

Commentary

PORTFOLIO COMMENTARY

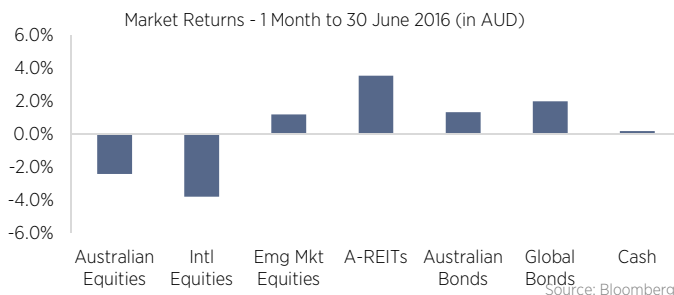
The big news in markets for the month of June centred around the UK's decision to leave the European Union, this generally impacted equity markets negatively but had a positive impact on bond prices as investors flocked to the safety that these assets purportedly provide.

The InvestSMART Diversified Income portfolio returned 0.2% over the month of June which was a reasonable outcome considering the portfolio has around 30% in Australian equities which were down 2.4% for the month. It is worth noting that the portfolio does not have any exposure to international equities, so was therefore less impacted by the Brexit news that influenced international markets more severely.

The portfolio's exposure to Australian REITs contributed positively to the portfolio over the month with local REITs up 3.8% over the month. It is apparent that A-REITs are being supported by a low interest rate environment and investors desire for yield. From this perspective we believe that valuations in the REIT sector appear stretched and may look to trim the exposure in coming months.

Within fixed interest the portfolio's exposure to Australian government bonds performed well returning 1.4%, while the exposure to Macquarie Income Opportunities Fund lagged the broader bond market, returning 0.1%.

Since inception the portfolio continues to track ahead of its cash +1% objective by around 1.9%.


PORTFOLIO POSITIONING

The portfolio continues to hold a significant weight to Australian equities given its high yielding characteristics relative to other asset classes as well as what we believe to be reasonably attractive valuations. Taking into account the additional benefit of franking credits, holding Australian equities as part of an overall income portfolio allows investors to generate a higher level of income than they would from more traditional sources of income, such as fixed interest and cash, especially in a low interest rate environment. However, investors need to accept that there will be higher levels of volatility than what a traditional "income" portfolio may have had in the past.

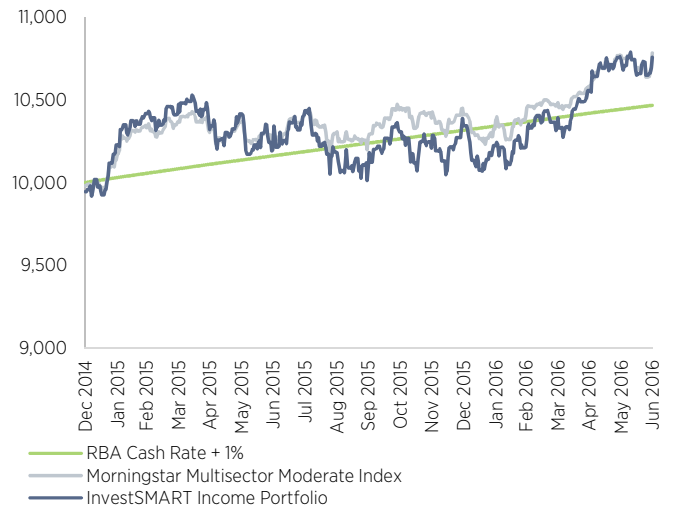
Within fixed interest the portfolio holds Australian government bonds and has an exposure to Australian credit and overseas securities. The portfolio is expected to do well in an environment where Australian equities outperform other asset classes and where credit outperforms government bonds. The portfolio will lag the benchmark when international equities do well as the portfolio does not currently hold any international equity exposure. The portfolio has a significant allocation to equities therefore investors should be willing to accept a reasonably high degree of capital volatility, which could result in a short-term fall in the portfolio's value of around 17%.

