

31 December 2021

Quarterly Report

InvestSMART Interest Income Portfolio



Quarter Highlights

- Portfolio fell 1.62% after fees for December quarter
- Down 3.62% for calendar year
- No changes to the portfolio over the quarter

About Us

InvestSMART 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.

Portfolio overview

The InvestSMART Interest Income Portfolio is designed for investors seeking a high level of stability and regular income by investing in domestic and global fixed securities. The Portfolio is invested in a blend of 5 - 20 Exchange Traded Funds (ETFs), to provide investors exposure to the performance of fixed interest assets all managed in the one portfolio.

Our Interest Income Portfolio is part of our capped fee range, so you keep more of what you earn to grow your investment faster.

Investment objective

To provide returns in line with the benchmark minus our fees by investing in a blend of our preferred Exchange Traded Funds (ETFs).

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 portfolio details

INVESTMENT CATEGORY

Low-cost ETF Portfolio

BENCHMARK

Bloomberg AusBond Composite 0+Yr TR AUD Index

INCEPTION DATE

23 December 2015

SUGGESTED INVESTMENT TIMEFRAME

2+ years

NUMBER OF SECURITIES

5 - 20

INVESTMENT FEE

\$99 - \$451 p.a. capped

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

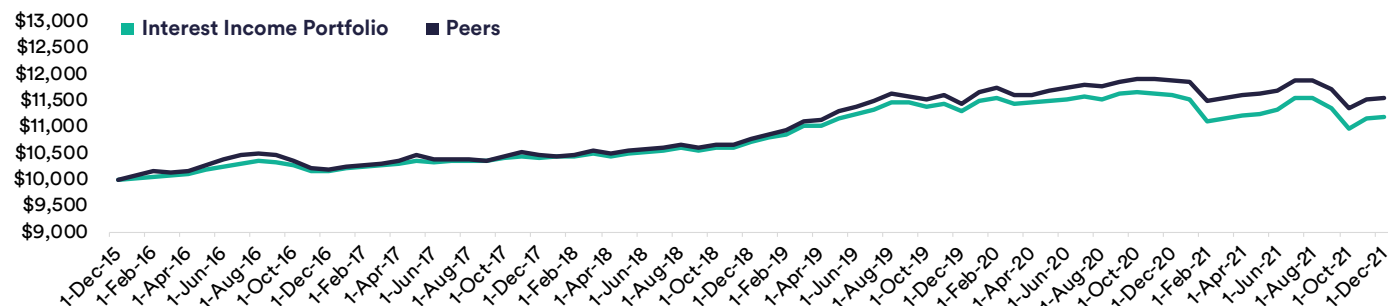
STRUCTURE

Professionally Managed Account (PMA)

As at 31 December 2021

Performance of \$10,000 since inception

Inception: 23 Dec 2014



Performance (after fees)

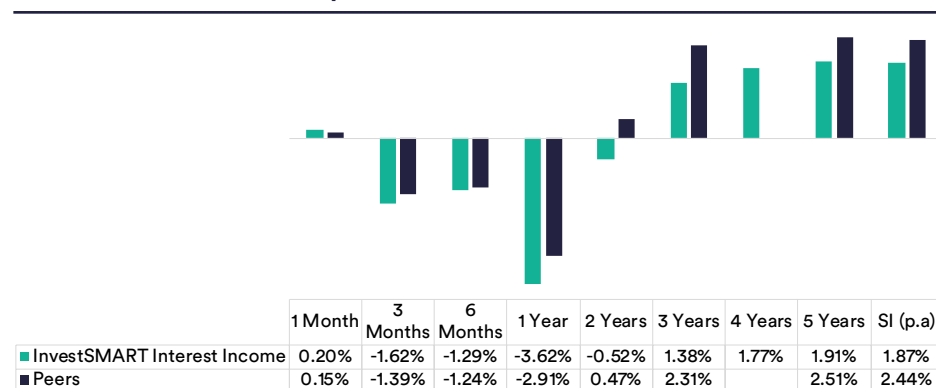
Inception (S.I.): 23 Dec 2014

	1 yr	2 yrs p.a.	3 yrs p.a.	4 yrs p.a.	5 yrs p.a.	S.I. p.a.
InvestSMART Interest Income Portfolio	-3.6%	-0.5%	1.4%	1.8%	1.9%	1.9%
Average of 295 peers funds*	-2.7%	0.5%	2.2%	2.3%	2.4%	2.2%
Excess to Peers	-0.9%	-1.0%	-0.8%	-0.6%	-0.5%	-0.4%

