STRICTLY PRIVATE AND CONFIDENTIAL

AUSTRALIAN INVESTORS ASSOCIATION

Consumer credit in uncertain times

31 July 2017

RateSetter™

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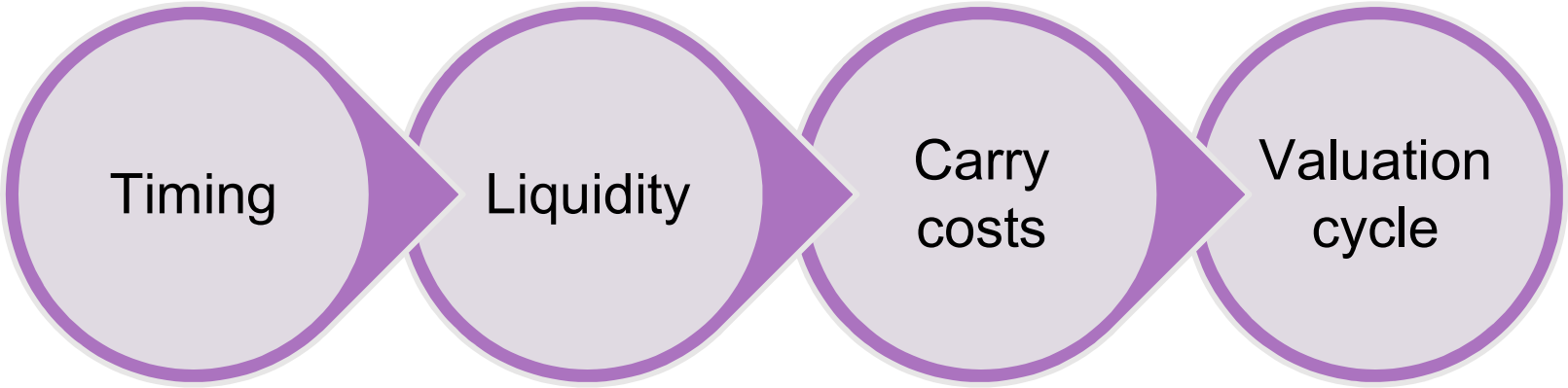
First, a template for evaluating investments



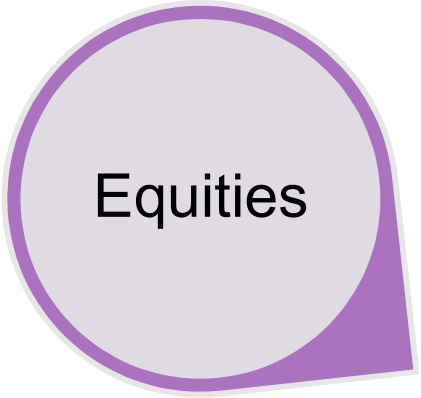
- What is your timeframe?
- Time frame is much more important for older investors

- Does the investment deliver cashflow when it is needed?

- How much does it cost and how much effort does it take to own the asset?

- Where are we in the valuation cycle?
- Does this change the normal risk profile?

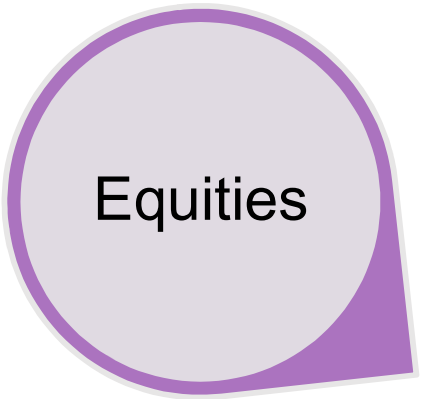
The asset allocation trifecta



- Shares
- Managed funds
- ETFs

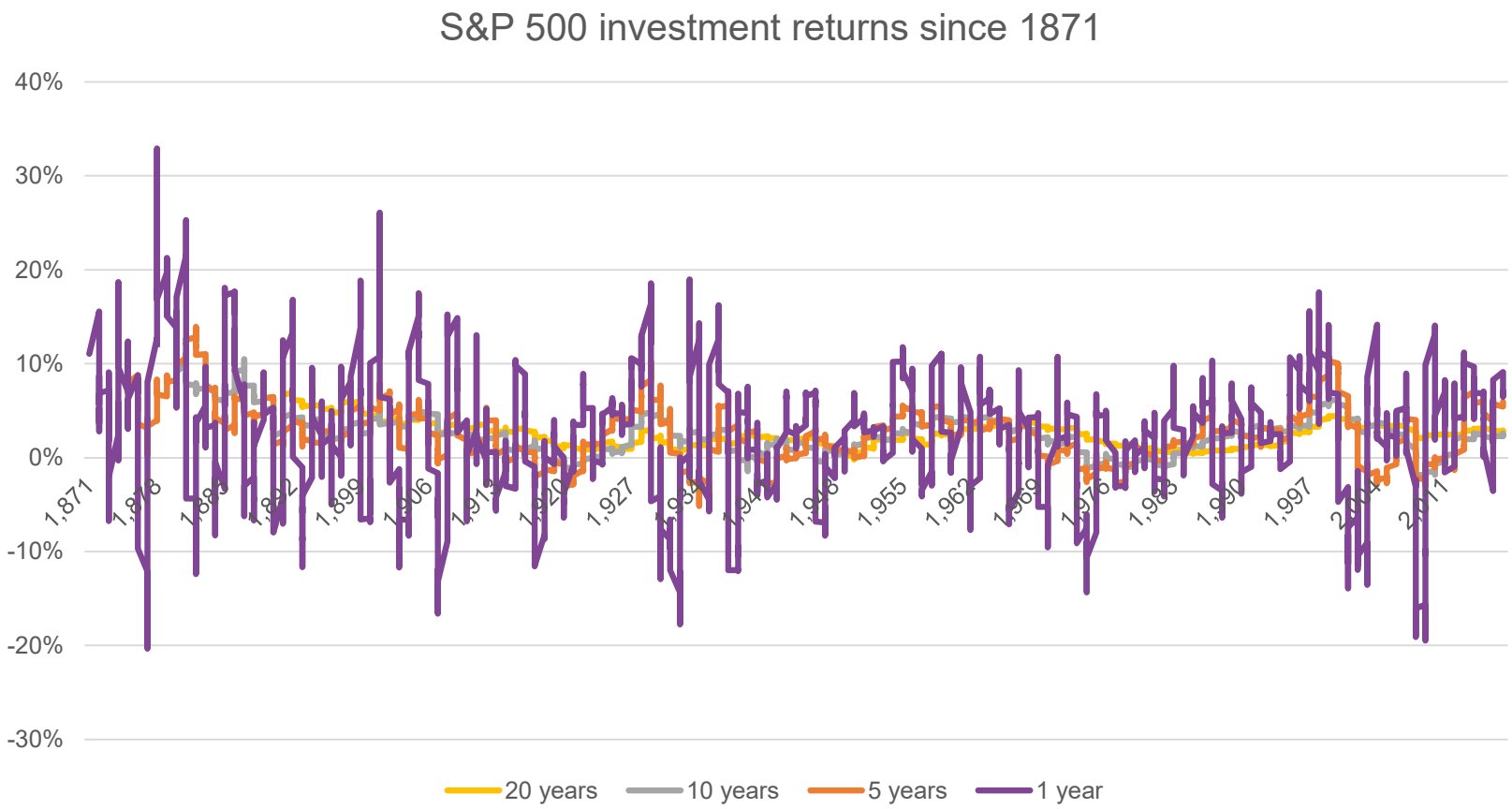
- Cash
- Term deposits
- Bonds
- Hybrids
- Consumer credit

