

KDMM

financial · estate · lending

Economic Update

24 August 2023



Visit Our Website
kdmfinancial.com.au





Market Update

**Jamie Nicol
(DNR Capital)**

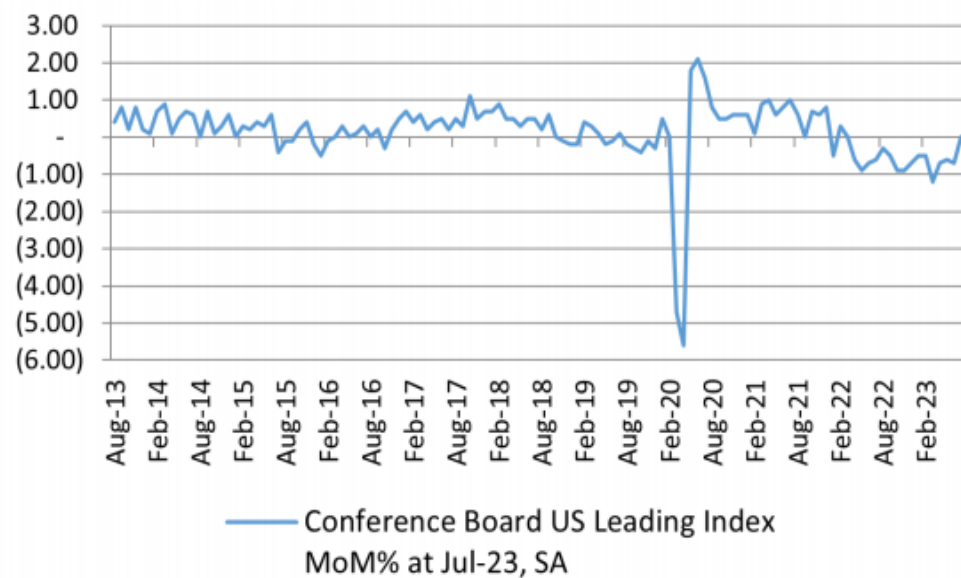


Market Update

This document is intended for financial advisers and researchers only. DNR Capital does not authorise distribution to retail investors. © DNR Capital 2023.

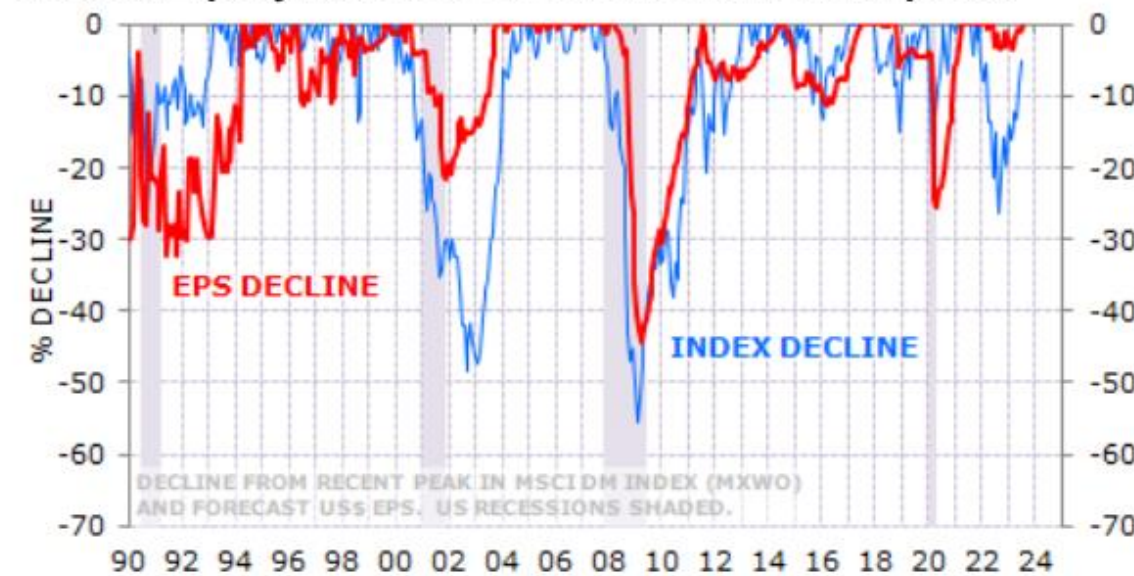
The economy has surprised to the upside

US leading indicators



Source: FactSet, DNR Capital

Global Equity Index & EPS drawdown from peak

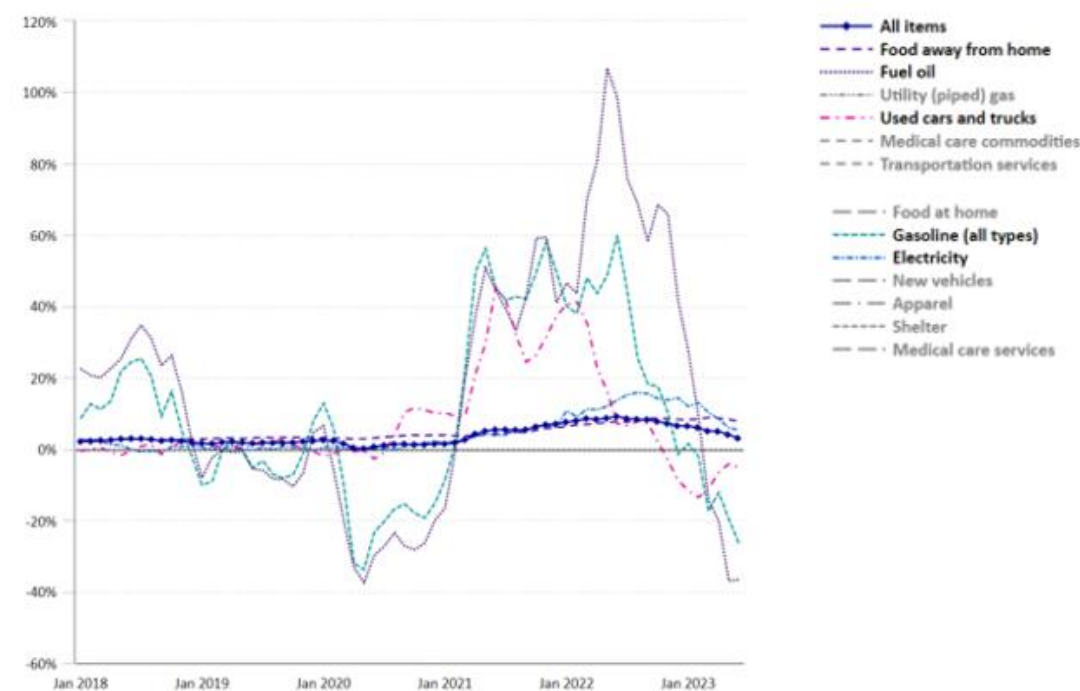


Source: FactSet, DNR Capital

- We have been waiting for the economy to stagger in the face of a substantial lift in interest rates.
- Globally it has remained surprisingly resilient.
- Unemployment has remains low.
- Confidence has begun to rebound in the US raising the possibility of a softer landing for the economy.
- Earnings have held up better than expected and the market has bounced as a result.

Inflation easing but remains sticky

12-month change CPI for All Urban Consumers, by expenditure category, January 2018 – June 2023, not seasonally adjusted



