

31 MARCH 2020

Quarterly Report

InvestSMART Hybrid Income Portfolio

March 2020 Quarter Highlights

- The total portfolio return was **-6.57%** and **-3.70%** for the quarter and 12-month period.
- March had all the securities in the portfolio trading ex-distribution, with payments expected in April.
- At end of March the portfolio had a **4.75%** allocation to cash.

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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 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.

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 portfolio details

INVESTMENT CATEGORY

Low-cost ETF Portfolio

BENCHMARK

RBA Cash Rate + 3%

INCEPTION DATE

1 July 2017

SUGGESTED INVESTMENT TIMEFRAME

2+ years

NUMBER OF SECURITIES

10 - 25

INVESTMENT FEE

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

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$25,000

STRUCTURE

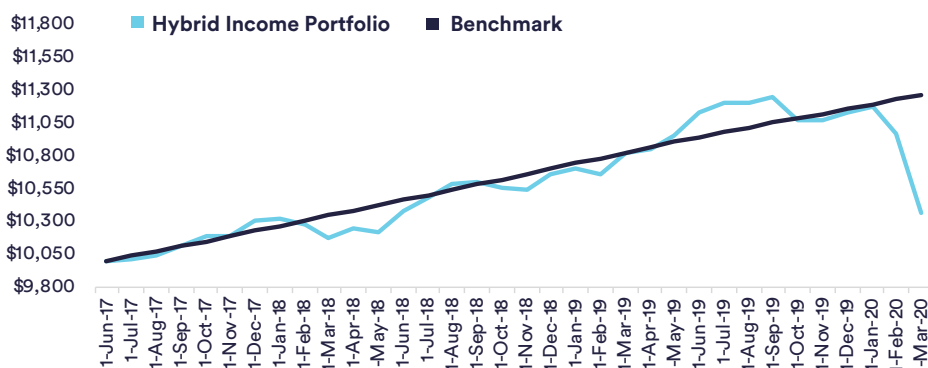
Professionally Managed Account (PMA)

Performance to 31 March 2020 (after fees)

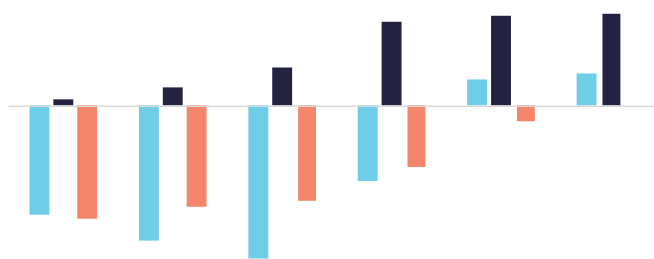
	1 mth	3 mths	6 mths	1 yr	2 yrs	S. I. (p.a.)
InvestSMART Hybrid Income	-5.3%	-6.6%	-7.4%	-3.7%	1.3%	1.5%
RBA Cash Rate + 3%	0.3%	0.9%	1.8%	3.9%	4.2%	4.4%
Excess to Benchmark	-5.6%	-7.5%	-9.2%	-7.6%	-3.0%	-2.9%

Note: Our InvestSMART Hybrid Income is benchmarked against RBA cash rate + 3%. Performance includes franking credits.

Performance of \$10,000 since inception

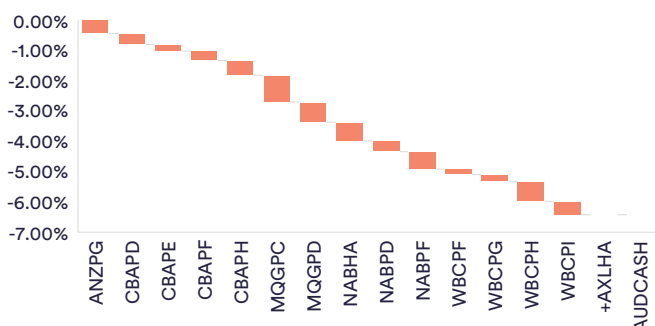


Performance relative to benchmarks

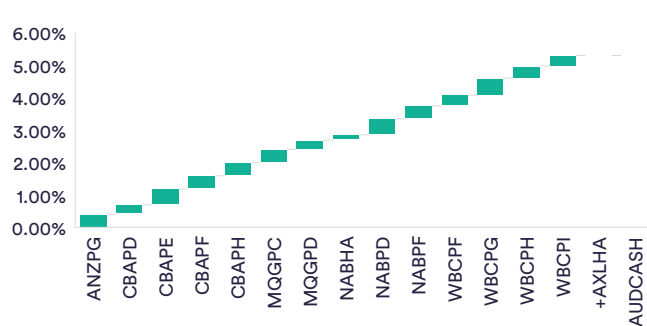


	1 Month	3 Months	6 Months	1 Year	2 Years	SI (p.a)
InvestSMART Hybrid Income	-5.3%	-6.6%	-7.4%	-3.7%	1.2%	1.5%
Benchmark	0.3%	0.9%	1.8%	4.0%	4.3%	4.4%
Peers	-5.50%	-4.94%	-4.63%	-3.00%	-0.73%	0.00%

Attribution – Performance



Attribution – Yield



Asset allocation

Australian Fixed Interest	95.3%
Cash	4.7%

Top 5 holdings

CBAPF	7.9%
NABPD	7.7%
WBCPH	7.6%
CBAPH	7.6%
CBAPF	7.3%

InvestSMART Hybrid Income Portfolio

- The total portfolio return was -5.31% for the month including franking credits. The estimated running yield is over 5.0% , and estimated yield to call/ maturity is 6.75% including franking credits.
- The total portfolio return was -6.57% and -3.70% for the quarter and 12-month period. Since inception the total portfolio return is 1.53% including franking credits, which is -2.85% under its return objective of the RBA Cash rate plus 3%.
- The trading margin of ASX-listed hybrids increased substantially during March as gross yields increased on most securities as prices traded lower. This resulted from liquidity issues in all credit markets including hybrids, as evidenced by the major fixed interest funds increasing their buy sell spreads.
- The selling came from two places: investors switching from hybrids to take advantage of lower equity prices, and fund investors seeking liquidity to fund redemptions. Hybrids were one of the few credit issues that had liquid markets
- The RBA cut the official Cash rate on 2 March to 0.50% and again on 18 March to 0.25%.
- March had all the securities in the portfolio trading ex-distribution, with payments expected in April.
- Macquarie and NAB cancelled their respective issues before allotment, citing the yield expansion in the hybrid market as their reason.
- Challenger were unable to issue new securities to raise capital to redeem CGFPB at the first call date in May 2020. These securities will remain on issue until May 2022 but may be redeemed or resold prior to that date at APRA's discretion. We expect Challenger to refinance this issue prior to May 2022, though this highlights that redemptions of any hybrid issue may be delayed in unusual market circumstances.
- At end of March the portfolio had a 4.75% allocation to cash.



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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 Hybrid Income Portfolio] (Fund) and issuer of units in the Fund.

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