

Quarterly Report

30 June 2020



InvestSMART Interest Income Portfolio

2020 Financial year highlights

- The InvestSMART Interest Income Portfolio rose solidly in FY20, up 2.47% (after fees).
- Estimated yield on the portfolio is currently 2.07%.
- Since inception the Interest Income Portfolio has returned 3.27% per annum.

INVESTSMART

LET'S MAKE WEALTH HAPPEN

www.investsmart.com.au

1300 880 160

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 investors 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

Morningstar Multisector Aggressive 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

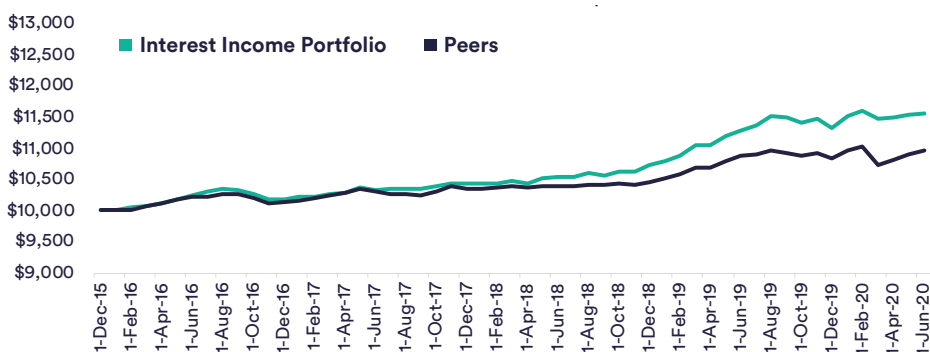
\$10,000

STRUCTURE

Professionally Managed Account (PMA)

As at 30 June 2020

Performance of \$10,000 since inception



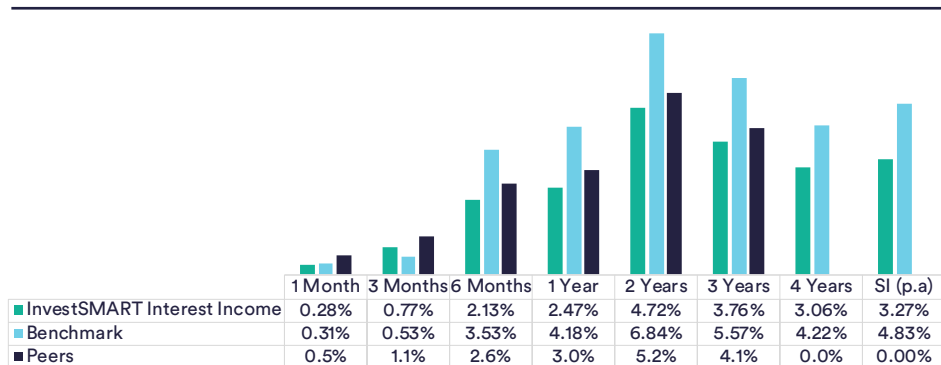
Top 5 holdings

IGB	47.5%
VGB	36.5%
VACF	6.8%
CRED	6.6%
AUDCASH	2.5%

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	4 yrs
InvestSMART Interest Income Portfolio [#]	0.3%	0.8%	2.1%	2.5%	4.7%	3.8%	3.1%
Average of 242 peers funds [^]	0.5%	1.1%	2.6%	3.0%	5.2%	4.1%	N/A
Excess to Peers	-0.3%	-0.3%	-0.4%	-0.5%	-0.4%	-0.4%	N/A