The asset allocation trifecta



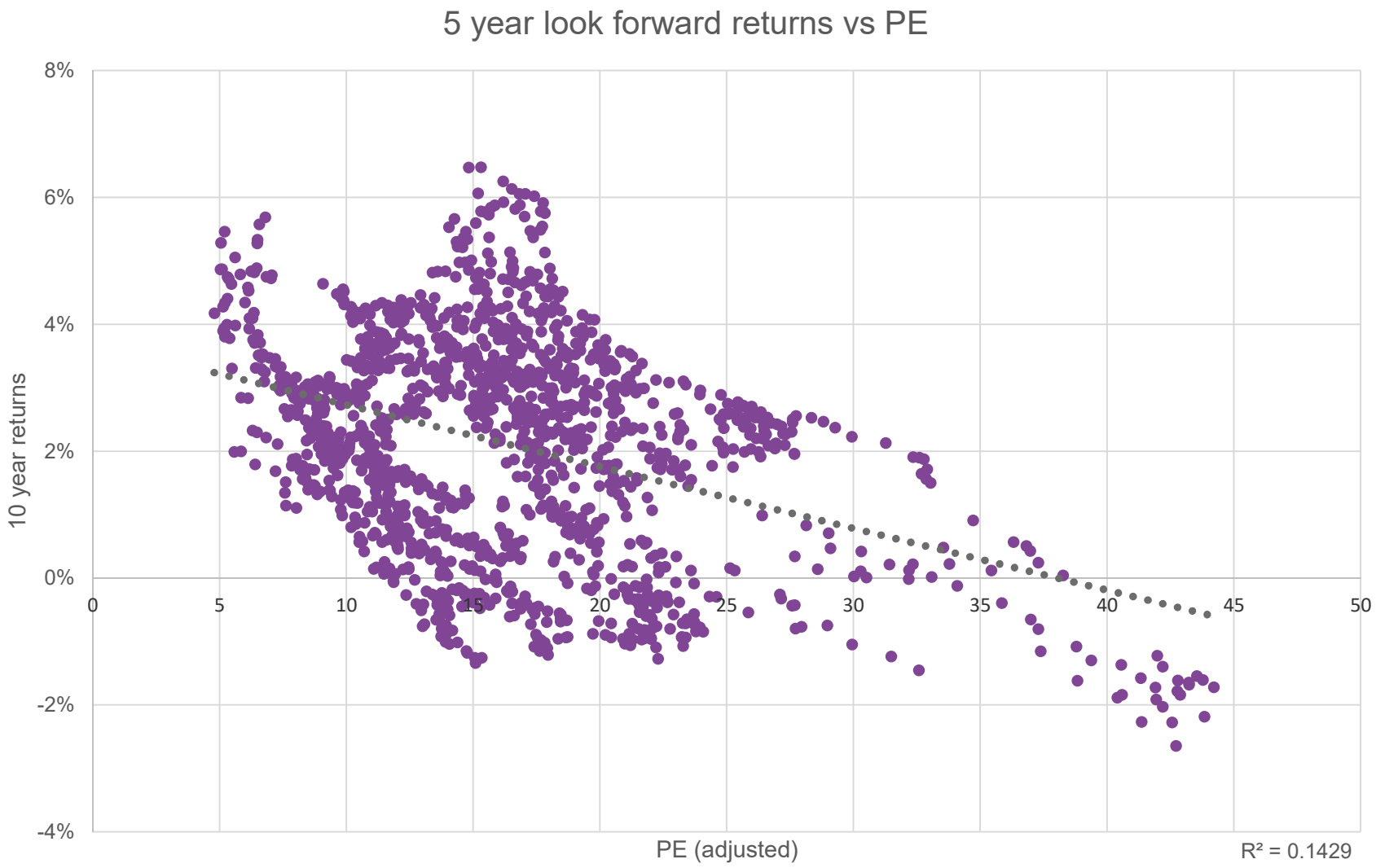
- **Timeframe**: Medium term investment (ie 5 years plus)
- **Real returns**: Inflation adjusted returns give a more accurate picture
- **Accumulation**: Price appreciation and dividends
- **Diversification**: US S&P 500 (Robert J Shiller)

How long is your investment horizon?



Data sourced from Robert J Shiller's website

Where are we in the investment cycle?



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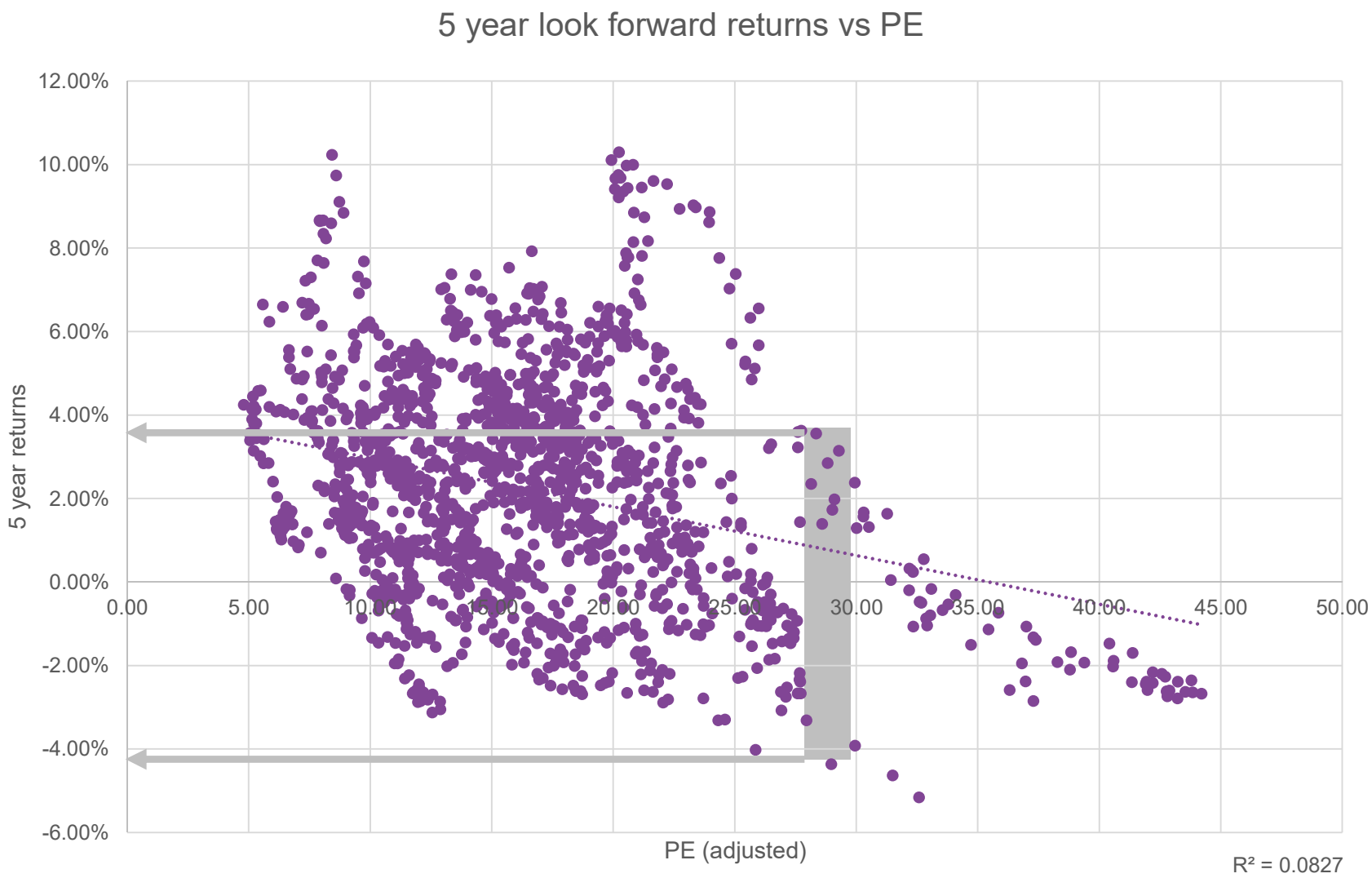
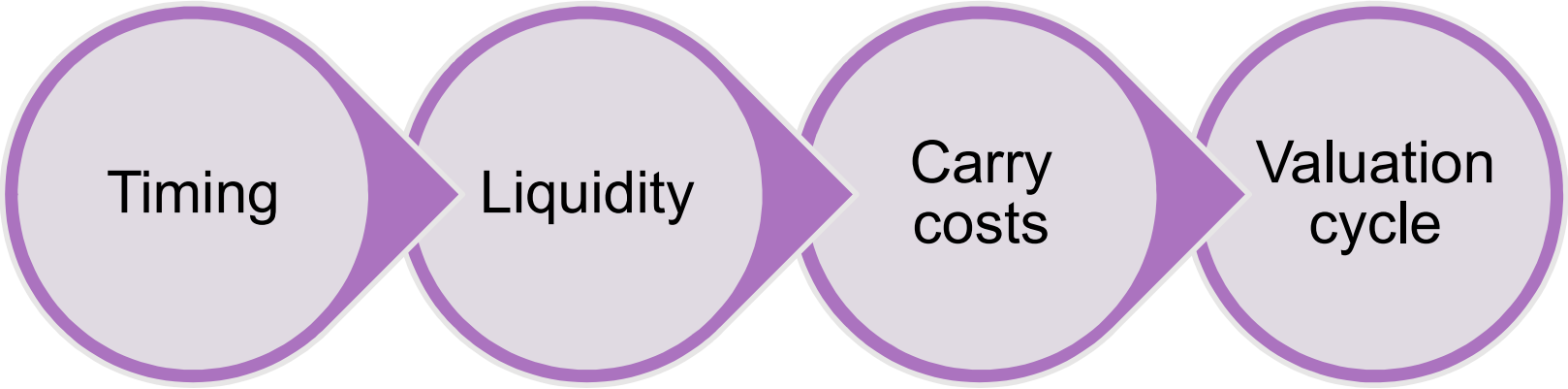