PERFORMANCE TO 30 JUNE 2016

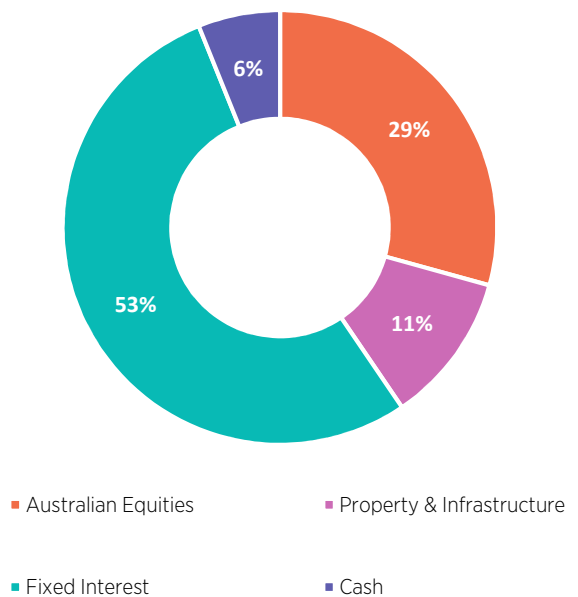
	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SI* (P.A.)
InvestSMART Income Portfolio	0.17%	3.53%	4.00%	5.49%	4.99%
Morningstar Multisector Moderate Index	0.16%	2.88%	3.58%	5.57%	5.16%
Excess to Benchmark	0.01%	0.65%	0.43%	-0.08%	-0.17%
RBA Cash Rate + 1%	0.23%	0.71%	1.46%	3.01%	3.09%
Excess to Objective	-0.06%	2.82%	2.54%	2.48%	1.90%

Source: Praemium, RBA. Returns are before expenses and fees. Returns are shown as annualised if the period is over 1 year. * Since Inception (SI) date is 29 December 2014.

Growth of \$10,000 INCOME REINVESTED



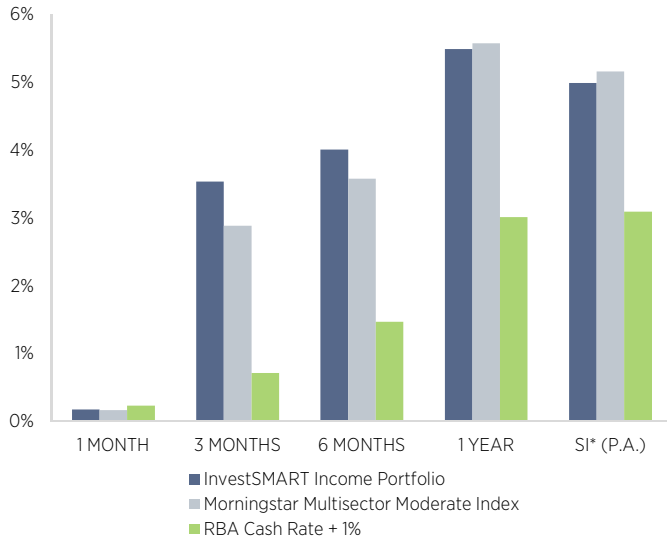
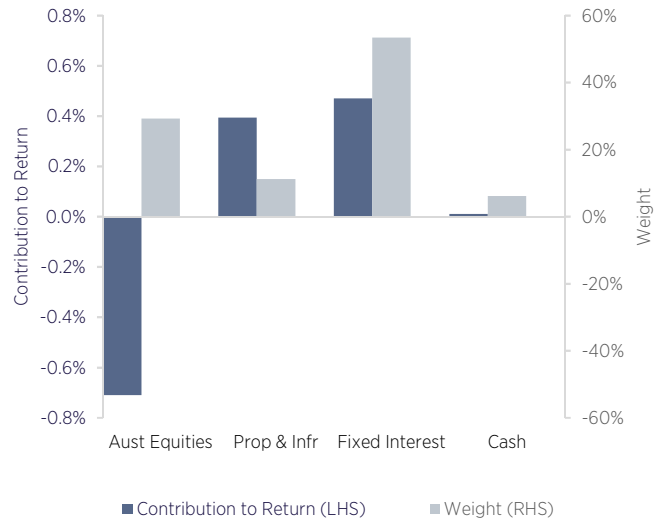
Asset Allocation as at 30 June 2016



