



# Smart Income Investment Strategies

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FIIG

The fixed  
income experts

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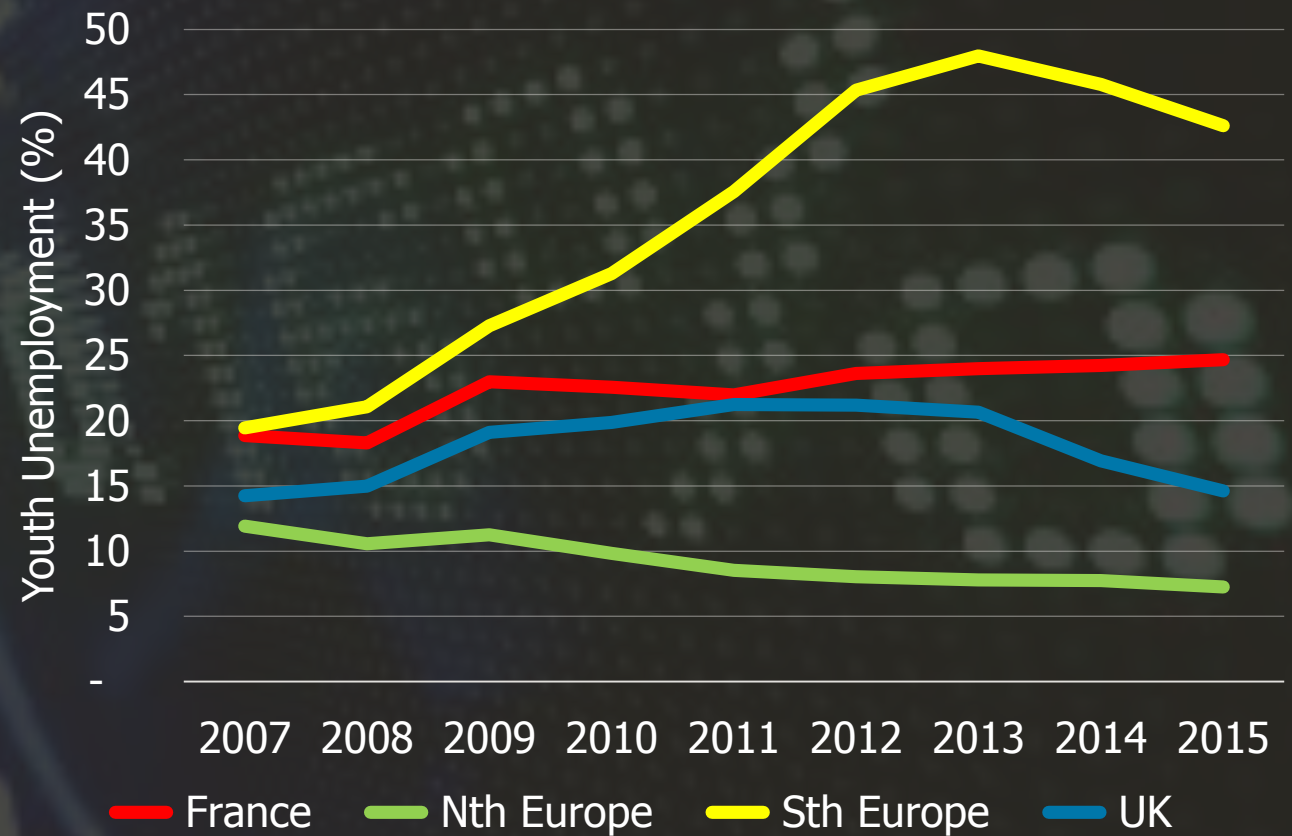
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# Global headwinds pushing returns down

## *Nationalism & the haves vs have nots*

### *Youth unemployment 2007-2016*



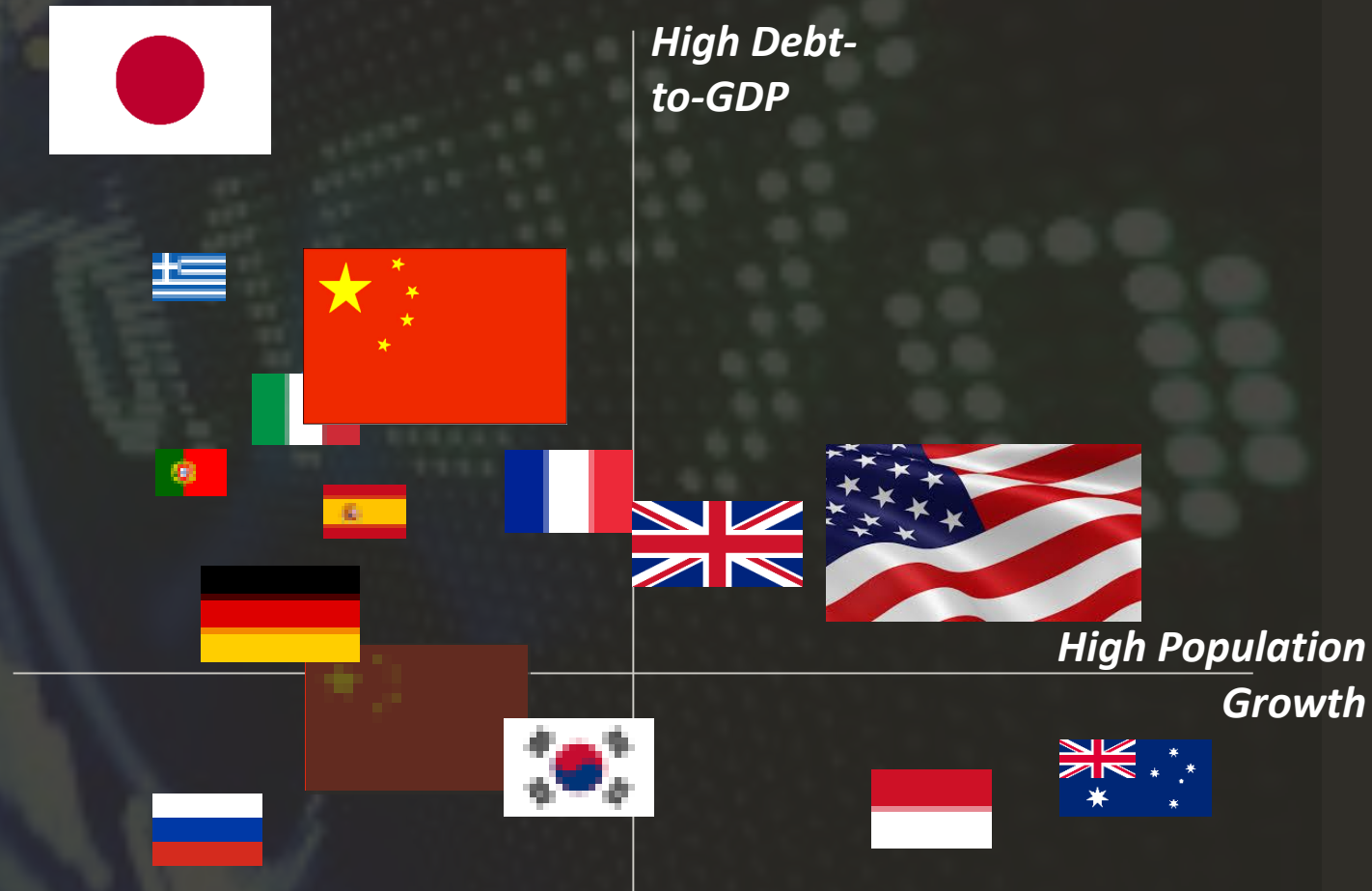
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income strategies  
for  
Australian  
investors

