



# **INVESTMENT AND INSURANCE ROADSHOW**

23 May 2024



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# The Appropriateness Enigma

## Uncovering the appropriateness enigma

— Presented by  
David Glen, National Technical Manager

ADVICE SKILLS AND TRAINING



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# Learning Outcomes

At the conclusion of this webinar, participants should be:

- Familiar with the contents and structure of Standard 5 of the Adviser Code of Ethics
- Aware of the appropriateness requirements of Standard 5
- Able to measure advice in terms of reasonableness and meeting client objectives
- Able to gather evidence to establish the required degree of client understanding

**01**

What does Standard 5 say?

**02**

The reasonableness test

**03**

Alignment with client objectives and needs

**04**

Establishing client understanding

**05**

Stress testing outcomes

# Agenda

# What does Standard 5 say?

# Standard 5 wording

## Requirements are outlined in two key paragraphs

- All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances
- You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied



“

**The intent of Standard 5 is to ensure that the advice is “clear and simple”. Complex advice can comply with the Standard provided that each component has the requisite degree of clarity and simplicity**”

”

# Standard 5 first limb

- The Standard is restricted to advice and financial product recommendations. It is narrower than Standard 2 which looks at broad generic behaviour traits.
- Advice must be in the best interests of the client and appropriate to the client's individual circumstances.
- "Best interests" has the same meaning as the term in Standard 2. This scope of this requirement is considered in the presentations on Standard 2.
- "Appropriate" is not defined in the Code. Ordinary meaning of this term is: "The quality of being suitable or right for a particular situation or occasion."
- Appropriate advice therefore needs to display a quality of suitability.
- The suitability is measured by reference to the situation or occasion behind the advice. Suitability is not looked at in isolation.
- In the case of advice the reference point for the suitability test is the client's individual circumstances.

# Standard 5 second limb

- Express requirement that the client understands the advice
- The client's understanding is measured by reference to the benefits, costs and risks of the financial products recommended
- The adviser needs to be “satisfied” that the client has requisite degree of client understanding.
- This satisfaction has to be based on reasonable grounds

# Question 1

Alex is a fly-in fly-out worker who seeks income protection insurance from Martin. Alex wants the cheapest insurance available. He is obliged to carry minimum income protection cover under his employment contract. Martin recommends the most comprehensive income protection product offered by Union Life. This contract includes an age 65 benefit plus a superannuation protection option.

At what point has Martin breached Standard 5?

- a) The point of acceptance of the engagement to provide income protection advice to Alex
- b) The point of noting Alex's requirement for low cost income protection insurance
- c) The point of recommending the Union Life income protection contract
- d) There is no breach of Standard 5 as Martin has recommended the best product available



# Question 1: Answer

Correct answer: **C**

The breach of Standard 5 occurs when Martin recommends the Union Life Product contrary to client instructions. Martin should discuss all cover options and give Alex an opportunity to change his instructions

No breach of Standard 5 occurs on acceptance of the engagement or noting Alex's requirements

# The reasonableness test

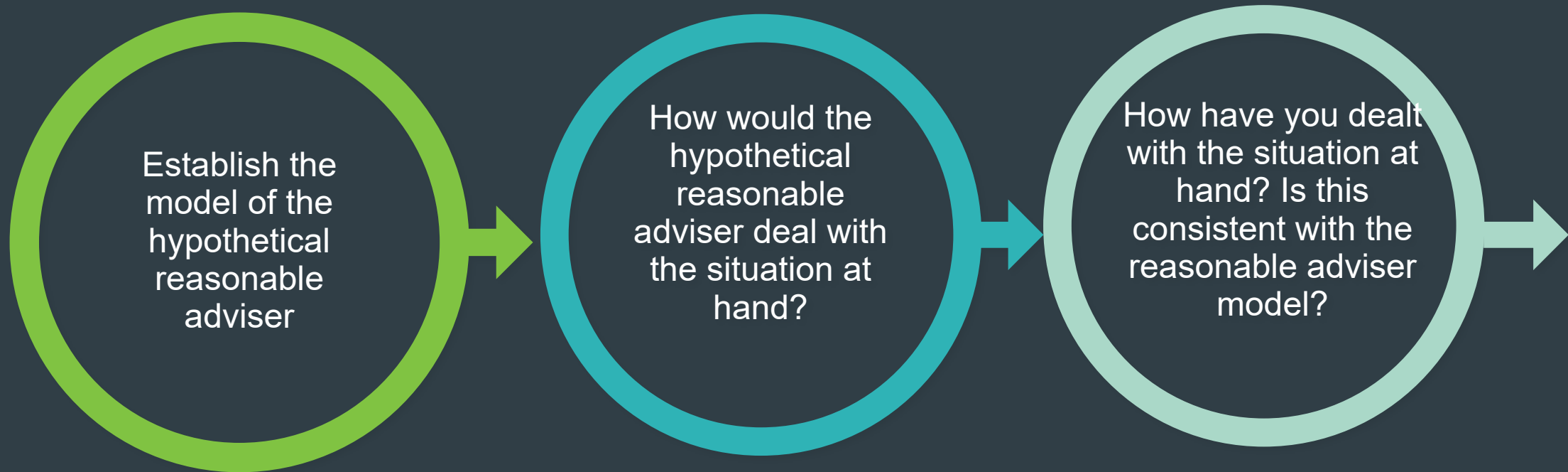
# Reasonable advice test



The standard requires an adviser to be reasonably satisfied that the advice is appropriate



The test is objective. Your state of mind is not the deciding factor in this situation



Does your behaviour fall short under this test?

# Approved Product List

## APL is not a Standard 5 “safe harbour”

- Reasonable to assume that the AFSL Licensee has undertaken due process to ensure that products on its APL meet the requisite quality standards
- Advisers need to have a good understanding of products on the APL plus a general understanding of other well rated products
- If a product not on the APL is demonstrably more appropriate than products on the APL, the adviser should seek AFSL approval to recommend that product



“

**If the licensee does not approve the appropriate product, the adviser should not recommend an alternative product on the APL. The adviser should refer the client to another adviser**

”

# Alignment with client objectives & needs

# Objectives, financial situation and needs

Appropriate advice should consider each requirement separately

## Objectives

- Proposed retirement age
- Career goals
- Protection of income from illness/injury
- Protection from death or TPD

## Financial situation

- Assets/liabilities
- Current income levels
- Superannuation balance
- Existing insurance cover

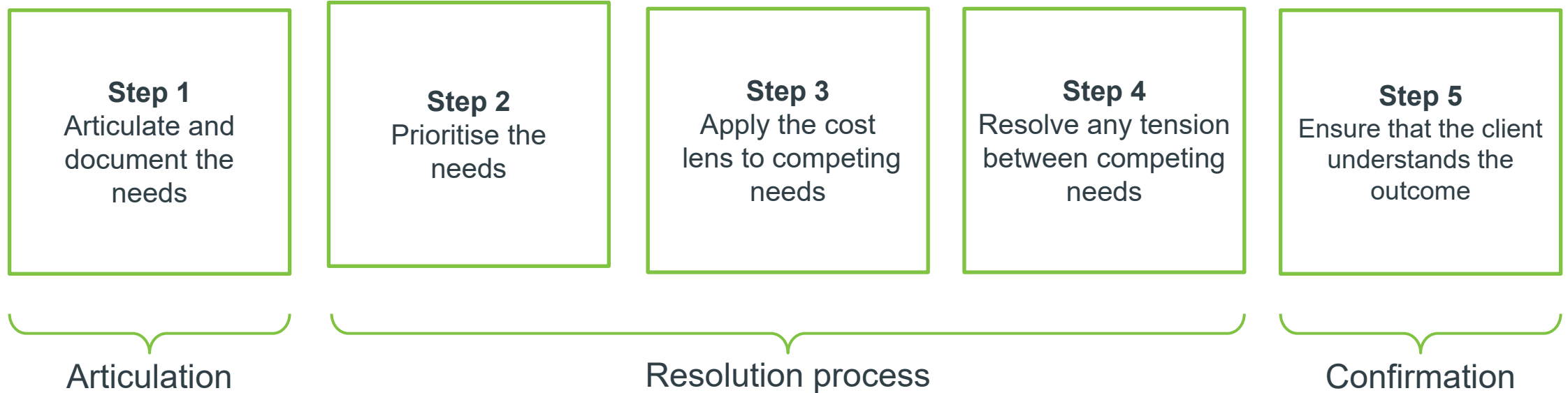
## Needs

- Debt service
- Cash requirements
- Medical cost cover
- Death/disability protection
- Income replacement



Important to test for omission i.e. objectives and needs not considered

# Dealing with competing needs



**"....a process of not just identifying needs but prioritising those needs to ensure that any tension between competing needs is resolved through discussions with the client"**

\*direct quote from AFCA determination 747581

# Establishing client understanding



# Components of understanding

1

Advice

Look at each recommendation separately and confirm the client's understanding of each recommendation.

2

Benefits

Look at each benefit which the recommended product offers. Does the client understand all benefits offered?

3

Costs

Does the client understand costs in the following areas:

- Acquisition?
- Holding?
- Disposal?

4

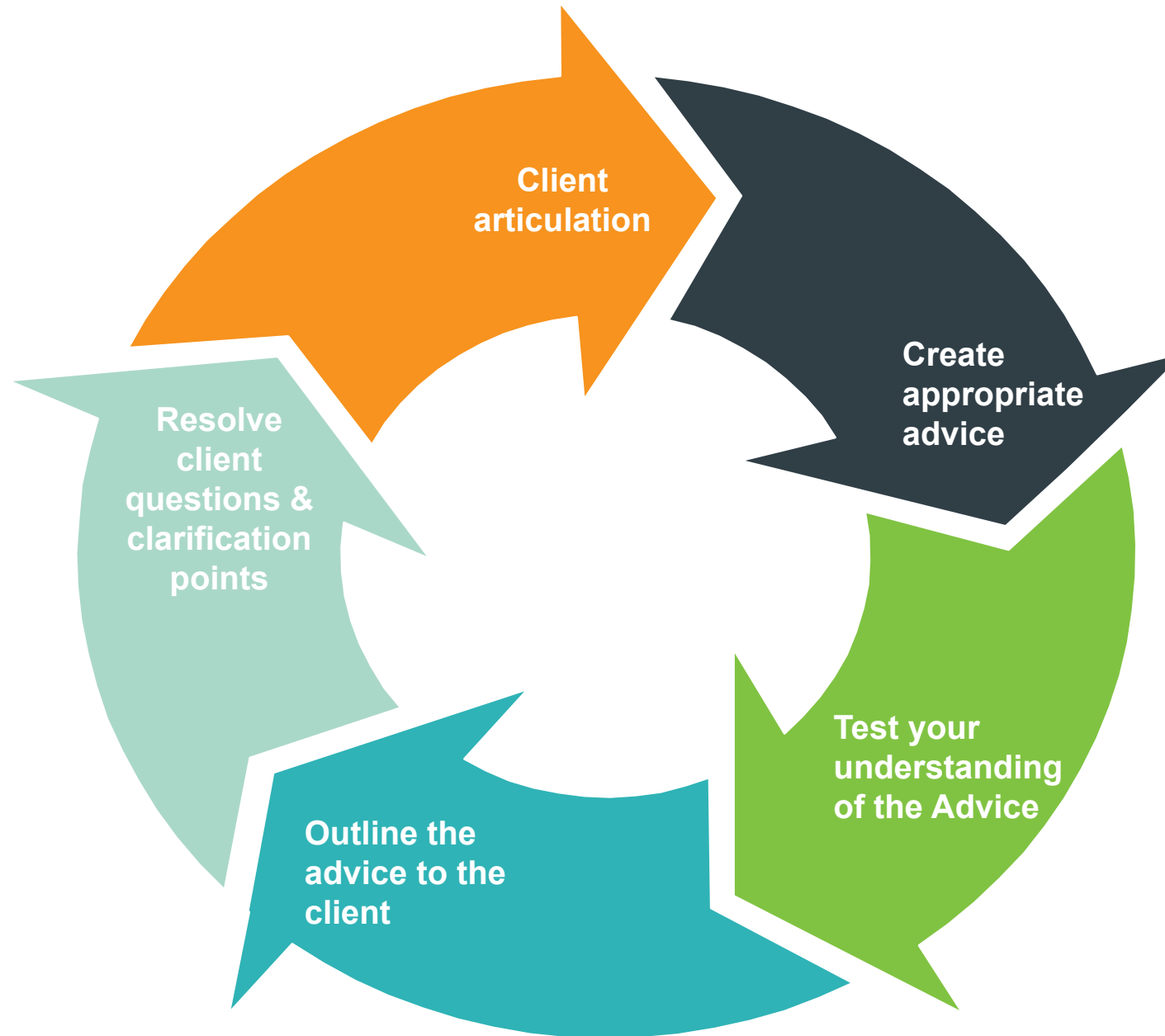
Risks

Does the client understand the risks and the proposed management of risks in the following areas:

- Acquisition?
- Holding?
- Disposal?

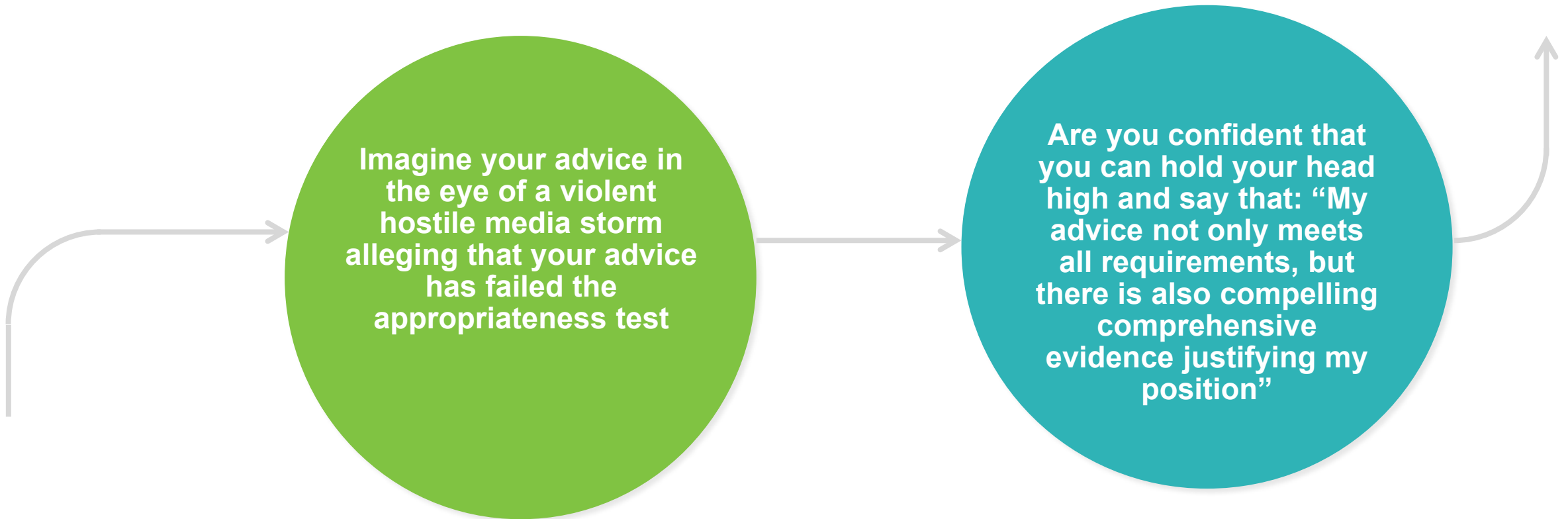
Client signature on the authority to proceed does not indicate client understanding!

# Process



# Stress testing outcomes

# Stress testing your advice



**Focus on how efficient and effective your advice is in the months/years post delivery**

## Question 2:

Samantha has held a \$1 million insurance policy for 20 Years with Union Life. Samantha requests a review of her insurances as she feels the premiums are too high. Adviser Fritz recommends that she switches to a Global Life Policy where the cover amount is \$1 million. This would achieve a saving of 20% per annum in premiums

What must adviser Fritz do to ensure compliance with the requirements of Standard 5?

- a) Limit his enquiries to cost alone on the basis of Samantha's instructions
- b) Compare the cost and benefits of both the Union Life and Standard Life policies
- c) Undertake a comparison of the two policies covering cost, benefits and other relevant issues such as disclosure obligations
- d) In addition to the requirements of c) above, ensure that Samantha understands fully the risks and benefits of the proposed switch

# Question 2: Answer

Correct answer: **D**

Fritz needs to look at costs, benefits and risks associated with the switch. He also needs to ensure that Samantha fully understands all these considerations

# Way forward



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Appropriate advice is not necessarily comprehensive advice recommending only products with highest ratings



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Establish the objectives, financial situation and needs of the client. The key is establishing competing needs/priorities in the light of cash flows and costs



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**Trade offs:** The appropriate insurance solution may be a compromise with lower cost and lower benefits to enable client to achieve other higher priority goals



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**Informed Consent**  
Ensure that the client understands the nature and consequences of all trade-offs

# Questions





**Thank you**

# Cost of Care: Volume 2

The next chapter in the  
strategic advice equation

Adam Crabbe | National Risk Strategy Specialist

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## 01

Explore community perceptions of the Australian health ecosystem

## 02

Examine cost experience and employment consequences

## 03

Learn current trends and the role of health risks

## 04

Enhance consumer awareness and help facilitate a more tailored advice experience

## 01 We began examining community perceptions



“Public health  
in Australia is free”



“Private health insurance  
covers everything”

## 02 Uncover the incidence and costs of various health events



What are the chances of:

Being diagnosed with cancer?

Having a stroke?

Suffering a heart attack?



What do these major health events cost?



## 03 Heighten awareness of the value of advice and wealth protection

Helping subsidise costs incurred throughout the health journey

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Replacing lost income

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Managing debts (deductible vs non-deductible)

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Financing current and future child education costs

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Funding funeral and other final expenses

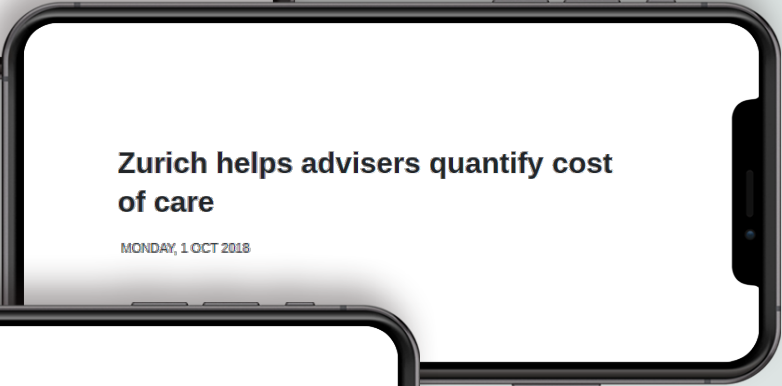
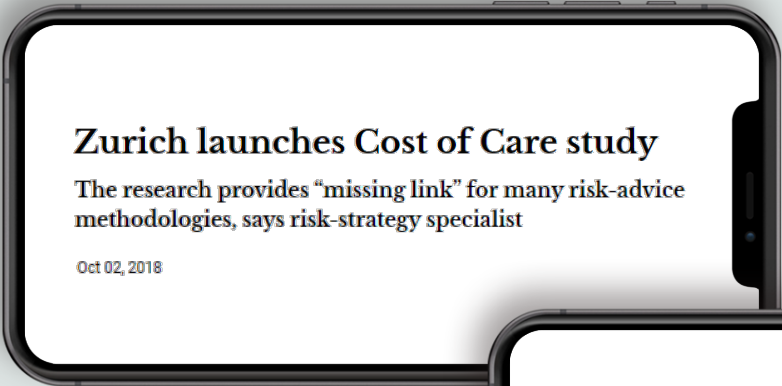
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Helping individuals and families get back to their pre-disability position



# The result





# Why we're here

A lot has happened in the years since

Unprecedented  
demand for an update



## Advisors

Referencing during client engagement, helping to build client knowledge and solidify the advice value-add

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## Licensees

Increasingly forming part of sum insured methodology and insurance philosophy design

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## Industry

Assisting in educating consumers on the fundamentals of the Australian health and financial ecosystem

Is there an opportunity to enhance the value provided in the original Cost of Care?

What shifts, if any, have there been with:

- ✓ Client and community awareness?
- ✓ Prevalence and incidence of serious health events
- ✓ The cost impact of various injuries and illnesses

# Is there still truth in client and community perceptions?



“Public health  
in Australia is free”



“Private health insurance  
covers everything”

## “Public health in Australia is not free”

“Public hospitals may charge you for some services.

If the recommended care can't be provided, the hospital can **outsource** parts of your care **or refer you** to a private provider (for which you may be charged).

There may also be **indirect costs.**”

## “Private health insurance does not cover everything”

“You may not be insured for all costs. There may be gaps or services that are **not covered** by a health insurance policy”

“Australia has a **mixed healthcare system** financed by public and private health insurance, and direct contribution from patients for services not covered by health insurance”

# The financial impact can be wide ranging

## Out-of-pocket (OOP) costs

Healthcare providers set their own fees. They may charge more than the Medicare or private insurance rebate.

In the public system, some fees are not covered by Medicare. If the hospital can't provide the recommended service, the service may be outsourced, or you may be referred to a private provider. There may be costs for:

- Surgery and for the anaesthetist ?
- Diagnostic tests and imaging ?
- Pathology services ?
- Chemotherapy ?
- Radiotherapy ?
- Take-home medications ?
- Dressings ?
- Medical equipment

## Indirect costs

Indirect expenses can be a significant portion of the overall costs of cancer. These include:

- Hospital parking ?
- Travel costs, including public transport or petrol ?
- Accommodation, if you don't live near a hospital ?
- Lost income and superannuation if you or a family member have time off work, reduce your hours or stop working ?
- Caring expenses, such as childcare ?
- Wigs and other items such as breast prosthesis or compression garments ?
- Mental health services ?
- Other allied health services not covered by Medicare such as - occupational therapy, physiotherapy and massage - exercise physiology - nutrition, dental, optical services

# People’s financial situation will be tested

Many remain unprepared

## How long do you think you could live without an income?

I wouldn’t last a day	9%
Maybe a week	15%
Maybe a couple of weeks	15%
One month	11%
Two months	10%
Three months	9%
Four months	4%
I could last maybe 5-6 months	10%
I’d be fine for more than six months	15%



Almost half of consumers have **\$5,000** or less in personal savings accessible in the event of illness or injury



**3 in 4** admitted they would regret the decision not having the right insurance protection in place if they lost the ability to earn an income due to illness or injury.



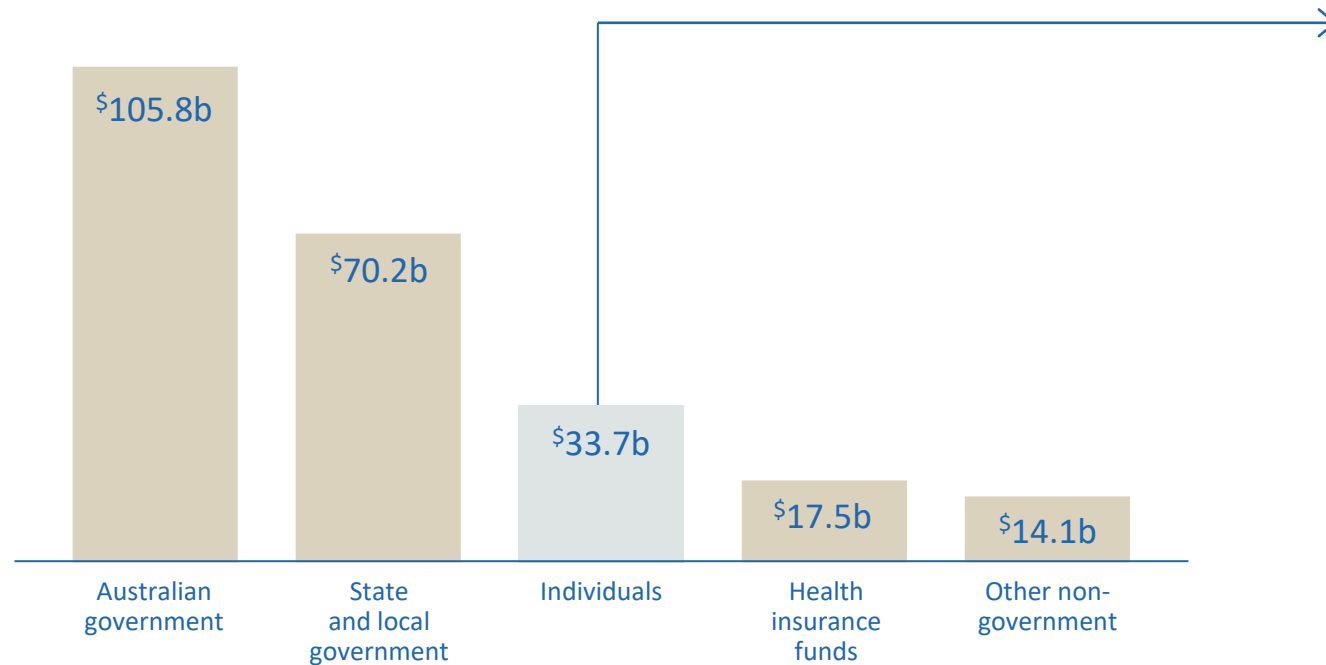
While most Australians have some level of life risk cover through their super fund, there are **significant gaps** in coverage and benefits in the status quo system relative to the community standard, particularly among middle age/high dependency demographics<sup>1</sup>

Sources:  
<sup>1</sup>NMG, Zurich consumer survey, respondents aged 25-50, n=1,039 41

# How much are individuals contributing to the cost burden?

One of the core functions of the original Cost of Care remains relevant

Collectively, individuals remain the 3<sup>rd</sup> leading contributors to the Australian health care system, **paying almost double that of health funds**



Individuals spent an estimated of \$33.7 billion out-of-pocket on health goods and services, where an estimated<sup>7</sup>:

- \$13.4 billion (39.8%) was spent on medications either partly or not subsidised through the PBS, including over-the-counter medications, vitamins and health-related products,
- \$6.7 billion (19.8%) was spent on dental services
- \$5.0 billion (14.9%) was spent on both referred and unreferred medical services
- \$3.5 billion (10.3%) was spent on hospital services
- \$3.1 billion (9.3%) was spent on aids and appliances
- \$1.2 billion (3.4%) was spent on health practitioners, such as chiropractors, physiotherapists, practice nurses and optometrists

“

My work was extraordinary and helped me for several months. And we were given a short-term lifeline by (a) charity who provided \$2,000 in vouchers and paid pharmacy and utility bills. I felt temporarily very relieved, but I still had to sell my car and borrow money from my Dad to make ends meet.

With no ongoing financial support, we sold our family home so I could access my own funds.”

Dan  
Glioblastoma  
October 2022



“

Cancer patients commonly cite high out-of-pocket expenses,

such as direct costs of treatment, as influencing their treatment decisions, leading to potentially unsafe or sub-optimal care decisions”

“

The financial stress of cancer can significantly impact a patient's quality of life,

with half of Australians with cancer having out of pocket costs exceeding \$5,000”

“

The loss of household income due to temporary and permanent changes to employment

add to the experience of out-of-pocket expenses and, if left unaddressed, can lead to financial hardship”

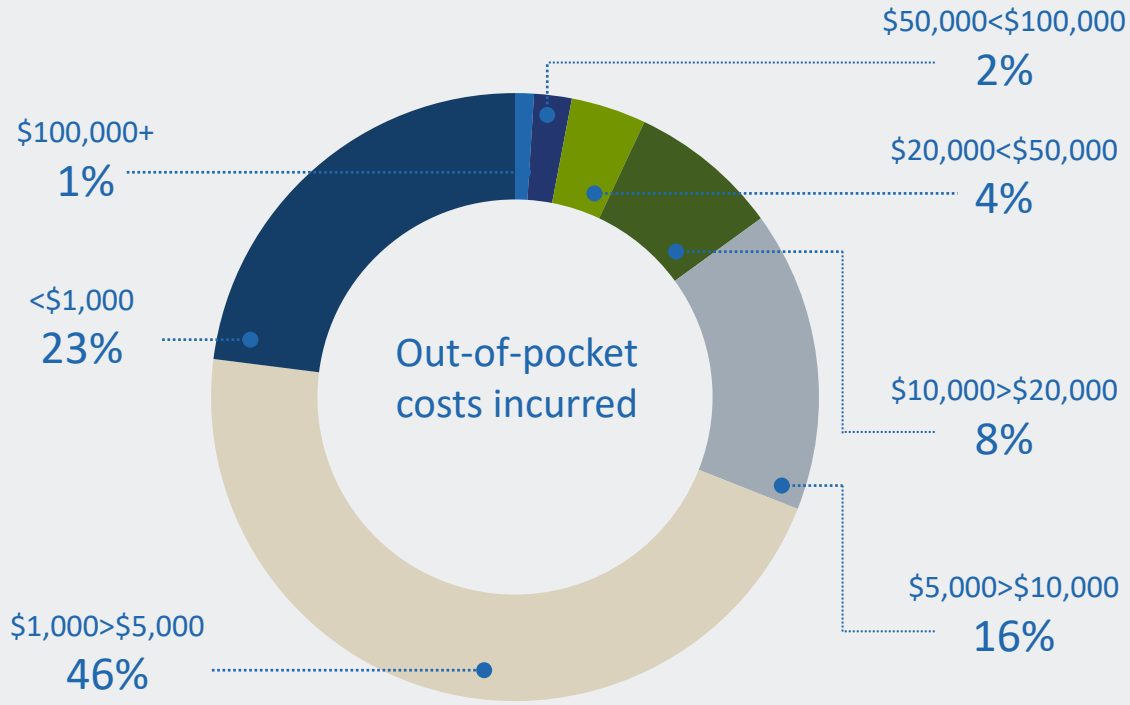


# Out of pocket cost example

Survey of 4,600 Leukaemia patients

“Nearly half (46%) incurred out of pocket treatment costs, with most patients using savings to fund the cost of their treatment and care”

“Nearly half (48%) needed to either take more than 6 months off work or leave their job”



The most common methods for covering out-of-pocket costs were:

- Savings
- Family/friends
- Financial assistance from the Leukaemia foundation
- Superannuation
- Selling assets
- Financial assistance from a different cancer charity
- Mortgage/debt
- Community fund raising
- Financial assistance from a different non-government organisation

# Crowd funding

Examples, including costs for overseas treatment

## Chandrakanth, 27

### Leukaemia

Once the search finds a potential donor, there will be additional costs associated with acquiring the cells and the associated courier or freight, which will depend on the type of collection (PBSC, marrow or cord) and the location of the donor. The indicative costs range up to \$80,000. We are aiming to raise \$100,000 so that we can help cover the costs of the treatment, transportation of the donated bone marrow as well as for recovery and rehabilitation.

## Bree, 40

### Breast Cancer

Money donated to Bree will allow her time to fight this battle. She's already had to close her business so her only source of income is now gone. She is living off the little savings she's got left. Bree has a long road ahead with the recovery from her spinal surgery and ongoing, intense, cancer treatment so working is not an option right now. The money will ensure that household and medical bills are paid, food is on the table for her family and it will provide Bree the peace of mind to focus on her health.

## Jack, 3

### Brain Cancer

There are two amazing drugs (DFMO, which is FDA approved and a bivalent vaccine) available in America that have been proven reduce the risk of relapse by 25%.

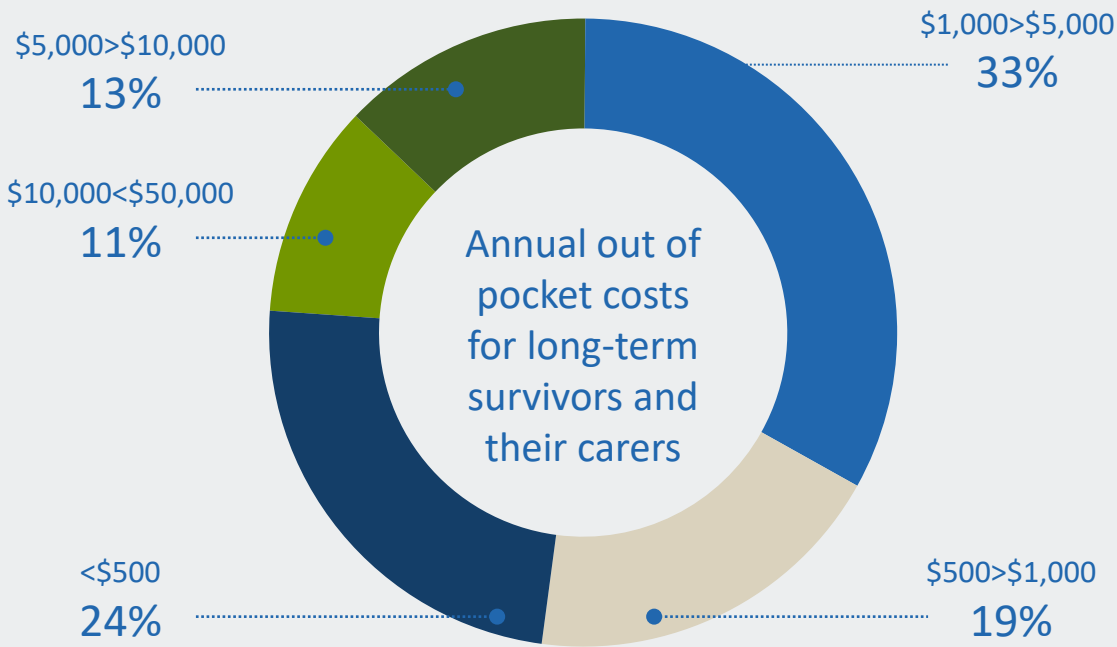
We need to raise \$500,000 to get Jack access to at least one of these drugs and increase his chances of survival. He will be required to take these drugs for two years and we will need to visit the US at least six times. He needs to start the American drug regimen within one week of completing immunotherapy.

# Annual out of pocket cost example

Melanoma

2 in 3 of melanoma patients reported incurring out of pocket costs during active treatment

One of the top 5 priorities patients identified to better empower access to treatment and care was to reduce out of pocket costs (48%)



2 in 5 long term survivors indicated high out of pocket costs as a major barrier (top 3)

# New chapters

Adding to the original's  
11 different health systems

## Health conditions

- > 1 Cancer
- > 2 Heart and artery
- > 3 Acute coronary events
- > 4 Respiratory
- > 5 Gastrointestinal
- > 6 Brain and nervous system
- > 7 Injury
- > 8 Kidney and diabetes
- > 9 Musculoskeletal
- > 10 Vision disorders and blindness
- > 11 Mental health
- > 12 Covid-19
- > 13 Infants and children

### > Introduction

- > 6.1 Dementia
- > 6.2 Epilepsy
- > 6.3 Parkinson's disease
- > 6.4 Multiple sclerosis
- > 6.5 Motor Neurone Disease (MND)

### > References

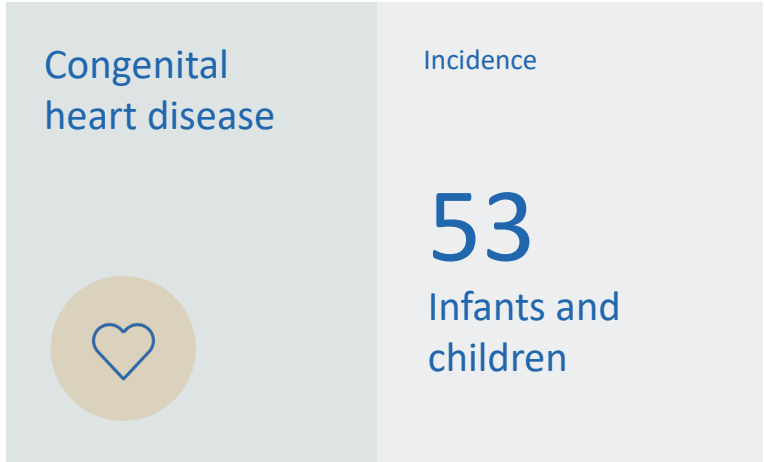
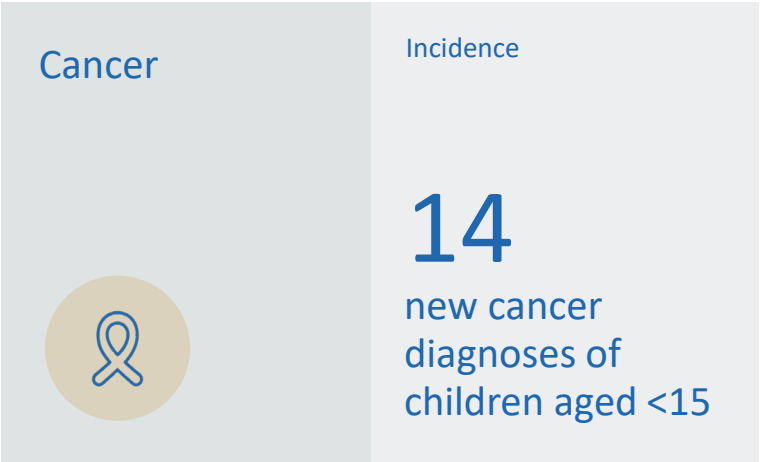
# New chapter:

Infants and children



# Infant and child injury and illness

Average **week**, across Australia



# Infant and child mortality

Average **month**, across Australia



Sources:  
Kidsafe | Cancer Council Australia  
Australian Institute of Health and Welfare,

## Childhood Cancer

48%

Almost half of all children diagnosed are aged 4 years or under at diagnosis, with a median age of 5 years.



Leukaemia is the most common type of cancer diagnosed in children, accounting for 1 in 3 new cancer cases

35%

After adjusting for changes in the population, the incidence rate of all childhood cancers combined in Australia has increased significantly by a total of 35% between 1983 and 2014



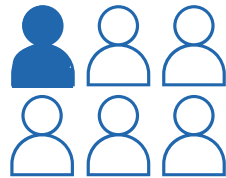
The financial cost of cancer in children can impact most aspects of a family, causing a lot of extra expenses



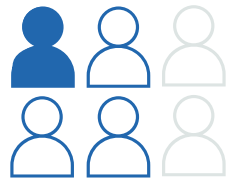
## Childhood Cancer



Almost 1 in 3 families relied on credit cards or additional loans,



1 in 6 families had to sell or pawn their possessions, just to do the basics, like pay phone or power bills



1 in 6 families, and close to 1 in 4 single parents, went without meals to try and manage their bills

**\$30k**

Median out of pocket cost burden in paediatric oncology for families exceeds \$30,000

# Community experience

## Childhood brain cancer

“ The diagnosis was slow, taking over 3 months.

It involved multiple visits to her GP, multiple visits to her paediatrician and 2 hospital admissions before an MRI was undertaken. Her symptoms were not classic. She did not present with headaches, impaired vision, nor impaired mobility. Her ongoing nausea and rapid weight loss were dismissed as ‘psychological’ in nature.

For 10 months, most of her waking hours were spent in the children’s hospital either at day clinic appointments with her specialists, day treatments/procedures, or longer stays. The treatment made life very difficult. Invasive procedures like frequent lumbar punctures, 3 months of daily radiation to her brain, blood tests almost every week for hormones & platelet counts, MRI’s, PET scans, eye tests, occupational therapy to regain motor skills, etc., became her new way of life.

She was denied a procedure in the children’s public hospital

due to the ‘unavailability of theatre beds’. This was for cardiac surgery to insert a port to deliver chemotherapy drugs. She was not deemed an emergency in the public hospital system. We were asked to go to a private hospital to have it done.

Financial pressures consumed our family. As 2 working parents, we both had to leave our jobs and have no income as we were now full-time carers. There was no support from Centrelink. Palliative care services were very limited with 1 x 1 hour visit per week from a palliative care team (a doctor, a nurse, a social worker).”

11-year-old, female, diagnosed with Anaplastic Ependymoma, Grade 4. Submission included, among other entries, funding to assist other parents like them



Brain cancer is one of the most common childhood cancers, with over 120 new cases diagnosed each year, representing almost 1 in 6 cancers diagnosed in children

Brain cancers, including ependymoma and medulloblastoma, cause more deaths in children than any other type of cancer

# Accommodation benefit

An additional benefit automatically included with OneCare Child Cover

Under this benefit, if a Child Cover amount has been paid, the accommodation costs of the immediate family member will be reimbursed up to \$500 per day.

The payment is made each day the insured child is confined to bed and their immediate family member is away from their home, up to 30 days.

To qualify, either of the following must apply:



the insured child is more than 100 kilometres away from their home and an immediate family member must travel from their home to be with the insured child.



An immediate family member must travel more than 100 kilometres from their home to be with the insured child.



# Carer benefit

Benefits can still apply, even if the Wealth Protection trauma benefit isn't paid or payable



For child cover benefit amounts of \$200,000 or more, a monthly carer benefit of \$5,000 is paid if the policy owner (or the policy owner's partner) ceases working 20 hours or more per week in paid work to care for an insured child at home who is confined to bed and requires full-time care.

The carer benefit is paid for each complete month or 1/30th of the carer benefit is paid for each day this benefit is payable. The carer benefit is only payable for one carer, which can either be the policy owner or their partner.



Applies to Child Cover policies held with Zurich Wealth Protection

The insured child must be confined to bed for a minimum of five consecutive days and must be following the advice and recommended treatment of a medical practitioner



Out-of-pocket costs are  
only part of the discussion...

What goal are most of your  
clients working towards?



# Over half will not retire as planned

Leading reasons retirees (aged 45+) ceased their last job

Almost

**60%**

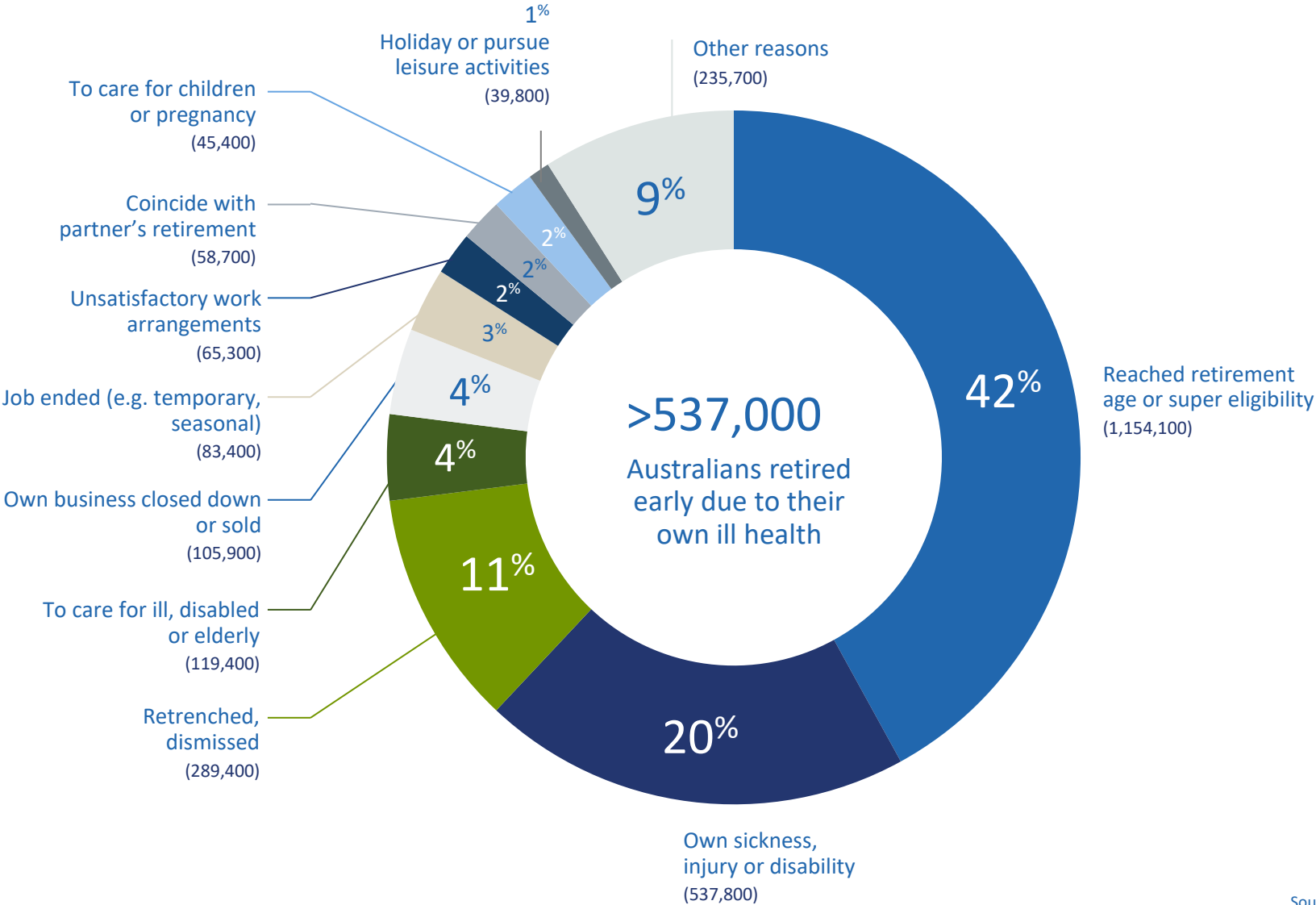
of people

retired due to reasons other than reaching retirement age or super eligibility\*

Average age of ceasing last job due to own sickness, injury or disability, being:

**55.6**

years



Source: Australian Bureau of Statistics, 6238.0 Retirement and Retirement intentions, Table 5.1 Reasons why retirees ceased last job (aged 45 and over), released August 2023  
\*excludes those whose last job was held over 20 years ago 58

# Early retirement

## Example

Sebastian, aged 60, has been diagnosed with prostate cancer and has decided to retire - five years earlier than originally planned

Pre-diagnosis income

**\$130,000**

Mortgage

**\$220,000**

## Early retirement impacts



Financial impacts to Sebastian over the next 5 years include:

- Lost income (net) \$508,980
- Forgone SG (net) \$69,140



Other lifestyle considerations:

- Direct and indirect costs
- Change in residence (debt management, as opposed to debt change to I/O)
- Adjustment to retirement plans/lifestyle

\*indirect costs include transport, accommodation, carer costs, ongoing medical supplies

Assumed income increase of 2.5% annually, net income based on 2022/23 tax rates

Superannuation Guarantee (SG) at 11.5% in year 1, 12% each year thereafter, reduced by 15% contributions tax 59

# Exploring work experience

Impacts extend from patients to their families, and to carers

**1 in 4** men stopped working

as a result of their prostate cancer diagnosis, and out of those who retired, most had done so 4–5 years earlier than planned



TPD claims have increased +19% and +56%<sup>1</sup>

**3 in 5** melanoma patients

indicated their diagnosis and treatment affected their ability to work



Almost 1 in 3 leukaemia patients had to leave their job, and 1 in 2 are not yet able to return to work

**19,000** primary carers (aged 15-64 years)

of people with arthritis who were out of the workforce due to their caring responsibilities



Low back pain is a leading cause of work absence, inability to work and premature exit from the workforce, lost productive life years and receipt of disability benefits

Sources:  
Gordon LG, Walker SM, et al. Financial toxicity: A potential side effect of prostate cancer treatment among Australian men. Eur J Cancer Care (Engl). Jan 2017; 26(1), e12392  
Insight Economics, Melanoma Institute Australia and Melanoma Patients Australia, State of the Nation in Melanoma, 2022  
Leukaemia Foundation, State of the Nation: Blood Cancer in Australia, 2023  
Australian Institute of Health and Welfare | Arthritis Australia

<sup>1</sup>OnePath and Zurich, % increase in retail claims paid between 2021 and 2022 60



# The latest in incidence and prevalence

Many health events are preventable



## 1 in 2

Australians will be diagnosed with cancer in their lifetime

yet approximately 44,000 (or one in three) cancer cases each year **are preventable**



Every day,

## 155 Australians

will suffer an acute coronary event\*

Coronary heart disease is largely preventable, as many of its risk factors **are modifiable**



Every

## 19 minutes

someone in Australia will suffer a new stroke

yet more than 80% of strokes **can be prevented**

Sources:  
Cancer Council NSW, You hold the cards to reducing your cancer risk  
AIHW, Heart, stroke and vascular disease: Australian facts, December 2023  
Stroke Foundation, No Postcode Untouched, Stroke in Australia 2020

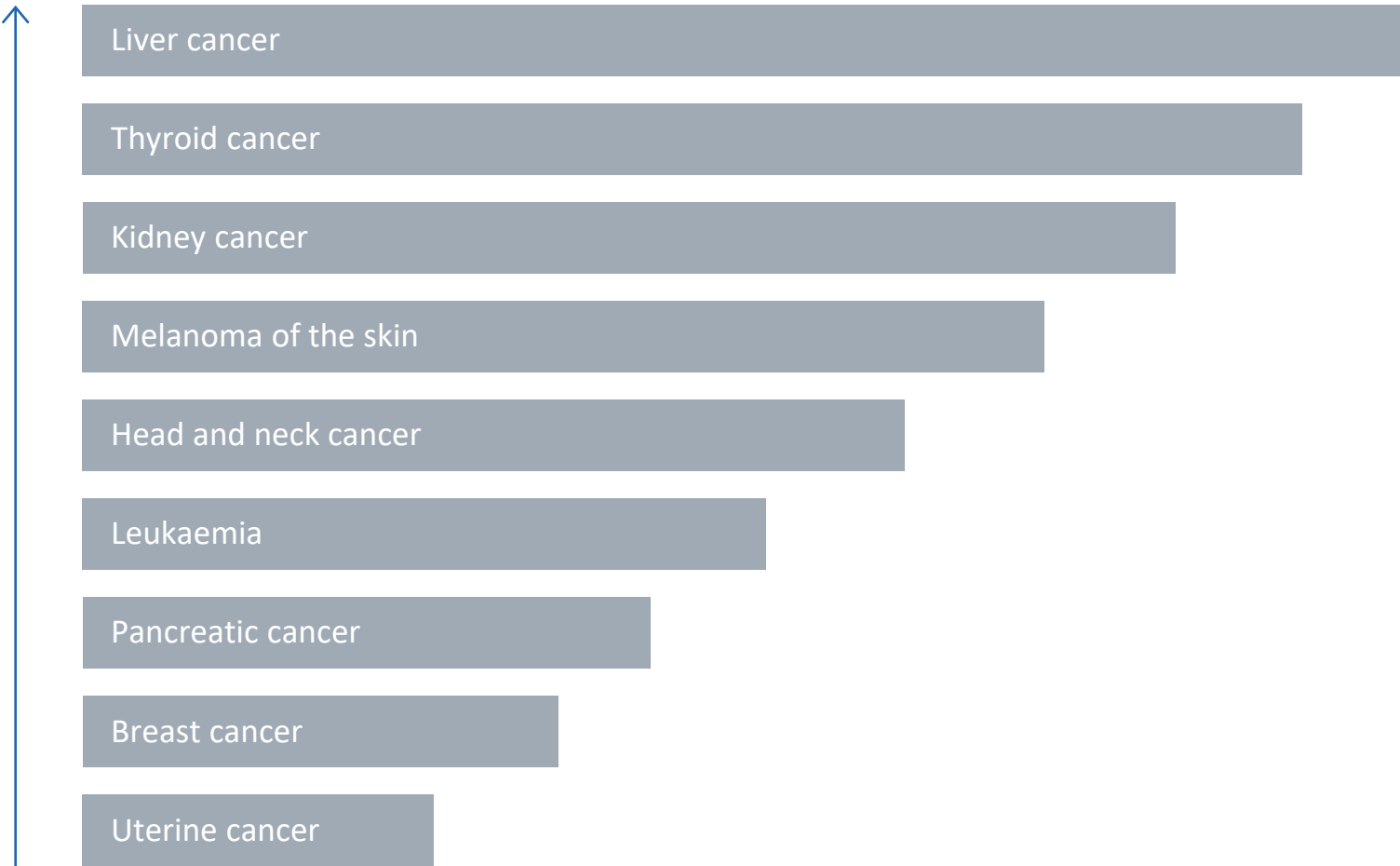
\*Acute coronary events include heart attack or unstable angina 61

# Incidence rates for many conditions are on the rise



Many conditions are increasing more than population growth.

