



INCOME EXTRAVAGANZA

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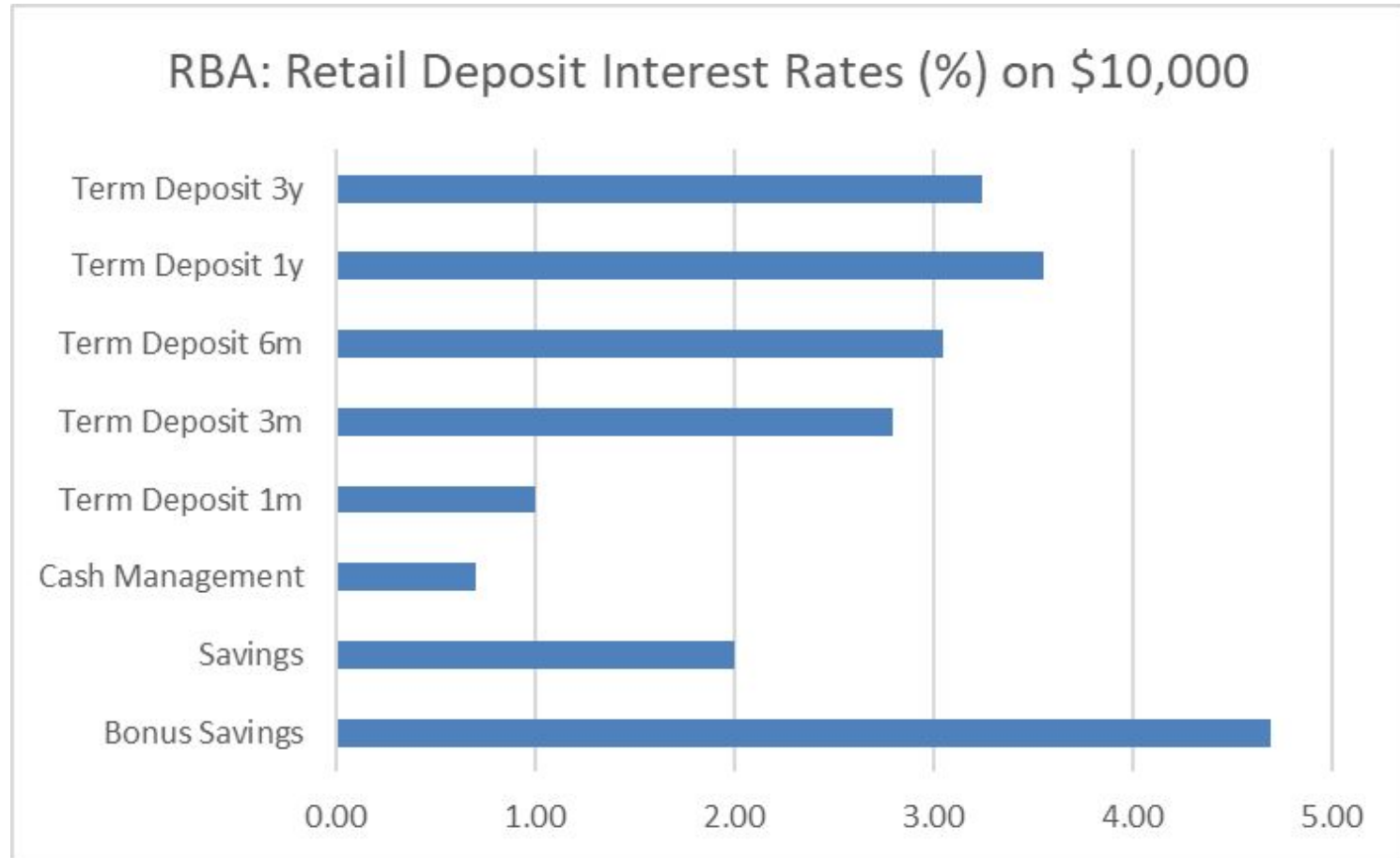
Agenda:

- Sources of yield
- Asset by asset run through
- Overview

Typical Sources of yield:

- At call bank deposits
- Term Deposits
- Government Bonds (own country)
- Government Bonds (foreign)
- Semi government bonds
- Alternative Assets
- Corporate Bonds (investment grade)
- Hybrids / Real Estate Investment Trusts
- Corporate Bonds (junk/high yield)
- Equity dividends

Deposit Rates:



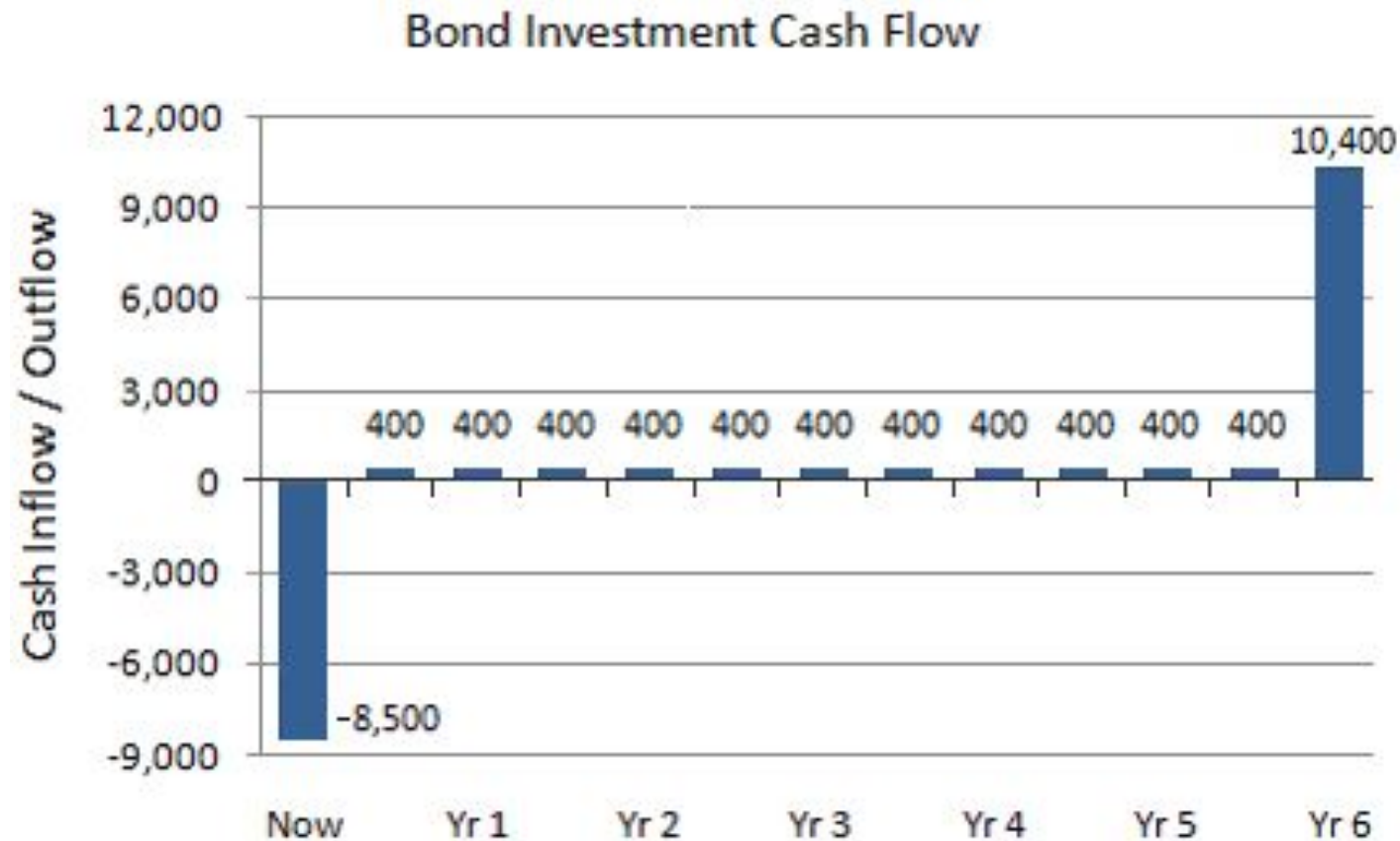
Nucleus:

- Varies by platform. Interactive Brokers tends to be the best.
- Bank bill swap rate investments = 4.1%
- USD rates have currency risk!!