# Global headwinds pushing returns down

***Long-term debt trap will make tightening even longer for Europe, Japan and maybe China***

***Population growth vs Debt-to-GDP ratio***

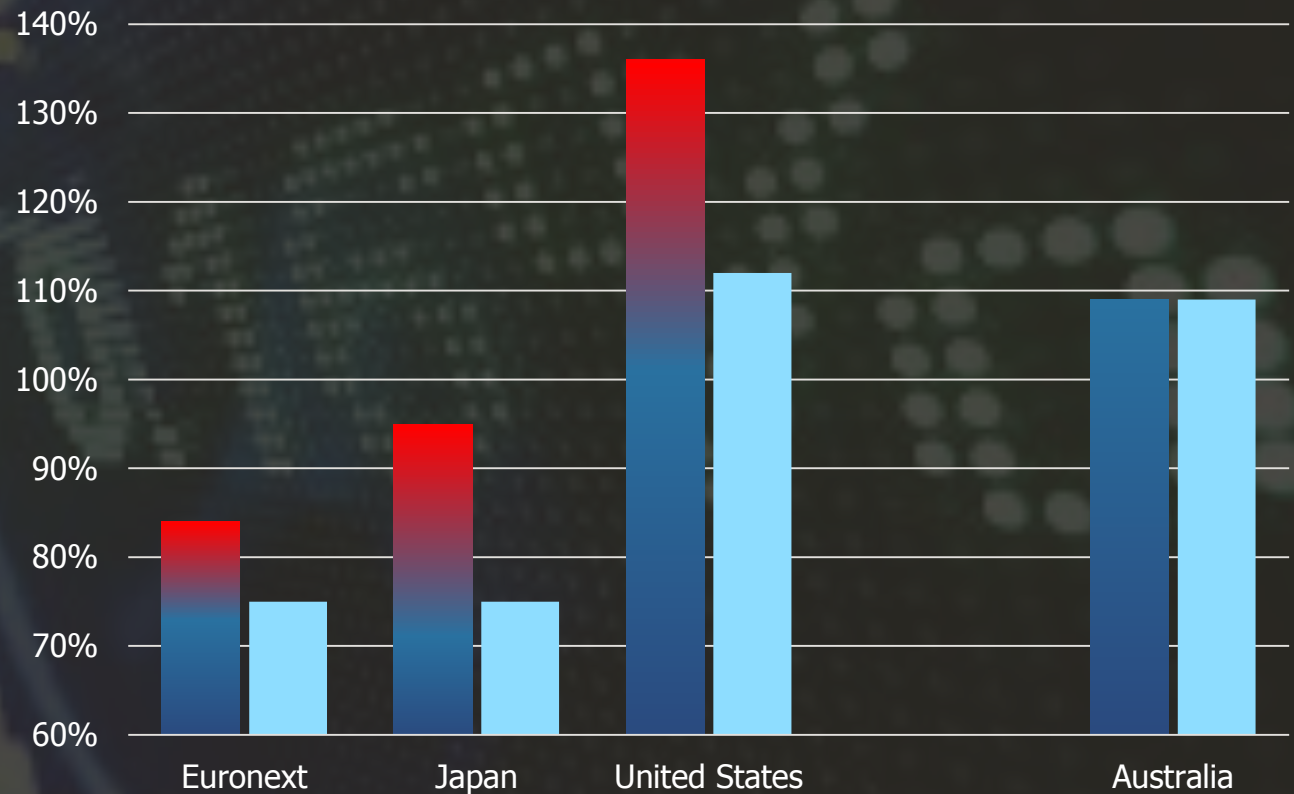




# Global headwinds pushing returns down

***US, Japanese and European equities 10-30% overvalued***

***Market capitalisation to GDP ratio, Current vs 20yr avg***



■ 6/30/2016 ■ 20-Year Average