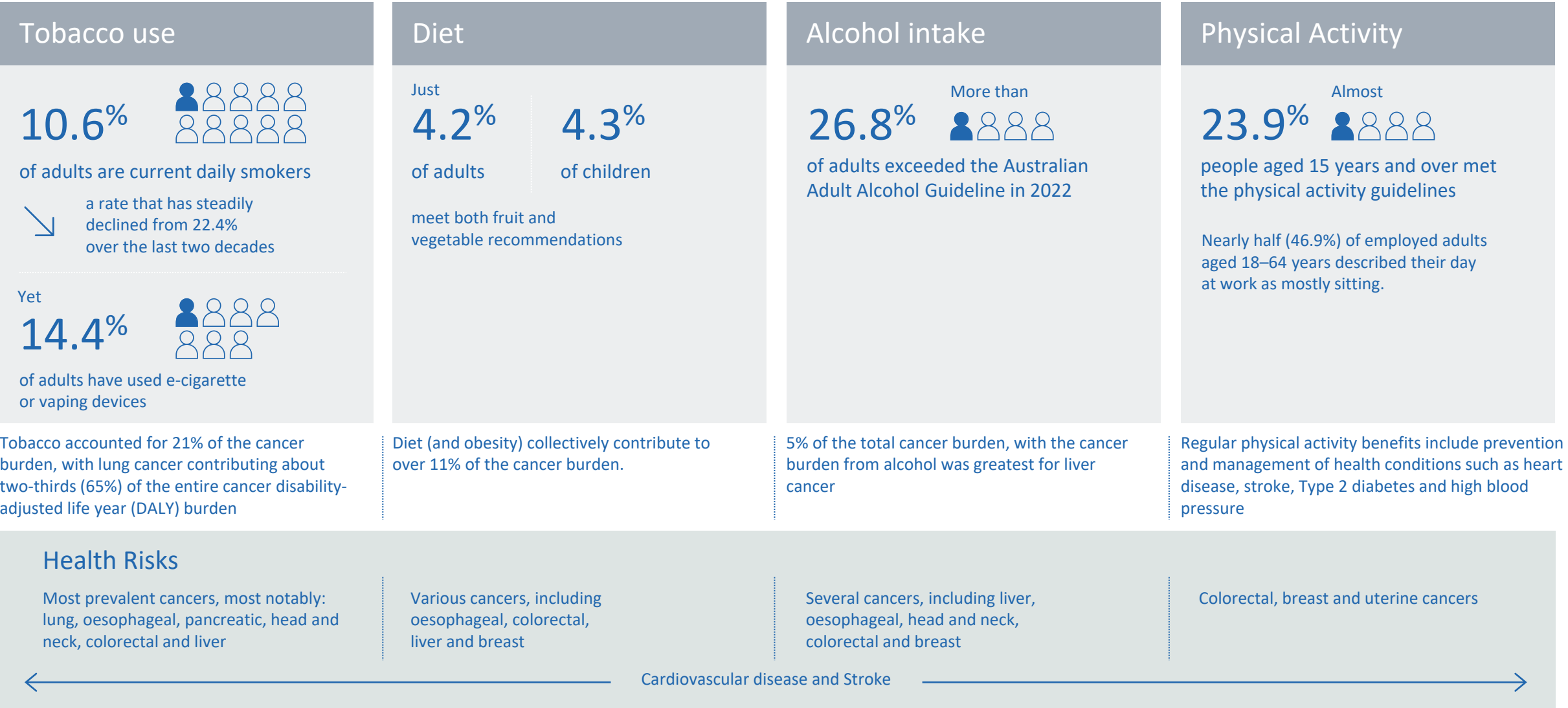
Cost of Care: Volume 2 has witnessed increasing incidence across many serious conditions:



\*Greatest rate increase

# Managing health risks

## Lifestyle factors and risk reduction attributable to burden (DALY)



“

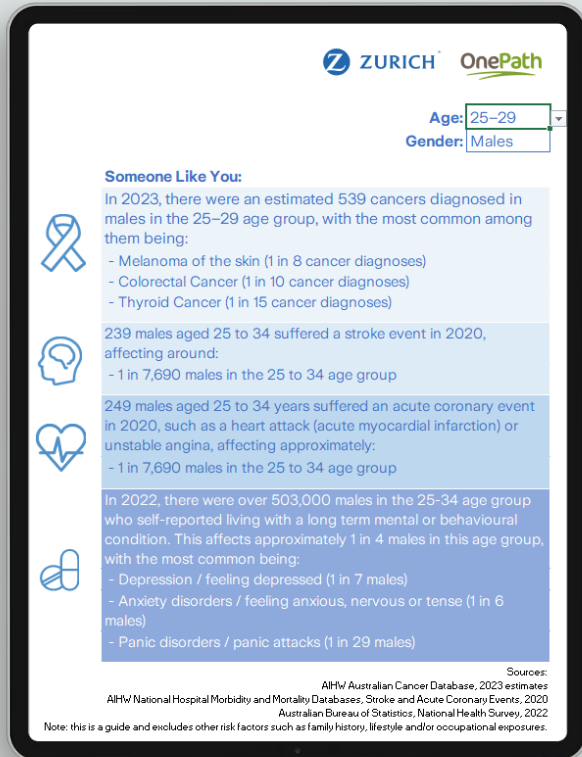
Nutrition plays a significant role in cancer care. A nutrient dense diet can help the body, and in particular the immune system, which is often weakened by cancer treatments. It can also help manage cancer symptoms and maintain energy levels”

Dr David Lloyd  
Zurich Medical Officer



# 'Someone like you'

A tool to help consumers better understand common diagnoses in their age group



**ZURICH OnePath**

Age: 25-29  
Gender: Males

**Someone Like You:**

In 2023, there were an estimated 539 cancers diagnosed in males in the 25-29 age group, with the most common among them being:

- Melanoma of the skin (1 in 8 cancer diagnoses)
- Colorectal Cancer (1 in 10 cancer diagnoses)
- Thyroid Cancer (1 in 15 cancer diagnoses)

239 males aged 25 to 34 suffered a stroke event in 2020, affecting around:

- 1 in 7,690 males in the 25 to 34 age group

249 males aged 25 to 34 years suffered an acute coronary event in 2020, such as a heart attack (acute myocardial infarction) or unstable angina, affecting approximately:

- 1 in 7,690 males in the 25 to 34 age group

In 2022, there were over 503,000 males in the 25-34 age group who self-reported living with a long term mental or behavioural condition. This affects approximately 1 in 4 males in this age group, with the most common being:

- Depression / feeling depressed (1 in 7 males)
- Anxiety disorders / feeling anxious, nervous or tense (1 in 6 males)
- Panic disorders / panic attacks (1 in 29 males)

Sources:  
AIHW Australian Cancer Database, 2023 estimates  
AIHW National Hospital Morbidity and Mortality Databases: Stroke and Acute Coronary Events, 2020  
Australian Bureau of Statistics, National Health Survey, 2022  
Note: this is a guide and excludes other risk factors such as family history, lifestyle and/or occupational exposures.

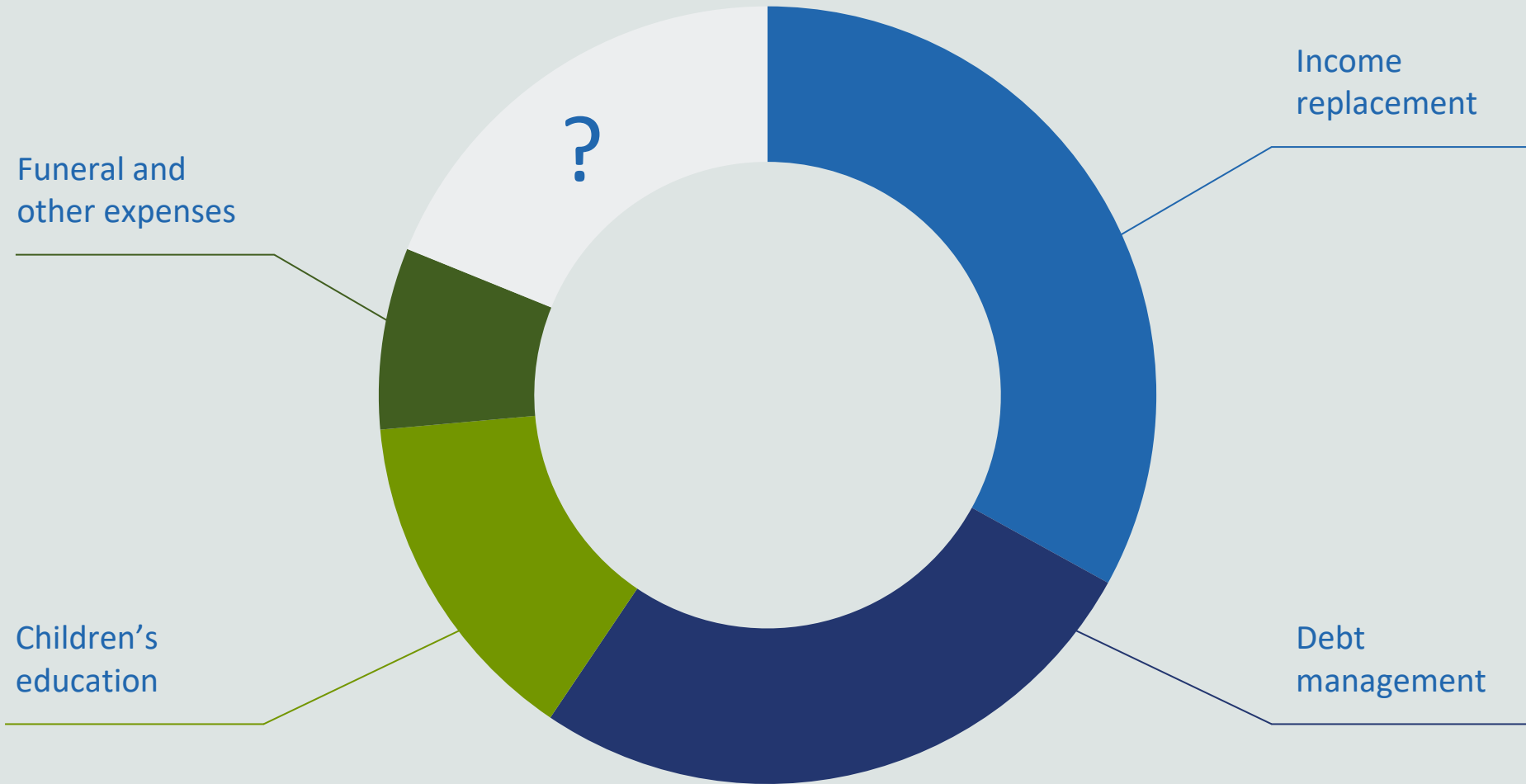


Simply select the age and gender, and you will discover some of the common types of conditions being diagnosed in your age group.



# Enhancing insurance methodology

Cost of Care: Volume 2 helping to find the 'missing link'



# Consumer awareness and education

## Summary



Further enhance consumer awareness of the Australian health ecosystem



Provide a valuable update on the cost and incidence of various health events



Allow for more rigorous insurance philosophy through a more detailed investigation into out-of-pocket cost and workforce experience



Increase opportunities for broadening client engagement and promoting constructive conversations for wealth protection at various ages and stages of life





How can you access the  
Cost of Care: Volume 2  
tools and support?

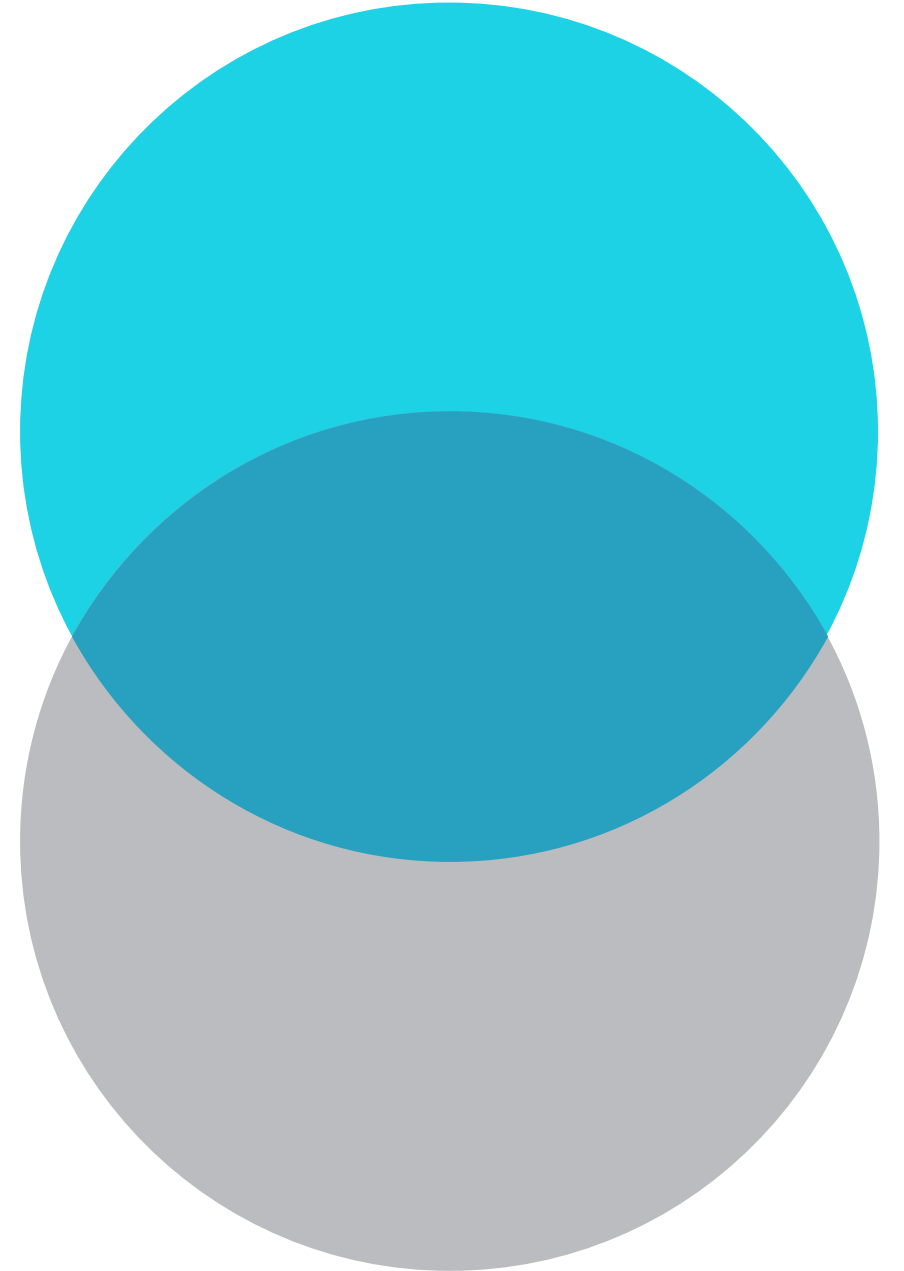
Reach out to your  
Zurich BDM



Thank you



# MORNING TEA





Unlocking  
the power of

# FUTURITY EDUCATION BONDS

Tax benefits

Wealth transfer

Estate planning



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# AGENDA AND LEARNING OUTCOMES

## AGENDA

- ✓ In this session you will learn how you can offer your clients a flexible and tax effective solution to education funding and estate planning certainty.
- ✓ We will demonstrate how education bonds can assist your clients with strategic financial solutions across wealth creation, tax paid investing, investing outside of superannuation, estate planning and securely passing wealth to future generations.

## LEARNING OUTCOMES

- ✓ Have a communicable high-level understanding of this 'trust-like' tax structure
- ✓ Have a clear understanding of the ways clients can access funds, either tax- effectively or tax-free, from the structure
- ✓ Be able to articulate the tax benefit of this structure over other structures for retirees wanting to assist in their grandchildren's education
- ✓ Understand how their clients can leave a tax effective legacy for future generations education and lifestyle needs
- ✓ Clear understanding of the advantages presented by using bequests to improve the tax outcome for minors

# RESEARCH

# EDUCATION – A SIGNIFICANT LIFE EVENT\*



\$377,993

Independent school

\$31,108

Engineering degree

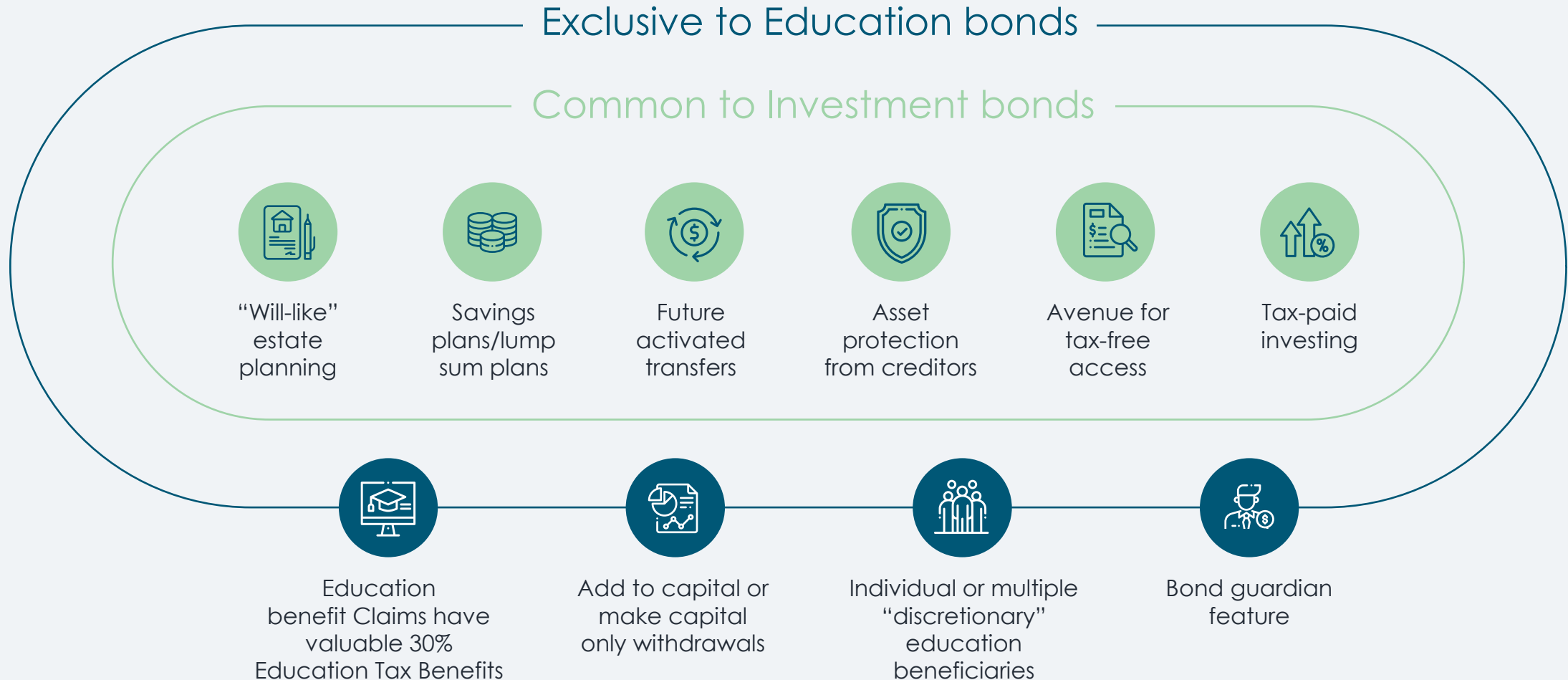
\$89,500

MBA

#Data taken from Futurity Planning for Education Index 2024 assumes a child starting preparatory year in 2024. These costs are tuition fees only and do not include ancillary costs such as devices, excursions, living away from home expenses etc. \*Refer to page 14 of the PDS for more information about these costs. [Studyassist.gov.au/help-loans-commonwealth-supported-places-csps/student-contribution-amounts](https://studyassist.gov.au/help-loans-commonwealth-supported-places-csps/student-contribution-amounts)

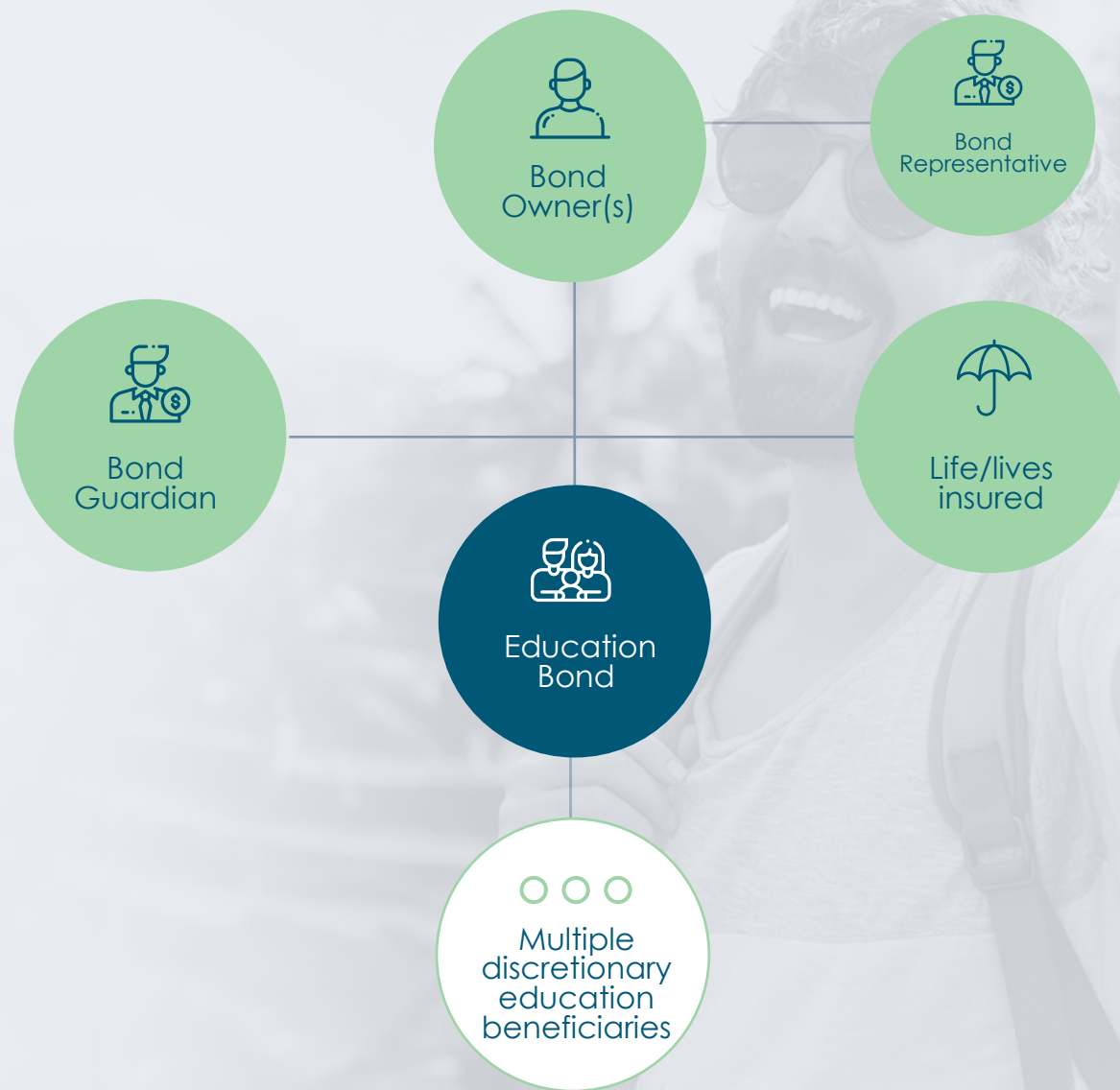
# Life event strategies

# FUTURITY EDUCATION BONDS CORE STRUCTURE





# WHO IS INVOLVED WITH THE BOND



# WHO WOULD USE AN EDUCATION BOND?



Clients planning to invest  
for life events including  
education funding of  
present and future  
children



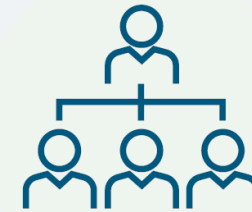
Grandparents wanting to  
help with life events



Anyone who has  
inherited wealth



Clients that receive death  
benefit payments from  
super or life insurance  
payments etc



Trustees of Testamentary  
Trusts with minor  
beneficiaries

## **QUIZ:**

### **Taxation on withdrawals**

**Q: What is the tax rate applied for an education benefit claim?**

**A: 10%**

**B: 15%**

**C: 20%**

**D: 30%**



# TAXATION ON WITHDRAWALS

Type of withdrawal	Earnings component	Capital component
<b>Education benefit claim</b>	30% Education Tax Benefit Assessable in hands of education beneficiary	N/a
<b>Non-education purpose Capital only</b>	N/a	Tax-free
<b>Non-education purposes as Investment Bond Capital &amp; Earnings - ATO formula applies</b>	Assessable in Bond Owner's hands 0 - 8 yrs. added to assessable income - 30% tax offset applies 8 - 10 yrs. 2/3 - 1/3 added to assessable income - 30% tax offset applies to all Post 10 years - Tax free (no offset)	N/a

WHY WOULD YOU?

# MAXIMISING THE 'GROSS-UP'



# RE-EXAMINE THE TAX-FREE THRESHOLD



Minors (<18)

**\$416**

from Investment Income



Adult (>18)

**\$18,200**

all Income



HOW CAN A  
MINOR USE THE  
ADULT TAX-FREE  
THRESHOLD?

**01**

- As a beneficiary of a Testamentary Trust
- As a beneficiary of a Child Maintenance Trust
- As a beneficiary of a Special Disability Trust

**or**

**02**

- Funds sourced as a result of ... the death of another person and out of a Superannuation fund or Life Insurance policy. Or transferred to a minor at anytime from those funds
- Devolved upon the minor... from the estate of a deceased person
- Transferred to the minor by another person... out of property that devolved upon that other person from the estate of a deceased person... and was so transferred within 3 years after the date of the death of the deceased person
- Death of a Bond Owner

Division 6 (ITAA 1936) & Division 6AA (ITAA 1936)





# INTERGENERATIONAL WEALTH TRANSFER



**Q: Who can tell me how much of the country's wealth is held by the Baby Boomer generation?**

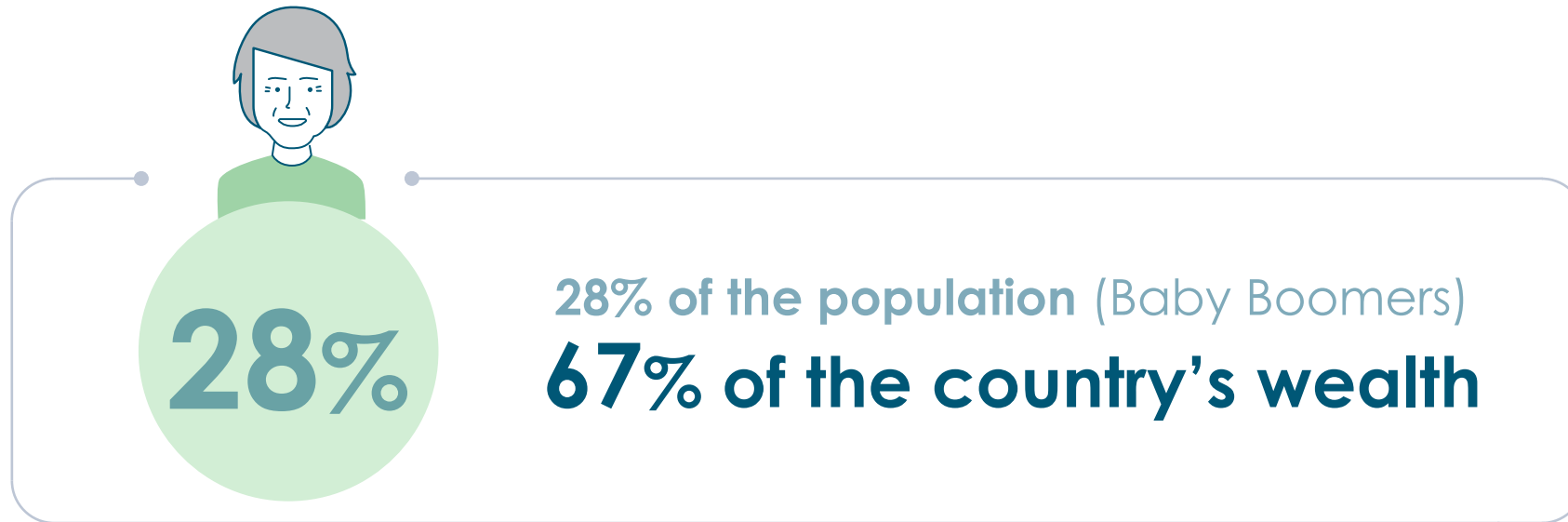


**28%**





# WEALTH TRANSFER OPPORTUNITY



The wealth transfer opportunity  
is estimated \$4.9 trillion\*

\* Source [ANDREW INWOOD](#), [COREDATA](#), [COREDATA RESEARCH](#) – Professional Planner

# WEALTH TRANSFER – PEACE OF MIND



- More than 50% of wills are contested by family<sup>#</sup>
- 10.1% of families either 'blended' or 'step' families<sup>\*</sup>
- Only 45% of Australians have a will<sup>@</sup>
- 61% of parents have no nominated Guardians<sup>@</sup>

<sup>#</sup> How to have the last word with your will AFR 19/6/18

<sup>\*</sup>ABS Census 2011 -2016

<sup>@</sup> estate-planning-in-australia-or-it-will-never-happen-to-me University of Adelaide, Charles Sturt University 2017

# ESTATE

Planning tools



**NON-ESTATE  
ASSET\***



**BINDING  
NOMINATIONS**



**SINGLE OR  
MULTIPLE  
LIVES  
INSURED**



**INDIVIDUALS,  
TRUSTS,  
ESTATES  
OR COMPANIES**



**FUTURE  
TRANSFER**



**NO TFN  
OR TAX  
REPORTING**



**CREDITOR  
PROTECTION**

1 If binding nomination is made



# CASE STUDIES





# Darren and Jenny - Independent school and university funding

- Darren and Jenny have a 6-year-old daughter Mei that they want to enroll at an independent school for secondary school and 4 years of university
- Estimated cost for secondary school for 6 years is \$240,000 and \$80,000 for university
- Total Education costs = \$320,000
- Darren and Jenny are on a 39% MTR
- They have \$100,000 to invest and can commit to \$1,250 per month for a regular savings plan

# Darren and Jenny – Independent Secondary school and university funding



Initial deposit  
\$100,000



Annual contributions  
\$15,000 (no  
escalation) for 10  
years



Total Contributions  
\$250,000



Funds: 50/50  
Vanguard Balanced  
Index/ Diversified  
Growth Index funds



Historical return =  
7.38% p.a.  
(net of fees)



Management  
fees 0.8%



Bond Term  
20 years



They invest their  
savings as follows into  
an Education Bond

# OVERALL INVESTMENT PERFORMANCE

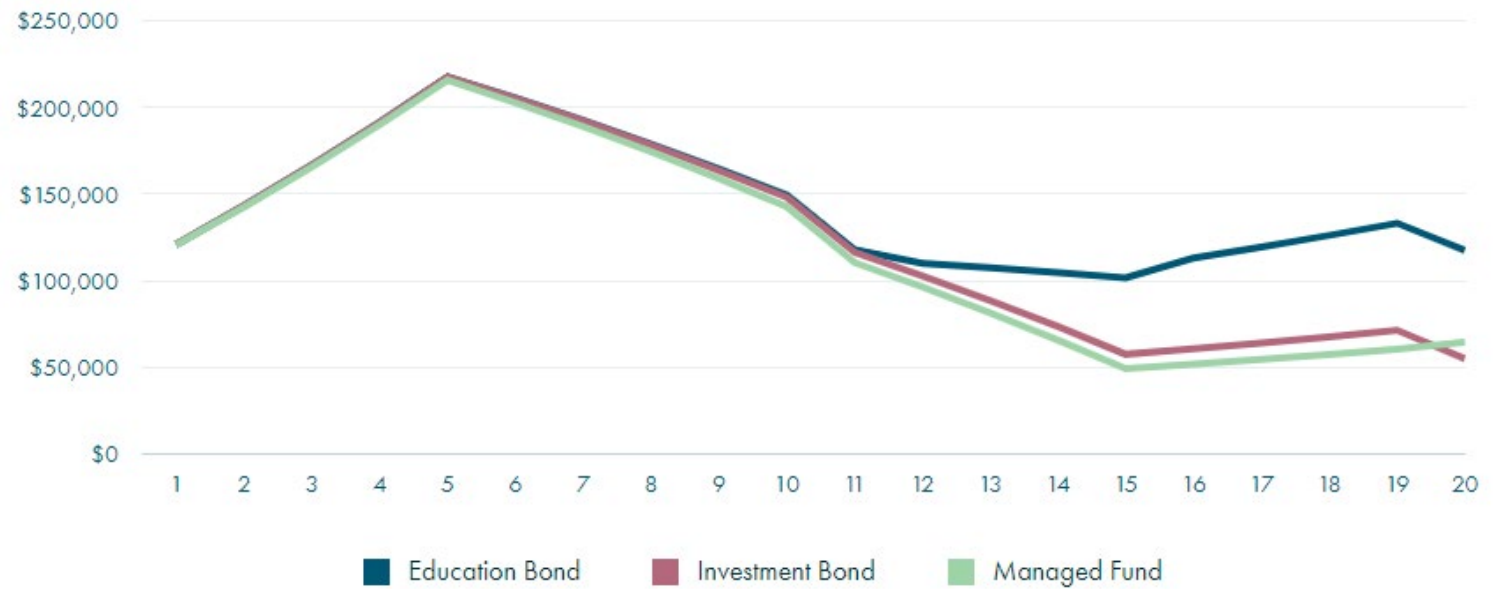
Compared with an Investment Bond and a Managed Fund



## Assumptions

- Initial investment: \$100,000
- Annual Contributions: \$15,000 for 10 years
- MTR: 39%
- Estimated return: 7.38%  
Fees 0.8% p.a.
- Total Contributions: \$250,000
- Final Withdrawal as Post 10 Year Investment Bond

Investment Performance



Total Withdrawals

\$437,535

\$371,523

\$354,814



# This is how a Futurity Education Bond helps Darren & Jenny.

## Control

*Access for education and non education cashflow needs*

## Save and Invest tax effectively

*30% Education Tax Benefit & No tax payable*

## Wealth transfer to Child(ren)

*Transfer without CGT at a nominated age*

## Ease of structure

*Family Education Bond (able to add additional beneficiaries later)*







# David and Mary

Have \$1,000,000 to invest

Want to educate beyond the grave and leave a legacy

Have 2 Adult Children

Have 5 Grandchildren – now

May want to add more beneficiaries

# Table discussion

**Consider David and Mary.**

**Spend a little time as a table group preparing a proposed education bond structure.**

**I will then ask or maybe select some volunteers to share with the group their proposed structure**





# David and Mary

Have \$1,000,000 to invest

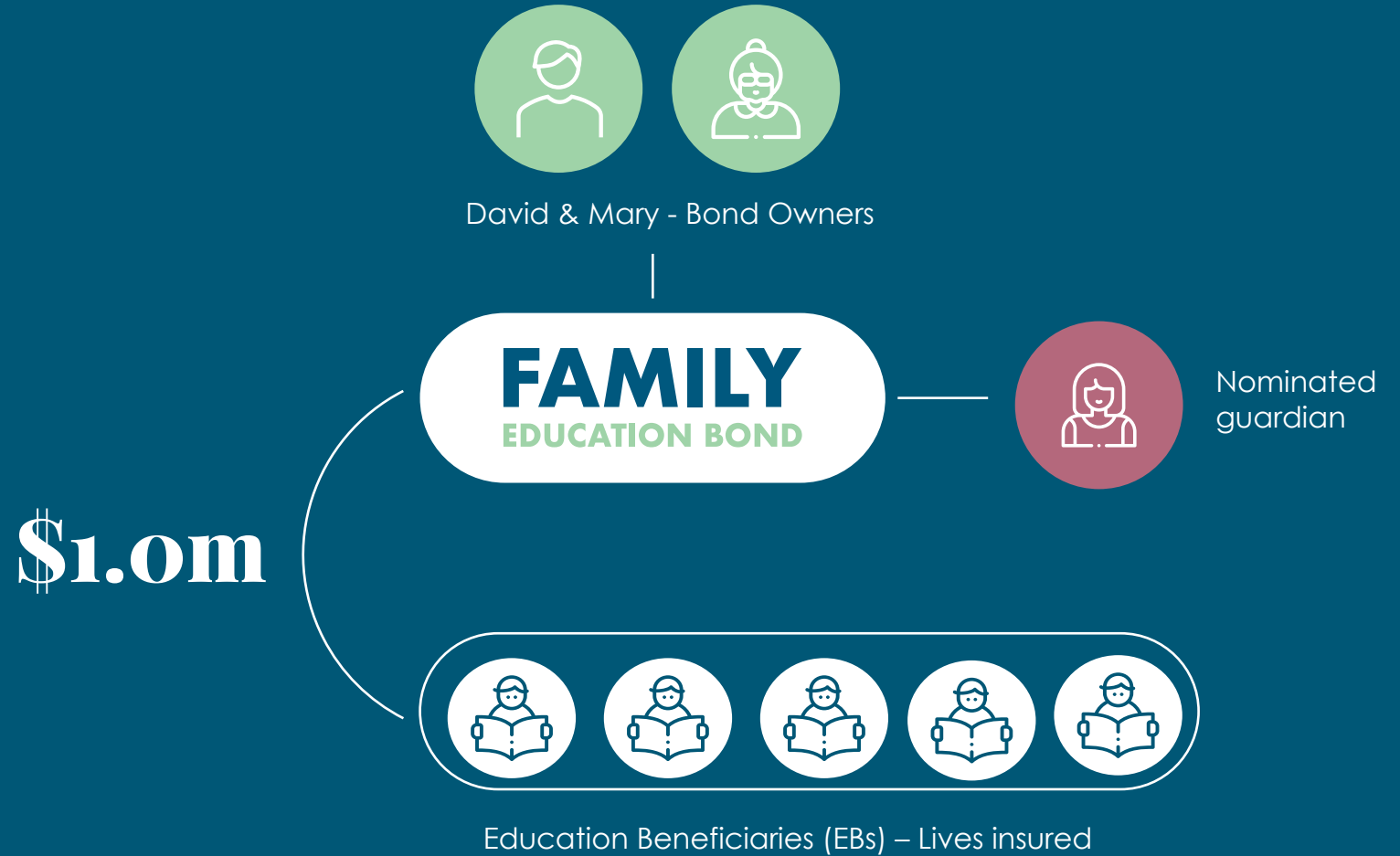
Want to educate beyond the grave and leave a legacy

Have 2 Adult Children

Have 5 Grandchildren – now

May want to add more beneficiaries

# Family Education Bond Structure



# This is how a Futurity Education Bond helps David's and Mary's legacy.



Guardian may add more beneficiaries



Daughter takes control as Guardian  
Limits can be set



Bond becomes a De-facto Testamentary Trust



Education continues for Grandchildren



Minor beneficiaries assessed at the Adult tax-free threshold \$18,200



Continue their legacy beyond the grave



# FUTURITY EDUCATION BONDS:

## RECAP THE KEY FEATURES



### Control

Bond owner(s) have full control of their investment



### A master fund-like investment menu

32 Investment Options



### Access

Access capital at any time

Add or remove beneficiaries



### Unique tax benefits

Access several tax benefits



### Ease & flexibility of operation

No tax reporting

Access capital at anytime



### Peace of mind

For funding and estate planning



### Planning features around life events

Several structures to deal with life events



A smiling man with glasses is talking on a mobile phone. Overlaid on the left side of the image is a Venn diagram with three overlapping circles. The top circle is light gray and contains the text 'Longevity and accessibility of money'. The bottom-left circle is green and contains the text 'Education and other life events for Grandchildren or Intergenerational Wealth Transfers'. The bottom-right circle is blue and contains the text 'Protection from family conflicts'. In the center, where all three circles overlap, is a dark blue circle containing the 'FUTURITY INVESTMENT GROUP' logo. The background is a blurred outdoor scene with buildings and trees.

**Longevity**  
and accessibility  
of money

**Education and  
other life events**  
for Grandchildren or  
Intergenerational  
Wealth Transfers



**Protection**  
from  
family conflicts



# APPENDIX

- About Futurity
- Meet our Team





Established in  
**1974**



**\$1billion**  
total funds  
under  
management



Futurity is  
subject to  
both APRA &  
ASIC  
regulation and  
oversight



Unique  
product offer  
supported by  
national team  
of dedicated  
BDMs



Online  
tools and  
resources





**David Turnbull - SA, WA & NT**  
Business Development Manager

M 0439 198 170  
E dturnbull@futuraityinvest.com



**Marie Lazar - VIC & TAS**  
Business Development Manager

M 0490 848 793  
E mlazar@futuraityinvest.com



**Amy Parsons - VIC**  
Business Development Manager

M 0490 377 758  
E aparsons@futuraityinvest.com



**Adam Tyley - QLD**  
Business Development Manager

M 0438 918 566  
E atyley@futuraityinvest.com



**Kiersten D'Abreo**  
Business Development Associate

M 0418 539 293  
E kdabreo@futuraityinvest.com



**Dani Dy - QLD**  
Business Development Manager

M 0438 918 566  
E advisercare@futuraityinvest.com



**Maria Nematalla - NSW & ACT**  
Business Development Manager

M 0490 377 768  
E mnematalla@futuraityinvest.com



**Mark Cameron - NSW**  
Business Development Manager

M 0410 445 309  
E mcameron@futuraityinvest.com



**AdviserCare**  
General Enquiries

M 1300 345 456  
E advisercare@futuraityinvest.com



MEET  
our team



Futurity Investment Group Limited  
ABN 21 087 648 879 | AFSL 236665

Level 15, 333 Collins Street,  
Melbourne VIC 3000 Australia

1300 345 456

[www.futurityinvest.com](http://www.futurityinvest.com)



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## Ares Australia Management | Centrepont Alliance

*Capturing Higher Yielding, Yet Defensive Opportunities in the "Sweet Spot" of Credit*  
May 2024



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# Agenda

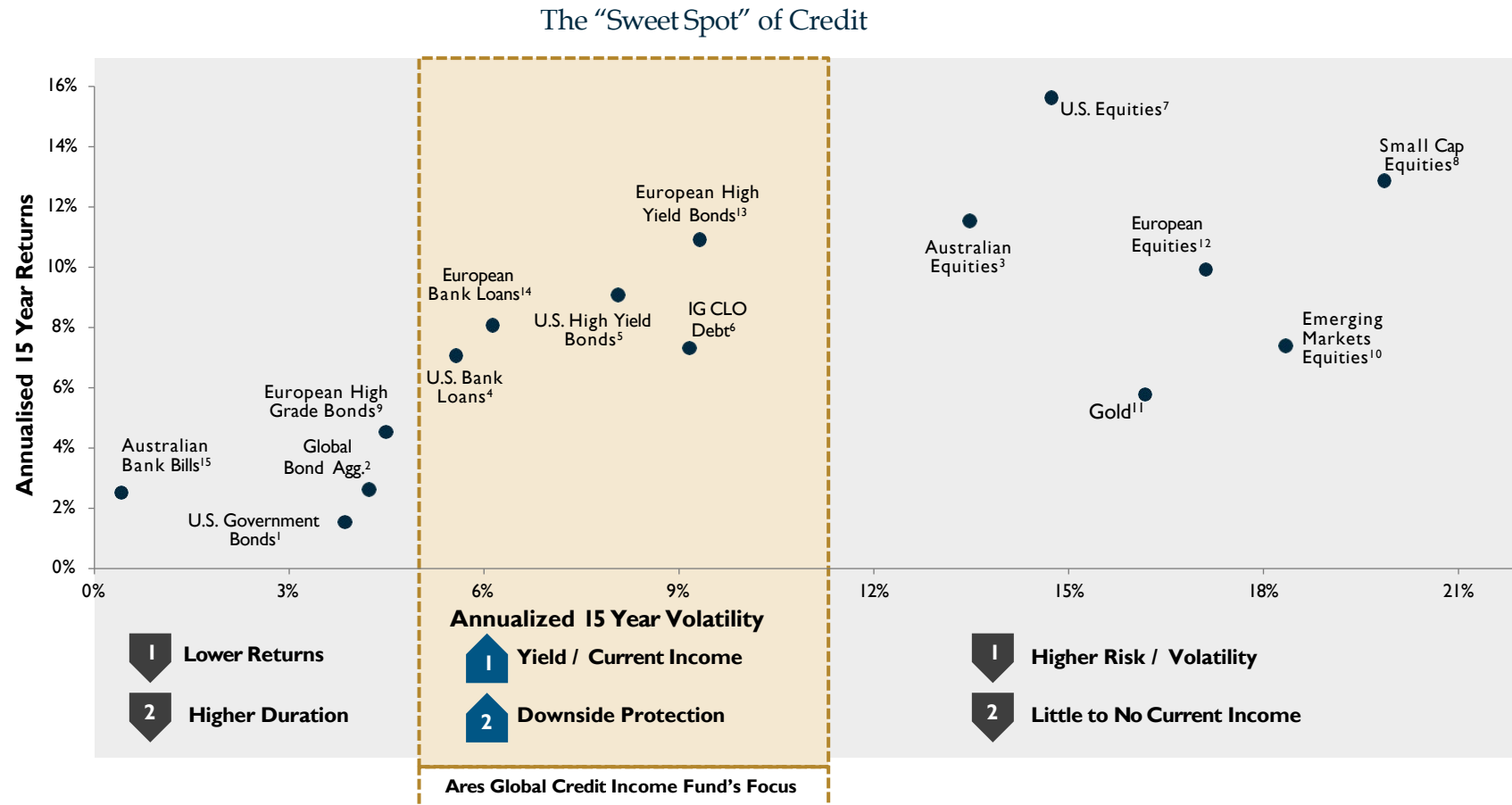
<b>I</b>	<b>Why Higher Yielding Defensive Credit?</b>	<b>4</b>
<b>2</b>	<b>What is the Main Risk?</b>	<b>7</b>
<b>3</b>	<b>Why Now?</b>	<b>11</b>
<b>4</b>	<b>Why Ares?</b>	<b>15</b>
<b>7</b>	<b>Appendix</b>	<b>20</b>
	Summary Terms, Monthly Performance, Index Definitions & Endnotes	

A photograph of a modern concrete architectural structure with sharp, angular lines. A large opening in the structure reveals a bright sky with scattered white clouds. The concrete is a light gray color with some texture visible.