Portfolio Objective

The investment objective is to maximise annual income while minimising capital losses over three year rolling periods by investing in a diverse mix of asset classes covering Australian equities, international equities, property, infrastructure, alternatives, fixed interest and cash.

Performance Summary to 30 June 2016


 Contribution to Return
1 Month to 30 June 2016


Underlying Holdings Performance

PERFORMANCE TO 30 JUNE 2016	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR
ISHARES S&P/ASX 200 ETF	-2.4%	4.5%	1.4%	1.3%
VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF	3.5%	9.4%	15.8%	24.8%
ISHARES COMPOSITE BOND ETF	1.4%	2.9%	4.6%	6.8%
MACQUARIE INCOME OPPORTUNITIES	0.1%	1.6%	1.7%	1.6%
BETASHARES AUSTRALIAN HIGH INTEREST CASH ETF	0.2%	0.6%	1.2%	2.5%
CASH	0.2%	0.6%	1.1%	2.2%

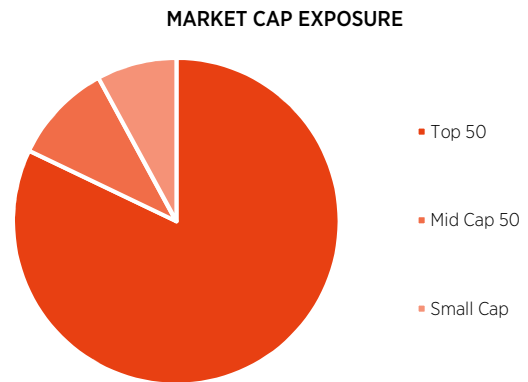
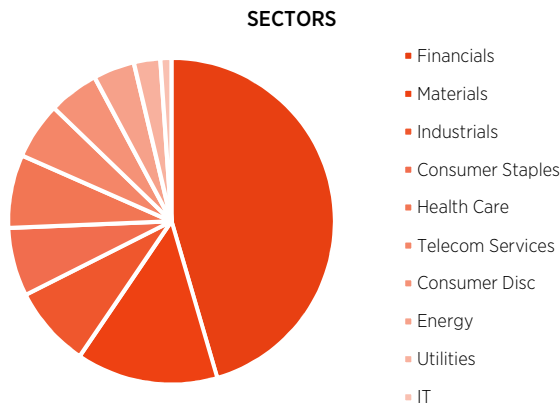
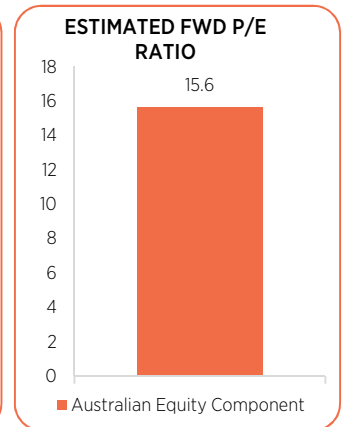
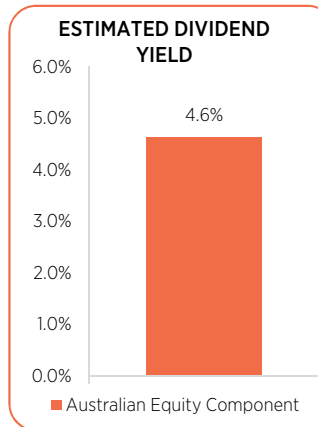
Source: Bloomberg