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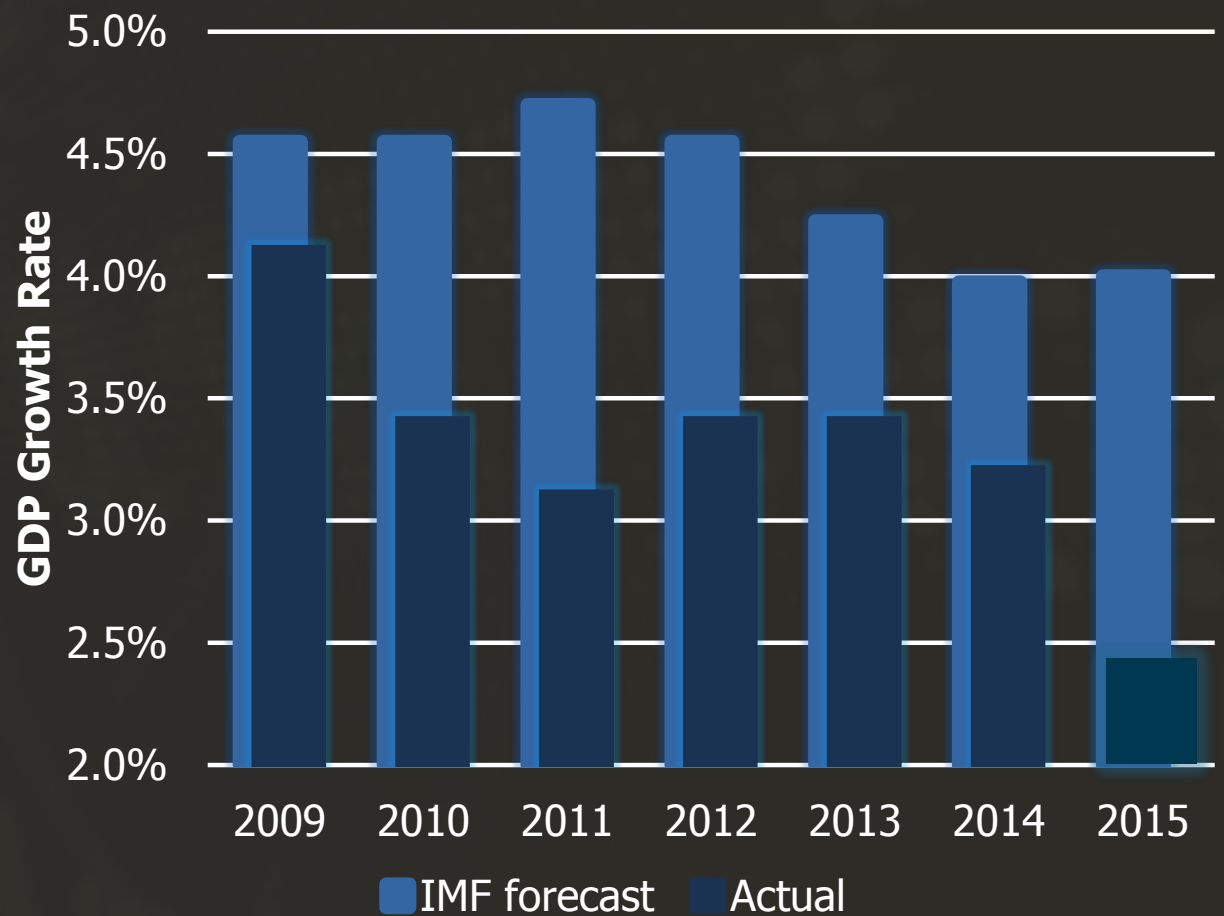
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# Global headwinds pushing returns down



## Lower for Longer

*IMF Global GDP forecasts vs Actual*



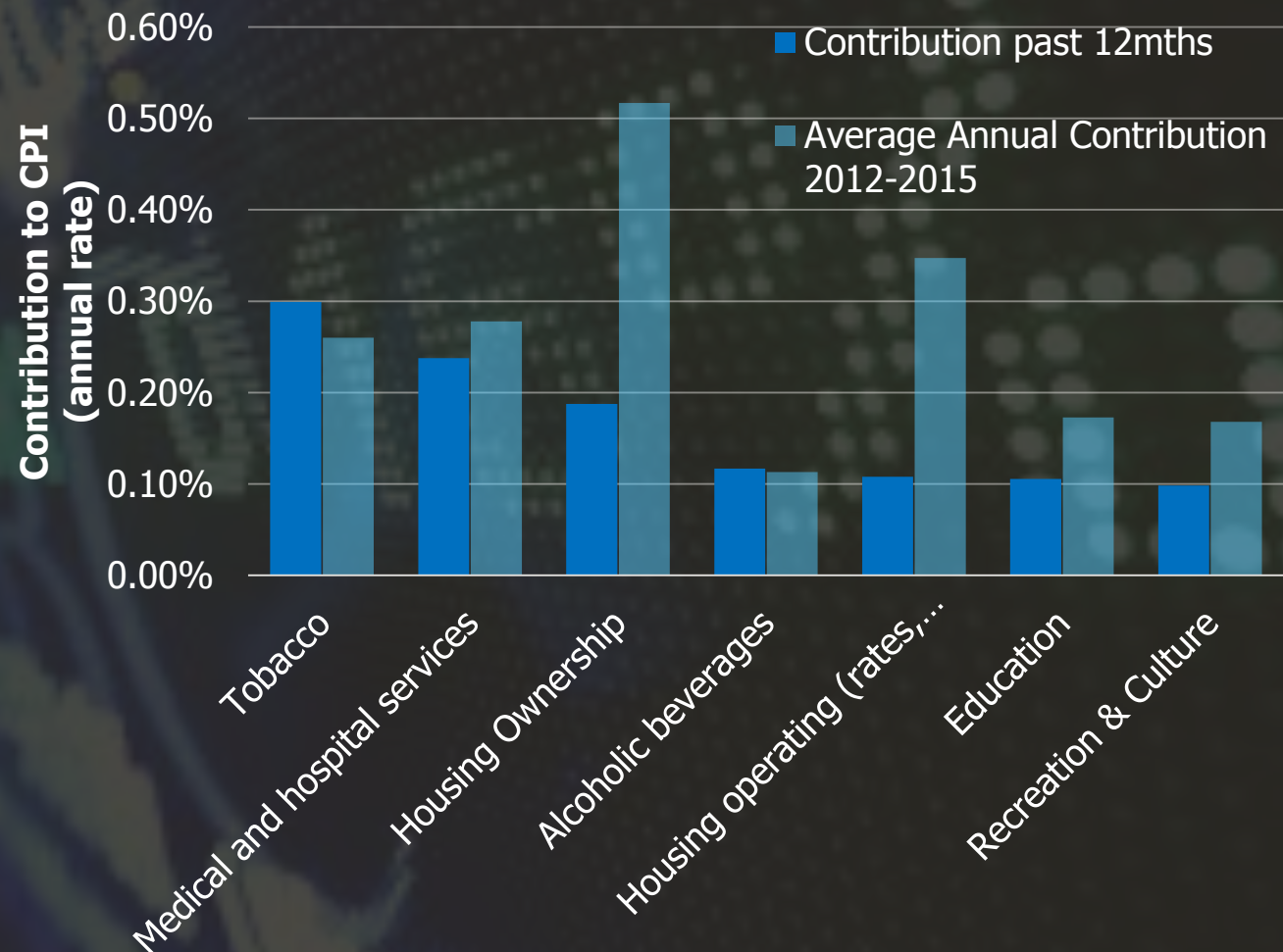
# 5 Income Strategies for Australian Investors

