

Thriving in a Downturn



CHASE MARSHALL

Financial Adviser
KDM Financial & Estate Planning



GENE HERDER

Associate Director
Agilis Chartered Accountants



GARY DING

Senior Portfolio Manager
Macquarie Bank



Thriving in a Downturn

Presented by Gene Herder

Today's presenter

Gene Herder

Associate Director

Gene.Herder@agilisaccountants.com.au

07 3510 1500

0400 711 884



Disclaimer:

The information in this webinar is intended for educational purposes and is of a general nature only. It does not constitute legal or professional advice specific to your particular circumstances. We don't make any warranty, express or implied, and don't accept legal liability or responsibility for the accuracy, completeness, or usefulness of any information presented. We recommend contacting us or other suitable professionals for advice specific to your circumstances.

Thought of the day

“I’ve heard there’s going to be a recession.

I’ve decided not to participate.”

- Walt Disney

Agenda

1. The three freedoms in business.
2. ASIC's top Causes of Business Failure.
3. The 7 causes of poor cashflow.
4. Building risk management into your strategy.
5. Next Steps.
6. Q & A.



The Three Freedoms

We want to help you get more...

Mind

- Sleep easier
- Stress less at work and home
- Peace of mind

FREEDOM



- Have a life outside of work
- Prioritise sport / hobbies
- Be available for your family

Time

- Buy the pool / yacht
- Travel more
- Retire early

Financial

A lightbulb is shown in the bottom left corner, with numerous bright orange light trails swirling around it against a black background. The light trails are long and thin, creating a sense of motion and energy.

ASIC's top Causes of Business Failure

- Inadequate cashflow
- Poor strategic management of business
- Trading Losses
- Poor financial control
- Under capitalisation
- Lack of management reporting



The 7 causes of poor cashflow

- Reduce your debtor days - accounts receivable process
- Review supplier terms - accounts payable process
- Reduce your stock and work in progress
- Overheads too high, Gross profit margin too low, Sales too low
- Review your debt structure
- Revise your personal budget
- Create a new cashflow forecast

Building risk management into your strategy

- Business & risk management planning
- Managing bottlenecks and roadblocks
- Engaging team in the plan
- Managing and reporting KPIs
- Review mix of products or services – assess profitability
- Sales conversion & customer retention
- Competition & market place changes



Mitigating risk

NOW

Current Situation

- Lack of mind freedom (excessive stress)
- Cashflow issues
- Unclear direction
- Constantly 'fighting fires'
- Conflict (owners/team/customers/suppliers)



HOW

Best practice

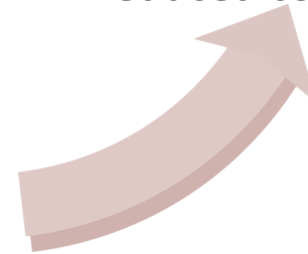
- Create & implement your Business Plan
- Review cashflow & implement new cashflow forecast
- Regularly review risks
- Get independent accountability



WHERE

Future Situation

- Mind freedom (reduced stress)
- Clear business & risk management plan
- Risks identified and mitigated
- Processes to address risk early
- Reduced conflict & better alignment



Actions and projects

Get started now!

- Write down three actions or projects that will add value to your business
- A problem is an opportunity to create a project
- Doing nothing should not be an option!



How we can help you

1. Business Planning
2. Cashflow Forecasting
3. Risk Management & Identification
4. Accountability Coaching

WHAT
DO YOU
MEAN
?

Questions?

Parting thought

“Never take your eyes off the cash flow because it’s the lifeblood of business.”

- Richard Branson



THANK YOU



KDM

financial · estate · lending

Thriving in a Downturn

From a Financial Planning
point of view



Chase Marshall

Financial Adviser

KDM Financial & Estate Planning



Disclaimer:

The information in this webinar is intended for educational purposes and is of a general nature only. It does not constitute legal or professional advice specific to your particular circumstances. We don't make any warranty, express or implied, and don't accept legal liability or responsibility for the accuracy, completeness, or usefulness of any information presented. We recommend contacting us or other suitable professionals for advice specific to your circumstances.

What is Financial Planning?