## Why Higher Yielding Defensive Credit?

# Opportunity Set in Global Multi-Asset Credit

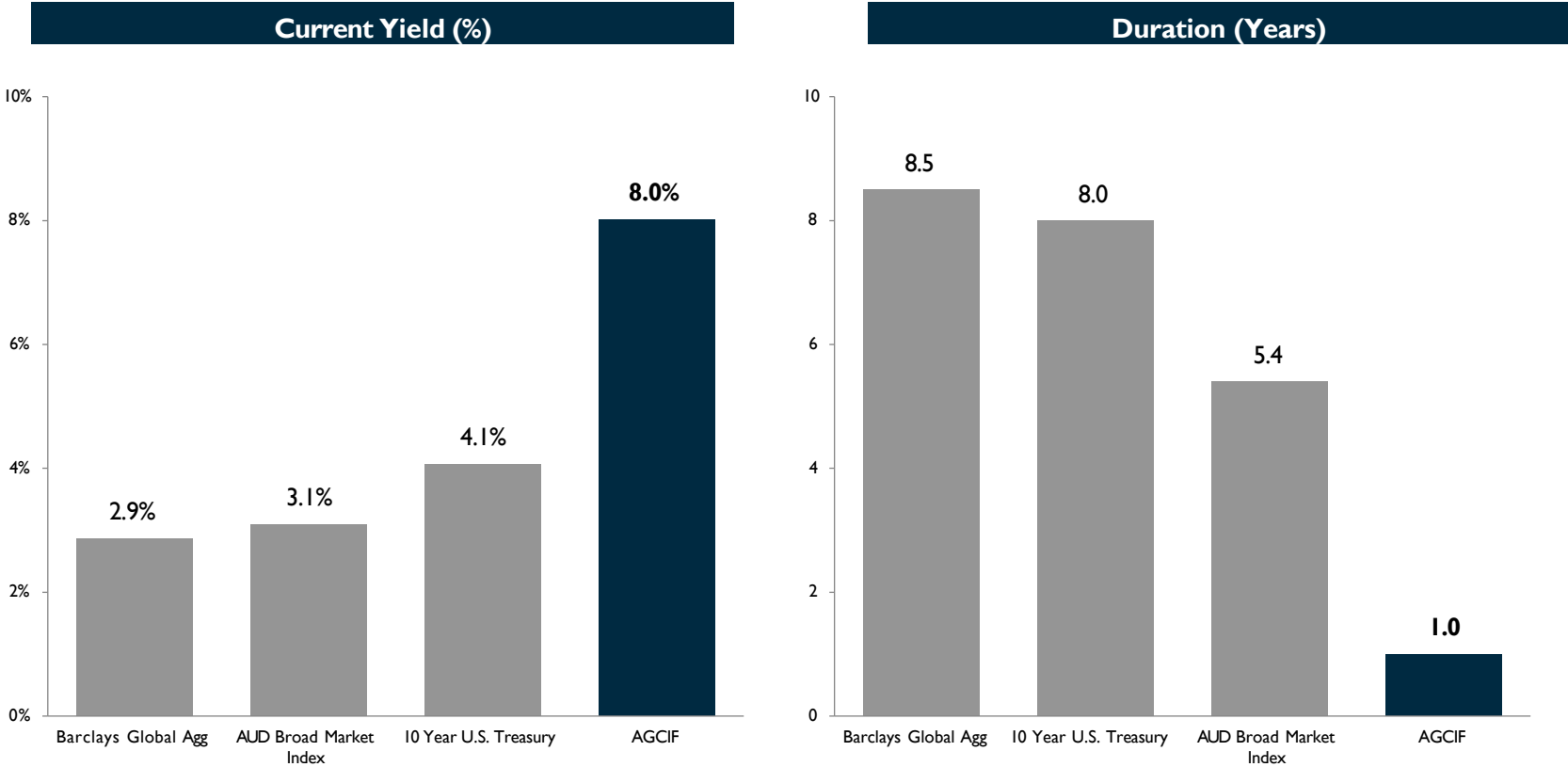
- » Ares Global Credit Income Fund dynamically invests across asset classes that offer a compelling opportunity for Australian investors seeking diversification and stable current income



Note: As of March 31, 2024. Please see endnotes for Index Definitions and an important index disclosure. For illustrative purposes only. Diversification does not assure profit or protect against market loss and references to “downside protection” or similar language are not guarantees against loss of investment capital or value. (1) ICE BofA Current 5-Year US Treasury Index. (2) Bloomberg Barclays Global Aggregate Bond Index. (3) S&P/ASX 200. (4) Credit Suisse Leveraged Loan Index. (5) ICE BofA US High Yield Index. (6) JPM U.S. CLOIE BBB Post-Global Financial Crisis Index. (7) S&P 500. (8) Russell 2000. (9) ICE BofA Euro Corporate Index. (10) Dow Jones Emerging Markets Index. (11) IAU ETF. (12) EURO STOXX 50. (13) ICE BofA Euro High Yield Index. (14) Credit Suisse Western European Leveraged Loan Index. (15) Bloomberg AusBond Bank Bill Index.



# Credit Income Not Duration is Driving Returns



Indices above used for illustrative purposes only. As of March 31, 2024. Source: BofA, Bloomberg. Assumes 1.08 EUR to USD exchange rate, where applicable. Yield is an attribute of underlying investments and does not represent a return to investors. Sources: i) 10 Year U.S. Treasury represented by ICE BofA Current 10-Year U.S. Treasury Index (GA10), (ii) Barclays Agg represented by the Barclays Global Aggregate Index (USD Hedged), (iii) Australian Broad Market Index. Indices are unmanaged and have no fees. It is not possible to invest directly in an index. Past performance is not indicative of future results.  
**Please see endnotes for Index Definitions and an important index disclosure.**

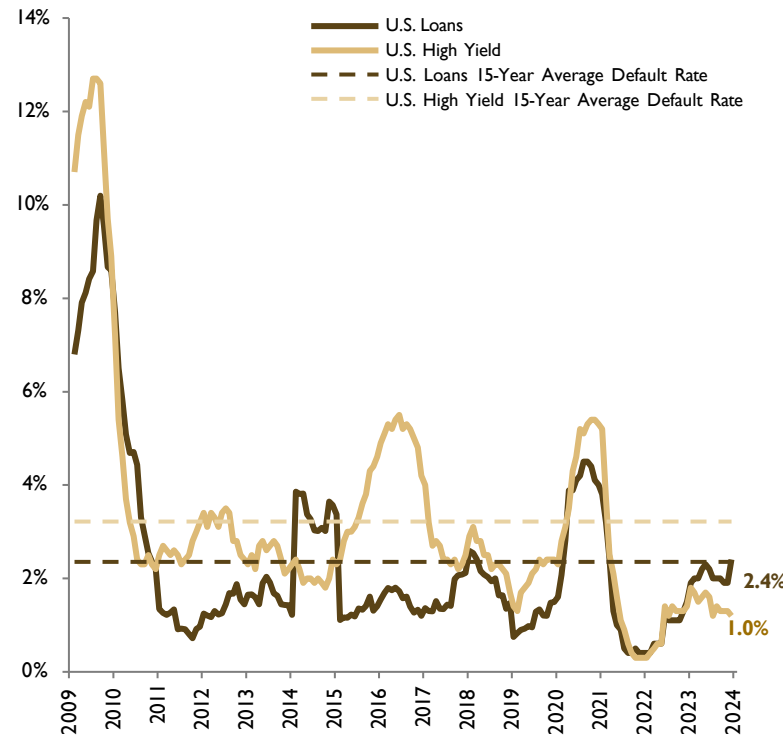
A photograph of a modern concrete architectural structure with sharp, angular lines. A large, irregular opening in the structure reveals a bright sky with scattered white clouds. The concrete surfaces are light gray and show some texture and shadows.

What is the Main Risk?

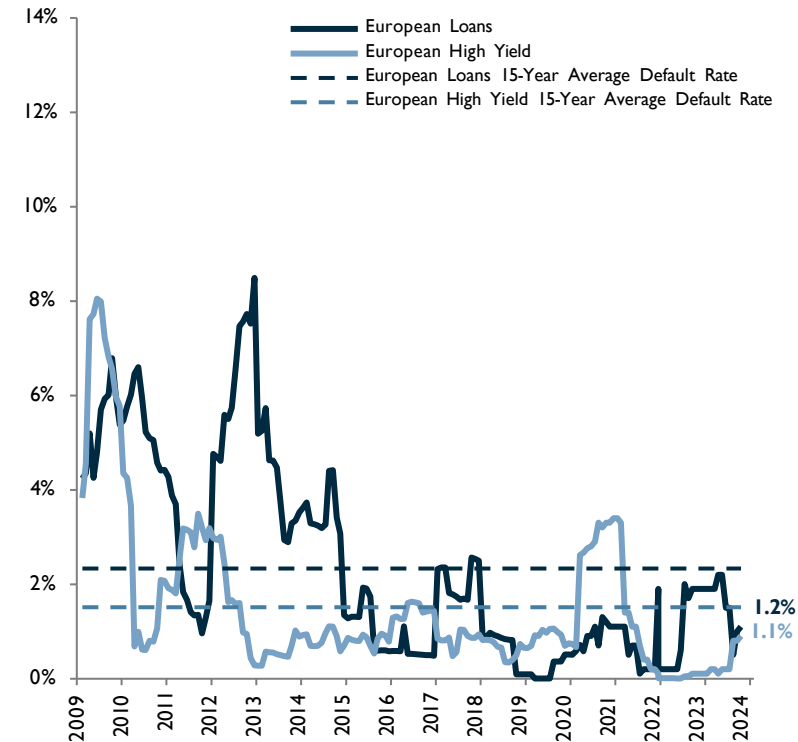
# Historical Default Rates

» Although defaults increased in 2023, we believe they are unlikely to spike to previous recessionary levels, due in part to the recent cycle in 2020 and better issuer balance sheets and liquidity

U.S. Trailing 12-Month Par Default Rates (%)<sup>1</sup>



European Trailing 12-Month Par Default Rates (%)<sup>1</sup>

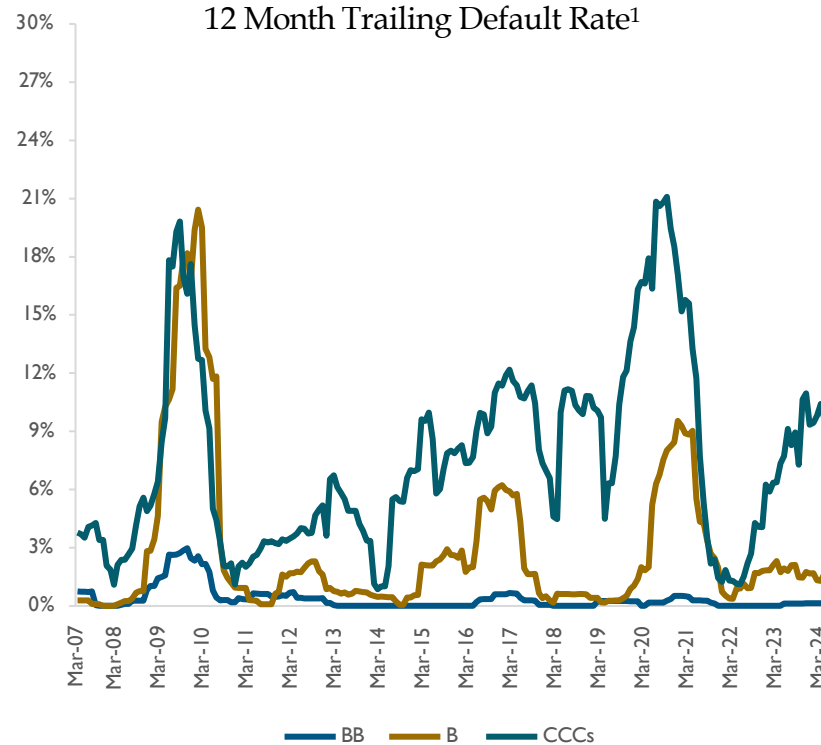


For illustrative purposes only. **Please see endnotes for index definitions.**

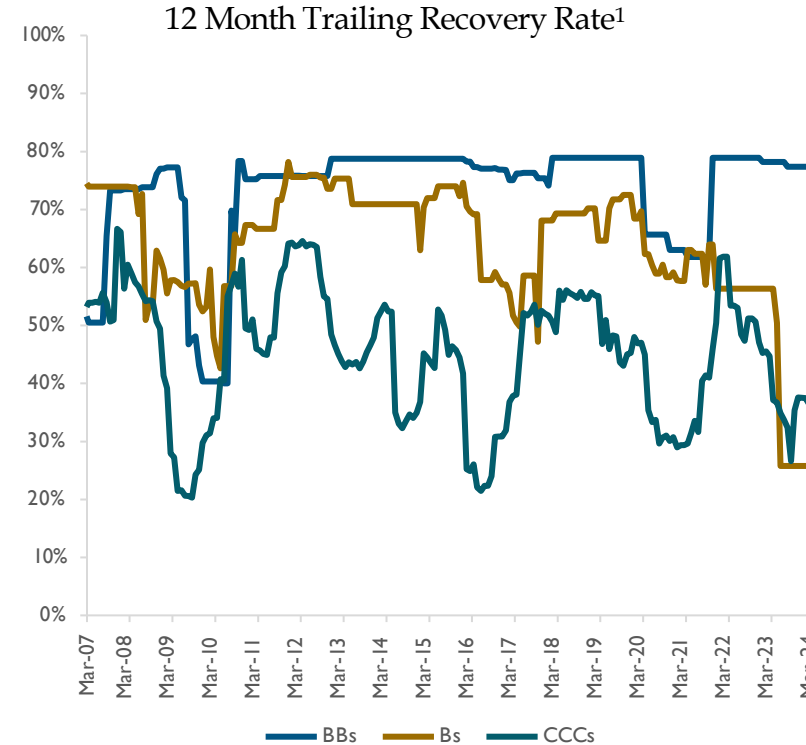
(1) Source: Credit Suisse, as of March 31, 2024. European Loans represented by the Credit Suisse Western European Leveraged Loan Index. U.S. Loans represented by the Credit Suisse Leveraged Loan Index. European High Yield represented by the Credit Suisse Western European High Yield Index. U.S. High Yield represented by the Credit Suisse U.S. High Yield Index. Distressed exchanges included in default rate calculation.

# Default and Recovery Rates by Ratings Cohort

» Credit selection is key to avoiding outsized defaults



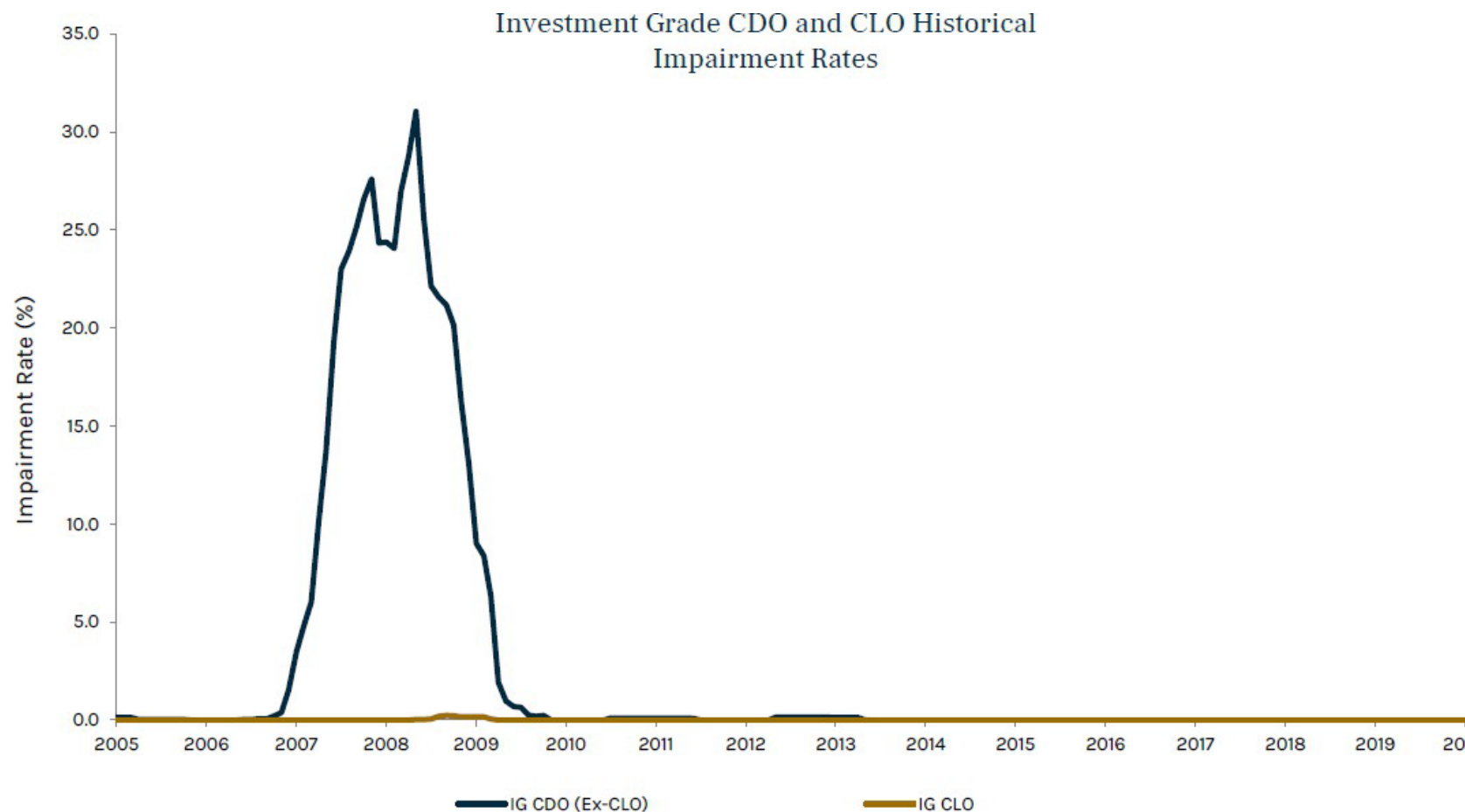
Default Rates	5yr Average	10yr Average
BBs	0.2%	0.2%
Bs	2.9%	2.5%
CCCs	9.5%	9.1%



Recovery Rates	5yr Average	10yr Average
BBs	73.7%	75.8%
Bs	54.6%	60.4%
CCCs	41.5%	42.2%

For illustrative purposes only. (1) Source: BofA Global Research Report High Yield Bonds as of March 31, 2024. Distressed exchanges included in default rate calculation (LTM by par). 5 and 10-Year averages are calculated as the monthly LTM average of the respective period.

# CLO v CDO Impairment Rates During Global Financial Crisis



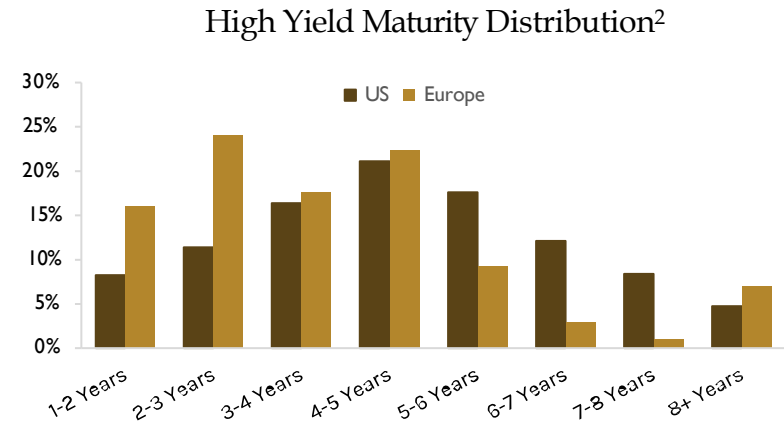
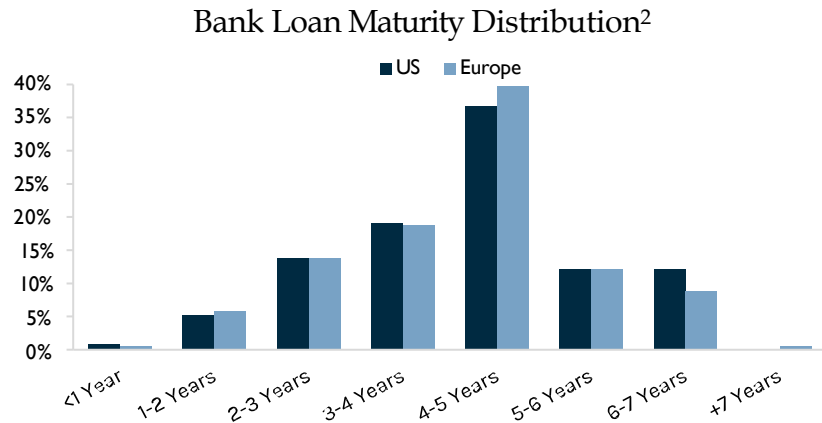
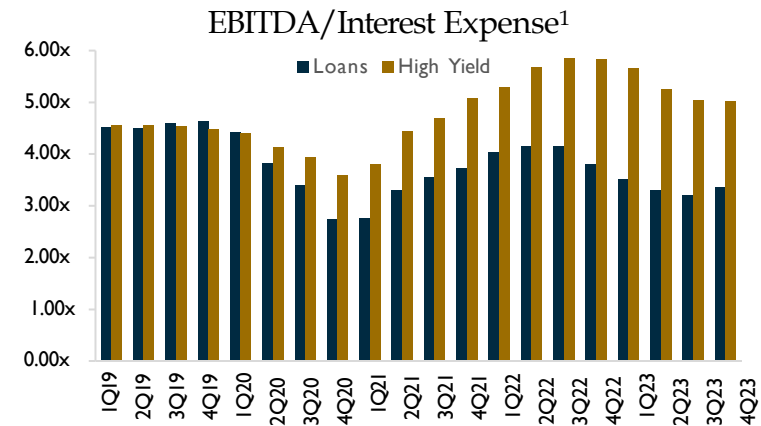
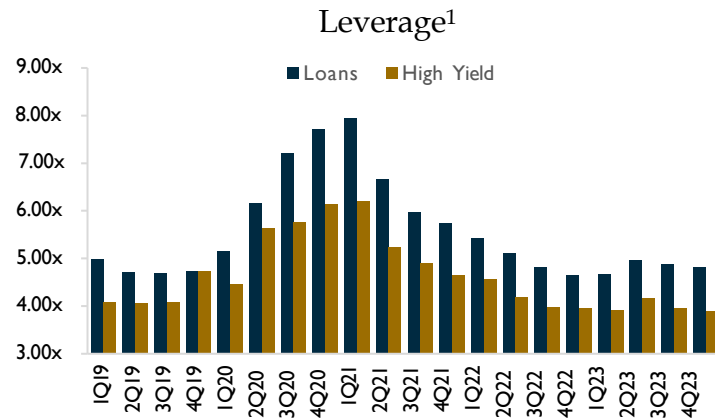
Source: Moody's. Note: Reflects Global CLOs and CDOs trailing 12-month impairment rates as of December 30, 2020.  
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A photograph of a modern concrete architectural structure with sharp, angular lines. A large opening in the structure reveals a bright sky with scattered white clouds. A dark blue rectangular box is overlaid on the lower left portion of the image.

## Why Now?

# Issuers Remain Positioned to Service Their Debt

» Despite the higher rate environment, U.S. corporate issuers remain well-placed to service their debt



For illustrative purposes only. **Please refer to Endnotes for index definitions.** (1) Source: JPM, 4Q23 Loan and High Yield Credit Fundamentals Report.

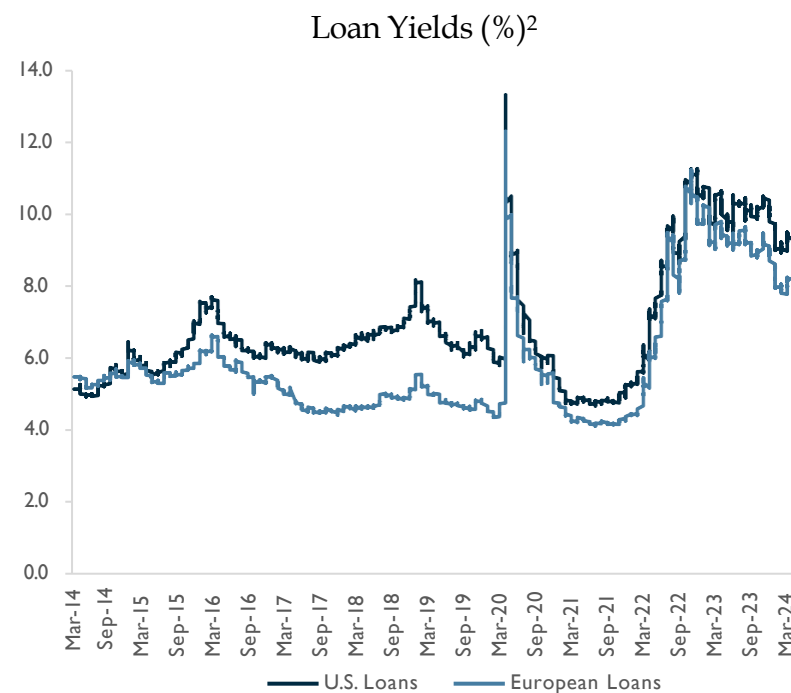
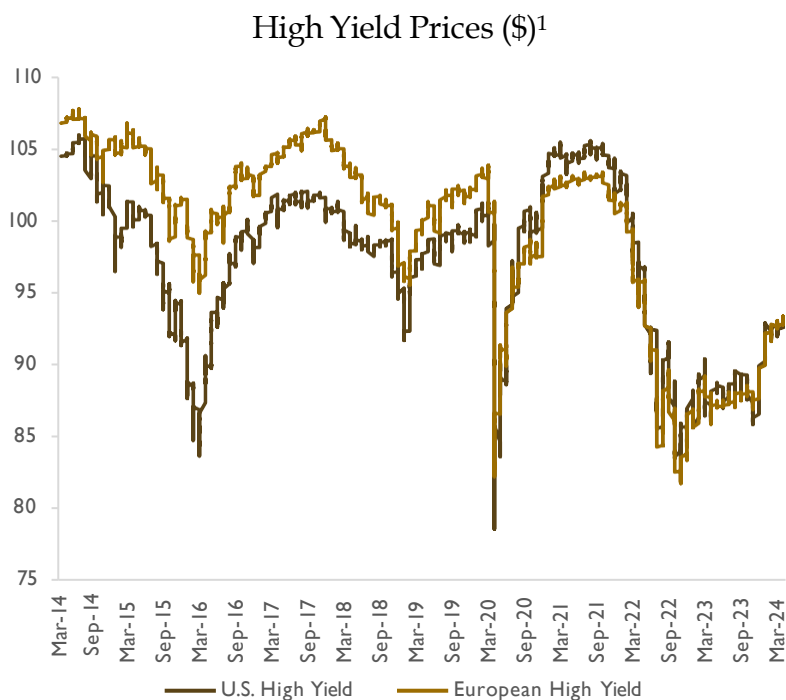
(2) As of March 31, 2024. Sources: U.S. Bank Loans represented by the CSLLI and European bank loans represented by the CSWELLI.

US. High yield represented by the HUC0 and European high yield represented by the HPSD.

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# Strong Income & Convexity Present an Attractive Entry Point



	Current (\$)	10yr Low (\$)	10yr High (\$)
U.S. High Yield Prices	93.18	78.60 83.50 (Ex-Covid)	105.94
European High Yield Prices	93.04	81.78 81.78 (Ex-Covid)	107.74

	Current (%)	10yr High (%)	10yr Low (%)
U.S. Loan Yields	9.27%	13.31% 11.26% (Ex-Covid)	4.68%
European Loan Yields	8.29%	12.29% 11.22% (Ex-Covid)	4.12%

For illustrative purposes only. As of March 31, 2024. Please see endnotes for index definitions.

1. Sources: U.S. high yield represented by the HUC0 and European high yield represented by the HPC0.

2. Sources: U.S. Bank Loans represented by the CSLI and European bank loans represented by the CSWELLI.  
Note, Ex-Covid figures exclude the period March 1, 2020 through June 30, 2020.

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# Relative Value in Investment Grade Alternative Credit

Current Yield						
Asset Rating	CLO MTM <sup>1</sup>	CLO Curr Yld <sup>1</sup>		Corp Curr Yld <sup>2</sup>		Pickup vs Corps
Single-A	98.97	7.87%	—	4.15%	==	+3.72%
Triple-B	98.09	9.09%	—	4.65%	==	+4.45%
Double-B	92.46	12.17%	—	5.68%	==	+6.48%

As of March 31, 2024. Assumes SOFR of 5.33%.  
 1. Source: J.P. Morgan CLOIE.  
 2. Source: Bloomberg.  
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A photograph of a modern concrete architectural structure with sharp, angular lines. A large opening in the structure reveals a bright sky with scattered white clouds. A dark blue rectangular box is overlaid on the lower left portion of the image.

## Why Ares?

# Ares Management

» With approximately \$419 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

Profile	
Founded	1997
AUM	\$419bn
Employees	~2,850
Investment Professionals	~990
Global Offices	35+
Direct Institutional Relationships	~2,300
Listing: NYSE – Market Capitalization	\$41.1bn¹

Global Footprint²



## The Ares Differentiators

<b>Power of a broad and scaled platform enhancing investment capabilities</b>	<b>Deep management team with integrated and collaborative approach</b>
<b>20+ year track record of attractive risk adjusted returns through market cycles</b>	<b>A pioneer and leader in leveraged finance, private credit and secondaries</b>

	Credit	Real Assets	Private Equity	Secondaries	Other Businesses
	<b>\$299.4bn</b>	<b>\$65.4bn</b>	<b>\$24.5bn</b>	<b>\$24.7bn</b>	<b>\$4.8bn</b>
AUM Strategies	Direct Lending	Real Estate Equity	Corporate Private Equity	Private Equity Secondaries	Ares Insurance Solutions¹
	Liquid Credit	Real Estate Debt	APAC Private Equity	Real Estate Secondaries	Ares Acquisition Corporation²
	Alternative Credit	Infrastructure Opportunities		Infrastructure Secondaries	
	APAC Credit	Infrastructure Debt		Credit Secondaries	
	Opportunistic Credit³				

Note: As of December 31, 2023. AUM amounts include funds managed by Ivy Hill Asset Management, LP, a wholly owned portfolio company of Ares Capital Corporation and registered investment adviser. Past performance is not indicative of future results.

1. As of April 1, 2024.

2. New Delhi office is operated by a third party with whom Ares Asia maintains an ongoing relationship relating to the sourcing, acquisition and/or management of investments.

3. In Q1 2024, we moved our Special Opportunities strategy from our Private Equity Group into our Credit Group as Opportunistic Credit. The fund name remains Special Opportunities. Opportunistic Credit has been reclassified and presented within the Credit Group and reflected on a historical basis.

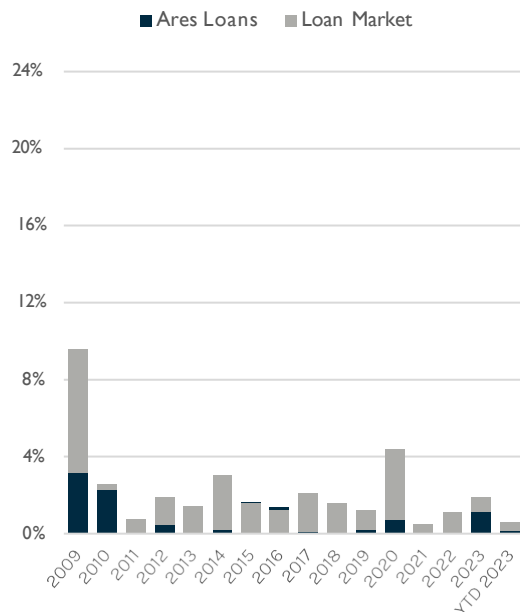
4. AUM managed by Ares Insurance Solutions excludes assets which are sub-advised by other Ares' investment groups or invested in Ares funds and investment vehicles.

5. AUM includes Ares Acquisition Corporation ("AAC") and Ares Acquisition Corporation II ("AACT").

# Historical Default Rates

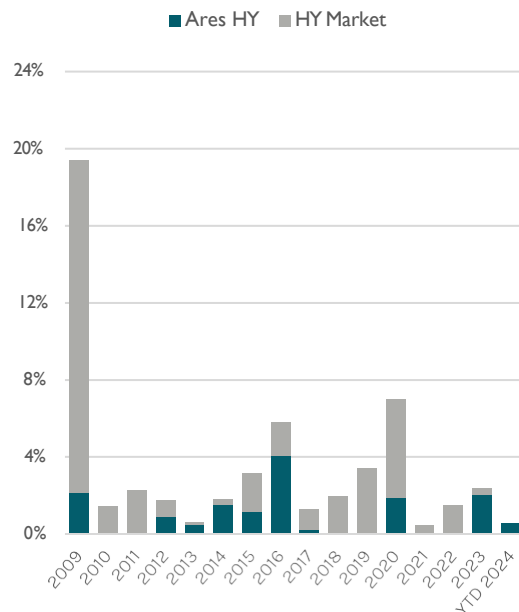
» Ares has a continued emphasis on protecting principal by dampening volatility and minimising defaults

## Bank Loans<sup>(1)</sup>



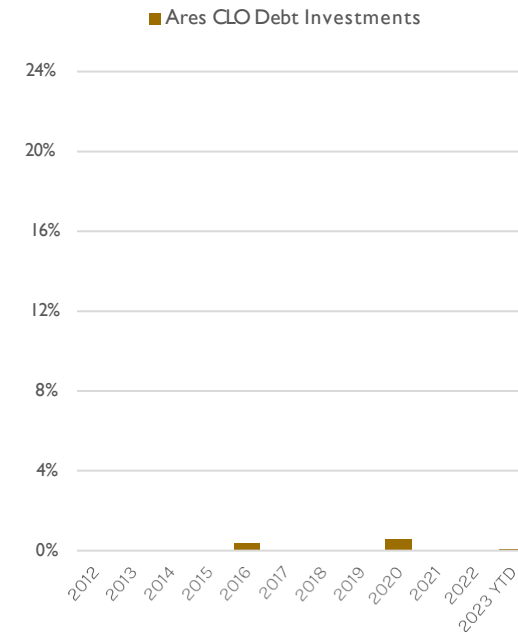
Average Annual Default Rate Of  
**0.75%**  
Vs. Credit Suisse Leveraged Loan Index  
Default Rate of **2.32%**

## High Yield Bonds<sup>(2)</sup>



Average Annual Default Rate Of  
**0.99%**  
vs. BofA High Yield Bond Index  
Default Rate of **3.59%**

## Alternative Credit<sup>(3)</sup>



Annualized Loss Rate Of  
**0.005%**  
Across All Realized CLO Debt Investments  
with **No Defaults Since Inception 2012**

Note: Average annual default rates are for the period January 1, 2009 – March 31, 2024. Average annual loss rate is for the period January 1, 2012 – September 30, 2023. No benchmark is presented for the Ares CLO debt loss rate as Ares Credit Group is not aware of any publicly available index that is comparable. References to “downside protection” or similar language are not guarantees against loss of investment capital or value.

Please see endnotes for index definitions and important index disclaimer and for performance notes.

# Ares Global Credit Income Fund Track Record

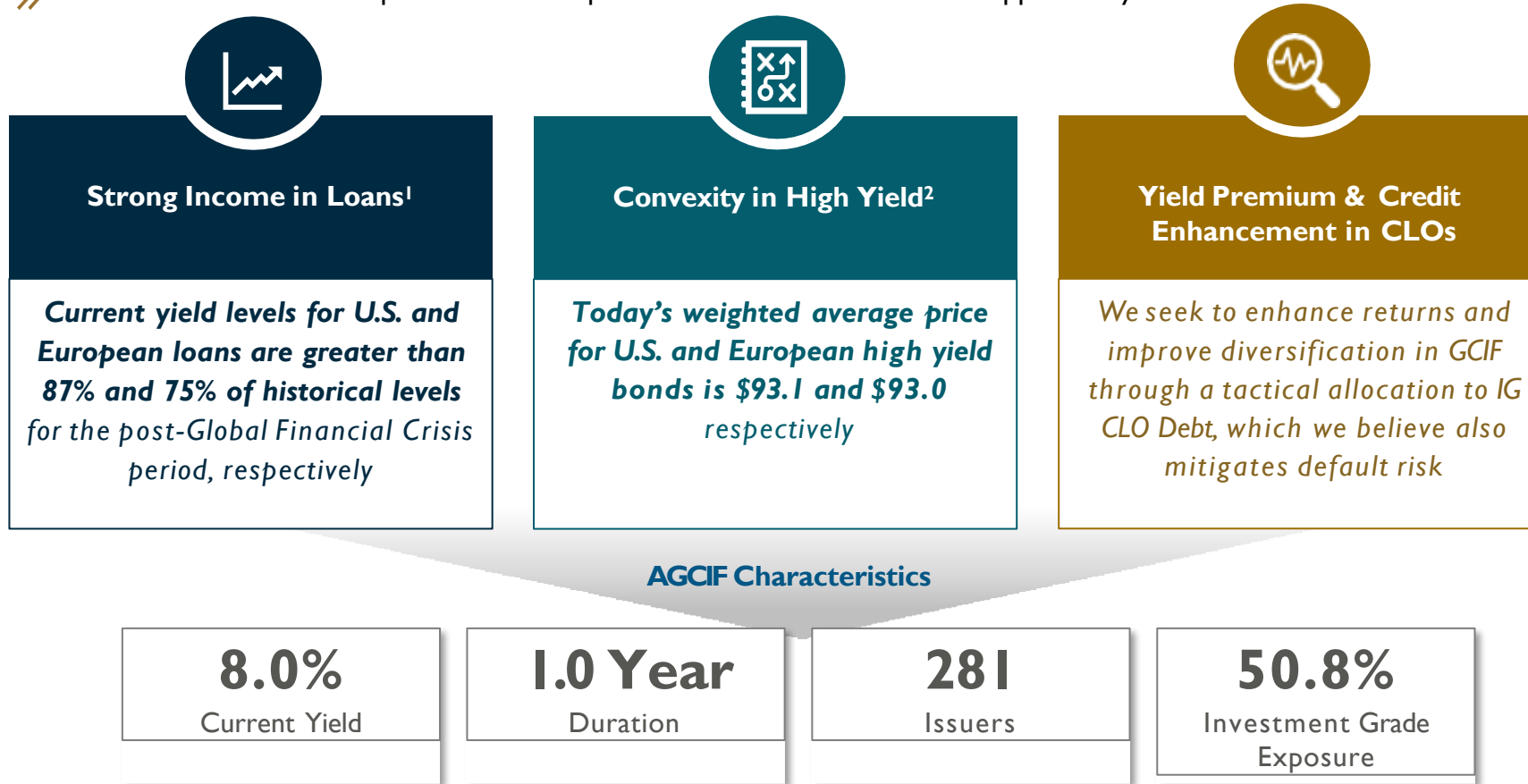
Performance Summary <sup>1</sup>	3 Month %	1 Year p.a. (%)	3 Year p.a. (%)	Since Inception (%)
Fund Return (Gross)	2.06	10.02	4.28	6.33
Fund Return (Net)	1.87	9.20	3.47	5.56
Bloomberg AusBond Bank Bill Index Gross Return <sup>1</sup>	1.09	4.19	2.08	1.61
<b>Relative Return</b>	<b>+0.98</b>	<b>+5.83</b>	<b>+2.20</b>	<b>+4.72</b>

Monthly Distribution Rate <sup>2</sup>	Volatility <sup>3</sup>	Annualized Default Rate <sup>4</sup>
<b>0.55</b> <i>Monthly average distribution rate since inception</i>	<b>3.3%</b> <i>Annualized standard deviation since inception</i>	<b>0.00%</b> <i>No defaults in the portfolio since inception</i>

Note: As of March 31, 2024. (1) Source: Performance provided by Fidante. Net Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. (2) : There can be no guarantee that such rate will be maintained or paid at all. (3) Volatility reflected by the annualized standard deviation since inception. (4) Source: Ares Management.

# Why Invest in AGCIF Now?

» We believe AGCIF is well-positioned to capitalize on the current market opportunity



**GCIF features an attractive go-forward return opportunity with a tactical asset allocation approach and disciplined fundamental credit underwriting as we navigate a complex macroeconomic backdrop**

Note: As of March 31, 2024. Note, yield is an attribute of underlying investments and does not represent a return to investors. (1) Data starts January 1, 2010. Sources: BofA and Credit Suisse. U.S. Bank Loans represented by the CSLLI, European bank loans represented by the CSWELLI. (2) US. high yield represented by the HUC0 and European high yield represented by the HPC0. **Please see endnotes for index definitions.**

**Diversification does not assure profit or protect against market loss.**

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A dark blue rectangular box containing the title "Appendix" and its subtitle. The background of the slide is a photograph of a modern building's interior, featuring large, light-colored concrete walls and a large, irregular opening that looks out onto a sky with white and grey clouds.

# Appendix

Summary Terms, Monthly Performance, Index Definitions &  
Endnotes

# Summary Terms

Ares Global Credit Income Fund	
<b>Investment Objective</b>	The Fund aims to provide stable monthly income with a focus on downside protection and capital preservation across various market cycles by investing in a diversified portfolio of credit assets
<b>Investment Guidelines</b>	<p>The Fund may be invested in the following asset classes in both the U.S. and Europe:</p> <ul style="list-style-type: none"> <li>• No more than 75% of the portfolio may be invested in Senior Secured Loans</li> <li>• No more than 75% of the portfolio may be invested in Bonds</li> <li>• No more than 75% of the portfolio may be invested in Alternative Credit, including CLO Debt, CLO Equity, CMBS &amp; Rated Private ABS</li> <li>• 50%-75% of the portfolio must have an investment grade rating (based on the higher of rating between S&amp;P, Moody's and Fitch)</li> <li>• No more than 30% of the portfolio may be invested in Cash<sup>(1)</sup></li> </ul> <p>Additional limits:</p> <ul style="list-style-type: none"> <li>• No more than 15% of the portfolio may be invested in CCC rated securities (at purchase)</li> <li>• No more than 5% of the portfolio may be invested in CLO Equity</li> <li>• No more than 10% of the portfolio may be invested in any one issuer</li> <li>• No more than 3% of the portfolio may be invested in any single non-rated issue</li> </ul>
<b>Shorting/Borrowing</b>	Not permitted
<b>Target Duration</b>	<ul style="list-style-type: none"> <li>• IR Duration 0.5 to 2.5 years</li> <li>• Credit spread duration 3 to 5 years</li> </ul>
<b>Target Net Return<sup>2</sup></b>	Bloomberg AusBond Bank Bill Index +3-4%
<b>Target Distribution<sup>3</sup></b>	BBSW +2.5-3.5% per annum (paid monthly)
<b>Liquidity</b>	Daily
<b>Fee Schedule</b>	0.75% on total NAV per annum (inclusive of GST and net of RITCs)
<b>Hedging</b>	The Fund aims to fully hedge any foreign currency exposure back to the Australian dollar using forwards.

Note: This is a summary only. Please refer to the Product Disclosure Statement and Additional Information Booklet for all the terms and conditions of the offer to invest in the Ares Global Credit Income Fund. (1) Cash equivalents include securities with less than 12 months to maturity and the manager reasonably believes they can be readily converted to cash within 1 business day. (2) Target net return is not a reliable indicator of future performance, and no guarantee or assurance is given that such returns will be achieved or that an investment will not result in a loss. Target net return is based on management's assumptions, which may differ from actual events or conditions, and assumes the reinvestment of proceeds from asset liquidations, income, and other earnings. (3) There is no assurance that target distributions will be achieved at these levels or at all.

References to "downside protection" or similar language are not guarantees against loss of investment capital or value.

# Ares Global Credit Income Fund Track Record

Annualized Performance	1-YR	2-YR	3-YR	SI
<b>Gross</b>	10.02	5.19	4.28	6.33
<b>Net</b>	9.20	4.32	3.47	5.56
<b>Benchmark<sup>(1)</sup></b>	4.19	3.12	2.08	1.61

	January	February	March	April	May	June	July	August	September	October	November	December
<b>2020</b>												
<b>Gross</b>					2.09%	1.29%	1.83%	0.74%	0.54%	0.70%	1.93%	0.90%
<b>Net</b>					2.04%	1.23%	1.77%	0.68%	0.68%	0.63%	1.87%	0.83%
<b>Benchmark<sup>(1)</sup></b>					0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
<b>2021</b>												
<b>Gross</b>	0.60%	0.40%	0.31%	0.55%	0.57%	0.46%	0.46%	0.23%	0.19%	0.12%	0.06%	0.49%
<b>Net</b>	0.59%	0.35%	0.25%	0.49%	0.51%	0.40%	0.40%	0.17%	0.18%	0.06%	0.00%	0.42%
<b>Benchmark<sup>(1)</sup></b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
<b>2022</b>												
<b>Gross</b>	-0.06%	-0.41%	-0.19%	-0.27%	-2.45%	-1.89%	1.87%	0.62%	-2.36%	0.52%	1.97%	0.64%
<b>Net</b>	-0.12%	-0.47%	-0.25%	-0.33%	-2.51%	-1.95%	1.80%	0.56%	-2.57%	0.47%	1.91%	0.58%
<b>Benchmark<sup>(1)</sup></b>	0.01%	0.01%	0.00%	-0.02%	0.03%	0.05%	0.12%	0.15%	0.15%	0.24%	0.25%	0.25%
<b>2023</b>												
<b>Gross</b>	2.10%	0.02%	-0.10%	1.10%	0.12%	1.19%	1.16%	1.08%	0.26%	-0.20%	1.56%	1.29%
<b>Net</b>	2.04%	-0.04%	-0.17%	1.04%	0.05%	1.12%	1.10%	1.01%	0.20%	-0.26%	1.49%	1.22%
<b>Benchmark<sup>(1)</sup></b>	0.27%	0.24%	0.28%	0.30%	0.29%	0.30%	0.37%	0.37%	0.34%	0.33%	0.35%	0.37%
<b>2024</b>												
<b>Gross</b>	0.93%	0.25	0.87									
<b>Net</b>	0.87%	0.19	0.81									
<b>Benchmark<sup>(1)</sup></b>	0.37%	0.34	0.37									

Note: As of March 31, 2024. Source: Performance provided by Fidante. Gross returns are calculated before fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Net returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

**Please see endnotes for Index Definitions and an important index disclosure.**

(1) Benchmark represented by the Bloomberg AusBond Bank Bill Index.