#1

Don't rely  
on cash

## Australian economy going up in smoke

*Contribution to CPI past 12mths dominated by tobacco*





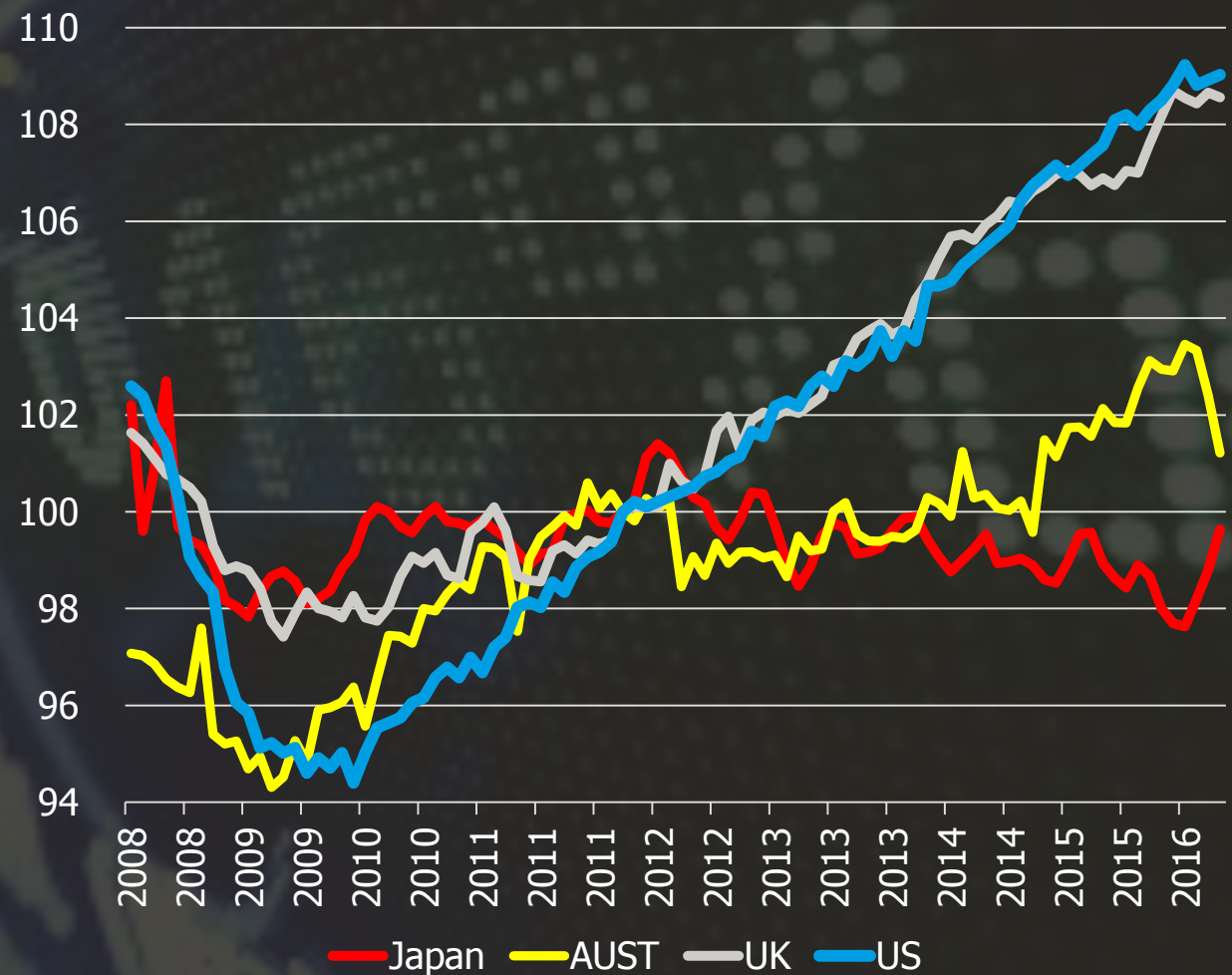
# 5 Income Strategies for Australian Investors

#1

Don't rely  
on cash

Australian rates likely to be much lower for much longer

*Index of hours worked: Major economies vs Australia*





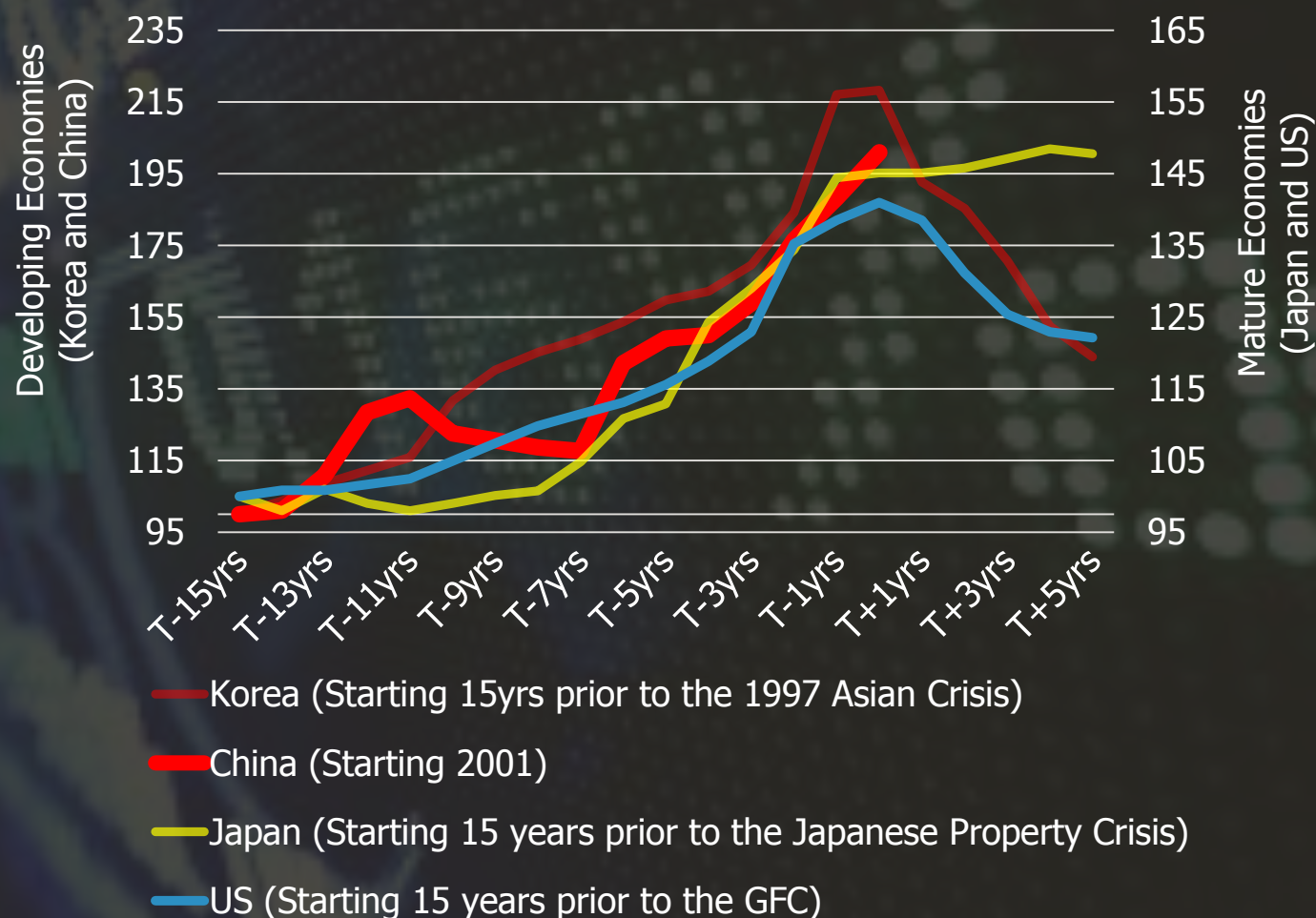
## 5 Income Strategies for Australian Investors

