

INCOME INVESTING

Overview

DISCLAIMER



© 2024 IAM Group | Income Asset Management Group Limited ABN 42 010 653 862 (ASX: IAM) and its wholly owned subsidiaries, IAM Capital Markets Ltd ABN 86 111 273 048 AFSL 2831 19, IAM Cash Markets Pty Ltd ABN 70 164 806 357 corporate authorised representative (no. 001295506) of AFSL 283119, Trustees Australia Limited ABN 63 010 579 058 AFSL 260038 and IAM Fund Pty Ltd ABN 54 643 600 088 (together the IAM Group). Please see incomeam.com/financial-services-guide/

Disclaimer: IAM and its subsidiaries offer general financial product advice only. As a result, this document, and any information or advice, has been provided by IAM without taking account of your objectives, financial situation and needs. Because of this, you should, before acting on any advice from IAM consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If this document, or any advice, relates to the acquisition, or possible acquisition, of a particular financial product, you should obtain a product disclosure statement relating to the product and consider the statement before making any decision about whether to acquire the product. Neither IAM, nor any of its directors, authorised representatives, employees, or agents, makes any representation or warranty as to the reliability, accuracy, or completeness, of this document or any advice. Nor do they accept any liability or responsibility arising in any way (including negligence) for errors in, or omissions from, this document or advice. IAM, its staff and related parties earn fees and revenue from dealing in the securities as principal or otherwise and may have an interest in any securities mentioned in this document. Any reference to credit ratings of companies, entities or financial products must only be relied upon by a 'wholesale client' as that term is defined in section 761G of the Corporations Act 2001 (Cth). IAM does not provide tax advice and is not a registered tax agent or tax (financial) advisor, nor are any of IAM's staff or authorised representatives. IAM does not make a market in the securities or products that may be referred to in this document.

An investment in notes or corporate bonds should not be compared to a bank deposit. Notes and corporate bonds have a greater risk of loss of some or all of an investor's capital when compared to bank deposits. Past performance of any product described on any communication from IAM is not a reliable indication of future performance. Forecasts contained in this document are predictive in character and based on assumptions specified in the document and generally available at the time and no reliance should be placed on the accuracy of any forecast information. The actual results may differ substantially from the forecasts and are subject to change without further notice. IAM is not licensed to provide foreign exchange hedging or deal in foreign exchange contracts services. IAM may quote to you an estimated yield when you purchase a bond. This yield may be calculated by IAM on either A) a yield to maturity date basis; or B) a yield to early redemption date basis. Some bond issuances include multiple early redemption dates and prices, therefore the realised yield earned by you on the bond may differ from the yield estimated or quoted by IAM at the time of your purchase.

IAM International Bonds Offering Team



Jon Lechte

CEO, IAM Group

Jon has more than 30 years' experience in Australian and international fixed income and cash management.

He held senior positions with UBS and FIIG Securities before joining IAM as CEO in April 2020.



James Shillington

Co-Head Capital Markets

James is a fixed interest product specialist with extensive experience in financial markets and is Executive Director and Co-Head of IAM Capital Markets Division.

Prior to IAM, James worked at FIIG Securities, and was a founding member of MINT Partners Australia, a division of BGC Partners.



Luke Hunter

Relationship Manager, Fixed Income Sales

Luke has worked with top wealth managers and financial advisers to provide tailored investment solutions in fixed income and portfolio management.

Luke holds a Finance degree from Deakin University and is RG146 accredited, dedicated to delivering exceptional service and building lasting partnerships.



Jenna Labib

Head of Sales

Jenna Labib is Head of Sales at IAM Capital Markets. Jenna has extensive experience and knowledge of the financial markets in Australia, having spent time at UBS, Deutsche Bank and FIIG.

