

24 December 2020

Dear Shareholder,

For my address at the Cashwerkz AGM on 4 December, I talked about how the Sub-institutional Corporate Bond market has never reached scale in Australia and I hypothesise that this is due to the opaque and sales commission driven culture. I touch on below the current state of the Deposit sector and I reflect on the well-publicised Best Interest Duty that I believe hasn't been fully embraced in the Fixed Income market.

Why does it matter if Australia does not have a liquid and trustworthy bond offering to investors? With rates so low, the superannuation investors with deposits seeking an income can no longer earn a return above inflation. If retirees cannot earn enough from their savings, they will need to turn to the already stretched public purse. If they take desperate risks to boost returns, the same eventuality occurs.

The level of government debt both here and globally is at never before seen levels. Present and future governments are loath to build upon it, yet there is clear demand for better and newer infrastructure. The economy will continue to need to see the job's growth that investment brings. Matching money in superannuation to demand for infrastructure, through corporate bonds that are off the government balance sheet, makes a lot of sense.

In the past six months or so, we have been on a rapid journey to transform your investment in Cashwerkz into a profitable and long-term investment. To do this has required a change in thinking of who we are and what we bring to the market.

With the active support of the Board, we are well progressed on our target to be profitable in 2021. This is possible by improvements and additions to our business, which has made it an exciting year with many challenges.

As an organisation I think it is crucial that we know where we are going, to be clear on what we need to do and to set the culture we expect. As part of this we have developed our vision and mission.

VISION

To provide investors and portfolio managers with the most trustworthy and capable platform for research, execution and management of their investments. While enabling aspirant fund managers to establish themselves and gain scale quickly.

MISSION

To become the leading fixed income provider in Australia to experienced investors. We will offer income-focused investments in deposits, securities and funds, in the most efficient and ethical manner using the world's best recognised tools. Our Fund Income business will help incubate and then grow a great range of leading funds in their asset class.

The business has been brought together with three areas complementing each other. Importantly the revenue of the businesses is not completely correlated which is important as we diversify the business.

Deposits – fixing the business model

The deposit business has become tougher with continual lowering of the official cash rate and significantly the provision of liquidity by the RBA to Banks that has led to lower demand for new deposits especially for our Direct business. Additionally, there is a significant compression of fees paid to intermediaries for placing deposits.

The Deposits business remains an important part of our offering and we will primarily target professional cash investors who need to place an allocation to cash.

Our efforts are to target at-call money with CMA accounts from Macquarie Bank and ANZ. We will enable these accounts to easily trade in TDs and Bonds and these banks are already linked to many other financial providers.

By targeting the professional segment of the market, the placements are larger. This client group also dovetails well into offering of Bonds, IMAs and funds management. The beauty of using our service will be technology that will monitor and optimise the “income” part of a portfolio.

Bonds - Higher margin and high growth business.

Our new brand “BondIncome” began trading in August this year with turnover building from a modest base and clients are joining our service at a steady pace. It takes time to build a client base and we will primarily use ‘word of mouth’ to build our presence, so we have mapped out likely revenue growth and we are thus far on-track.

Establishing this business with support from major players has been significant start for new business in Australia. We have always wanted to have the best people and the best tools of the trade. We are pleased to have partnered with Bloomberg TOMS trading system, Mainstream and NAB Asset Servicing.

Revenue for our BondIncome business for August and September was not meaningful but October & November showed very significant revenue as client growth started gaining momentum. We cannot expect a lot of turnover across the holiday period, but we will be fully staffed and ready for action from February onwards. We are confident of achieving profitability in the back months of the financial year, to set us up for a profitable FY21/22 year.

Early in 2021 we will launch an innovative solution to provide a high credit quality vehicle that is highly liquid, for investors looking to move some of their deposits to build the average return of their investments. This will give investors a direct online means of investing that is simple and extremely low cost and of course fully transparent.

Within our mission, we very purposely use the word “ethical”, because we believe that the corporate bond market participants have, thus far, failed their investors. We believe there is a better model. We seek to prove that with transparency and an open approach, investors will have a better experience and the market will grow as a whole. The opaque and sales-driven approach used to date, will never get to scale in our opinion.

Funds Incubator – Unlocking the capability in the business

The Cashwerkz business has four AFSLs including the Trustees Australia entity, which has been a relatively dormant part of the business. We see significant potential in this business as a Responsible Entity and Custodian. With this capability we have brought to market the newest Fund Incubator – “FundIncome”. The support of Ernst & Young has enabled a world-class capability in supporting new fund managers to come to market. For these managers we are able to provide working capital, operational support, distribution, regulatory and governance overlay.

We are proud to have launched our first client, Fortlake Asset Management, which was founded by Dr Christian Baylis, a leading expert in Fixed Income in Australia. The fund started with significant support from JP Morgan, for Prime Brokerage and global clearing services. Additionally, the fund has a joint venture with Tactical Global Management (TGM-global.com) to target “Balanced fund” mandates. The third shareholder in Fortlake Asset Management is Mr Alex Waislitz, who alongside his company Thorney Investments, is regarded as one of Australia’s most canny investors.

The Fund Income business has the ability to scale quickly with relatively low investment. We have a strong team already and we are actively recruiting a CEO as well as building the bench in Distribution.

Summary

In closing, we have transformed a business trying to only place deposits for investors, into a platform that can find the best investment for a given mix of liquidity and credit worthiness. Below is a link to our website where you will find more detail on how we will build trust with our clients and then let the word spread amongst those looking for convenient, well-priced and relatively liquid, fixed income investments.

Our FundIncome business has been built as a boutique with industrial scale. We will build the portfolio of funds quickly but always with the eye on quality over quantity. In time we will build a great annuity business with income both from distribution commission and from dividends from our investment in each of the funds, where applicable. We believe this is very scalable and is not correlated with our core businesses of deposits and bonds.

The team at Cashwerkz would like to thank our shareholders for sticking with us when times were tough, and we hope you enjoy the good times ahead. If you are a wholesale investor and not a client of BondIncome, make an enquiry but be sure to let us know you are a shareholder!

If you like using our services, please recommend us, we will very much appreciate it.

Yours truly,

CASHWERKZ LIMITED



Jon Lechte

CHIEF EXECUTIVE OFFICER

Website Information:

Cashwerkz: www.cashwerkz.com

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