

30 June 2021

2021 Financial Year Report

InvestSMART Interest Income Portfolio



Yearly Highlights

- Portfolio contracted 1.83 per cent after fees mainly due to accelerating inflation fears in the third quarter of the financial year
- The yield on the portfolio has risen over the year to 2.56 per cent and is now higher than its inception rate of 2.41 per cent
- Portfolio has averaged 2.28 per cent after fees since inception

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

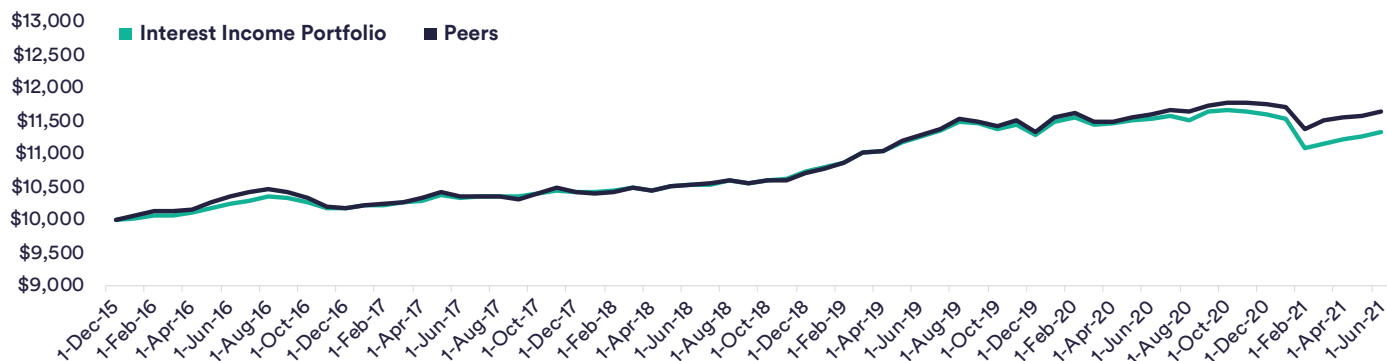
\$10,000

STRUCTURE

Professionally Managed Account (PMA)

As at 30 June 2021

Performance of \$10,000 since inception



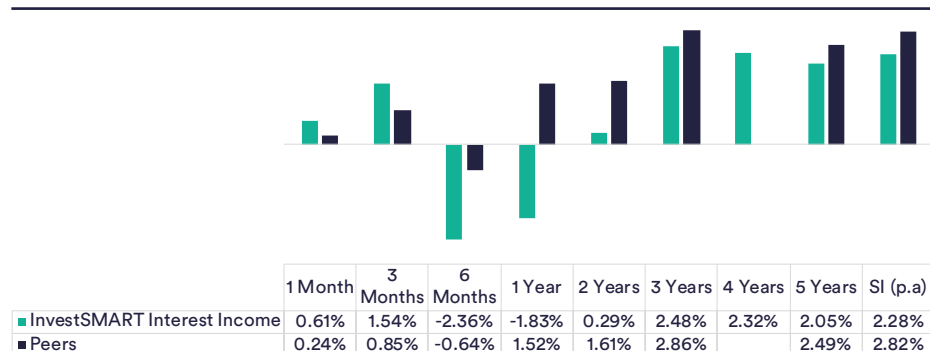
Performance (after fees)

	1 yr	2 yrs p.a	3 yrs p.a	4 yrs p.a	5 yrs p.a	Since Inc. p.a
InvestSMART Interest Income Portfolio	-1.8%	0.3%	2.5%	2.3%	2.1%	2.3%
Average of 283 peers funds*	-0.4%	1.2%	3.1%	2.8%	2.2%	2.6%
Excess to Peers	-1.4%	-0.9%	-0.6%	-0.5%	-0.1%	-0.3%

