



EPISODE
381



INCOME INVESTORS: LAST CHANCE TO LOCK IN HIGHER INTEREST RATES?

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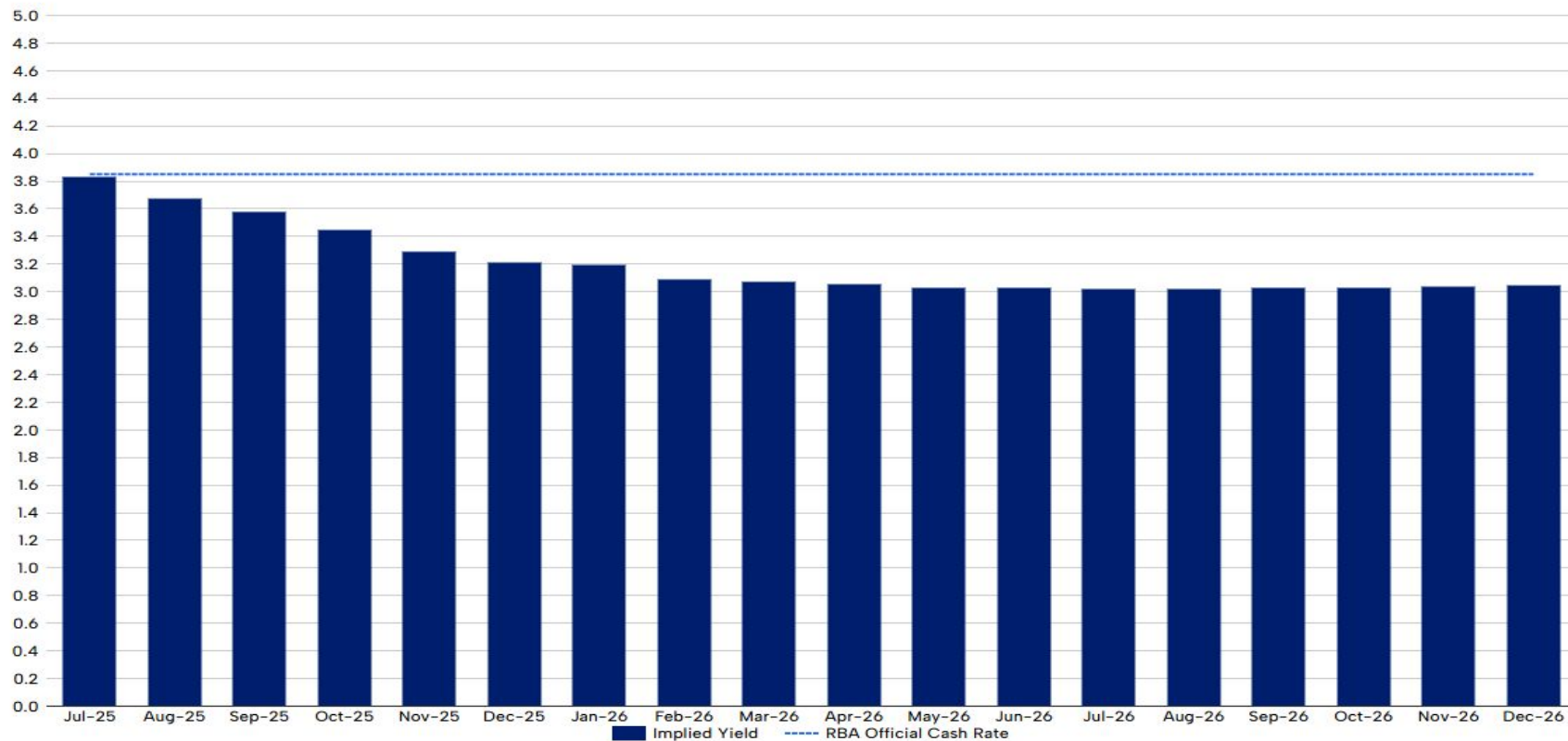
Agenda:

- Income investors had it tough for years, now in sunshine. How do you prepare for rain.
- What rates available on: Cash, bonds, international shares, aussie shares, inflation linked bonds
- Bond returns, locking in rates. How to invest in bonds. Direct vs
- Inflation linked bonds
- Aussie weights vs international weights, asset allocation decision
- Unlisted asset, fund lockup
- Look at dividend drawdowns, international vs Australia.
- International dividends: buybacks. Growth in dividends
- Aussie dividends. Worry about sectors
- CBA valuation
- Net effect: get bonds to lock in current interest rates for longer. Get shares for growth

Rates:

ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve

As at market close on 23 July 2025



Typical Sources of yield:

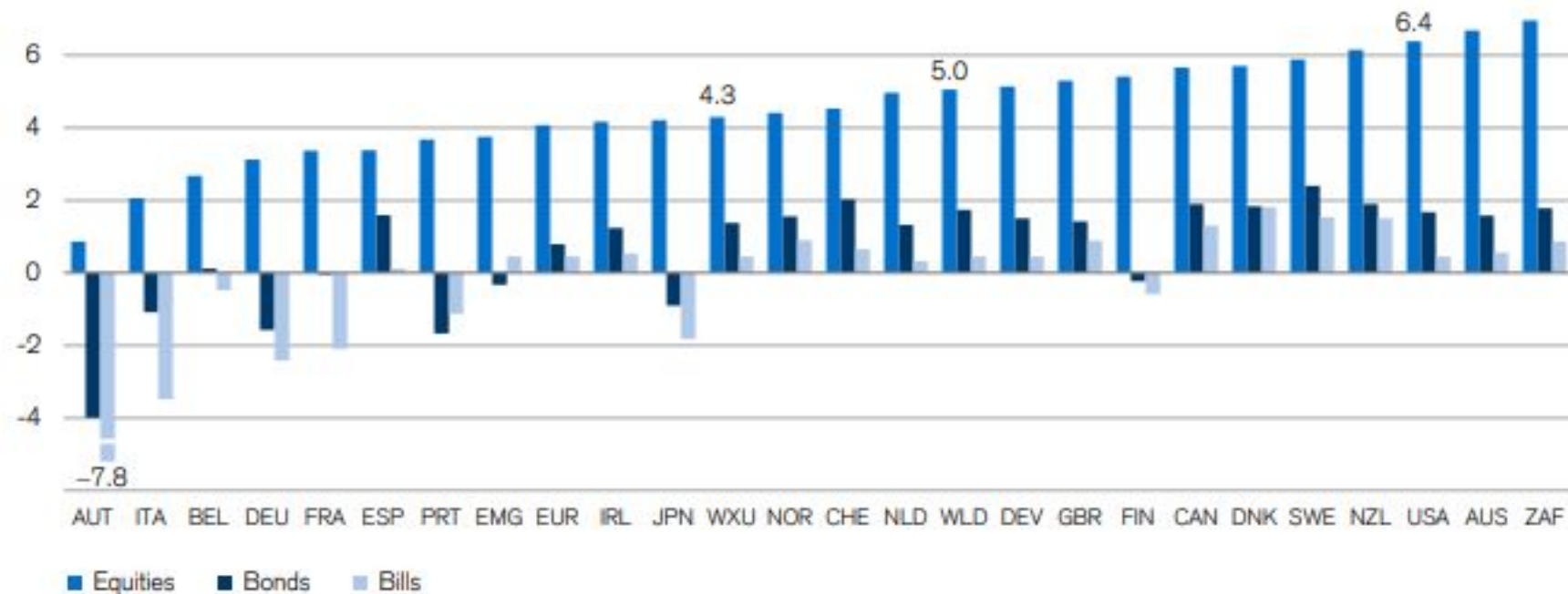
- At call bank deposits
- Term Deposits
- Government Bonds (own country)
- Government Bonds (foreign)
- Semi government bonds
- Alternative Assets
- Corporate Bonds (investment grade)
- Hybrids / Real Estate Investment Trusts
- Corporate Bonds (junk/high yield)
- Equity dividends

Income:

- Income investors had it tough for years, now in sunshine. How do you prepare for rain.
- Think about capital vs income
- Think about tax
- Think about structure

Long Term returns:

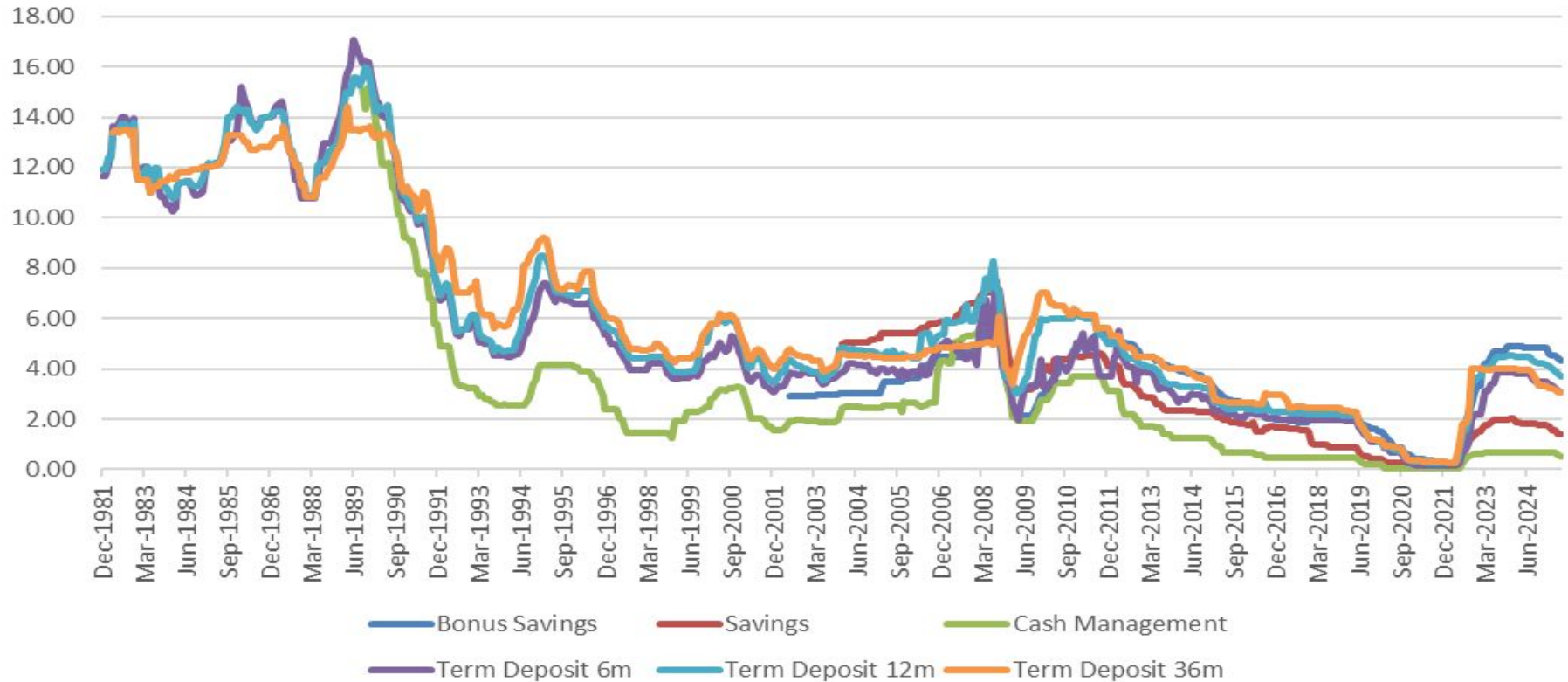
Figure 11: Real annualized returns (%) on equities versus bonds and bills internationally, 1900–2022