Source: U.S Bureau of Labor Statistics

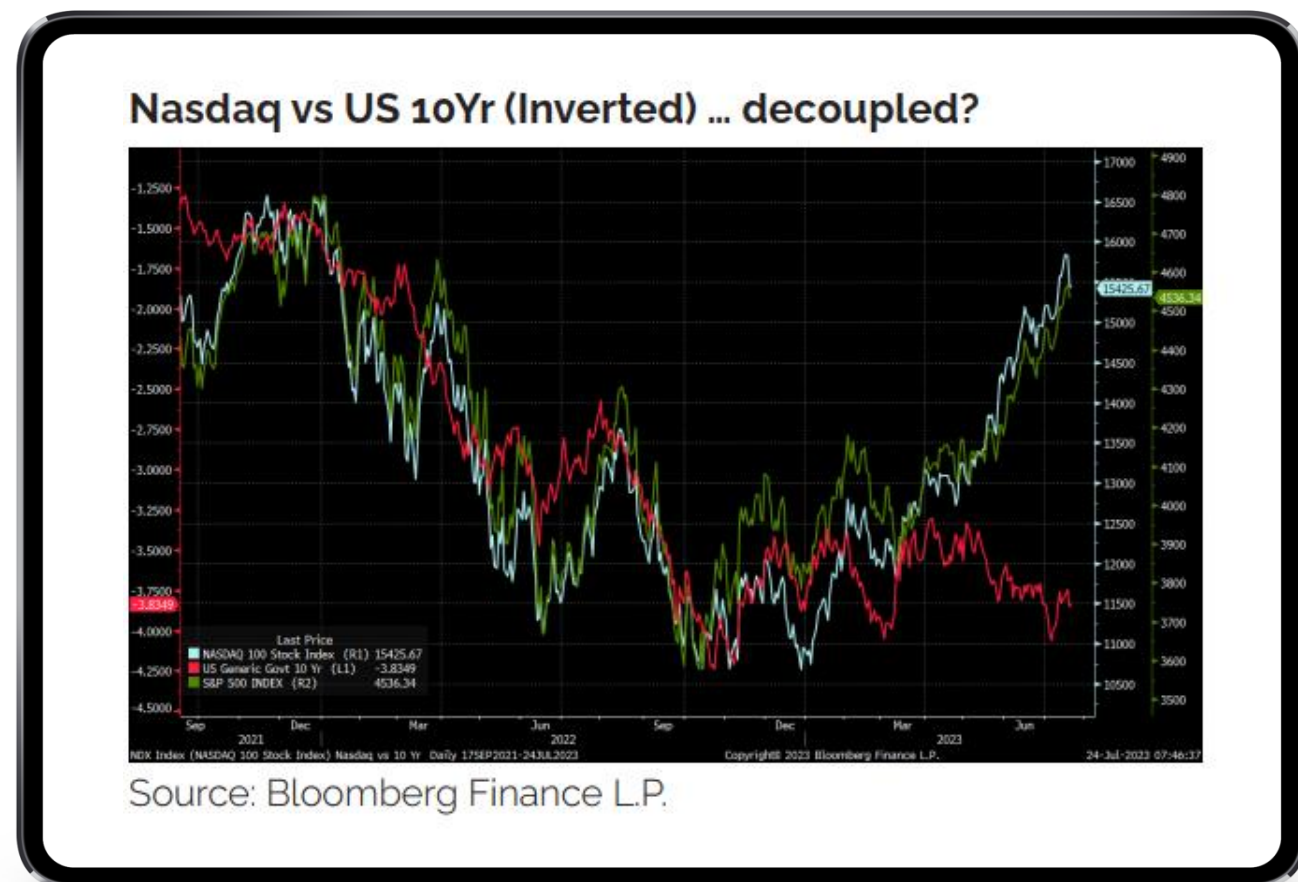
Increase in US Manufacturing Construction



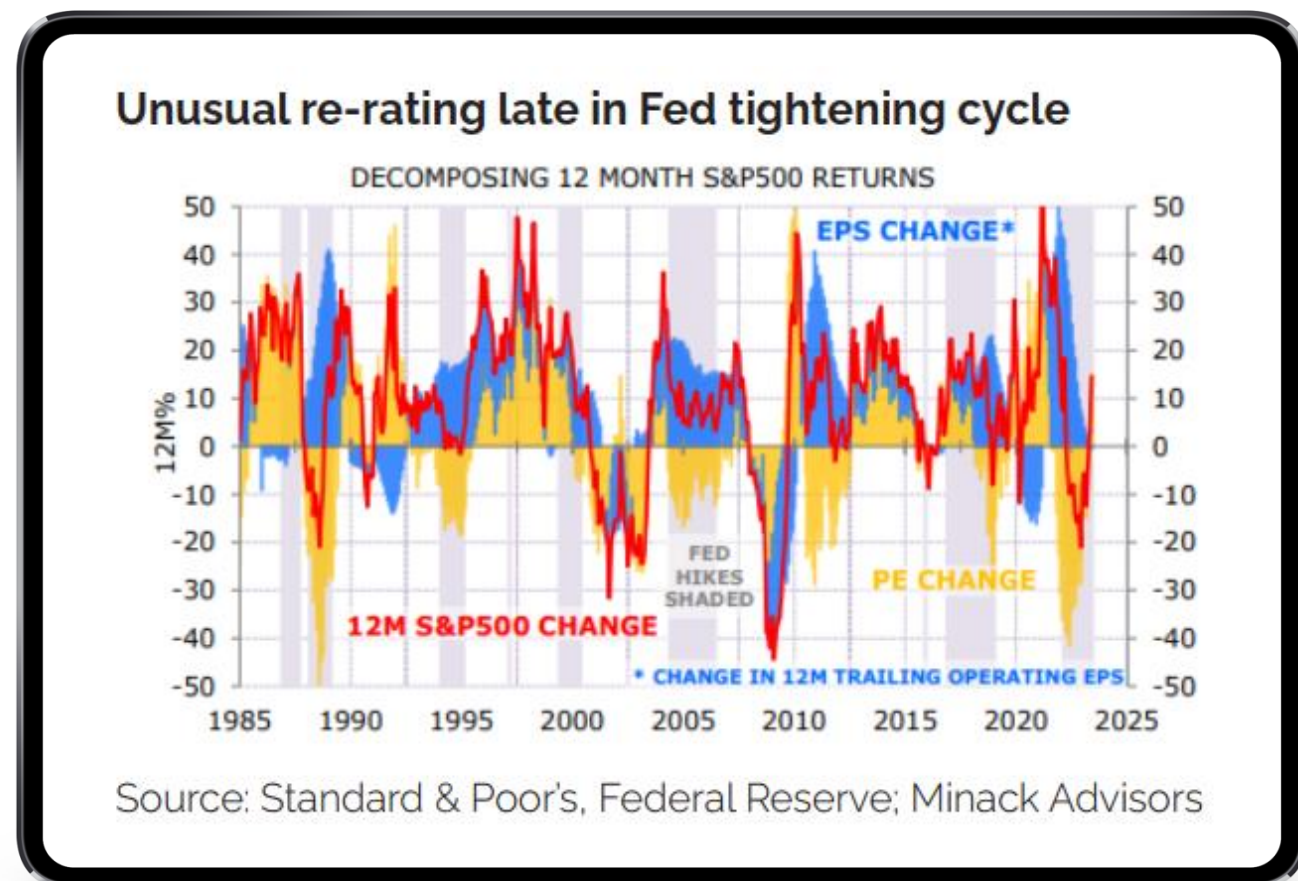
Source: FactSet, DNR Capital

We continue to see a positive and negative drivers of inflation:

- Ageing population should cause softening demand in spending over time.
- The trend for onshoring drives move manufacturing into higher cost regions.
- Technology innovation such as artificial intelligence (AI) should improve productivity.
- The ongoing spend as we transition to a net zero.



- Despite bond yields rising, the Nasdaq in particular has displayed strength in response to excitement regarding AI.
- The entirety of the global and US equity rallies has been about higher valuations.
- Over the last 25 years only twice have we seen more year-to-date multiple expansion.



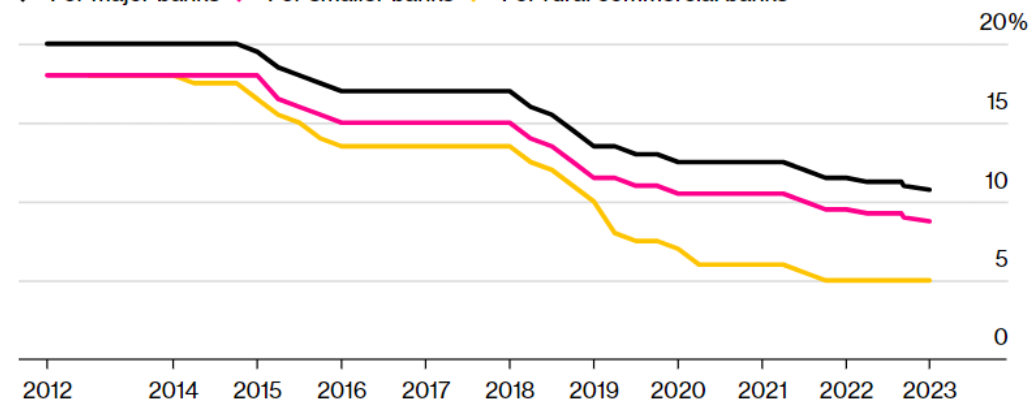
- The direction of inflation has been important driver of market multiples.
- If later this year the market begins to see inflation remaining stickier, then it is likely to impact valuations particularly of growth stocks.
- A recession is not priced but nor is a soft landing: if the Fed can get inflation back to target without a recession, then there is likely to be substantial equity upside.
- We see interesting opportunities to buy quality businesses that have de-rated.
- We continue to have some balance across the portfolio given the broader uncertain climate.

