INVESTSMART

InvestSMART Hybrid Income Portfolio

Monthly Update - January 2019

PERFORMANCE TO 31 JAN 2019	1 mth	3 mths	6 mths	1 yr	Since Inception (p.a.)
InvestSMART Hybrid Income	0.45%	1.39%	2.10%	3.67%	4.36%
RBA Cash Rate + 3%	0.37%	1.12%	2.25%	4.50%	4.59%

InvestSMART Hybrid Income Portfolio Monthly update

The Hybrid Income Portfolio is focused on delivering a sustainable income stream by investing in a mix of Australian listed hybrids, listed debt securities and cash.

- For the month of January the total portfolio return was +0.45% and +1.39% for the three months. The total return of the portfolio is In line with its objective since inception (the total portfolio return is 4.36%).
- January was a low income month, with only one security (NABHA) trading ex-dividend.
- The current weighted expected average yield to call on the portfolio is 5.0% p.a (including of franking).
- During the month, we reduced our exposure to CGFPB from a 2.8% to 1.8%, following an announcement by Challenger lowering earnings guidance for FY19 to a pre-tax normalized net profit of $270m, which was below consensus.

For more information on our Hybrid Income Portfolio, click here.

PORTFOLIO ALLOCATION

ASSET ALLOCATION

Sector	Weighting
Domestic Fixed Interest	94.77%
Cash	5.20%

TOP 5 HOLDINGS

Security	Weighting
Macquarie Group Capital Notes 3	7.45%
NAB Capital Notes	7.30%
CommBank PERLS VII	6.68%
Westpac Capital Notes 4	6.68%
Westpac Capital Notes 3	6.65%

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 January 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.

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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The suitability of the investment product to your needs depends on your individual circumstances and objectives and should be discussed with your Adviser. Potential investors must read the Product Disclosure Statement (PDS) and Investment Menu (IM), and FSG along with any accompanying materials.

Investment in securities and other financial products involves risk. An investment in a financial product may have the potential for capital growth and income, but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor.

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

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