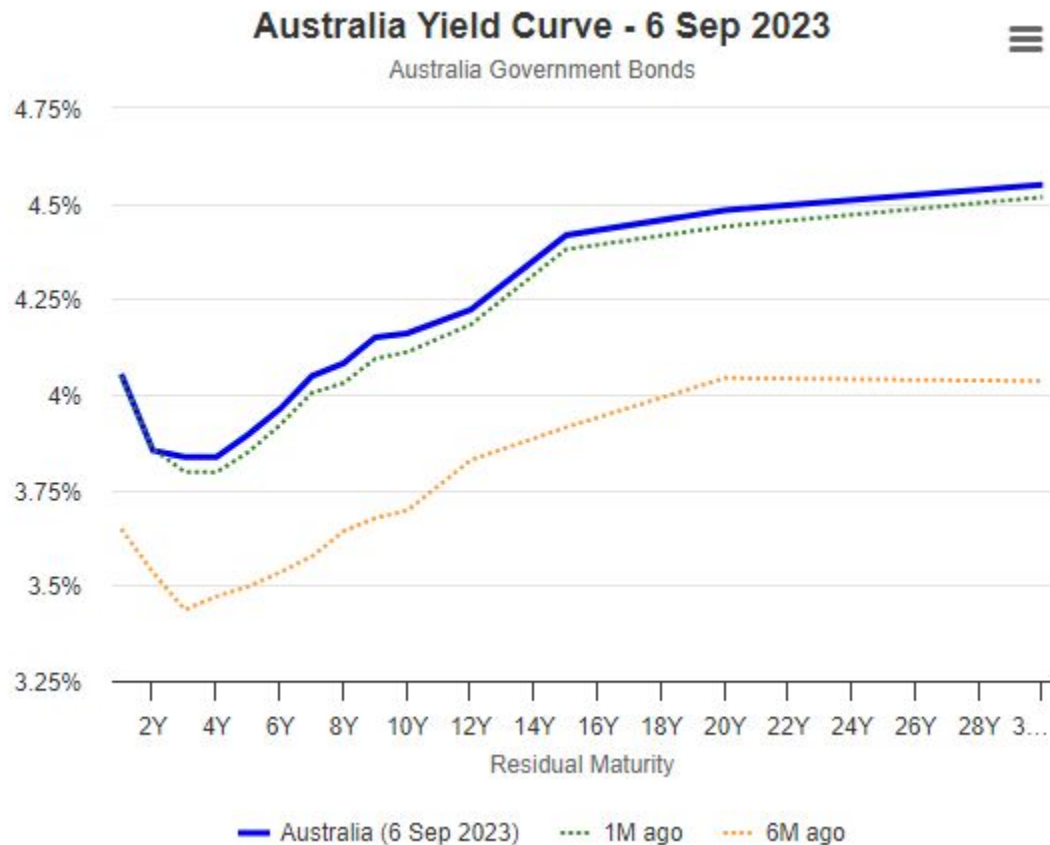
INTERACTIVE BROKERS

Currency	Tier	Rate Paid
USD	$0 \leq 10,000$	0%
	$> 10,000$	4.78%
AUD	$0 \leq 15,000$	0%
	$15,000 \leq 150,000$	3.52%
	$> 150,000$	3.77%

Bonds:

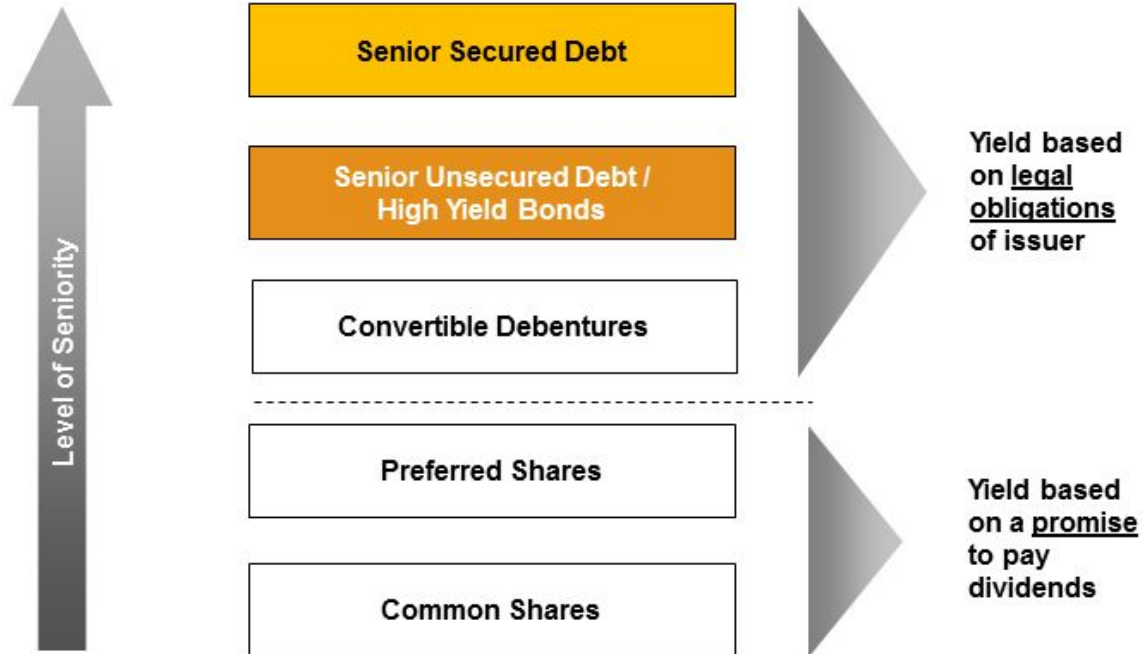


Bond features:



