

InvestSMART Interest Income Portfolio

Interest Income Portfolio: 2022 in review

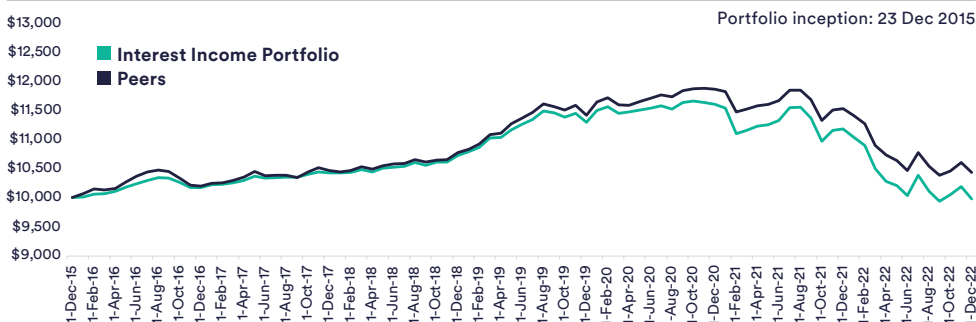
The interest income portfolio finished out a difficult year with a small gain in the final quarter of 0.4 per cent after fees.

For the calendar year 2022, the portfolio declined 10.7 per cent after fees on mass interest rate rise and inflation more on this below.

The quarterly review of the portfolio was conducted by the Investment Committee on the 14th of November 2022. It was agreed that all current ETFs used in the Interest Income portfolio were fit for purpose, no changes apart from any rebalancing changes below were recommended. The committee did commission a study into inflation linked ETF and if these should be added. The study is due for completion before the next meeting in February.

Over the December quarter there were no rebalances in the Interest Income portfolio.

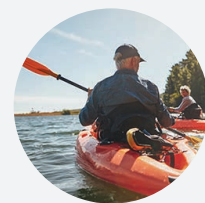
Performance of \$10,000 since inception



Performance vs Peers					
	1 yr	2 yrs p.a.	3 yrs p.a.	5 yrs p.a.	SI p.a.
Interest Income Portfolio	-10.7%	-7.2%	-4.0%	-0.9%	0.0%
Peers	-9.5%	-5.7%	-3.0%	-0.1%	0.6%
Excess to Peers	-1.2%	-1.5%	-1.0%	-0.8%	-0.6%

Fees: InvestSMART Interest Income fees are 0.55% Vs Average of 259 peers 0.88%

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



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

Interest Income Portfolio weightings as of 31 Dec 2022			
Security	Sep	Dec	Change
CRED	4.50%	4.50%	0.00%
IGB	10.00%	10.00%	0.00%
VGB	40.00%	40.00%	0.00%
IAF	44.50%	44.50%	0.00%
CASH	1.00%	1.00%	0.00%
	100.00%	100.00%	

It needs to be pointed out that 2022 was one of the most difficult and unrelenting years for bonds in recent memory.

2022 had to price in the risk of rapid rate rises from the Reserve Bank of Australia (RBA) and other central banks. Bonds also had to deal with inflation levels not seen since the 80s and increases to the Australian cash rate faster and harder than any time in its history going back to 1990.

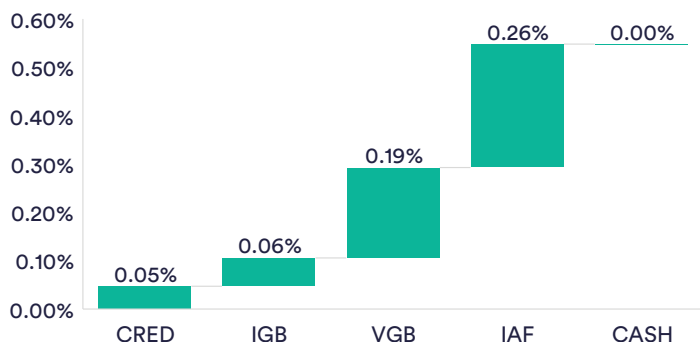
The Australian Commonwealth Government Bond (ACGB) 10-year bond yield started 2022 at 1.61

per cent and finished the year at 4.04 per cent. This movement was not exclusive to the ACGB 10 year either -- similar appreciation in yields were seen across all maturities, which collectively hindered IAF in 2022 and it logged its worse year since its inception in 2012.

Looking forward, the very large and dramatic declines seen in the first half of 2022 are unlikely to recur in 2023 as rate rises are now priced in, which should limit further downsides. There is also an argument to be made that with bond pricing at a discount to face values, conservative investors looking to hold to maturity will see the benefit of a higher yield and a capital return at a future point in time.

With VGB and IAF both replicating the Australian government bond index declines have been step but moderated as of December 31. All eyes on 2023 and investor appetite for defensive assets.

Attribution performance



Asset allocation vs Peers

	Dom Eq	Intl Eq	Dom FI	Intl FI	Cash	Property	Other
InvestSMART Interest Income	0.00%	0.00%	98.87%	0.14%	1.00%	0.00%	0.00%
Peers	0.07%	0.06%	88.79%	2.77%	8.28%	0.02%	0.00%

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

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All table and chart data is correct as at 31 December 2022.