# Index Definitions

1. **The Credit Suisse Western European Leveraged Loan Index ("CSWELL")** is designed to mirror the investable universe of the leveraged loan market of issues which are denominated in US\$ or Western European currencies. The issuer has assets located in or revenues derived from Western Europe, or the loan represents assets in Western Europe, such as a loan denominated in a Western European currency. Loan facilities must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. Only fully funded term loan facilities are included and the tenor must be at least one year. Minimum outstanding balance is \$100 million and new loans must be priced by a third-party vendor at month-end. The index inception is January 1998.
2. **The Credit Suisse Institutional Leveraged Loan Index ("CSILL")** is designed to mirror the investable universe of the \$US-denominated leveraged loan market. The index inception is January 1992. The index frequency is daily, weekly and monthly. New loans are added to the index on their effective date if they qualify according to the following criteria: 1) Loan facilities must be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be Libor plus 125 basis points or higher. 2) Only fully-funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded.
3. **ICE BofA European Currency High Yield Index ("HP00")** tracks the performance of EUR and GBP denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 100 million or GBP 50 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Defaulted, warrant-bearing and euro legacy currency securities are excluded from the Index. Inception date: December 31, 1997 The above rules take into account all revisions up to and including December 31, 2010.
4. **The BofA US High Yield Master II Constrained Index ("HUC0")** tracks the performance of US Dollar denominated below investment grade corporate debt publicly issued in the US domestic market with a maximum issuer exposure of 2%. The returns of the benchmark are provided to represent the investment environment existing during the time period shown. For comparison purposes the index includes the reinvestment of income and other earnings but does not include any transaction costs, management fees or other costs. BANK OF AMERICA IS LICENSING THE ICE BofA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE BofA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND ARES MANAGEMENT, OR ANY OF ITS PRODUCTS OR SERVICES.
5. **ICE BofA US Corporate Index ("C0A0")** tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million. Original issue zero coupon bonds, 144a securities (with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Inception date: December 31, 1972.
6. **ICE BofA Euro High Yield Index** value, which tracks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Returns hedged to USD.
7. **The S&P 500** is an American stock market index based on the market capitalisations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.
8. **The ICE BofA US High Yield Index ("H0A0")** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. Index constituents are capitalisation-weighted based on their current amount outstanding times the market price plus accrued interest. Accrued interest is calculated assuming next-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the index. The index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. No changes are made to constituent holdings other than on month end rebalancing dates. Inception date: August 31, 1986.
9. **The Bloomberg Barclays Capital Global Aggregate Bond Index ("Barclays Global Agg")** measures the performance of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. To be included in the index, bonds must be investment grade using the index credit quality classification methodology (middle rating of Moody's, Fitch and S&P). The currency must be freely tradeable and convertible and not exposed to exchange controls that are designed to encumber its buying and selling by foreign investors. There must be an established and developed forward market or non-deliverable forward (NDF) market for the local currency such that foreign market participants can hedge their exposures into core currencies. Inception date: January 1, 1990.
10. **ICE BofA US Insured Bond Municipal Securities Index ("U0D0")** is a subset of ICE BofA US Municipal Securities Index including all insured securities. ICE BofA US Municipal Securities Index tracks the performance of US dollar denominated investment grade tax-exempt debt publicly issued by US states and territories, and their political subdivisions, in the US domestic market. Qualifying securities must have at least one year remaining term to final maturity, at least 18 months to final maturity at the time of issuance, a fixed coupon schedule and an investment grade rating (based on an average of Moody's, S&P and Fitch). Minimum size requirements vary based on the initial term to final maturity at time of issuance. Securities with an initial term to final maturity greater than or equal to one year and less than five years must have a current amount outstanding of at least \$10 million. Securities with an initial term to final maturity greater than or equal to five years and less than ten years must have a current amount outstanding of at least \$15 million. Securities with an initial term to final maturity of ten years or more must have a current amount outstanding of at least \$25 million.
11. **The S&P/ASX 200** is recognized as the institutional investable benchmark in Australia. Index constituents are drawn from eligible companies listed on the Australian Securities Exchange. The S&P/ASX 200 is designed to measure the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization. Representative, liquid, and tradable, it is widely considered Australia's preeminent benchmark index.
12. **The Russell 2000 Index** is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index. It was started by the Frank Russell Company in 1984. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

# Index Definitions (continued) and Important Index Disclosure

15. **JPM U.S. CLOIE BBB Post-Global Financial Crisis Index** tracks floating-rate CLO securities in 2004-present vintages, rated BBB. Additional sub-indices are divided by ratings AAA through BB, and further divided between pre- and post-crisis vintages. CLO 2.0, or post-crisis vintages, include deals issued in 2010 and later. CLOIE utilizes a market-value weighted methodology. Inception date: July 15, 2014.
16. **JPM U.S. CLOIE A Post-Global Financial Crisis Index** tracks floating-rate CLO securities in 2004-present vintages, rated A. Additional sub-indices are divided by ratings AAA through BB, and further divided between pre- and post-crisis vintages. CLO 2.0, or post-crisis vintages, include deals issued in 2010 and later. CLOIE utilizes a market-value weighted methodology. Inception date: July 15, 2014.
17. **JPM U.S. CLOIE AA Post-Global Financial Crisis Index** tracks floating-rate CLO securities in 2004-present vintages, rated AA. Additional sub-indices are divided by ratings AAA through BB, and further divided between pre- and post-crisis vintages. CLO 2.0, or post-crisis vintages, include deals issued in 2010 and later. CLOIE utilizes a market-value weighted methodology. Inception date: July 15, 2014.
18. **The JPM JULI High Grade Index** measures the performance of the investment grade dollar denominated corporate bond market. The JULI focuses on the most liquid instruments with the objective of making the index a fair and true representation of the investable market. To be included, instruments must be liquid, USD denominated investment grade corporate debt and a bullet security paying a non-zero coupon semi-annually. Excludes convertibles, refundables, extendables and perpetuals. Aggregate level total return is calculated as a market-weighted average of individual bond level returns. Previous day weights are used to aggregate current day returns. Performance and statistics are available by individual issuers, for sectors and sub-sectors, and maturity buckets. Inception dating back to 31-Dec-1999).
19. **The Dow Jones Emerging Markets Index** is designed to measure 95% of the market capitalization coverage of stocks traded in emerging markets. Included in the Dow Jones Global Indices family are a wide range of regional, country, size-segment, and sector indices. The indices are float-adjusted market capitalization (FMC) weighted, with caps applied to certain indices within the family to ensure diversification among companies within those indices.
20. **The Bloomberg AusBond Bank Bill Index** is engineered to measure the Australian money market by representing a passively managed short term money market portfolio. This index is comprised of 13 synthetic instruments defined by rates interpolated from the RBA 24-hour cash rate, IM BBSW, and 3M BBSW.
21. **Dow Jones Emerging Markets Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market. It invests primarily in a diversified portfolio of intermediate term below investment-grade debt securities. Total return figures assume payment of fees and reinvestment of dividends (after the highest applicable foreign withholding tax) and distributions. Inception date: November 13, 1998.
22. **IAU ETF** reflects the iShares Gold Trust (the 'Trust'), which seeks to reflect generally the performance of the price of gold. The Fund seeks to reflect the price of gold owned by the trust less the trust's expenses and liabilities. The Fund intends to constitute a simple and cost-effective means of making an investment similar to an investment in gold. Inception date: January 21, 2005.
23. **ICE BofA U.S. Mortgage Backed Securities Index** tracks the performance of US dollar denominated 30-year, 20-year and 15-year fixed rate residential mortgage pass-through securities publicly issued by US agencies in the US domestic market. Fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least \$5 billion per generic coupon. Balloon, mobile home, graduated payment and quarter coupon fixed rate mortgages are excluded from the index, as are all collateralized mortgage obligations.
24. **ICE BofA Current 10-Year US Treasury Index** is a one-security index comprised of the most recently issued 10-year US Treasury note. The index is rebalanced monthly. In order to qualify for inclusion, a 10-year note must be auctioned on or before the third business day before the last business day of the month.
25. **ICE BofA Euro Corporate Index** tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and at least 18 months to final maturity at the time of issuance. In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR 250 million. Original issue zero coupon securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index.
26. **ICE BofA Emerging Markets Diversified Corporate Index ("EMSD")** tracks the performance of US dollar denominated emerging markets corporate senior and secured debt publicly issued in the US domestic and eurobond markets. In order to qualify for inclusion in the Index an issuer must have primary risk exposure to a country other than a member of the FX GI0, a Western European country, or a territory of the US or a Western European country. The FX-GI0 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Individual securities of qualifying issuers must be denominated in US dollars, must be senior or secured debt, must have at least one year remaining term to final maturity a fixed coupon and at least \$500 million in outstanding face value. Qualifying securities must have at least 18 months to final maturity at the time of issuance. The index includes corporate debt of qualifying countries, but excludes sovereign, quasi-government, securitized and collateralized debt. Original issue zero coupon bonds 144a securities, both with and without registration rights, and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index.
27. **EUR Inflation Swap Zero Coupon 5-Year Index ("EUSWI05")** is a derivative used to transfer inflation risk from one party to another through the exchange of cash flows.
28. **The Credit Suisse U.S. High Yield Index** is designed to mirror the investable universe of the USD denominated high yield debt traded in the US credit market. It invests in securities that are straight corporate debt, including cash-pay and zero-coupon bonds. PIK, FRN, convertibles, perpetuals and preferred stock are ineligible. Issues are rated below investment grade bonds rated by Moody's, S&P, or Fitch. If a bond is rated by all three agencies, the median rating is used; if a bond is rated by two agencies, the lower rating is used; unrated new bonds are excluded. Inception date: January 1, 1986.
29. **The Credit Suisse Western European High Yield Index** is designed to mirror the investable universe of the Western European USD, EUR and GBP denominated high yield debt markets. It invests in securities that are straight corporate debt, including cash-pay, zero-coupon and stepped-rate bonds. PIK, FRN, convertibles, perpetuals and preferred stock are ineligible. Issues are rated below investment grade bonds rated by Moody's, S&P, or Fitch. If a bond is rated by all three agencies, the median rating is used; if a bond is rated by two agencies, the lower rating is used; unrated new bonds are excluded. Inception date: January 1, 1995.

Indices are provided for illustrative purposes only and not indicative of any investment. They have not been selected to represent appropriate benchmarks or targets for the strategy. Rather, the indices shown are provided solely to illustrate the performance of well-known and widely recognised indices. Any comparisons herein of the investment performance of a strategy to an index are qualified as follows: (i) the volatility of such index will likely be materially different from that of the strategy; (ii) such index will, in many cases, employ different investment guidelines and criteria than the strategy and, therefore, holdings in such strategy will differ significantly from holdings of the securities that comprise such index and such strategy may invest in different asset classes altogether from the illustrative index, which may materially impact the performance of the strategy relative to the index; and (iii) the performance of such index is disclosed solely to allow for comparison on the referenced strategy's performance to that of a well-known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from the strategy. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is being made as to the risk profile of any benchmark or index relative to the risk profile of the strategy presented herein. There can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance, or be suitable for a portfolio.

# Performance Notes

## Ares Credit Group

- ARCC received the 2021 All-America Executive Team Most Honored designation alongside 136 other companies. Various Ares personnel received first place awards as part of the "Brokers, Asset Managers & Exchanges" category for: Investor Relations, CEO, CFO, Investor Day and Communication of Strategy and Risk Management Amid COVID-19. Six other institutions also received a first-, second-, or third-place ranking in this category. Institutional Investor based these awards on the opinions of 3,029 portfolio managers and buy-side analysts, and 497 sell-side analysts who participated in this survey.
- Institutional Investor logo from Institutional Investor, ©2021 Institutional Investor, LLC. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited.
- Lipper Rankings reported in Lipper Marketplace Best Money Managers, December 31, 2022. Lipper Marketplace is the source of the long-only and multi-strategy credit rankings. Lipper's Best Money Managers rankings consider only those funds that meet the following qualification: performance must be calculated "net" of all fees and commissions; must include cash; performance must be calculated in U.S. dollars; asset base must be at least \$10 million in size for "traditional" U.S. asset classes (equity, fixed income, and balanced accounts); and the classification of the product must fall into one of the categories which they rank. Lipper defines Short Duration as 1-5 years. Lipper's Active Duration definition does not specify a time period but rather refers to an Active rather than Passive strategy. Ares Institutional Loan Fund was ranked 8 out of 43 for the 40 quarters ended December 31, 2022. Composites for Ares U.S. Bank Loan Aggregate and Ares U.S. High Yield additionally received rankings of 5 of 43 and 5 of 34, respectively, for the 40 quarters ended December 31, 2022.
- Private Equity International selected Ares Management as Lender of the Year in North America – 2022. Awards based on an industry wide global survey across 77 categories conducted by Private Equity International. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- Private Debt Investor selected Ares Management for 2022 Global Fund Manager of the Year, Senior Lender of the year in Europe, Senior Lender of the Year in Americas, and selected Ares Asia (formerly SSG Capital Management) for Infrastructure Debt Investor of the Year in Asia-Pacific. Awards based on an industry wide global survey across 51 categories conducted by Private Debt Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.
- In its 2021 and 2022 annual Asset Management Awards, AsianInvestor selected Ares Asia as Best Private Debt Manager of the year in the Asia region. Judging panels for the Asset Management Awards were a mixture of senior investment executives, service provider professionals, and consultants. Ares Asia (formerly SSG Capital Management) have not compensated AsianInvestor entities including firm-wide subscriptions.
- Private Equity Investor selected Ares Management for 2023 Distressed Debt Investor of the Year in North America. Rankings based on an industry wide global survey across 75 categories conducted by Private Equity Investor. Survey participants voted independently. In addition, survey participants could nominate another firm not listed in the category.

## Ares Angles Transaction Definition

Ares Angle transactions reflect investments where Ares, through cross-platform collaboration among different investment groups and the size of its investment platform, believes that it was able to source broadly syndicated loans and / or bonds with preferential economic terms relative to the broader market. These investments generally include providing borrowers with early commitments to a transaction in exchange for Ares receiving premium economics for its capital committed. Ares does not provide arrangement or underwriting services as part of these transactions, and does not negotiate the terms of the financings.

## Designed to Deliver Yield Enhancement & Diversification

(A) Sources: (i) 10 Year U.S. Treasury represented by ICE BofA Current 10-Year U.S. Treasury Index (GA10), (ii) Barclays Agg represented by the Barclays Global Aggregate Index (USD Hedged), (iii) Australian Broad Market Index. Indices are unmanaged and have no fees. It is not possible to invest directly in an index. (iv) Ares Global Credit Income Fund Model Portfolio's current yield represents the gross portfolio yield before leverage, fees, and expenses. The effective duration measures a bond's sensitivity to interest rates. Past performance is not indicative of future results.

(B) Sources: (i) Credit Suisse Leveraged Loan Index, (ii) Credit Suisse Western European Leveraged Loan Index, (iii) ICE BofA US High Yield Master II Index, (iv) ICE BofA European Currency High Yield Index, (v) JPM U.S. CLOIE BBB Index Post-Crisis, (vi) Bloomberg Non-Agency (Private Label CMBS) Index, (vii) ICE BofA US Corporate Index, (viii) ICE BofA Current 10-Year US Treasury Index, (ix) S&P 500 Index, (x) The Euro STOXX 50 Index, (xi) S&P/ASX 200 Index, (xii) The Bloomberg Barclays Capital Global Aggregate Bond Index ("Barclays Global Agg"), (xiii) Australian Broad Market Index.

## Focus on Downside Protection

- (1) Represents the LTM annual average par-weighted default rates for the period January 1, 2009 – March 31, 2024. U.S. bank loan default rates represented by the Credit Suisse Leveraged Loan Index ("CSLLI"). Ares default rates are represented by all bank loan transactions in all commingled funds and separately managed accounts executed by investment professionals within Ares Liquid Credit Group.
- (2) Represents the LTM annual average par-weighted default rates for the period January 1, 2009 – March 31, 2024. U.S. high yield default rates are represented by the Bank of America High Yield Index "H0A0". Ares default rates are represented by all high yield bond transactions in all commingled funds and separately managed accounts executed by investment professionals within Ares Liquid Credit Group.
- (3) Reflects all CLO investments in commingled funds and separately managed accounts executed by investment professionals within Ares Credit Group for the period January 1, 2012 to September 30, 2023.. Represents total losses on all realized investments divided by total invested capital.

## Dynamic & Flexible Strategy Designed for Shifting Markets

- (1) As of March 31, 2024
- (2) Based on the higher of ratings between the S&P, Moody's and Fitch.
- (3) Source: Credit Suisse Leveraged Loan Index, Credit Suisse Western European Leveraged Loan Index, ICE BofA US High Yield Index, ICE BofA European Currency High Yield Constrained Index, J.P. Morgan CMBS Research, J.P. Morgan ABS Research: ABS Volume Report, Ares INsight database, Intex. As of March 31, 2024. Assumes a 1.08 EUR/USD exchange rate where applicable.
- (4) Target net return, provided on specific request by Fidante, reflects the deduction of management fee and other expenses and are not a reliable indicator of future performance and no guarantee or assurance is given that such returns will be achieved or that an investment will not result in a loss. Target net return is based on management's assumptions, which may differ from actual events or conditions, and assumes the reinvestment of proceeds from asset liquidations, income, and other earnings.



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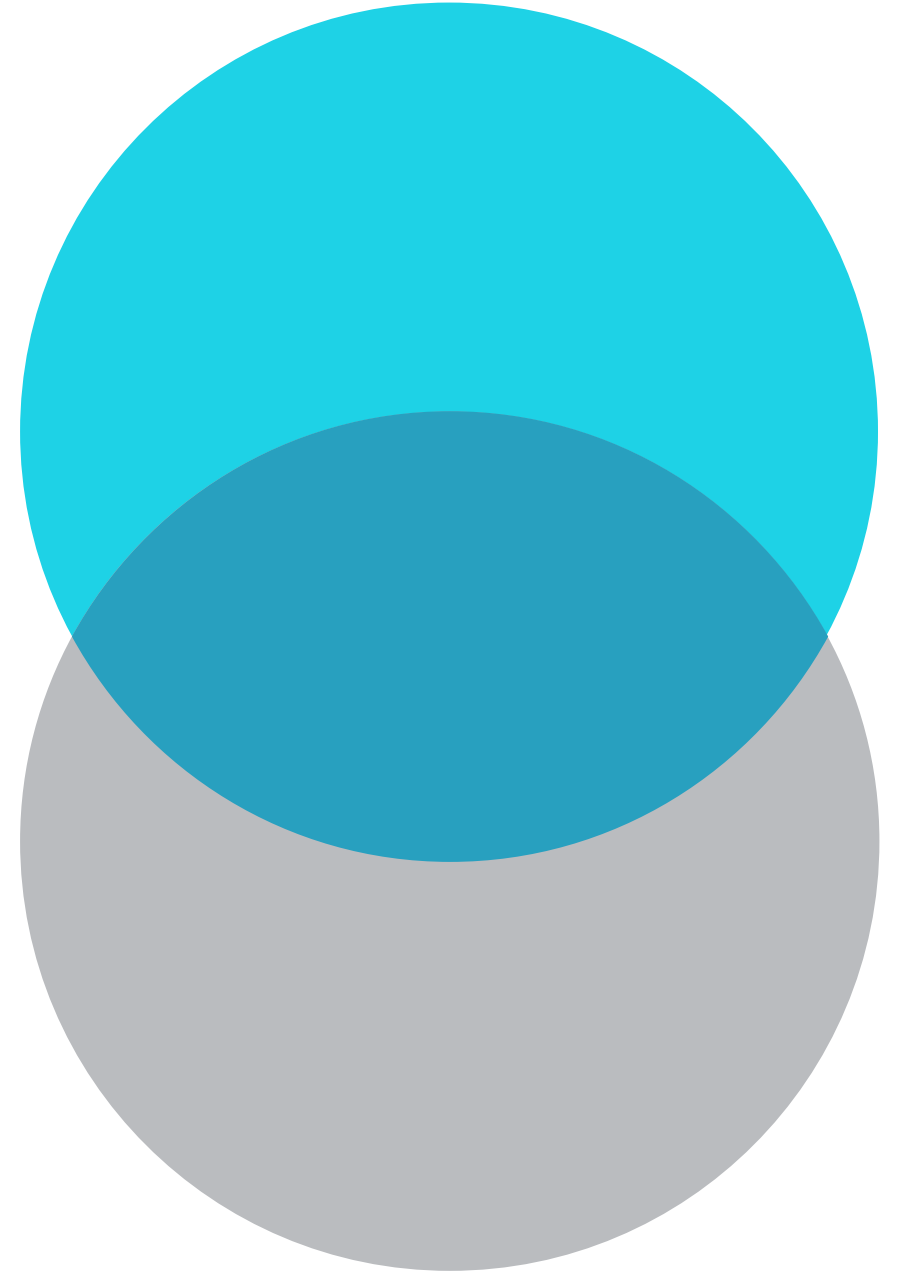
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# LUNCH



# How to build direct equities portfolios & markets recap by Bell Potter

Ryan Davis

National Sales and Key Accounts Manager,  
Desktop Broker

Grady Wulff

Market Analyst, Desktop Broker & Bell Direct








Andrew Doherty

Director, AssureInvest

desktopbroker >  
ROCK SOLID

# Why Direct Equities?

- Australian owned and publicly listed (ASX:BFG)
- \$73B AUM & 580,000 client accounts
- Portfolio Construction service & Access to IPO's

BELL POTTER	THIRD PARTY PLATFORM	BELL POTTER CAPITAL
BROKING RETAIL & INSTITUTIONAL	TECHNOLOGY & PLATFORMS	PRODUCTS & SERVICES
<ul style="list-style-type: none"> <li>Retail Equities (Domestic &amp; International)</li> <li>Institutional Equities</li> <li>24-hour Futures &amp; FX Desk</li> <li>Equity Capital Markets (ECM)</li> <li>Syndication</li> </ul>	<p>Six distinct business units operate within Third Party Platform:</p> <ol style="list-style-type: none"> <li>  Private Client online share trading platform                 </li> <li>  General advice high net worth desk                 </li> <li>  Wholesale &amp; Independent Financial advisers online share trading                 </li> <li>  White label online share trading platform                 </li> <li>  </li> <li>  </li> <li>  Third Party Clearing services                 </li> <li>Technology – Continuous development of proprietary software applications for TPP and the wider BFG Group.</li> </ol>	<ul style="list-style-type: none"> <li>Bell Potter Portfolio Lending</li> <li>Bell Financial Trust</li> <li>Structured Loan Products                         <ul style="list-style-type: none"> <li>- Bell Equity Lever</li> <li>- Geared Equities Investment</li> </ul> </li> <li>Portfolio Administration Service (PAS)</li> <li>Bell Potter Personal Superannuation Solutions</li> <li>Guided Portfolio Service (GPS)</li> <li>Australian Equities Research</li> </ul>

# INDUSTRY SNAPSHOT

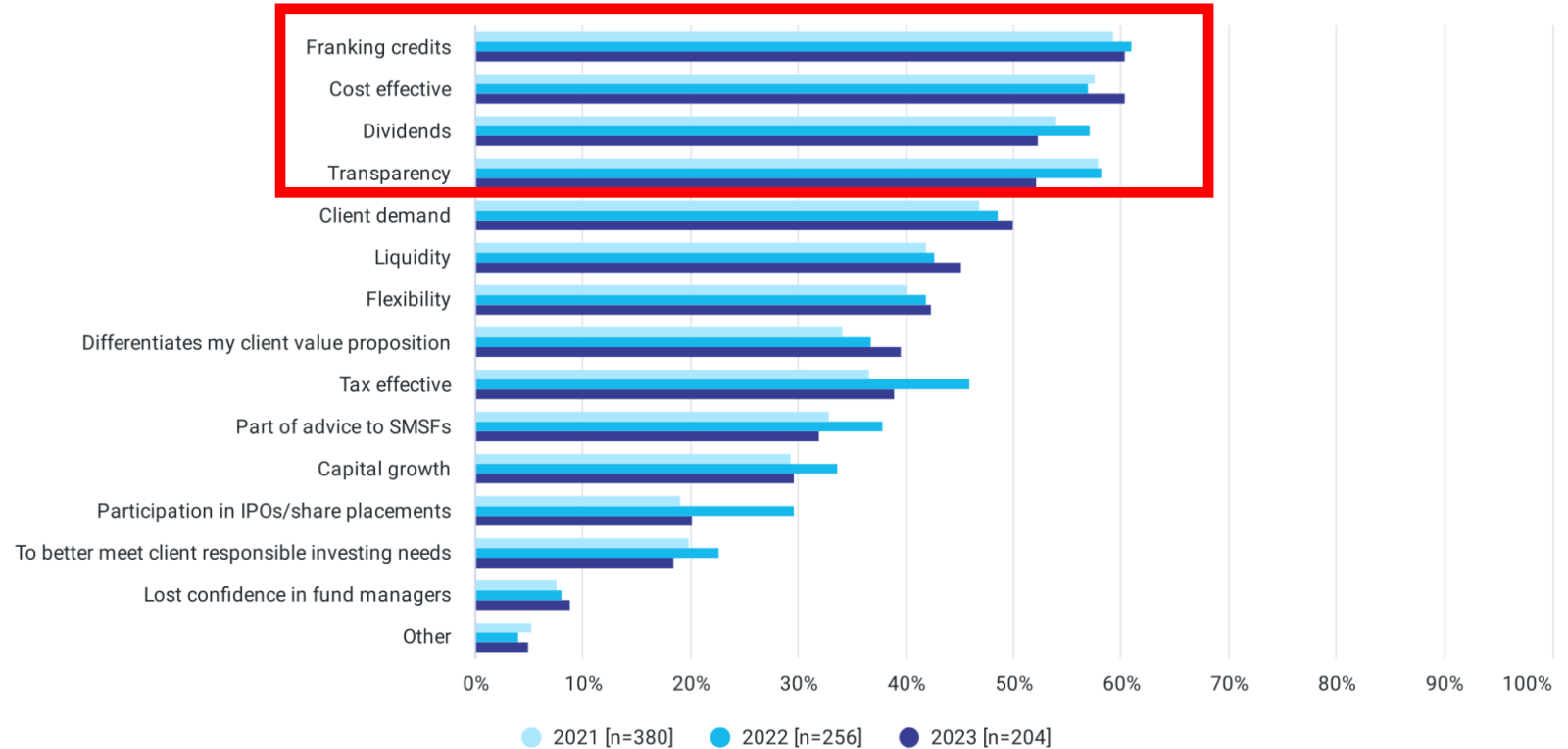


Breadth and quality service provision is key to choosing the right partner

SOURCE: ThinkAdvisor

## Trend: Benefits of recommending direct shares

Q86 What do you see as the benefits of recommending direct shares? (Multiple responses permitted)  
Among current and potential direct shares advisers



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# AGENDA

01

How to build  
direct equities  
portfolios

02

Markets recap  
and Bell Potter  
stock picks



# How to build direct equities portfolios

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Andrew Doherty

Director, AssureInvest



Andrew Doherty

## Qualifications

- Master of Business Administration,  
AGSM, 1999-2004
- Master of Economics  
Macquarie University, 1992-1993
- Bachelor of Economics  
Macquarie University, 1986-1990

## Career Summary

- AssureInvest  
Director, Feb 2014 - Current
- Morningstar  
Head of Equities, Jul 2006 - Dec 2013
- Aspect Huntley  
Research Manager, 1999-2006
- Deutsche MG, London  
Equity Derivatives Risk, 1997-1998
- JP Morgan, London  
Fixed Income, 1996-1997
- Credit Suisse AM  
Fixed Interest Investment Manager, 1994-1995



# 1

## PORTFOLIO METHODOLOGY

INVESTMENT PHILOSOPHY

# Portfolio Methodology

## Attractive Value

- ➔ Earnings multiples
- ➔ Price/book
- ➔ Free cash flow yield
- ➔ Price/cash flow
- ➔ Dividend yield



## Outstanding Businesses

- ➔ Sustainable competitive advantages
- ➔ Growth potential
- ➔ Strong free cash flow
- ➔ Reliable cash flow
- ➔ Solid balance sheets
- ➔ Focused management

Concentrated portfolios of attractively valued, high-quality businesses



Focused on capital preservation and superior returns over time



Fundamental security selection utilising our unique analysis techniques



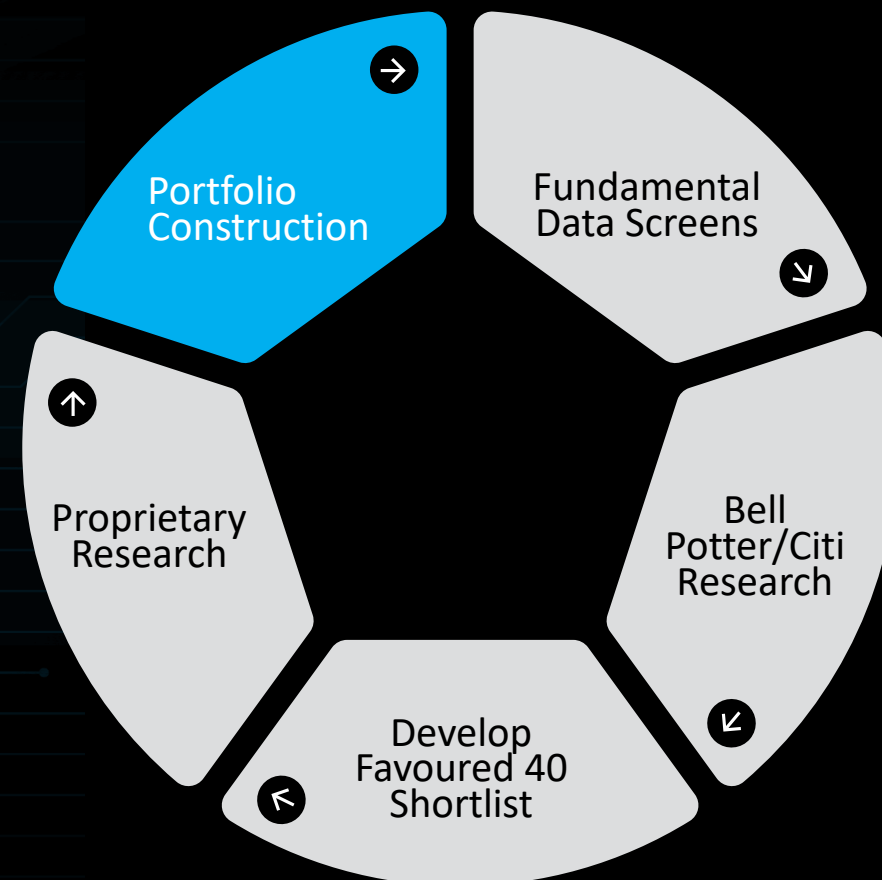
We target outstanding businesses which reinvest capital at high rates of return and become compounding machines, creating extraordinary value for investors over time.



# Portfolio Methodology

## Objectives, Strategy & Limits









Measure	High-Conviction	Conviction Income
→ Objective	Outperform S&P/ASX 200 Accumulation Index over long term	Outperform S&P/ASX 200 Accumulation Index over long term
→ Universe	S&P/ASX 200	S&P/ASX 200
→ Strategy	Best S&P/ASX 200 high quality opportunities, concentrated, excluding Bell Potter Sell-Rated Stocks	Best higher-yielding S&P/ASX 200 high quality opportunities, concentrated, excluding Bell Potter Sell-Rated Stocks
→ No. stocks held	12 – 20	12 – 20
→ Maximum position weight	20%	20%
→ Maximum cash weight	20%	20%
→ Derivatives	Not used	Not used



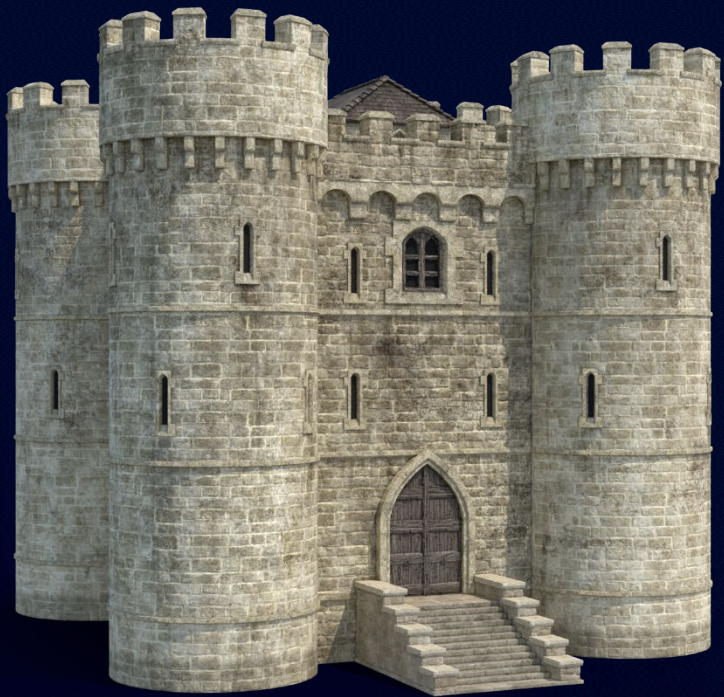


# Australian Equity Portfolio:

## Best practices

	Measure	Typical Practice
	Number stocks	15 – 20
	Transaction size	3% or more
	Trade frequency	Transactions may occur any day, but usually less than once per quarter
	Position active weight	Relatively large active weights may result from concentrated style and preference for high quality
	Sector active weight	Sector weights rarely exceed 15% beyond benchmark weight to assist reasonable diversity across industries.
	Business quality	Strong preference for companies with sustainable competitive advantages and low business risk
	Cash weight	5% or below is a neutral cash weight. Cash weight above or below 5% determined by attractiveness of available investment opportunities.
	Portfolio turnover	Normally below 30% per annum

# Portfolio Methodology



**Competitive  
advantages**



**Predictable cash  
flows**

# Sources of Competitive Advantage



Cost  
Advantage



Differentiation  
Advantage



Switching  
Costs



Network  
Effect







# Favoured 40 construction process

## Measure

## Notes

### High-quality businesses strongly preferred

Business Quality Rank: A, B or C, based on:

- a) Presence or not of Sustainable Competitive Advantages (SCA Score 10 or 0)
- b) Business Risk (Bus Risk Score Low=8, Medium=6, High=4, Very-High=2)

#### Business Quality Score

#### Business Quality Rank

>15

A

5-15

B

>5

C

### Return on Equity

Prefer > 7%

### Free Cash Flow Margin

Companies with strong cash flow more likely to internally fund growth

### Cash Return on Invested Capital

Free cash flow as a proportion of capital invested in the business

### EBIT/Interest Expense

Seek robust balance sheets

### EPS 5-year avg annual growth forecast

Companies unlikely to grow earnings in the next five years are likely to be discarded from our shortlist



# Favoured 40 construction process

## Valuation Measures

Measure	Notes
<b>Free Cash Flow Yield</b>	We find as a rule-of-thumb that forecast free cash flow yield above 6% is an indicator of value
<b>Price to Earnings Growth (PEG)</b>	A PEG below 1 indicates value. PEG is determined by current share price divided by the next two years' (consensus) earnings growth forecast
<b>(EPS Growth + Yield) / PE</b>	Referred to as the “what you get for what you pay measure”, a ratio above 1 indicates value. Here we use two years consensus forecast EPS
<b>Dividend Yield</b>	Higher than typical or market-average dividend yield is a handy indicator of value
<b>Quantitative 5-year expected total return</b>	This measure provides a total return forecast that is intended to be indicative of value rather than a precise expectation. We require that this measure be above zero for inclusion in our shortlist.

# Investment themes



Pricing power  
offsetting cost  
inflation

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BXB

---

AMC



Sticky services  
customers

---

MPL

---

SDF



Expanding  
network

---

CAR

---

QUB



Growing/  
Ageing  
populations

---

RHC

---

SHL



Value in  
cyclicals/  
pandemic  
losers

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ANN

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GUD





# 2

## MODEL PORTFOLIOS

HIGH-CONVICTION AND  
CONVICTION INCOME GPS

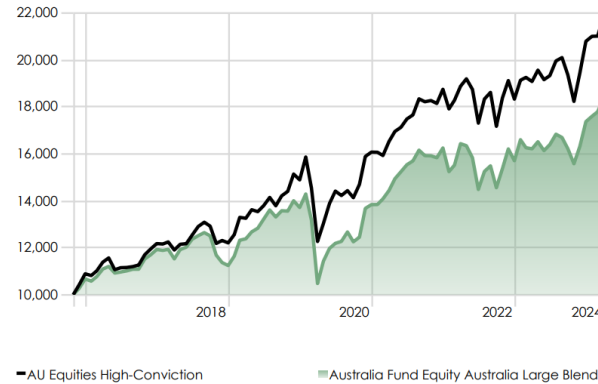
# Model Portfolios

## Portfolio returns

### HIGH-CONVICTION

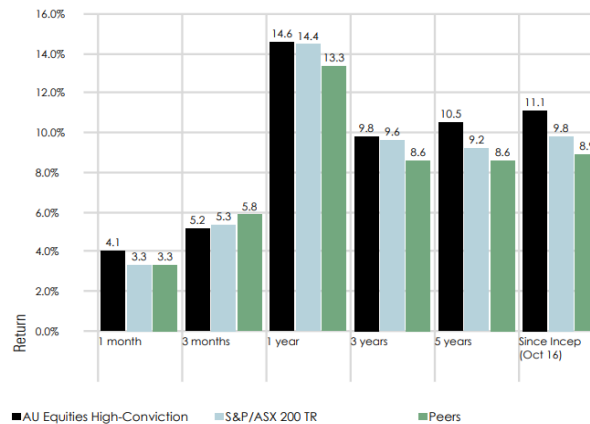
#### Investment Growth of \$10,000 Relative to Peers

Time Period: 1/11/2016 to 31/03/2024



#### Annual Returns vs Benchmark & Peers

As of Date: 31/03/2024

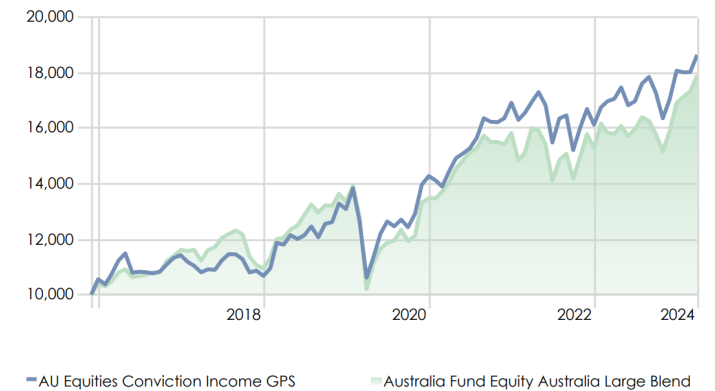


Performance after any internal product fees and before Assureinvest management fee.

### CONVICTION INCOME

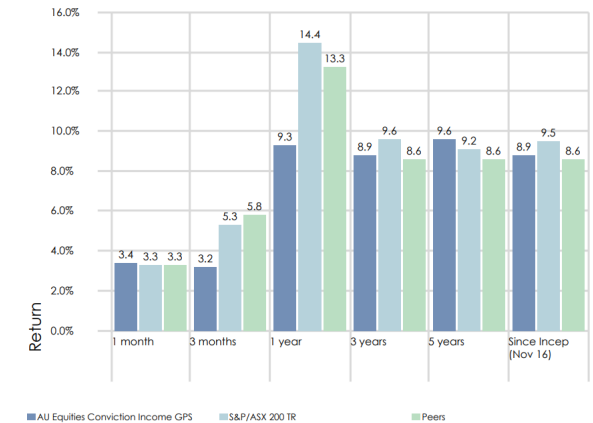
#### Investment Growth of \$10,000 Relative to Peers

Time Period: 1/12/2016 to 31/03/2024



#### Annual Returns vs Benchmark & Peers

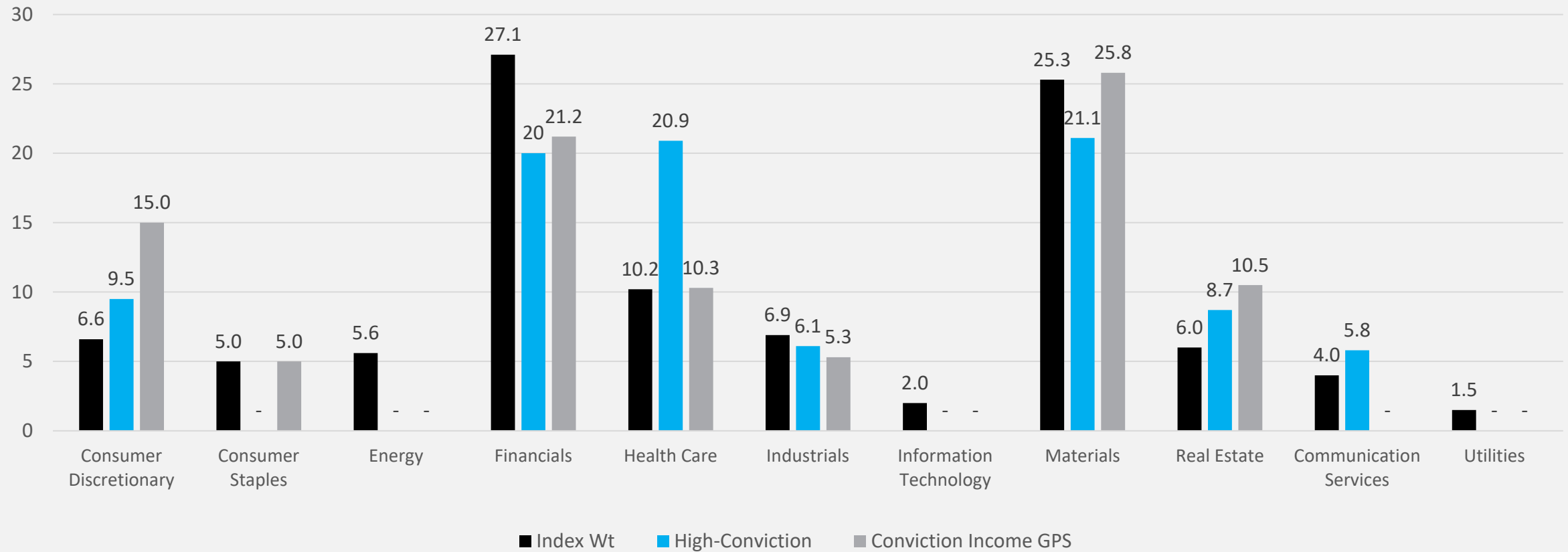
As of Date: 31/03/2024



Performance after any internal product fees and before Assureinvest management fee.

# Model Portfolios

## Sector weights



# Model Portfolios

## Top Five Holdings

### HIGH-CONVICTION

	Code	Sector	Last close \$	52 Wk High	52 Wk Low	Portfolio Wt %
Cash	CASH					8.0
Brambles Ltd	BSB	Industrials	13.93	14.00	9.87	6.1
BHP Group Ltd	BHP	Materials	46.45	50.21	35.83	5.9
Carsales.com Ltd	CAR	Communication Services	22.89	23.40	16.94	5.8
Steadfast Group Ltd	SDF	Financials	5.93	6.04	4.54	5.6

### CONVICTION INCOME

ANZ Group Ltd	ANZ	Financials	23.98	27.96	20.78	10.0
Orora Ltd	ORA	Materials	3.46	4.02	2.83	7.5
Bapcor Ltd	BAP	Consumer Discretionary	6.74	7.06	5.45	7.5
Amcor PLC	AMC	Materials	16.48	19.03	15.65	7.5
GUD Holdings Ltd	GUD	Consumer Discretionary	9.54	13.00	6.74	7.5



# Markets recap and Bell Porter stock picks

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**Grady Wulff**

Market Analyst,  
Bell Direct & Desktop Broker

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Investors are seeing volatility in the current market climate

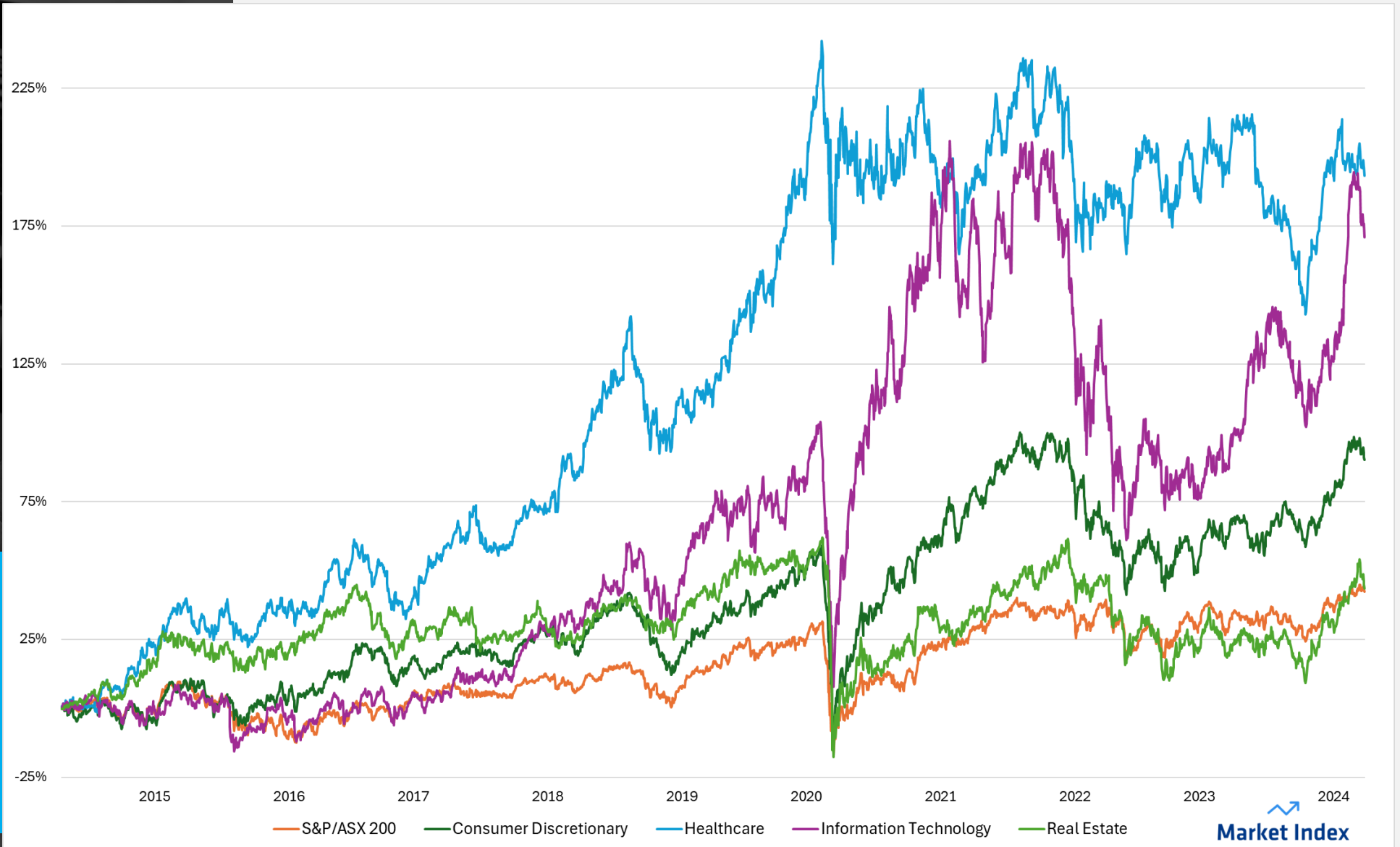
Any portfolios and investments mentioned in this presentation are examples only.



# 10 YEAR



## PERFORMANCE ASX SECTORS



SOURCE: MARKET INDEX

# MACRO FACTORS IMPACTING THE MARKETS



## China Reopening

China's economic recovery remains sluggish.



## Geopolitical tensions

Rising geopolitical tensions and economic uncertainty disrupting commodity cycles.



## Rising demand for bonds

Demand for US corporate bonds is up 40% YoY.



## Rate cuts

Rate cut expectations prolonged amid sticky inflation drivers.



## AI & Rate Cuts driving tech-rally

Rate sensitive sectors are rallying – Tech up 16.7% & REIT up 7.4% YTD.

# Stock 1 – Life360 (ASX:360)

Life360 provides a market leading app for families – called Life360 – with features that range from communications to driving safety and location sharing. Boasting over 66.4m monthly active users and 1.897m global paying circles, Life360 is a leading global locations services technology provider listed on the ASX200.



Market cap – \$2.74bn

- Shares are up 164.79% over the last year and up 150% over the last 5-years.
- Global Monthly Active Users increased 4.9m to 66.4m in 1Q2024 and Global Paying Circles increased 96k to 1.897m.
- Average revenue per paying circle in US is higher than international at US\$150 vs US\$48 and higher US growth than international.
- Disruption opportunities; 360 launched expansion of offerings to roadside assistance through subscription-based product.
- On the verge of profitability.



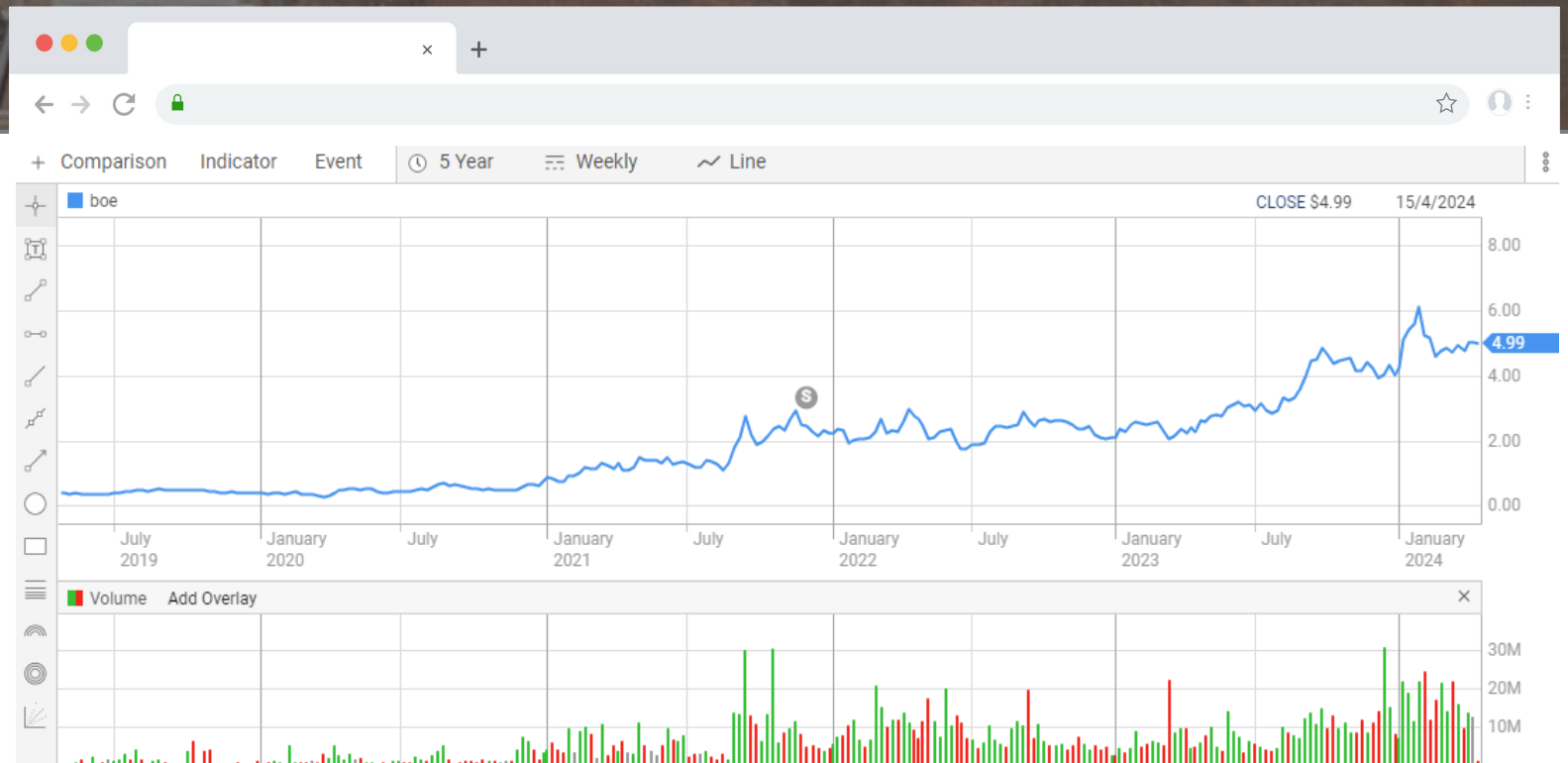
# Stock 2 – Boss Energy (ASX:BOE)

Is an ASX-listed uranium development and exploration company. Its primary asset is the Honeymoon project which has been on care and maintenance since it was acquired by BOE in 2015. BOE are currently on track to bring Honeymoon back into production in Feb-24.



Market cap – \$2.04bn

- Shares are up 104% over the last year and 9900% over the last 5-years (incl. consolidation).
- BOE posted its 1H FY24 results, recording a \$57.6m profit after tax (BPe \$52.6m) on a \$62.3m revaluation in the 1.25Mlb strategic uranium inventory.
- The 30% interest in the Alta Mesa uranium ISR project in South Texas with enCore Energy (NASDAQ: EU not covered) is now complete.
- First production of uranium just weeks away with operations set to ramp up after first drums filled.
- Demand for uranium for nuclear power plants is expected to rise 28% by 2030 and supply is significantly short of demand.





# What's Next?

## AssureInvest



Andrew Doherty  
Managing Director  
AssureInvest

M: 0400 456 132

E: [adoherty@assureinvest.com.au](mailto:adoherty@assureinvest.com.au)

## Grow your business with Desktop Broker



Ryan Davis  
National Sales &  
Key Accounts Manager

M: 0473 433 157

E: [ryan.davis@belldirect.com.au](mailto:ryan.davis@belldirect.com.au)

Weekly markets commentary from our market analyst Grady Wulff



desktopbroker >  
ROCK SOLID

Trivia on today's session

Questions about off platform investing

Direct equities model Portfolio Construction

## Let us connect you with our support teams

- ➔ Transitions team, trading & support
- ➔ Key account sales team
- ➔ Research & Portfolio construction

# DESKTOP BROKER

Providing trading  
services to over 4000  
Australian financial  
advisers.



