InvestSMART Hybrid Income Portfolio

Monthly Update - October 2018

PERFORMANCE TO 31 OCT 2018	1 mth	3 mths	6 mths	1 yr	Since Inception (p.a.)
InvestSMART Hybrid Income	-0.41%	0.71%	3.07%	3.60%	4.13%
RBA Cash Rate + 3%	0.37%	1.12%	2.25%	4.50%	4.59%

InvestSMART Hybrid Income Portfolio Monthly update

Global fixed income markets also faced headwinds in October as the US Federal Reserve all but confirmed December will see a further 25-basis point rise to the Federal Funds rate. The statement also showed that 2019 will likely see three, possibly four, more 25-basis point increases.

US 10-year Treasury yields hit 3.25% on this news. This spread into fixed income markets across the world, pushing markets lower. The Australian fixed income market, however, remained steady as the RBA held the cash rate at 1.5% for the 26th consecutive month. The RBA is showing no signs the status quo will shift over the coming 12 months. We expect Australian fixed income to outperform global peers as further selling in US bond markets is likely.

The Hybrid Portfolio returned -0.41% in October to be up only +0.71% for the quarter. The total return of the portfolio comes in below its objective for the month and quarter, but above for the half-year and full-year.

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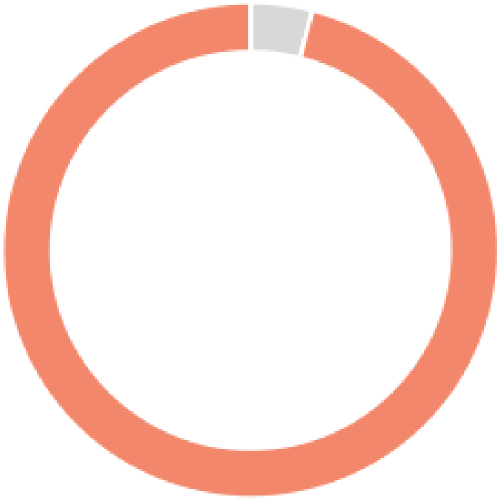
The yield of the portfolio has risen to 5.5% (including franking) on the back of the falls in face value. The best performers in October were CBAPF (+0.3%) and CBAPE (+0.2%). The main detractors were CGFPB (-1.1%) and WBCPH (-0.9%).

To explore the Hybrid Portfolio, **click here**.

PORTFOLIO ALLOCATION



Cash	3.92%
Fixed Interest	96.08%

TOP 5 HOLDINGS

SECURITY	WEIGHTINGS
Macquarie Group Capital Notes 3	7.41%
NAB Capital Notes 3	7.35%
CBA Capital Notes 3	7.19%
Westpac Capital Notes 3	6.74%
Westpac Capital Notes 4	6.67%

Performance numbers exclude franking, after investment and admin fees; excludes brokerage. All yield figures include franking. All performance figures, graphs and diagrams are as at 31 October 2018. Performance figures are based on the portfolio's previous investment structure, a Separately Managed Account (SMA). This portfolio is now offered as a Professionally Managed Account (PMA), as of 1 November 2018. The underlying securities remain the same between the SMA and PMA structures. The inception date refers to the SMA. Please see the Investment Menu for full PMA fee details.

InvestSMART Group Limited (INV)
was founded in 1999 and is a leading Australian digital wealth advisor which has over 32,000 clients and over $1.4B in assets under advice. InvestSMART's goal is to provide quality advice and low cost investment products, free from the jargon and complexities so commonly found in the finance industry, to help you meet your financial aspirations.

The Portfolio

The InvestSMART Hybrid Income Portfolio provides Australian investors an opportunity to diversify their income stream, with the added benefit of minimised portfolio risk. The Portfolio is invested in a mix of 10 - 25 Australian listed hybrids, listed debt securities and cash all managed in the one portfolio.

Investment objective

The Portfolio's investment objective is to provide investors a return of 3% above the RBA Cash Rate over rolling three year periods.

Why the InvestSMART Hybrid Income Portfolio?

Hybrid securities can be an attractive investment proposition, offering relatively stable income streams and lower levels of volatility compared to equities. However, many hybrids are often more complicated than they seem and identifying which are appropriately priced is not always a simple task.

Managed by our investment team, the InvestSMART Hybrid Income Portfolio is actively monitored and rebalanced by the team and is ideal for the income-focused investor.

Who manages the investment?

Evan Lucas, has been investing and researching global markets for over 10 years and is supported by our Investment Committee, chaired by Paul Clitheroe. After getting his Masters in Finance from Flinders University, Evan started his career in Amsterdam with ABN Amro before moving to the Royal Bank of Scotland. He returned to Australia with RBS Morgans where he developed his top down approach, joining InvestSMART as our Chief Market Strategist in 2018.

Key details

INVESTMENT CATEGORY
A portfolio of individually-selected Australian Equities

INVESTMENT STYLE
Active Securities Selection

BENCHMARK
RBA Cash Rate + 3%

INCEPTION DATE
1 July 2017

SUGGESTED INVESTMENT TIMEFRAME
3+ years

NUMBER OF SECURITIES / STOCKS
10 - 25 securities

INVESTMENT FEE
0.55% - 0.92% p.a.

PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$25,000

STRUCTURE
Professionally Managed Account (PMA)

SUITABLE FOR
Suitable for investors who seek a regular income stream (including franking credits), with a lower risk than ordinary shares and a higher return than cash and cash-like investments

PORTFOLIO MANAGER
Evan Lucas

Important information

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