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Michael Watson
head of distribution
APAC
La Trobe Financial

Building resilience

Founded 70 years ago with the belief that home ownership is key to financial independence, La Trobe Financial is positioning itself for the years ahead.

Low volatility yield with strong downside risk protection. It's what every investor looks for, particularly in times such as these, and it doesn't matter what kind of investor you are.

La Trobe Financial has been working with a diverse range of investors since day one. Banks, international pension funds and local fund managers all trust La Trobe Financial with their money, as do thousands of retail investors.

So, what's the appeal? Perhaps it's La Trobe Financial's cornerstone creed – that home ownership is the foundation of financial independence.

"The opportunity to acquire your own home is a central tenet of our economic freedom and a measure of our success as a country," founder Ray O'Neill was quoted as saying in 1982.

This belief has remained since La Trobe Financial's founding in 1952, and has continued to flourish since leading US investment firm Blackstone's acquisition of 80% of the company in December 2017.

And it clearly resonates with investors, with La Trobe Financial completing a \$500 million RMBS tactical issuance in September and a \$1.25 billion issuance in May, both of which saw repeat support from existing investors, locally and globally. And in the midst of a pandemic, no less.

La Trobe Financial has also amassed more than \$11 billion in assets under management. This is via more than 50,000 investors across Classic Notice Accounts, 90 Day Notice Accounts, 12 Month Term Accounts, its Peer to Peer offering, and High Yield Credit Accounts.

Each account type has a different duration profile, but each invests in secured Australia property credit.

"Each of our products maintains defined liquidity parameters to suit different investment horizons, and each offers different rate profiles to suit a range of investors," La Trobe Financial's head of distribution, APAC Michael Watson⁰¹ says.

"Importantly, each of our portfolio products is highly diversified, with high quality, granular exposures across a range of sectors from the Australian secured property credit sector."

He adds that the offering has always been a low volatility strategy, providing regular monthly income.

"None of our portfolio offerings – whether for institutional investors or in our Classic Notice, 90 Day, 12 Month or High Yield Credit Accounts has ever lost a cent of capital," says Watson.

The La Trobe Australian Credit Fund now holds \$5 billion in assets and invests in diversified portfolios of residential and commercial registered first mortgage loans with all security properties located in Australia.

Its 12 Month Term Account holds the highest ratings of any fund in the sector and is considered by Zenith Investment Partners to also be the most diversified.

"Our high-quality borrower portfolios are enhanced with our strong security position – a conservative maximum loan to value ratio of 75%, and a low weighted average of 63.43% as at 31 October 2020," Watson explains.

Incredibly, no investor in La Trobe's portfolio products has ever experienced a capital loss over the course of the strategy's 19-year history.

"The 12 Month Term Account has operated through a range of political and economic conditions, such as the GFC and most recently the volatility of COVID-19," Watson says.

"The resilience of the assets and the strength of the strategy has been demonstrated throughout each of these events, again with no capital losses for investors and all monthly distributions being made on time and in full."

This is an impressive anecdote to share with financial advisers considering La Trobe Financial for their clients – and it works.

There are currently 1500 financial advisers placing direct investments on behalf of clients from more than 400 licensees across Australia.

"Financial advisers are supported with national BDM coverage across each state and a dedicated Adviser Support desk, which sits separate to our administration team solely to serve our financial adviser partners with their specific requirements," Watson explains.

La Trobe Financial also offers support in the form of CPD webinars and educational content, and the company regularly gets involved in licensee Professional Development days, conferences and other industry events.

But, in times such as these, it's not just professional support that people are in need of – and La Trobe Financial understands that too.

In March, when the realities of the COVID-19 pandemic really started to set in, the

non-bank financial institution began offering hardship assistance to financially affected small businesses.

It followed the announcement of a \$1 million bushfire relief package to help people affected by the devastating bushfires Australia suffered through from late 2019 to early 2020.

While it has been a very difficult year for many, La Trobe Financial anticipates there will be smoother waters in the New Year.

So far, there have been three very distinct phases of the coronavirus and its economic effects, Watson says.

"The first is the hibernation phase, as populations and economies are placed into enforced shutdowns. We saw this in first waves across Australia and second waves in Victoria (now ending) and Europe," he says.

"After hibernation, we enter the rebound phase as businesses reopen, people return to jobs and pent-up demand is released. Naturally, the pace of rebound will vary in each location depending on the various conditions at play.

"Finally, after economies rebound, we will enter the restructure phase as markets, communities and nations find new settings in the post-COVID world."

The restructure phase, Watson says, will be driven by a range of factors: Alignment of policy from central banks and governments committed to doing "whatever it takes" will be key to kickstarting economies towards pre-COVID levels.

"This restructure phase will be hard going economically. Nationally, 2021 will see communities and the economy begin the process of readjusting or 'restructuring' to new, COVID-normal settings," he says.

"We will, of course, remain vigilant, monitoring those key factors impacting the coronavirus response as this process continues."

For investors, all of this adds up to a familiar theme.

"We continue to live in a 'lower for longer' world," Watson says.

"The hunt for low volatility yield is here for the foreseeable future." **FS**



The quote

The resilience of the assets and the strength of the strategy has been demonstrated... with no capital losses for investors in pooled portfolios and all monthly distributions being made on time and in full.



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