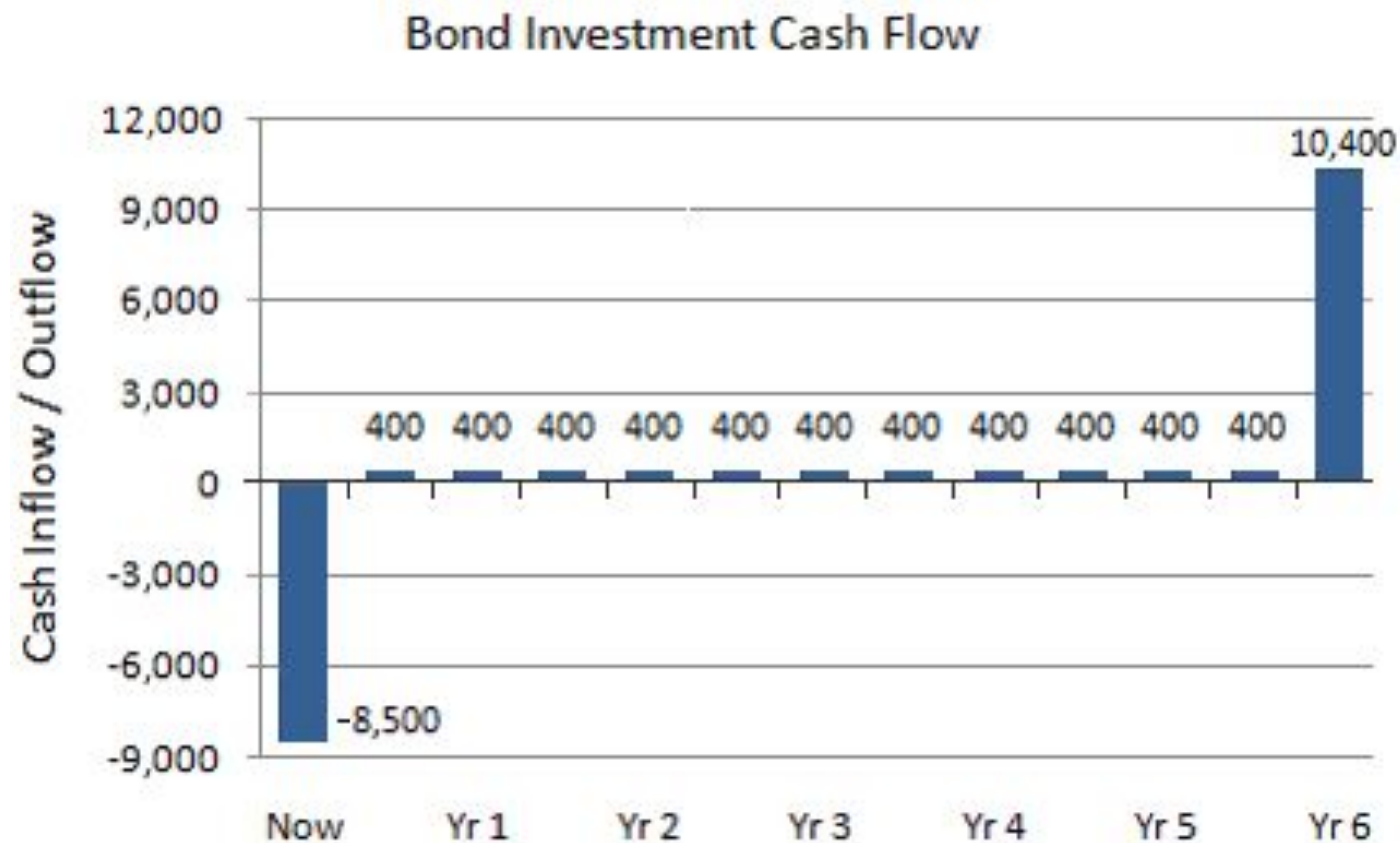
Cash:

Australian Bank deposit rates

Source: RBA



Bonds:



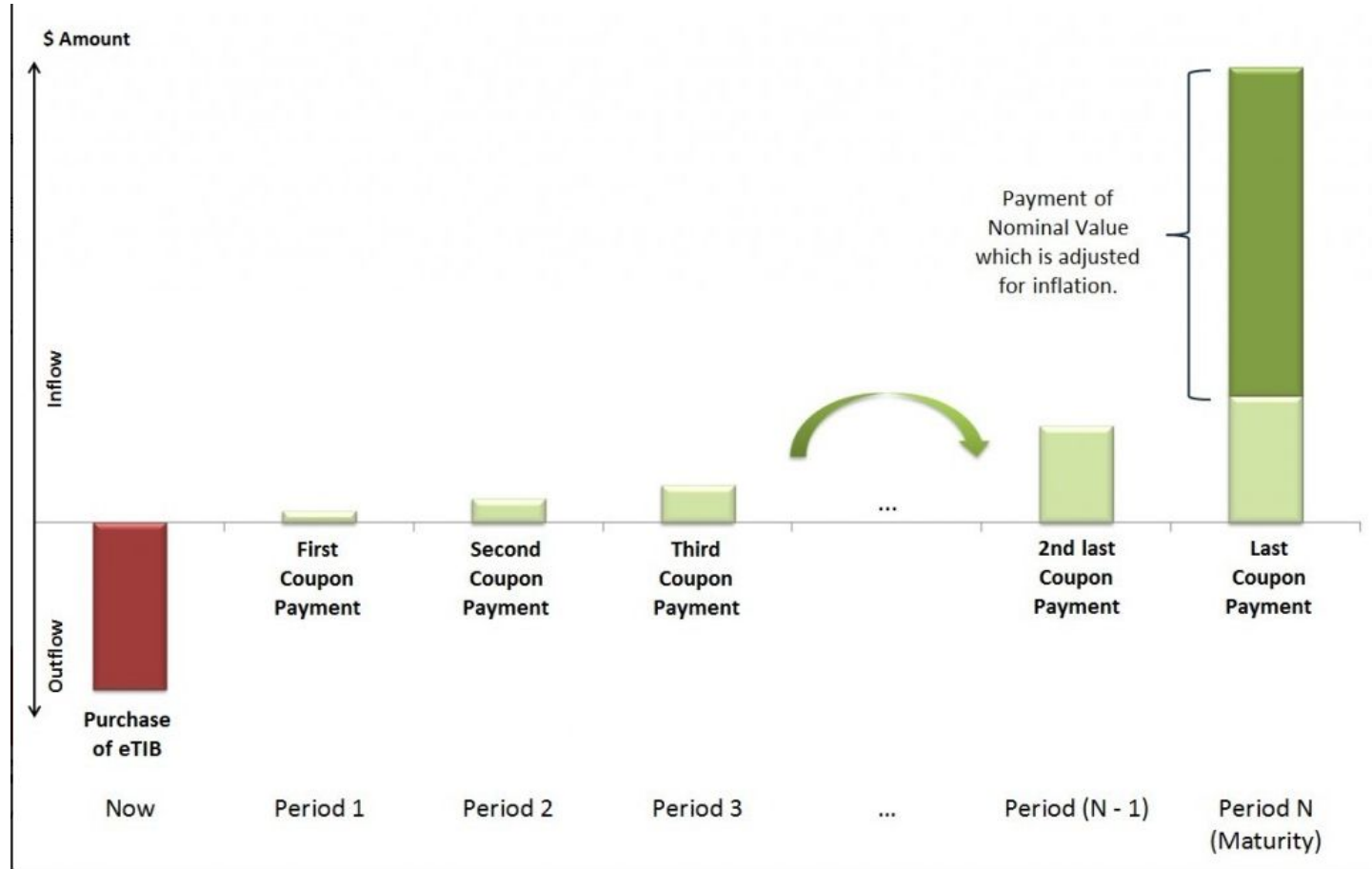
Bonds:

- In fund vs owning outright.
- Tax issues / distributions. capital vs income
- May-2032 bond you can buy for \$84 but it only pays \$1.25 per year. i.e. you get a yield of ~1.5% and the bond goes up by ~2.4% to give you ~3.9% over the 7 years.
- Apr-2033 bond for \$104 and it pays \$4.5 per year. i.e. you get a yield of ~4.4% and the bond goes down by 0.4% per year to give you ~4.0% over the 8 years.
- inflation-adjusted, 25-year bond that pays about 1.4%. The kicker is that the interest payments will increase at the rate of inflation and the value of the bond will increase by inflation +1.5%.


Bonds:


Name 	Yield
 Australia 1Y	3.492
 Australia 2Y	3.368
 Australia 3Y	3.415
 Australia 4Y 	3.506
 Australia 5Y	3.632
 Australia 6Y	3.808
 Australia 7Y	3.972
 Australia 8Y	4.084
 Australia 9Y	4.227
 Australia 10Y	4.336
 Australia 12Y	4.445
 Australia 15Y	4.582
 Australia 20Y	4.944
 Australia 30Y	5.046


Inflation Linked Bonds:





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


Climate Change



War



Human Rights



Health


Vices


Animal Rights


Religion


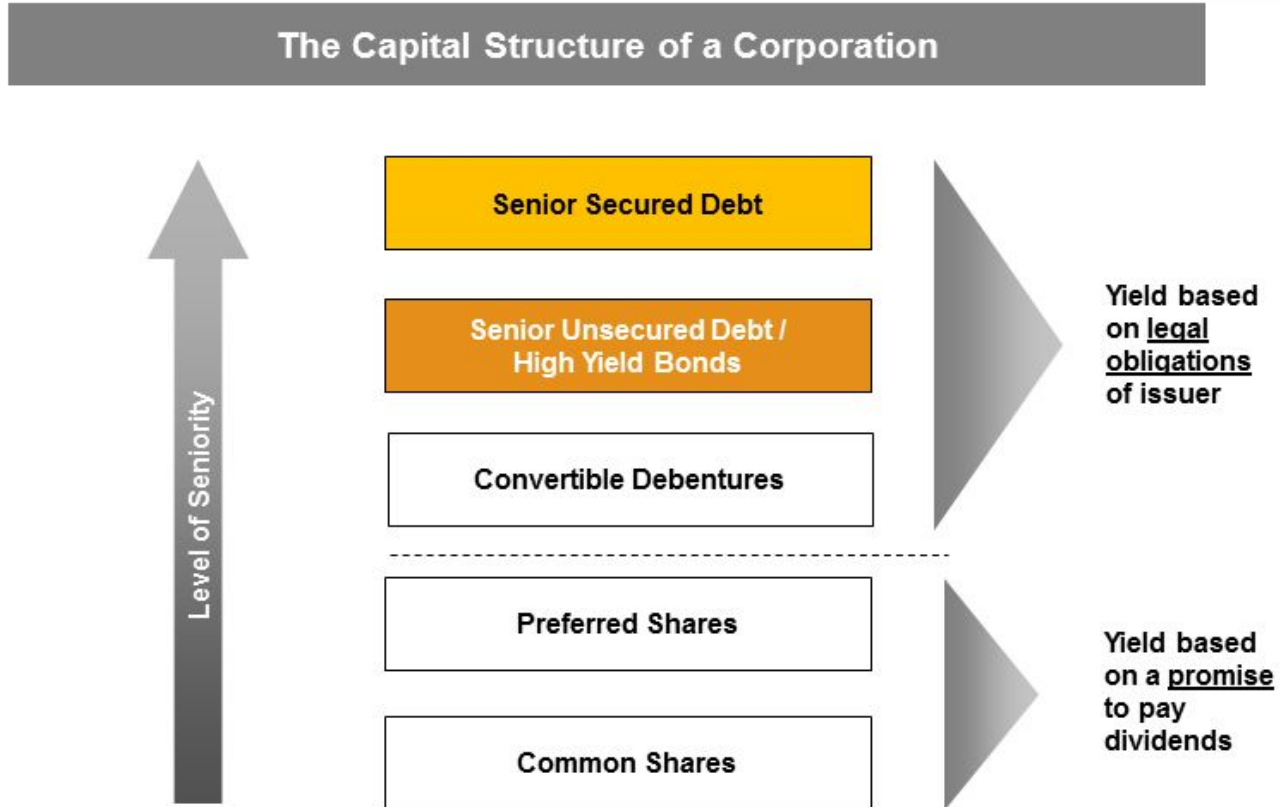
Asset Class


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 ⓘ

Bond features:



Bond features:

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

Corporate Bonds: BBB



Source: Ice Data Indices. LLC via FRED®

Corporate Bonds: Junk



Source: Ice Data Indices, LLC via FRED®

Corporate Bonds: Distressed

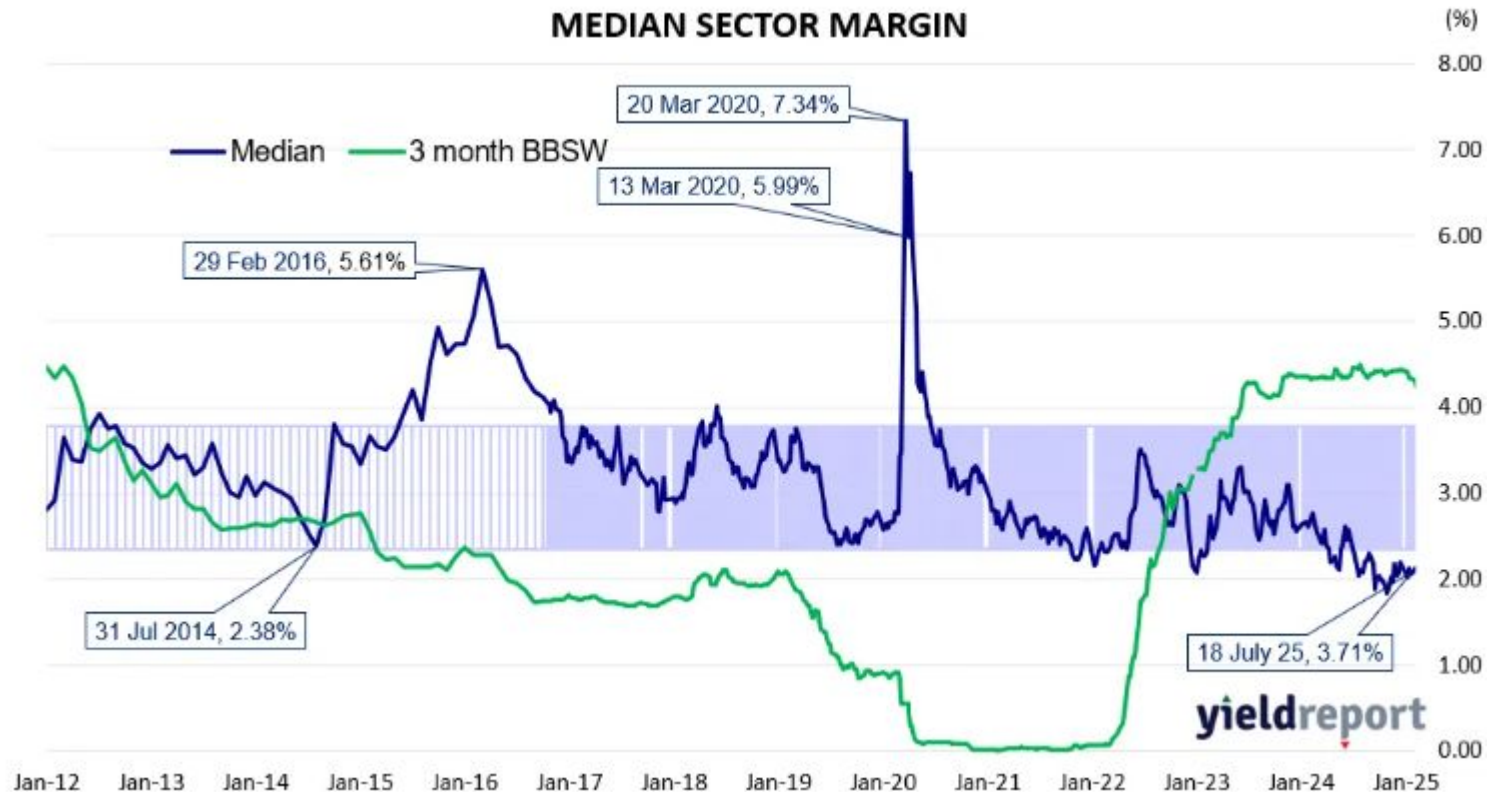


Source: Ice Data Indices, LLC via FRED®

Alternatives:

- MBS
- Private Credit
- Alternatives

Hybrids:



Asset allocation / Franking:

- Aussie weights vs international weights, asset allocation decision
- Unlisted asset, fund lockup
- Look at dividend drawdowns, international vs Australia.
- International dividends: buybacks. Growth in dividends
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Equity Yields:

Yields

Australia World

Health Care	1.8%	2.1%
Information Technology	0.1%	0.6%
Financials	3.8%	2.7%
Consumer Staples	3.5%	2.8%
Real Estate	2.5%	3.5%
Energy	4.2%	4.1%
Materials	3.6%	2.3%
Industrials	3.4%	1.7%
Utilities	5.7%	3.5%
Consumer Discretionary	2.4%	1.1%
Communication Services	2.8%	1.1%

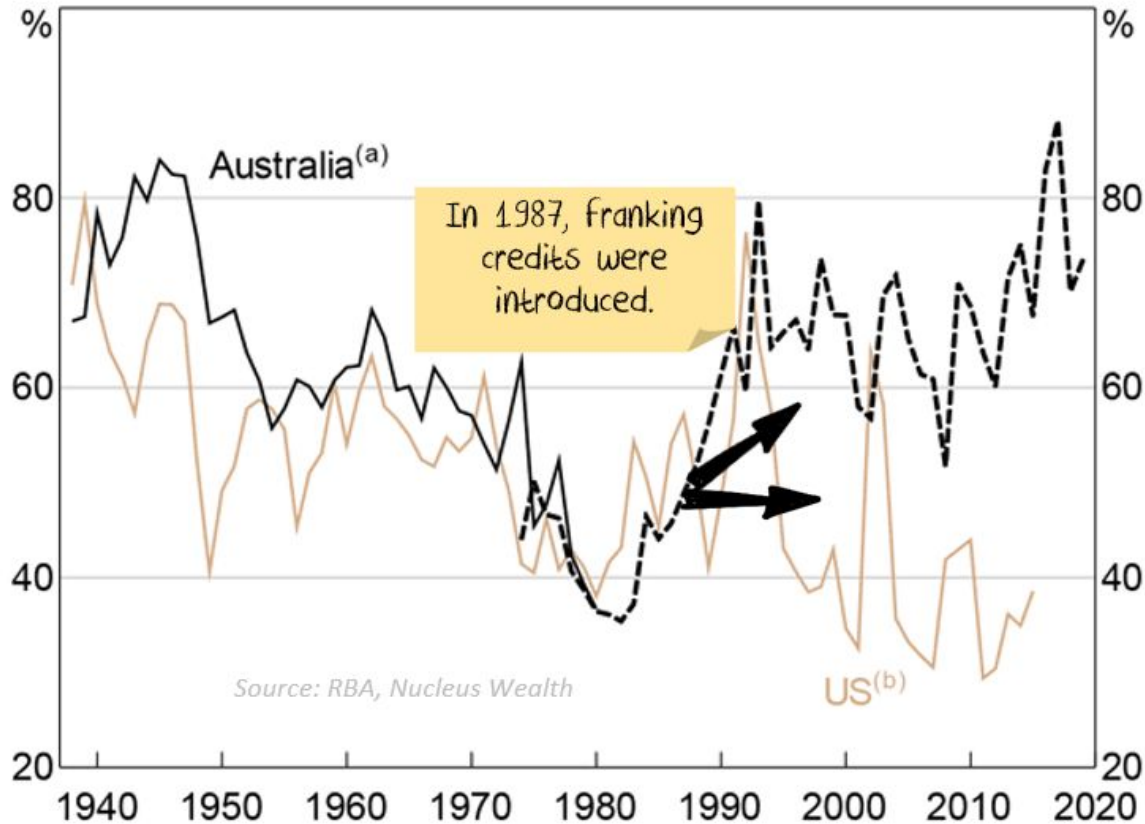
Retirement:

\$m needed for "infinite" portfolio

Yield	Comfortable	
	Single	Couple
	52,383	73,875
1.5% All Inflation linked	3.5	4.9
1.8% All International	2.9	4.1
3.3% All Aust	1.6	2.2
3.1% 60/40	1.7	2.4