China reopening has been disappointingly weak

RRR Cut

The PBOC reduces most banks' required reserves by 25 basis points

For major banks / For smaller banks / For rural commercial banks



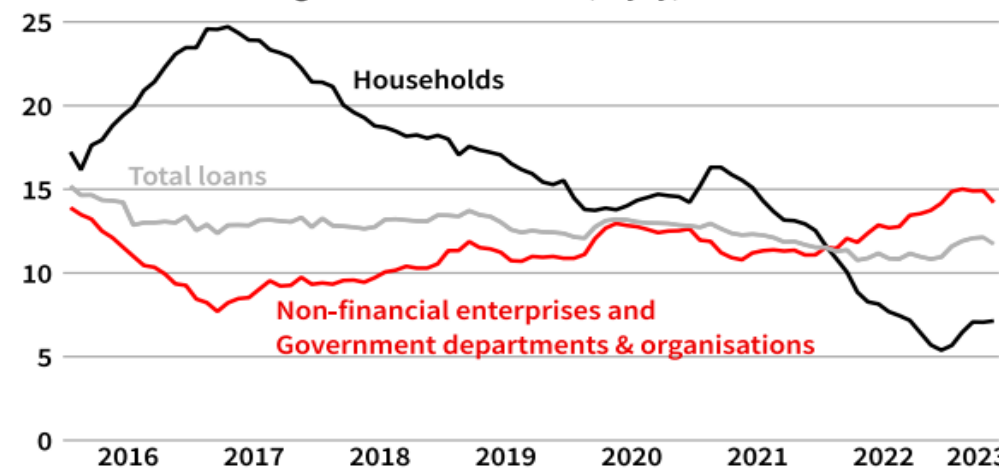
Source: People's Bank of china

Source: Bloomberg

Bank lending

Rebound in lending to households may have run out of momentum

Growth in outstanding domestic bank loans (% yoy)



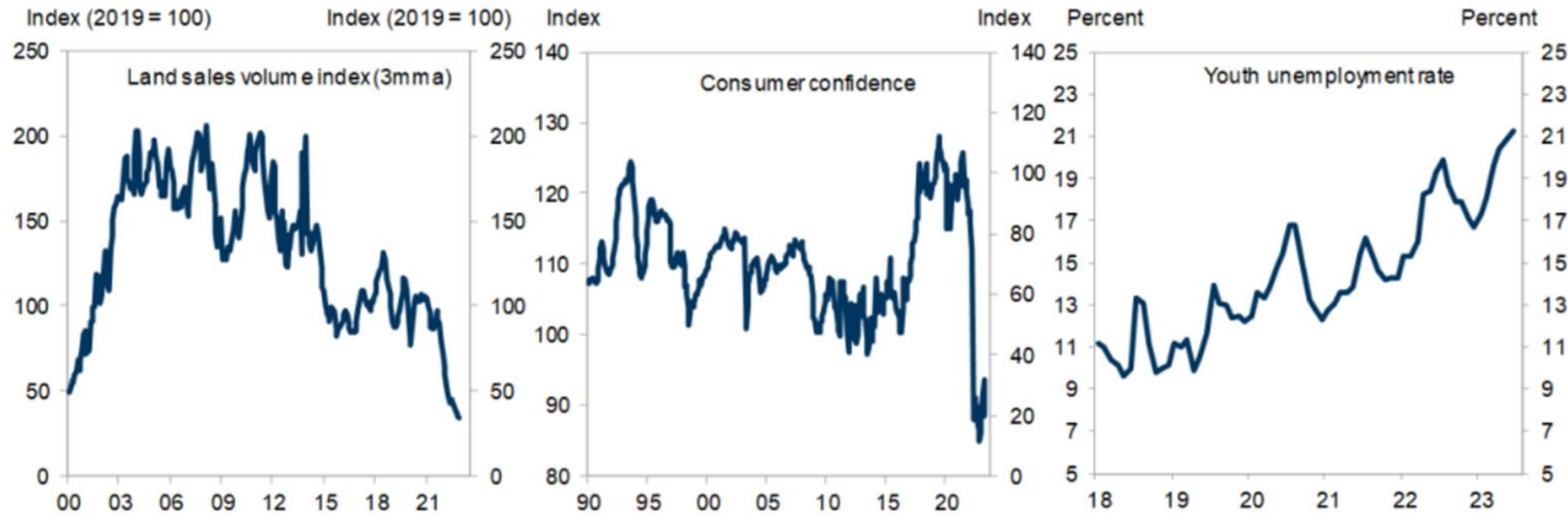
Sources: Macrobond, NAB Economics

Source: NAB

- The PBoC has cut the reserve ratio but has failed to stimulate mortgage growth
- Central to the Chinese economy is property, and housing start very been weak
- Australia highly leverage to the future response, or lack thereof, from the Chinese policy makers.
- The standard playbook of fiscal stimulus is more difficult given existing leverage

China has stopped publishing certain data points

Exhibit 7: The NBS stopped publishing data on falling land sales, subdued consumer confidence, and the elevated youth unemployment rate



Portfolio positioning

High Conviction

Opportunity	Example portfolio holdings
<p>Market leaders Franchise companies taking share</p>	
<p>Defensive With bottom up drivers</p>	
<p>Bottom up / value</p>	
<p>Commodities exposure</p>	

Australian Equities

High Conviction Portfolio

Gross annualised performance
as at 31 July 2023

	1mth	3mth	1yr	3yr	5yr	7yr	10yr	15yr	Inception*
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
DNR Capital	3.82%	3.17%	12.00%	17.85%	10.47%	11.24%	11.76%	11.10%	12.44%
S&P/ASX 200 Total Return Index	2.88%	2.04%	11.67%	11.99%	7.47%	8.44%	8.32%	7.19%	9.01%
Outperformance	0.94%	1.13%	0.33%	5.86%	3.00%	2.80%	3.44%	3.91%	3.43%
Tracking error	n/a	n/a	2.93	4.65	5.39	4.82	4.55	4.38	4.69
Information ratio	n/a	n/a	0.11	1.26	0.56	0.58	0.76	0.89	0.73

*Since Inception date October 2002

Past performance is not an indication of future performance. No allowance has been made for taxation and fees are not taken into account.



IMPORTANT NOTE: This document has been prepared and issued by DNR Capital Pty Ltd, AFS Representative - 294844 of DNR AFSL Pty Ltd ABN 39 118 946 400, AFSL 301658. It is general information only, is not intended to provide you with financial advice, and has been prepared without considering your objectives, financial situation or needs. A DNR Capital managed account can only be invested upon completing all the required documentation. You should consider the DNR Capital managed account opening documentation before making any investment decisions. The account opening documentation is obtainable for free by calling DNR Capital on 07 3229 5531. If you require financial advice that considers your personal objectives, financial situation or needs, you should consult a licensed or authorised financial adviser. This information is only as current as the date indicated and may be superseded by subsequent market events or for other reasons. To the extent permitted by law, no liability is accepted for any loss or damage due to reliance on this information. All investments contain risk and may lose value.

DNR Capital does not guarantee the performance of any portfolio or the return of an investor's capital. DNR Capital does not give any representation or warranty as to the reliability or accuracy of the information contained in this document. If you have invested in the portfolio via an investor-directed portfolio service, managed account service or separately managed account ('Portfolio Service'), you can obtain information from the Portfolio Service operator. You should read the disclosure document for that Portfolio Service and consider your circumstances before investing. Different terms may apply to your investment if you invest via a Portfolio Service.

Investment returns relate to the relevant DNR Capital model portfolio. No allowance has been made for taxation, and fees have not been taken into account. The performance of an investment in this model portfolio through a Portfolio Service may have different returns resulting from differing policies and procedures at other Portfolio Service operators. **Past performance is not indicative of future performance.**

Any opinions, forecasts, estimates or projections reflect judgments of the investment manager, DNR Capital, as of the date of this document and are subject to change without notice. Rates of return are not guaranteed, and any forecasts, estimates or projections as to future returns should not be relied on, as they are based on assumptions that may or may not be correct. Actual returns could differ significantly from any forecasts, estimates or projections provided. **Past performance is not a reliable indicator of future performance.**



Property Update

**Michael Watson
(La Trobe Financial)**



LA TROBE FINANCIAL
**ECONOMIC & RESIDENTIAL
PROPERTY UPDATE**
KDM FINANCIAL

August 2023



Michael Watson

Michael joined La Trobe Financial's Melbourne office in May 2013 and currently holds the role of Director, Head of Distribution.

