trustees Australia (TAL) our Responsible Entity and Custodian business has reached operating profitability** and has been able to support the issuance of new products including acting as Bare Trustee for Corporate Loans.
- Fortlake Asset Management, which we hold a 25% investment was named **“Best-performing fixed-income fund for 2022” by Livewire Markets.**
- **\$10m IAM Note** successfully placed to institutional and sophisticated investors, to support the growth of the business enabling the IAM 2020 \$4.5m note to be repaid.
- **The Group has over \$11m in funding available.** With the positive quarterly operating cashflow of \$0.3m compared to the prior quarter’s net outflow \$(1.7m) Section 8.5 of the 4C - “Quarters of funding available” is now not applicable.
- **To ensure continuing scalability of the group and significantly improve our client’s experience,** an external technology partner is integrating their system into the Groups current processes and infrastructure. The new platform will provide an enhanced portal for clients and advisors to manage their portfolios, deliver operational efficiencies and greater ability to connect and integrate with third parties. The changes to be delivered in Q3 and Q4 are expected deliver operating cost efficiencies and scalability without additional resources.

## 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.”***

We will look back upon Q2 2023 as a watershed time for IAM. We completed a large and highly complex high-yield placement in November, to achieve a great result for both investor and the selling clients. The team followed up this inaugural loan placement, with another, similar transaction in December. The pipeline for such deals looks strong. We also continued to grow our model bond portfolio service, finally giving it scale to get market acceptance. Debt Capital Market issuance was strong and, pleasingly, we were able to place the new-issues comfortably, as our client numbers continue to grow.

The most pleasing aspect of the quarter was indeed the client growth, our team on-boarded over 200 new private clients within the period, most within the month of November. The process was smooth and we have already transacted with many of the new clients in other bond or loan transactions.

Our Funds business has been driving a lot of our growth in the advised areas and they are also involved in some exciting discussions with Fund Managers, as future clients.

### **As we look forward in the remainder of FY23:**

As the interest rate environment remains unsettled for investors and corporates, this creates revenue opportunities for our Cash Market and Capital Markets businesses.

- With bank lending tightening and corporates looking for funding, we have a very significant pipeline of new-issue transactions.
- For advisory groups we have seen a strong take-up 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 as financial advisors seek to outsource their fixed income portfolios.
- 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.
- Our Cash Markets business continues to focus on larger money market mandates that enable better interest rates in Term Deposits, At Call and NCDs.
- The introduction of a new technology platform in Q3 and Q4 will ensure all parts of the business can manage the rapid scaling of the Group.

## IAM Business Model

IAM is a business specialising in bonds, cash and fund manager incubation. Importantly, there is a very significant cross-over. Funds division identifies large buyers of model bond portfolios from Capital Markets.

Funds under advisement (Capital Markets) invests across cash and bonds – Trustees Australia acts as Bare Trustee for loan transactions within Capital Markets.



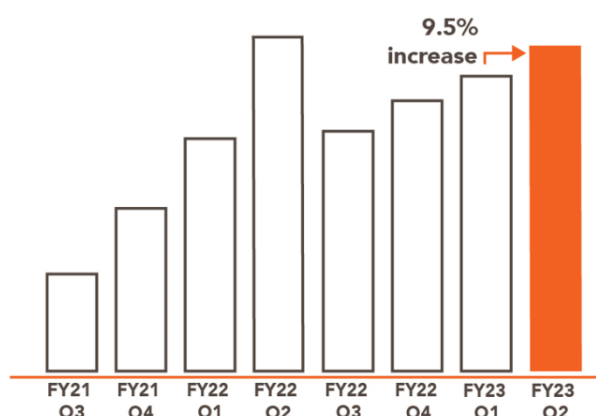
## IAM Capital Markets

**The division is experiencing phenomenal growth in all key areas - revenue, clients and AuA. The increasing interest rate environment, combined with a backdrop of lacklustre performance in equities, are showing the strength of our fixed income proposition.**

### Highlights:

- Secondary trading revenue grew to \$4.1m in Q2, nearly quadruple our previous record.
- New capital markets clients grew to over 1,000 clients, a benchmark we have always considered to be the scale that is able to sustain our business.
- Bond AuA grew 25.5% QoQ to \$1.18b. This growth has been driven by client acquisition resulting from large placements of secondary loan transactions.
- The number of trades IAM completed for our clients grew 9.5% QoQ to 1,747.

### QUARTERLY BOND TRADING VOLUMES

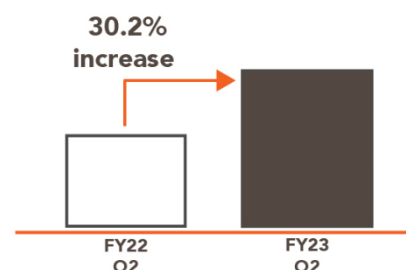


## IAM Cash Markets

**Cash AuA increased for the quarter, as rising interest rates continue to attract clients to our market leading cash platform.**

- Cash AuA increased 10.6% from \$1.363 billion in Q1 FY23 to \$1.508 billion in Q2 FY23.
- \$128m increase QoQ in Term Deposits held on platform as clients seek higher returns on cash.
- \$32m increase in At-Call accounts QoQ.