#2

Get some income  
from non-AUD

### Australia's biggest risk: China

*Private sector debt to GDP ratio*

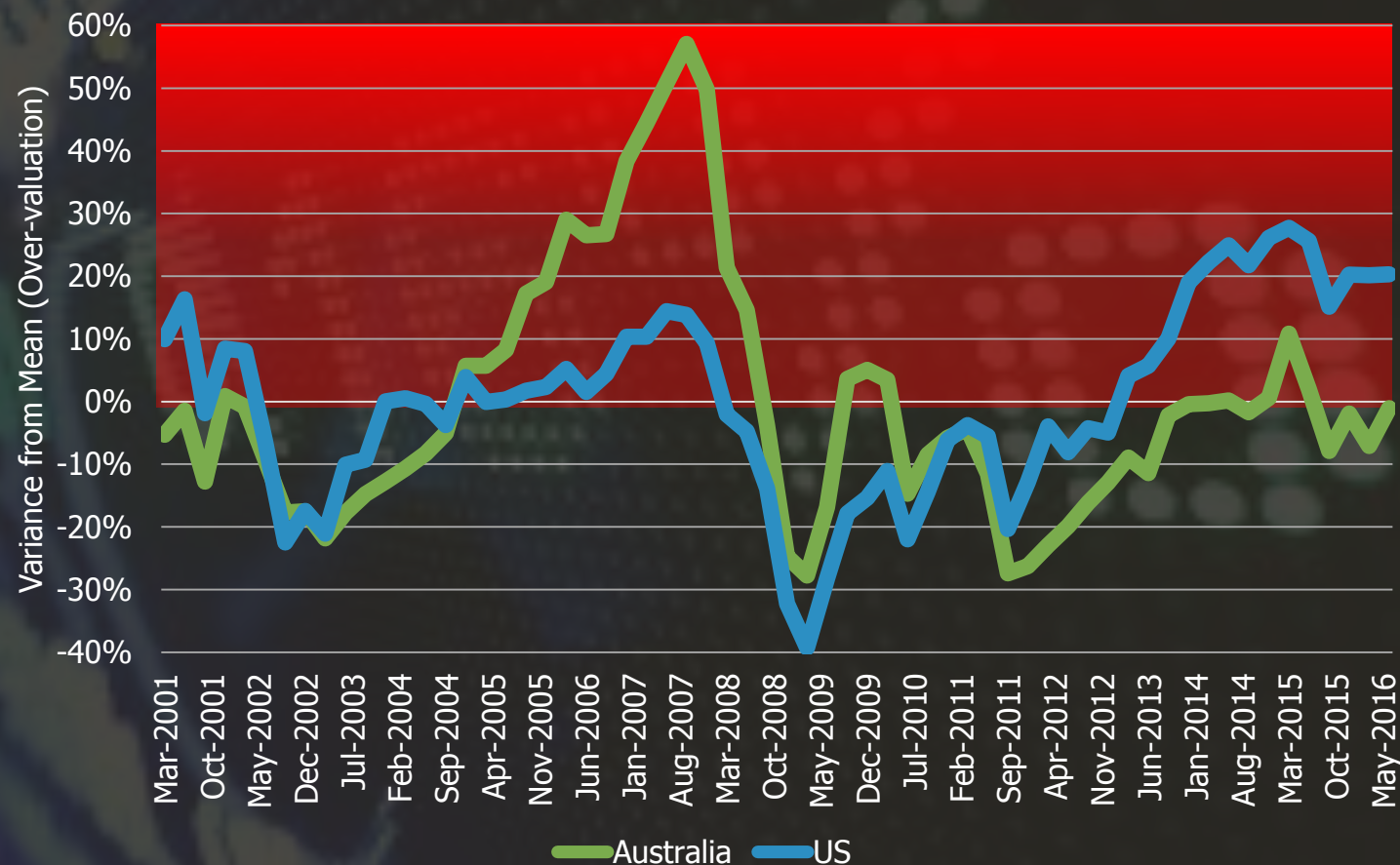


## 5 Income Strategies for Australian Investors

#3

Australian Equities  
over  
Global Equities

*US equities overvalued, but less so Australian equities*  
*Market Cap vs GNP, US S&P500 vs ASX200 2001-2016*