With twenty years experience, Michael's career has included leading teams across the diverse disciplines of credit, operations and distribution. At La Trobe Financial, Michael's roles have focussed on the strategic growth of the La Trobe Australian Credit Fund across each of its distribution channels. Michael presents to local and international groups on a range of topics and is a regular contributor to trade publications.

Michael has completed an MBA, a Bachelor of Business (Economics & Marketing), a Diploma of Financial Planning and a Certificate IV in Mortgage Broking.

AGENDA

Item	Page
Business Summary	3
Economic Update	4
Residential Property	8
Product Update	12

BUSINESS SUMMARY

\$17 billion

Assets Under Management

500+

employees

One of the
Broadest
Product Ranges

Asia-Pacific's
**Best Wealth
Manager**

**2022 Strategic
Partnership**

La Trobe
financial

NYSE Listed
USD \$725bn

Brookfield

7+ Decades

of service

240,000+

customers
since 1952

\$85 billion

loan originations backed
by retail and institutional
mandates

85+
awards

3x

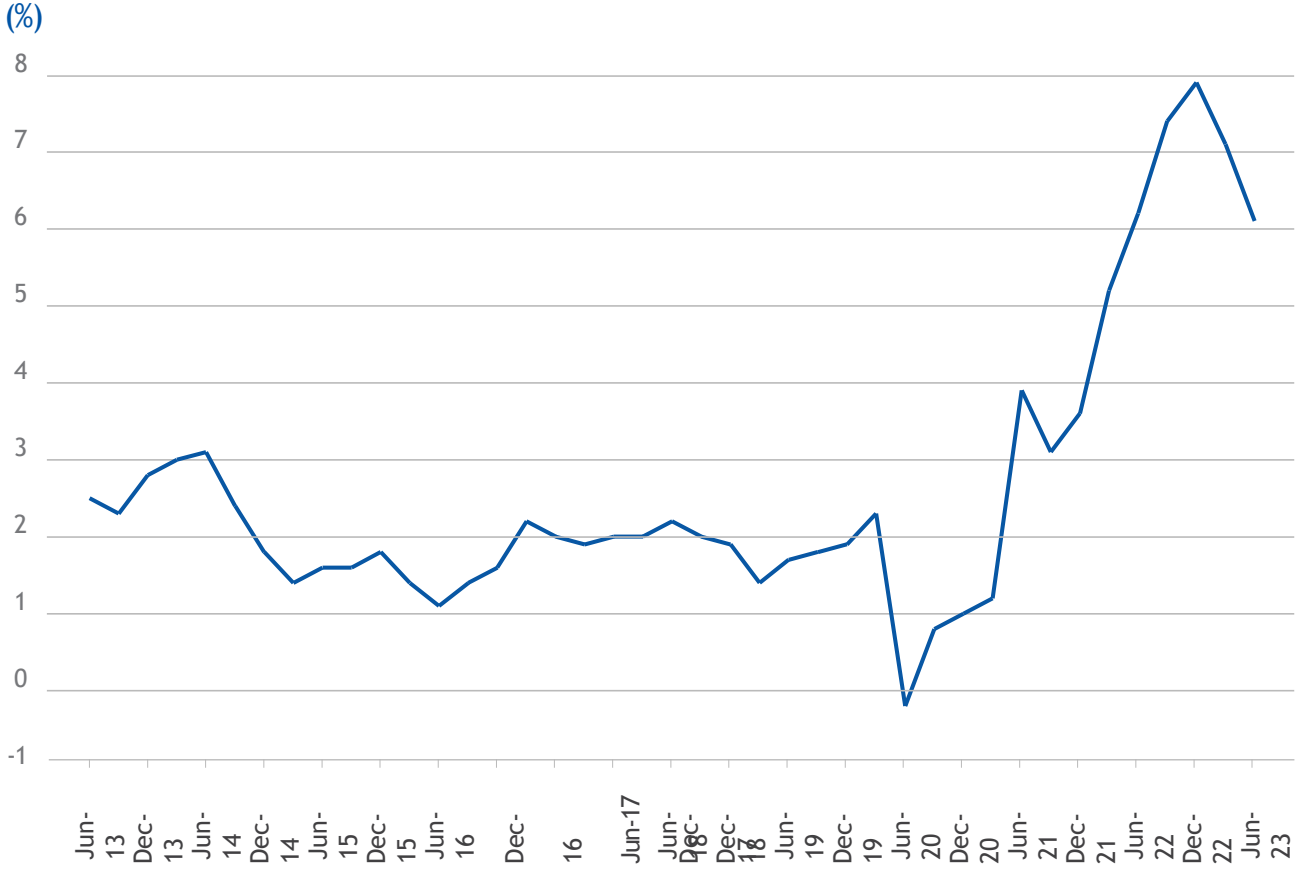
Non-bank Lender
of the Year -
Money magazine

2023

Best Credit Fund,
Mortgages in Australia -
Money magazine for the
12 Month Term Account
14 years running

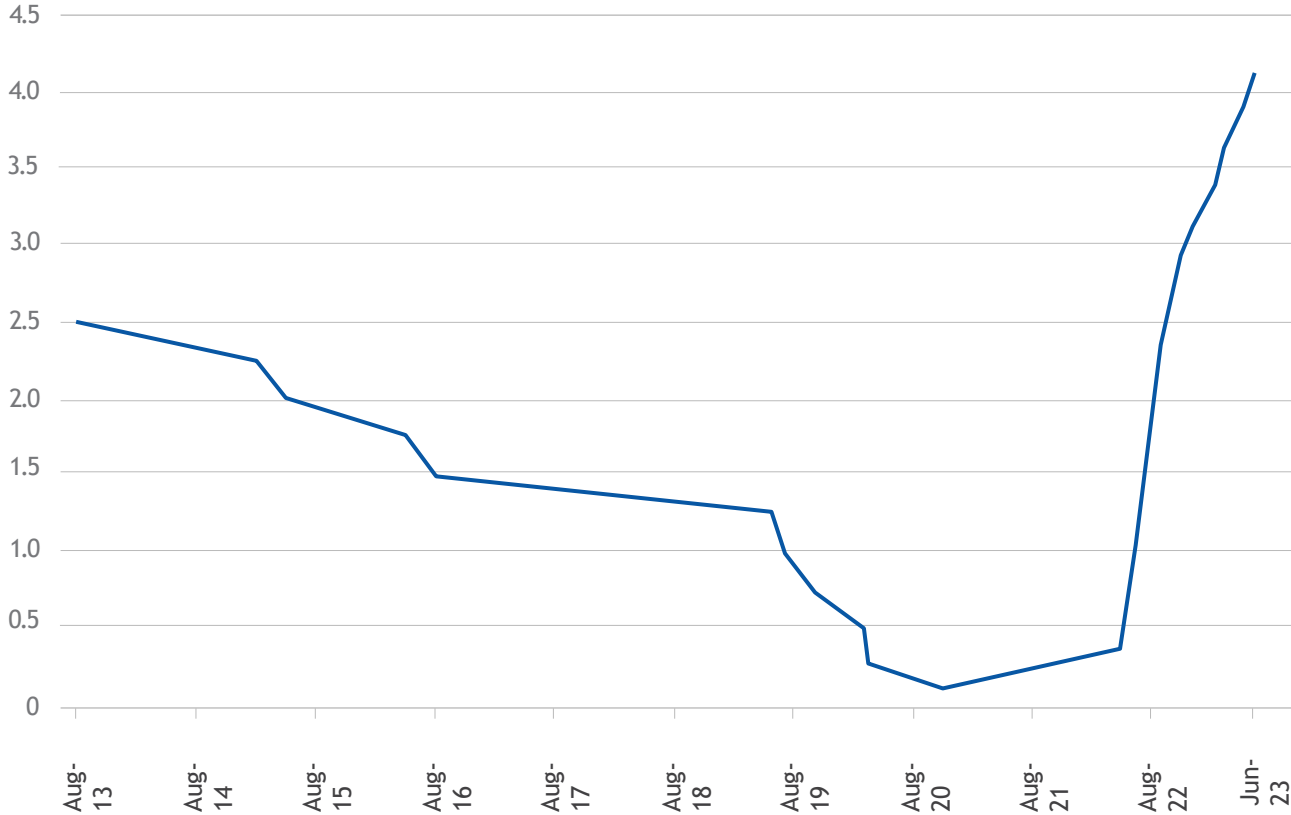
INFLATION STILL THE NAME OF THE GAME AS CASH RATES RISES

CPI, Australia Annual Change



Source: Australian Bureau of Statistics

Reserve Bank of Australia Official Cash Rate



Source: Reserve Bank of Australia











Key Points

- Post COVID Economic Rebound creating supply-side disruptions
- Russia’s invasion of Ukraine exacerbated fuel, food inflation
- Global rate hiking cycle enacted to cut inflation

ECONOMISTS FORECASTING A SOFT LANDING

“Some further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe, but that will depend upon the data and the evolving assessment of risks.”