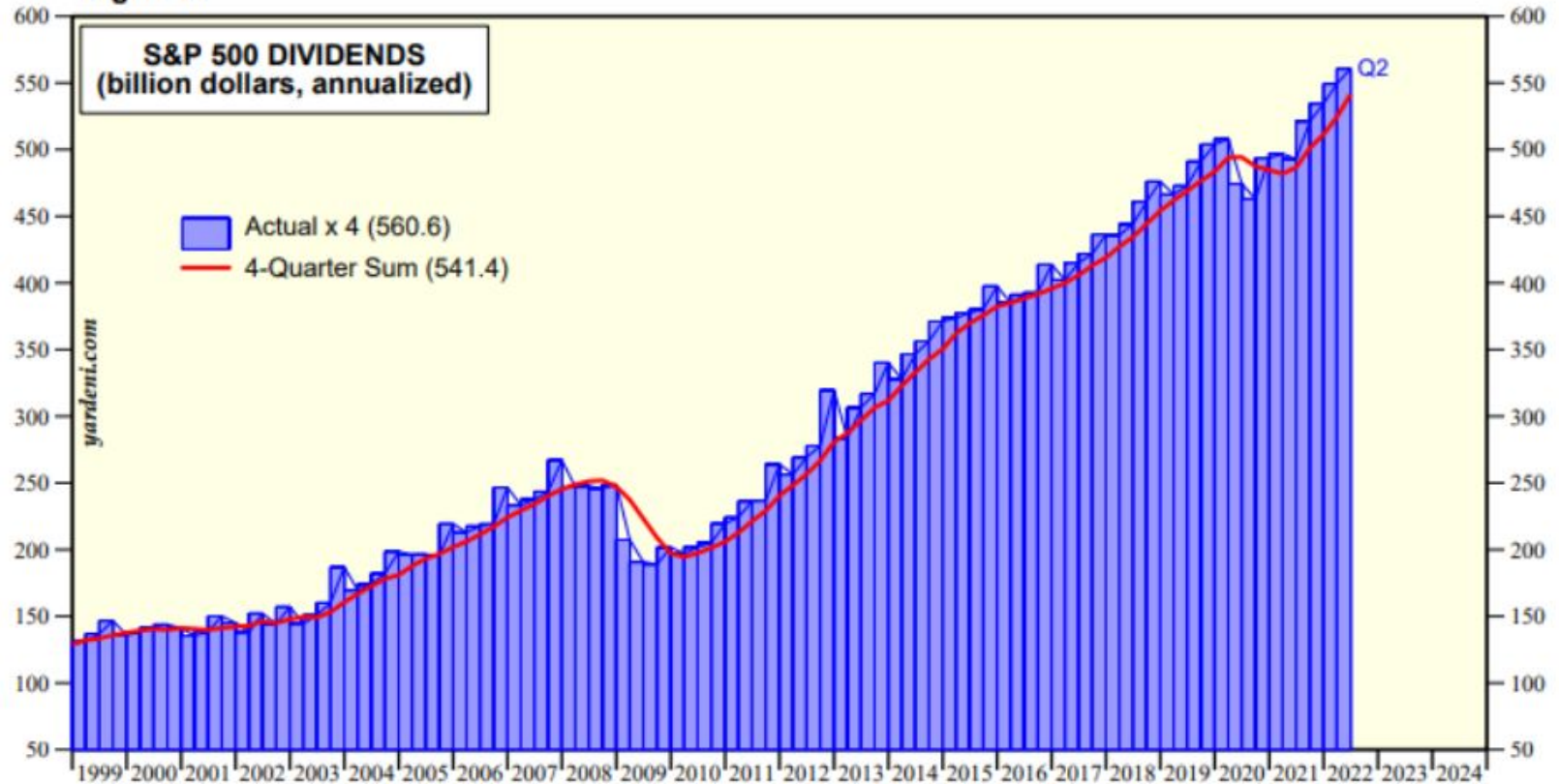
Franking distortion:

Figure 4: Dividend Payout Ratios



Dividends vs buybacks:

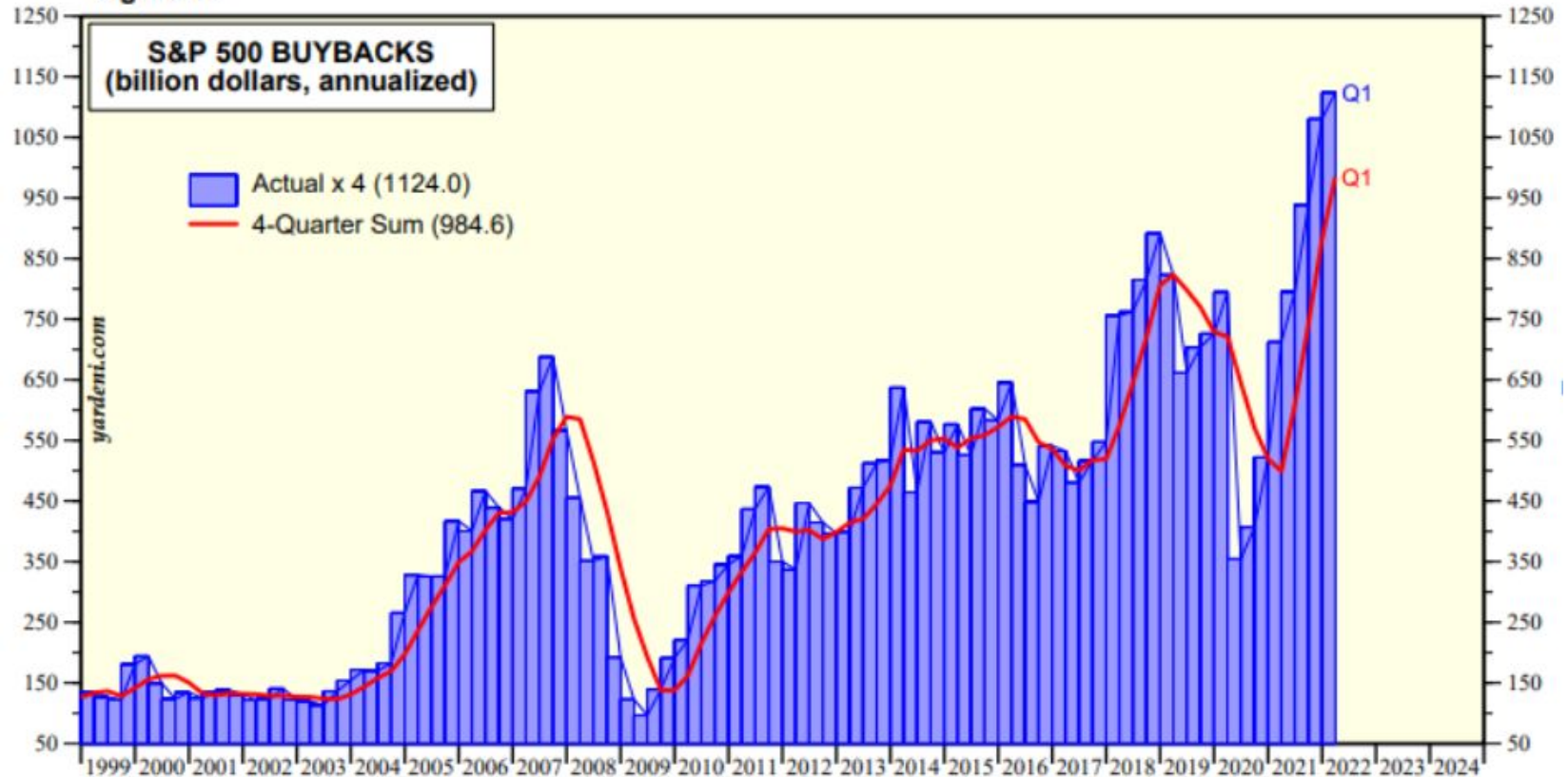
Figure 2.