Wealth Accumulation

Investment
Superannuation
Debt Strategies

Wealth Protection

Personal Risk Insurances
Business Insurances
Asset Structuring

Wealth Transfer

Wills
Powers of attorney
Beneficiary nominations

3 Steps to Thrive in a Market Downturn



Wealth Accumulation



Focus on what you can control

- Tax efficiencies
- Low Fees
- Risk



Ignore Noise

- Media
- FOMO



Asset Allocation

- Growth
- Defensive

Focus on What You Can Control



TAX EFFICIENCY



FEES

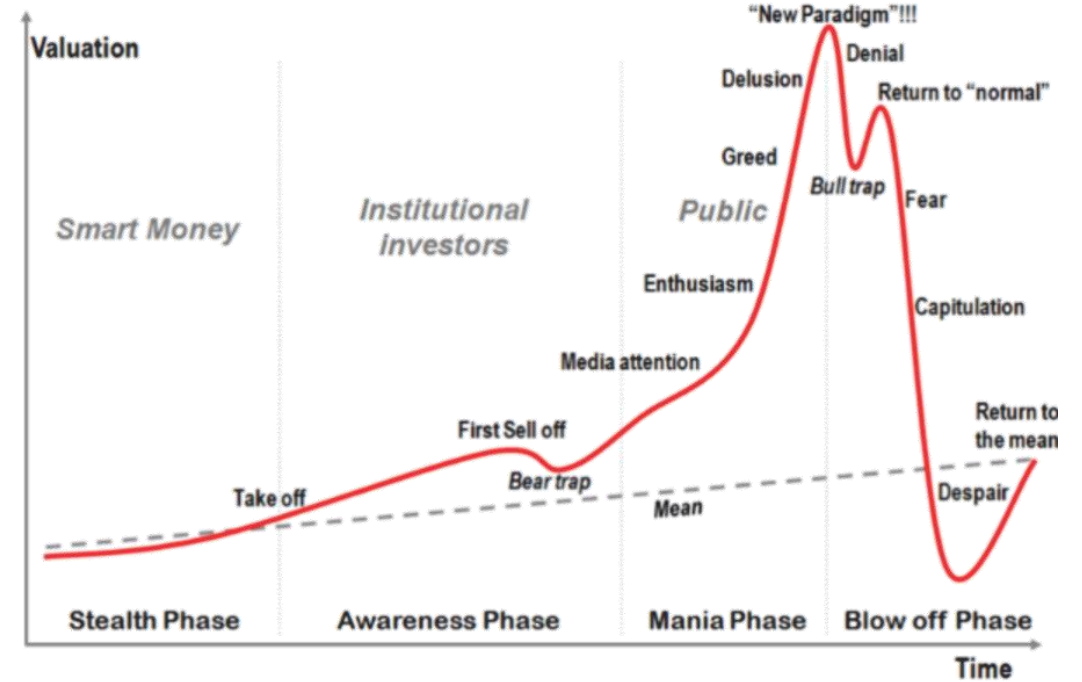


LEVEL OF RISK



ASSET ALLOCATION

Ignore Noise

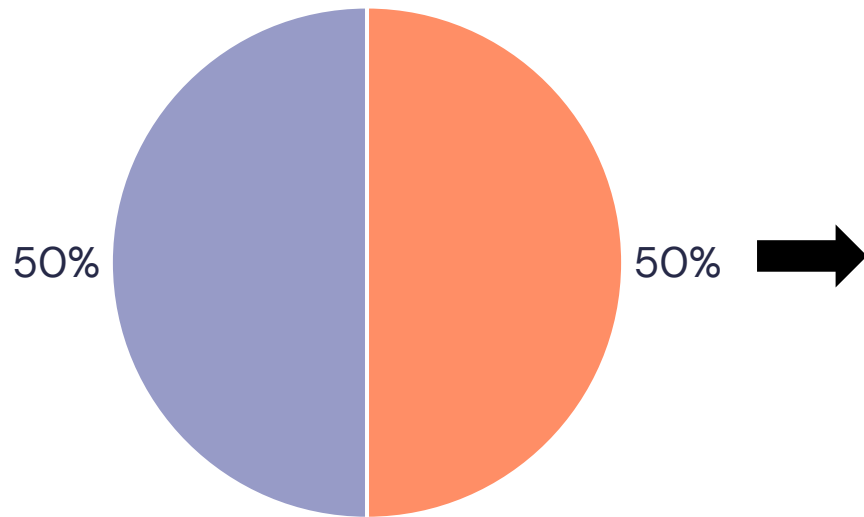


Asset allocation at a glance

	A	B	C	D	E
Risk Profile:	Defensive	Conservative	Balanced	Growth	High Growth
Asset allocation:					
Australian Shares	0%	12%	19%	27%	35%
International Shares	0%	12%	22%	32%	42%
Property	0%	6%	6%	7%	8%
Growth Alternatives	0%	0%	3%	4%	5%
Growth Assets	0%	30%	50%	70%	90%
Australian Bonds	35%	29%	20%	12%	4%
International Bonds	35%	29%	20%	12%	4%
Cash	30%	12%	10%	6%	2%
Defensive Assets	100%	70%	50%	30%	10%
Return Objectives (targeted long-term objective) – Inflation assumption: 2.5% pa:					
Objective above inflation	0.9%	2.2%	3.1%	3.9%	4.6%
Absolute return objective	3.4%	4.7%	5.6%	6.4%	7.1%
Suggested minimum timeframe in years:					
Years:	0 to 2	2	4	6	8
Best, worst and average of any 1-year rolling return:					
Best:	10.1%	13.8%	17.2%	23.0%	28.1%
Worst:	0.7%	-6.5%	-13.3%	-21.8%	-26.9%
Average:	5.3%	6.1%	6.3%	6.5%	6.7%