Equities score sheet



Timing	Liquidity	Carry costs	Valuation cycle
5-20 years	✓	✓	✗

Lets get real about property

7.25%
Annual price growth since 1972

(5.3%)
Average inflation since 1972

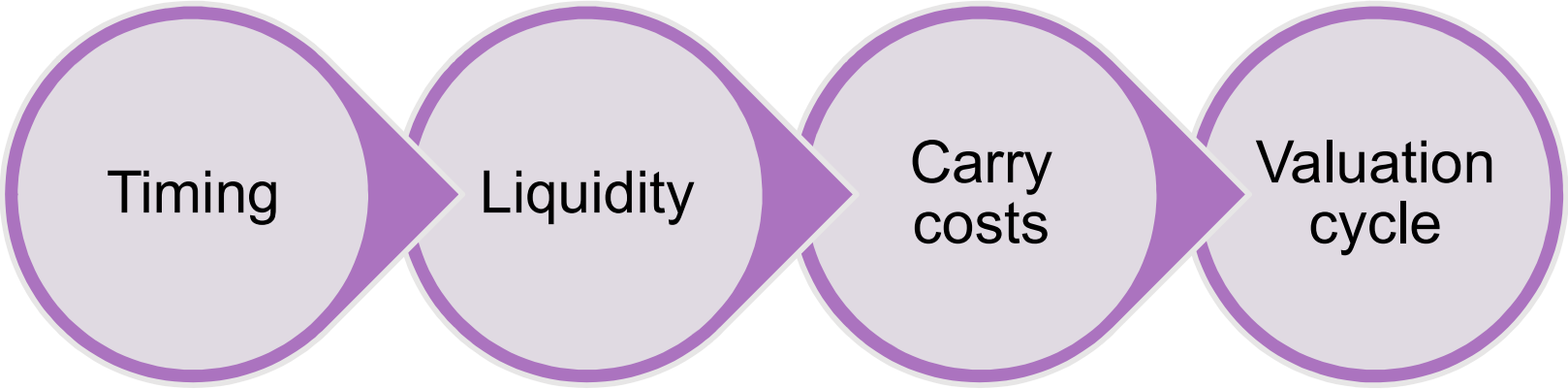
(2.0%)
Improvements and costs

3.0%
Rent

=

2.95%

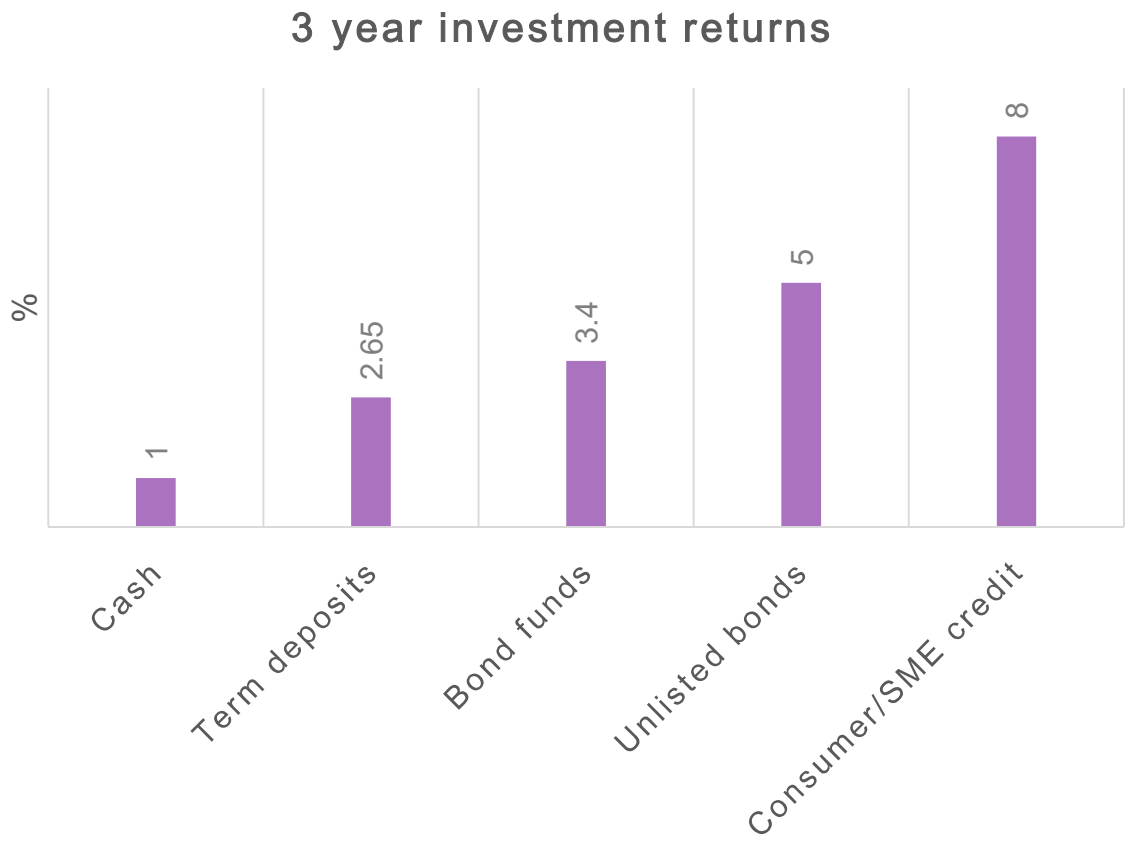
Property score sheet



Timing	Liquidity	Carry costs	Valuation cycle
5 years +	?	×	?