An easy-to-use, low-cost  
trading platform for financial  
advisers

Access Bell Potter research,  
and model portfolios on  
individual HINs



Rock Solid  
Financial  
Stability:

Australian owned and  
backed by Bell Financial  
Group (ASX:BFG)





Global macro outlook

# Remarkable Resilience (But Will It Last?)

Presented by

**Richard Rauch, CFA**

Investment Director

Australia & New Zealand

Brandywine Global

- **Global Macro Landscape and Outlook**
- **Case for Global Fixed Income**
- **High-Conviction Opportunities**

# Artificial Economic Resilience...

## Global Macro Outlook



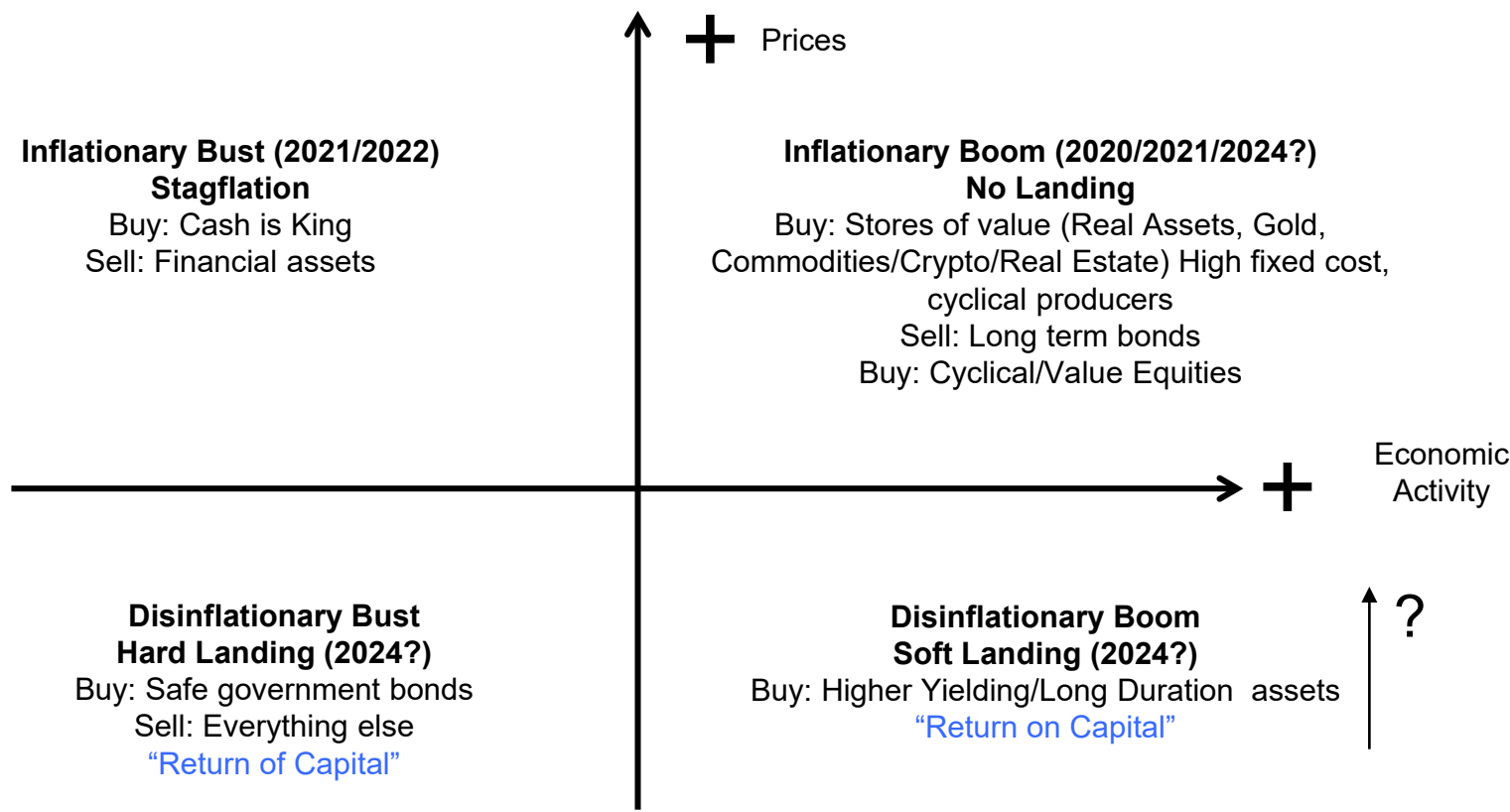
- Global economy remains steady, albeit with uneven growth (source of volatility).
- The US economy has outperformed expectations, led by:
- High-end and middle-income consumers (wealth/savings/tight labor market).
  - Services spending.
  - Big business.
  - Tech manufacturing.
  - Excessive fiscal deficits. Election Year Shenanigans. Trump & Biden are populists.
- But, in the US, its not all good news:
  - Low-end consumer squeeze (exposed to inflation).
  - Credit card and auto loan delinquencies rising.
  - Small business optimism low and falling.
  - Private sector credit slowdown.
  - Less fiscal support vs. last year. Rate of change matters.
- China has stabilized:
  - Broad easing is working but no stimulus bazooka.
  - Property sector remains a drag...diminishing one. Sentiment too negative.
  - Relying on value added manufacturing exports as a growth driver (disinflationary).
- Global central banks' bumpy easing cycles are underway, led by the emerging markets. Europe Next. Shifts in Central Bank Policies will be source of market volatility.

# All Four Quadrants In Play!

But isn't a “no landing” just a “hard landing” postponed?

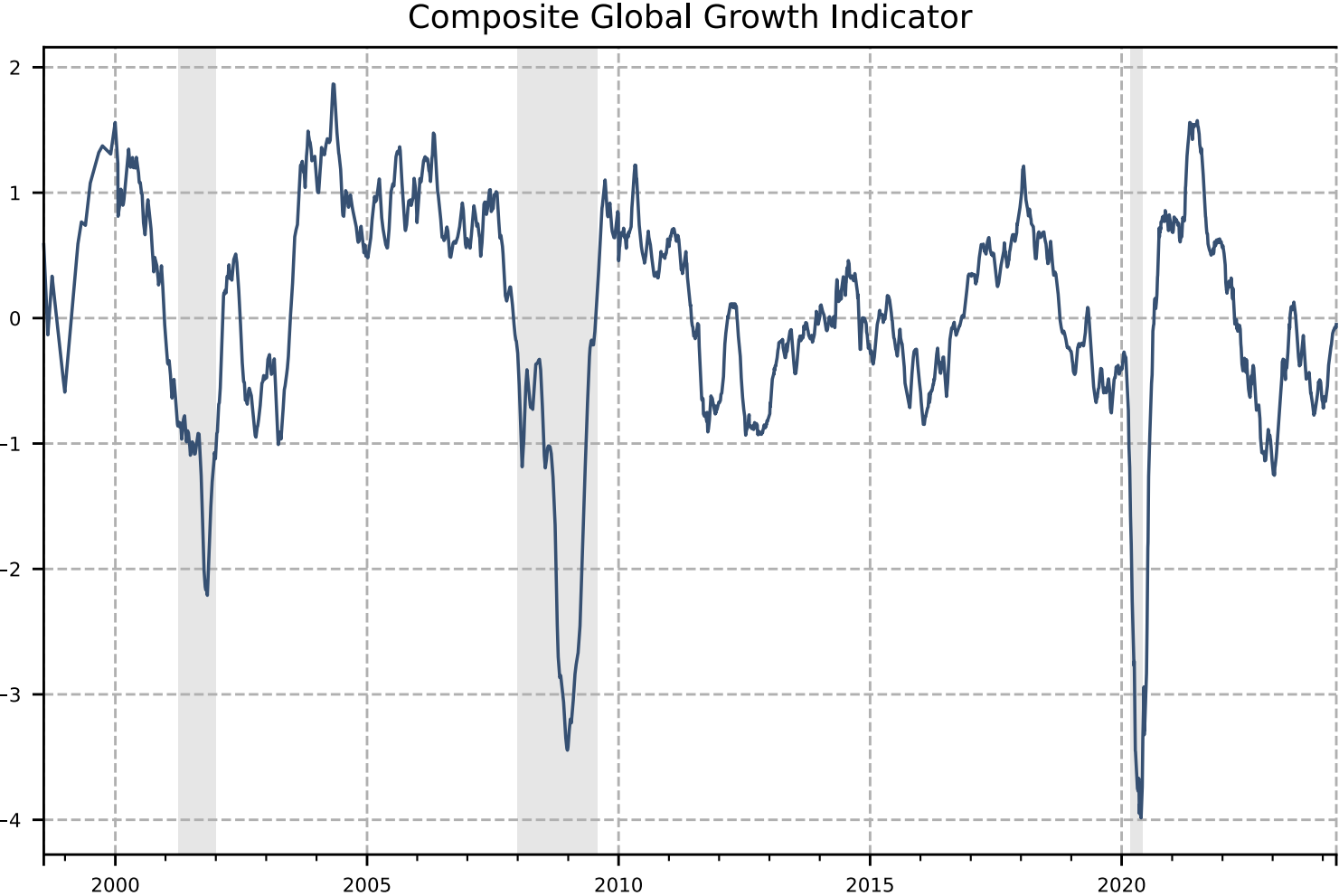
## The Four Quadrant Framework

Trade off Between Growth and Inflation

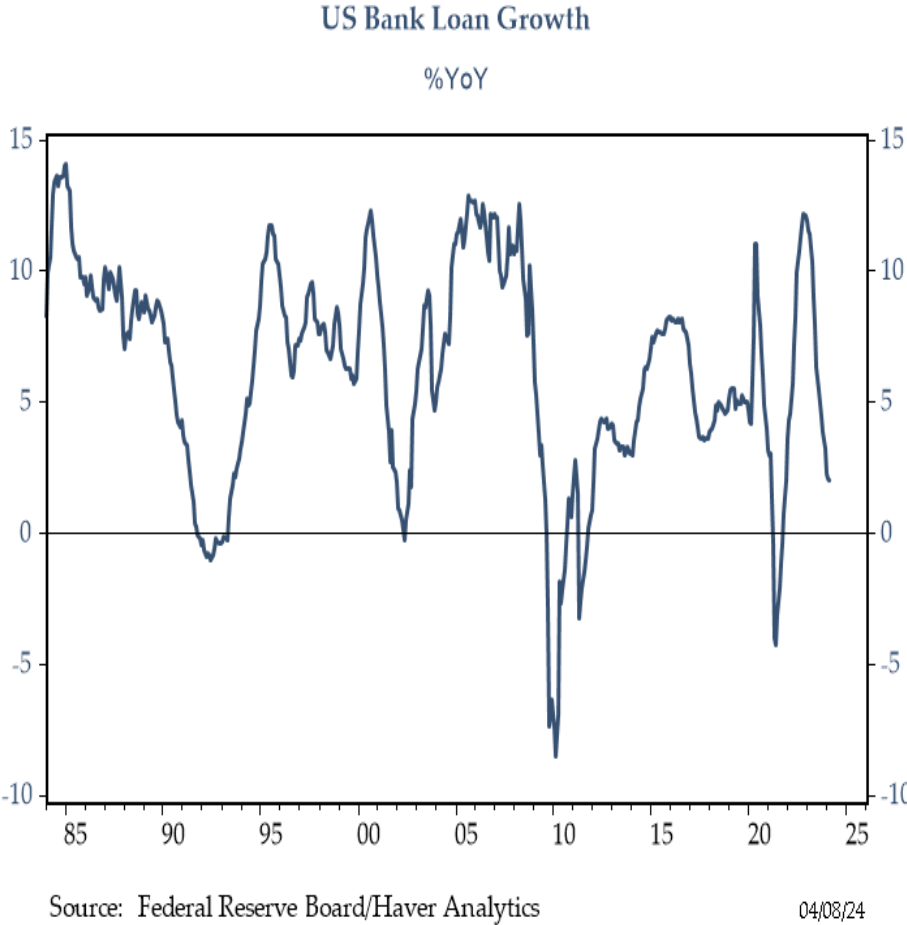
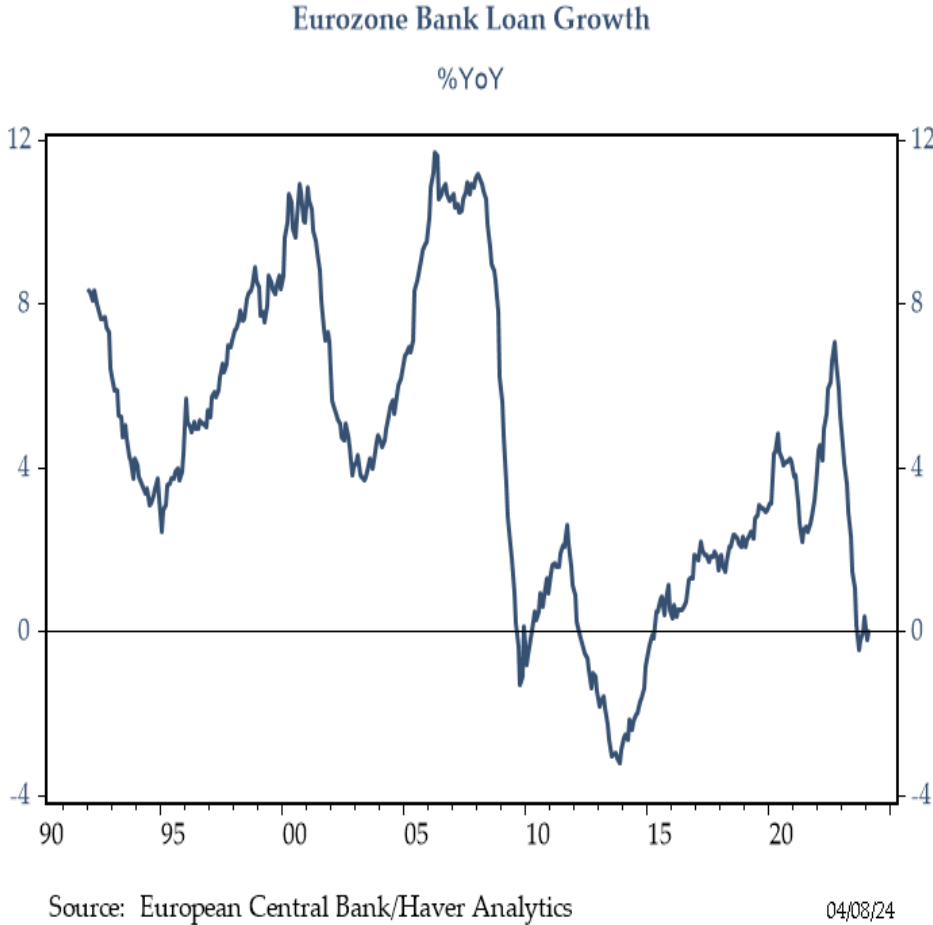


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# Global Growth Below Trend (For Now)



# Bank Lending Is At A Standstill

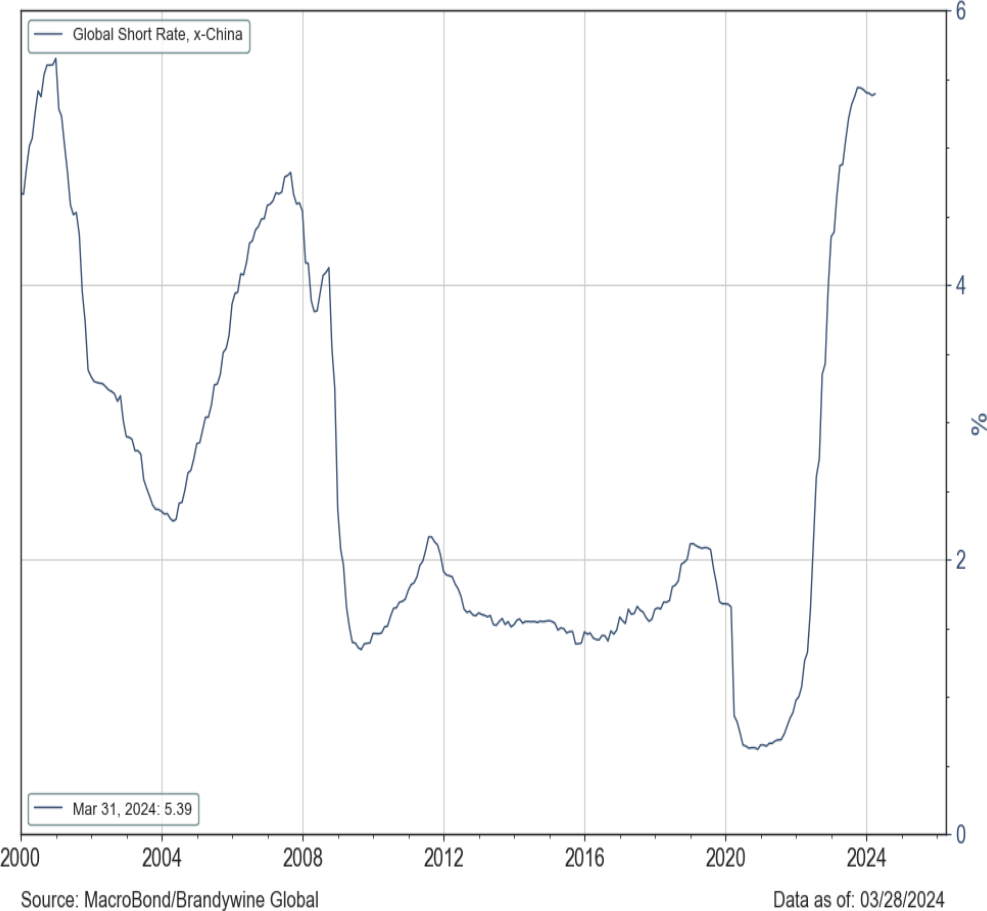




# Suggesting Global Policy Rates Are Restrictive



Global Short Rate - Nominal

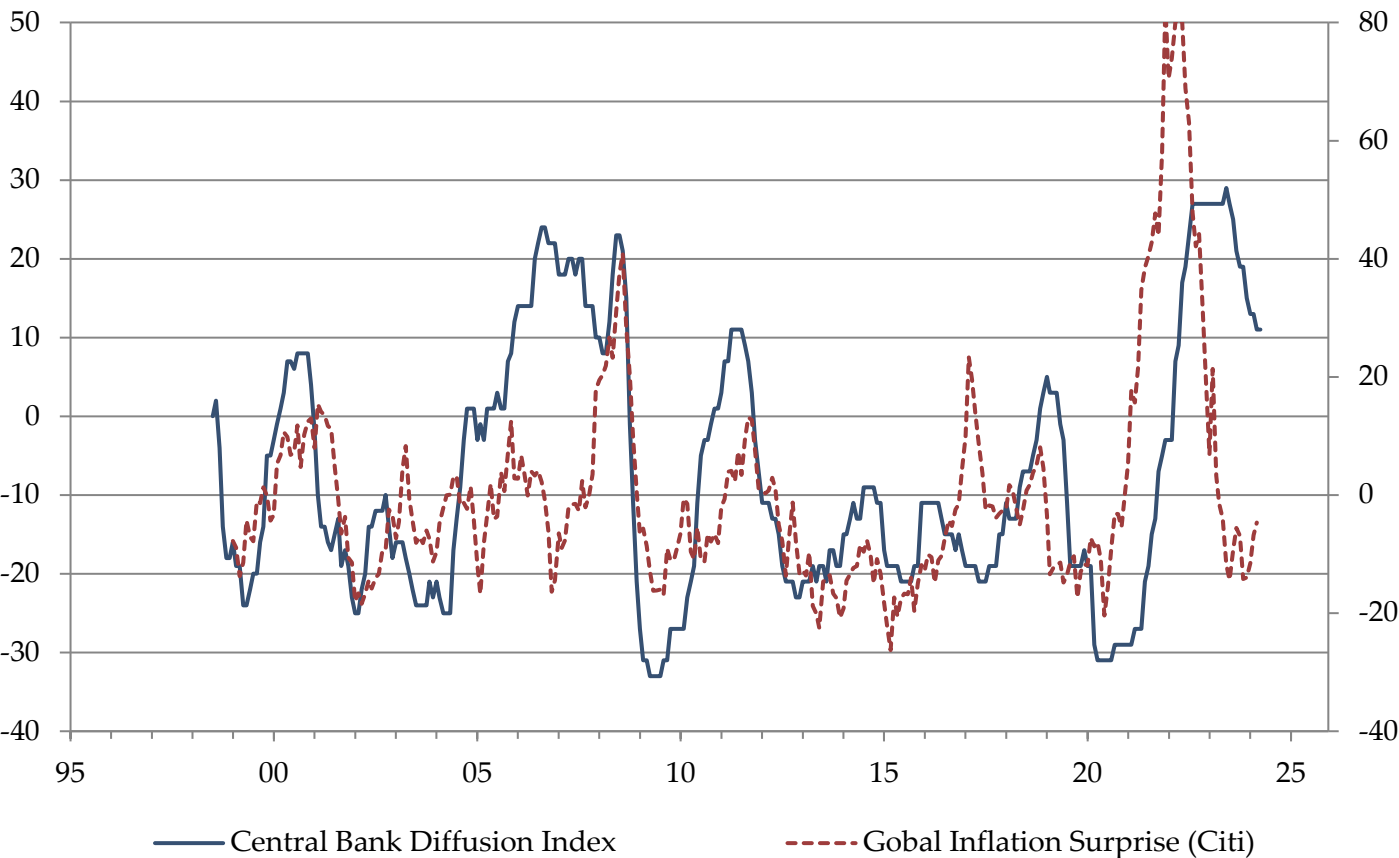


Global Short Rate - Real



# A Global Monetary Easing Cycle Has Started (In EM)

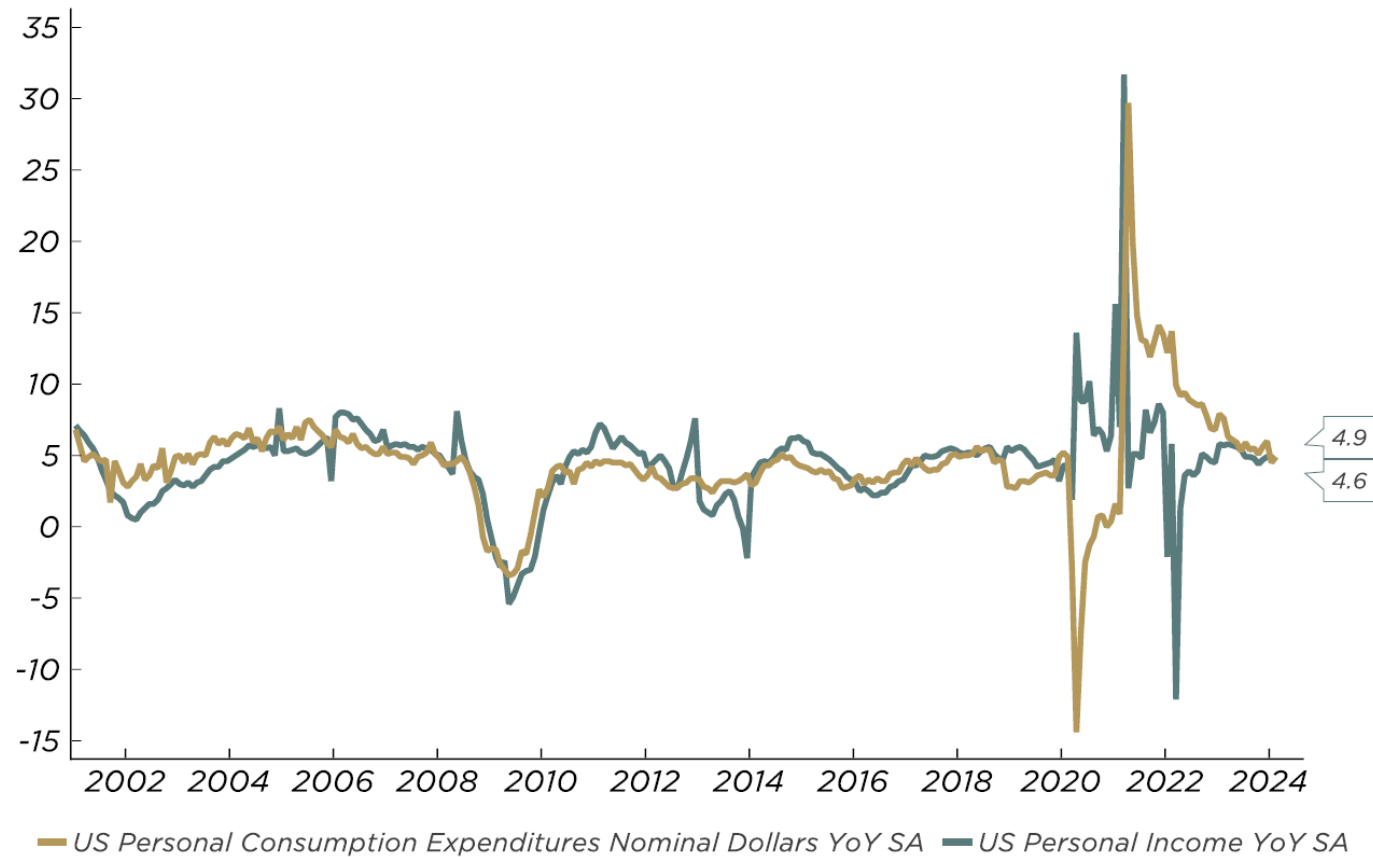
Central Banks Tightening/Easing vs Global Inflation Surprise



Charts created by Brandywine Global with data obtained by Haver (© 2024, Haver Analytics). Brandywine Global believes these sources to be accurate and reliable. Please refer to Appendix 1 for important disclosure information.  
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# Pandemic Distortions Have Largely Normalised

Personal spending & income growth rates



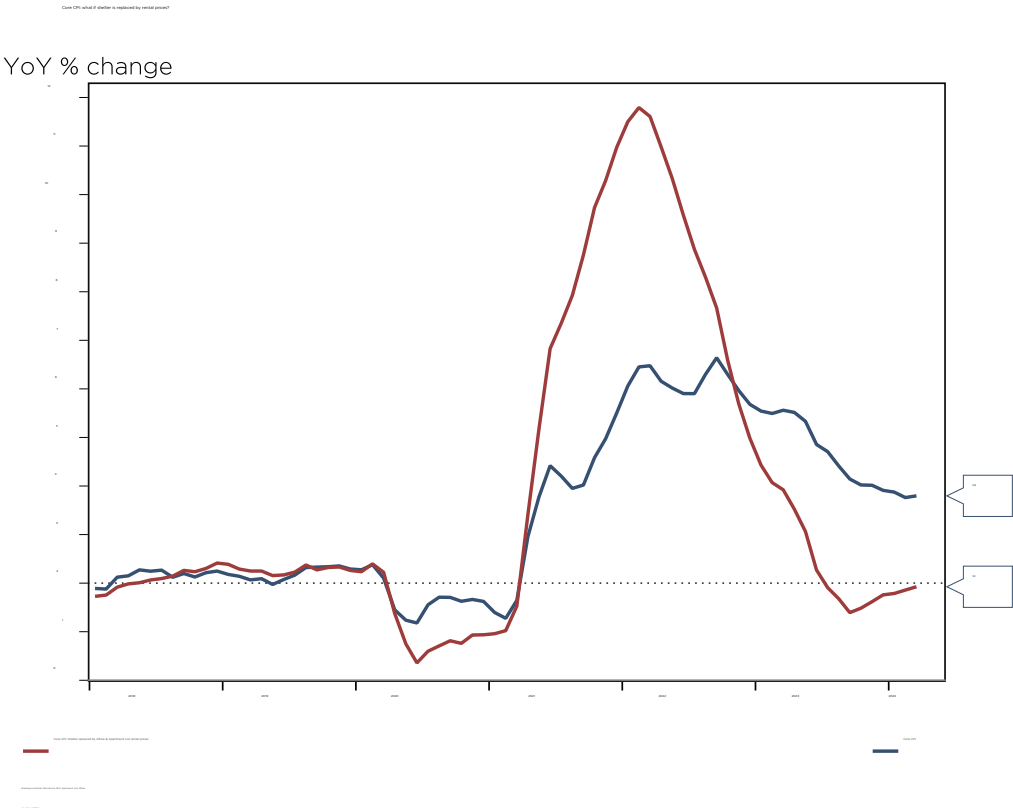
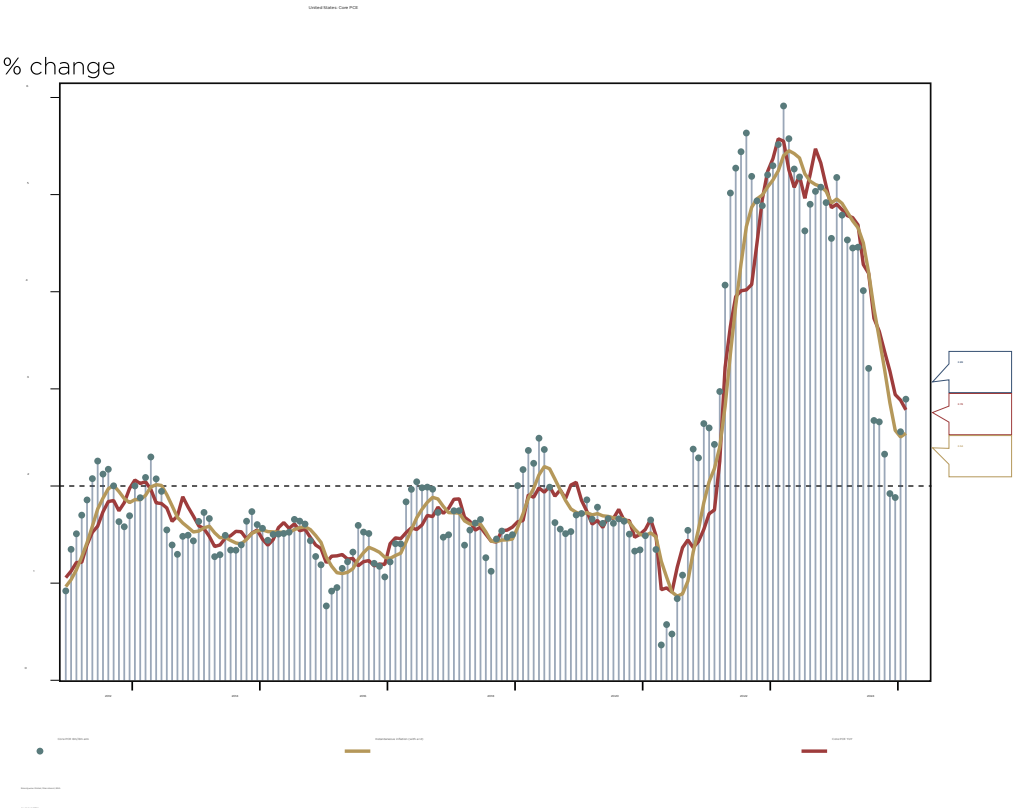
Brandywine Global, Macrobond, Bloomberg  
As of April 2024

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**Have ALL of the distortions from the pandemic fully worked themselves through the global macro economy and financial markets?**

# Inflation: Mission Accomplished?

Annualised inflation rate (last 6 months) is now at the Fed's target.  
CPI Shelter still a lagging indicator.



# Modest Growth + Slowing Inflation + Central Bank Easing → Buy Bonds

Brazil 10Y



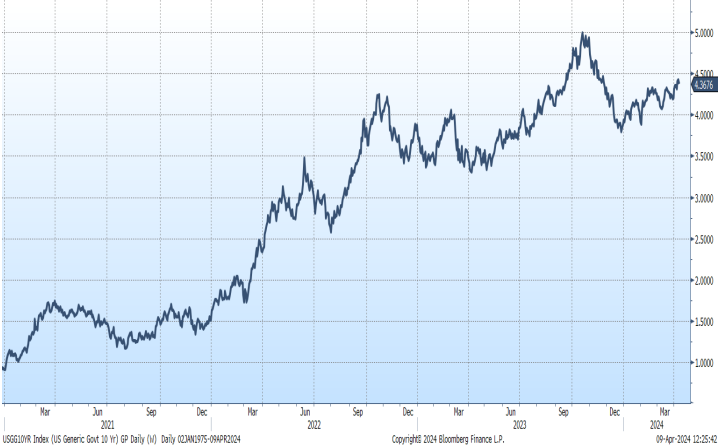
Colombia 10Y



UK 10Y

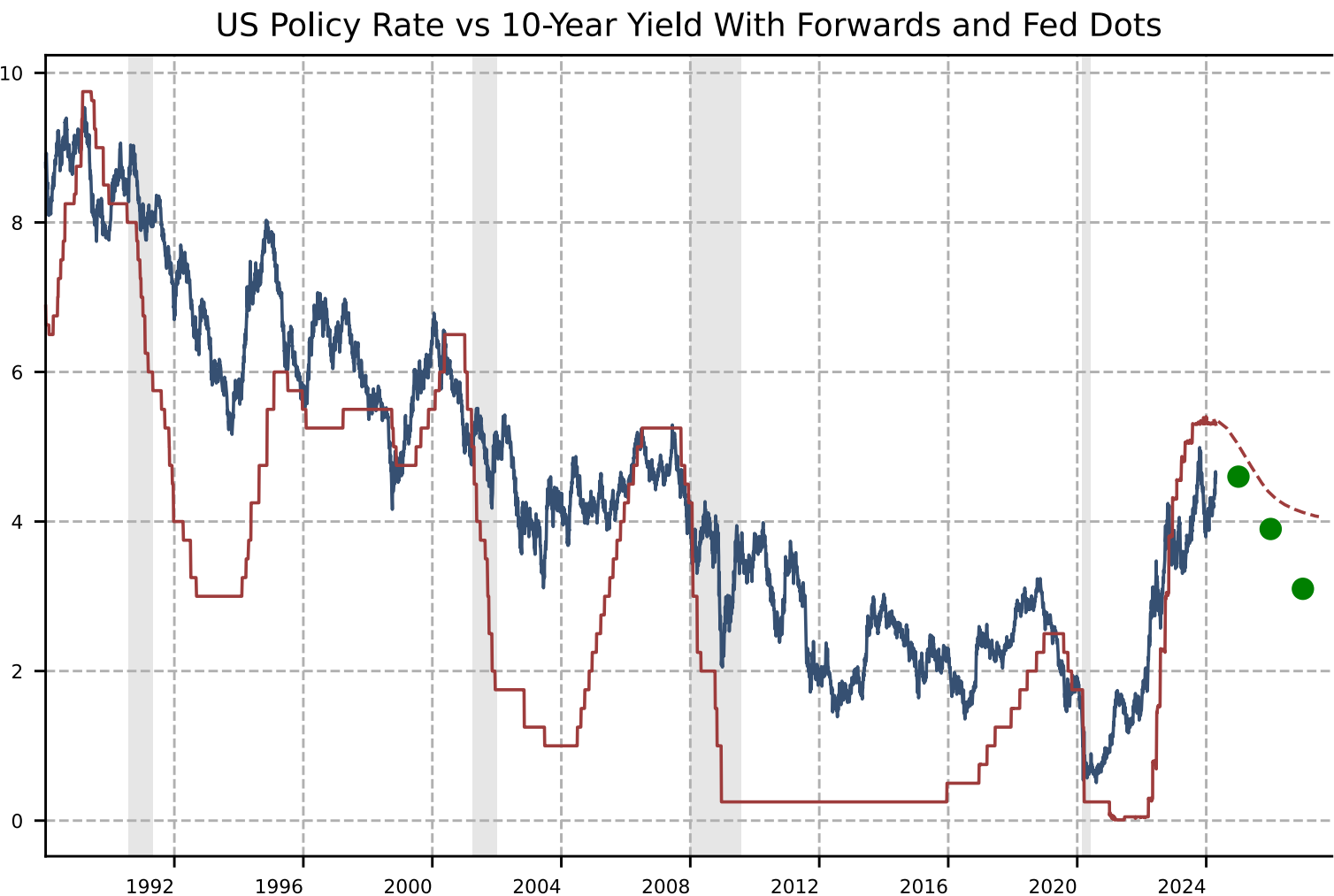


US 10Y



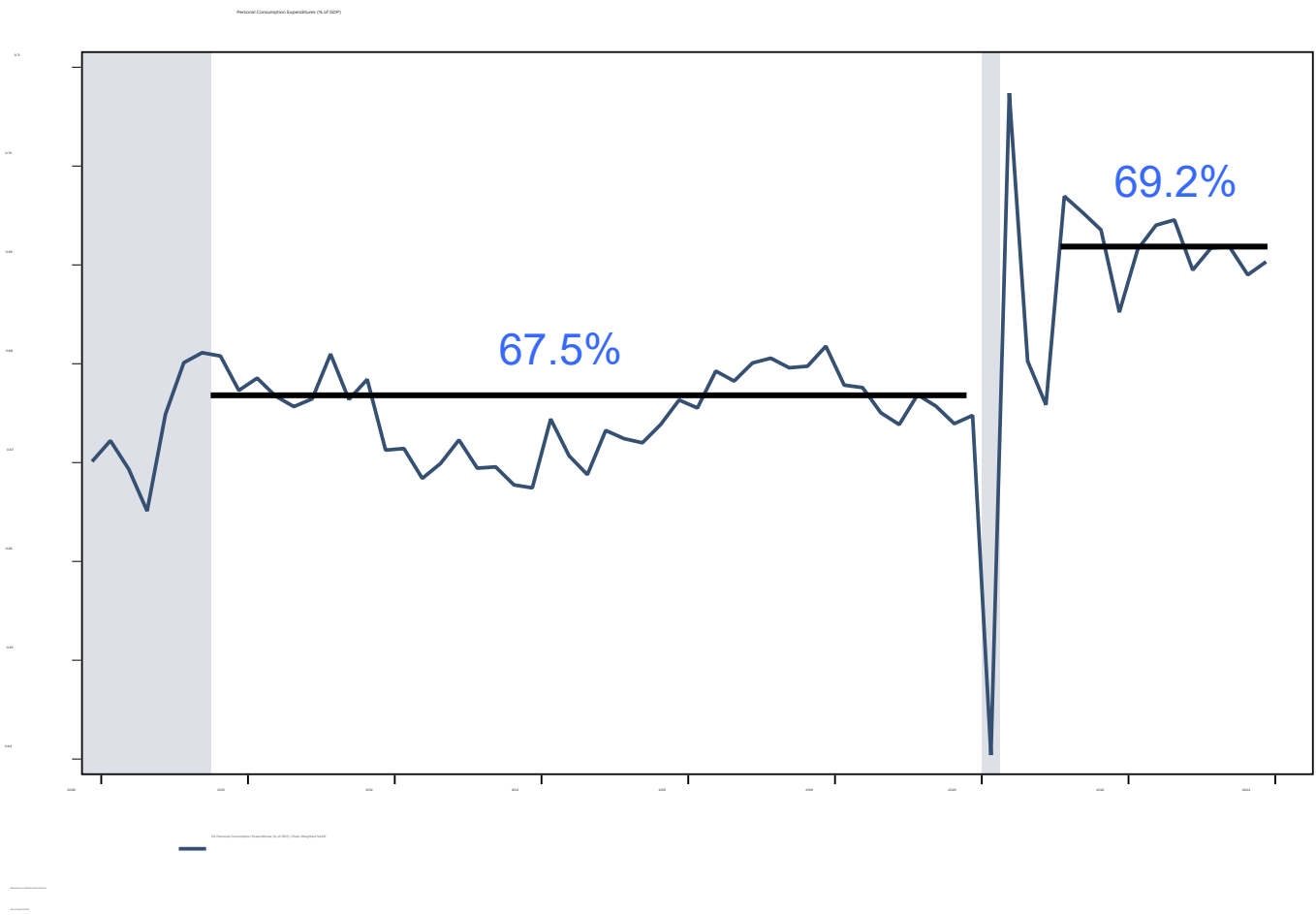


# US Policy Rate vs 10-Year Yield



# U.S. – Consumers Keep Spending

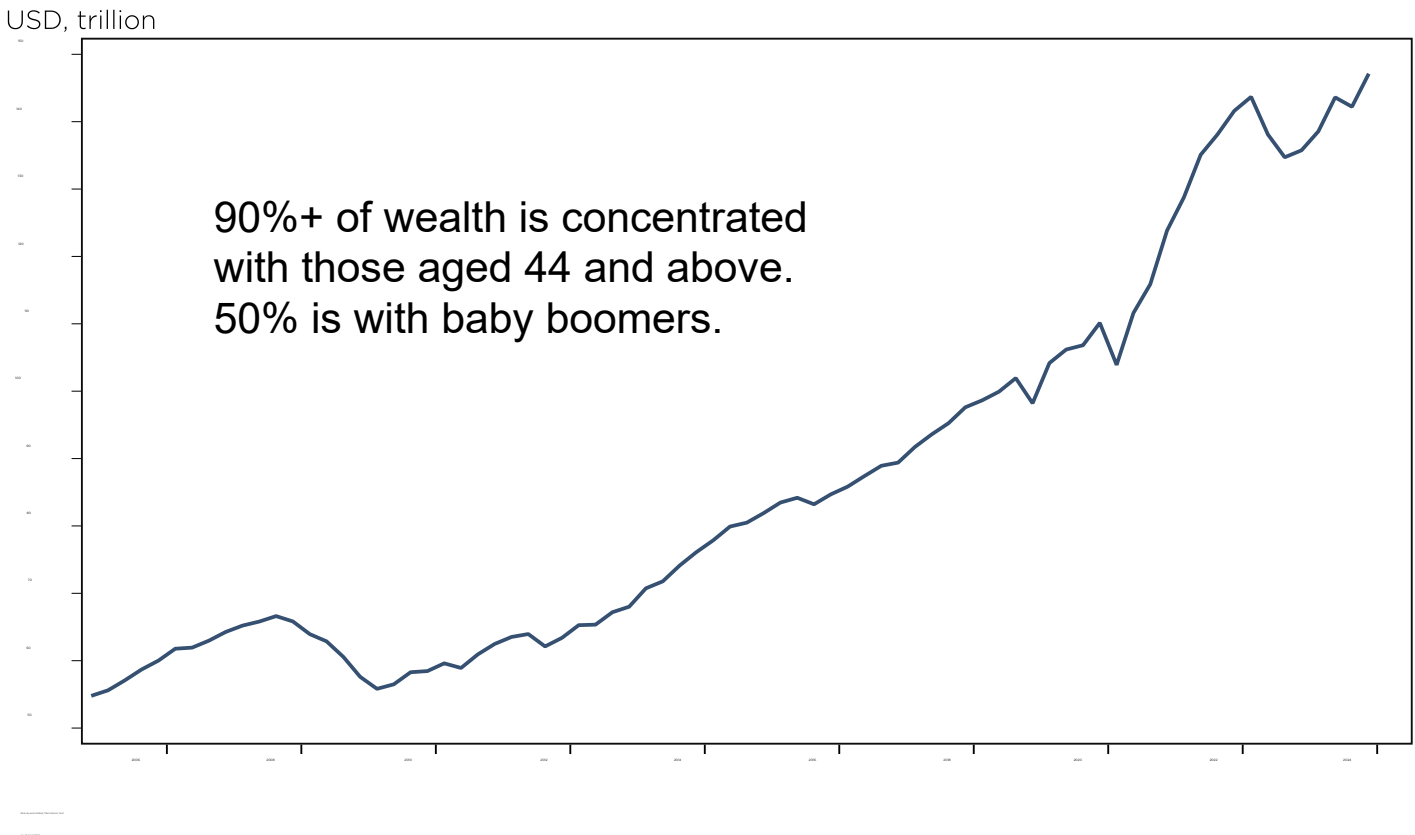
Americans are buying more goods and services than they were prior to the pandemic



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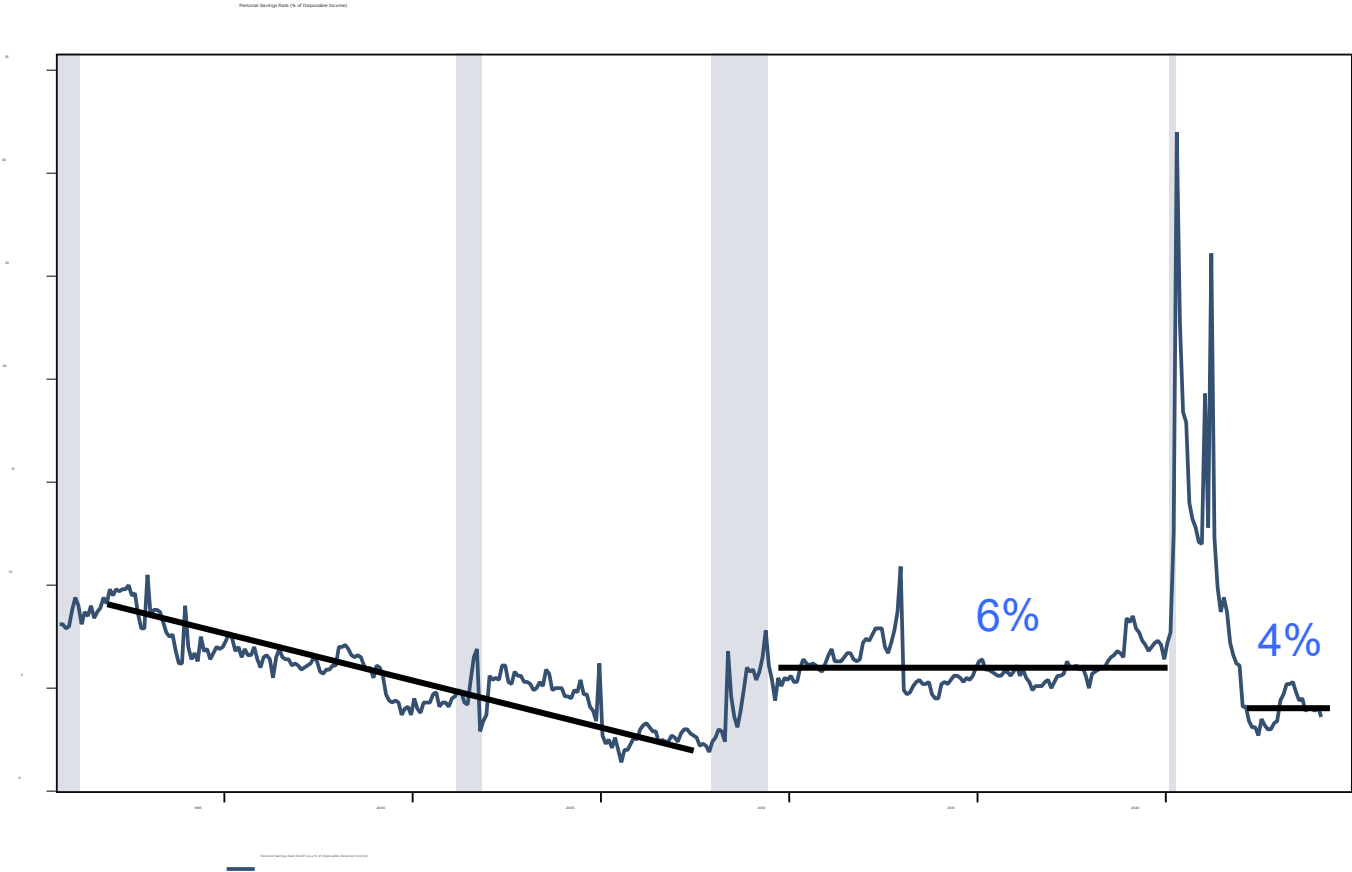
# U.S. – Powerful Wealth Effect

Net worth has increased a staggering \$40 trillion+ in four years



# U.S. – Americans Are Saving Less

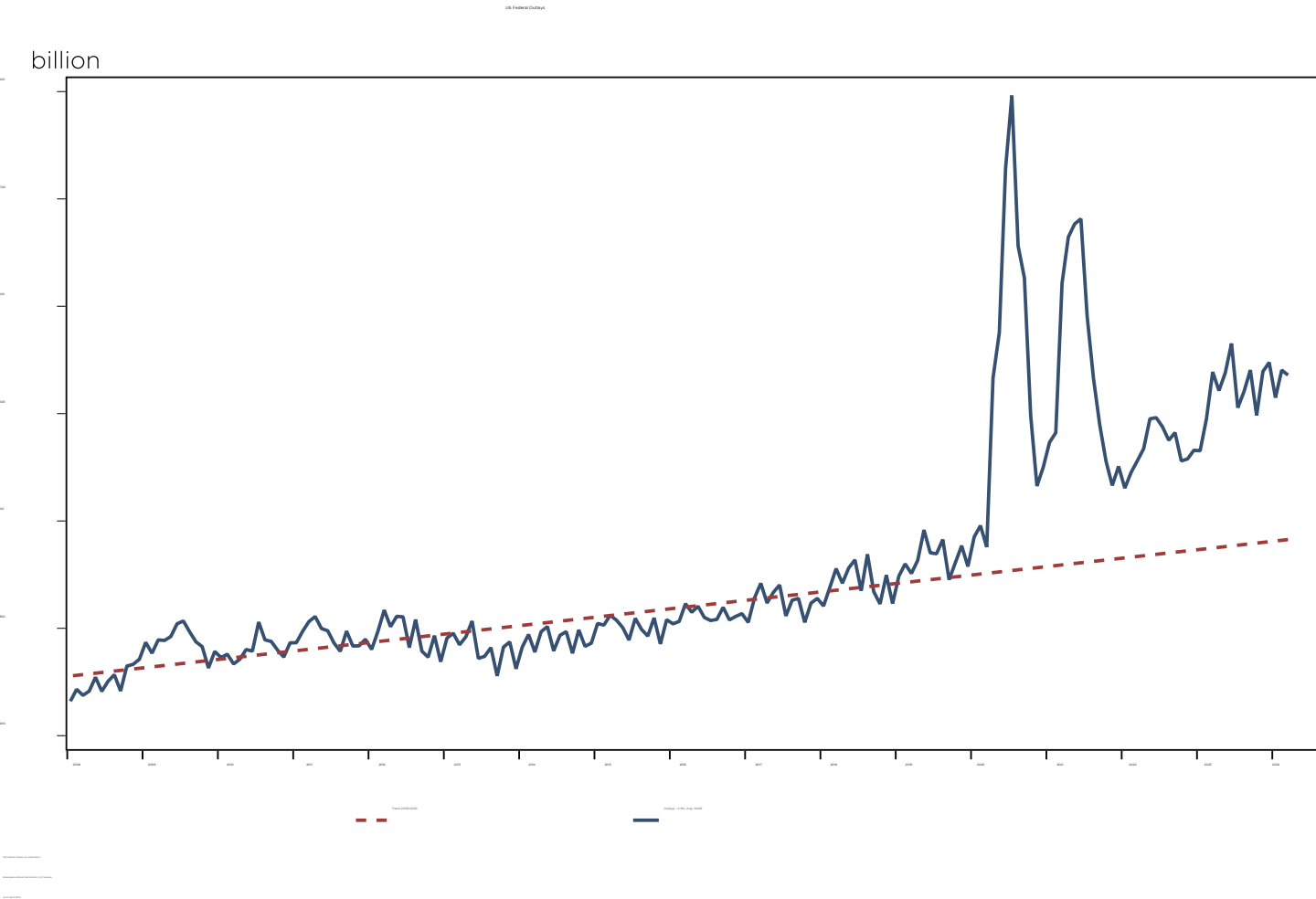
Consumers aren't interested in belt tightening



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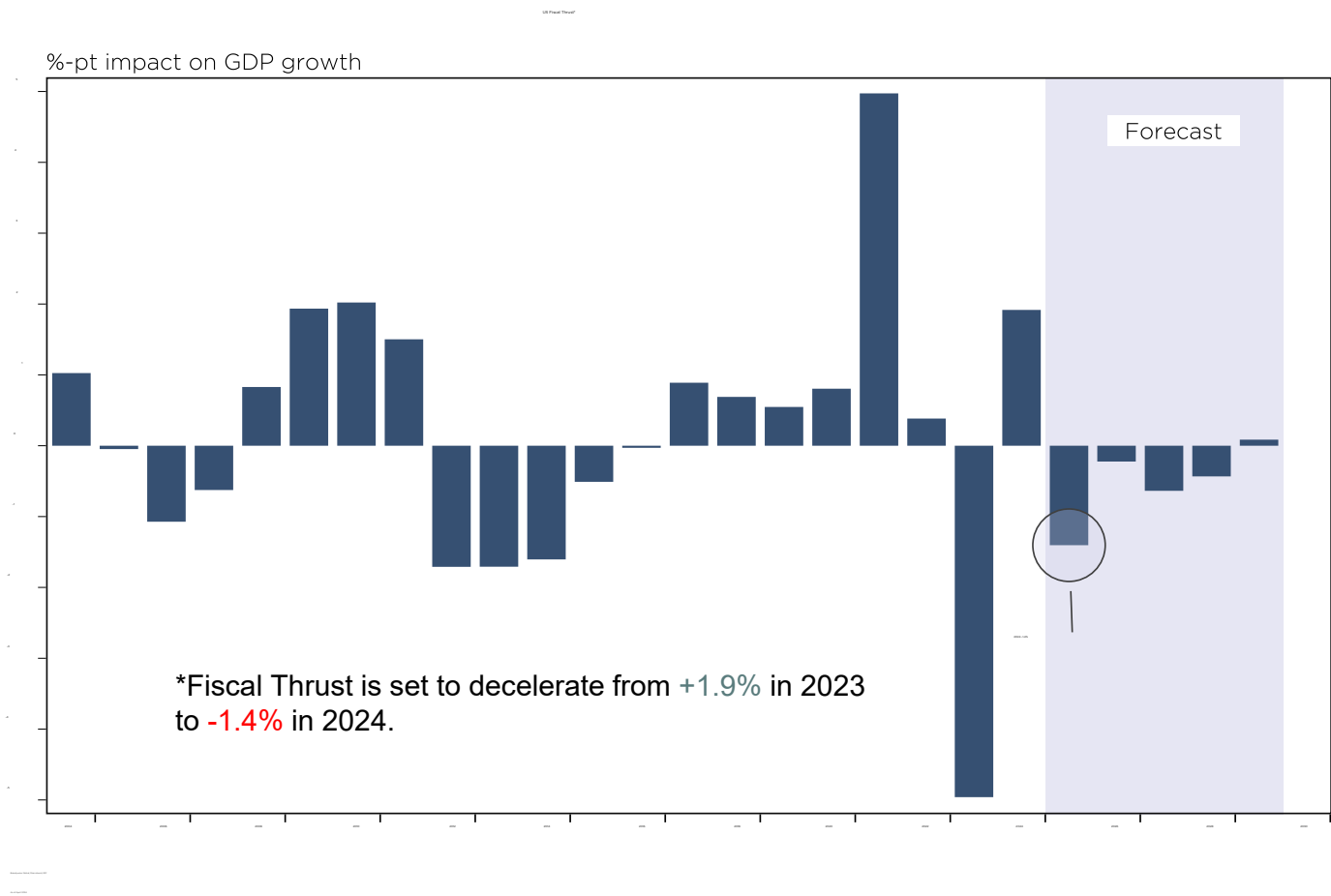
# U.S. – BIG Fiscal Is Supporting Growth...

