

InvestSMART Interest Income Portfolio

March Quarterly review

The interest income portfolio started the year with its biggest quarterly move in its history up 4.46 per cent after fees.

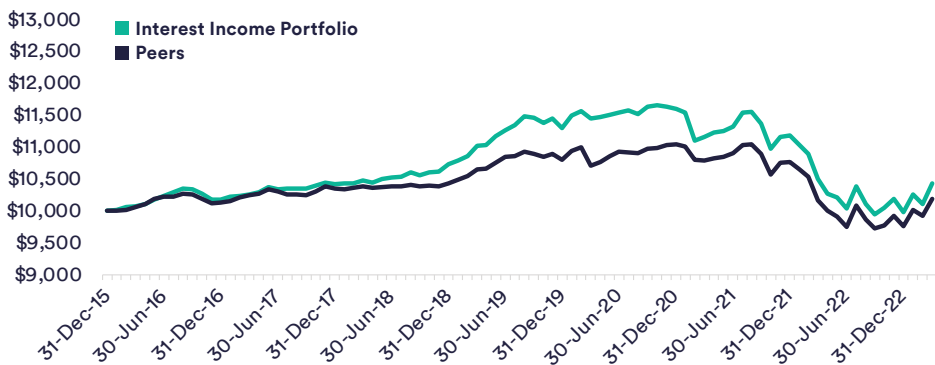
The quarterly review of the portfolio was conducted by the Investment Committee on the 7th of March 2023. It was agreed that all current ETFs used in the Interest Income portfolio were fit for purpose and no changes apart from any rebalancing changes below were recommended.

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

IAF – iShares Core Composite Bond ETF

Coming off the most difficult year in IAF's history, the March quarter provided some much-needed relief.

Performance of \$10,000 since inception



Performance vs Peers

	1 yr	3 yrs p.a.	5 yrs p.a.	7 yrs p.a.	SI p.a.
Interest Income Portfolio	-0.7%	-3.1%	-0.1%	0.5%	0.6%
Peers	0.2%	-1.7%	-0.4%	0.2%	0.3%
Excess to Peers	-0.9%	-1.4%	0.3%	0.3%	0.3%

InvestSMART Interest Income fees are 0.55% p.a. vs average of 253 peers at 0.83% p.a.
Grow your returns, not your fees with InvestSMART **Capped fees**.



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

Having seen the fastest increase in the cash rate by the RBA in its history, bonds had to deal with inflation levels not seen since the '80s and the fear of a debt crash.

Interest Income weightings as at 31 March 2023			
Security	Dec	Mar	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%	

Thankfully, the March quarter has seen those fears dissipate as inflation has started to ease, although it still remains stubbornly high.

The Australian Commonwealth Government Bond (ACGB) 10-year bond yield started 2023 at 4.04 per cent and by the end of the quarter had fallen 73 basis

points to 3.31 per cent -- and has fallen further to start the second quarter. This movement was not exclusive to the ACGB 10 year either -- similar falls in yields were seen across all maturities.

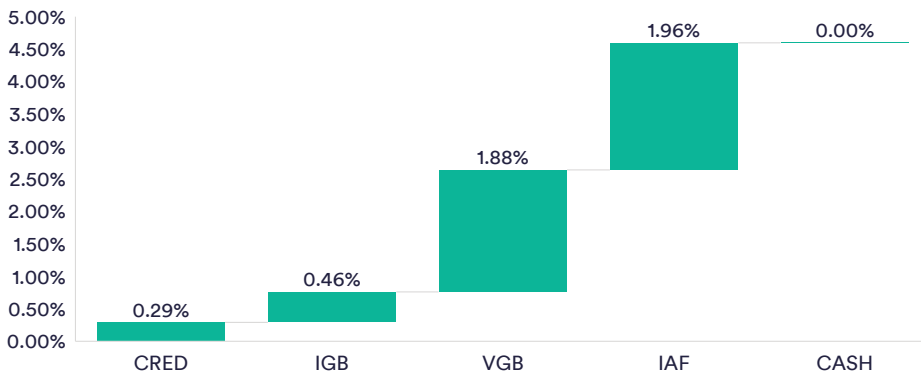
VGB – iShares Core Composite Bond ETF

Like IAF 2022 was VGB’s worst year on record but like IAF March quarter provided some much-needed relief.

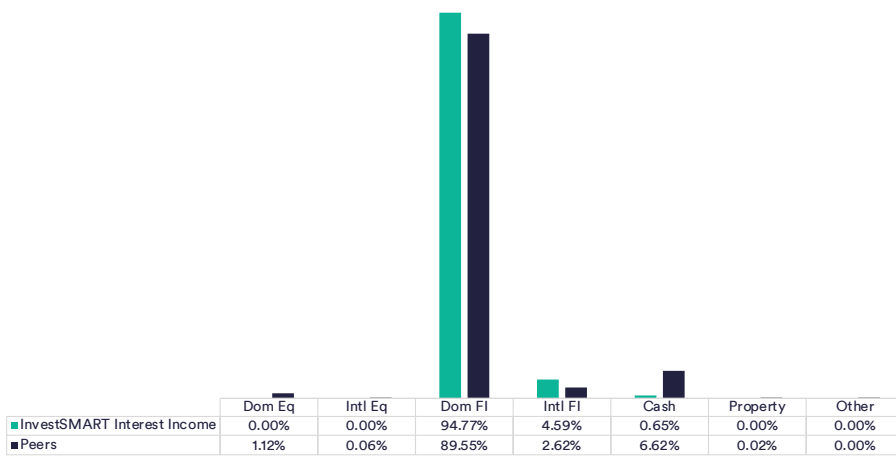
In fact the march quarter was its best quarter on record up 4.87 per cent on a total return basis and erased the majority of the declines of 2022. A trend that has continued into the second quarter of the year.

We expect fixed income to remain attractive as it is still coming from a low basis after several years in the wilderness.

Monthly attribution of returns



Asset allocation vs Peers



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Benchmark

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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