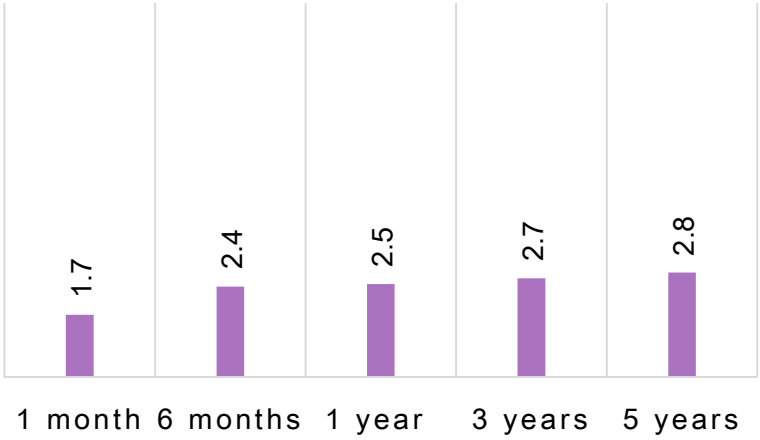
The asset allocation trifecta

Fixed income

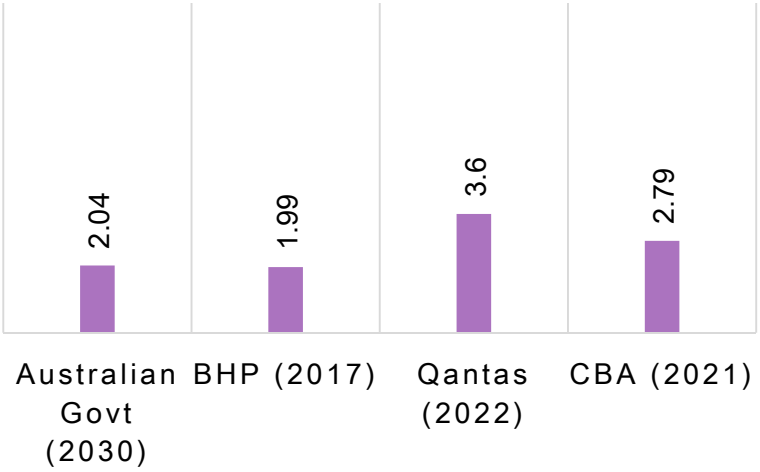


Fixed income returns

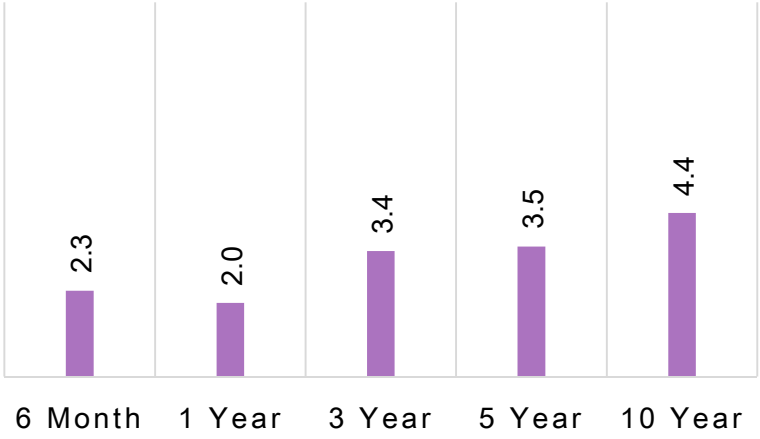
Term deposits



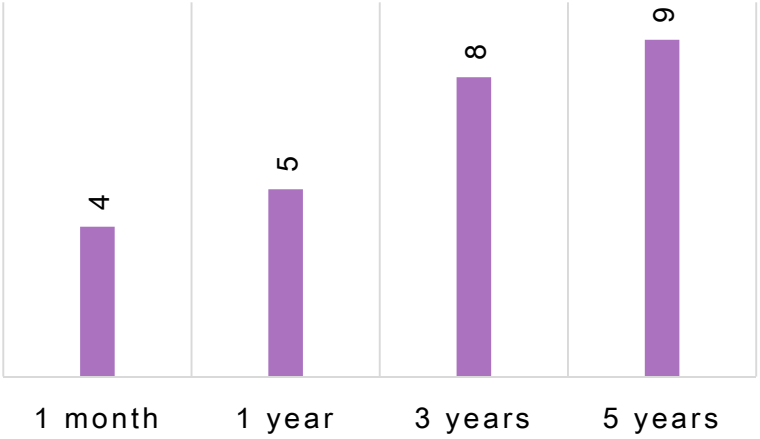
Bonds



Australian Bond Funds

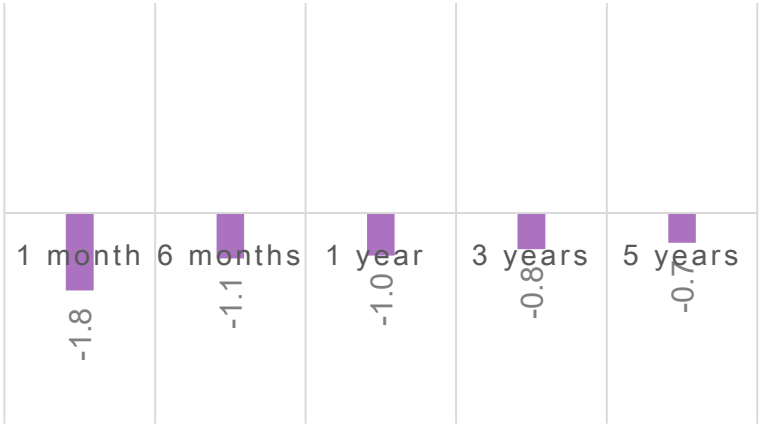


Consumer/SME credit