Federal deficit tracking \$1.8T in FY24 – about 6.5% of GDP



# ...But There Should Be Less Fiscal Support This Year

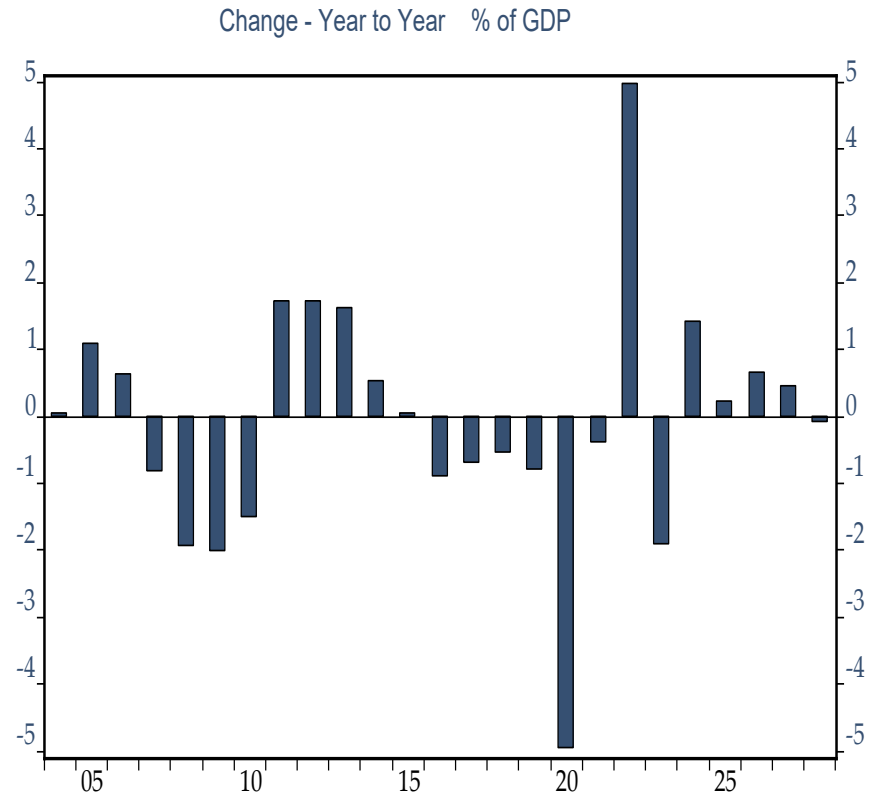
Fiscal retrenchment likely in '24, although the election cycle could alter magnitude of drag





# US Exceptionalism Is Mainly About Fiscal “Exceptionalism”

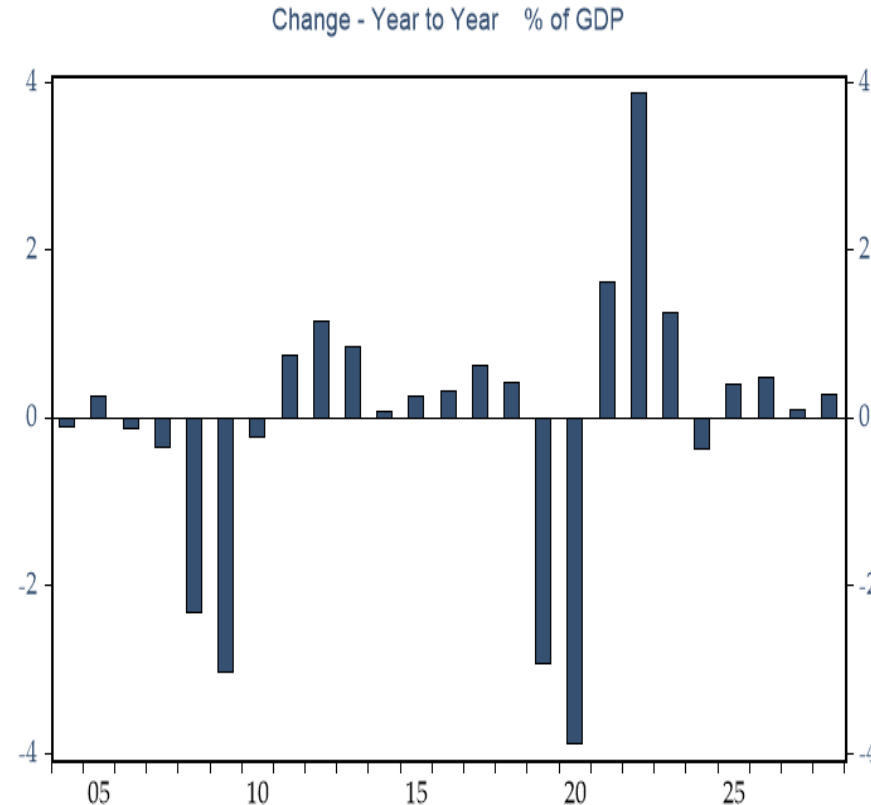
United States: General Govt Cyclically Adj Primary Balance



Source: International Monetary Fund/Haver Analytics

04/05/24

Australia: General Govt Cyclically Adj Primary Balance



Source: International Monetary Fund/Haver Analytics

04/05/24

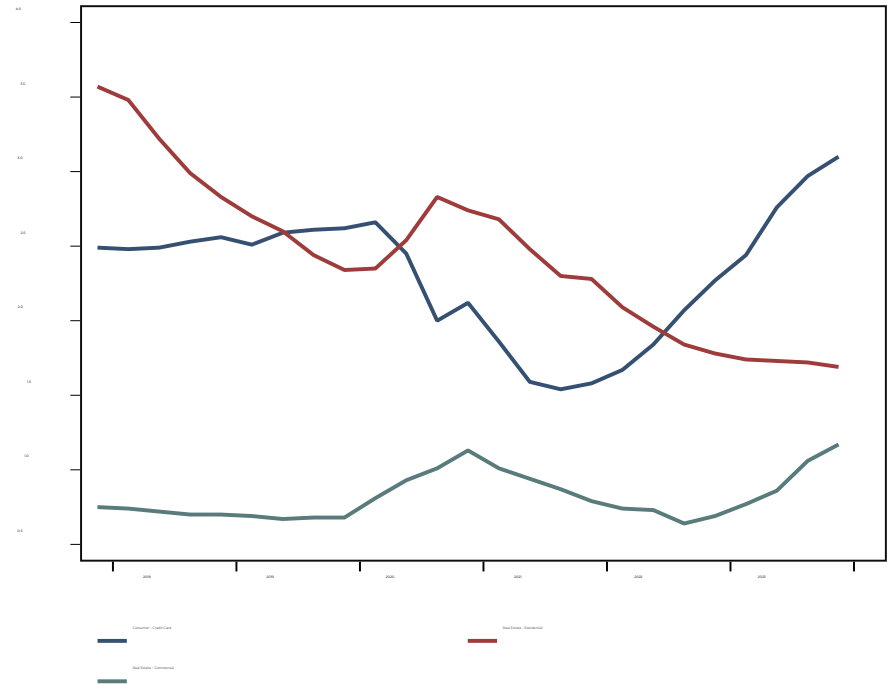
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# U.S. – But Not All Consumers In Good Shape

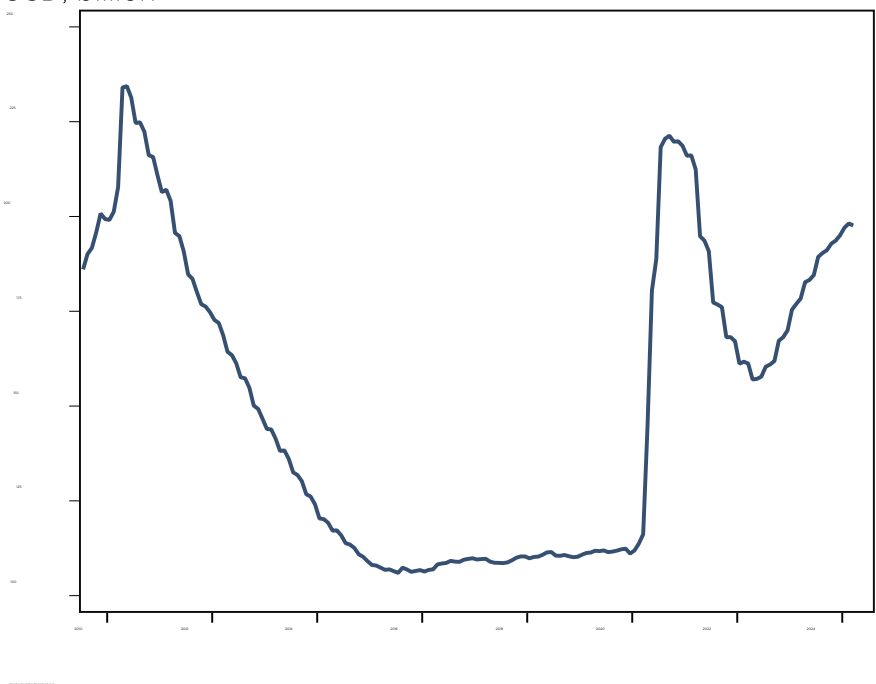
There’s a cost-of-living squeeze for many Americans



Percent (%)

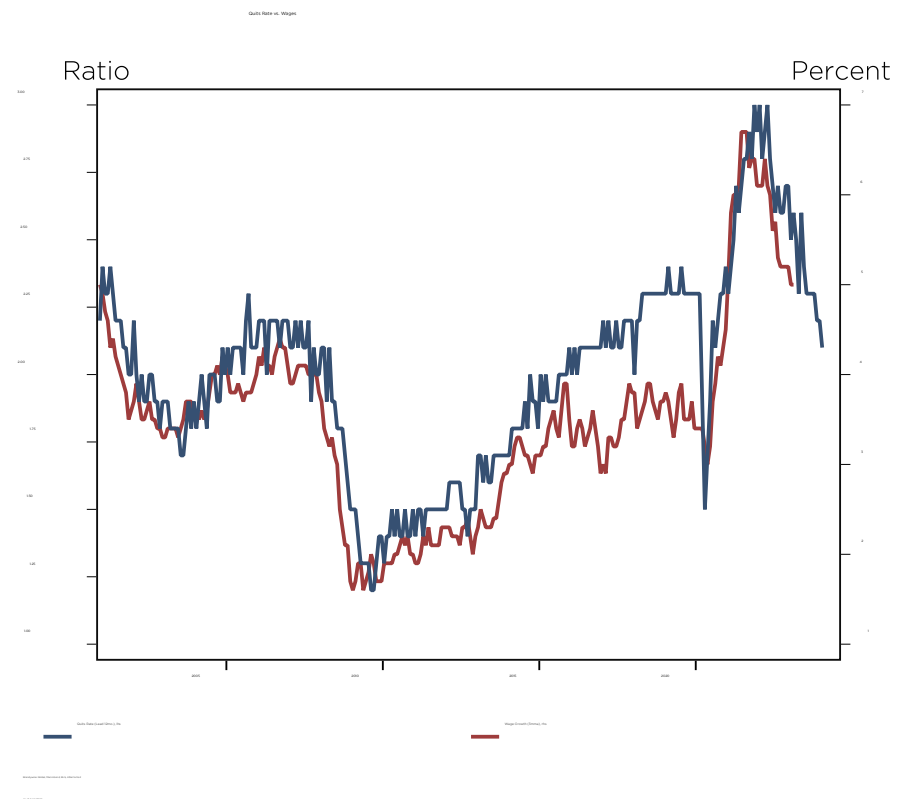
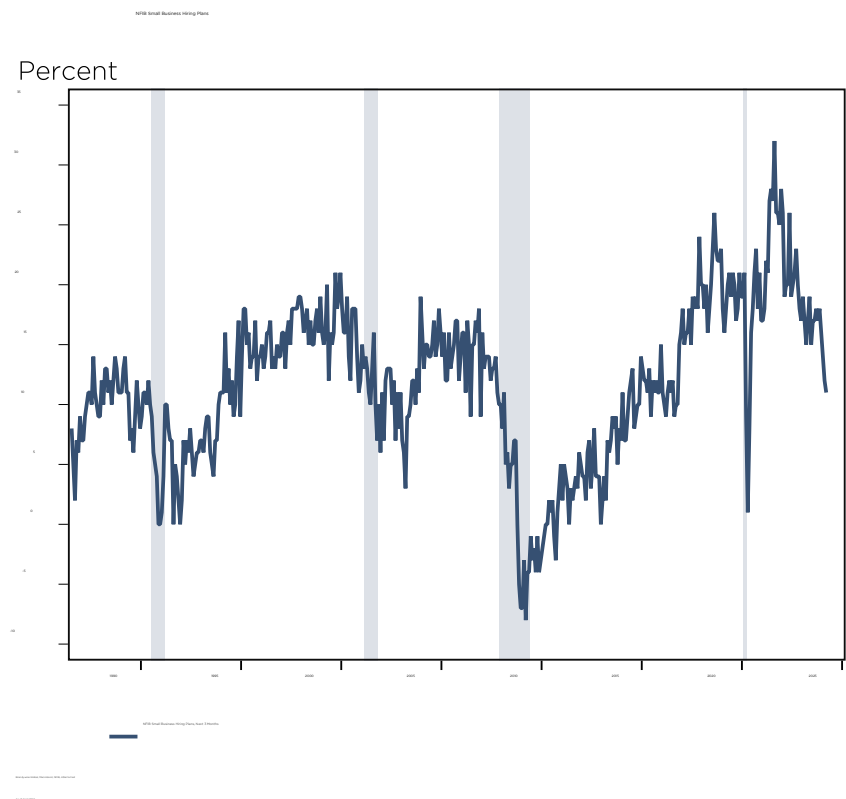


USD, billion



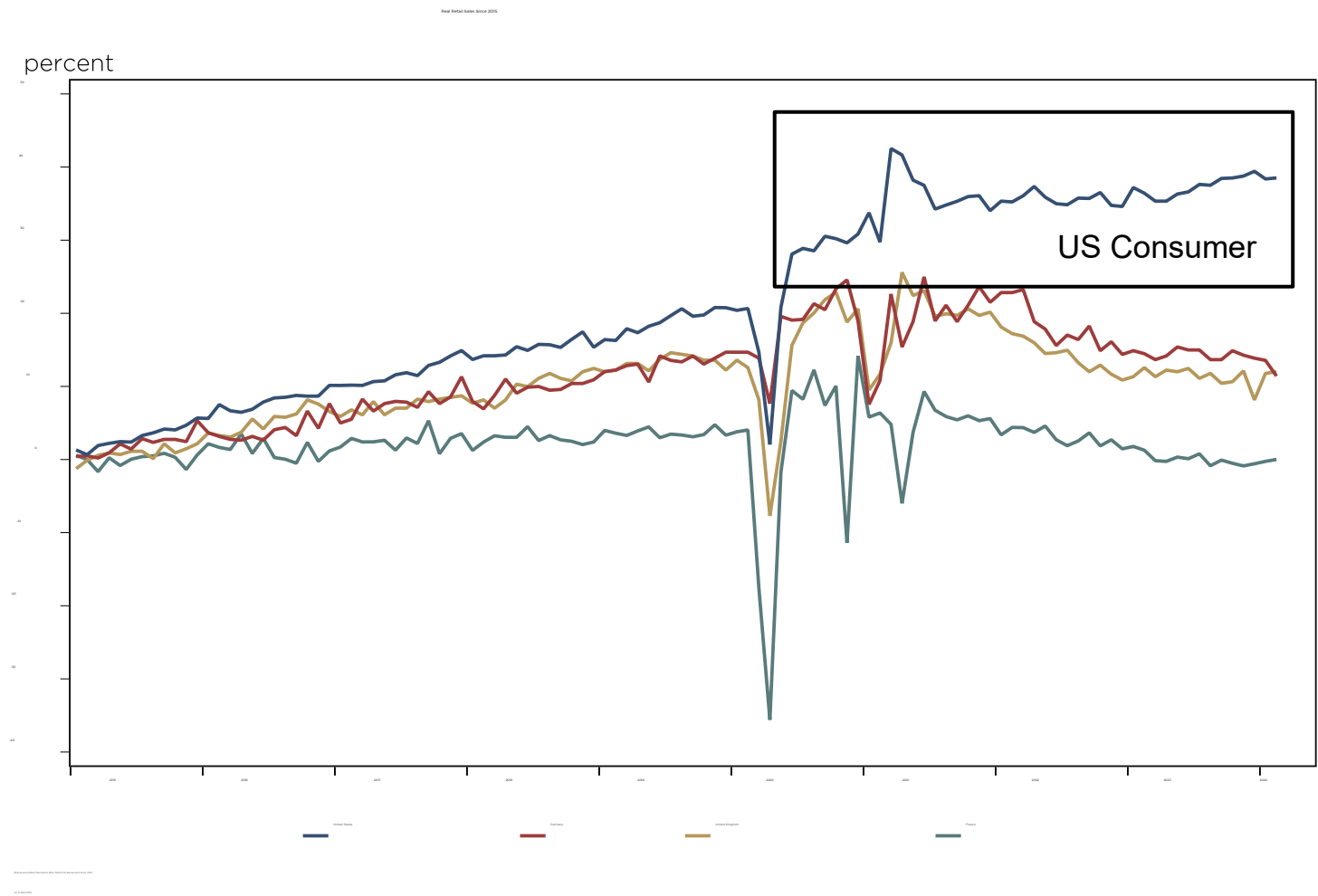
# U.S. – Labor: Hiring Continues To Slow

Hiring plans and job openings are in downtrends, dampening wage pressures



# Stark Difference: US vs. European Consumer

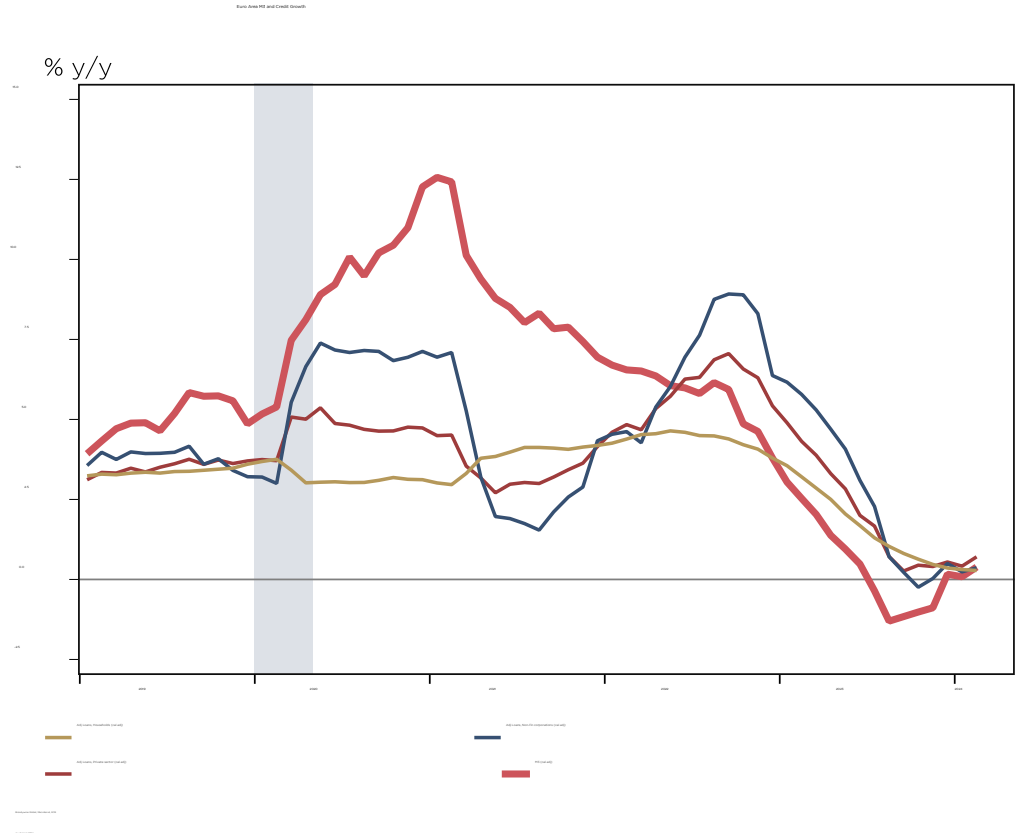
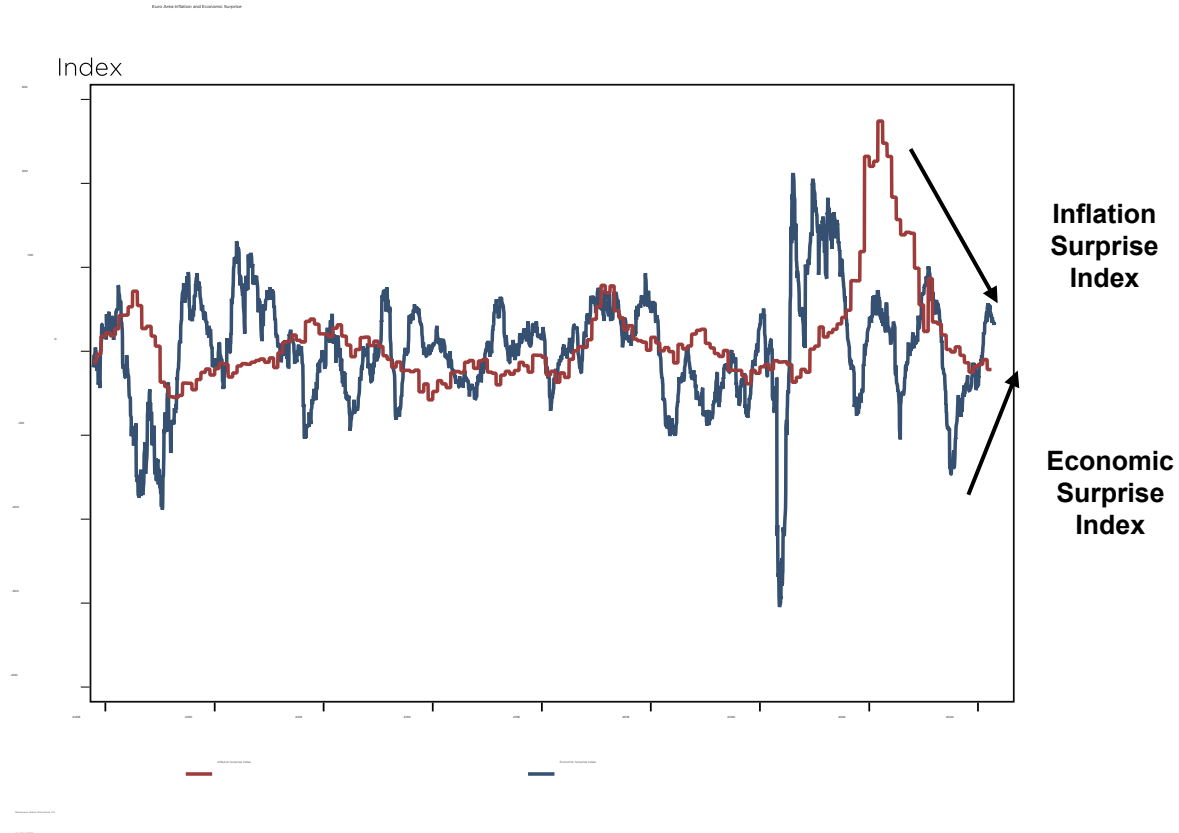
Big fiscal has benefitted US consumers



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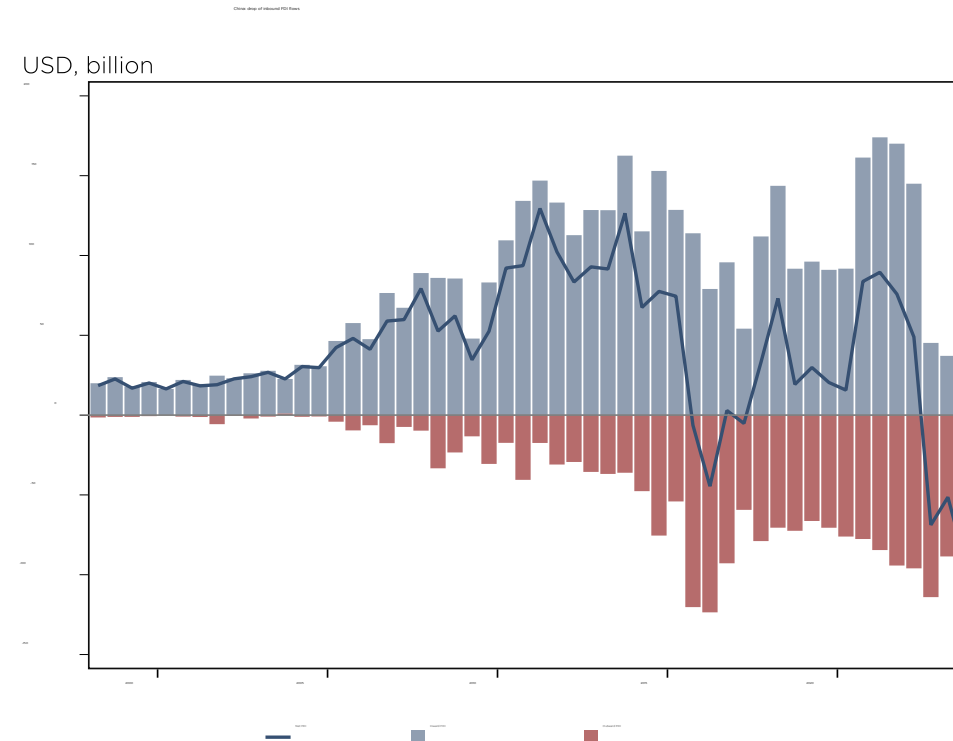
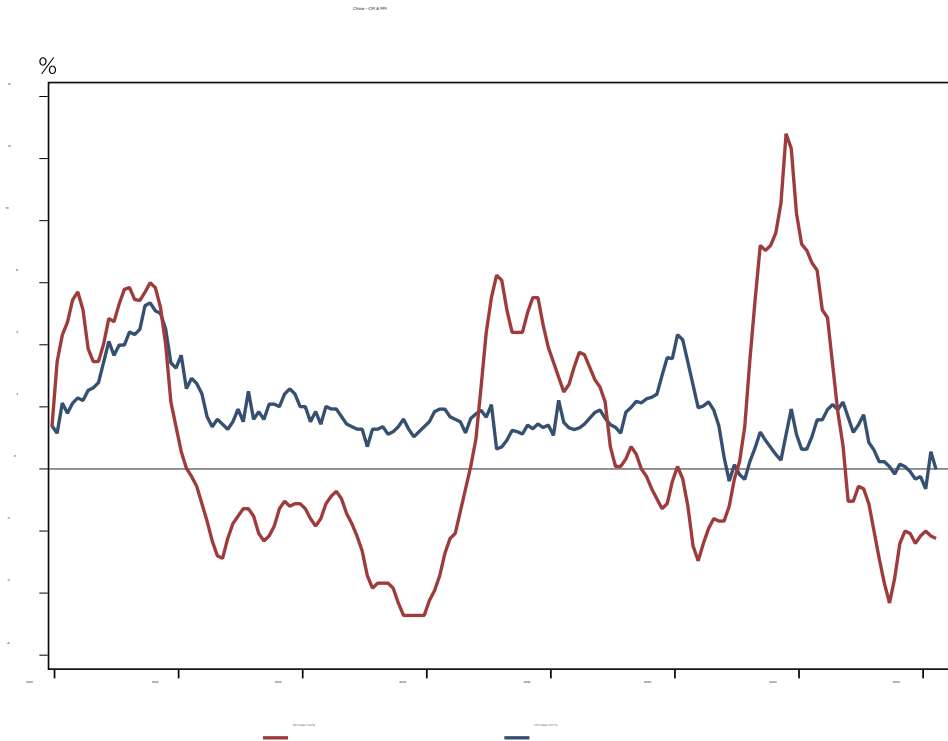
# Will Europe Outperform Low Expectations?

Sharp decline in inflation should allow the ECB to reverse some of its policy tightening. Credit growth picking up from a low base..



# China – Inflation Non-Existent and Drop In FDI\*

Reflective of weak domestic and external demand. Nearshoring of supply chains, economic uncertainty and political tensions



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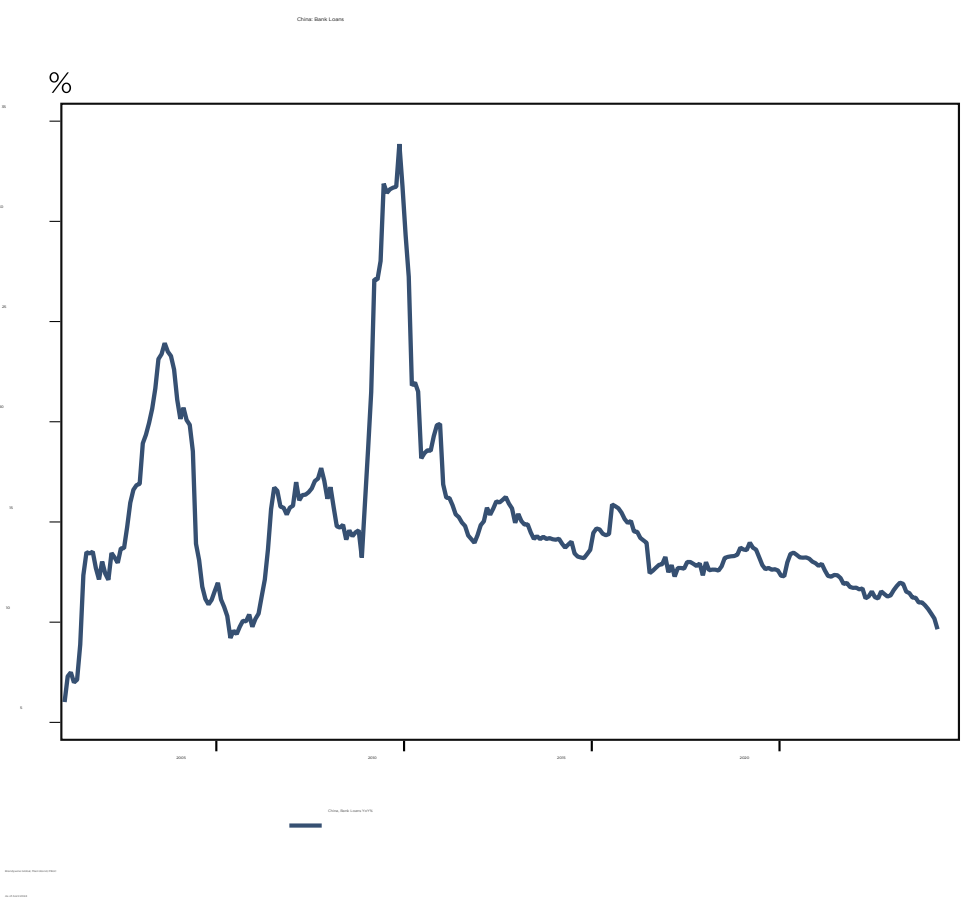
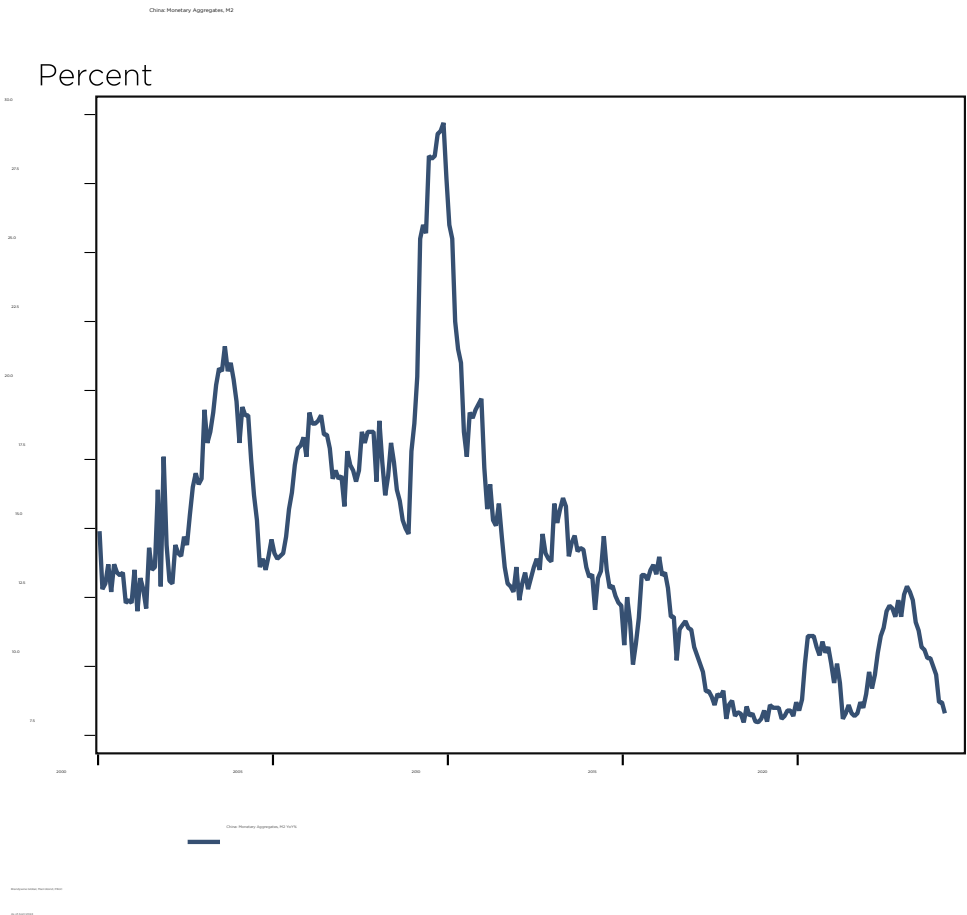
\*Foreign Direct Investment.

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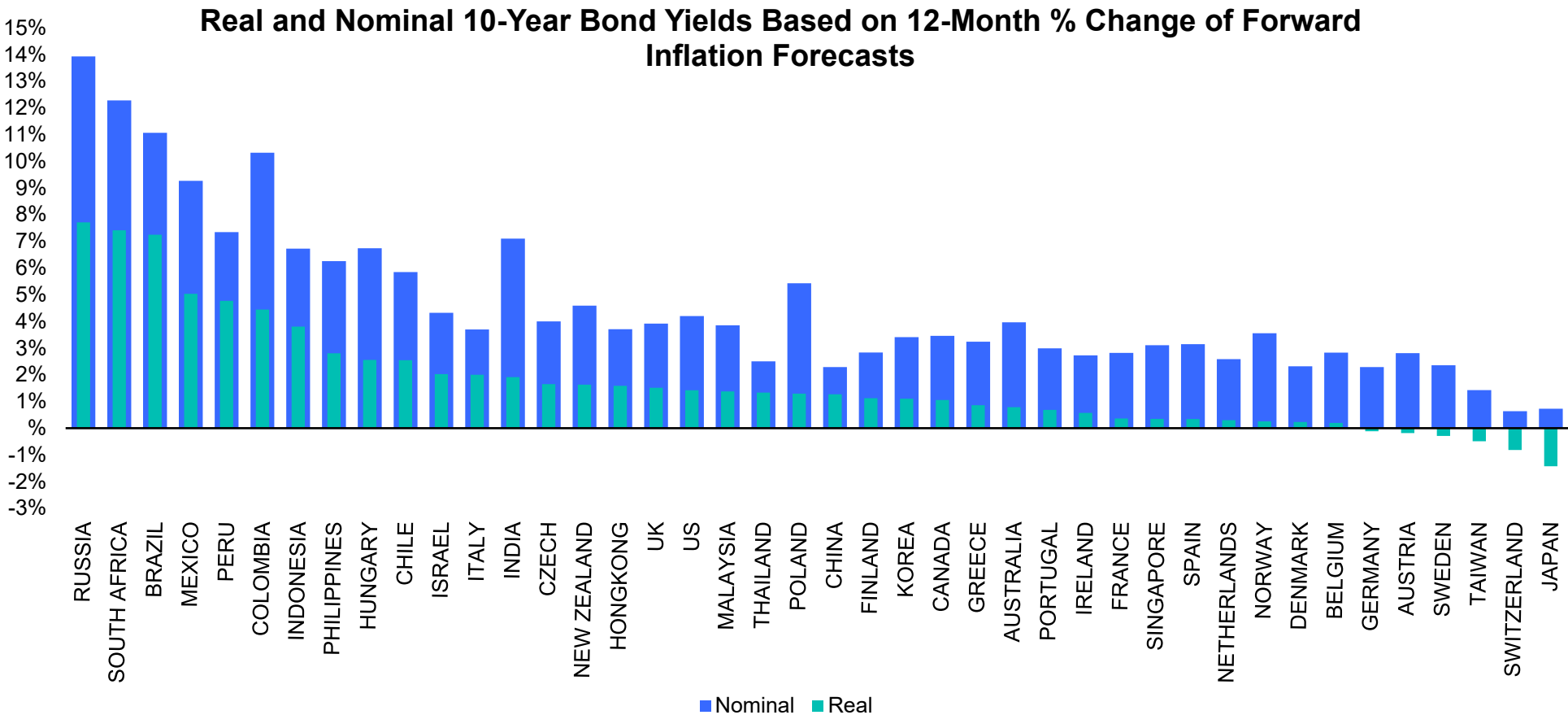


# China – No Reflationary Bazooka

Dismal monetary trends and an unconstructive credit story



# Global Bond Market Snapshot



As at 31 March 2024

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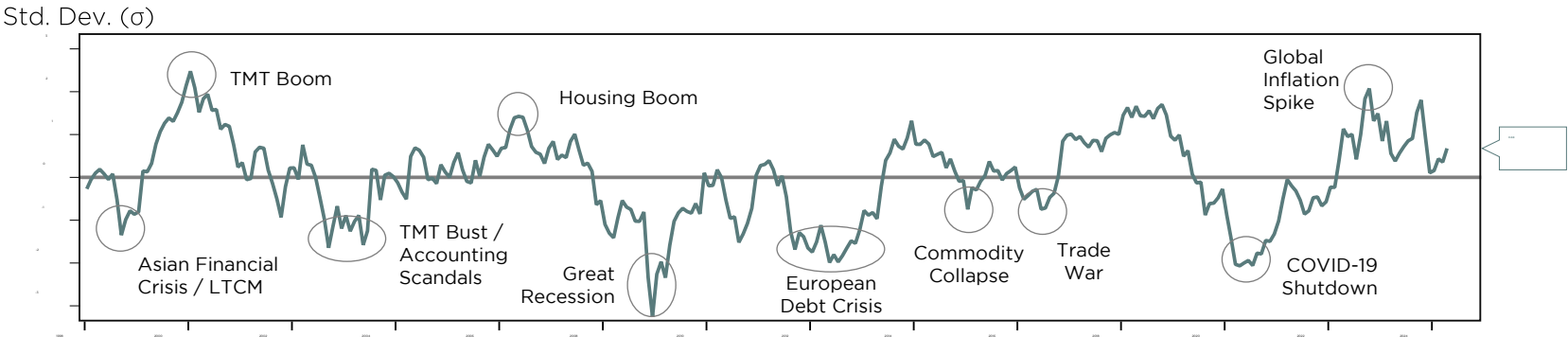
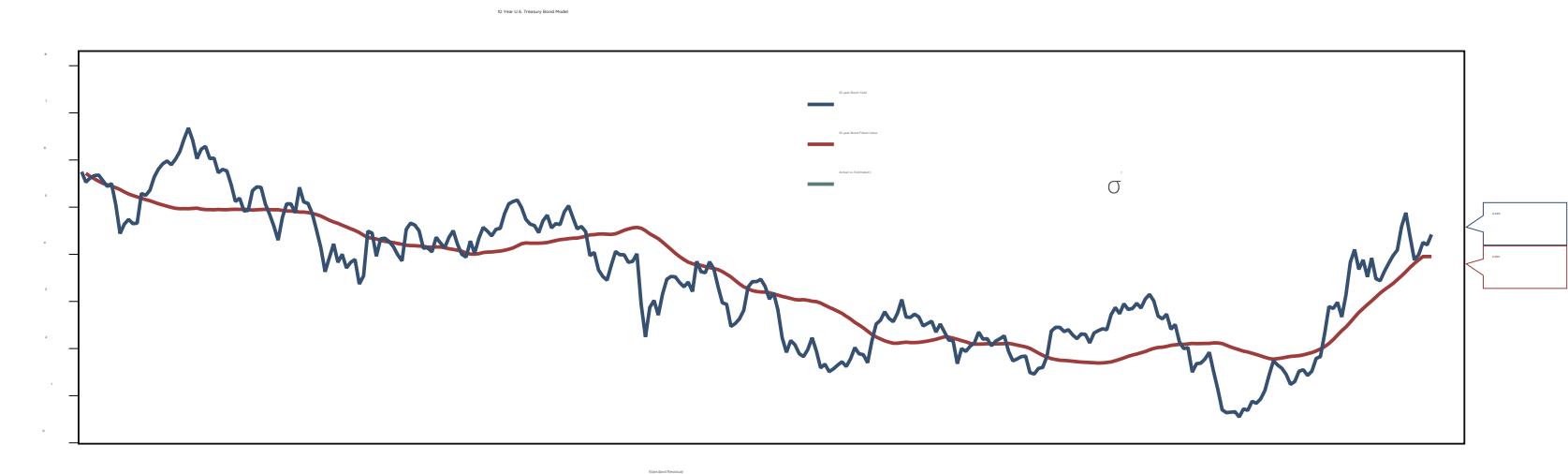
# Discussion Question

2<sup>nd</sup> Quarter 2024



**If bonds struggle to compete with cash/TDs,  
is there still a case to own them?**

# Treasuries Priced More Reasonably



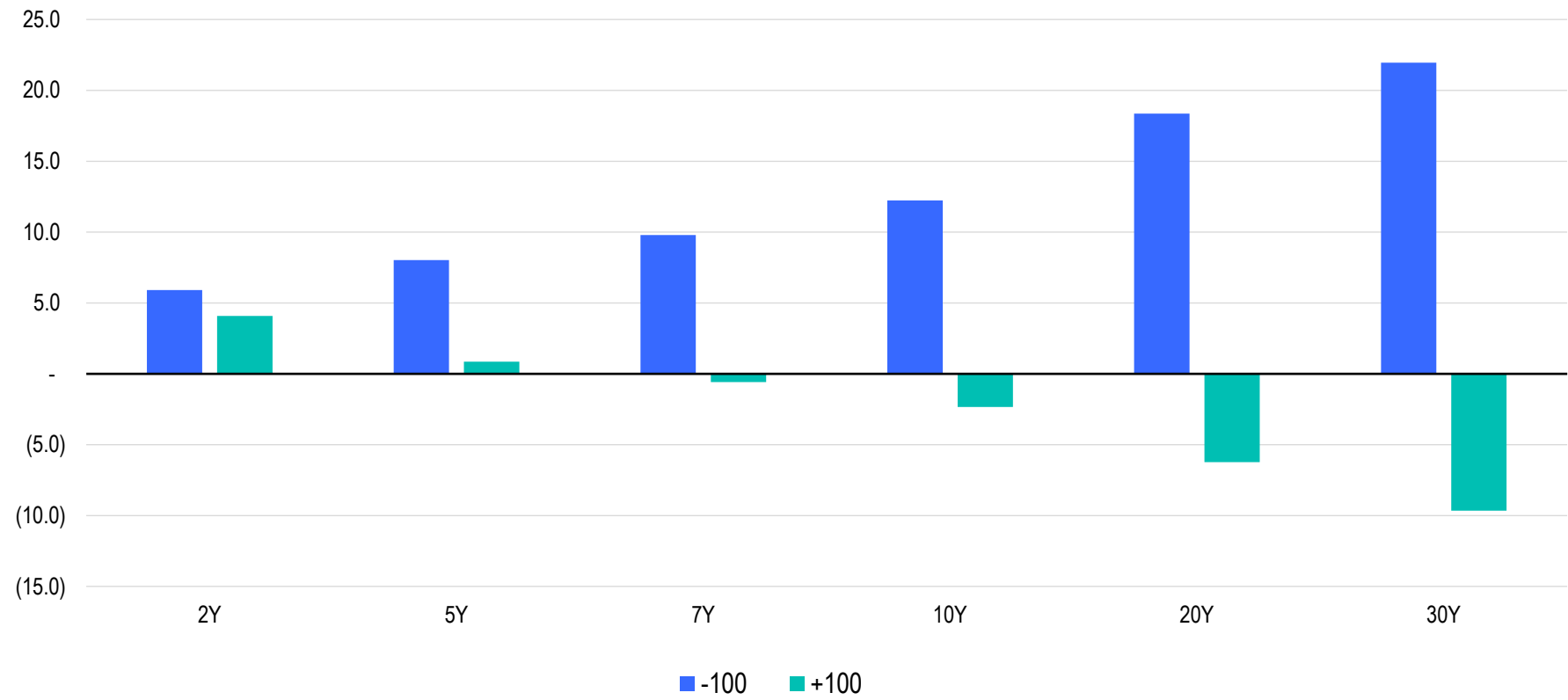
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# Bond Math - Positive Skew