### ASSETS UNDER ADMINISTRATION (CASH)



## IAM Funds Management

**Building from a strong foundation**

### Highlights

- The IAMF team is actively assessing multiple opportunities in the commercial property sector and small cap equities amongst others.
- Through connections across advisory groups, the IAMF team have developed a tremendous pipeline of demand for IAM's model bond initiative.
- Fortlake Asset Management FUM increases 27% QoQ to \$332m and was named **"Best-performing fixed-income fund for 2022"** by Livewire Markets.

## Trustees Australia Ltd

### Highlights:

- In FY23 TAL has generated more than \$600k in transactional revenue and \$60k in recurring revenue.
- In addition to business-as-usual Trustee operations, TAL in Q2 acted as Bare Trustee for one tranche of our secondary loan flow. This capacity enabled IAM to find a solution for a seller who, prior to engaging us, had been unable to sell their exposure under the loan agreement.

## Quarterly cash flow

The net operating inflow of cash this quarter was \$257k, up \$2.00m compared with Q1 2023. This uplift was driven by a significant increase in receipts from customers for securities and loan trading.

The Group continues to see growth in FY23 revenue across both the Capital Markets and Cash Markets businesses as the economic cycle continues to favour income focussed investments.

### Items to note:

The group reported positive net operating cashflows in Q2 FY23, so the "reported estimated quarters of funding available" in section 8.5 is marked as not applicable, reflecting that IAM is not using funds from the financing facilities and is instead adding to them.

IAM has now lent Fortlake Asset Management a total of \$1,041,666 as part of a fully repayable loan facility. This is reflected in investing cash flows.

<b>IAM Group cash flow FY23</b>	<b>Q1 \$A'000</b>	<b>Q2 \$A'000</b>
8.1 Net cash from / (used in) operating activities	(1,738)	257
Add back cash flows for bond holdings during the quarter	(10)	521
<b>Adjusted operating cash flow</b>	(1,748)	778
8.4 Total financing facilities	7,497	11,107
Bonds on balance sheet	70	591
<b>Adjusted financing facilities (incl. bonds)</b>	7,567	11,698
8.5 As reported estimated quarters of funding available	4.3	N/A

\*All FY2023 numbers are unaudited, subject to variation at audit reviewed half year 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 \$149,073, interest on an unsecured loan of \$13,063 and interest on issued notes of \$7,624.



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

For more information, please contact:

**Jon Lechte - CEO**

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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")**

31 December 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1.1 Receipts from customers – brokerage and fees		1,626	2,727
1.1.2 Receipts from customers – securities trading		3,904	4,578
1.1.3 Net in/(out)flows for settlement of financial instruments held on balance sheet		(521)	(511)
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(1,271)	(2,293)
(c) advertising and marketing		(68)	(175)
(d) leased assets		(23)	(38)
(e) staff costs		(2,242)	(4,324)
(f) administration and corporate costs		(1,085)	(1,297)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	1
1.5 Interest and other costs of finance paid		(64)	(149)
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>257</b>	<b>(1,481)</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		(14)	(50)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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
2.3	Cash flows from loans to related party	-	(125)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(14)</b>	<b>(164)</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	5,101	5,101
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	(1,000)	140
3.6	Repayment of borrowings	(45)	(83)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayments of lease principal	(193)	(266)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3,863</b>	<b>4,892</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	1,997	2,849
4.2	Net cash from / (used in) operating activities (item 1.9 above)	257	(1,481)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(164)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,863	4,892
4.5	Effect of movement in exchange rates on cash held	4	11
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,107</b>	<b>6,107</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	6,107	1,997
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>6,107</b>	<b>1,997</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	(251)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		

<b>7.</b>	<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 facility	-	-
7.2	Credit standby arrangements	-	-
7.3.1	Other – Issued notes	10,000	10,000
7.3.2	Other – bond trading settlement (DVP) facility	5,000	-
7.3.3	Other – Insurance funding	5	5
7.3.4	Other – Supplier funding	82	82
7.4	<b>Total financing facilities</b>	15,087	10,087
7.5	<b>Unused financing facilities available at quarter end</b>		5,000
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>7.3.1 Issued notes – Unsecured facility. Interest rate of 12% and repayment date of 4 November 2025.</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 January 2023.</p> <p>7.3.4 BidFin Capital – Unsecured facility. Interest rate of 4.6% and repayment date of July 2023.</p>		

<b>8.</b>	<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)	257
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,107
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)	11,107
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer:</p>	

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: 24 January 2023

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.