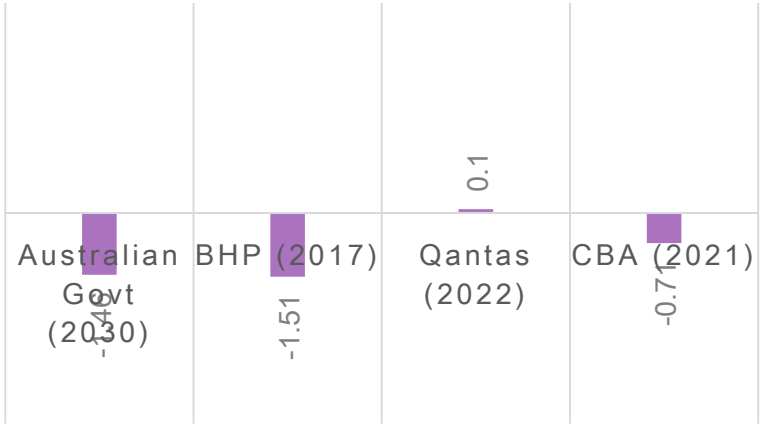


Fixed income real returns

Term deposits



Bonds



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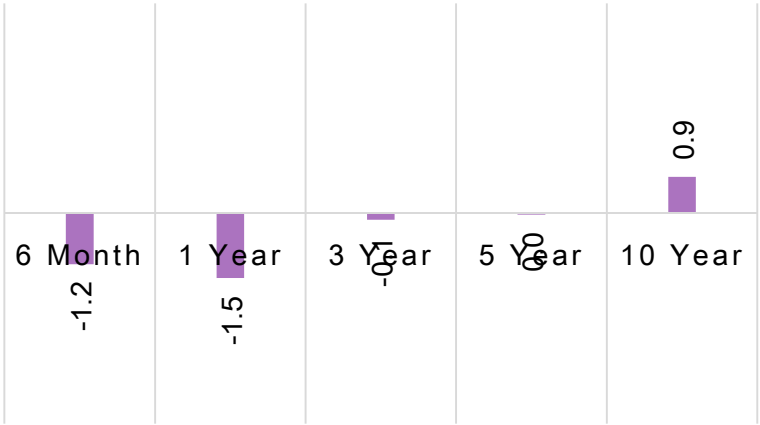
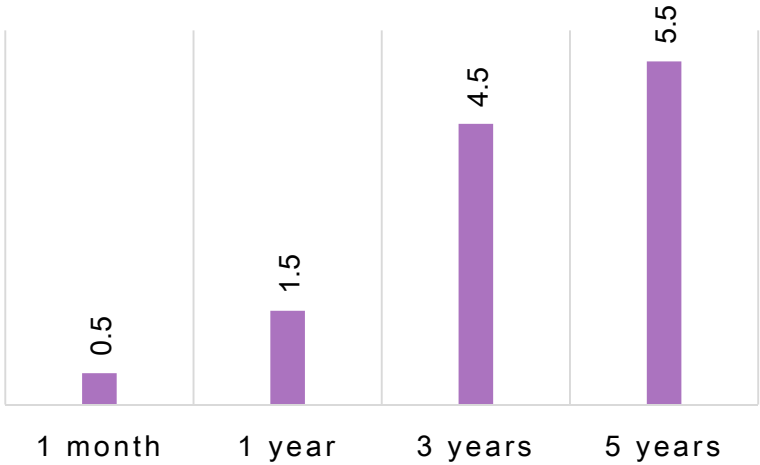
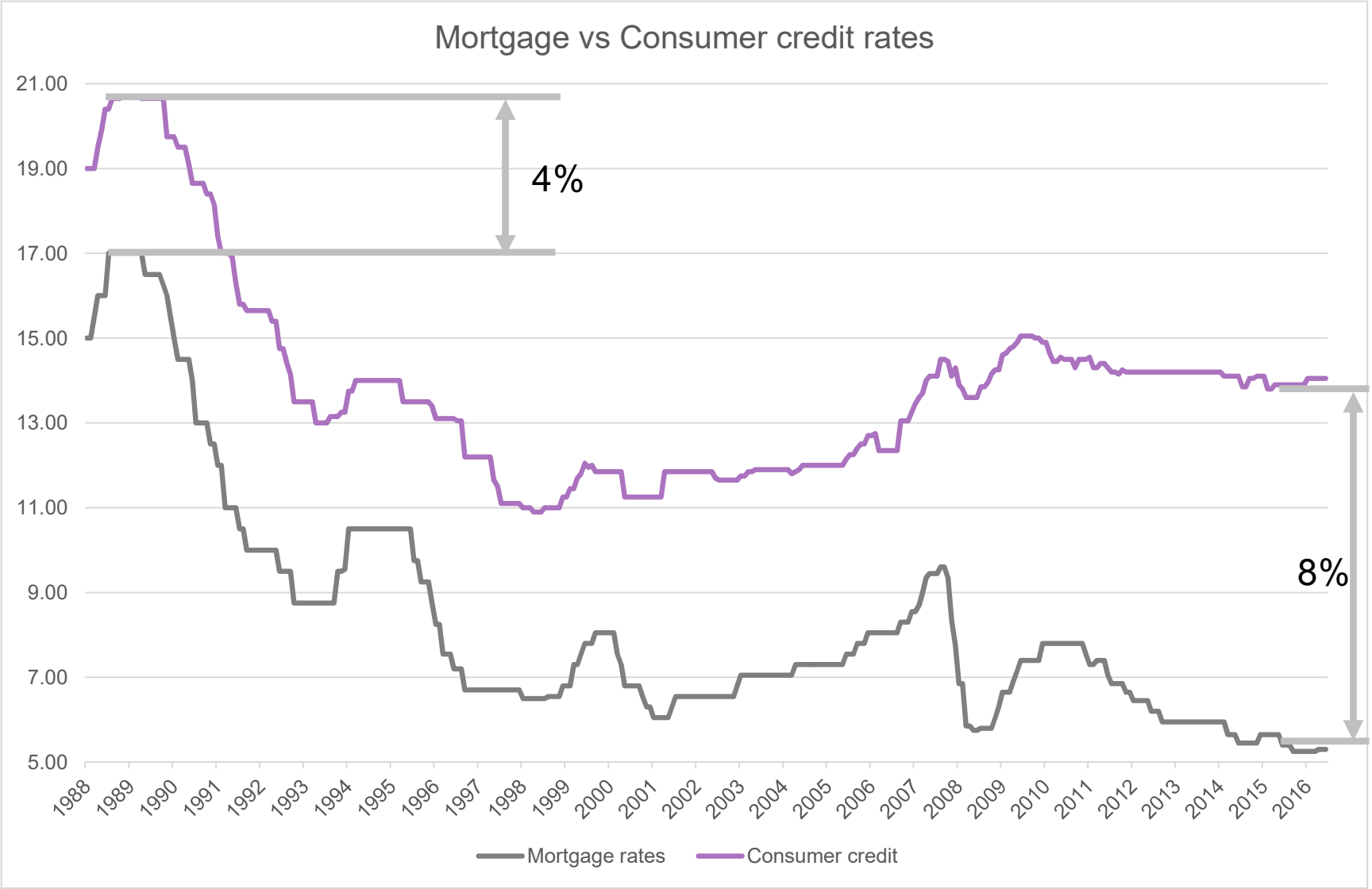


Consumer/SME credit



Why is consumer credit so attractive?