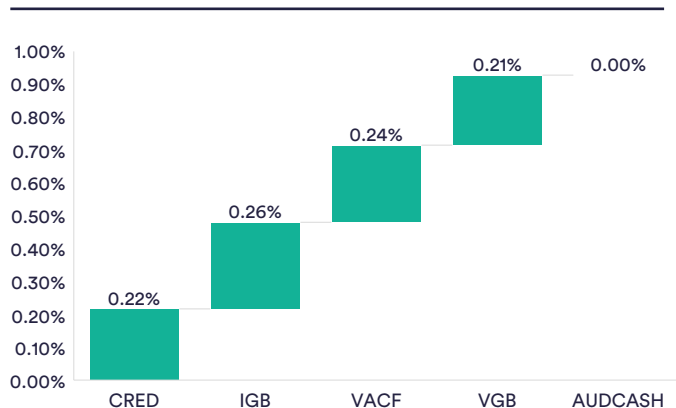
Performance relative to benchmarks



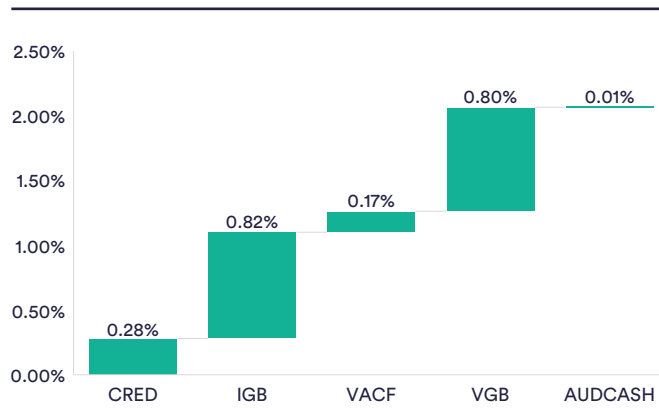
Asset allocation

Australian Fixed Interest	95.9%
Cash	2.5%
International Fixed Interest	1.6%

Attribution – Performance



Attribution – Yield



InvestSMART Interest Income Portfolio 2020 Financial year update

Yearly Performance

- The InvestSMART Interest Income Portfolio rose solidly in FY20, up 2.47% (after fees).
- There were several changes to the portfolio in the third quarter of the Financial Year.
- Estimated yield on the portfolio is currently 2.07%.
- Since inception the Interest Income Portfolio has returned 3.27% per annum.

Quarterly Performance

- The InvestSMART Interest Income Portfolio rose slightly in the June quarter, up 0.77% (after fees).
- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 2.07%.

Is fixed income broken? This has been the question some investors and economists have been asking in the COVID-19 era. However, that question misses what has been an ever-changing fixed interest market for over 12 years.

The impacts of the Global Financial Crisis (GFC) are still being felt far and wide, both positively and negatively. One particular influence on fixed income markets over the past 12 years has been central bank intervention.

Just like 2008, 2020 has seen unprecedented levels of intervention by central banks. For example, the US Federal Reserve's balance sheet has expanded by the equivalent of 13% of US Gross Domestic Product (GDP)

in the space of three months to try and cushion the blow to the economy. To put this expansion into context, what the Federal Reserve has done in three months took them three years to do during the GFC.

The RBA too has moved to unprecedented accommodative policy levels, cutting the official cash rate to a new record low of 0.25% and now intervening in the treasuries market by targeting the Australian government three-year bond to be at or near 0.25% for the foreseeable future.

This action has impacted the yields in fixed income but is a positive for capital appreciation. Bonds on a real return basis (including inflation) are actually the best performing asset class in the first half of this calendar year, and this is true both domestically and internationally. In fact, it's the eighth consecutive quarter of gains for fixed income and best two-year number since 2010.

Don't forget, fixed income has a yield and capital movement, whereas cash, which includes the likes of term deposits and debentures, does not have capital movement. That difference is why cash has significantly underperformed its defensive peer.

In a COVID-19 world where risk is near impossible to quantify, it is little wonder that fixed income has performed well. It also highlights that in a heightened risk environment, having a diverse range of asset classes will assist your overall performance and buffer your invested capital from major shocks like what has been seen in FY20.

Is fixed income broken? Far from it, the capital preservation and above inflation returns show why fixed income remains a core part of any investors' asset allocation. It is why we at InvestSMART continue to offer the Interest Income Portfolio to allow investors the opportunity to add this core asset class to their overall investment mix.

Reweighting to the Interest Income Portfolio in FY20

- IGB increased to a 48% weighting.
- VGB increased to a 37% weighting.
- VACF unchanged at a 7% weighting.
- CRED introduced with a 7% weighting.

The resulting sector allocation is as follows:

- 48% Treasury bonds.
- 37% government backed securities.
- 14% corporate bonds.
- 1% cash.



investsmart.com.au/invest
1300 880 160

Important information

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the [InvestSMART Interest Income Portfolio] (Fund) and issuer of units in the Fund.

While every care has been taken in the preparation of this document, InvestSMART makes no representations or warranties as to the accuracy or completeness of any statement in it. To the maximum extent permitted by law, neither InvestSMART, its directors, employees or agents accept any liability for any loss arising in relation to this document.

This document is not an endorsement that this portfolio is appropriate for you and should not be relied upon in making a decision to invest in this product. You should always consider the relevant disclosure document (including Product Disclosure Statement, Investment Menu, and Financial Services Guide along with any accompanying materials) and/or seek professional advice before making any investment decision. Disclosure documents for financial products offered by InvestSMART can be downloaded from the InvestSMART website or obtained by contacting 1300 880 160.

The document provides general financial information only. InvestSMART has NOT considered your personal objectives, financial situation and needs when preparing this document. You should consider your individual objectives, financial situation and needs and seek professional advice where necessary before making any investment decision.

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

InvestSMART, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in securities that are contained in this investment product.