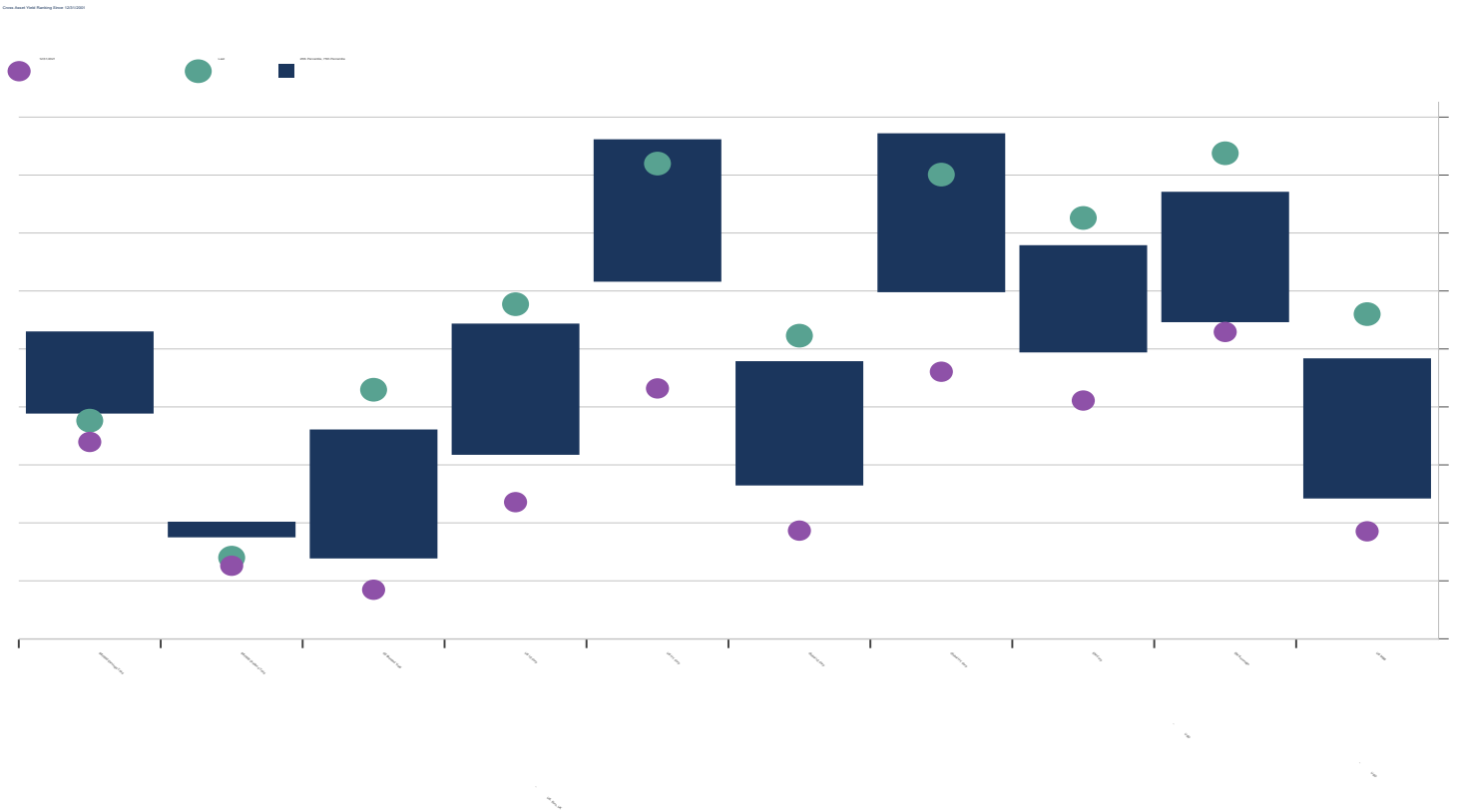
Capital gain/loss with +/-100bps shift in yields



Coupons Matter



# Fixed Income Has Income Again



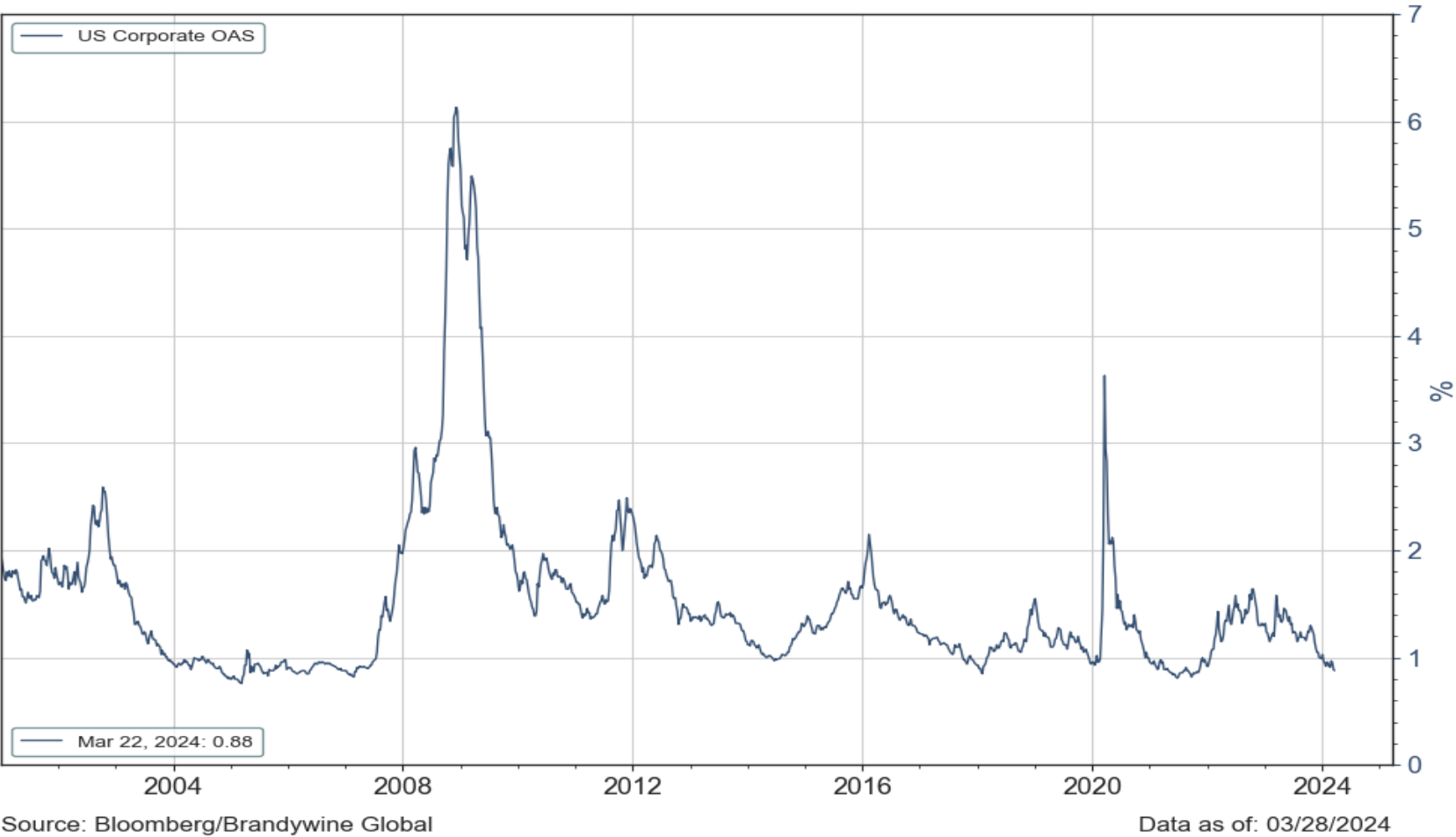
MACROBOND

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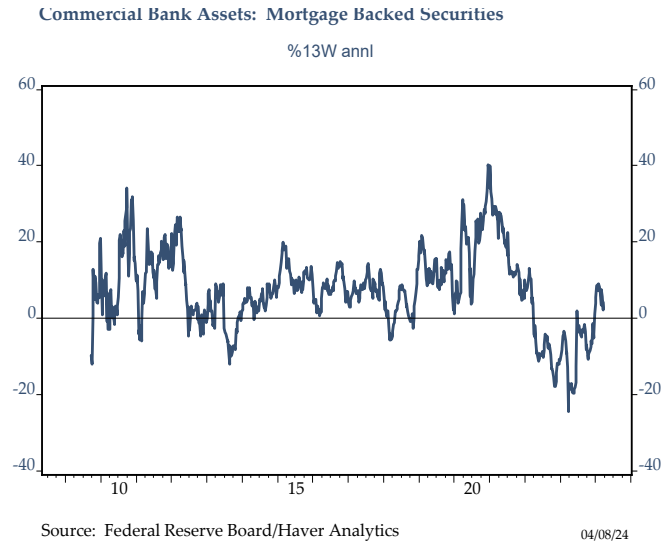
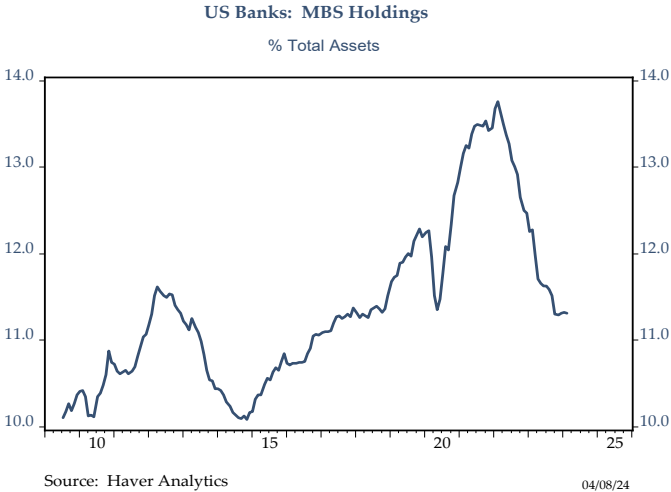
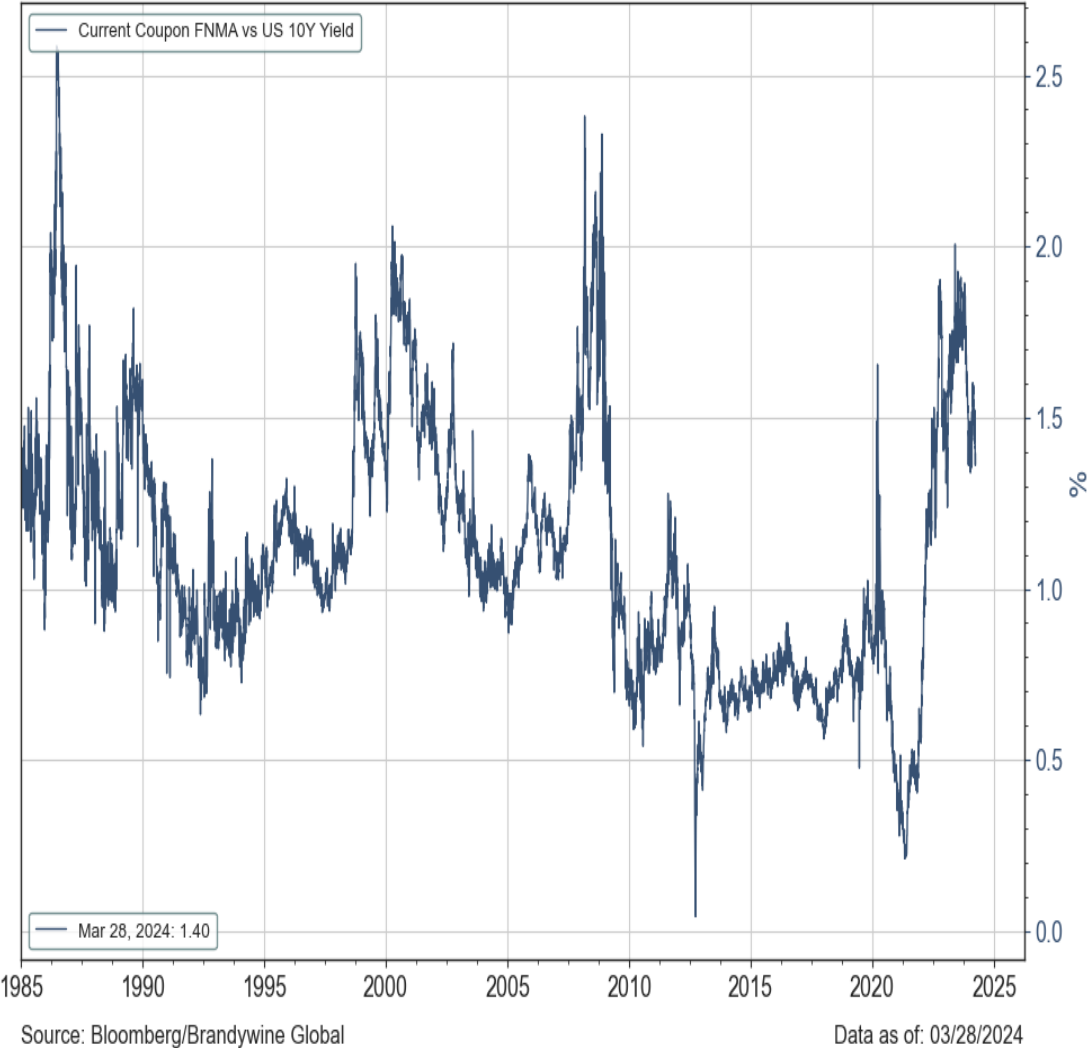
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# Corporate Bonds – Strong Fundamentals But Valuations Not Compelling

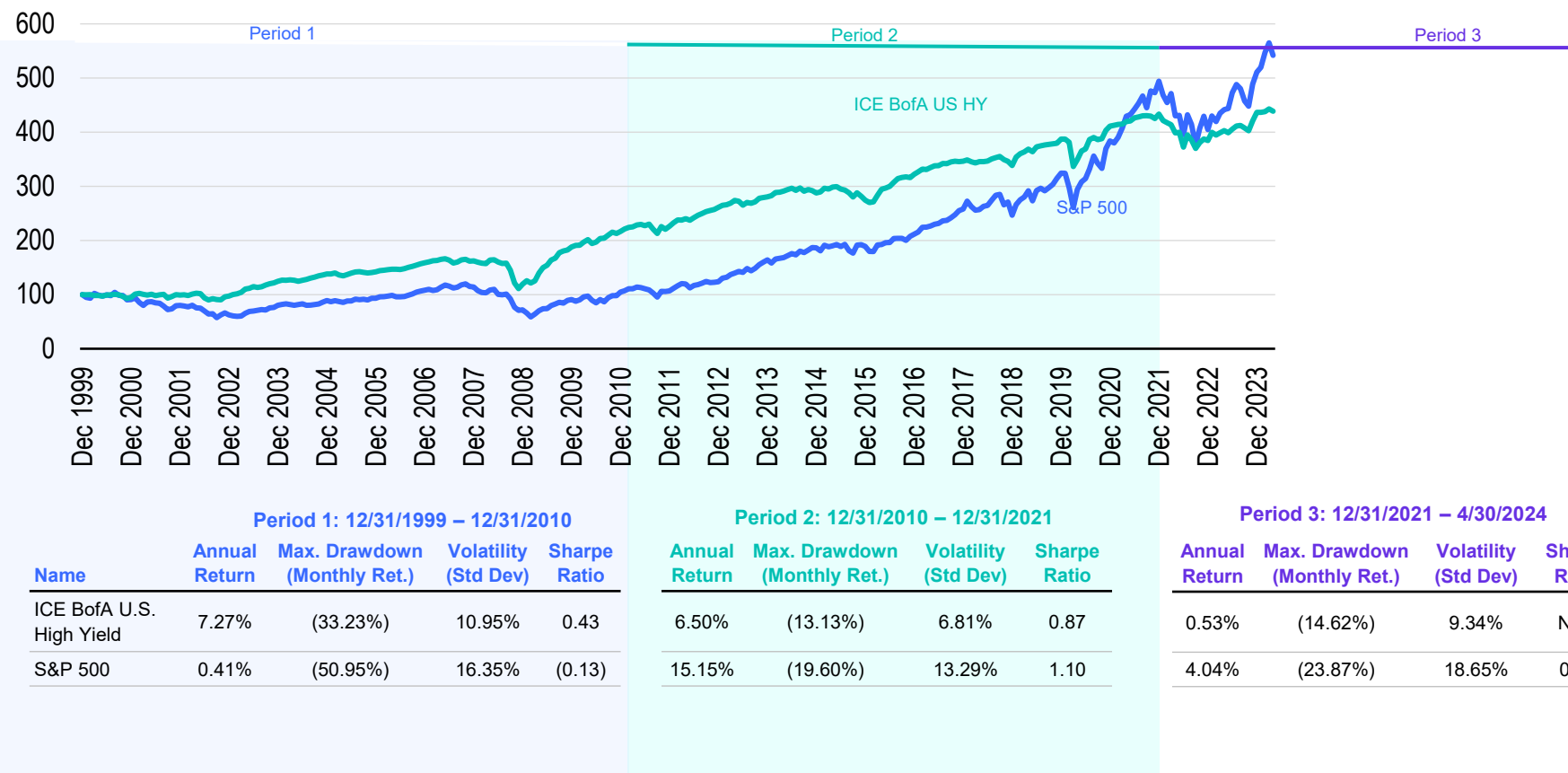


# Agency MBS Exposure Remains Attractive



# A New Phase of High Yield?

Growth of \$100: S&P 500 and ICE BofA U.S. High Yield



Source: ICE Data Services LLC, Bloomberg

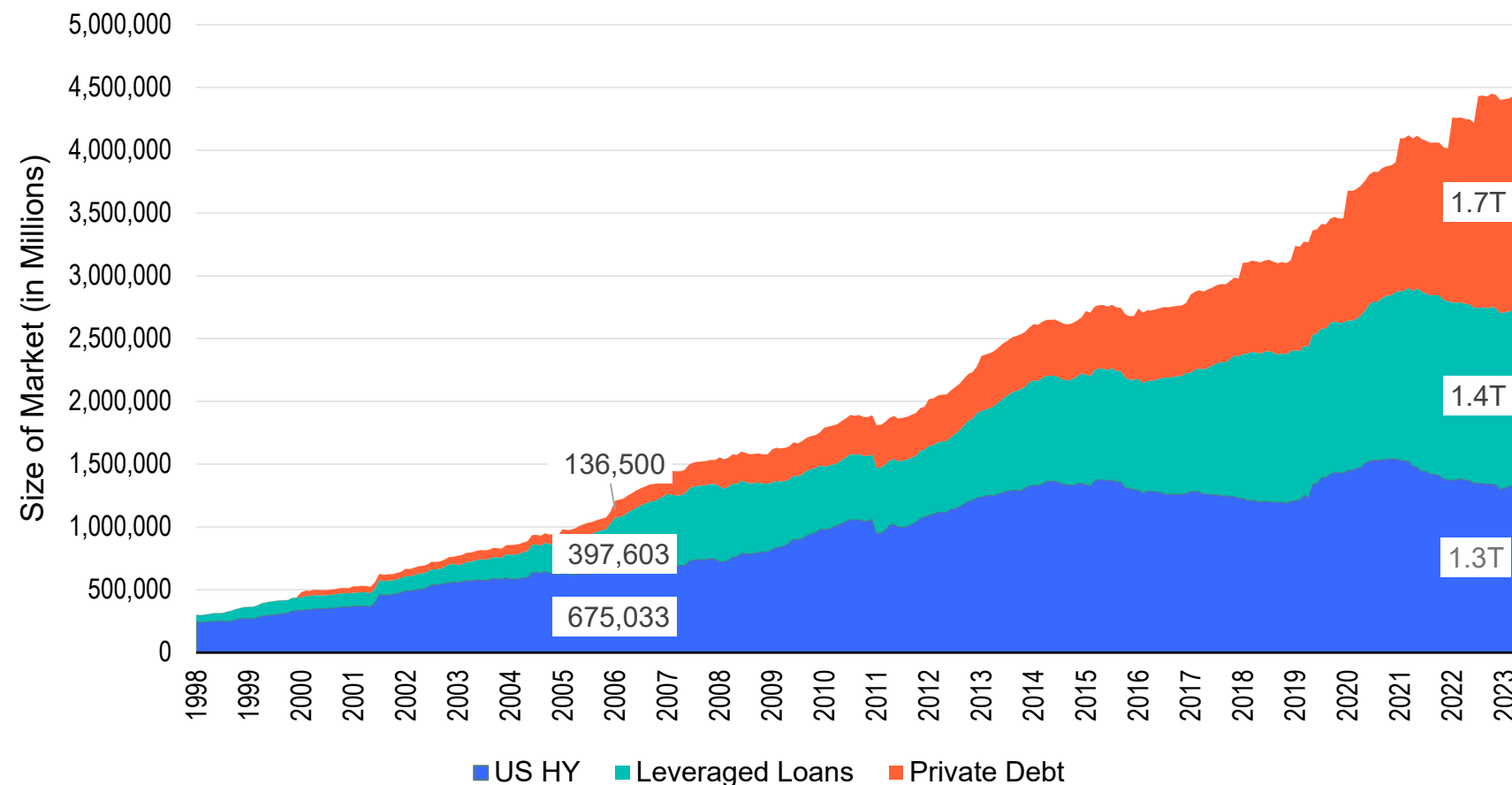
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# Loans and Private Credit Have Exploded

Non-investment grade lending

## Non-Investment Grade Lending



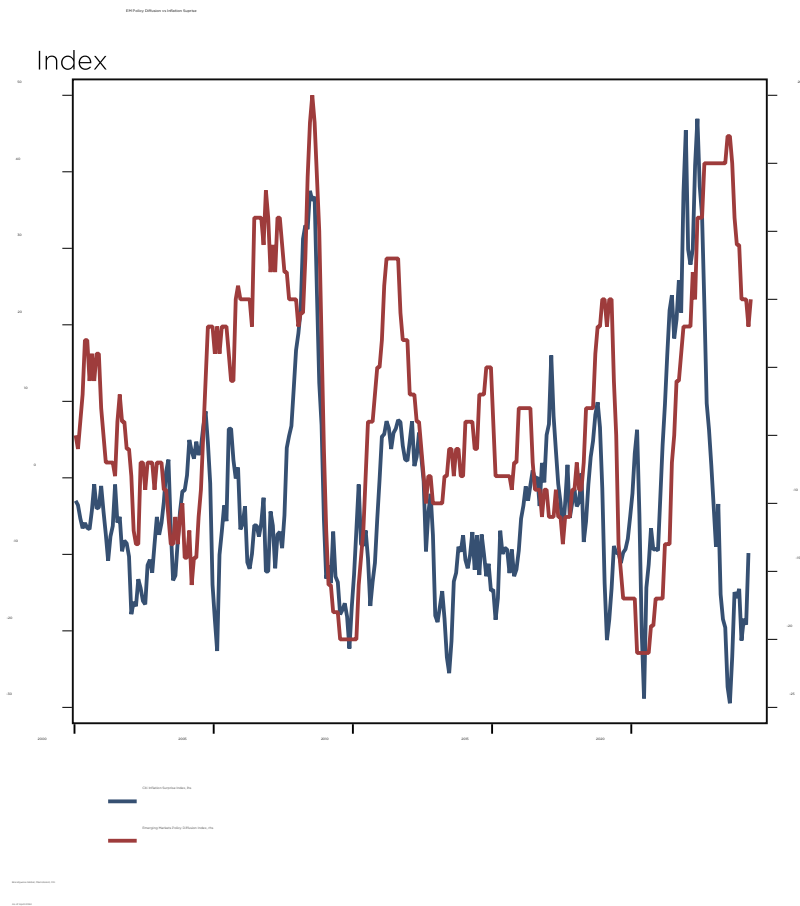
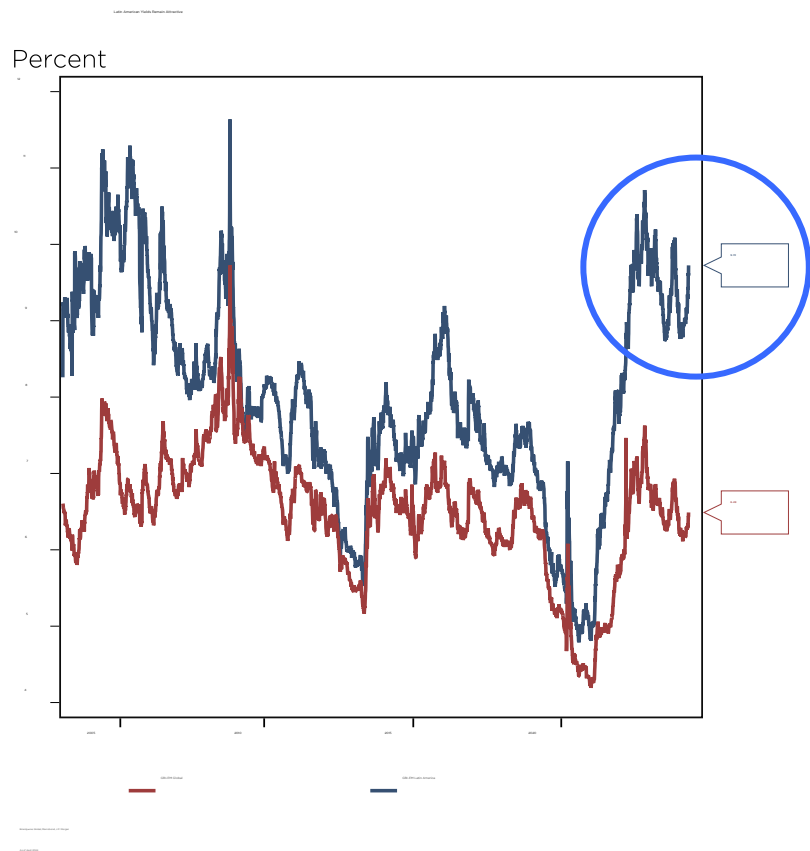
Source: ICE Data Services LLC, BofA Global Research, Prequin

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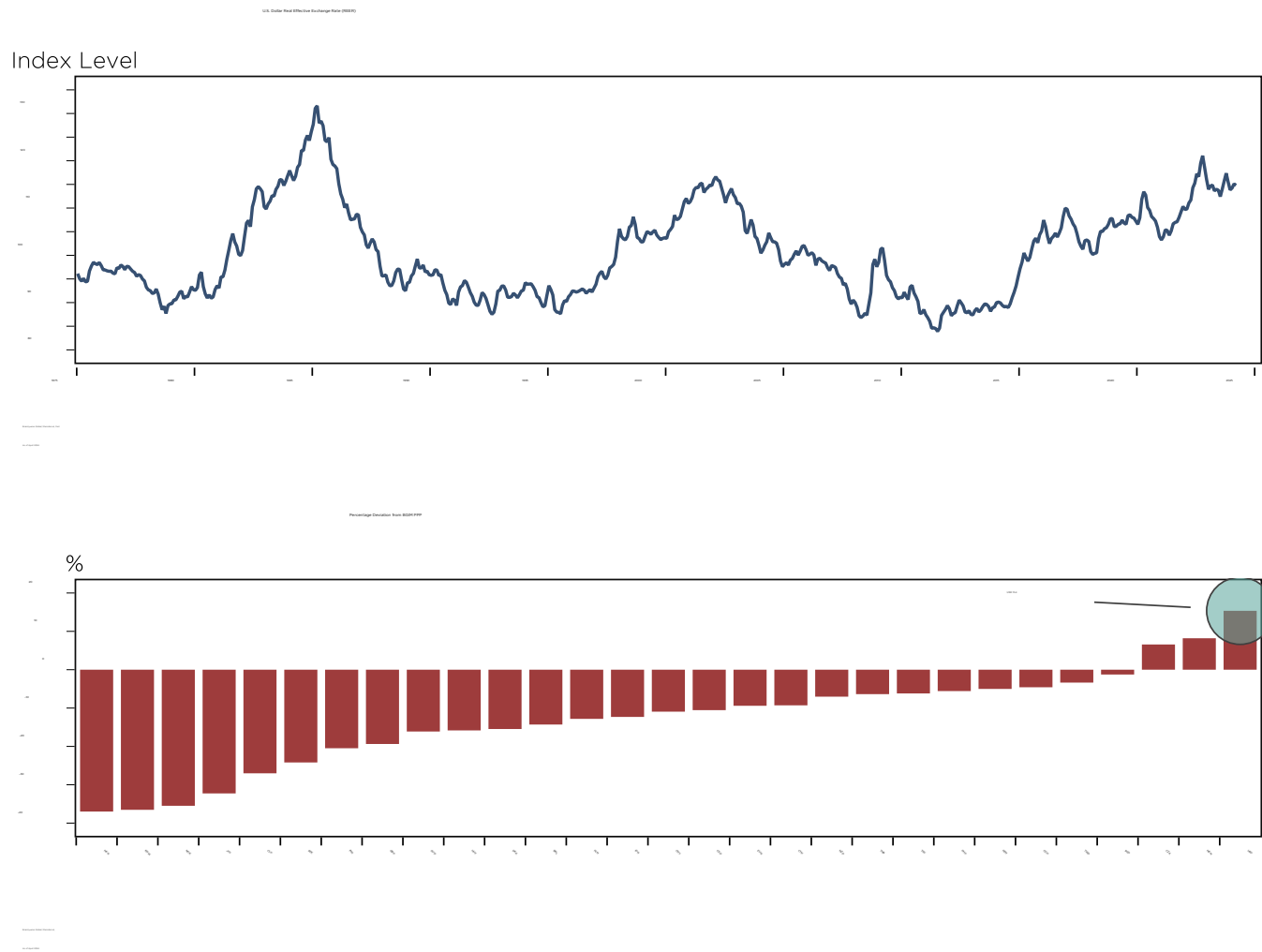
# Emerging Markets – Value In Latin America

High nominal yields, benign inflation and central bank rate cuts point to continued opportunity in LATAM bonds.



# The U.S. Dollar Remains Expensive

A soft landing and Fed easing cycle could pressure the dollar

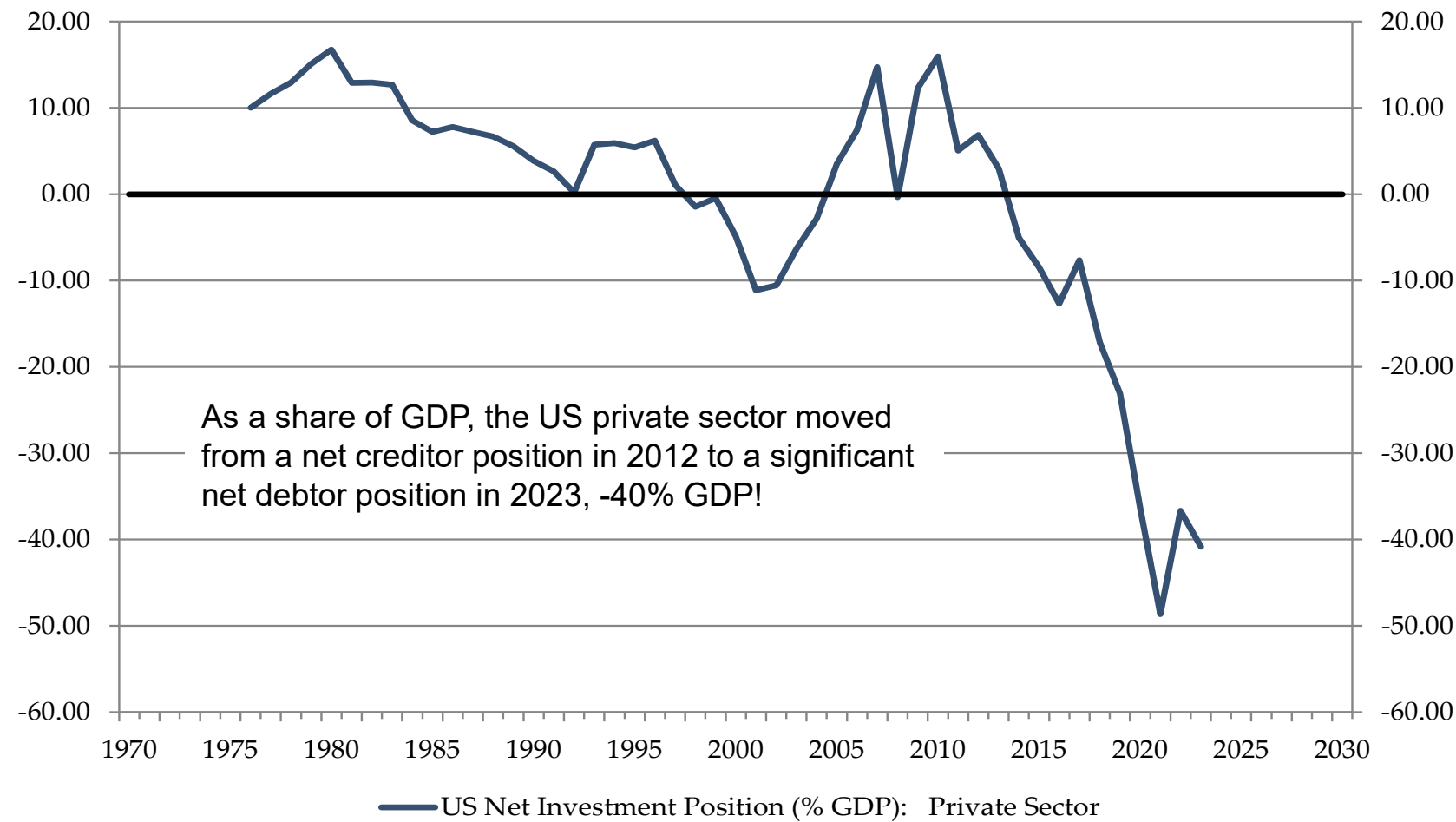




# The World is Overweight US Assets



## Net Investment Position – US Private Sector



# Key Takeaways



- As monetary and fiscal policy normalises, investors continue to assess probability of hard-landing to no-landing scenarios.
- Disinflationary trend remains intact.
- ‘Normalisation’ process is for the most part over with increased volatility and opportunities.
- Outlook for bonds is compelling.
- US equity risk premium at its lowest level in 22 years – bonds are attractive for asset allocation over the long-term.
- Opportunities in local-currency emerging markets, specifically in Latin America.
- US election – elevated fiscal spending will continue and could keep inflation elevated.

# Appendix 1

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## Big opportunities in Australian equities



Patrick Hodgens  
MD & Portfolio Manager

May 2024

# *Firetrail*

Invest with Conviction





# Important information

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## **Firetrail High Conviction Strategy Composite Performance**

Firetrail Australian High Conviction Fund ('Fund'). Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation. Fund inception is 14 March 2018.

To give a longer-term view of our performance for this asset class, we have also shown returns for the Firetrail High Conviction Strategy Composite ('Strategy') which has been operating since 29 November 2005. Strategy performance has been calculated using the monthly returns (after fees) of the Fund from 14 March 2018 to current date, as well as the monthly returns of the Macquarie High Conviction Fund (after fees) between 29 November 2005 to 23 November 2017. The Fund employs the same strategy as was used by the same investment team that managed the Macquarie High Conviction Fund as at 23 November 2017. Firetrail has records that document and support the performance achieved as the Macquarie High Conviction Fund. The composite returns for the Strategy and the S&P/ASX 200 Accumulation Index (Benchmark) exclude returns between 24 November 2017 and 13 March 2018. During this period the investment team did not manage the Strategy. As such, the annualised performance periods stated are inclusive of the combined composite monthly returns, and do not include the period when the team were not managing the Strategy. For example, the annualised return over 5 years for the Strategy and benchmark are inclusive of 60 monthly performance periods available in the composite return period, excluding the period between 23 November 2017 and 13 March 2018. For additional information regarding the performance please contact us through the link on our website. Net Fund returns are in AUD terms. Net Fund returns are calculated based on exit price with distributions reinvested, after ongoing fees and expenses but excluding taxation.

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# ***Firetrail Australian High Conviction Fund***

**1** Where we don't see opportunities

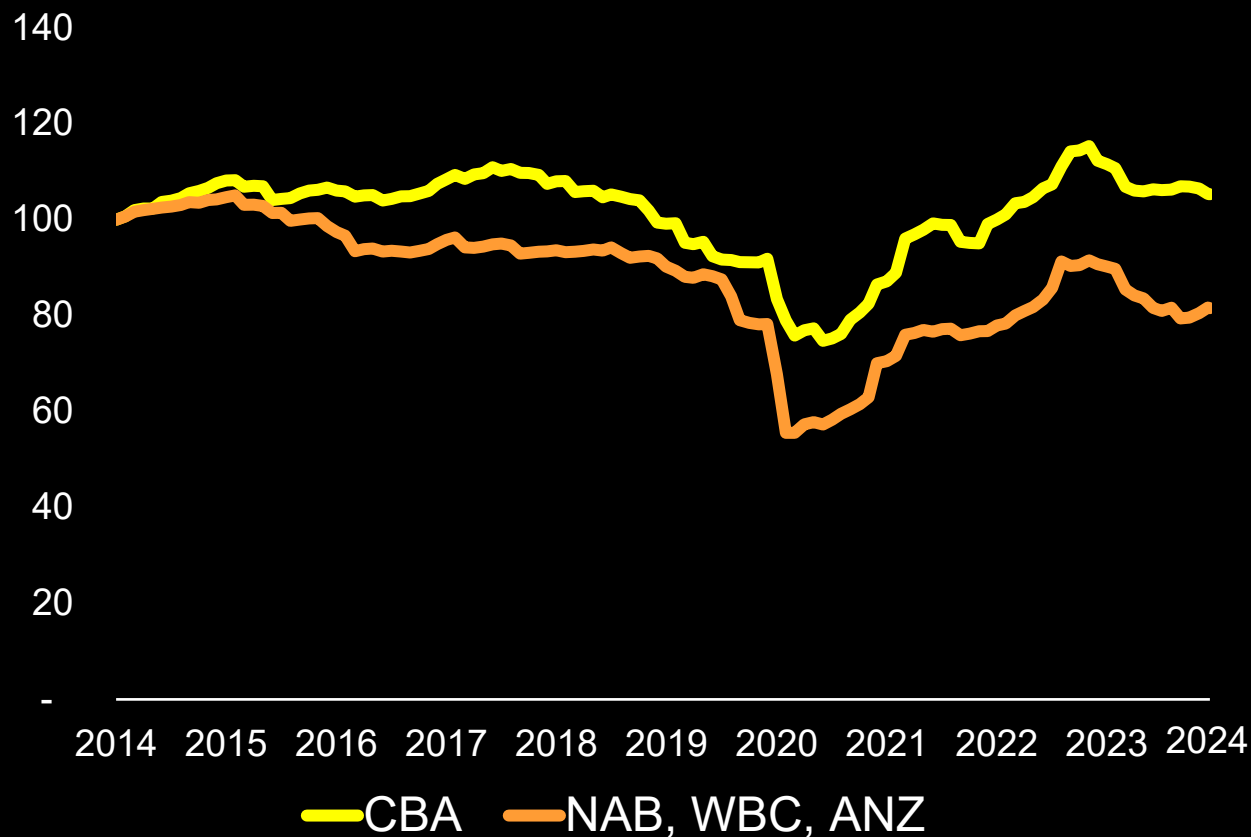
**2** An opportunity with Quality, Growth, Value

**3** A big opportunity in an out-of-favour stock

***A concentrated portfolio with a proven track record***

# Hard to find reasons to own Aussie banks

Big 4 Banks EPS over time



## Banks by era:

- 2000 – 2008: Economic boom
- 2009 – 2014: The great consolidation
- 2014 – now: The rise of competition

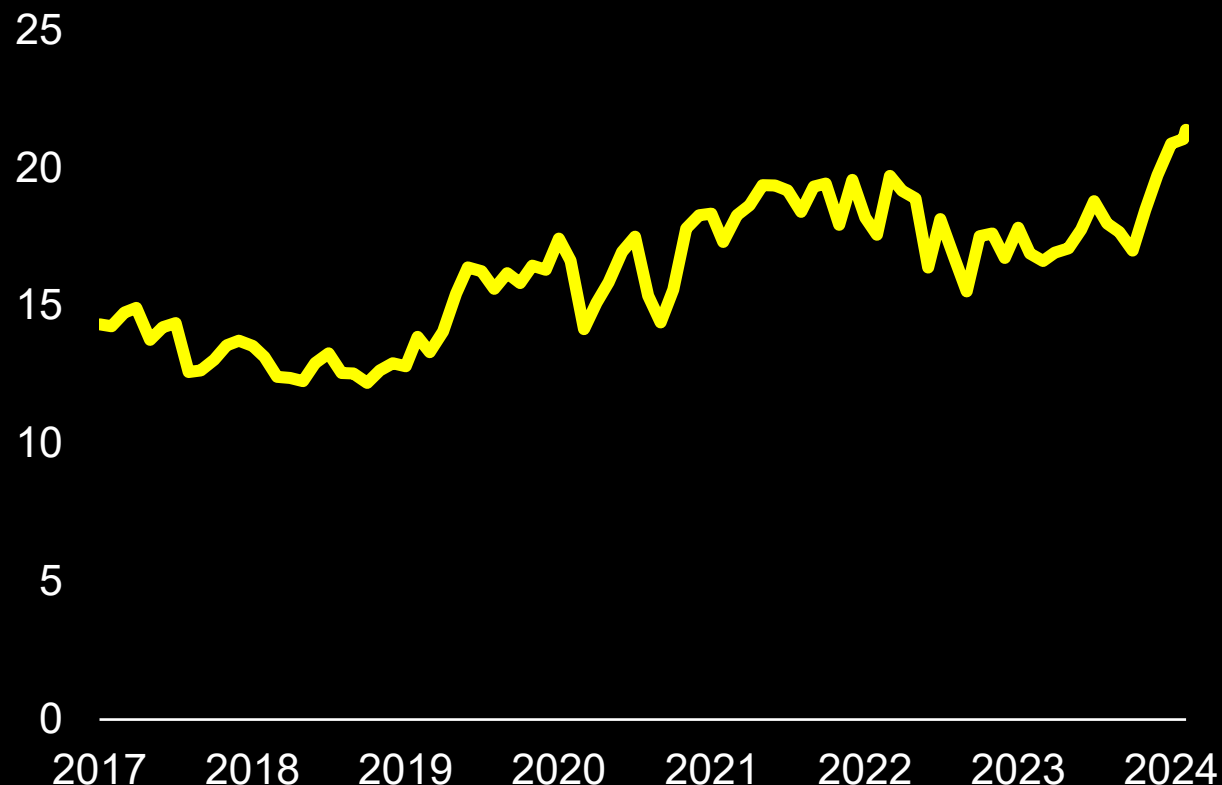
## Outlook:

- High competition in key profit pools
- Cost inflation is embedded

**Competition remains fierce**

# Australian Bank valuations look stretched

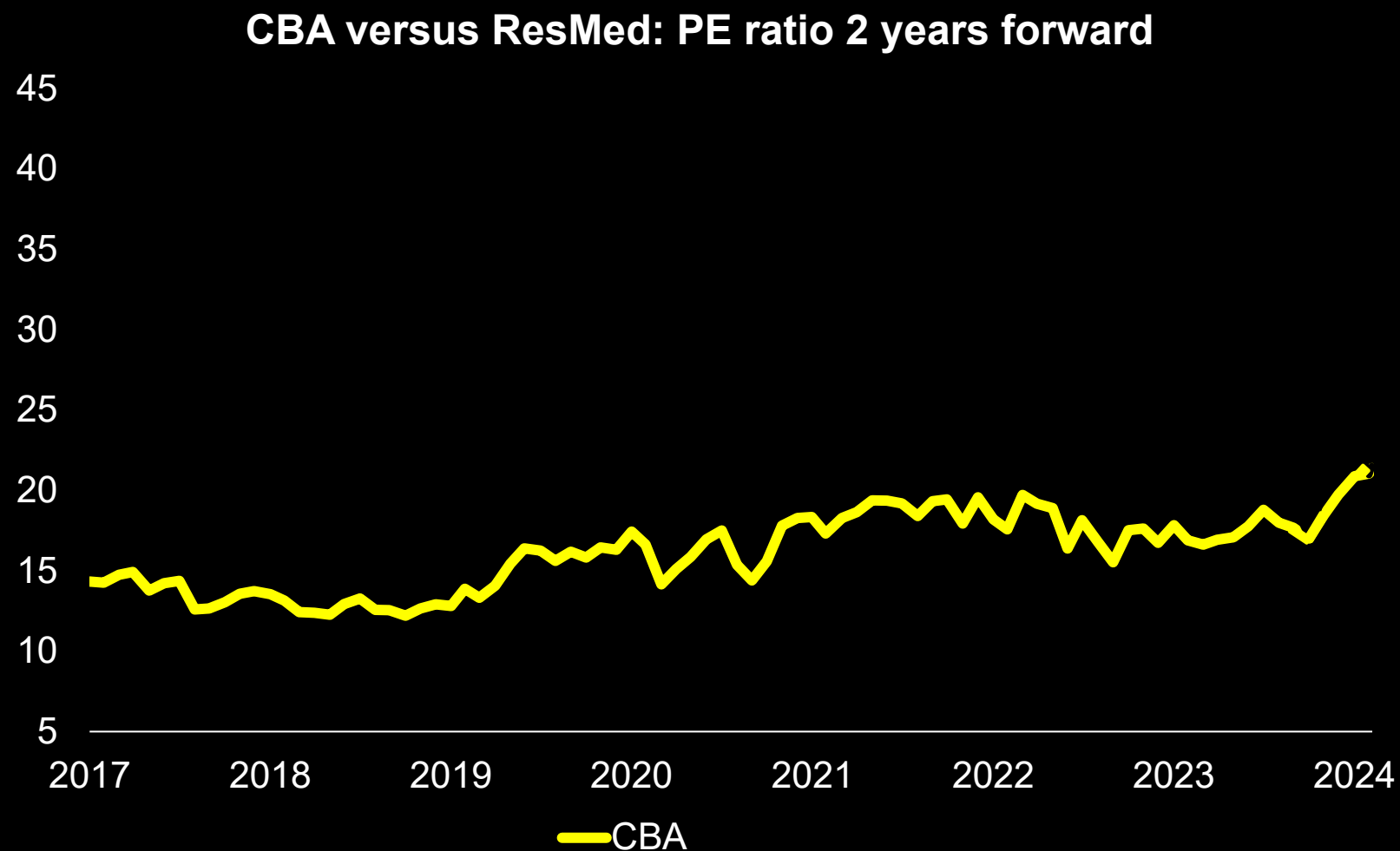
CBA PE ratio 2 years forward



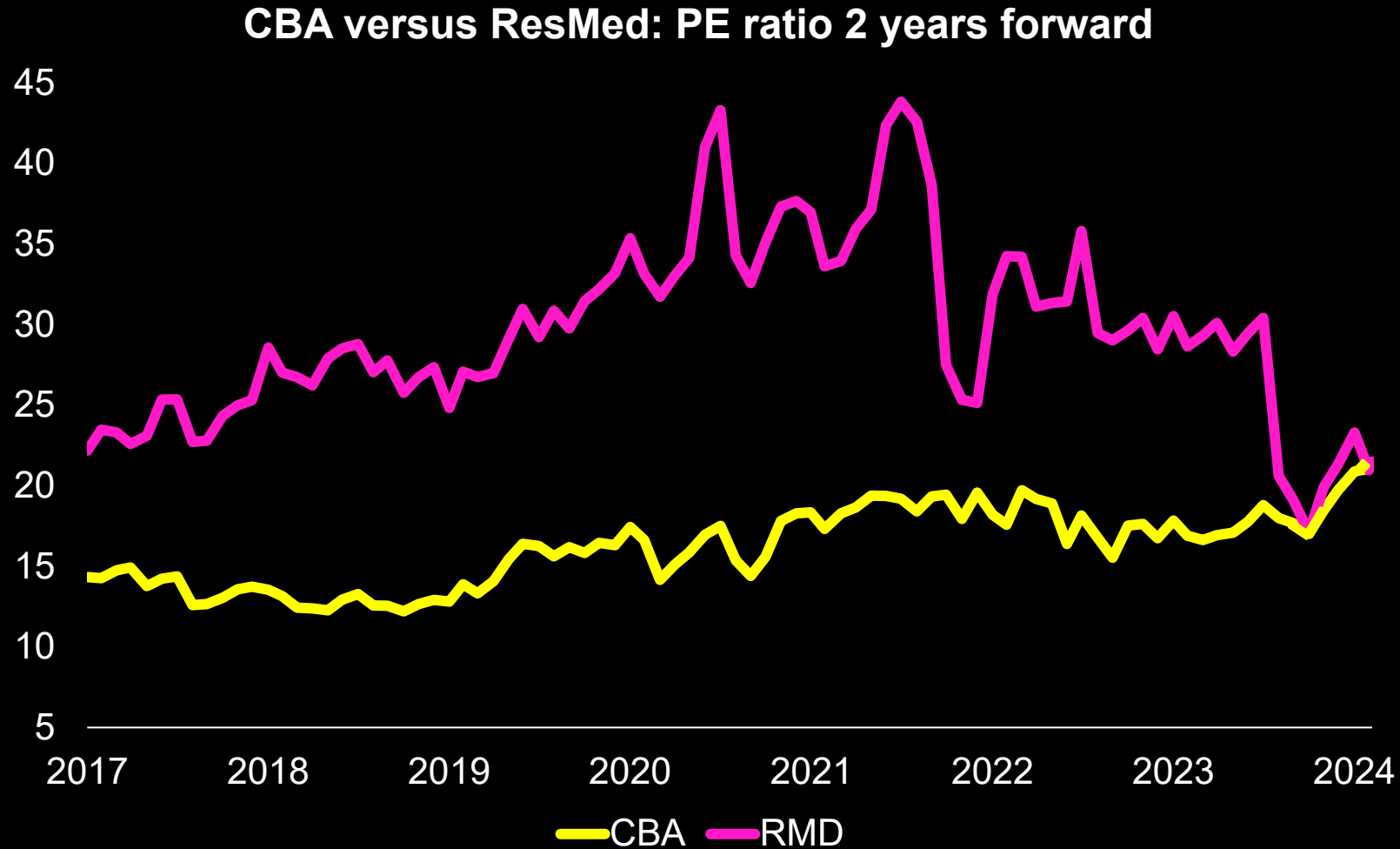
- Bad debt forecasts appear optimistic at close to pre-COVID lows
- Earnings per share are **flatlining**
- Return on equity **declining**
- Share prices at or near **all-time highs**

***Bank multiples are hard to justify***

# One stock where we do see value



# *ResMed is offering serious value*



*On the surface, ResMed looks attractive*

# ***Why we invest in Resmed***

**The overhang is weight loss drugs:**

- Will costs come down from \$1,000 US / month?
- Will people continue to take weight loss drugs?
- CPAP eliminates sleep apnoea, will weight loss drugs?