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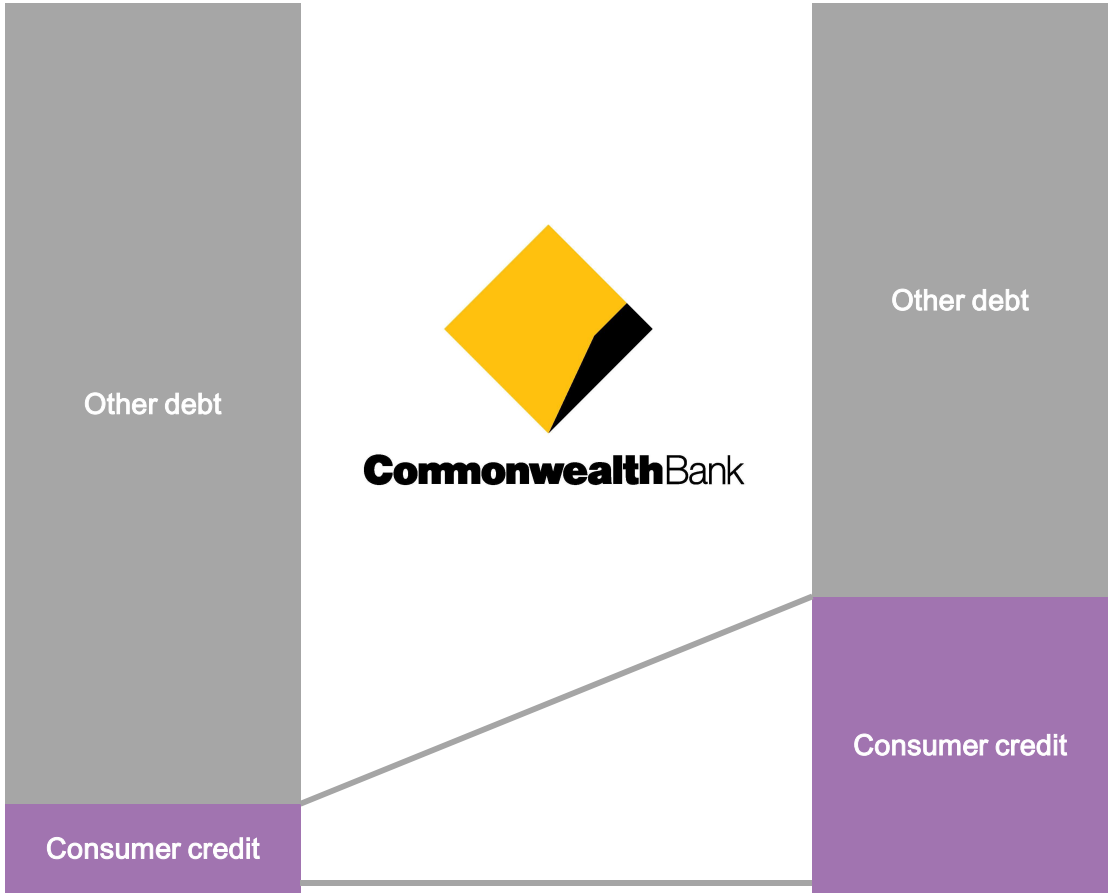
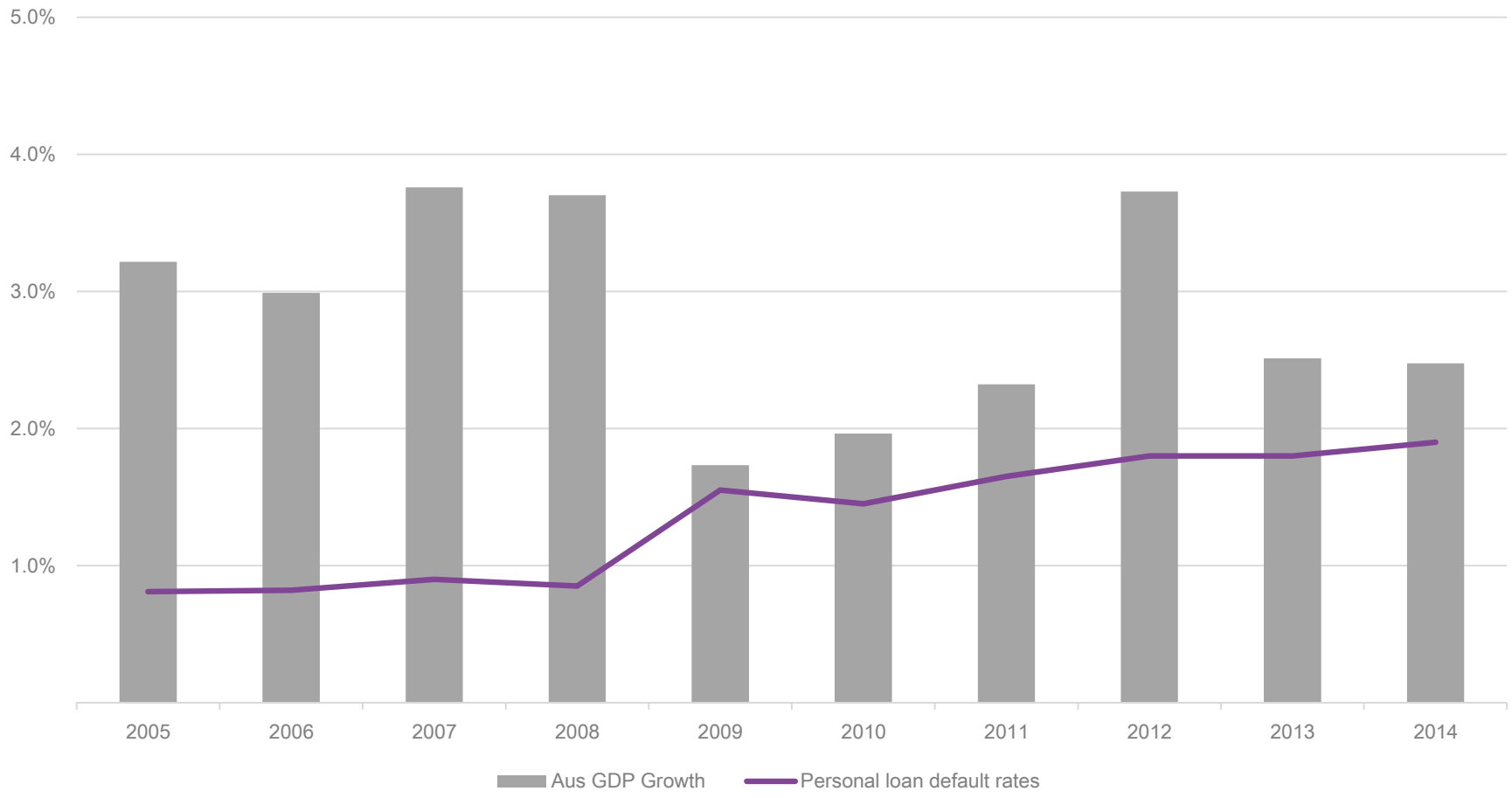