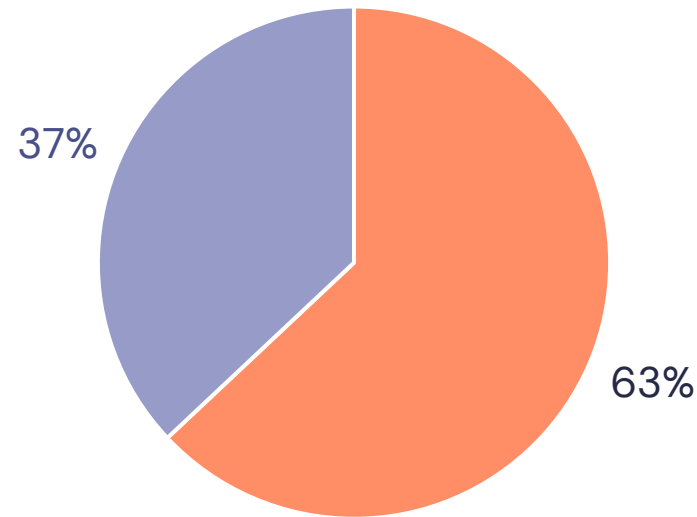
Rebalancing

Balanced Allocations



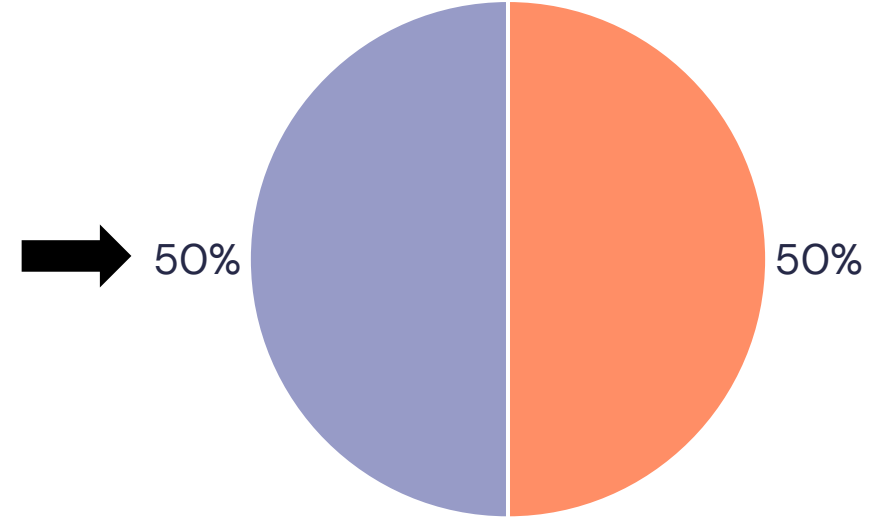
■ Growth ■ Defensive

Allocations Deviate



■ Growth ■ Defensive

Rebalanced Allocations



■ Growth ■ Defensive

Wealth Protection



Protect You

- Bucket Strategy
- Income Protection
- TPD



Protect your family

- Life insurance



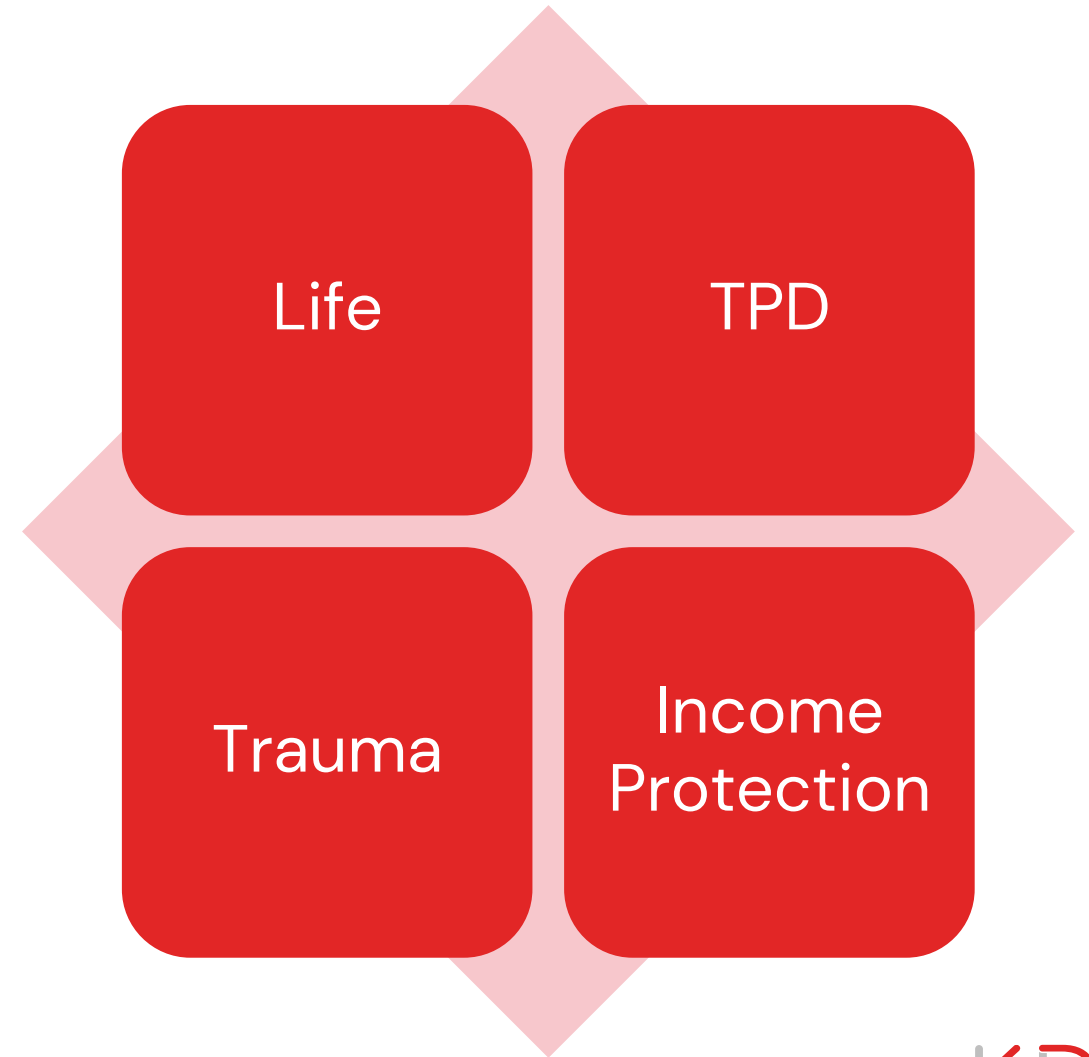
Protect your business

- Key Man
- Business expenses

Bucket Strategy (asset allocation)



Personal Risk Insurances





Case Study





Questions?



KDM
financial · estate · lending

Thank you!



KDM
financial · estate · lending

MACQUARIE ASSET MANAGEMENT

Thriving in a downturn

Gary Ding, Senior Portfolio Manager

Prepared for KDM | March 2023



Important information

This document has been prepared by Macquarie Investment Management Global Limited ABN 90 086 159 060 AFSL No. 237843 (MIMGL). MIMGL is part of the Macquarie Group of Companies. This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.

Future results are impossible to predict. This presentation contains opinions, conclusions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements.

Past performance information shown herein, is not a reliable indicator of future performance.