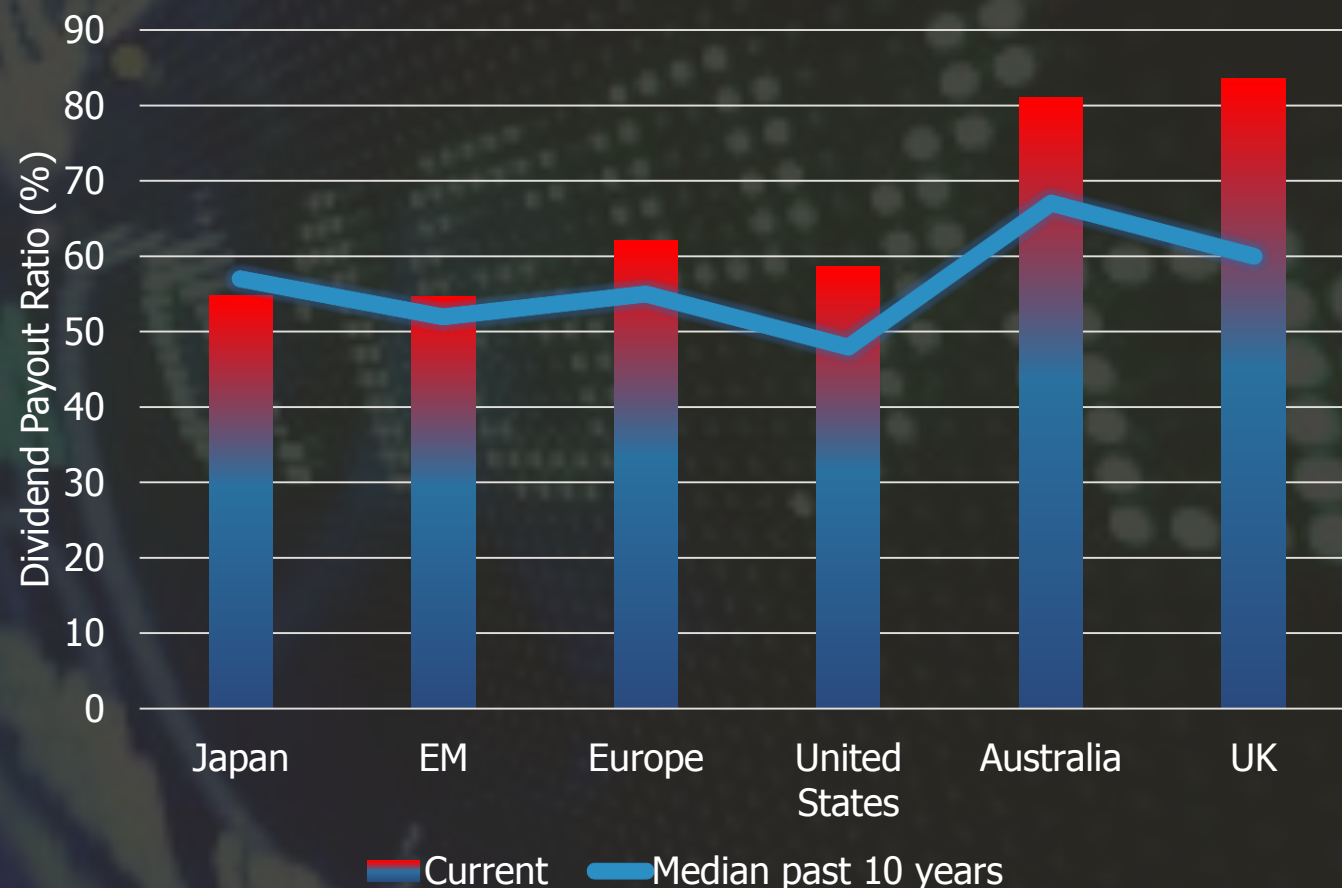
## 5 Income Strategies for Australian Investors

#3

Australian Equities  
over  
Global Equities

But watch for sustainability:  
Dividend payout ratios are well above average

*Dividend payout ratios vs 10 year medians*



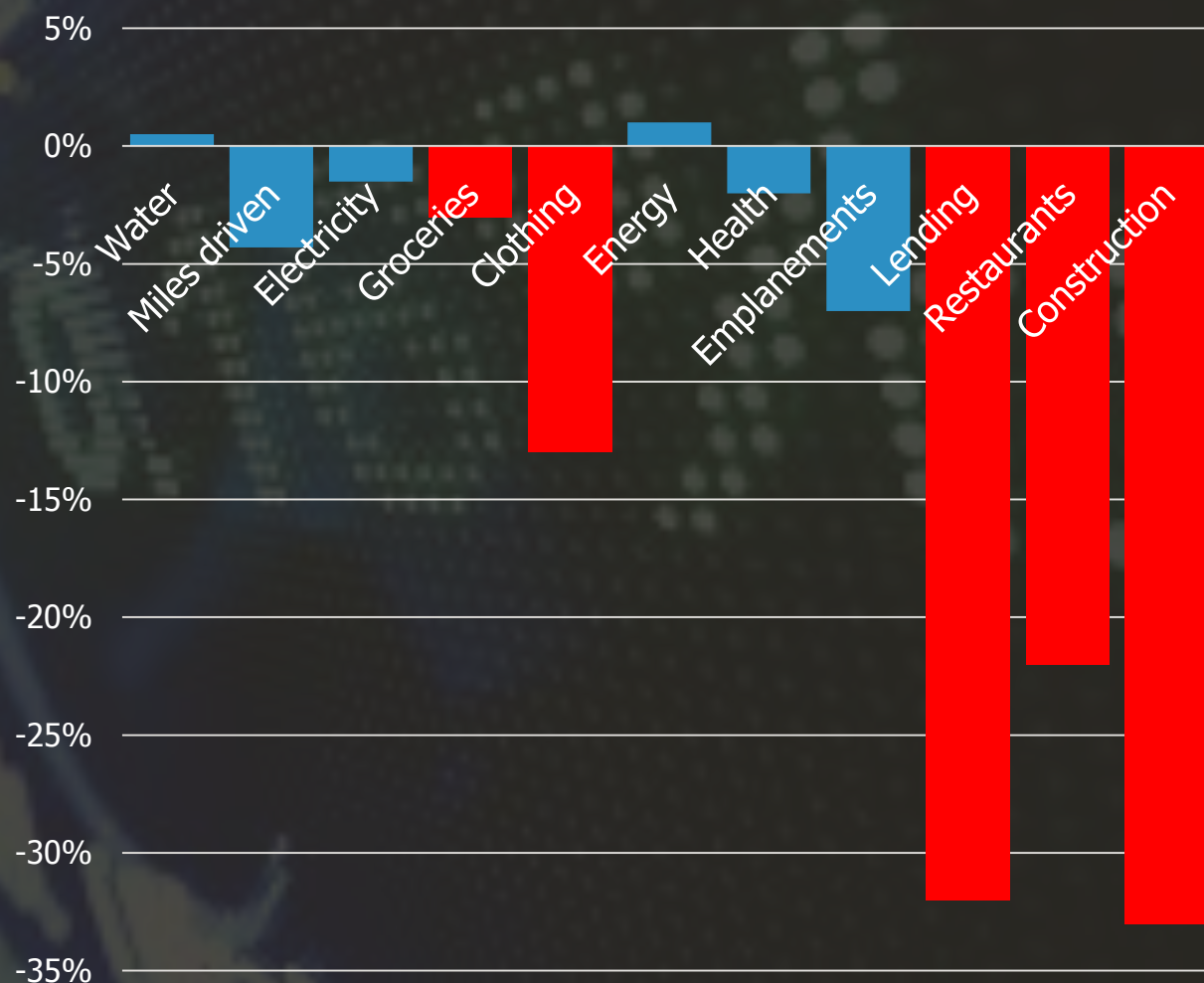
## 5 Income Strategies for Australian Investors