5% of loan book

24% of profits

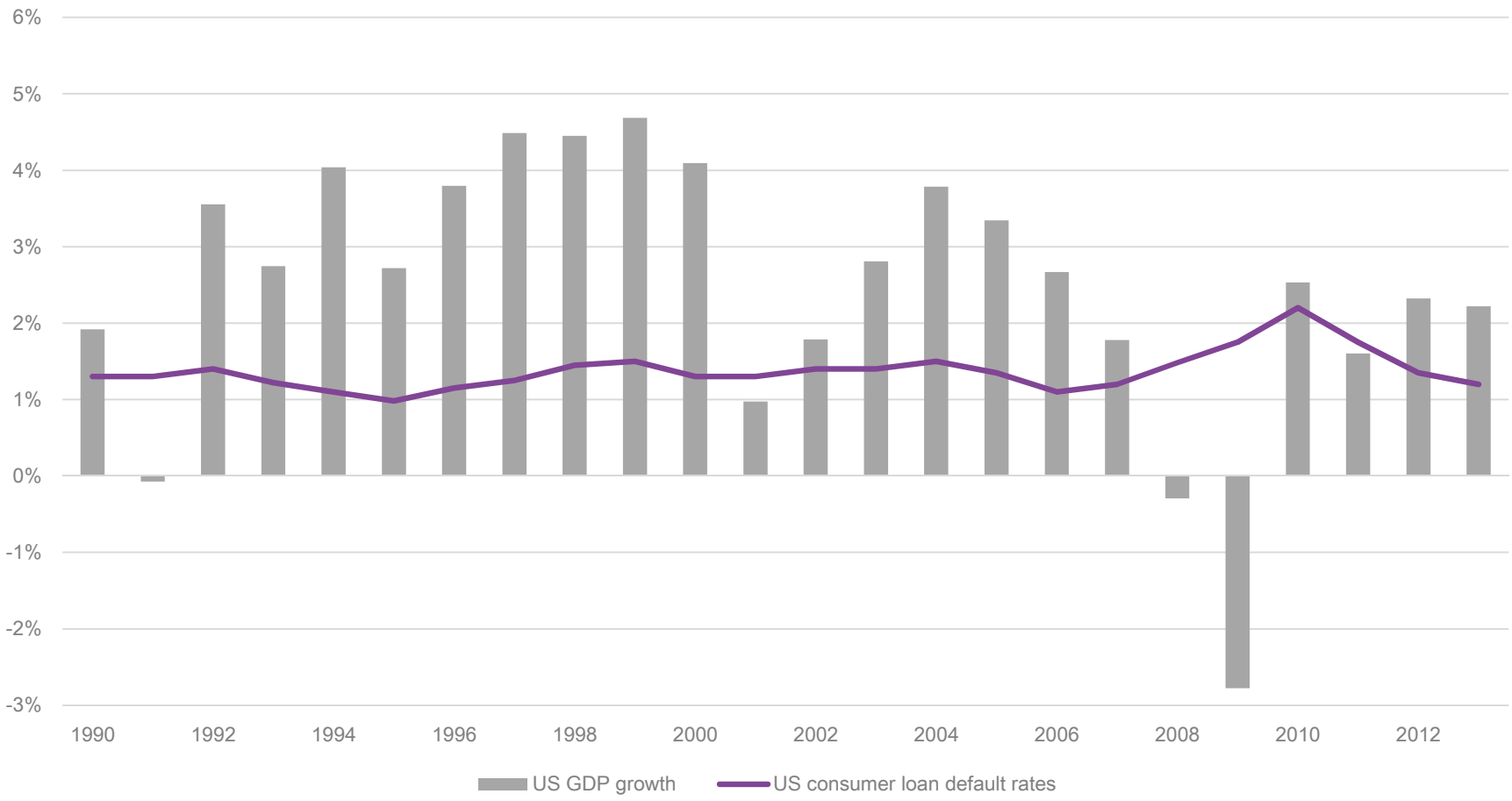
Source: CBA Half Year Results 31 Dec 2016

Personal loan default rates in Australia



Source: RBA, APRA

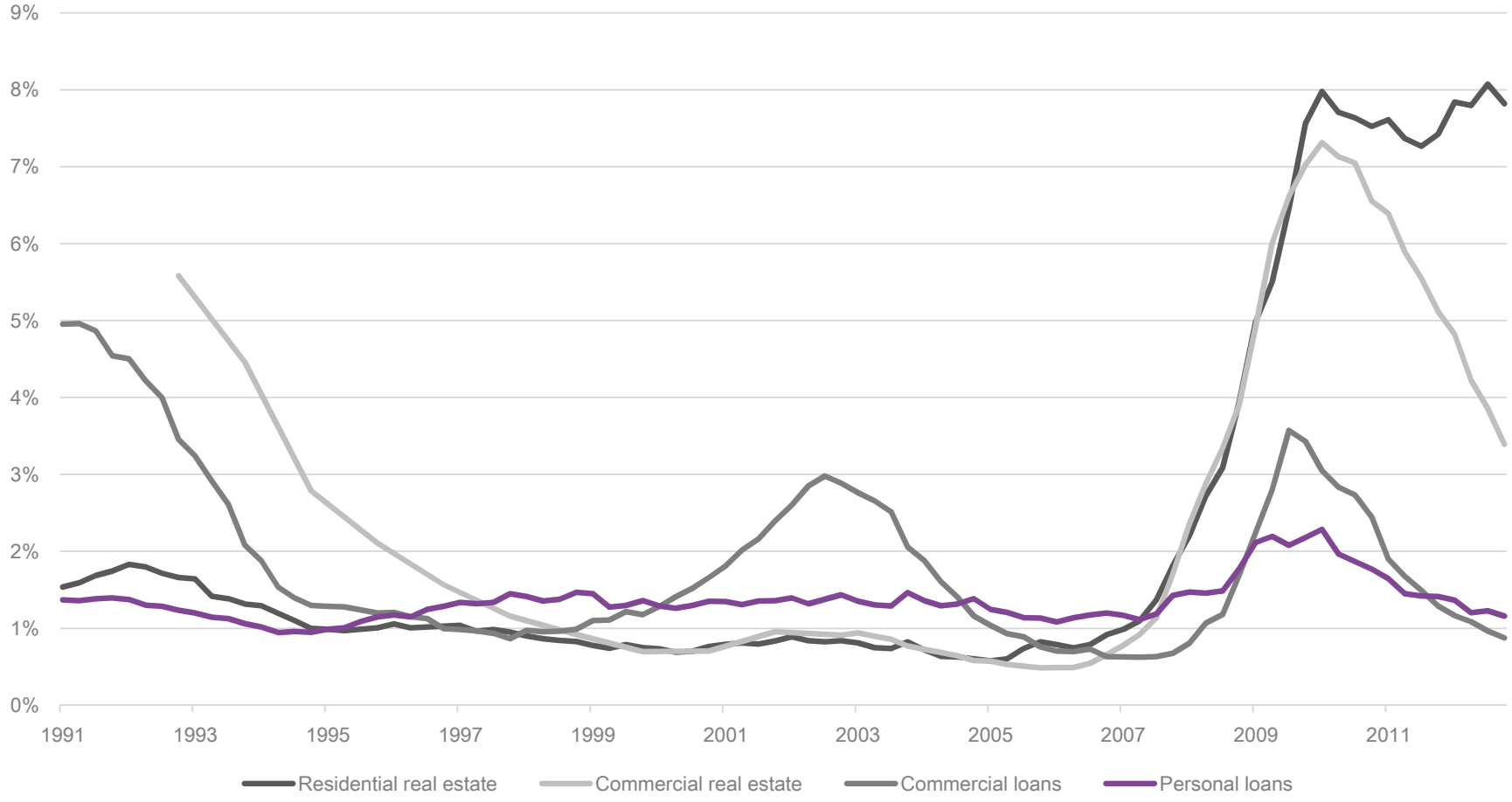
USA consumer loans



Source: The World Bank, RBA

USA loan performance

US default rates by loan class



Source: FDIC, RBA
Note: US loan markets have different characteristics to Australian loan markets

Peer-to-peer lending

RateSetter model –lending markets

1 Month

Borrowers	Rate	Lenders
	>>4.4%	$164.6k
	4.3%	$4.0k
	4.2%	**$54,015.39**
$232.63	**4.1%**	

View Full Market

1 Year

Borrowers	Rate	Lenders
	>>5.6%	$15.6k
	5.5%	$90.2k
	5.4%	**$51,684.35**
$5,848.24	**5.3%**	