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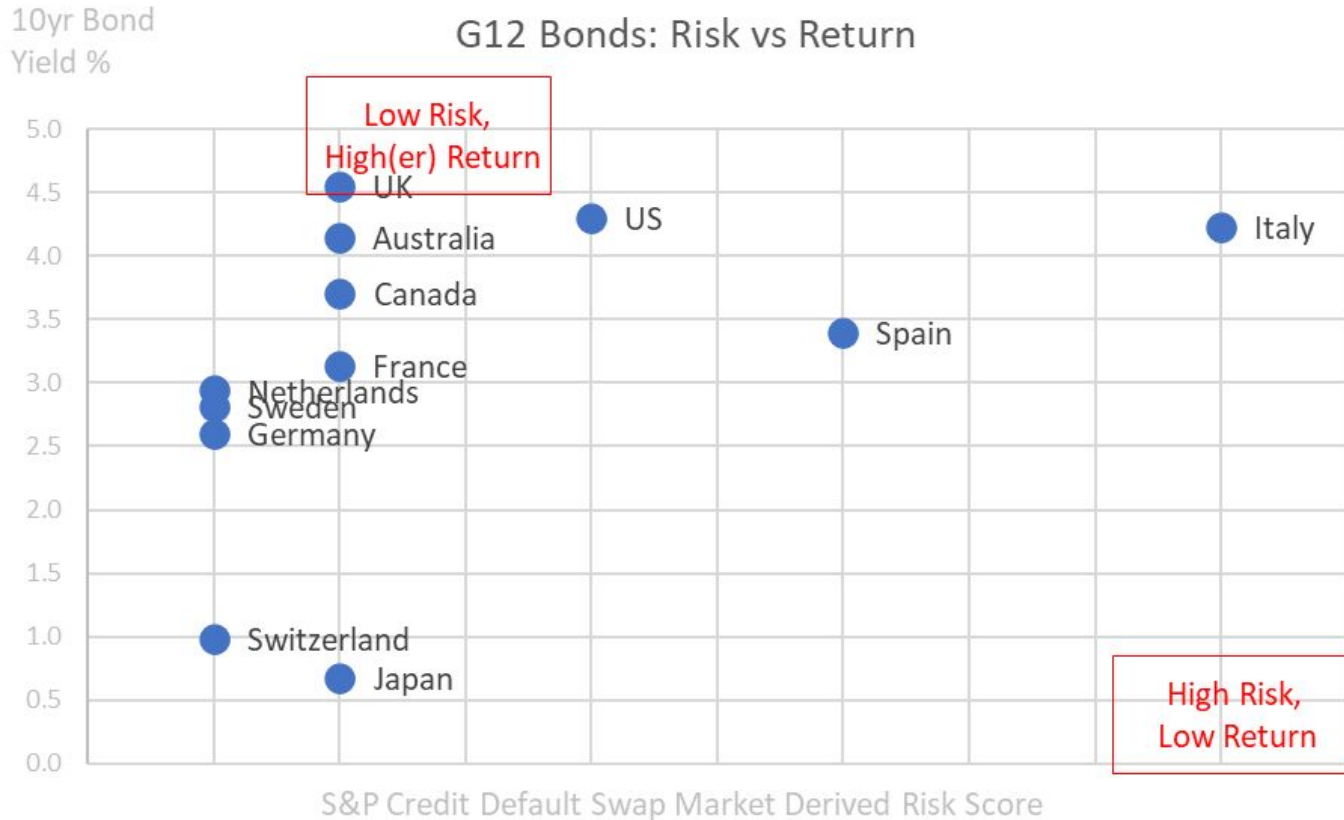
The Capital Structure of a Corporation



Bond features:

- Maturity
- Fixed vs Floating
- Inflation linked Government Bonds
- Covenants
- Seniority
- Tax effect

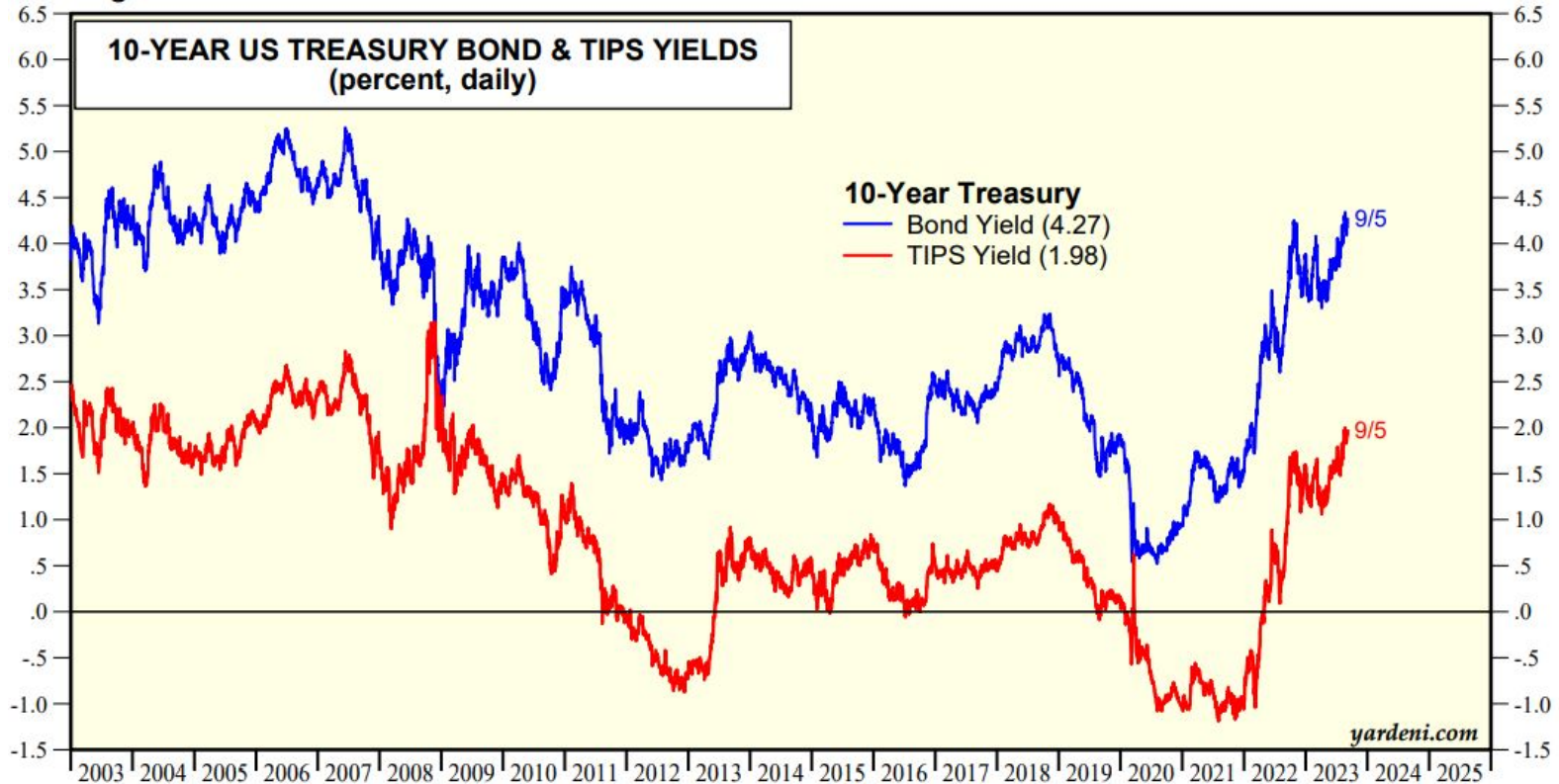
Government Bonds:



Source: S&P Capital IQ, Nucleus Wealth

Government Bonds: Inflation Linked

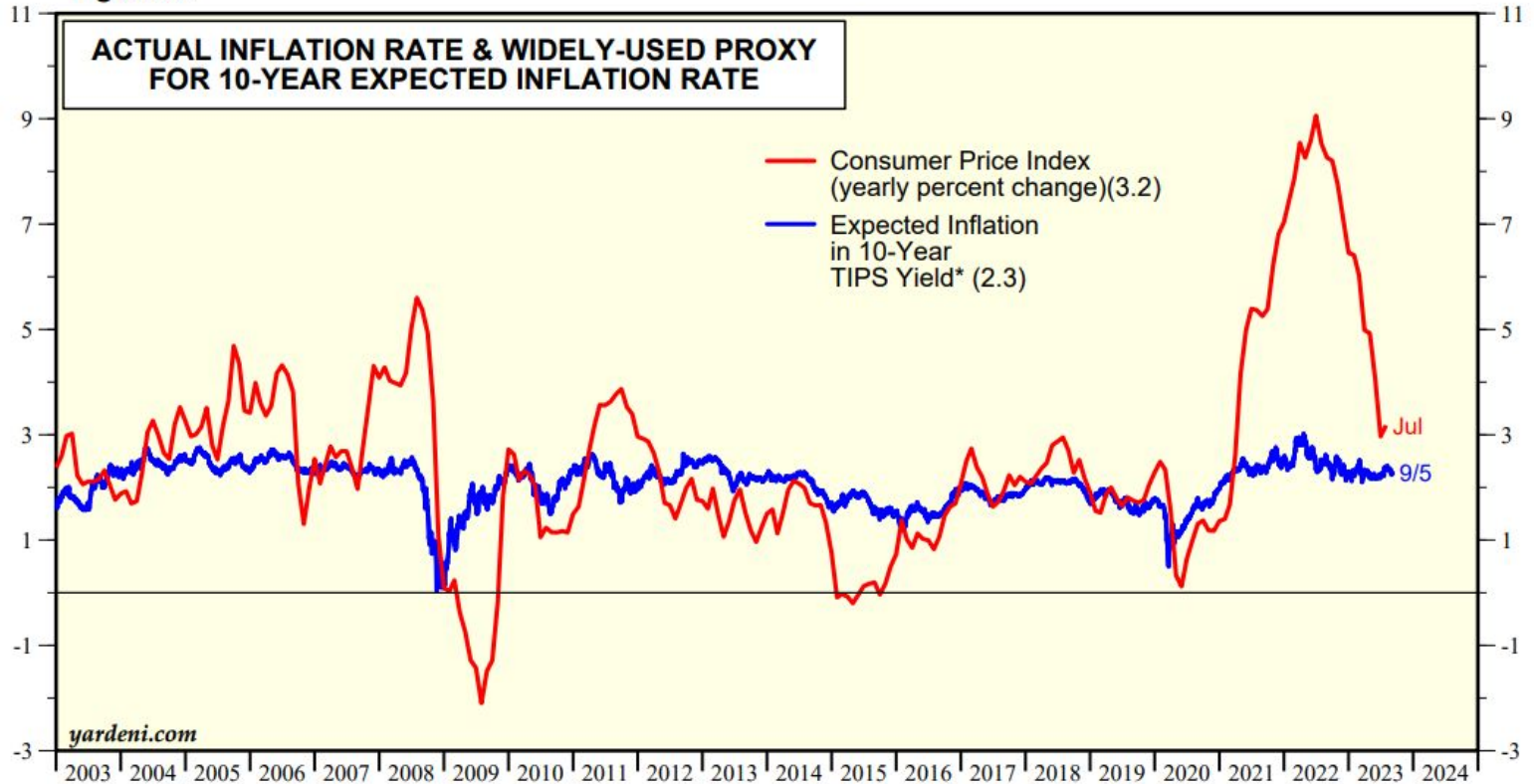
Figure 1.



Source: Federal Reserve Board.

Government Bonds: Inflation Linked

Figure 3.

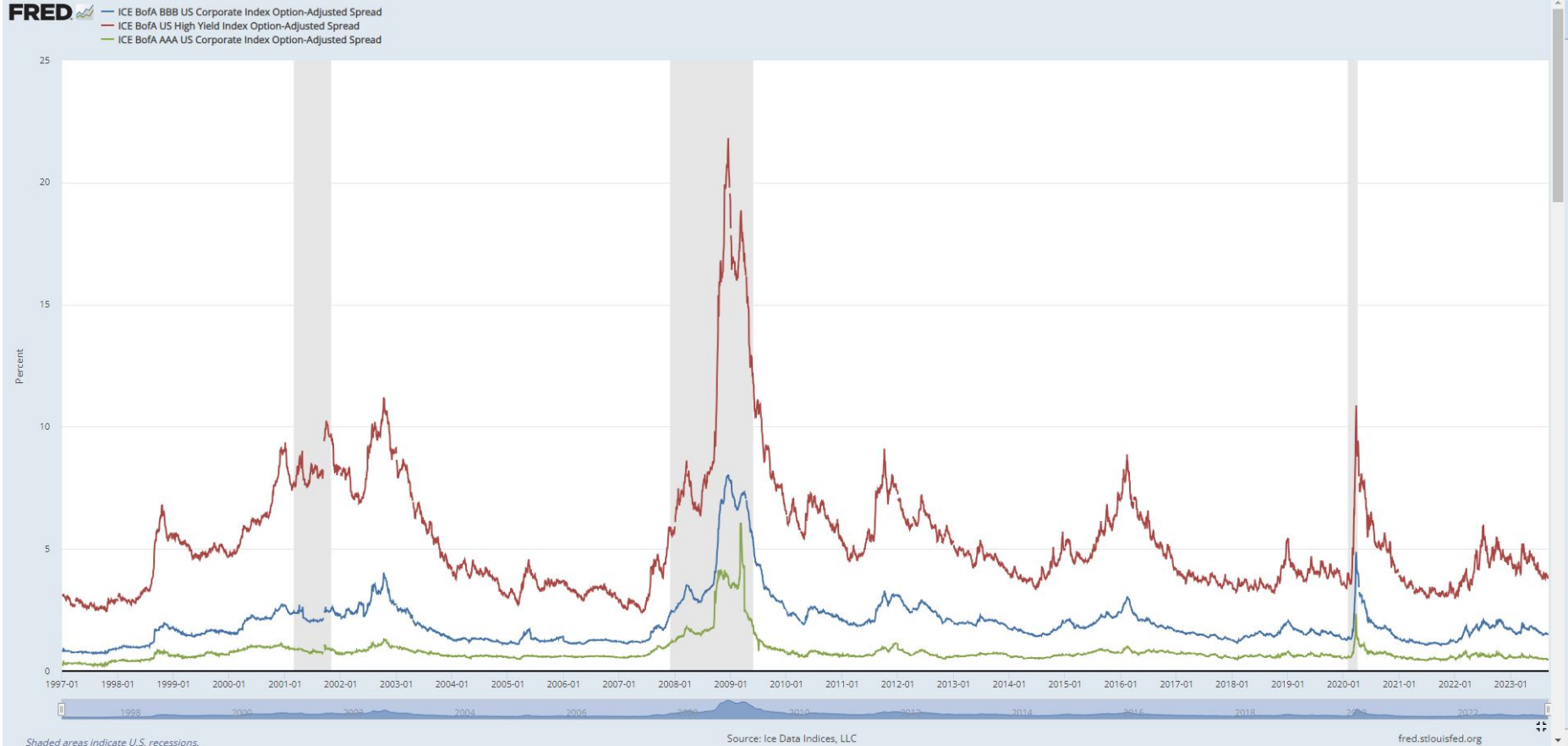


* Nominal 10-year US Treasury bond yield minus 10-year TIPS yield.
Source: Federal Reserve Board and Bureau of Labor Statistics.

