

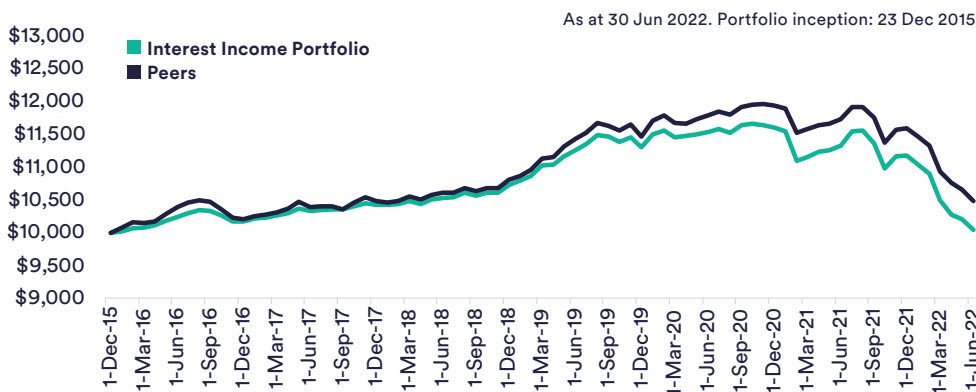
InvestSMART Interest Income Portfolio

Financial Year 2022

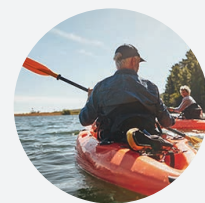
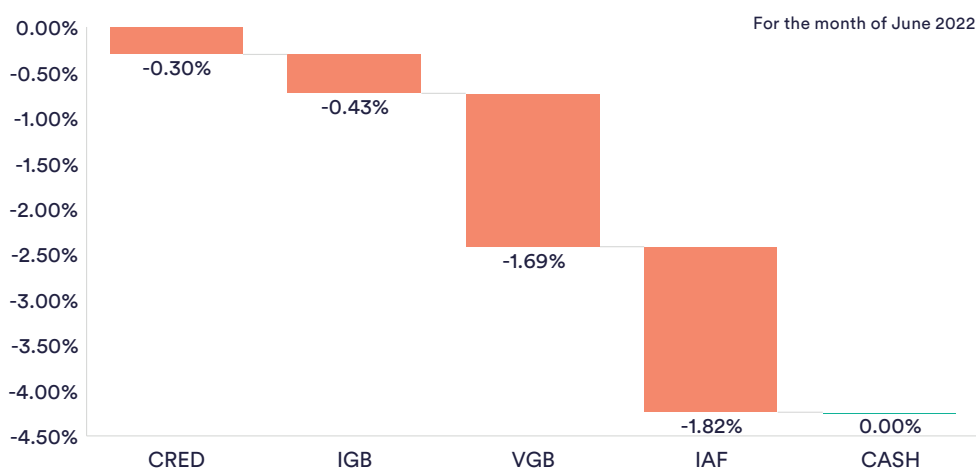
Financial year 22 was unfortunately the worst year for the Interest Income portfolio since the start of the pandemic. The portfolio fell by 11.4 per cent after fees.

There were no changes to the portfolio over the financial year and InvestSMART continues to review and evaluate the portfolio's holdings and performance to assure each one is providing the correct allocation you require and is meeting its long term stated goals.

Performance of \$10,000 since inception



Attribution of returns



Portfolio mandate

The Interest Income Portfolio is designed to preserve your capital, enjoy predictable income and still earn returns higher than cash.

The objective is to invest in a portfolio of 1-10 exchange traded funds (ETFs) to provide broad exposure to fixed interest assets, all managed in the one portfolio.

\$10,000
Minimum initial investment

2+ yrs
Suggested investment timeframe

5 - 20
Indicative number of securities

Risk profile: Low - Medium
Expected loss in 1 to 2 years out of every 20 years

Bloomberg AusBond Composite 0+Yr TR AUD Index
Benchmark

Performance of Individual Holdings

IAF – iShares Core Composite Bond ETF – 44.5 per cent

Over the past six months the markets' expectations of interest rate rises has dramatically risen due to inflation surging to levels not seen in decades. This led the Reserve Bank of Australia (RBA) to raise rates by 0.75 per cent in the final two months of the financial year and it has already added a further 0.5 per cent to the cash rate to start the new financial year. It is warning of further steep interest rate rises to come.

All this has led to Australian Commonwealth Government Bond (ACGB) yield repricing. For example, ACGB 10-year bond yield has moved from 1.79 per cent in December 2021 to 4.07 per cent as of late June 2022 before closing the financial year at 3.62 per cent.

This rise in the yield is not exclusive to the ACGB 10 year either. All bond timeframes have seen this kind of appreciation in their yield component.

This has caused a very sharp and painful decline in the price of ACGBs and all but 2 ACGBs currently on offer are trading at discounts to their face value of \$100.

IAF replicates the ACGB market and invests across all time maturities weighted according to the market capitalisation. This explains why over the financial

year the value of IAF has fallen 10.7 per cent on a total returns basis. We note that this is highly unusual and is well above the normal movements either up or down in a standard year. We do not expect to see a movement of this magnitude in FY23 even with the expected headwinds.

VGB – Vanguard Government Bond Index ETF – 40

Like IAF, VGB replicates the ACGB market and invests across all time maturities weighted according to the market capitalisation. Over the financial year VGB has fallen 11 per cent on a total returns basis. We note that this is highly unusual and is well above the normal movements either up or down in a standard year. We do not expect to see a movement of this magnitude in FY23 even with the expected headwinds.

The InvestSMART Funds Management Ltd, as Responsible Entity for the Professionally Managed Accounts, has amended the investment process such that we may elect to participate in Distribution Reinvestment Plans for securities held in your account.

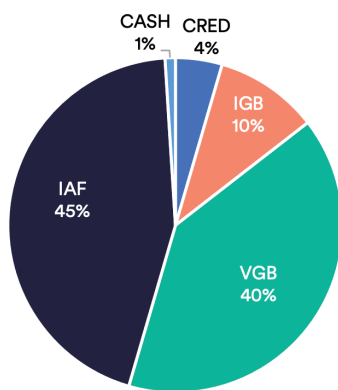
Performance vs Peers

	1 yr	2 yrs	3 yrs	5 yrs	SI p.a
Interest Income Portfolio	-11.4%	-6.7%	-3.8%	-0.6%	0.1%
Peers	-10.3%	-5.2%	-2.8%	0.1%	0.7%
Excess to Peers	-1.1%	-1.5%	-1.0%	-0.7%	-0.6%

Fees: InvestSMART Interest Income fees are 0.55% Vs Average of 256 peers 0.97%

Note: Our InvestSMART Interest Income is benchmarked against Bloomberg AusBond Composite 0+Yr TR AUD Index
As at 30 Jun 2022. Portfolio inception (SI): 23 Dec 2015

Attribution by holdings



Our Investment Committee



Alastair Davidson
Head of Funds Management



Effie Zahos
Independent Director



Alan Kohler
Editor-in-Chief



Paul Clitheroe
Chairman



Ron Hodge
Managing Director

Important information

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the InvestSMART Capped Fee Portfolios (Fund) and issuer of the Fund.

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