- Philip Lowe, 1 August 2023

Organisation	Analyst	GDP		Unemployment		CPI		House Prices		Official Cash Rate	
		2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
		2.3%		3.5%		6.0%		-3.4%		4.10%	
	SOMP August 2023	1.00%	1.75%	4.00%	4.50%	4.75%	3.75%	-	-	-	-
	World Economic Outlook, April '23	1.60%	1.70%	4.00%	4.10%	4.00%	3.00%	-	-	-	-
	Budget May 2023	3.25%	1.50%	3.50%	4.25%	6.00%	3.25%	-	-	-	-
	Bill Evans	1.00%	1.40%	3.80%	4.70%	3.90%	3.20%	Peak to Trough: -10%	n/a	4.10%	01-Jun-23
	Stephen Halmarick	1.40%	1.40%	4.20%	4.50%	3.80%	3.80%	3.00%	5.00%	4.10%	01-Jun-23
	Alan Oster	0.50%	0.90%	4.20%	5.00%	4.60%	3.10%	4.50%	no data	4.60%	01-Sep-23
	Andrew Boak	1.90%	1.80%	5.50%	4.20%	5.60%	3.30%	Peak to Trough: -11%	n/a	4.35%	01-Nov-23
	Justin Fabo	1.30%	0.80%	3.50%	4.00%	5.10%	3.00%	2.00%	7.00%	4.35%	01-Nov-23
	Paul Bloxham	1.60%	1.60%	3.70%	4.50%	3.50%	3.10%	Peak to Trough: -20%	n/a	4.35%	01-Aug-23
	Shane Oliver	0.90%	0.70%	4.00%	4.20%	4.00%	3.00%	0.00%	5.00%	4.10%	01-Jun-23

Forecast Summary

- No recession forecast across surveyed economists
- Unemployment to remain within historic 'Full Employment' range
- Inflation to return towards top of RBA Target Range by December 2024
- House price bust cycle avoided
- Peak Interest Rates within reach - if not already there.

EMPLOYMENT STILL OUR SHINING LIGHT

Unemployment Rate

(%)



Source: Australian Bureau of Statistics

Participation Rate

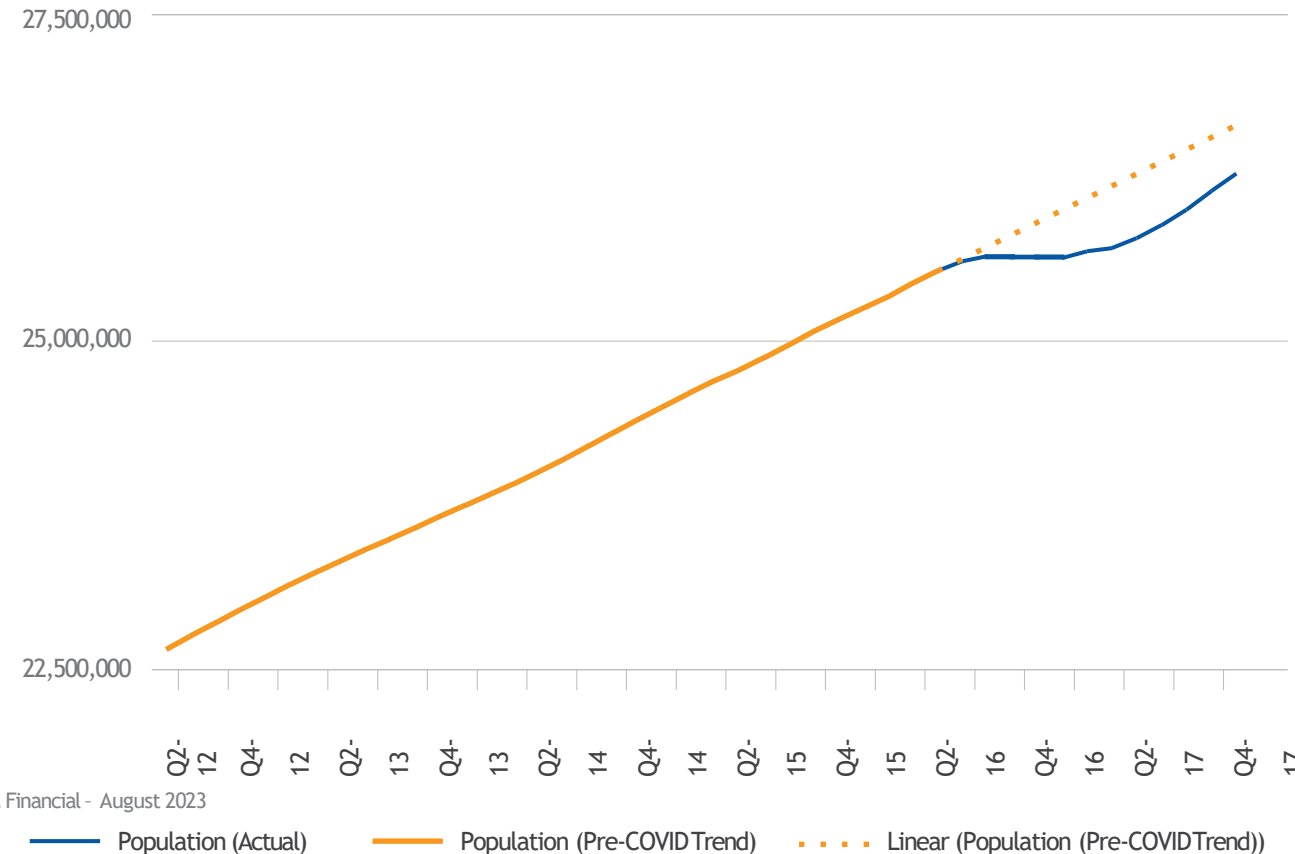
(% Seasonally adjusted)