Corporate Bonds:



Corporate Bonds:



Choose themes to screen from your portfolio away from (i.e. remove stocks)

Climate Change

War

Human Rights

Health

Vices

Animal Rights

Religion

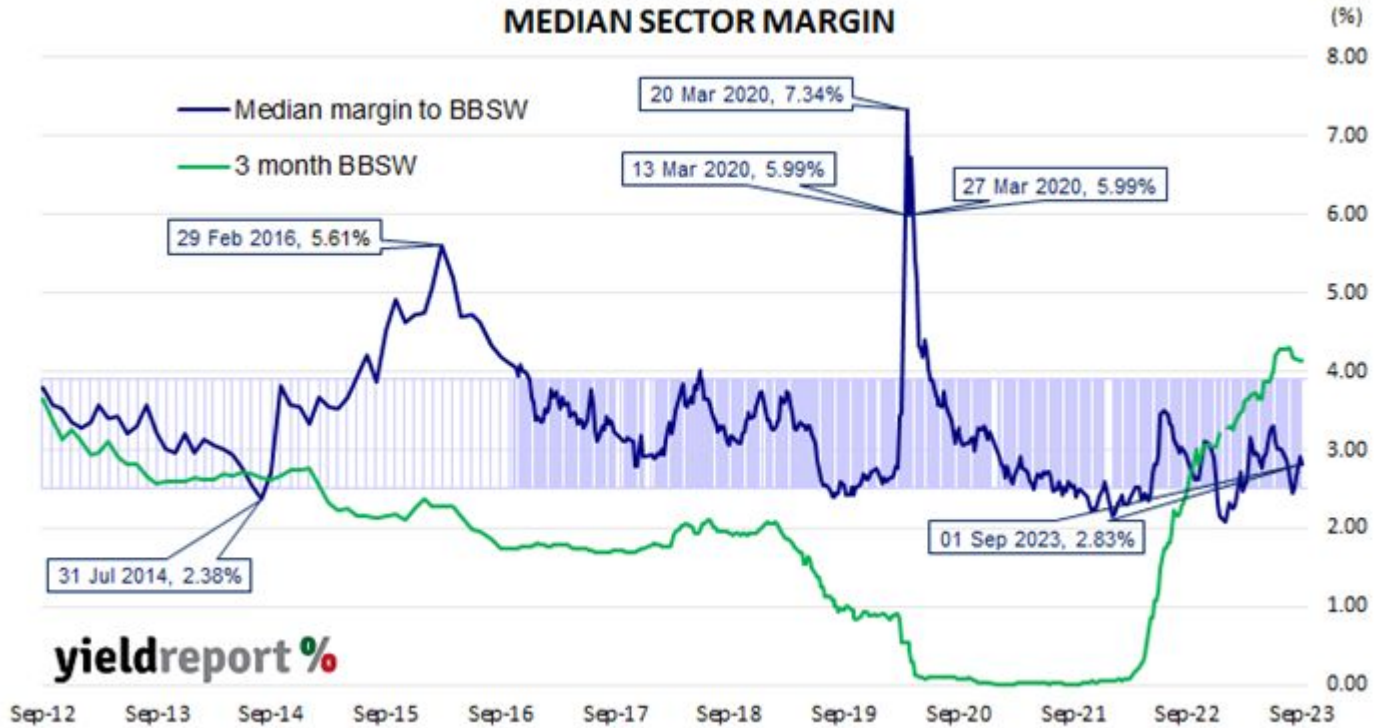
Asset Class

Thematic

Climate Change

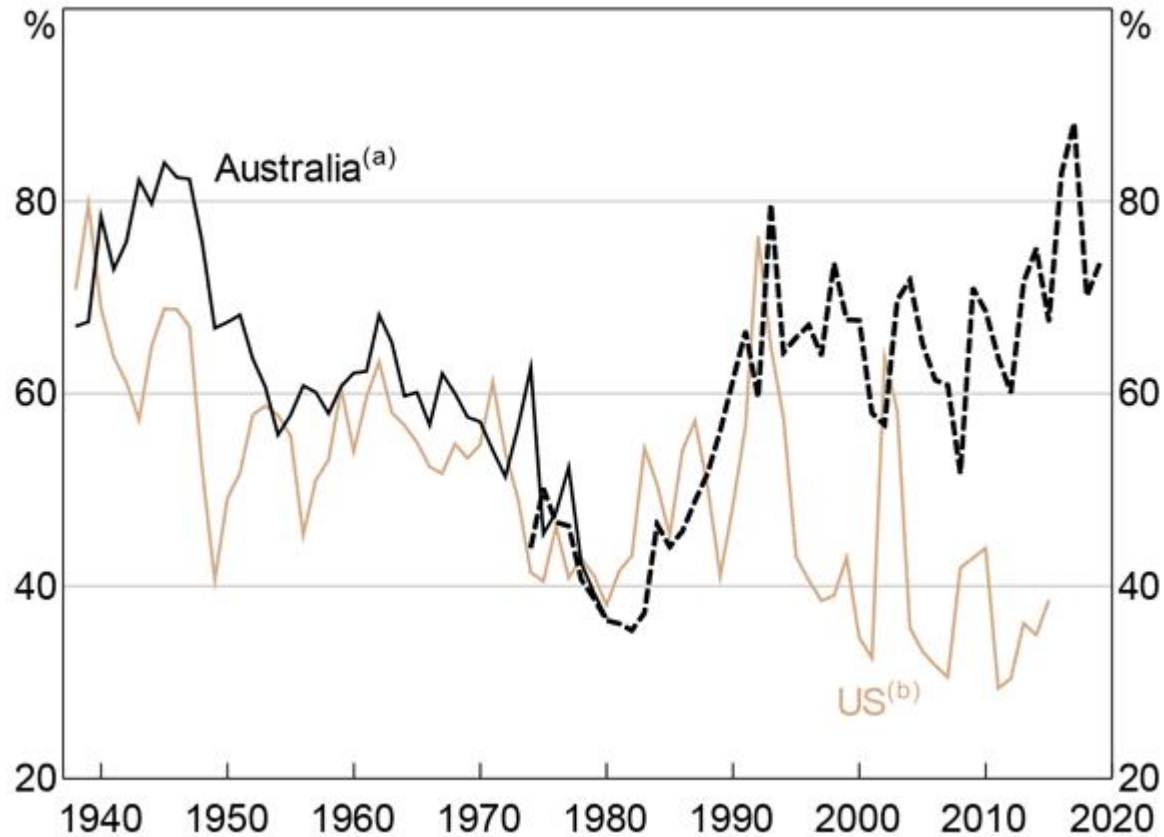
- No Fossil Fuels (Worst Offenders) 
- No Fossil Fuels (Any) 
- No Coal Seam Gas or Fracking 
- No Nuclear Power 
- No Old Growth Forest Logging 

Hybrids:

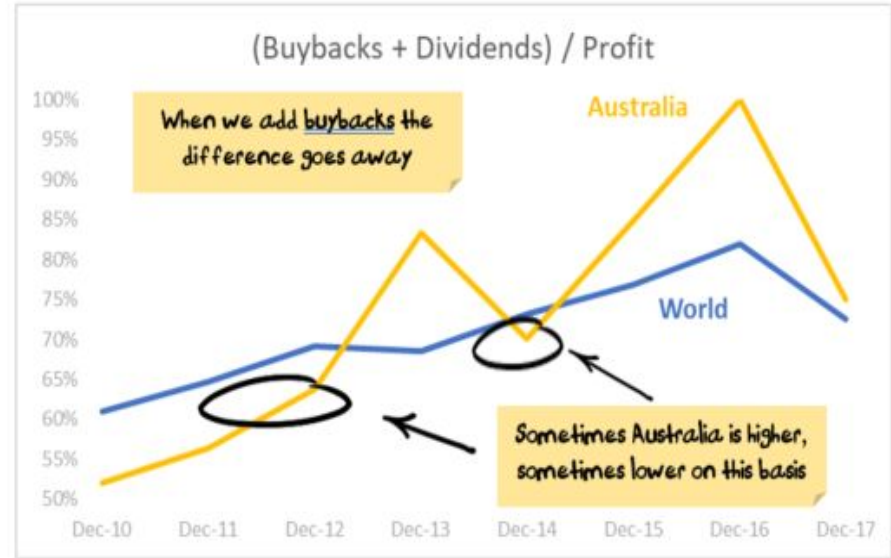
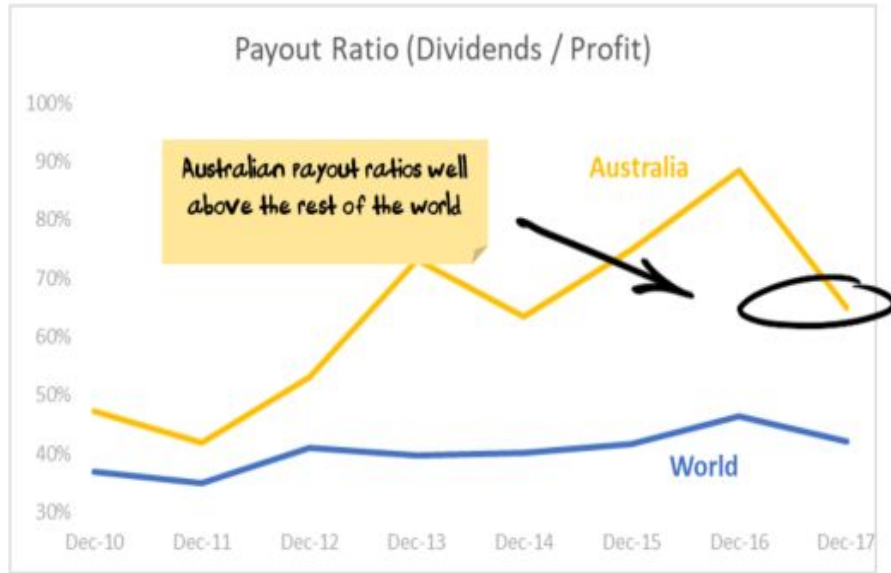


Dividend yields:

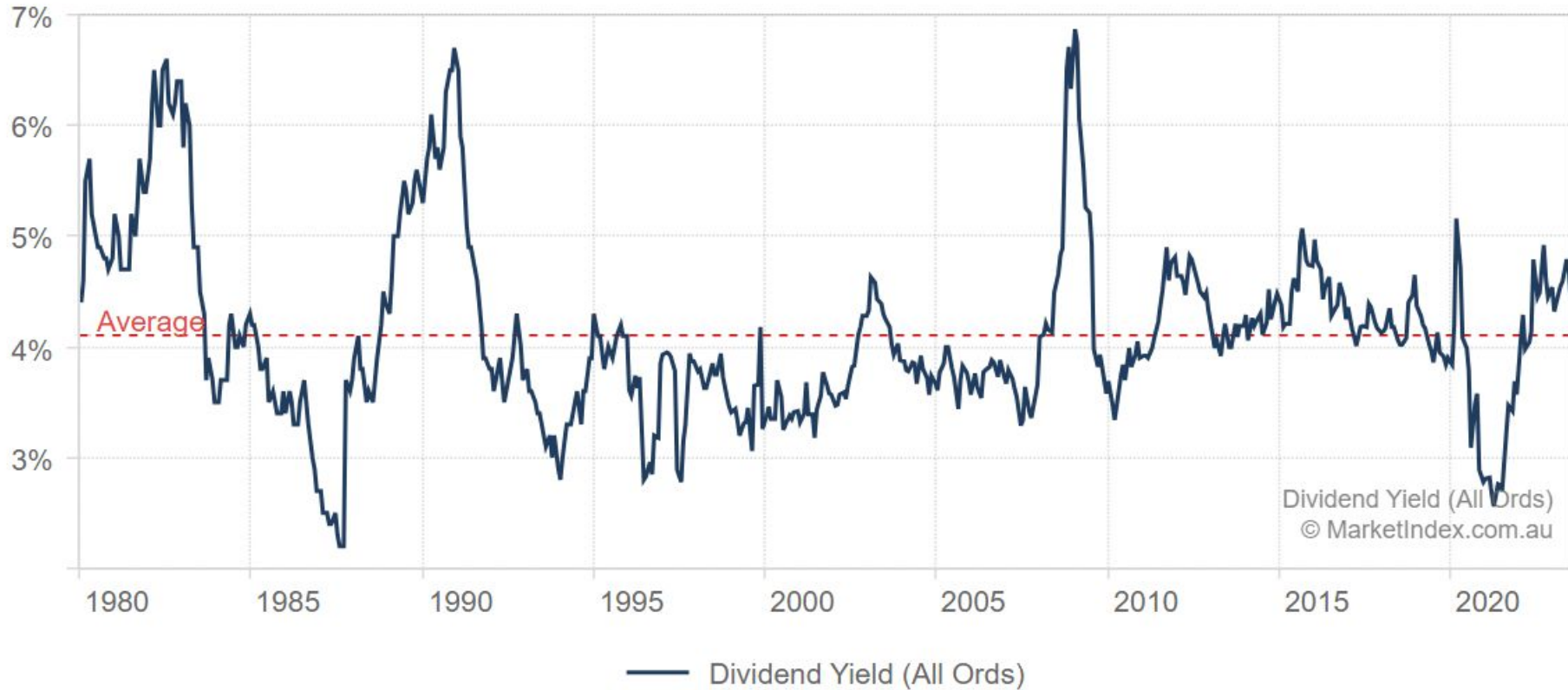
Figure 4: Dividend Payout Ratios



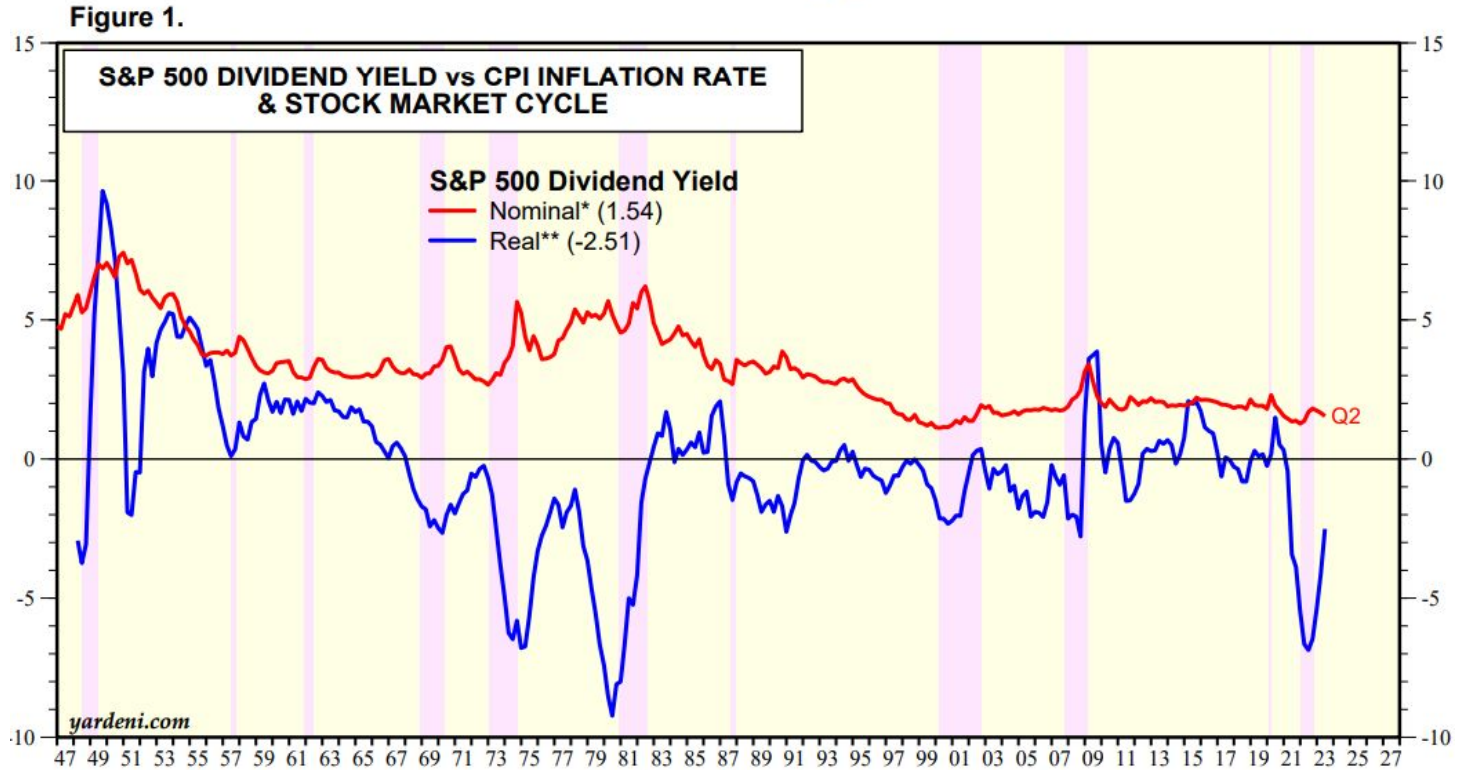
Dividend yields:



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Dividend yields:



* S&P 500 four-quarter trailing dividends per share divided by quarterly closing value of the S&P 500 index.

** Nominal dividend yield minus CPI inflation rate on y/y basis using quarterly data based on 3-month averages.

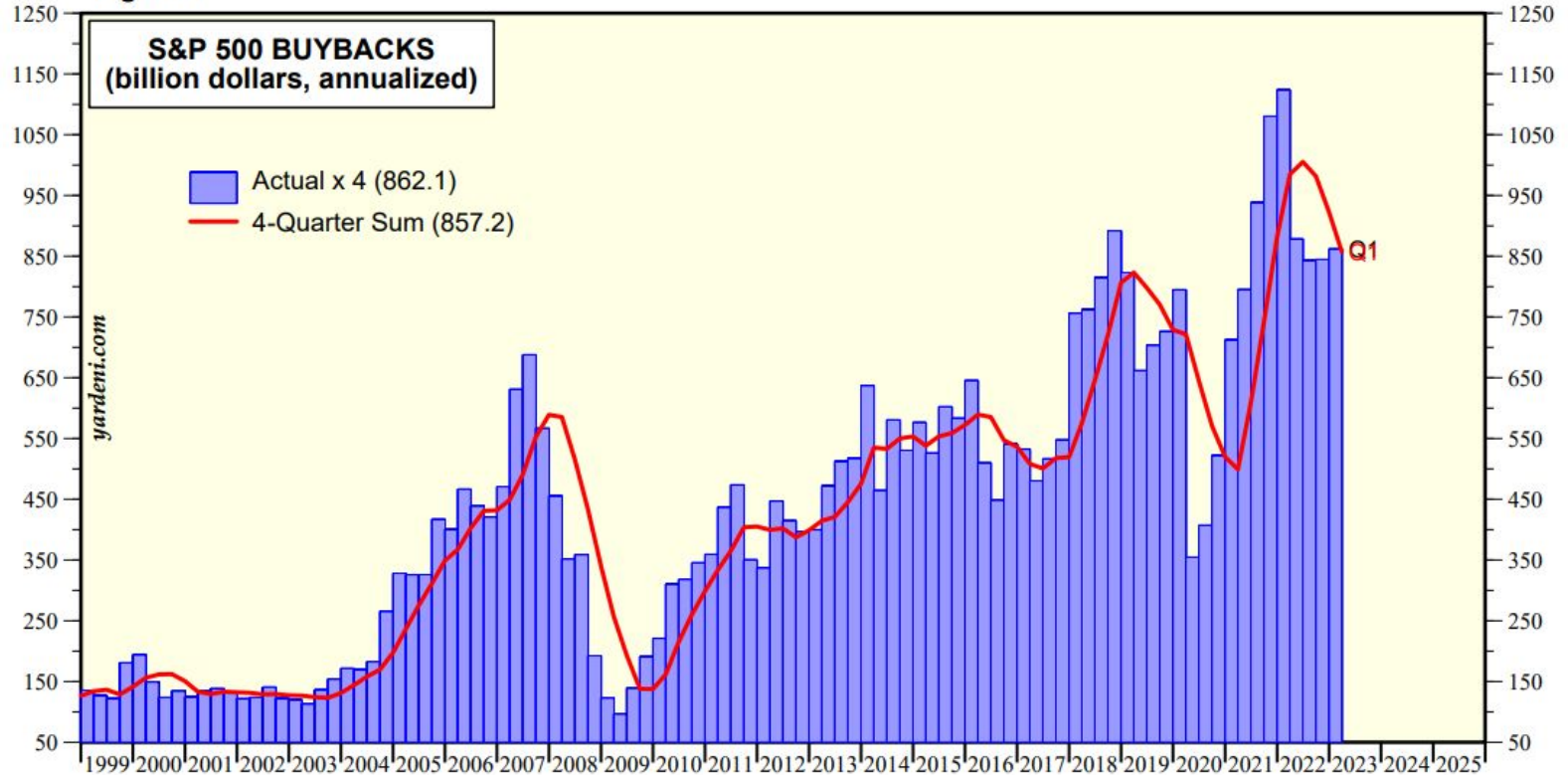
Note: Shaded red areas are S&P 500 bear market declines of 20% or more. Yellow areas show bull markets.

Source: Standard & Poor's and Bureau of Labor Statistics.