#4

Safe Harbour Income:  
Infrastructure Debt

### Infrastructure performs well in recession

*Impact of US "Great Recession" on Activity*





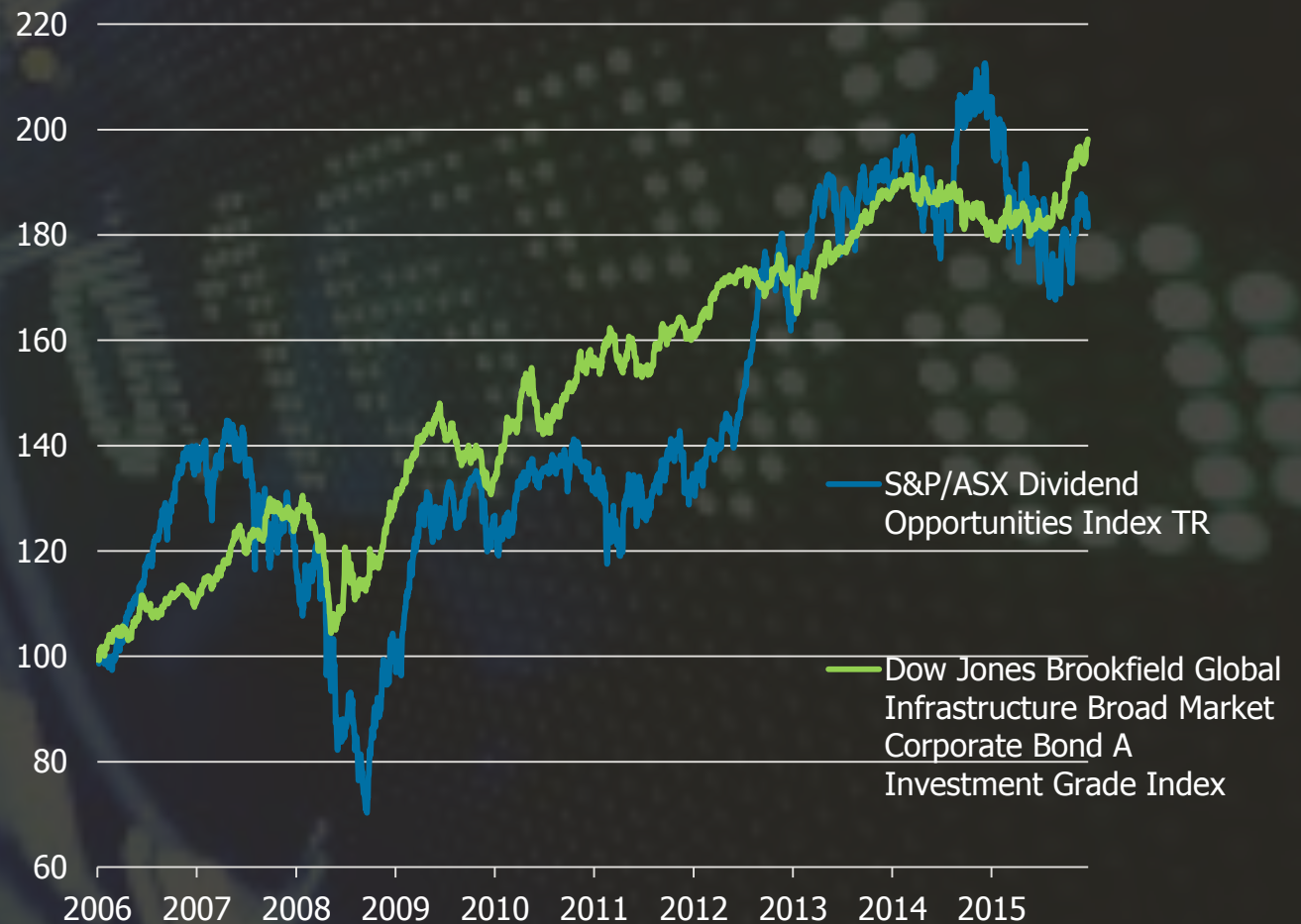
# 5 Income Strategies for Australian Investors