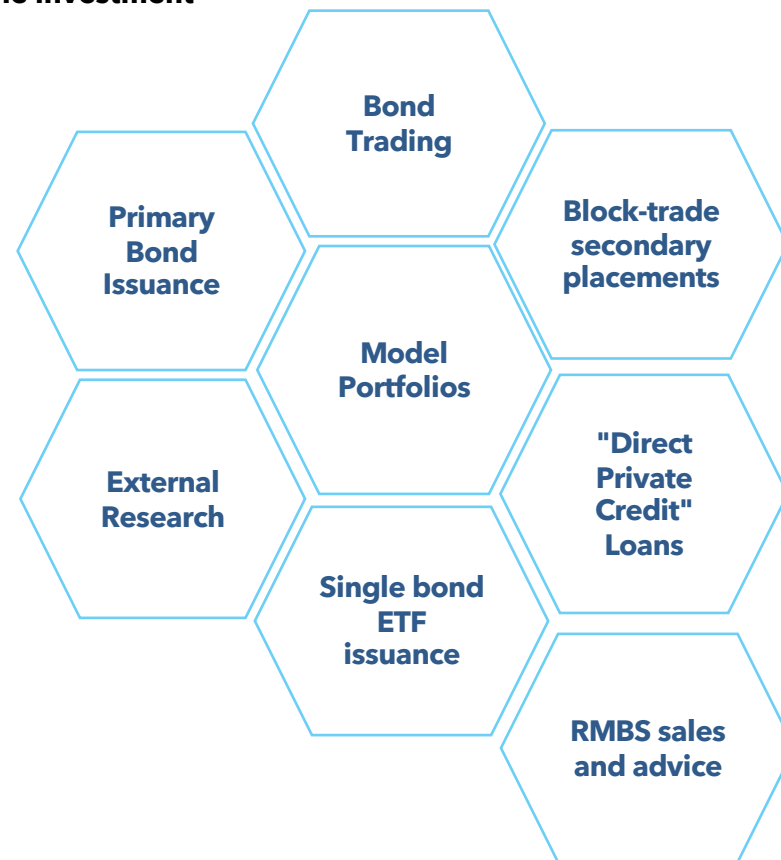
Jenna graduated from the University of Sydney with a combined Commerce/Law degree and a major in Accounting.

Comprehensive Fixed Income Solution



Income Asset Management (ASX:IAM) is a publicly listed company on the Australian Securities Exchange (ASX), offering a complete income investment service.

- We are well established in the fixed income market, providing income solutions for all "risk vs reward" appetites.
- We continue to engage with our business partners, to increase the deal flow with their clients. Already this group includes ANZPB, HUB24, Netwealth and Wilsons Advisory.
- Our breadth of products includes Investment Grade and High Yield bonds, direct bank loans, RMBS service and Primary Debt issuance.
- Bonds and Loans under administration have surpassed \$2 billion.
- We have more than 2000 wholesale client accounts, who executed nearly 8000 trades in FY24.
- Our rapidly expanding team of Fixed Income professionals actively manage client accounts and provide insights, research, education and trade ideas to maximise their client's returns.