No representation or warranty, express or implied, is made as to the suitability, accuracy, currency or completeness of the information, opinions and conclusions contained in this presentation. In preparing this presentation, reliance has been placed, without independent verification, on the accuracy and completeness of information available from external

sources. To the maximum extent permitted by law, no member of the Macquarie Group nor its directors, employees or agents accept any liability for any loss arising from the use of this presentation, its contents or otherwise arising in connection with it.

Other than Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank"), any Macquarie Group entity noted in this material is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these other Macquarie Group entities do not represent deposits or other liabilities of Macquarie Bank. Macquarie Bank does not guarantee or otherwise provide assurance in respect of the obligations of these other Macquarie Group entities. In addition, if this document relates to an investment, (a) the investor is subject to investment risk including possible delays in repayment and loss of income and principal invested and (b) none of Macquarie Bank or any other Macquarie Group entity guarantees any particular rate of return on or the performance of the investment, nor do they guarantee repayment of capital in respect of the investment.

Bloomberg Finance L.P. and its affiliates (collectively, 'Bloomberg') are not affiliated with Macquarie and do

not approve, endorse, review, or recommend the Funds in this presentation. Bloomberg and the Bloomberg AusBond Index <or Indices> referred to in this presentation are trademarks or service marks of Bloomberg and have been licensed to Macquarie. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Bloomberg AusBond Index <or Indices> referred to in this presentation.

Reflecting on 2022

It has been a challenging year for households and investors

Global equity markets

-18%

during 2022

Australian inflation⁺

+7.8%

At end of 2022

Global bond markets

-12%

during 2022

Cash rate

+3.1%

At end of 2022



*Global equity market return to 31 December 2022 of MSCI World ex-Australia ex-Tobacco Hedged Net Total Return Index; ^Global Bond market return to 31 December 2022 of Bloomberg Barclays Global Aggregate. +Australian inflation refers to is defined as the Consumer Price Index (CPI) as measured by the Reserve Bank of Australia Trimmed Mean, as published by the Australian Bureau of Statistics. Reserve Bank of Australia Cash Rate as at 7 December 2022. Source: Bloomberg, Macquarie

This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.

Inflation is becoming quite a problem...

Inflation has moved to the stickier part of the economy

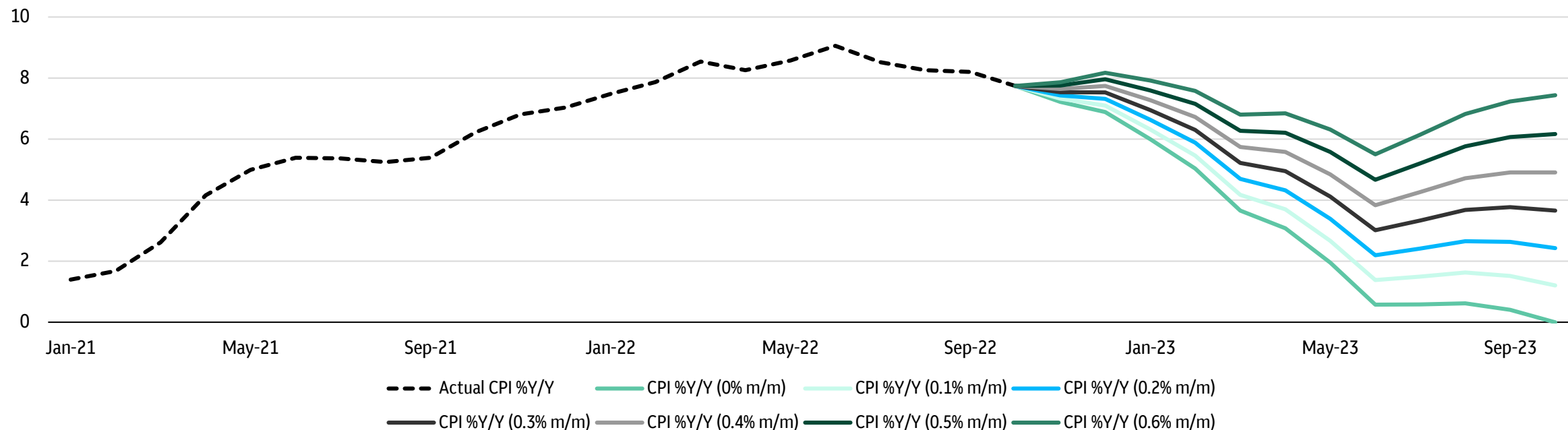
- Labour market shortages → Wage rising → Service inflation (wage)
- Russia-Ukraine war → Energy and food supply interruption
- Climate change → Energy and food supply interruption

Inflation is likely to be stubbornly high for awhile

- Price of goods are coming down...but?
- Rental prices are expected to comedown...when?