#4

Safe Harbour Income:  
Infrastructure Debt

## Infrastructure vs Dividend Stocks

*Infrastructure debt vs ASX Dividend stocks, past 10 years*

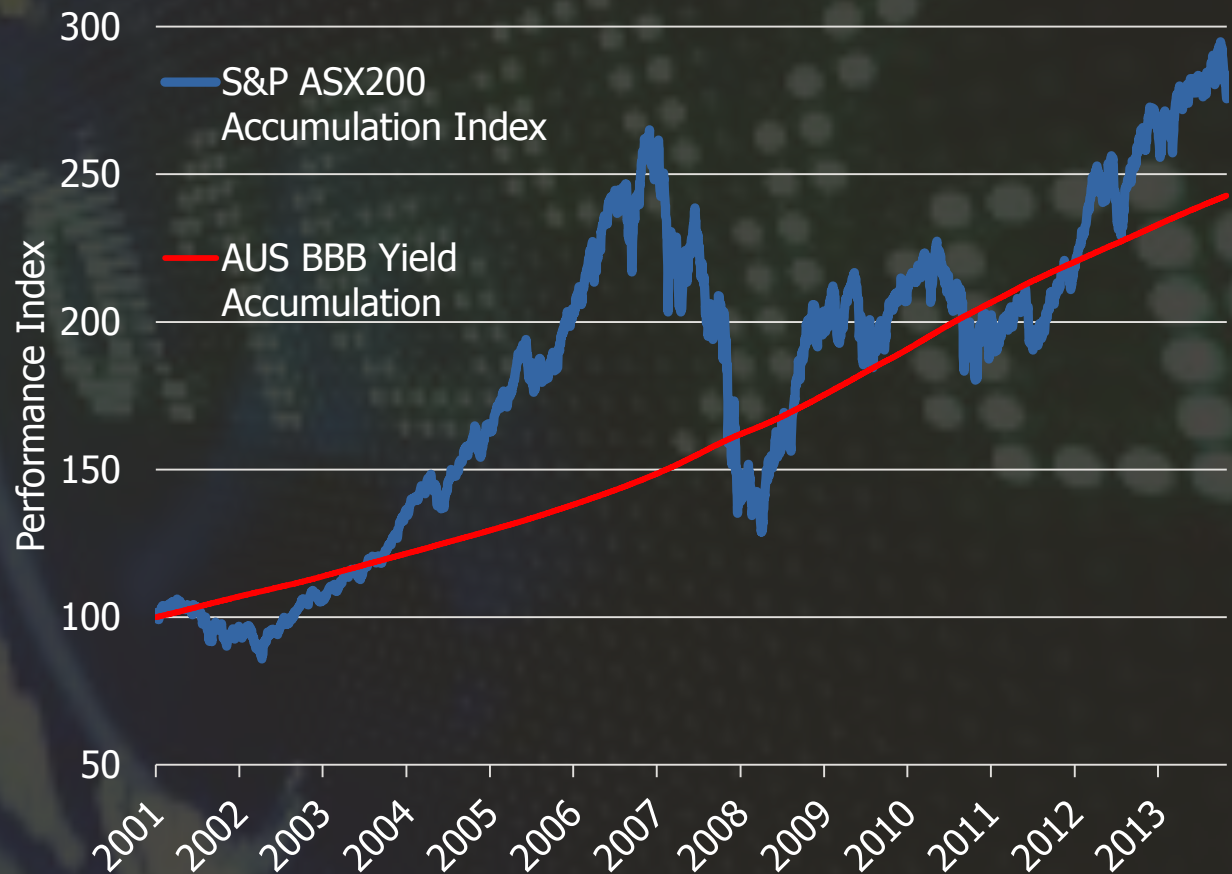


# 5 Income Strategies for Australian Investors

#5

Augment Dividend  
Stocks with  
Corporate Bonds

Corporate Bonds perform better in  
55% of 5 year periods over the past 15 years  
*BBB Accumulation vs ASX Accumulation, 2001-2015*

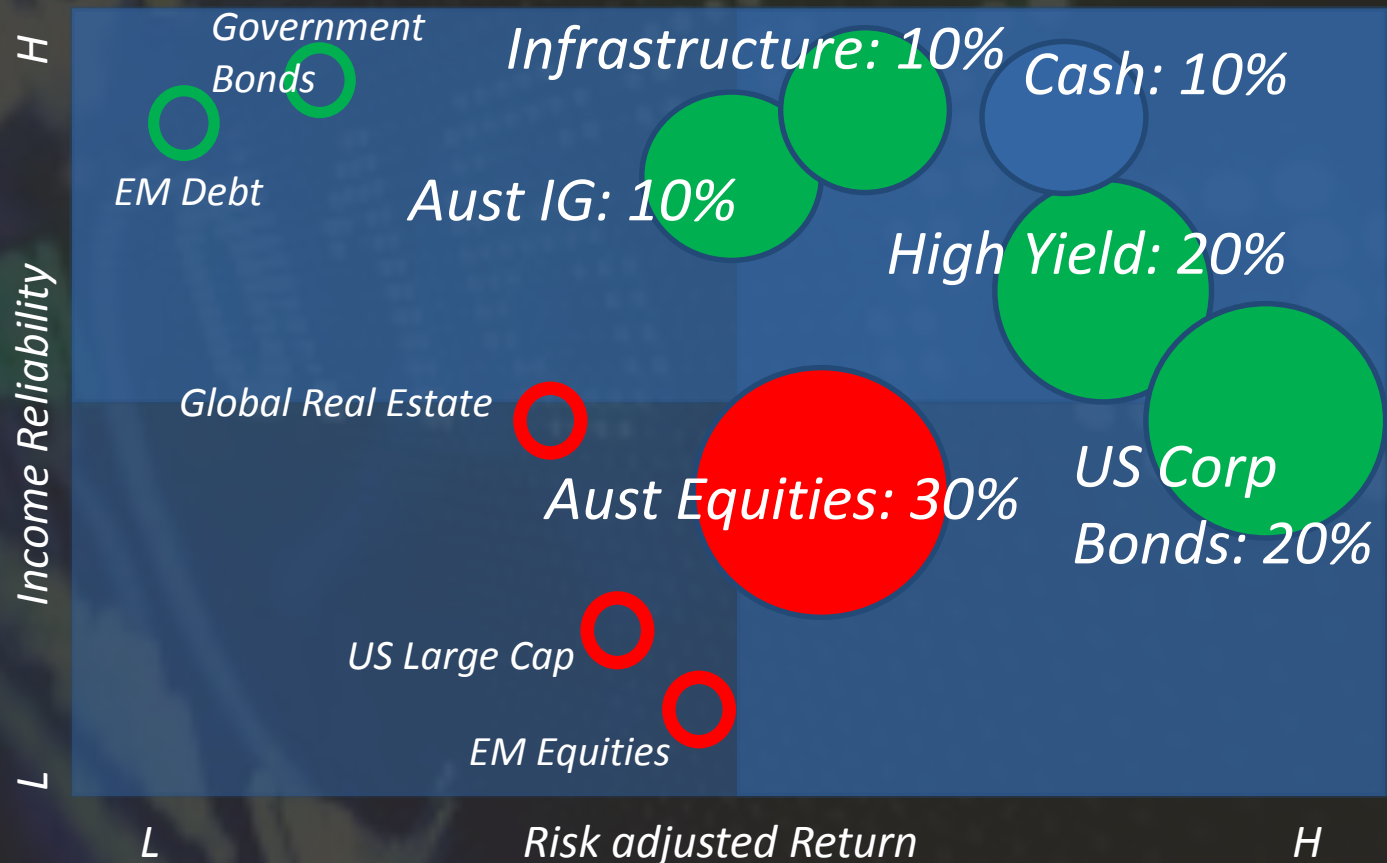


# 5 Income Strategies for Australian Investors

Building an income-first portfolio appropriate for the current outlook



*Conclusion:  
Build your income  
portfolio on value  
AND reliability*





# 5 Income Strategies for Australian Investors

Building an income-first portfolio  
appropriate for the current outlook

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	Portfolio Construction (Equities/ Bonds/ Cash)				
	70/0/30	70/20/10	50/40/10	30/60/10	0/90/10
Income	4.3%	4.6%			
Probability of exceeding 4.25%	50%	81%			
Total Return	5.4%	5.7%			
Probability of exceeding 10%pa	38%	40%			
Income score	26%	60%			
Capital stability score	47%	53%			