Building Australia's most engaged fixed income investor base

Global bond market - key features



Massive global market; bigger than global share market



Face value is \$100



Interest rate, inflation, currency hedge



Most bonds issued and traded in the over-the-counter market



Reliable income, diversification



Capital preservation

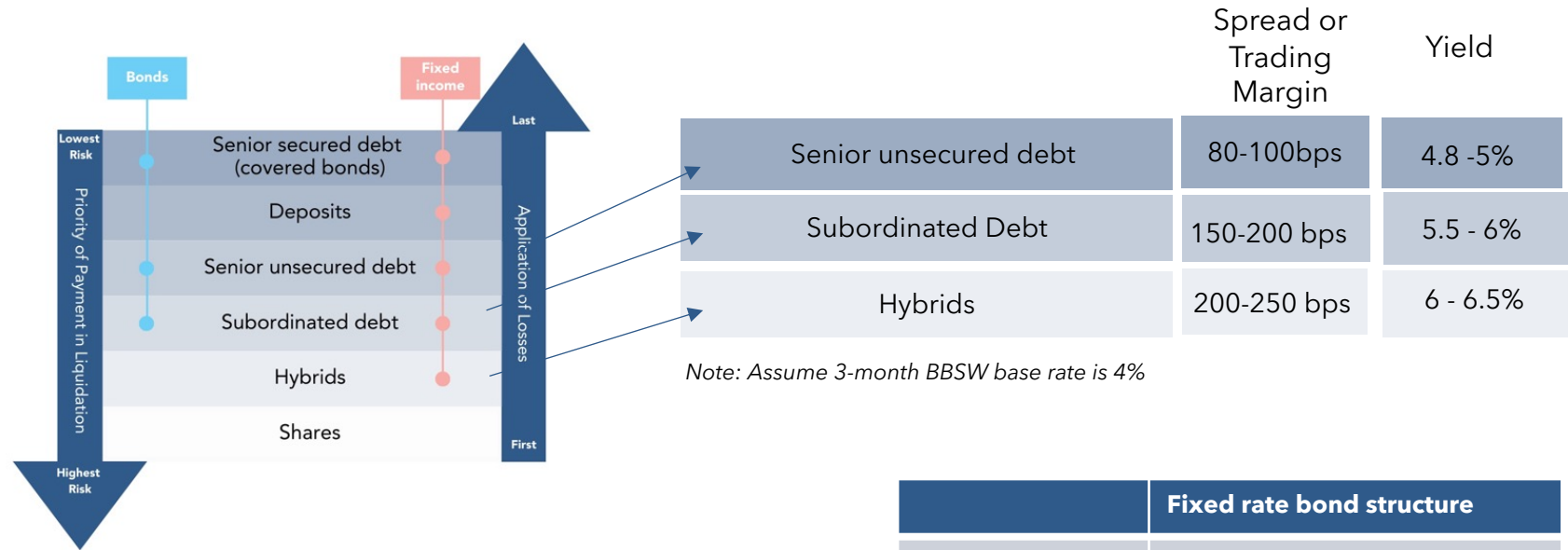
Credit Ratings Matter

Moody's	S&P	Fitch	Description
Aaa	AAA	AAA	Highest credit quality, minimal credit risk
Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	Very high credit quality, very low credit risk
A1 A2 A3	A+ A A-	A+ A A-	High credit quality (upper medium grade)
Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Good credit quality, currently low credit risk
Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Speculative elements, issuer faces uncertainties and adverse conditions
B1 B2 B3	B+ B B-	B+ B B-	High credit risk but the issuer is able to meet its obligations
Caa1 Caa2 Caa3	CCC+ CCC CCC-	CCC CCC CCC	Issuer currently vulnerable, default likely
Ca	CC	CC	Issuer currently extremely vulnerable, nearing default
C	R, SD, D	C, RD, D	Lowest rating, issuer is in default on some or all of its obligations

- Rating agencies analyse the credit quality of a company and their ability to service interest and repay principal
- The ratings take into consideration numerous factors, including a bond issuer's leverage, cash flows, earnings, and interest coverage ratio
- Ratings of BBB- or better are called Investment Grade. Ratings below BBB- are called Sub-Investment Grade or High Yield bonds

FitchRatings MOODY'S S&P Global

Yield vs Spread and the Capital Structure



- The capital structure helps you assess the risk and return for investments in the same company
- Investors at the top of the structure are paid first in liquidation
- Losses are absorbed by the lowest level first

	Fixed rate bond structure
Coupon structure	Fixed
Coupon frequency	Typically Semi-Annual
Issue Price	Typically, \$100 but may issue at a discount
Maturity Price	Typically \$100
Ratings	Investment Grade, Sub-Investment Grade, Unrated
Performs best	Falling interest rate environment

Israeli GOV Bonds Execution Service



Income Asset Management is pleased to introduce our Israeli Sovereign Bond Execution Service.

- **IAM will facilitate the buying and selling of bonds denominated in USD and EUR, ensuring competitive market pricing for our clients.**
- **In sourcing your investment, we engage in competitive pricing agreements with investors, allowing for favourable trade conditions. Trades are executed through our network of global investment banks, ensuring efficient market pricing.**
- **The Israeli Sovereign bond market is large in scale and characterised by a high level of liquidity, providing investors with ample opportunities. Trade execution can be executed intra-day in AEST, enhancing the flexibility for our clients.**
- **Clients' assets are held securely by Perpetual Corporate Trust, the custodian for Income Asset Management.**

Israeli USD Sovereign Bond Yield Curve



*Source: Bloomberg, 02 December 2024

Proposed Sample Portfolio



Portfolio Objective:

The proposed portfolio aims to generate a relatively stable income stream whilst preserving capital by investing in high-quality Israel Government Bonds.