Inflation paths – looks to be moderating, but may remain volatile

Inflation Paths (post Dec-22 CPI)



Source: Bloomberg

This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.

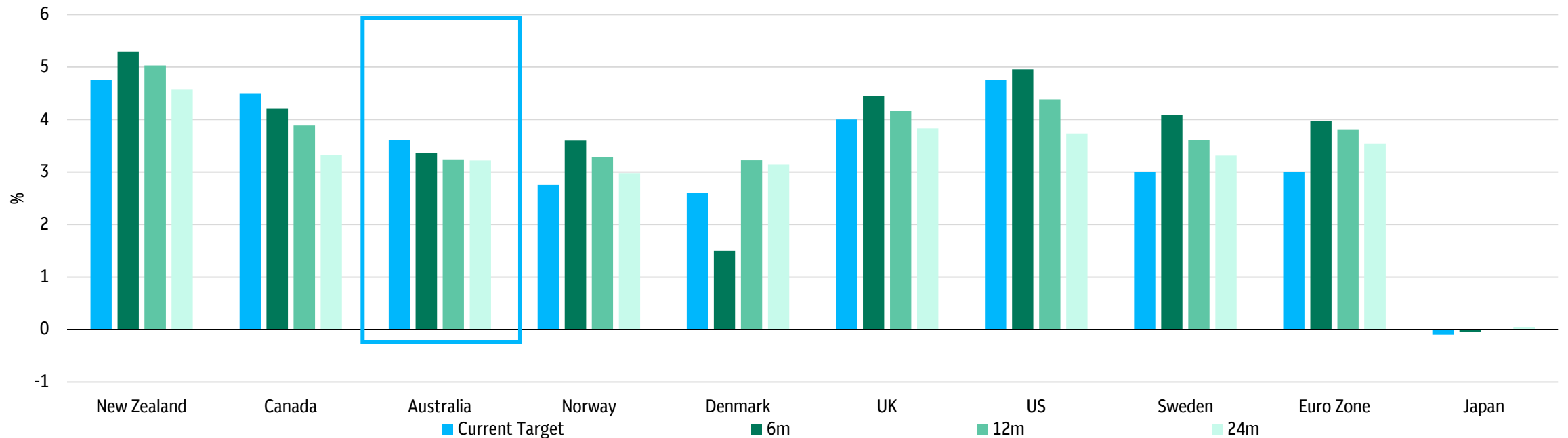


Q: Are interest rates going to keep on rising?

Q: Are defensive assets going to struggle more?

Are interest rates going to keep on rising?

Market pricing of developed market central banks



Source: Bloomberg, March 2022.

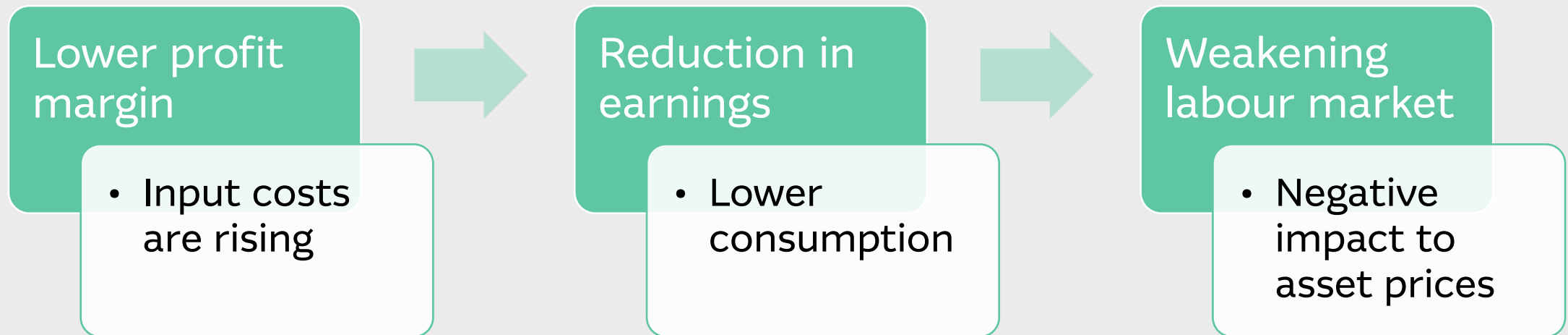
This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.



