

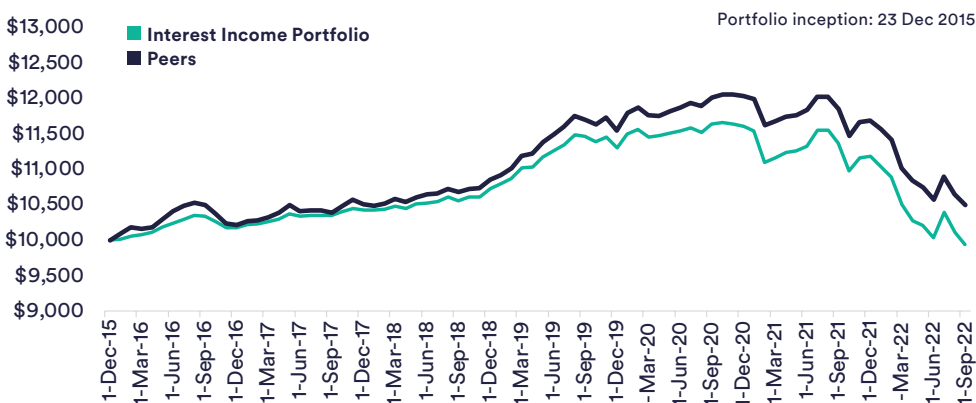
InvestSMART Interest Income Portfolio

September Quarter 2022

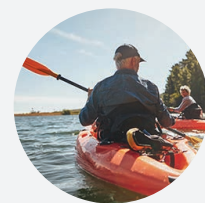
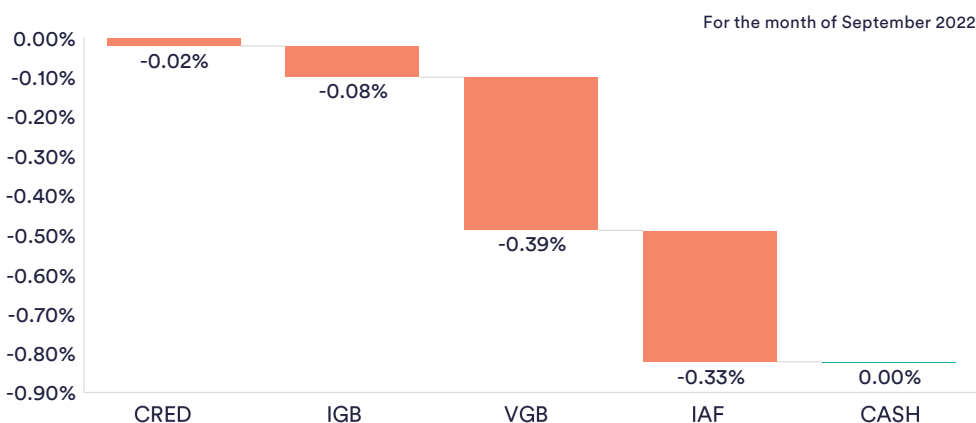
It remains a difficult period for the Interest Income portfolio. But it did managed to buffer itself from the worst of the market declines falling only 0.97 per cent after fees for the quarter.

There were no changes to the portfolio over the quarter and InvestSMART continues to review and evaluate the portfolio's holdings and performance to assure each one is providing the correct allocation you require.

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

If it wasn't for the UK's government's decision to implement their unfunded tax cuts using UK government debt, Australian bonds would have probably finished the quarter in the black.

Having priced in the risk of rapid rate rises from the Reserve Bank of Australia (RBA) and other central banks in June, Australian bonds recovered solidly in July and August.

The Australian Commonwealth Government Bond (ACGB) 10-year bond yield moved from 3.77 per cent at the end of June to 3.34 per cent at the end of August. This movement was not exclusive to the ACGB 10 year either and similar declines in yields were seen across all maturities, helping IAF appreciate.

However, as mentioned, the release of the UK's unfunded tax policy coupled with sharper and harder rate rises from the US Federal Reserve riled global and domestic bond markets, leading to a complete reversal of fortunes for IAF and seeing it lock in its second consecutive quarter of losses, finishing down 1.26 per cent for the quarter.

Looking forward, the very large and dramatic declines seen in the first half of 2022 are unlikely to recur in the final quarter as rate rises are now priced in, which should limit further downsides.

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.

As noted in IAF the Australian Commonwealth Government Bond (ACGB) 10-year bond yield moved from 3.77 per cent at the end of June to 3.34 per cent at the end of August. This movement was not exclusive to the ACGB 10 year either and similar declines in yields were seen across all maturities.

We expect the volatility to slow as the RBA slows its rate hiking cycle.

Performance vs Peers

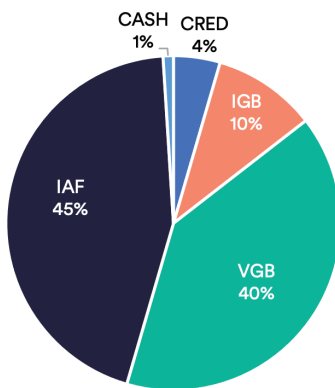
| | 1 yr | 2 yrs | 3 yrs | 5 yrs | SI p.a |
|---------------------------|--------|-------|-------|-------|--------|
| Interest Income Portfolio | -12.5% | -7.6% | -4.6% | -0.8% | -0.1% |
| Peers | -11.4% | -6.0% | -3.6% | 0.2% | 0.7% |
| Excess to Peers | -1.1% | -1.6% | -1.0% | -1.0% | -0.8% |

Fees: InvestSMART Interest Income fees are 0.55% Vs Average of 265 peers 1.01%

Note: Our InvestSMART Interest Income is benchmarked against Bloomberg AusBond Composite 0+Yr TR AUD Index

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

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All table and chart data is correct as at 30 September 2022.