Source: Standard & Poor's.

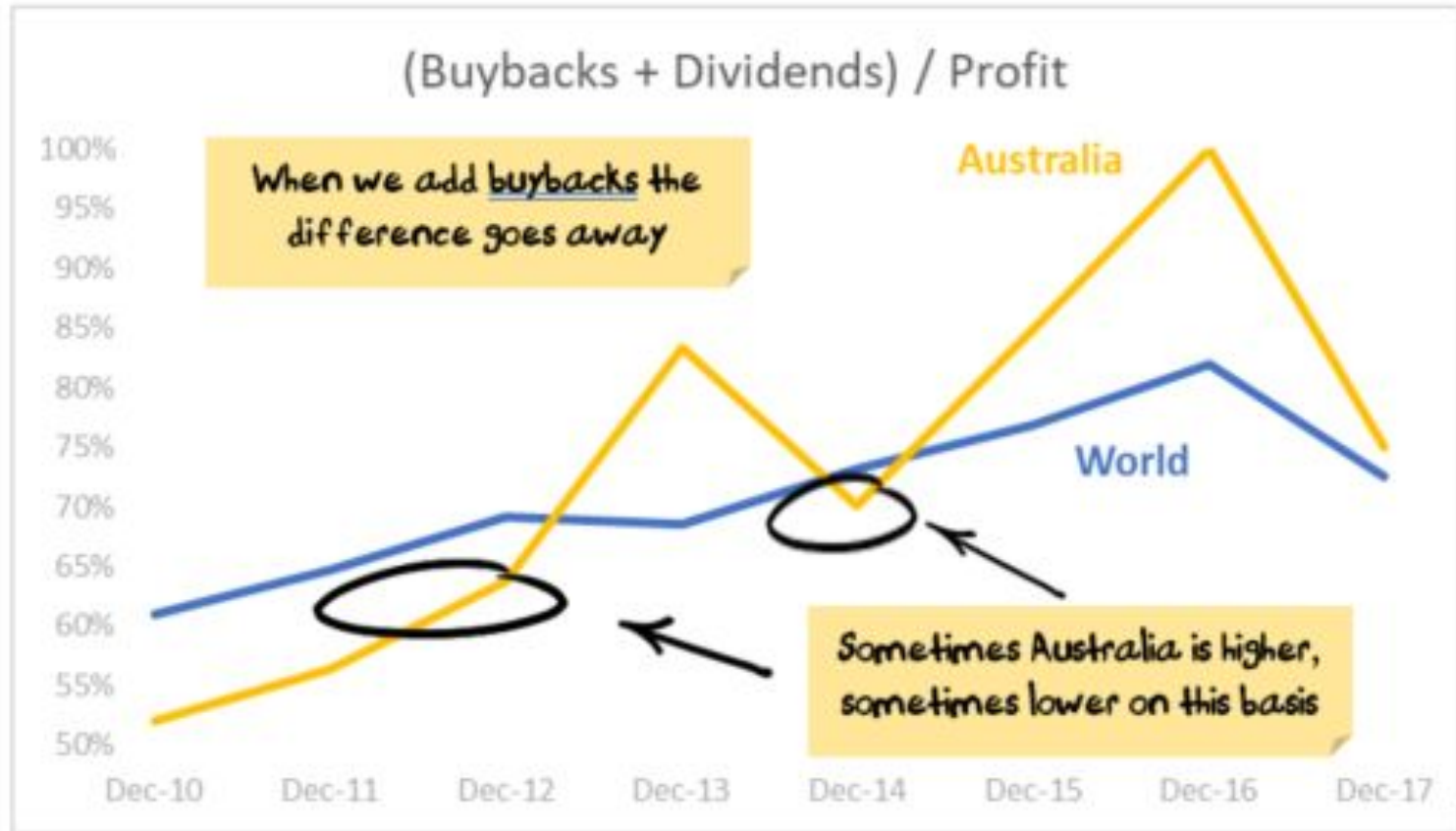
Dividends vs buybacks:

Figure 1.



Source: Standard & Poor's.

Dividends vs buybacks:



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


Asset Allocation = Half the difference:


	Yield	
	World	Aust
Health Care	1.9%	1.7%
Information Technolo	0.8%	0.1%
Financials	3.2%	4.7%
Real Estate	3.9%	3.8%
Consumer Staples	3.0%	3.6%
Energy	4.2%	4.9%
Industrials	1.9%	4.1%
Materials	2.8%	4.4%
Utilities	4.4%	6.4%
Consumer Discretion	1.3%	3.1%
Communication Servi	1.2%	2.9%
Source: Capital IQ, Nucleus Wealth		


Other:


- Unlisted asset, fund lockup
- Look at dividend drawdowns, international \$1 to \$4.33 vs Australia \$1 to \$3
- CBA valuation
- Net effect: get bonds to lock in current interest rates for longer. Get shares for growth


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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 

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Global Energy 

Global Financials 

Global Health Care 

Global Industrials 

Global Information Technology 

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