***ResMed is delivering***



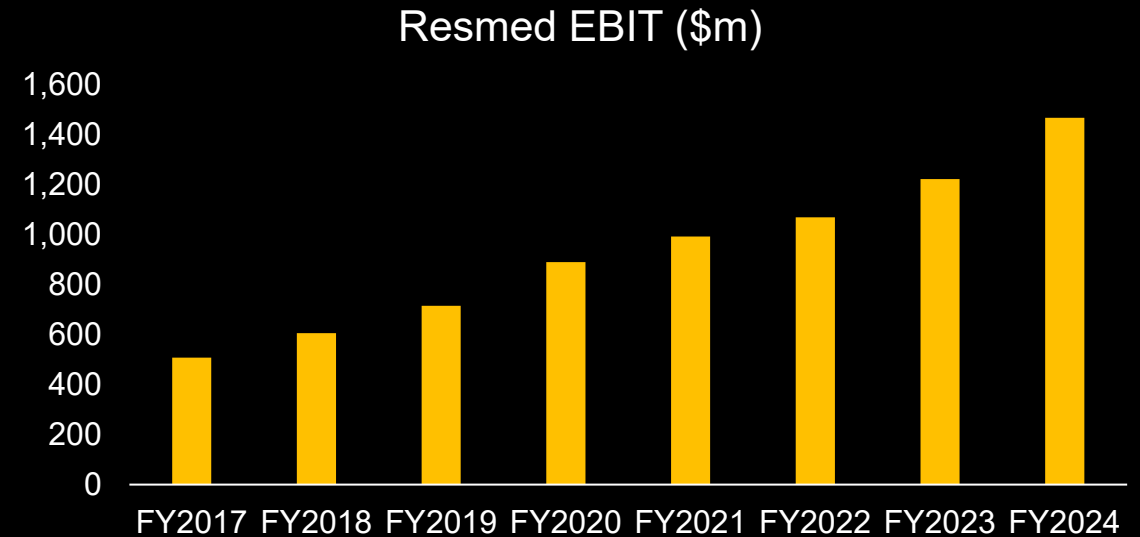
# Why we invest in Resmed

## The overhang is weight loss drugs:

- Will costs come down from \$1,000 US / month?
- Will people continue to take weight loss drugs?
- CPAP eliminates sleep apnoea, will weight loss drugs?

## Why we like ResMed:

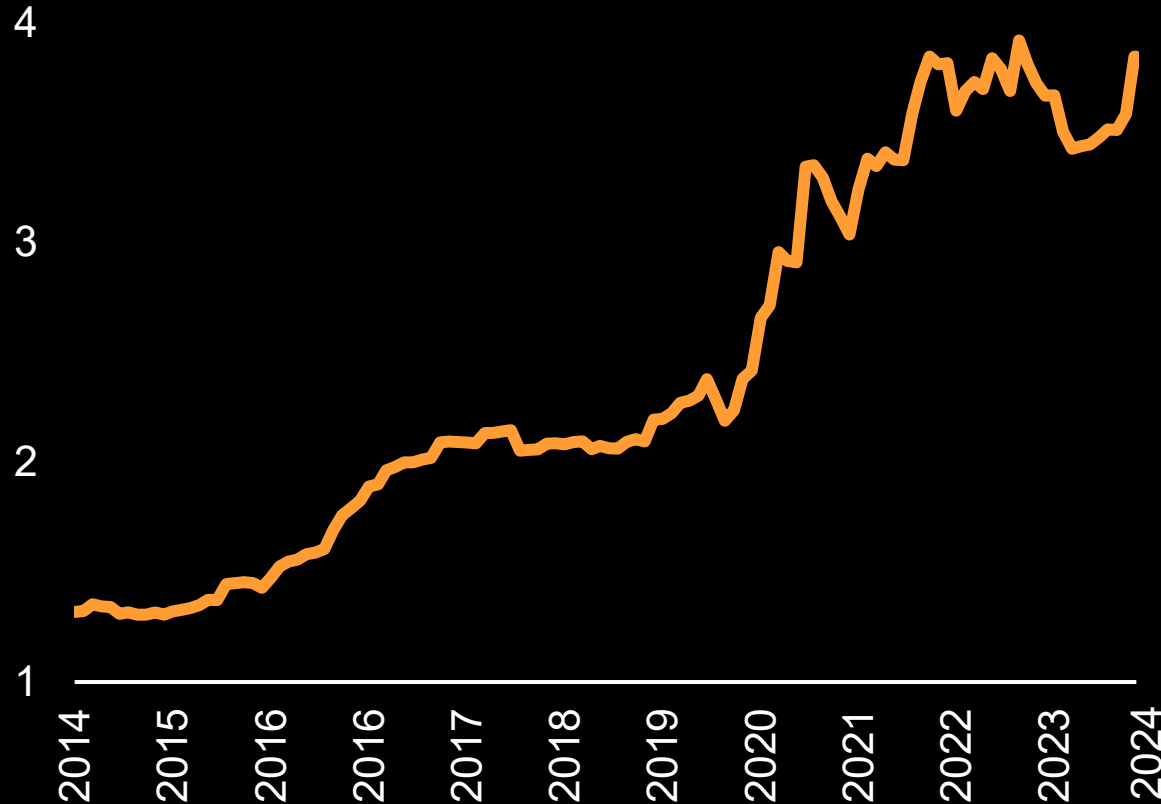
- Market leader in sleep
- Phillips out of the US new patient market for 2-5 years



***ResMed is delivering***

# *Long term threats make for great investment returns*

**JB Hi-Fi EPS**

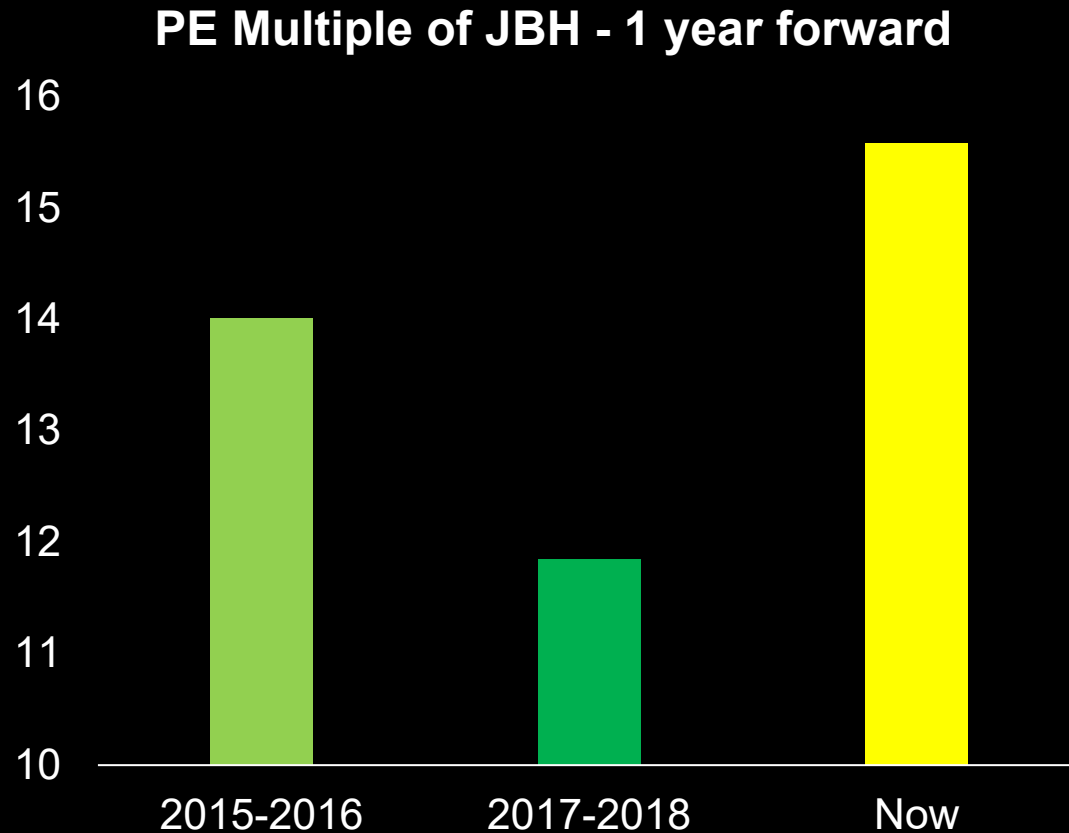


## **Remember JB HiFi in 2018:**

- Threat
  - Amazon entry into Australia in 2017
- Fears
  - Sales decline: losing market share
  - Margins decline: price competition
- Outcome
  - Electronics competitors exited
  - JB HiFi continued to grow
  - Amazon continued to grow

***Long term threats can offer outstanding opportunities***

# *Long term threats make for great investment returns*



## **Remember JB HiFi in 2018:**

- Threat
  - Amazon entry into Australia in 2017
- Fears
  - Sales decline: losing market share
  - Margins decline: price competition
- Outcome
  - Electronics competitors exited
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  - Amazon continued to grow

*Long term threats offer outstanding opportunities*

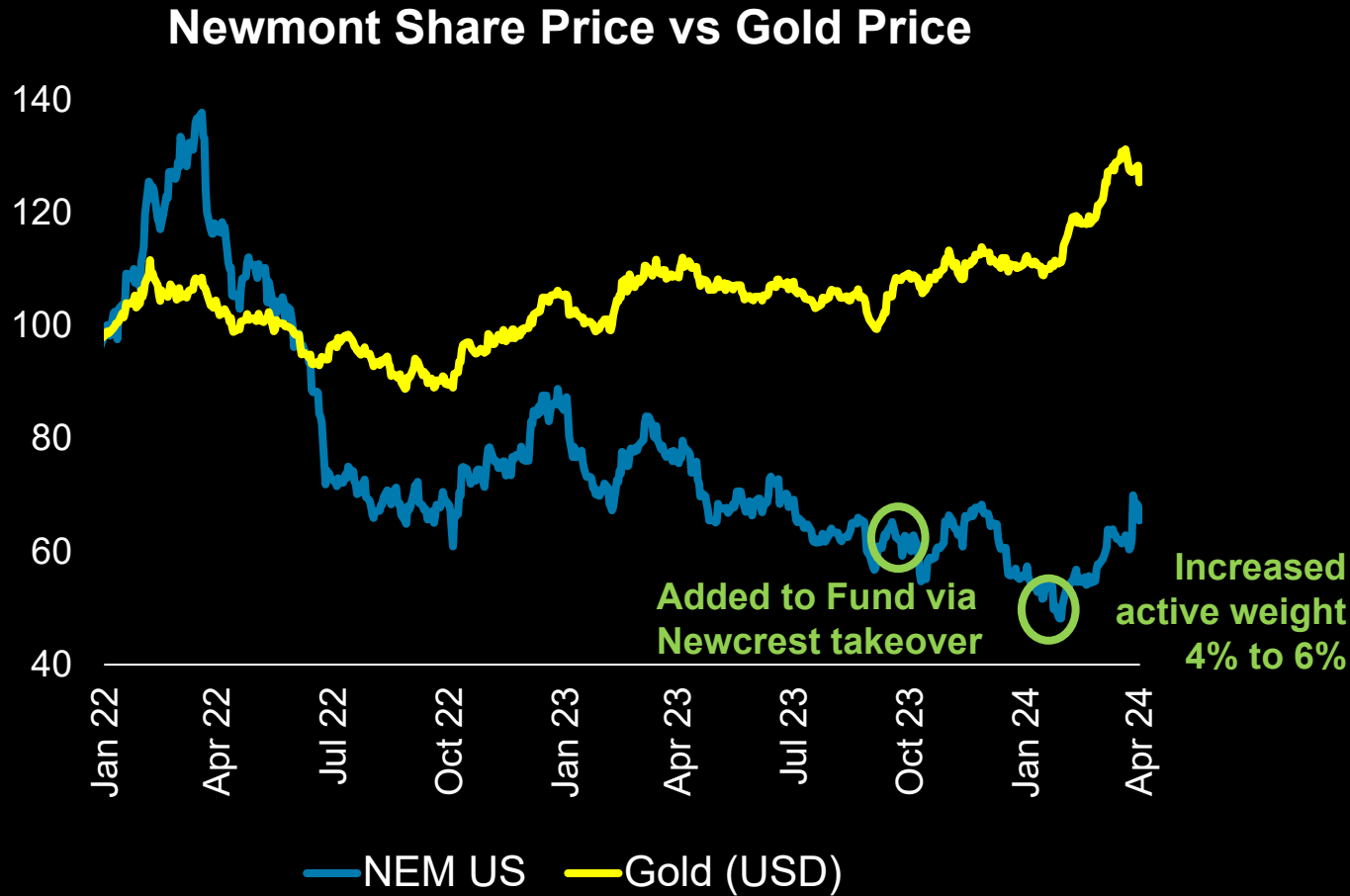
# *The set up for gold*



- Gold price has been very strong
- But Newmont has materially lagged
  - Cost inflation over past few years
  - Guidance downgrade in 2024
  - Dividend cut

***Market has put Newmont in the sinbin***

# *The set up for gold*

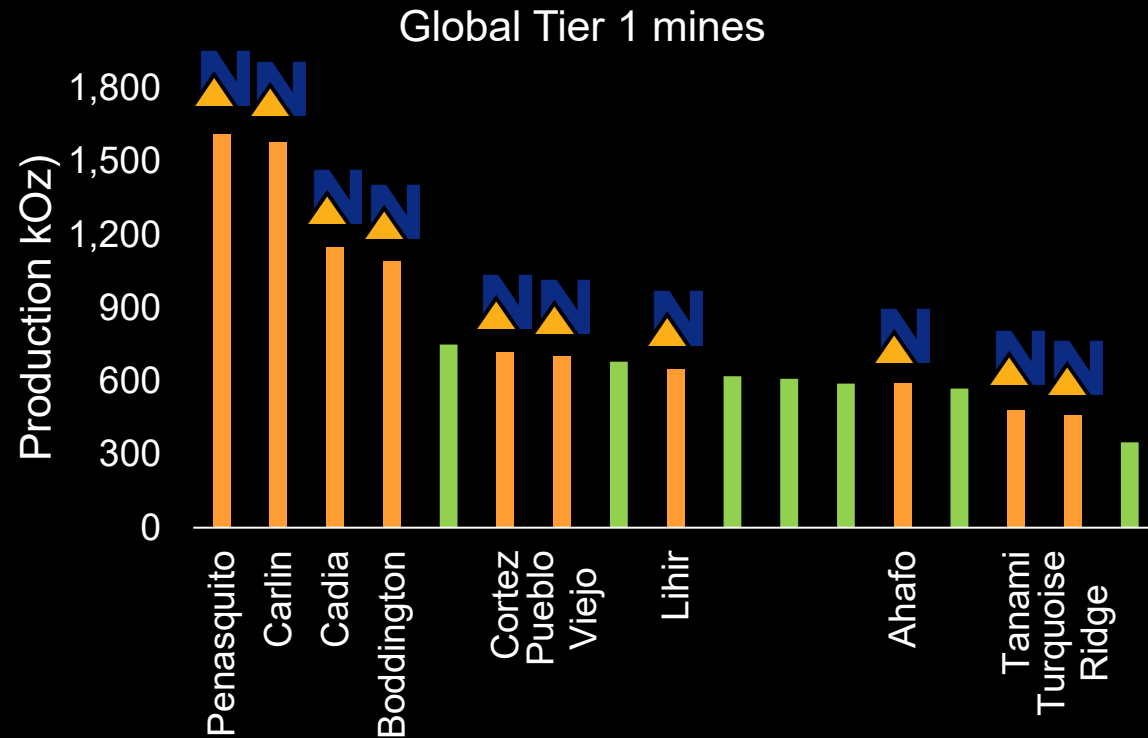


- Gold price has been very strong
- But Newmont has materially lagged
  - Cost inflation over past few years
  - Guidance downgrade in 2024
  - Dividend cut
- We increased position in February - strong recovery now emerging

***Market has put Newmont in the sinbin***

# Why Newmont is attractive

Newmont owns more than half the world's T1 assets

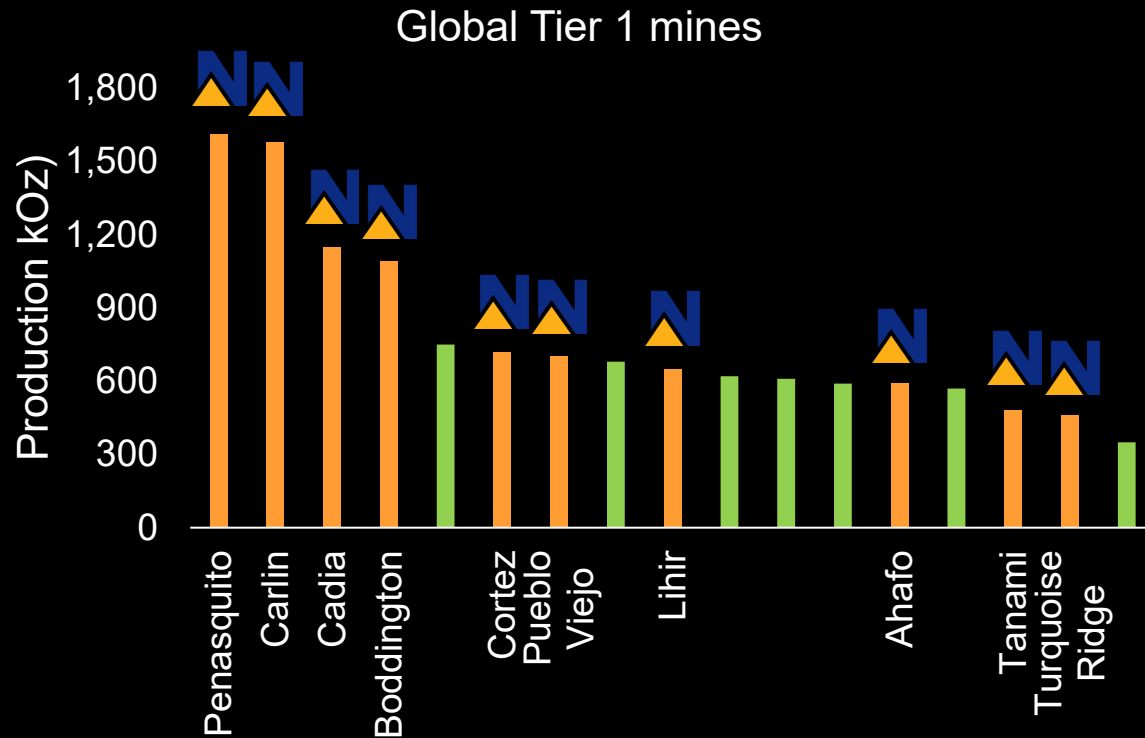


*Newmont offers a very compelling opportunity*



# Why Newmont is attractive

Newmont owns more than half the world's T1 assets



Shareholder friendly

Newmont management is instilling discipline:

- \$1 / share fixed dividend = 3% yield
- Fixed growth capital budget
- Selling non-core assets
- All excess FCF in buybacks

***Newmont offers a very compelling opportunity***

# ***Firetrail Australian High Conviction Fund***

**1** Banks look challenged

**2** Resmed offers growth at a value price

**3** Newmont looks attractive

***A concentrated portfolio with a proven track record***

# *Stay up to date with Firetrail*



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# *Stay up to date with 'What Matters' from the Firetrail team*



May 2024

## G-REITs – Time to reassess

Julian Campbell-Wood – Global Portfolio Manager

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Significant global experience and an established investment management platform

**\$12.5bn\***

ASSETS UNDER MANAGEMENT

**29**

EMPLOYEES

## Global REITS



**\$12,309m** AUM

## A-REITS



**\$138m** AUM

## Domestic Real Assets



**\$27m** AUM

## Global Listed Infrastructure



**\$53m** AUM

\*AUM as at 30 April 2024 for all strategies



High quality relevant real estate



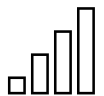
Liquidity



Inflation hedge : ↑ cashflows



Diversification

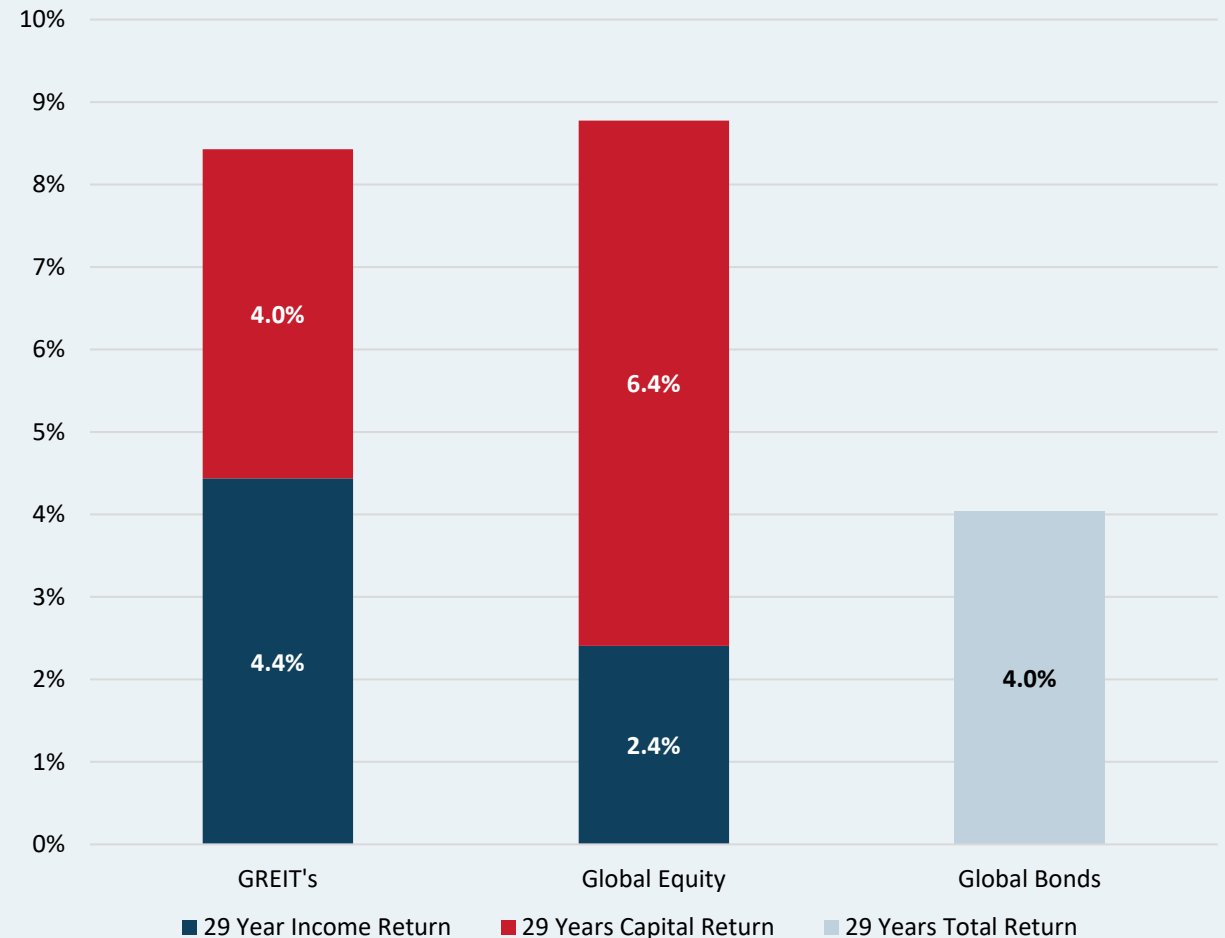


Sound balance sheets



Attractive relative valuation

## Building Wealth in your portfolio 29 Year Total Return of REITs v Equities v Bonds



As at 31 March 2024, AUD returns

GREITs – FTSE EPRA Nareit Developed Index, Global Equity – MSCI World Index, Global Bonds – Bloomberg Global Aggregate Bond Index

Illustrative only and not a recommendation to buy or sell any asset type.

**RETAIL**  
**19%**



**RESIDENTIAL**  
**22%**



**DATA CENTRES / TOWERS**  
**12%**



**LOGISTICS**  
**10%**



**HEALTHCARE**  
**12%**



Return to the store

Housing undersupply

Digitisation, AI

Supply chain  
realignment

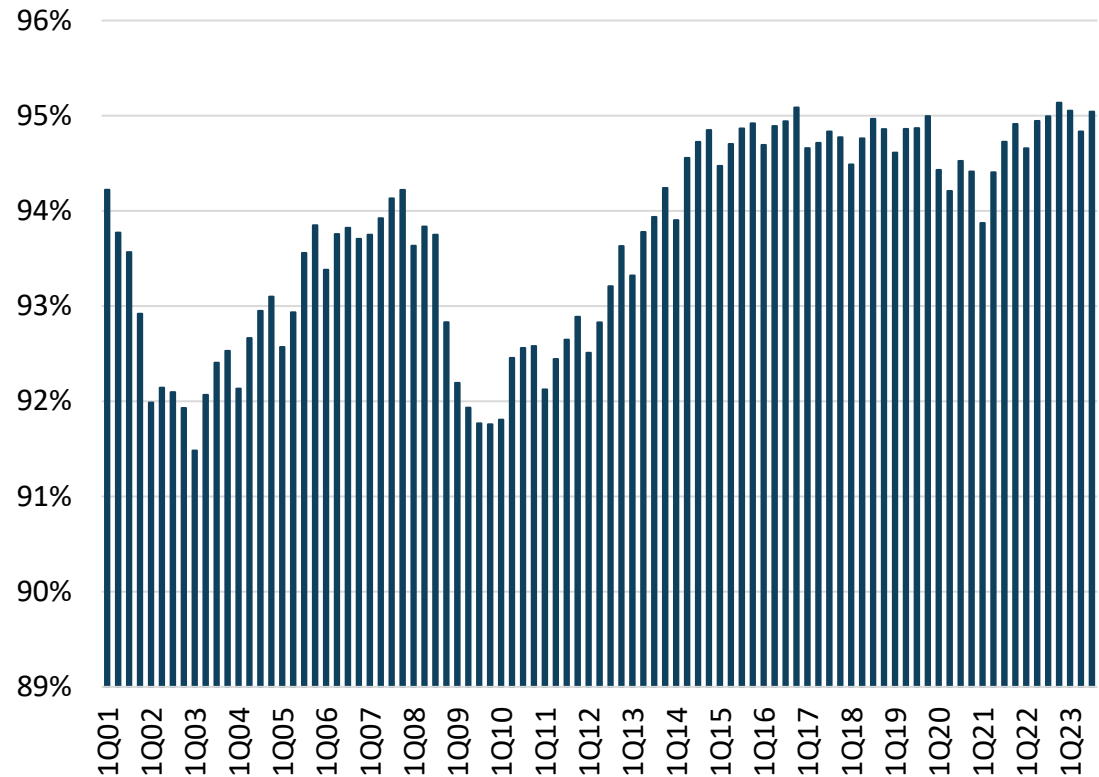
Ageing Population



NB: % represents the proportion of the sector in Resolution Capital Global Property Securities Fund (Managed Fund) as at 15 May 2024.  
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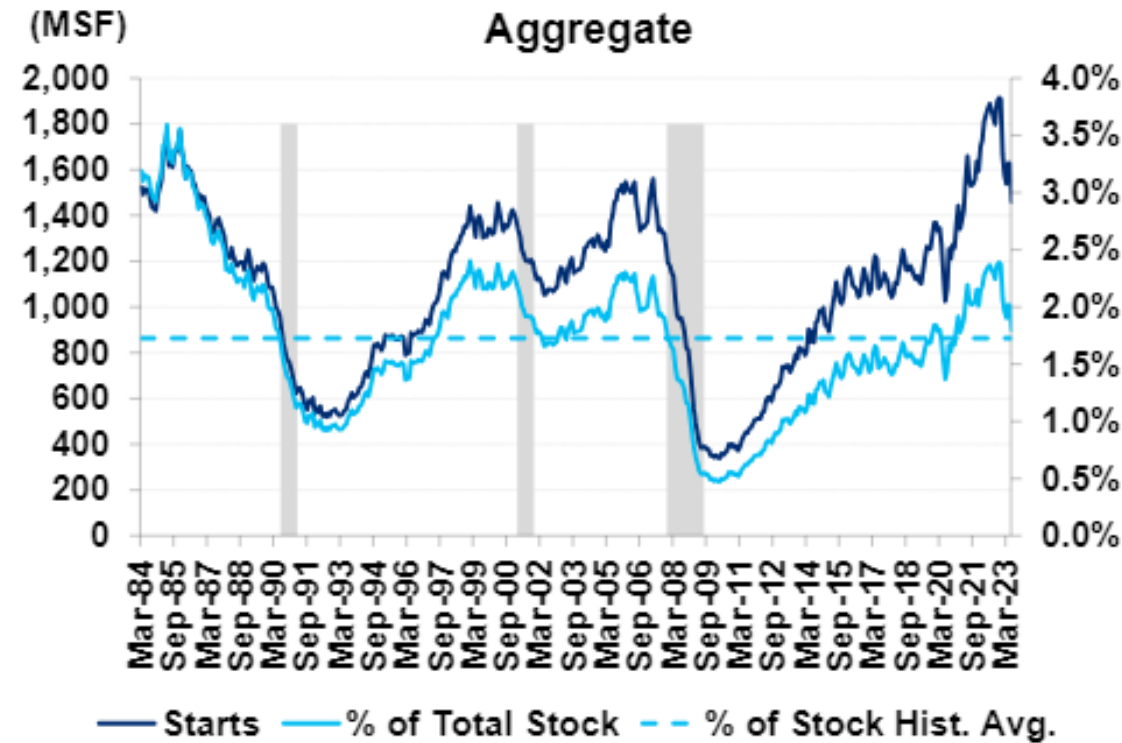


U.S. REIT Portfolio Occupancy – Record Highs



Source: Citi Research. 02/2024

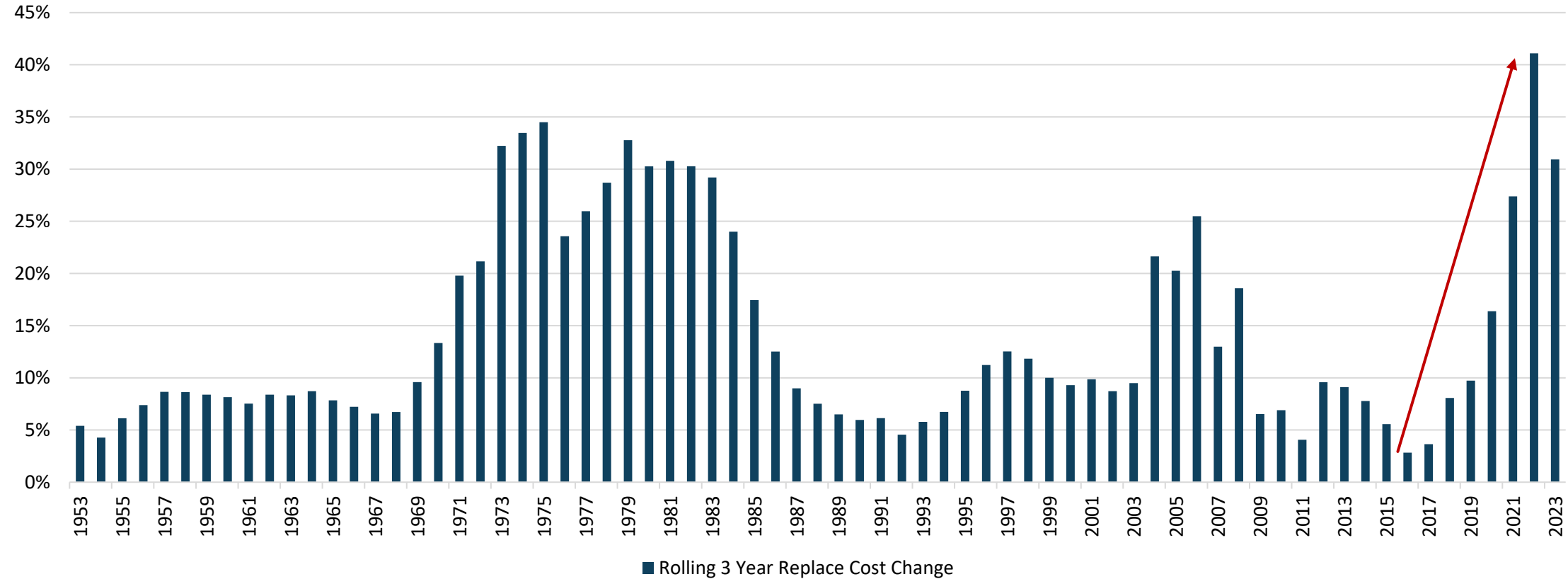
Moderate Supply  
U.S. Aggregate Construction Starts as % of Inventory



Source: Citi Research. 03/2024

- REITs superior assets and best in class operators
- Elevated supply logistics and sun-belt apartments (abating)

Rolling 3 Year Real Property Replacement Cost Trend



REIT prices imply trading  $\leq$  Building Replacement Costs

## REIT / Real Estate values approaching intrinsic value

- Building replacement costs have risen 30-40% since 2019
- Property values have declined 10-20%
- Rents have not risen by a commensurate amount

➡ Values are underpinned by physical bricks and mortar replacement costs

### Illustrative land value model

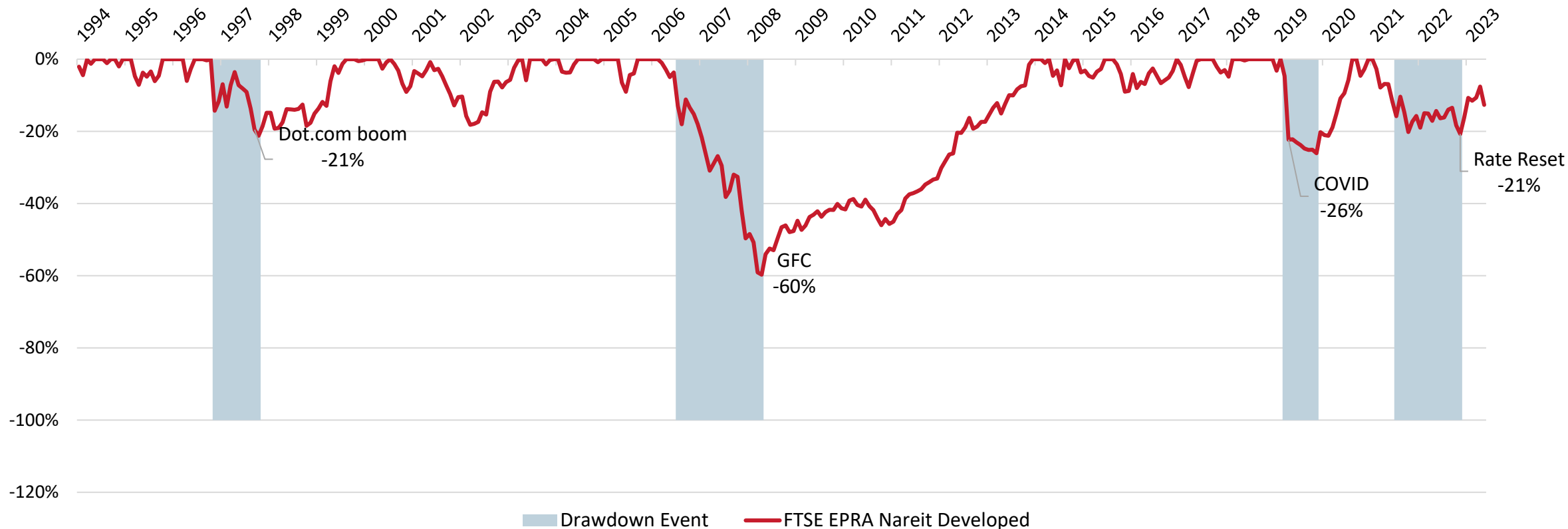
	2019	2024	Change
Property value	100	85	-15%
Building Cost	70	87.5	+25%
Residual Land Value	30	(2.5)	

← On average commercial property values down 10-20%

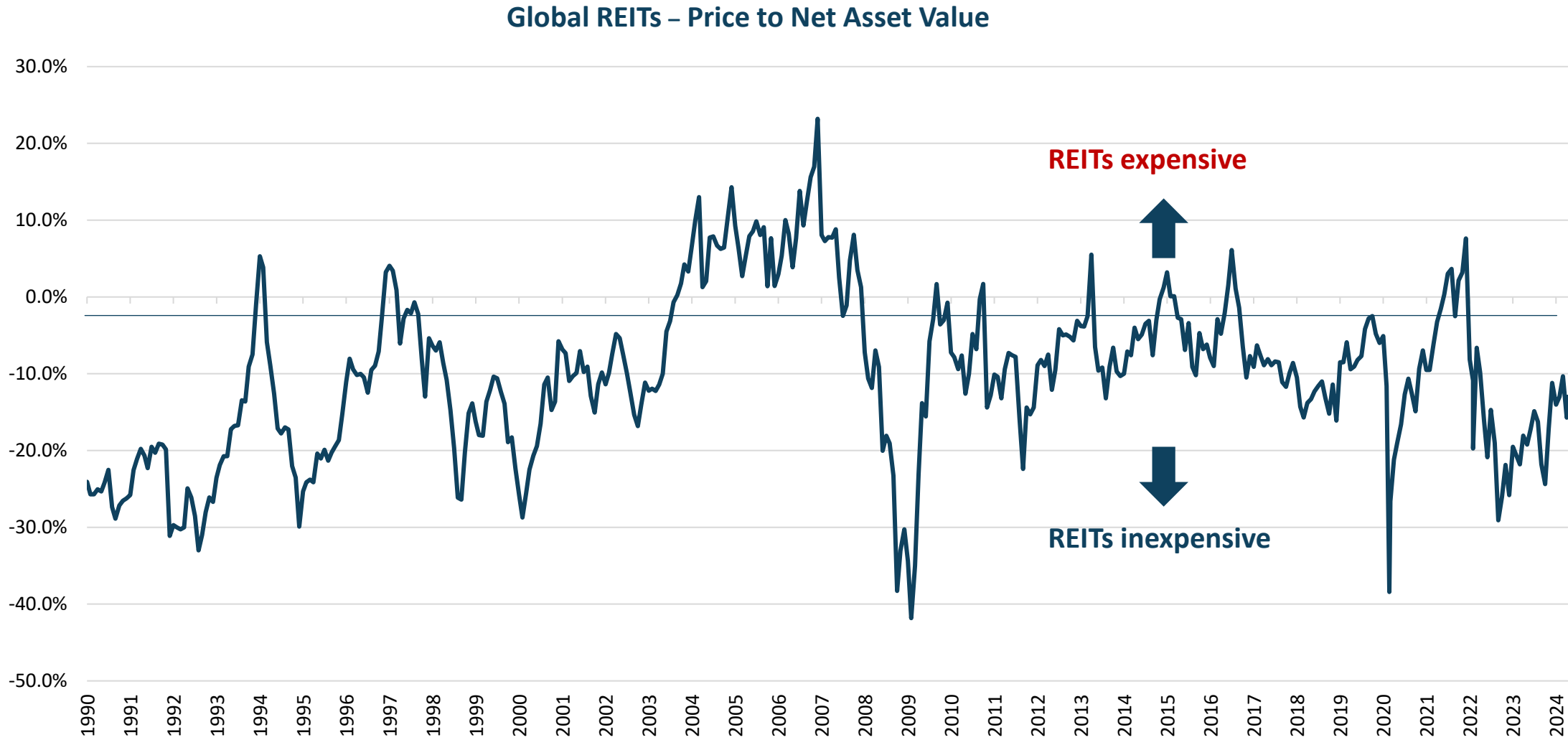
← 30-40% cost increase but allowing for depreciation

← Minimal implied land value

## Global REITs Drawdown

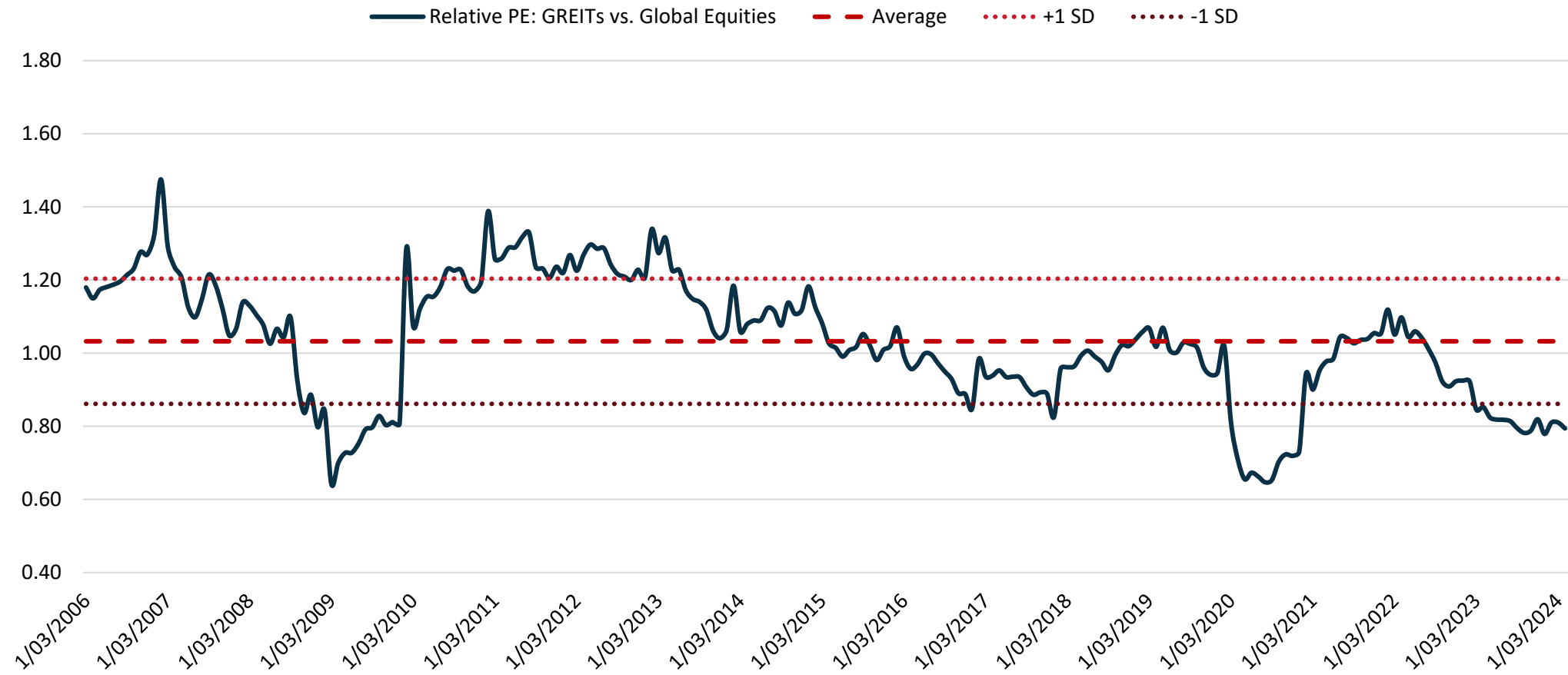


- **Market has corrected** (25% off highs)... Back to the “old normal”



Source: Resolution Capital, UBS Research 10/05/2024  
Illustrative only and not a recommendation to buy or sell any asset type.

Global REITs – PE Relative to Global Equities



Source: UBS, Datastream, Global Equities: MSCI World; Global REITs UBS data. 30/04/2024)

- ~€38bn<sup>1</sup> mall portfolio – highest quality in global context
- Concentrated in affluent cities in Europe, UK and US
- Peer leading like-for-like property income growth
  - 3 yr forecast 3.5% p.a.
  - 15.3% tenant occupancy cost ratio < 2019 level
  - 95% portfolio occupancy > 2019
- Proven redevelopment & significant densification potential
- New management driving balance sheet recapitalisation
  - Deleveraging via disposals / retained cash-flow
  - Interest rates fully hedged through Dec '26
  - Long-dated 7.5yr maturity profile
- Dividend re-instated and expected to grow meaningfully
  - 3.5% yield, very low payout of 26%
- Discounted valuation

## Westfield Stratford in London, United Kingdom

*A retail, entertainment, office and residential precinct*



## Mall of the Netherlands in the Hauge, Netherlands

*Development completed early 2021*



1) Resolution valuation

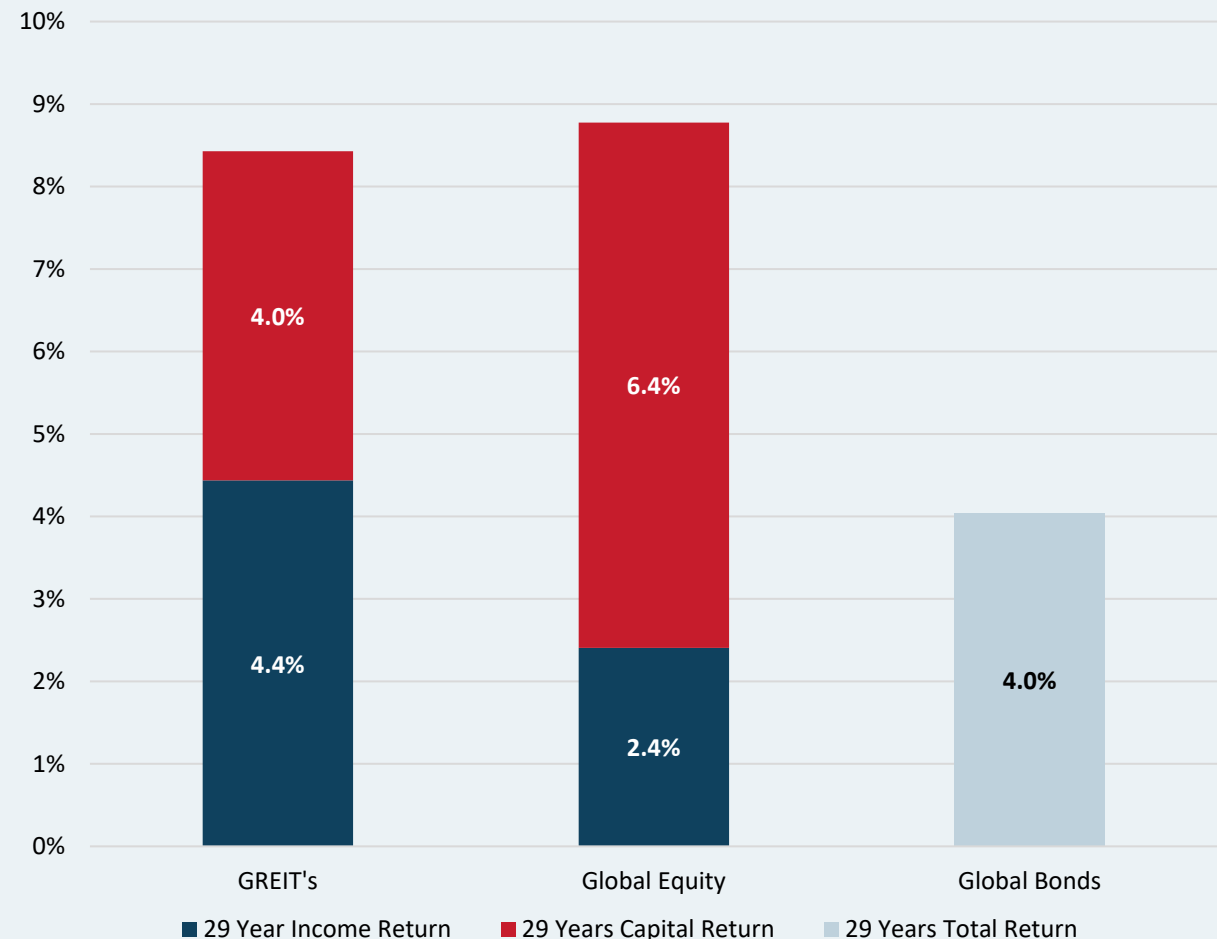
Source: Resolution Capital and Company data. 04/2024

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- **Discounted best-in-class management platforms**
  - Prices have corrected, factored in world post QE
- **Superior access to capital to take advantage of opportunities**
  - Moderate leverage, investment grade rated
  - Limited short/medium term refinance
  - Sustainable dividends
- **Development is not economic**
  - Rising replacement costs
  - Muted supply outlook
- **Operations sound**
  - Low overall vacancy rates
- **REITs are priced at intrinsic value**

### Building Wealth in your portfolio 29 Year Total Return of REITs v Equities v Bonds



As at 31 March 2024, AUD returns

GREITs – FTSE EPRA Nareit Developed Index, Global Equity – MSCI World Index, Global Bonds – Bloomberg Global Aggregate Bond Index  
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## Further Information:

### Global REIT Portfolio Managers

#### Andrew Parsons

Email: [andrew.parsons@rescap.com](mailto:andrew.parsons@rescap.com)

#### Marco Colantonio

Email: [marco.colantonio@rescap.com](mailto:marco.colantonio@rescap.com)

#### Robert Promisel

Email: [robert.promisel@rescap.com](mailto:robert.promisel@rescap.com)

#### Julian Campbell-Wood

Email: [julian.cwood@rescap.com](mailto:julian.cwood@rescap.com)

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