Q: What is the economic impact of high inflation and higher interest rates?

High inflation and higher interest rates, what is the result?

Asset prices will likely be negatively impacted



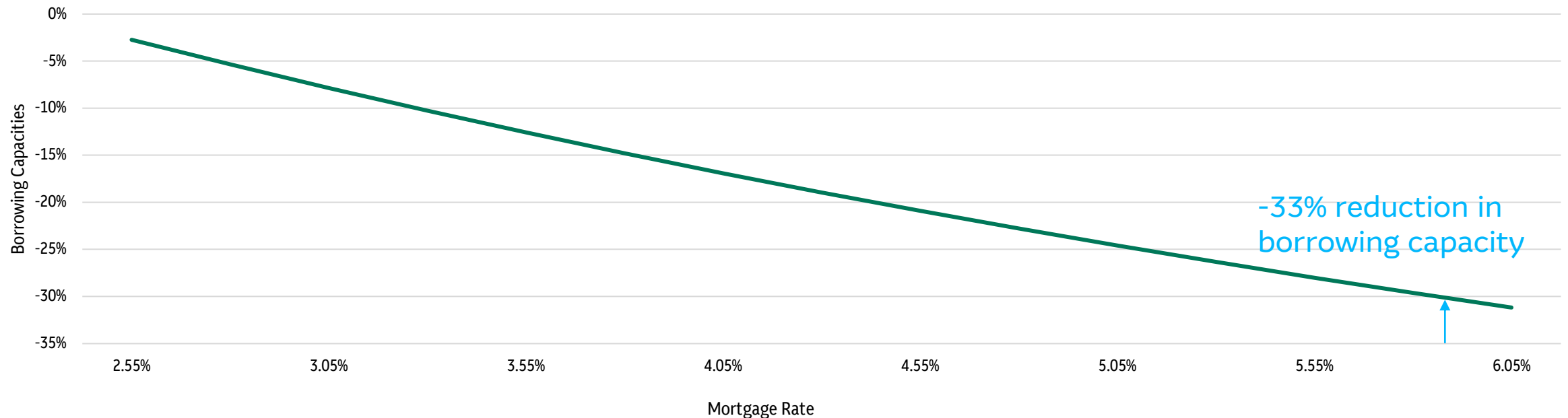


Q: What is the impact of higher interest rates on the housing market?

Areas to watch – reduction in borrowing capacity as well as unemployment

With 3.6% cash rate , equating to approximately a 5.8% mortgage rate

Mortgage rate vs max loan size (% decline)



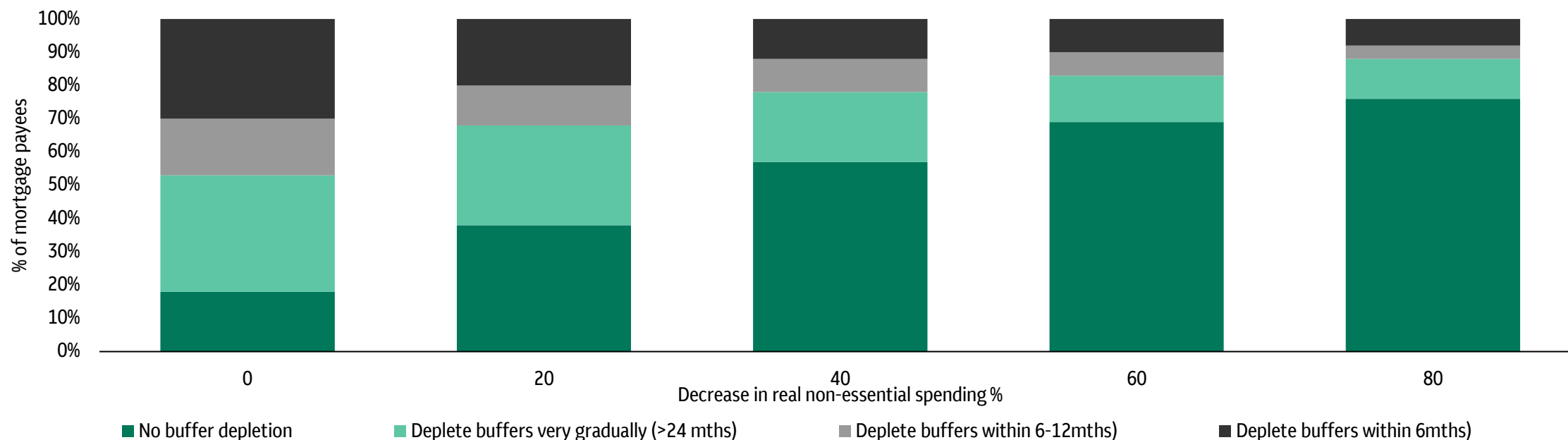
Source: Macquarie, Bloomberg, 2022.