Fees*: InvestSMART Interest Income 0.55% & Average of 283 peers 1.13%

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

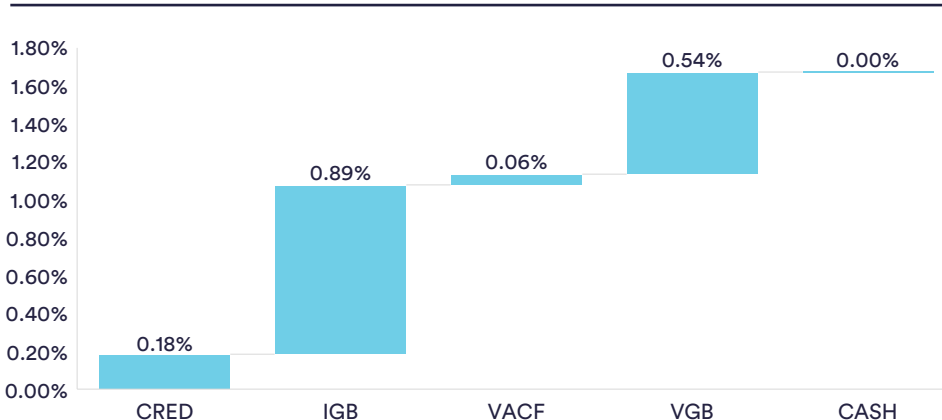
Performance relative to peers



Asset allocation

Fixed interest	96.0%
Cash	4.0%

Attribution – Performance



Top 4 holdings

IGB	47.5%
VGB	37.5%
CRED	7.0%
VACF	7.0%

InvestSMART Interest Income Portfolio

Quarterly Update

Financial Year Performance

- The Portfolio contracted 1.83 per cent after fees mainly due to accelerating inflation fears in the third quarter of the financial year
- Sovereign bonds were the biggest drag over the year as investors moved out of defensive assets
- The yield on the portfolio has risen over the year to 2.56 per cent and is now higher than its inception rate of 2.41 per cent
- Since inception the portfolio has averaged 2.28 per cent after fees

Quarterly Performance

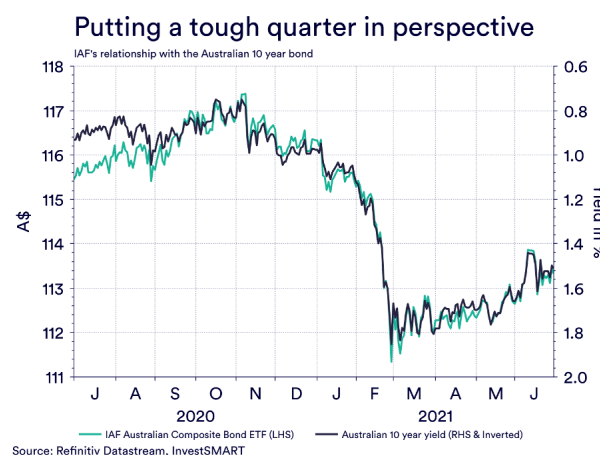
- The portfolio appreciated 1.54 per cent after fees, beating peers by 0.69 per cent
- No changes were made to the portfolio during the quarter
- The bounce was led by sovereign bond buying after the March quarter crash

It has been a difficult period for this normally safe portfolio. We wrote in the last quarter that movement in fixed income during the third quarter of the financial year was completely abnormal. It is a rare thing to see sovereign bonds being sold off at the speed and scale we saw during that quarter.

We would like to remind investors again of this point: bonds by their very nature are low risk, with low levels of movement. Seeing price movements of 8 to 10 per cent in a quarter is what one might expect in equities but even that is unusual. To see it in fixed income is foreign to say the least.

We showed this chart in the last quarter's report and would like to show it again to illustrate just how much of an effect it had on performance of the financial year.

What the chart also shows is that there has been a partial recovery that is more in line with movements we see in fixed income. Considering the effects of COVID-19 and the recovery from the pandemic will be drawn out it is likely that defensive assets will see investment flows as investors look to provide a buffer to their portfolios from the risks likely to be seen in equities.



The interest income portfolio is designed to give you access to defensive assets that generate income -- that mandate remains the core objective and we believe that over the medium term it will continue to provide investors with solid income with low volatility



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1300 880 160

Important information

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