View Full Market

3 Year Income

Borrowers	Rate	Lenders
	>>8.6%	$122.8k
	8.5%	$1.8k
	8.4%	**$34.01**

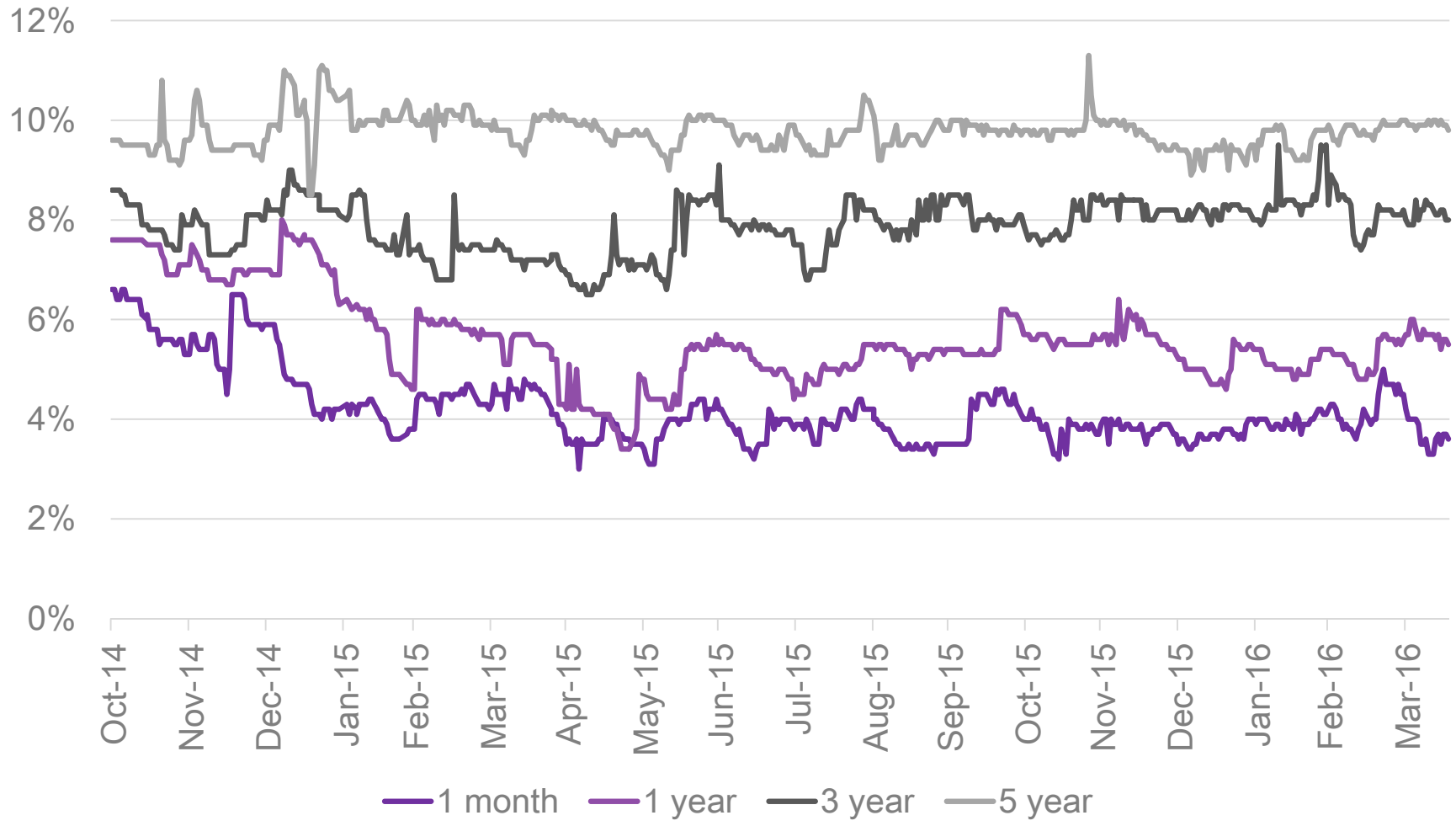
View Full Market

5 Year Income

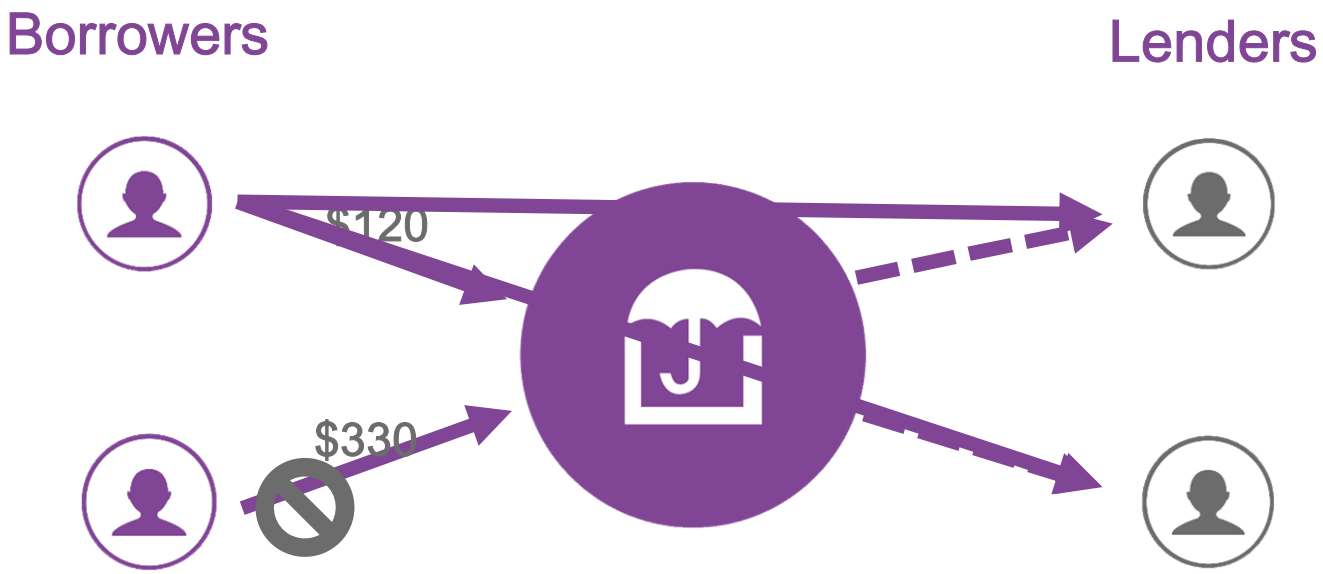
Borrowers	Rate	Lenders
	>>10.0%	$139.5k
	9.9%	$100.1k
	9.8%	**$52,042.78**
$12,391.50	**9.7%**	

View Full Market

RateSetter model – you set the rates



Provision Fund: safer peer-to-peer lending



RateSetter™

Why invest in peer-to-peer lending?

1. Easy online access and SMSF ready
2. Attractive investment class
3. High yield and low volatility
4. Control and flexibility
5. Low fees

Investment checklist

1. Track record
2. Accessibility
3. Regulated and ring fenced
4. No pooled investment fund
5. Diversification
6. Transparency

Please contact us for more information

Andrew Jones

Head of Business Development

andrew.jones@ratesetter.com.au

Phone: 02 8091 7474

Mobile: 0401 997 326

Important Note

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