Dividend yields:

BUYBACKS & DIVIDENDS

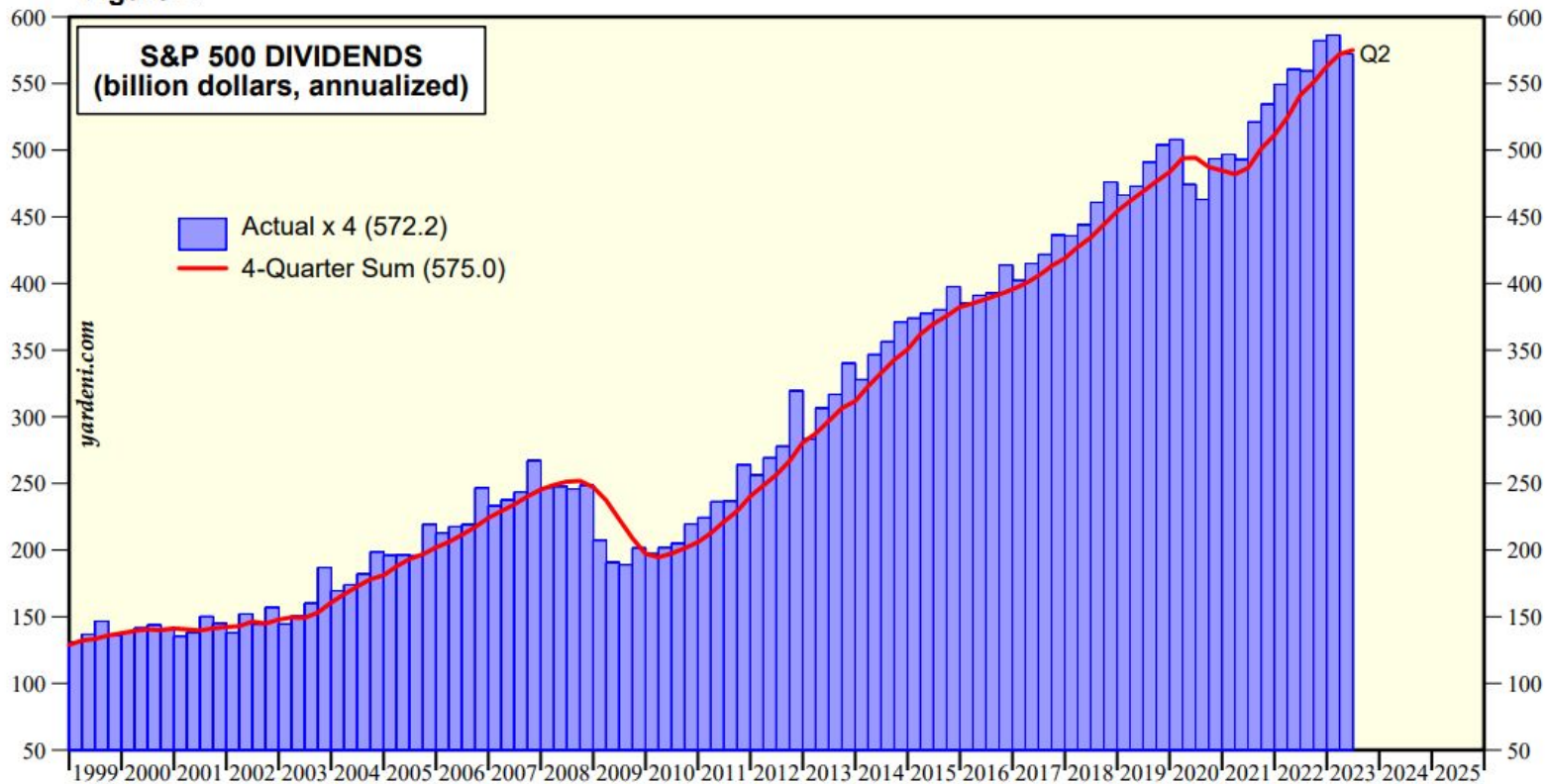
Figure 1.



Source: Standard & Poor's.

Dividend yields:

Figure 2.



Source: Standard & Poor's.

Personalise Your Portfolio

Screens

You can exclude the below to customise your portfolio

Climate Change	War	Human Rights	Health	Vices
Animal Rights	Religion	Asset Class	Thematic	

- No Fossil Fuels (Worst Offenders) ?
- No Fossil Fuels (Any) ?
- No Coal Seam Gas or Fracking ?
- No Nuclear Power ?
- No Old Growth Forest Logging ?

Tilts

You can add the below to customise your portfolio

Investment Style Factors	Climate Change	Technology	
Consumption	Commodities	Military	GICS Sectors

- Quality Stocks ?
- Value Stocks ?
- Growth Stocks ?
- Defensives ?



Personalise your portfolio now >



Build Your Portfolio

Need help with this page? Video Tutorial

- Account Selection
- Investment Choice
- Risk Profile
- Build Your Portfolio**
- Ethical Overlay
- Review
- Applicants
- Bank Details
- Compliance
- Final Review

Portfolio Tilts



Quality Stocks

Value Stocks

Growth Stocks

Oil & Gas Stocks

Gold Stocks

Agribusiness

Large Technology Stocks

Cloud Computing Stocks

Robotics/AI

Video Gaming

Cybersecurity

Clean Energy

Defensives

Battery Supply Chain

Nuclear Power

Defense Contractors

Travel

Luxury Goods

Logistics

Global Communication Services

Global Consumer Discretionary

Global Consumer Staples

Global Energy

Global Financials

Global Health Care

Global Industrials

Global Information Technology

Dividend yields: Diversification

Sector Correlations, 1999–2018

	Comm. Services	Cons. Disc.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Real Estate	Utilities
Comm. Services	1.00										
Cons. Disc.	0.73	1.00									
Cons. Staples	0.51	0.53	1.00								
Energy	0.45	0.45	0.36	1.00							
Financials	0.62	0.75	0.57	0.49	1.00						
Health Care	0.54	0.53	0.62	0.39	0.60	1.00					
Industrials	0.70	0.82	0.59	0.62	0.81	0.60	1.00				
Info. Tech	0.75	0.69	0.31	0.38	0.51	0.47	0.65	1.00			
Materials	0.64	0.74	0.52	0.69	0.70	0.50	0.86	0.57	1.00		
Real Estate	0.52	0.68	0.51	0.40	0.66	0.50	0.69	0.45	0.64	1.00	
Utilities	0.31	0.28	0.45	0.45	0.34	0.40	0.39	0.20	0.34	0.47	1.00

Source: Fidelity Investments, as of 12/31/2018. U.S. equity market is represented by the top 3,000 U.S. stocks as measured by market capitalization and sectors are defined by the GICS. Correlation coefficient is the interdependence of two random variables that range in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at 0, and perfect positive correlation at +1.

Dividend yields: Diversification

Low	Moderate	High
Consumer Staples	Financials / Banks	Consumer Discretionary
Telecommunications		Industrials
Information Technology		Real Estate
Utilities		Energy
Healthcare		Mining / Materials

Dividend Yields: Australia vs International

- **Sector allocation:** is half the difference.

Viewer question of the week:

Where can you get the best risk/return trade off for yield?

Drop your answers in the comments

Investment Outlook

- Relative yields looking much better than 2/3 years ago
- Risk of interest rates falls for longer term investors. I.e. difference between cash as a tactical asset and investment asset
- Consider bonds for smoothing income. Hold to maturity different to trading
- Corporate bonds and hybrids depend on your outlook for the cycle. For us, risk/return trade-off better elsewhere
- Stock yields relatively low. Inflation key assumption.

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