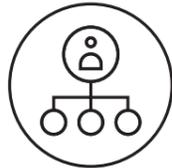


ESCALA
PARTNERS

MANAGED
DISCRETIONARY
ACCOUNT -
FIXED INCOME



This Managed Discretionary Account (MDA) has been created to offer sophisticated investors a portfolio of direct fixed income securities that is curated, liquid, transparent and secure.



Curated

The account is curated and actively managed by our Direct Investment Group. Through their considerable experience and involvement in the wholesale over-the-counter bond markets, account holders are provided with access to direct fixed income securities with an investment-grade rating. Such institutional-quality securities are not usually available to individual investors.



Liquid

The wholesale over-the-counter bond market is deep and liquid. Trading volumes average \$3 to 4 billion per day. This means the underlying securities in the MDA are highly liquid. In normal market conditions, they are traded on a T+2 basis (i.e., liquidity within two business days).



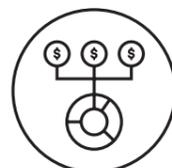
Transparent

Within the MDA portfolio, all holdings are in the name of the account holder and not within a unit trust, ensuring transparency of all investments, and the attribution of their performance. The account holder is also provided with daily valuations and in-depth reporting.



Capital Stability

The investment-grade nature of the MDA reduces the capital price volatility in the underlying portfolio. This provides the account holder with greater confidence around expected returns; however, as with any investment, capital preservation cannot be guaranteed.



Diversification

The MDA portfolio is curated with exposure to not only Australian companies but International companies that issue bonds into the domestic market, allowing the account holder to benefit from diversification.



Income

The securities in the MDA are issued in either fixed or floating rate formats. The coupon rate (fixed rate bonds) or the coupon margin over swap (floating rate notes) are known to the account holder, meaning there is a degree of certainty around the generation of income. The MDA administration fees are low and there are no custody fees.

Custom-designed by our fixed income specialists, the MDA aims to achieve higher yield and liquidity compared to traditional short-term securities such as at-call and term deposits.

Investment Parameters

The MDA allows investors to directly own a portfolio of 20+ fixed income securities that are actively managed on their behalf.

The minimum account size is \$5,000,000.

A series of pool parameters are applied to ensure diversity and concentration limits are maintained. These include:

- security type
- duration
- credit rating
- position per issue and issuer.

At all times, the MDA portfolio maintains 100 percent exposure to Investment-grade securities (rated BBB- and above).

As with any investment, capital and performance can be impacted by risks, including but not confined to market, liquidity, and credit risks.

Investment Strategy

The aim is to achieve 200 to 250 basis points over the RBA cash rate. Value is extracted by applying the following strategy:

- Relative value trading (i.e., switching to similar credits on better yields).
- Moving up and down the capital structure, depending on yields (i.e., moving to sub-debt and ASX-listed hybrids when they offer value).
- Participating in primary issues. Deals are constantly assessed on a relative value basis. These can be short or long-term holds depending on the prevailing technical aspects of the market as well as our view on the credit worthiness of each issuer.

Investment Reporting

Escala provides in-depth monthly reporting to all MDA investors in the form of email communication and electronic pdf document. The report covers performance, commentary and key market metrics.



[View latest report](#)

Capital Structure Focus



ESCALA

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Be second to none

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