Portfolio Summary:

Total Face Value:	2,600,000
Clean Consideration:	2,246,388.00
Accrued Interest:	29,821.68
Gross Consideration:	2,276,209.68
Yield:	5.406%

Assuming face value of \$200,000USD; As at 03 March, 2025

Portfolio Parameters

- **Diversification:** Spread across maturities, issuers, and types to reduce risk and enhance performance.
- **Credit Risk:** BBB-rated bonds and above are Investment Grade, with low default rates.
- **Liquidity:** Larger issues have better liquidity, with maturity dates providing repayment certainty.

Issuer	Coupon Type	Coupon Formula	Rating (S&P, FITCH, MOODY)	Yield	Running Yield	Maturity Date
Israel Government International Bond	Fixed	4.500%	A, A, Baa1	6.080%	6.076%	03-Apr-20
Israel Government International Bond	Fixed	5.750%	A, A, Baa1	6.062%	6.005%	12-Mar-54
Israel Government International Bond	Fixed	3.875%	A, A, Baa1	5.809%	5.201%	03-Jul-50
State of Israel	Fixed	3.800%	A, A, Baa1	5.990%	5.589%	13-May-60
Israel Government International Bond	Fixed	4.500%	A, A, Baa1	5.645%	5.161%	30-Jan-43
State of Israel	Fixed	3.375%	A, A, Baa1	5.738%	4.898%	15-Jan-50
Israel Government International Bond	Fixed	4.125%	A, A, Baa1	5.801%	5.228%	17-Jan-48
Israel Government International Bond	Fixed	4.500%	A, A, Baa1	5.175%	4.703%	17-Jan-33
Israel Government International Bond	Fixed	5.500%	A, A, Baa1	5.235%	5.398%	12-Mar-34
Israel Government International Bond	Fixed	2.750%	A, A, Baa1	4.992%	3.069%	03-Jul-30
State of Israel	Fixed	2.500%	A, A, Baa1	5.170%	2.794%	15-Jan-30
Israel Government International Bond	Fixed	5.375%	A, A, Baa1	4.592%	5.226%	12-Mar-29
Israel Government International Bond	Fixed	3.250%	A, A, Baa1	4.602%	3.371%	17-Jan-28

Currency: USD; Sector: Government; Ranking: Senior Unsecured

Invested funds are not locked-in. Investors can liquidate at any time

More available Israeli GOV issued bonds

Name	Coupon	Maturity	Currency	Bond Price	Yield to Maturity
State of Israel	5.5	12/03/2034	USD	\$101.88	5.235
State of Israel	5.75	12/03/2054	USD	\$95.758	6.062
State of Israel	4.5	3/04/2120	USD	\$74.059	6.083
State of Israel	1.5	16/01/2029	EUR	€94.87	2.920
State of Israel	2.875	16/03/2026	USD	\$99.39	3.477
State of Israel	6.5	6/11/2031	USD	\$108.62	4.964
State of Israel	5.375	12/03/2029	USD	\$102.11	4.791
State of Israel	3.8	13/05/2060	USD	\$67.89	6.000
State of Israel	4.5	17/01/2033	USD	\$74.06	6.145
State of Israel	0.625	18/01/2032	EUR	€95.29	5.236
State of Israel	3.875	13/07/2050	USD	\$74.28	5.832
State of Israel	4.5	18/01/2037	EUR	€87.05	5.660
State of Israel	4.125	17/01/2048	USD	\$78.80	5.811
State of Israel	3.375	15/01/2050	USD	\$68.76	5.572

*As at 04 March 2025

Managing your portfolio

What is a custodian and why is a custodian required?

When investors purchase bonds in the over-the-counter (OTC) market, they are required to hold them in the safekeeping of a licensed custodian. The custodian acts in a similar role to CHES for equities.

Custody is typically an omnibus structure. Bonds at Perpetual Corporate Trust are held in an omnibus account under IAM. IAM holds an electronic record of an investor's beneficial ownership of a bond.

When a bond is issued, there's a note trustee and paying agent. They are responsible for ensuring the bond is in accordance with the documentation. That includes coupon payments, redemptions, or any other event that may affect your assets (i.e. corporate actions, consent events).