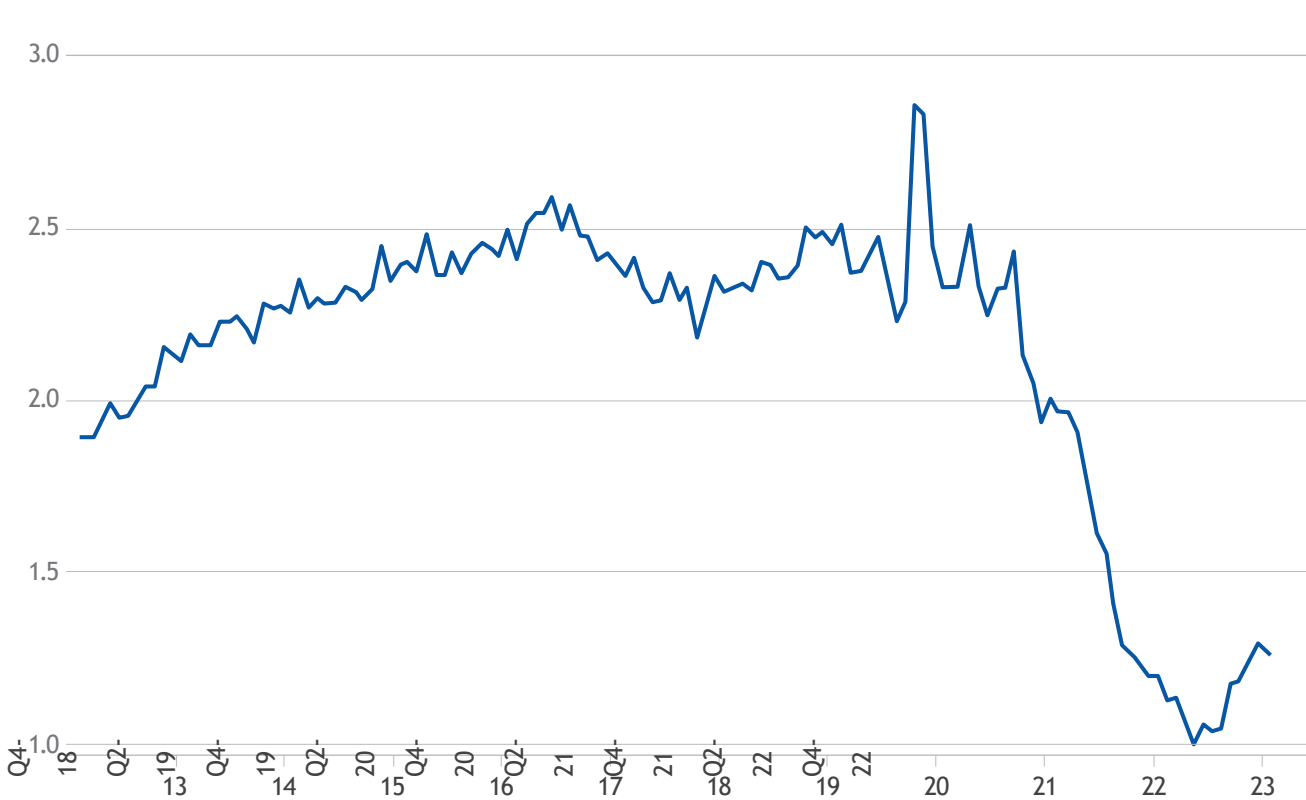
Source: Australian Bureau of Statistics

POPULATION GROWTH & RENTAL VACANCIES DON'T TELL THE WHOLE STORY

Australian Population
Actual vs Pre-COVID Trend



Australian Rental Vacancy Rate
SANSAs%



20 | Economic and Residential Property Update KDM Financial - August 2023

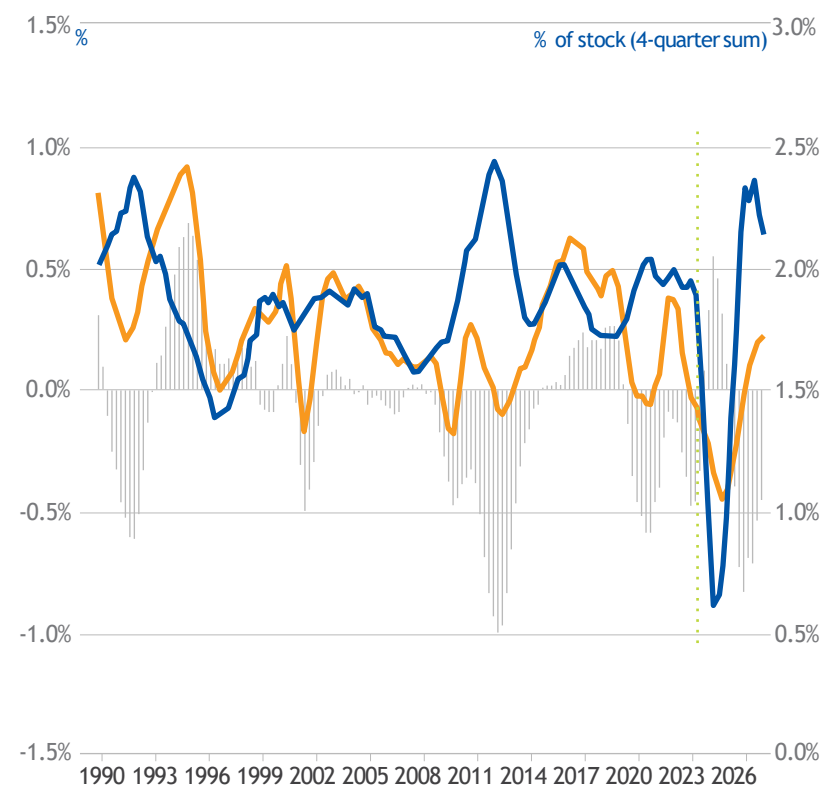
Source: Australian Bureau of Statistics, La Trobe Financial

Source: SQM Research

SUPPLY & DEMAND DRIVING OUTCOMES

(Stock, Transactions, Rental Availability)

Significant Underbuilds Ahead

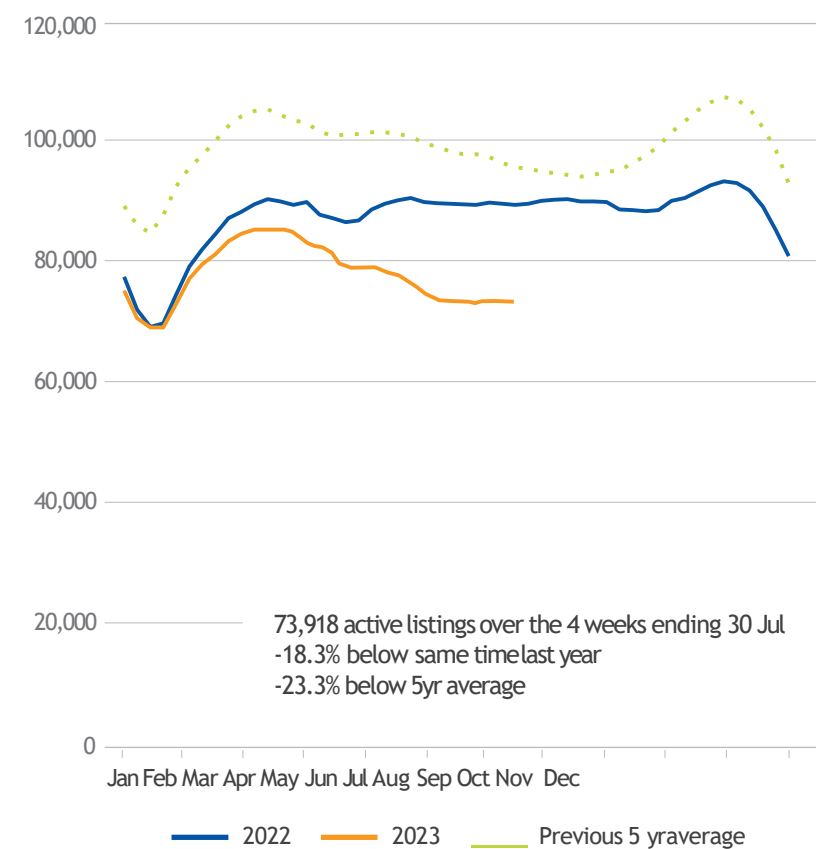


— Net supply (LHS) — Underlying demand (RHS)* — Net dwelling starts (RHS)**

*Underlying demand model is based on Births (30 year lag) and net migration (3 year lag) as a share of population
 ** Starts less demolitions as a share of dwelling stock

