INVESTSMART

31 Jul 2019

InvestSMART Hybrid Income Portfolio

Monthly update

PERFORMANCE TO 31 JUL 2019 (AFTER FEES)	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS (P.A.)	S.I. (P.A)
InvestSMART Hybrid Income	0.6%	3.1%	4.6%	6.8%	5.7%	5.6%
RBA Cash Rate + 3%	0.3%	1.1%	2.2%	4.5%	4.6%	4.6%
Excess to Benchmark	0.3%	2.0%	2.4%	2.2%	1.2%	1.0%

- The total portfolio return was +0.62% for the month and +6.77% for the 12-month period. The total return of the portfolio is above its objective for all time periods measured. Since inception the total portfolio return is 5.56%, which is 0.99% over its return objective after fees.
- For a second time this year, the RBA dropped the official cash rates by 25bps to a record low of 1.00%, leading to a further rally in hybrid prices. We see a continued investor appetite for asset classes outside of cash in order to generate sufficient income returns.
- July is usually a low-income month with only one security trading ex-distribution. The total income return (gross) was 0.04% for the month and 1.23% for the quarter, whilst the income return since inception is 5.23% p.a.
- Strong investor demand has continued across all the portfolio names. Our strategy is to retain our existing positions and consequently there was no rebalancing of the portfolio over the period.
- Trading remains suspended in Axcesstoday (AXLHA). The administrator announced on 9 August that it had reached agreement with a potential buyer for some assets of the Group. It is unclear what return will be available to the Note holders. The position will continue to be valued at cost.

Portfolio allocation

TOP 5 HOLDINGS	
Security	**Weighting**
NABPC	7.02%
NABPB	6.65%
CBAPD	6.61%
WBCPG	6.56%
WBCPF	6.44%

ASSET ALLOCATION	
Sector	**Weighting**
Australian Fixed Interest	95.9%
Cash	4.1%

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 July 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. Table 1 performance figures; after investment and admin fees, includes brokerage. Unit pricing taken at the end of each month.

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?

Alastair Davidson, has held executive positions in the banking and financial services industry for over 27 years in the UK, USA and Australia. Prior to becoming the Head of Funds Management, he held Director positions with Aurora Funds Limited, Challenger and Salomon Smith Barney and worked in financial services in London and New York. Alastair has an Honours degree in Economics from the University of St Andrews and is the Chairman of the Investment Committee of the Centenary Institute Endowment Fund, member of the Institute of Chartered Accountants in Scotland, and ex-Treasurer of the Centenary Institute of Medical Research.

Key Details

INVESTMENT CATEGORY
Capped fees portfolio

BENCHMARK
RBA Cash Rate + 3%

INCEPTION DATE
1 July 2017

SUGGESTED INVESTMENT TIMEFRAME
2+ years

NUMBER OF SECURITIES / STOCKS
10 - 25 securities

INVESTMENT FEE
$99 - $451 p.a. capped

PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$25,000

STRUCTURE
Professionally Managed Account (PMA)

PORTFOLIO MANAGER
Alastair Davidson

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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