

InvestSMART Hybrid Income Portfolio

QUARTERLY UPDATE



InvestSMART Hybrid Income Portfolio

PERFORMANCE TO 31 DEC 2018	1 mth	3 mths	6 mths	1 yr	Since Inception (p.a.)
InvestSMART Hybrid Income	1.09%	0.53%	2.63%	3.38%	4.30%
RBA Cash Rate + 3%	0.37%	1.12%	2.25%	4.50%	4.59%

KEY POINTS

- **Produced a return of 0.53% (after fees) during the December quarter**
- **No changes were made to the Portfolio**
- **Estimated yield at 5.50% (including franking)**
- **Since inception, the Hybrid Income Portfolio has returned 4.30% p.a. (after fees)**

Despite a weaker and volatile equity market and widening credit spreads, the hybrid market experienced positive momentum in the final month of the year. We expect this to continue in coming months. During the month, we reduced the portfolio's exposure to CBAPG, CBAPD, CBAPE and NABPB to raise cash for the new allocation into WBCPI.

We reduced the portfolios exposure to CBAPG, CBAPD, CBAPE and NABPB to raise cash for the new allocation into WBCPI. The allocation is cash is 4.2%, above its minimum 2% weight. During the quarter, the best performers were CBAPE (+2.29%), MQGPB (+1.99%) and IANG (+2.06%). The two major detractors for the quarter were MBLHB (-1.53%) and NABHA (-2.0%).

The hybrid market experienced positive momentum in the final month of the year. This followed over \$1 billion of redemptions in the listed fixed Interest and hybrid space. Currently there is only one major bank hybrid approaching

its optional call date, being NABPA which has a call date in March 2019.

The supply and demand dynamics favour a positive outlook over the next 6 months as investors cautious of continuing volatile equity markets together with the risk of a falling

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RBA cash rate as suggested by the Australian interest rate futures market look to further diversify portfolios into the hybrid asset class.

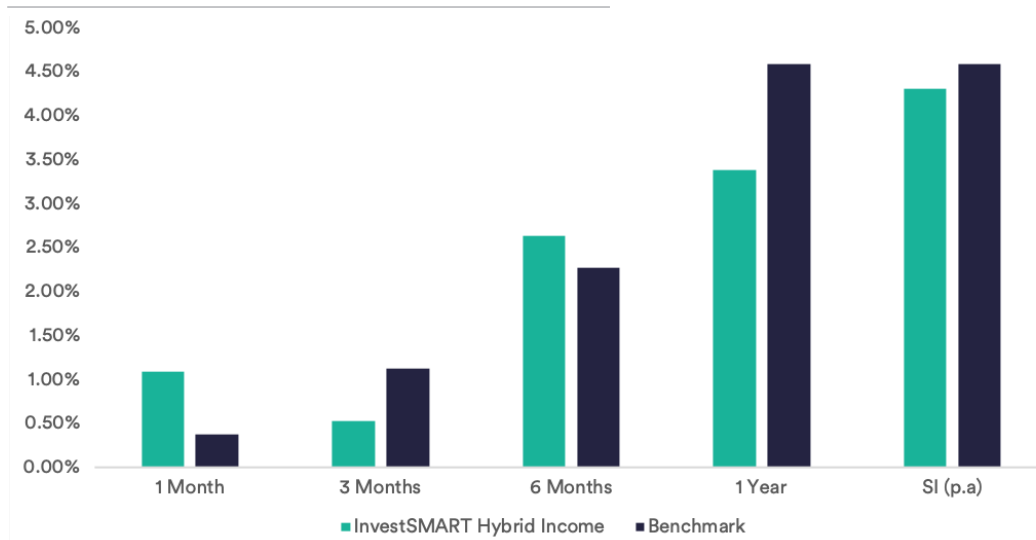
Accesstoday (AXL) announced on 12 December that It would continue its voluntary suspension. AXL requires further time to complete the process of working with its lenders, finalising the strategic review and completing a successful equity raise. At 31 December 2019, the portfolio's current weighting in AXLHA is ~ 1.60%.