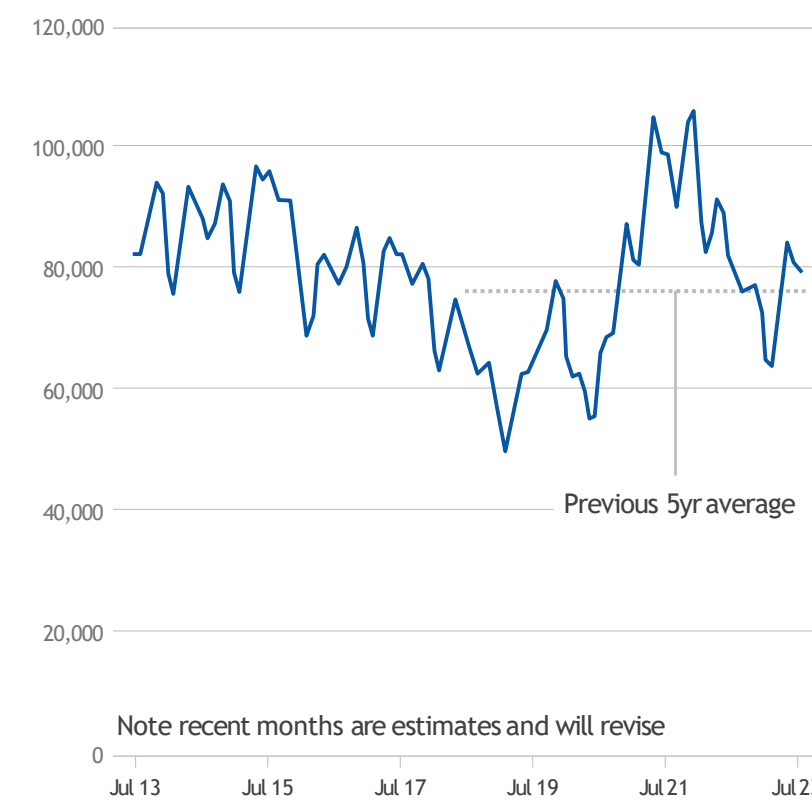
Source: ABS, Jarden estimates

Total Listings, Rolling 28-day Count Combined capitals



Source: Corelogic

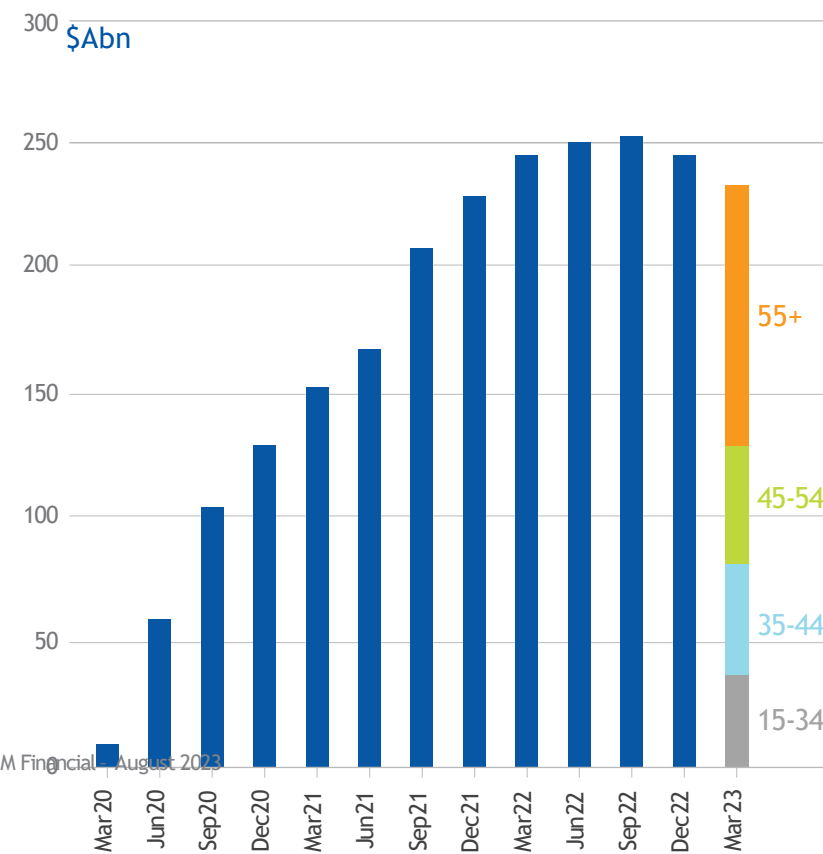
Rolling Quarterly Volume of Dwelling Sales Combined capitals



Source: Corelogic

ARREARS AND FIXED RATE CLIFF OVERSTATED

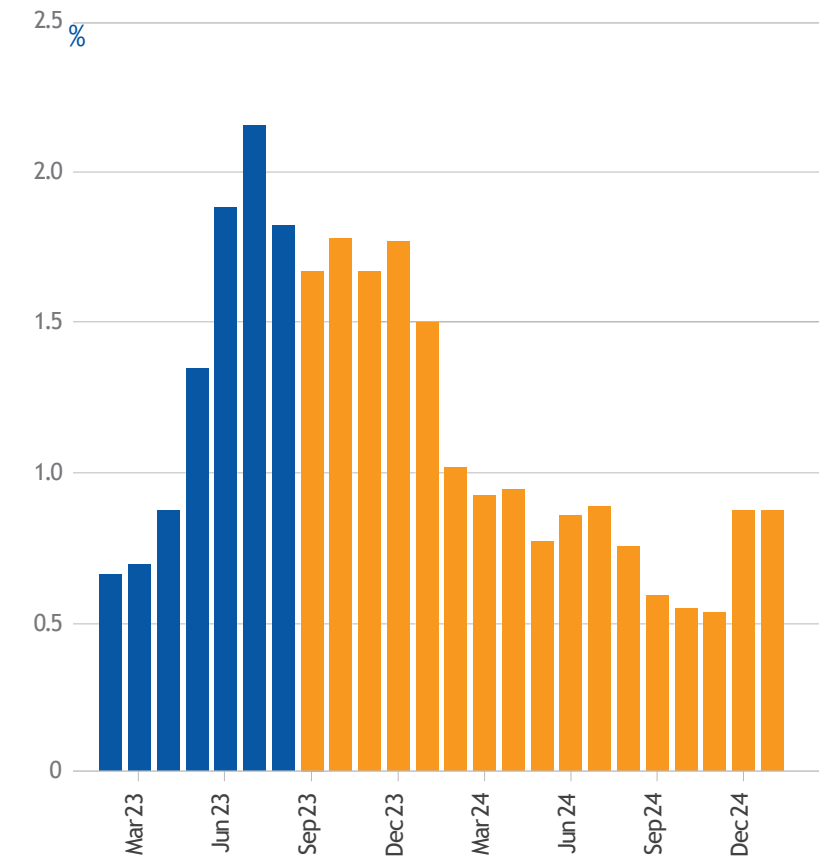
Australia Accumulated Household Savings



Source: Australian Bureau of Statistics, AMP

Expiring Fixed-Rate Housing Loans*

Share of housing credit; major banks**

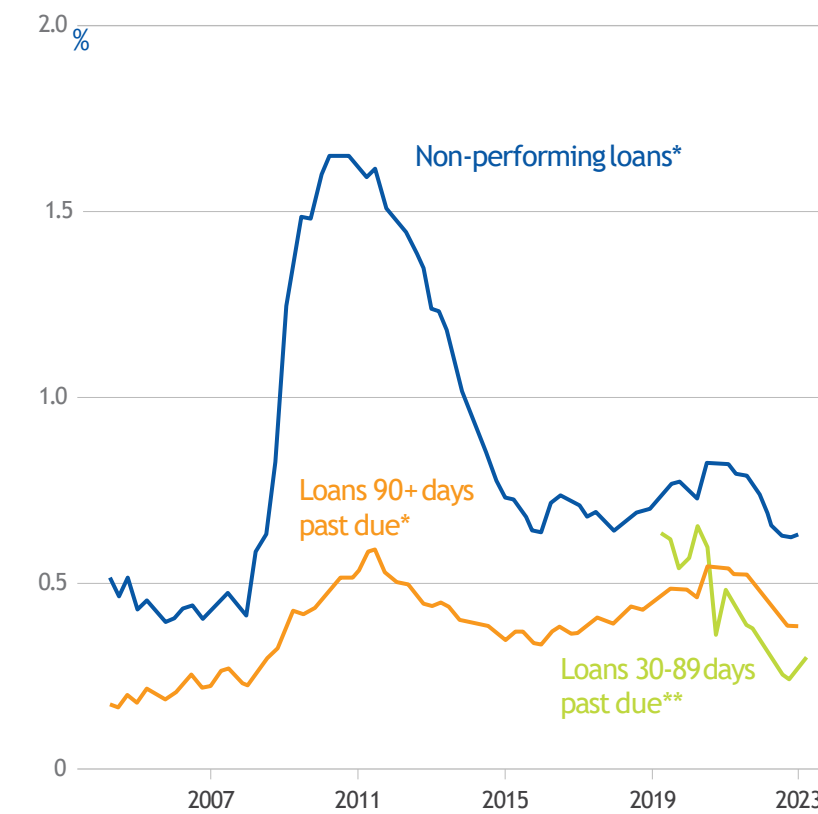


* Loans expiring beyond 2024 not available monthly. Blue coloured bars represent months that have already occurred
 ** Value of major banks housing credit outstanding as at June 2023

Source: APRA, Major Banks, Reserve Bank of Australia

Banks' Non-Performing Loans

Domestic books

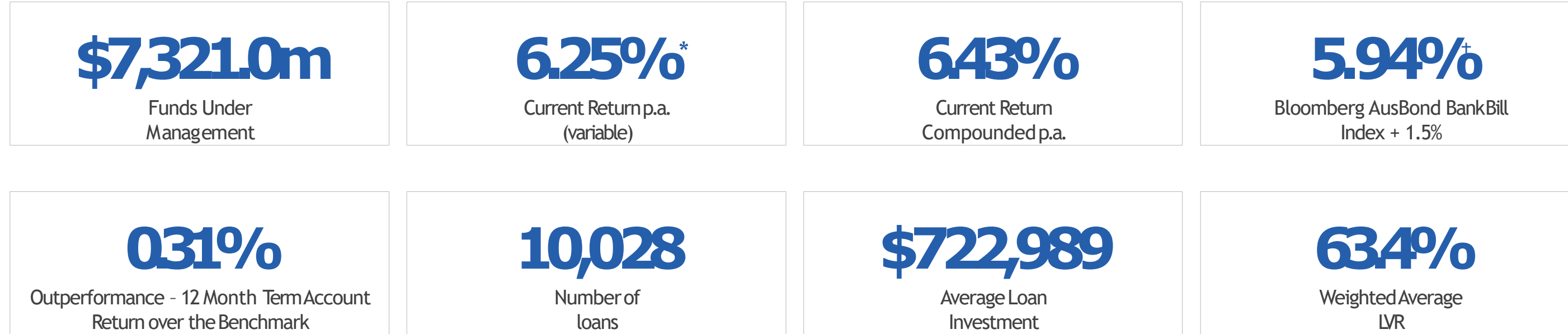


* A loan is classified as non-performing if an outstanding repayment is more than 90 days past due or the loan is insufficiently collateralised.
 ** Loans with an outstanding repayment 30-89 days past due