Fees*: InvestSMART Interest Income 0.55% & Average of 258 peers 0.99%

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

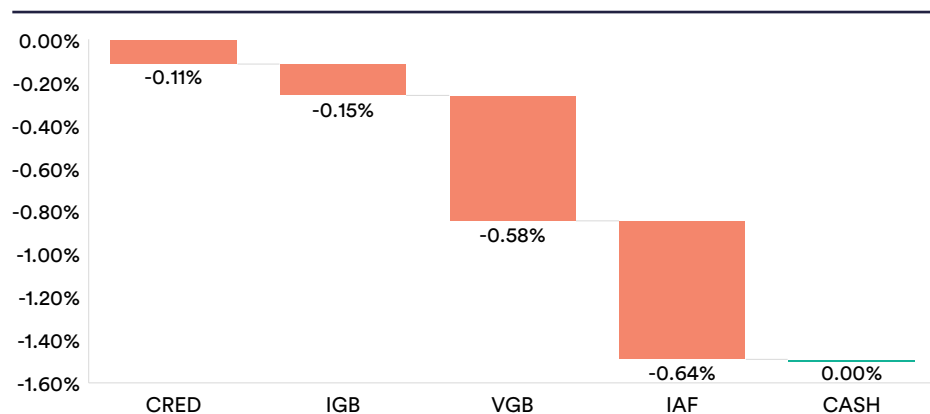
Performance relative to peers



Asset allocation

Australian Fixed Interest	98.9%
International Fixed Interest	0.1%
Cash	1.0%

Attribution – Performance



Top 4 holdings

IAF	44.5%
VGB	40.0%
IGB	10.0%
CRED	4.5%

InvestSMART Interest Income Portfolio

Quarterly Update

Portfolio Performance

The December quarter finished capped off what was a below average year for the Interest Income Portfolio. Over the quarter the Portfolio fell 1.62 per cent after fees. Over the calendar year the Portfolio was down 3.62 per cent on a total returns basis after fees which is its weakest performance since inception.

We do need to point out that 2021 was completely abnormal for fixed income and would not expect this to be repeated in 2022. It is likely that the Interest Income Portfolio will return to its historical yearly average of 1.87 per cent as fixed interest starts to normalise.

There were no changes to the Portfolio over the quarter, all holdings continue to meet InvestSMART's holdings criteria of: high liquidity (easily traded), low fees known as the Management Expense Ratio (MER), large funds under management (FUM) and a price point that allows correct asset allocation.

As we move into 2022 InvestSMART will continue to review and evaluate the Portfolio's holdings to assure each one is providing the correct allocation you require.

Performance of individual holdings

IAF – iShares Core Composite Bond

Difficult year for fixed income assets, low rates and low returns coupled with uncertainty and the threat of rate rises in the come years led to IAF falling for the first time in its history (circa 2012).

IAF fell 1.51 per cent in the final quarter of 2021 rounding out the year which saw a total return of negative 3.06 per cent for the full year on a total return basis. 2021 needs to be put into context of the broader historical performance, since inception IAF has averaged 4.01 per cent on a total return basis, the yield is 2.65 per cent. We would expect 2022 to return to historical norms.

The interest income Portfolio's weighting to IAF is 44.5 per cent and remains a solid defensive asset both now and into the future.

VGB – Vanguard Australian Government Bond Index

Like IAF, VGB has faced the same headwinds of low rates and low returns in 2021. It led to VGB falling 1.4 per cent in the final quarter of the year to cap off its first yearly fall in its history down 3.2 per cent in 2021. However, since inception VGB averages 3.8 per cent and like IAF we would expect VGB to return to its historical norm.

The interest income Portfolio's weighting to VGB is 40 per cent.

IGB – iShares Treasury ETF

Fixed interest had a troubled year in 2021, low interest rates, the attraction of growth assets such as equities and the threat of higher rates in the years to come all combined to see IGB falling for the first time in six years.

IGB fell 1.49 per cent in the final quarter of 2021 which locked in a 3.31 per cent decline for the year. The historical average return for IGB is 3.65 per cent we would be looking for fixed income to return to average in 2022.

The Interest Income Portfolio's weighting to IGB is 10 per cent.



investsmart.com.au/invest

1300 880 160

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 Fund and issuer of units in the Fund.

While every care has been taken in the preparation of this document, InvestSMART makes no representations or warranties as to the accuracy or completeness of any statement in it. To the maximum extent permitted by law, neither InvestSMART, its directors, employees or agents accept any liability for any loss arising in relation to this document.

This document is not an endorsement that this portfolio is appropriate for you and should not be relied upon in making a decision to invest in this product. You should always consider the relevant disclosure document (including Product Disclosure Statement, Investment Menu, and Financial Services Guide along with any accompanying materials) and/or seek professional advice before making any investment decision. Disclosure documents for financial products offered by InvestSMART can be downloaded from the InvestSMART website or obtained by contacting 1300 880 160.

The document provides general financial information only. InvestSMART has NOT considered your personal objectives, financial situation and needs when preparing this document. You should consider your individual objectives, financial situation and needs and seek professional advice where necessary before making any investment decision.

Past performance is not a reliable indicator of future performance. InvestSMART does not assure nor guarantee the performance of any financial products offered.

InvestSMART, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in securities that are contained in this investment product.