This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.

Monetary Policy: Negative Impact on Household Incomes

“The Board expect that a further increase in interest rates will be needed over the months ahead” – Reserve Bank of Australia

Distribution of Time until Buffers are Depleted



Source: Reserve Bank of Australia, RBA Securitisation System, Australian Bureau of Statistics, CoreLogic

This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.



Q: Investment implications

Asset allocation outlook

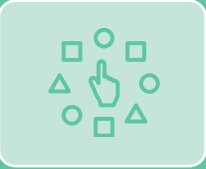
Macro outlook


- 1 Recession
- 2 Hiking cycle continues to slow (likely to pause)
- 3 Central banks will only pivot once significant financial and economic stress occurs


Implications for financial markets?

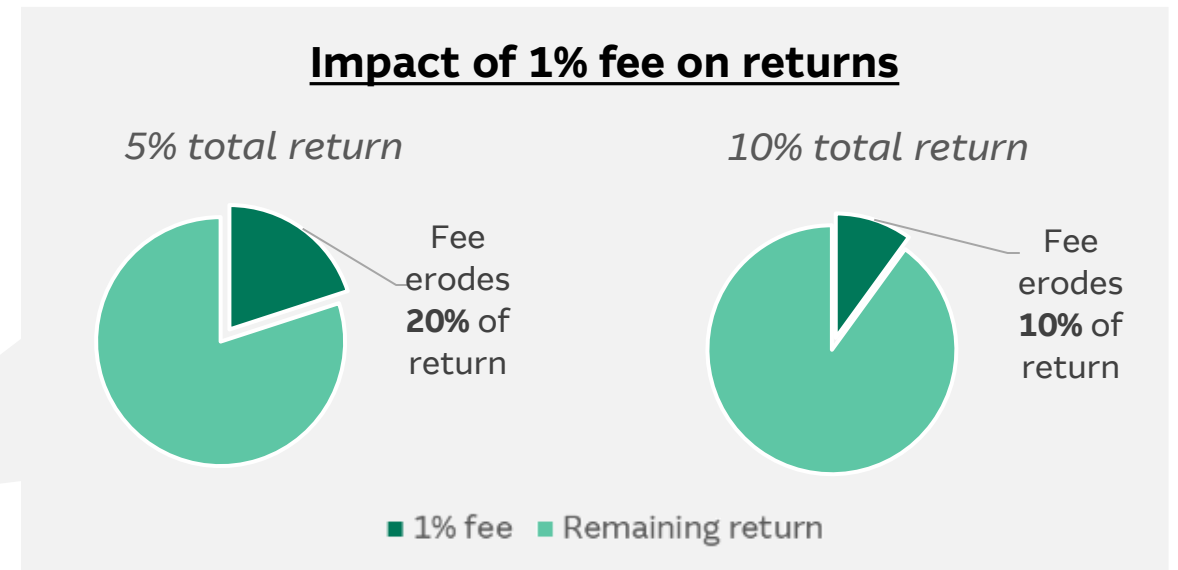
- All asset class **returns will remain volatile**
- Expect **negative return in equities**
- Anticipate **higher income from fixed income** assets will likely be a key contributor to return
- **Monetary policy easing** will present a **strong signal to equity market rebound**

Important considerations for portfolios

 **Diversified**
• Better risk-adjusted outcome

 **Cost effective**
• Pay attention to investment costs

 **Expert asset allocation**
• Flexibility in portfolio asset allocation is important to help navigate a rising volatility environment





MACQUARIE ASSET MANAGEMENT

Questions?

This is general information only and does not take account of the investment objectives, financial situation or needs of any person. It is not investment advice and should not be relied upon in making any investment decision.



Closing Remarks