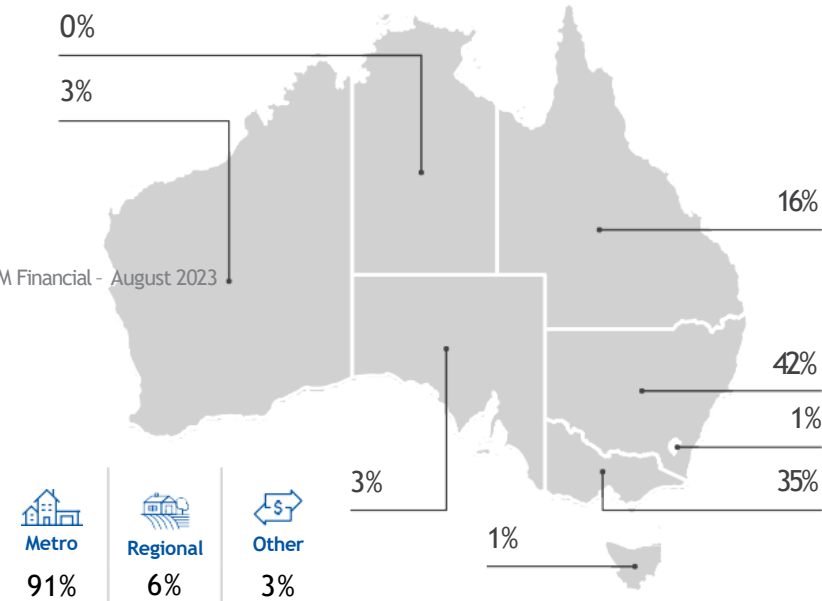
Source: APRA, Reserve Bank of Australia

12 MONTH TERM ACCOUNT: PRODUCT SUMMARY

Data as at 30 June 2023.

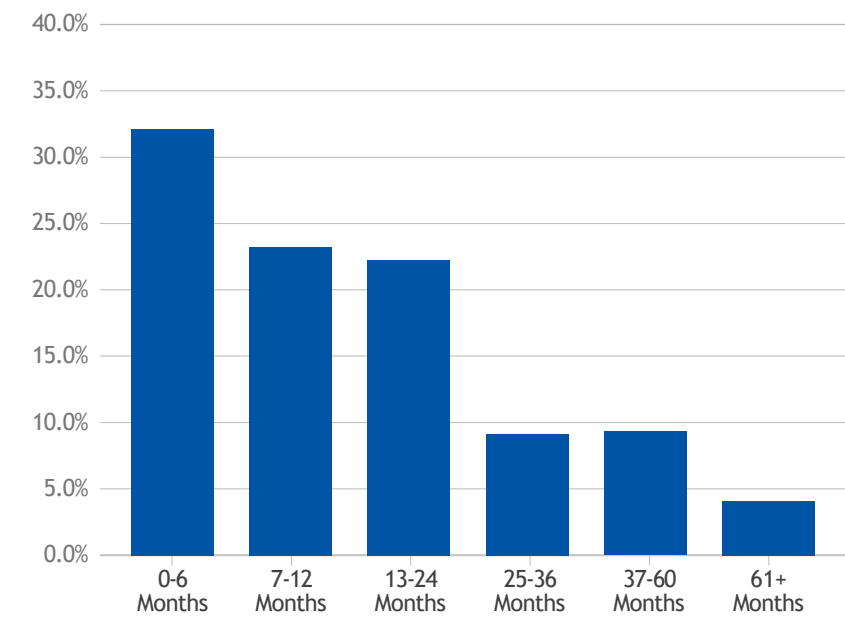


Security Location (QBE LMI)



Portfolio	30/06/2022	30/06/2023
Authorised Investments:		
Cash & Term Deposits	1.6%	1.0%
Credit Assets	0.0%	0.0%
Residential	71.2%	63.9%
Vacant Land	0.6%	2.5%
Commercial	11.6%	14.0%
Industrial	9.9%	9.8%
Rural	0.1%	0.1%
Development Finance	5.0%	8.7%
Total	100.0%	100.0%

Portfolio Seasoning (%)



Past performance is not a reliable indicator of future performance.

Rates as at 1 August 2023

† As at 31 July 2023

* Disclaimer on slide 15

ACONSISTENTLY AWARDED STRATEGY



To view our awards and ratings, please visit the Awards and Ratings page on our website.

IMPORTANT NOTICE & DISCLAIMER

The material in this presentation is general background information about La Trobe Financial's activities as at the date of this presentation. The information is given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or borrowers and does not take into account the investment objectives, financial situation or needs of any particular investor or borrower. These should be considered, with or without professional advice, when deciding if an investment or a loan is appropriate.

***The rates of return on your investment are current at 1 August 2023. The rates of return are reviewed and determined monthly and may increase or decrease each month. The applicable distribution for any given month is paid at the start of the following month. The rates of return are not guaranteed and are determined by the future revenue of the Credit Fund and may be lower than expected.**

La Trobe Financial Asset Management Limited ACN 007 332 363 Australian Financial Services Licence 222213 Australian Credit Licence 222213 is the responsible entity of the La Trobe Australian Credit Fund ARSN 088 178 321. It is important for you to consider the Product Disclosure Statement for the Credit Fund in deciding whether to invest, or to continue to invest, in the Credit Fund. You can read the PDS and the Target Market Determinations on our website or ask for a copy by calling us on (+61) 3 8610 2800.

To view our awards and ratings, please visit the Awards and Ratings page on our website.

La Trobe Financial Services Pty Limited ACN 006 479 527 Australian Credit Licence 392385.

To the extent that any statement in this presentation constitutes financial product advice, that advice is general advice only and has been prepared without considering your objectives, financial situation or needs. You should, before deciding to acquire or to continue to hold an interest in the La Trobe Australian Credit Fund, consider the appropriateness of the advice having regard to your objectives, financial situation or needs and obtain and consider the Product Disclosure Statement for the Fund.

When considering whether to acquire or to continue to hold an interest in the Fund, you should remember that (1) an investment in the Fund is not a bank deposit or a term deposit, and is not covered by the Australian Government's deposit guarantee scheme. Investing in the Fund has a higher level of risk compared to investing in a term deposit issued by a bank and (2) there are other risks associated with an investment in the Fund. The key risks of investing in the Fund are explained in section 9 of the PDS. Refer to section 16 of the PDS for jurisdiction restrictions and notes specific to New Zealand investors.

© 2023 La Trobe Financial Services Pty Limited. All rights reserved. No portion of this may be reproduced, copied, or in any way reused without written permission from La Trobe Financial.

La Trobe
financial

046_042_220823

1800 818 818 | latrobefinancial.com.au

Looking out for **you**[®]



Panel Discussion



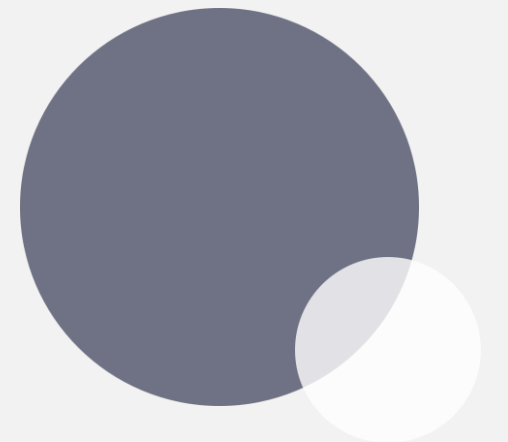
Dane Pevy
Senior Financial Adviser

Dane has been in the financial services industry since 2009, after completing his commerce degree from Griffith University. Dane is passionate about helping clients achieve their financial and lifestyle goals.



Julian McBean
Senior Financial Adviser

Jules is an experienced financial adviser with over 10 years within the banking and financial services industry. He provides a very personable, caring, and supportive approach to the relationship with his clients.





Q & A



Thank you



Visit Our Website
kdmfinancial.com.au