Ownership of your bonds

The beneficial ownership of investors' bonds, held by Perpetual Corporate Trust, remains with the investor at all times. Investors' bonds are their assets and at no point do they form part of the assets of IAM or Perpetual.

Active Management of Your Portfolio



As an investor with IAM, we take an active role in understanding your needs and managing your portfolio to ensure optimal investment allocation. You also have access to market updates, macro and issuer research, and regular reporting via easy-to-use dashboards in the online portal.



Weekly Recap

Fed members continued to reiterate indications of a potential rate cut. T1 sufficient to support cuts by the end. European wages data came in high. Canada saw inflation growth slow.

- Friday:**
- AU AOFM Tender: \$1.0bn Treasury Note, Aug
 - AU AOFM Tender: \$1.0bn Treasury Note, Sep
 - US May Initial Jobless Claims (survey: 220k; 14.4%)

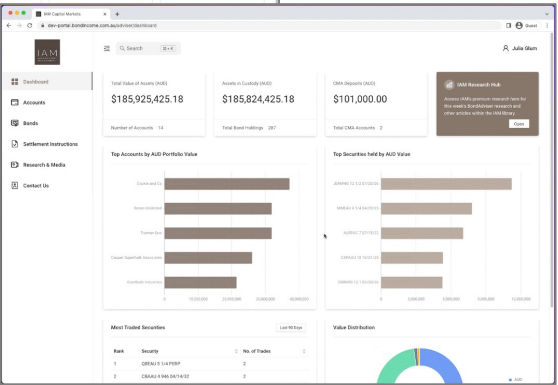
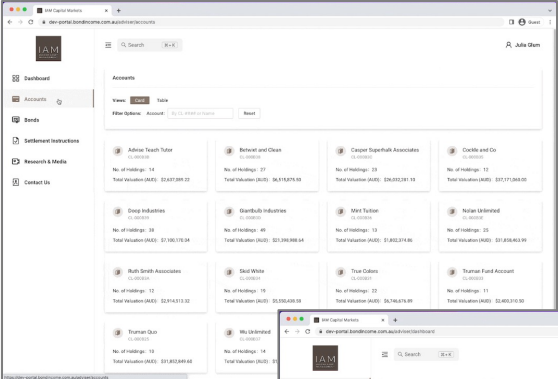
- Saturday (25/5):**
- US May U. of Mich. Sentiment (survey: 67.7; 1.1%)

- Tuesday (28/5):**
- AU April Retail Sales MoM (last: -0.4%)



Week in Review

- The RBA Board keeps the cash rate at 4.35%, balancing mixed economic data: higher inflation and strong labour market vs. weaker consumption. This decision reflects caution amid volatile data. Revised projections show higher year-end inflation, slightly firmer unemployment, and lower GDP growth due to weak consumption.
- The RBA's stance suggests confidence in returning inflation to target in the medium-term without harming the economy despite near-term risks. Rate cuts are unlikely until late in the year, with November forecasted for the first move and a gradual easing to 3.10% by Q4 2025.
- The federal budget includes measures to lower reported inflation, like energy bill relief and rent assistance. The government's inflation forecast of 2.75% by the end of 2024-25 is plausible and shouldn't impact RBA's rate cut timing.
- A surprise in producer price inflation led Fed Chair Powell to reiterate that rates are in restrictive territory. April saw slower nonfarm payroll growth and weak household employment in the US, raising concerns about activity and labour market risks. Banks are tightening lending standards as credit demand weakens.
- The Bank of England's MPC indicates an imminent return to target inflation, with some members voting for a rate cut. Global inflation control shows progress, though UK demand remains weaker.



In Summary



Income Asset Management has the expertise, personnel and state-of-the-art technology to deliver a complete income investment service.

Next steps

Let's schedule a meeting to discuss your requirements and tailor our offering to your specific needs

Thank You

James Shillington

Co-Head Capital Markets, IAM Group

 **0421 865 980**

 **James.Shillington@incomeam.com**

Luke Hunter

Relationship Manager, IAM Group

 **0432 390 969**

 **Luke.Hunter@incomeam.com**

Contact us

P: 1300 784 132

E: sales@incomeam.com

W: incomeam.com

