

InvestSMART Interest Income Portfolio

Monthly Update - February 2019

PERFORMANCE TO 28 FEB 2019	1 mth	3 mths	6 mths	1 yr	2 yrs (p.a.)	3 yrs (p.a.)	Since Inception (p.a.)
InvestSMART Interest Income	0.70%	2.38%	2.45%	4.13%	3.07%	2.61%	2.71%
Bloomberg AusBond Composite 0+Y TR AUD	0.94%	3.11%	3.42%	6.16%	4.51%	3.47%	3.98%
Peers	0.78%	2.32%	2.41%	4.25%	3.29%	2.54%	-

February in Review

Unlike equity markets which have reacted positively to data that should, in theory, send them lower. Fixed income assets have moved more in line with what theory would dictate, which is higher.

Australian and global data throughout January, February and early-March has been weaker than forecasted. This has increased the risk of a decline in both consumer and corporate returns in the coming period.

This weak economic data has caused investment funds to flow into low-risk assets such as sovereign bonds throughout February, a market the Interest Income Portfolio is purposely positioned in.

“OVER THE PAST YEAR, THE NEXT-MOVE-IS-UP SCENARIOS WERE MORE LIKELY THAN THE NEXT-MOVE-IS-DOWN SCENARIOS. TODAY, THE PROBABILITIES APPEAR TO BE MORE EVENLY BALANCED.”

Furthermore, this same economic data, coupled lower levels of credit and the slowdown in consumption has caused central banks around the globe to dive back into their monetary policy forecasts and is forcing them to raise the prospect of rate cuts in the coming 12 months.

The RBA Board is a clear case-in-point as to a central bank that has, and is, changing its view of the economy, perfectly summarised in this quote from Governor Philip Lowe:

‘Over the past year, the next-move-is-up scenarios were more likely than the next-move-is-down scenarios. Today, the probabilities appear to be more evenly balanced.’

Thus, we expect fixed income to continue to see in flows as investors look to ‘protect’ their wealth.

Interest Income Portfolio

The Interest Income portfolio has been designed to provide a diverse, Australian-based, fixed income exposure for investors. Remember, ‘fixed income’ is defined as a security that has a ‘price’ and a yield. The advantage of the Australian fixed income market is that it is highly stable with solid yields.

- Added 0.7% after fees in February seeing 3-month performance at 2.38% and 6-month performance at 2.45%
- The largest contributors were IGB – iShares Treasury ETF +0.34% and VGB – Australian Government Bond ETF +0.22%
- All holding contributed positively to the portfolio in February
- Largest yield contributor in February was VGB adding 0.7% with a total yield of 2.26%

For more information on our Interest Income Portfolio, [click here](#).

PORTFOLIO ALLOCATION

ASSET ALLOCATION	
Sector	Weighting
Domestic Fixed Interest	88.78%
International Fixed Interest	4.85%
Cash	6.38%

TOP 5 HOLDINGS	
Security	Weighting
iShares Treasury ETF	34.31%
Vanguard Australian Government Bond Index ETF	26.96%
VanEck Vectors Australian Floating Rate ETF	14.48%
Betashares Australian Bank Floating Rate Bond	14.42%
Vanguard Australian Corporate Fixed Interest Index ETF	6.89%

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 28 February 2019. 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 Interest Income Portfolio is designed for investors seeking a high level of stability and regular income using domestic and global fixed securities. The Portfolio is invested in a blend of Exchange Traded Funds (ETFs), to provide investors exposure to the performance of domestic bond markets all managed in the one portfolio.

Investment objective

The Portfolio's investment objective is to provide investors returns in line with the benchmark minus our fees by investing in a blend of our preferred ETFs.

Why the InvestSMART Interest Income Portfolio?

Allocation to bonds within a portfolio provides a deal of certainty and downside protection during periods of equity market volatility. The InvestSMART Interest Income Portfolio allows investors to tap into the bond market whilst ensuring a level of stability and a regular income stream.

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 blend of our preferred Exchange Traded Funds

INVESTMENT STYLE

Low cost Active Asset Allocation

BENCHMARK

Bloomberg AusBond Composite 0+Yr TR AUD Index

INCEPTION DATE

23 December 2015

SUGGESTED INVESTMENT TIMEFRAME

2+ years

NUMBER OF SECURITIES / STOCKS

5 - 20 securities

INVESTMENT FEE

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

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

STRUCTURE

Professionally Managed Account (PMA)

SUITABILITY

Suitable for investors who are looking for a very defensive investment option, with a high level of capital stability and regular income

PORTFOLIO MANAGER

Evan Lucas

Important information

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