Performance

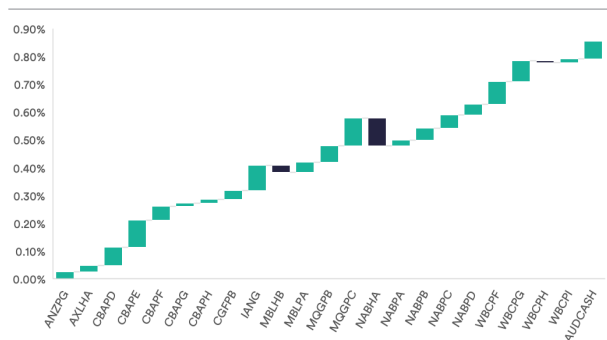
PERFORMANCE OF \$10,000 SINCE INCEPTION



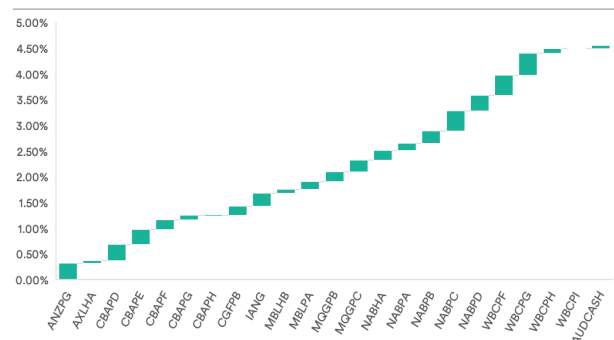
PERFORMANCE RELATIVE TO BENCHMARKS



PERFORMANCE ATTRIBUTION - BEFORE FEES

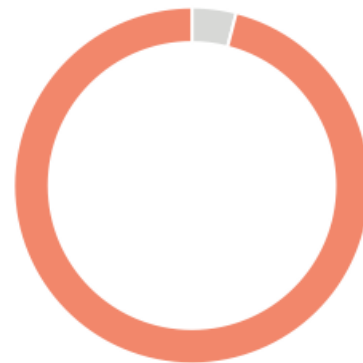


YIELD ATTRIBUTION



TOP 10 HOLDINGS	
SECURITY	WEIGHTINGS
Cash	
AUD Cash	6.64%
Fixed Interest	
Macquarie Group Capital Notes 3	7.38%
NAB Capital Notes	7.25%
CBA PERLS VII	6.68%
Westpac Capital Notes 4	6.67%
Westpac Capital Notes 3	6.62%
Westpac Capital Notes 6	6.06%
ANZ Capital Notes 4	5.26%
National Income Securities	4.95%
NAB Capital Notes	4.70%

SECTOR ALLOCATION



FINANCIALS	93.36%
CASH	6.64%

Performance numbers exclude franking, after investment and admin fees; excludes brokerage. All yield figures include franking. All performance figures, graphs and diagrams are as at 31 December 2018. Performance figures are based on the portfolio's previous investment structure, a Separately Managed Account (SMA). This portfolio is now offered as a Professionally Managed Account (PMA), as of 1 November 2018. The underlying securities remain the same between the SMA and PMA structures. The inception date refers to the SMA. Please see the Investment Menu for full PMA fee details. Peers indicated in the performance table is a Morningstar data feed based on similar underlying securities per portfolio.

InvestSMART Group Limited (INV)

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.

The Portfolio

The InvestSMART Hybrid Income Portfolio provides Australian investors an opportunity to diversify their income stream, with the added benefit of minimised portfolio risk. The Portfolio is invested in a mix of 10 - 25 Australian listed hybrids, listed debt securities and cash all managed in the one portfolio.

Investment objective

The Portfolio's investment objective is to provide investors a return of 3% above the RBA Cash Rate over rolling three year periods.

Why the InvestSMART Hybrid Income Portfolio?

Hybrid securities can be an attractive investment proposition, offering relatively stable income streams and lower levels of volatility compared to equities. However, many hybrids are often more complicated than they seem and identifying which are appropriately priced is not always a simple task.

Managed by our investment team, the InvestSMART Hybrid Income Portfolio is actively monitored and rebalanced by the team and is ideal for the income-focused investor.

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 details

INVESTMENT CATEGORY

A portfolio of individually-selected Australian Equities

INVESTMENT STYLE

Active Securities Selection

BENCHMARK

RBA Cash Rate + 3%

INCEPTION DATE

1 July 2017

SUGGESTED INVESTMENT TIMEFRAME

3+ years

NUMBER OF SECURITIES / STOCKS

10 - 25 securities

INVESTMENT FEE

0.55% - 0.92% p.a.

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$25,000

STRUCTURE

Professionally Managed Account (PMA)

SUITABLE FOR

Suitable for investors who seek a regular income stream (including franking credits), with a lower risk than ordinary shares and a higher return than cash and cash-like investments

PORTFOLIO MANAGER

Evan Lucas

Important information

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