Income/Growth Split

PERFORMANCE TO 30 JUNE 2016	6 MONTHS	1 YEAR
Income Return	1.12%	4.02%
Growth Return	2.88%	1.46%
Total Return	4.00%	5.49%

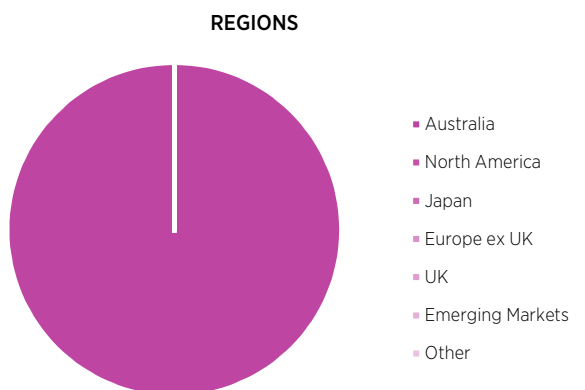
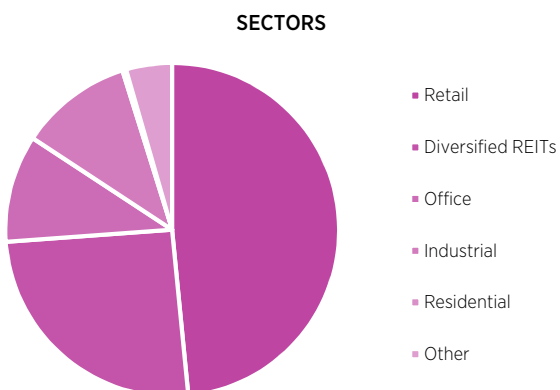
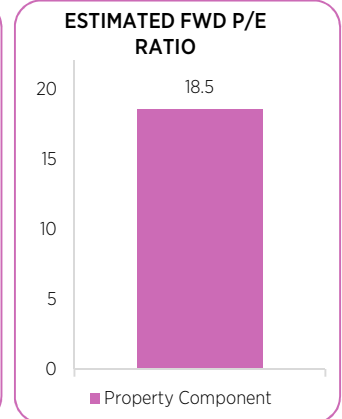
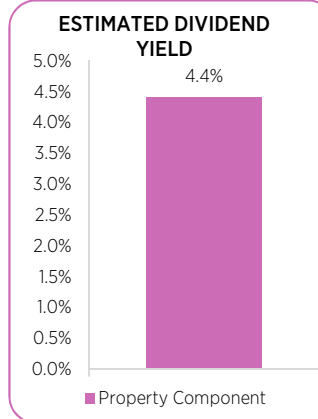
Australian Equities Breakdown

TOP 10 STOCKS	WEIGHT (%)
COMMONWEALTH BANK OF AUSTRALIA	9.1%
WESTPAC BANKING CORPORATION CORP	7.1%
AUSTRALIA AND NEW ZEALAND BANKING	5.1%
TELSTRA CORPORATION LTD	4.9%
NATIONAL AUSTRALIA BANK LTD	4.8%
BHP BILLITON LTD	4.3%
CSL LTD	3.7%
WESFARMERS LTD	3.2%
WOOLWORTHS LTD	1.9%
SCENTRE GROUP	1.9%

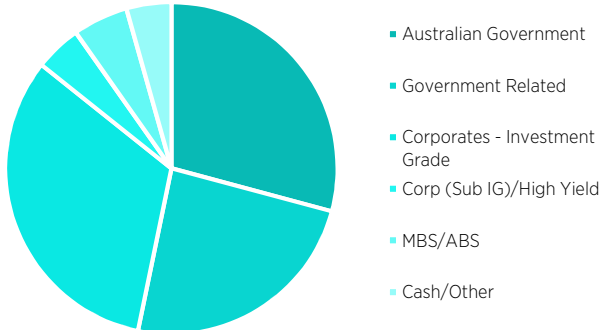
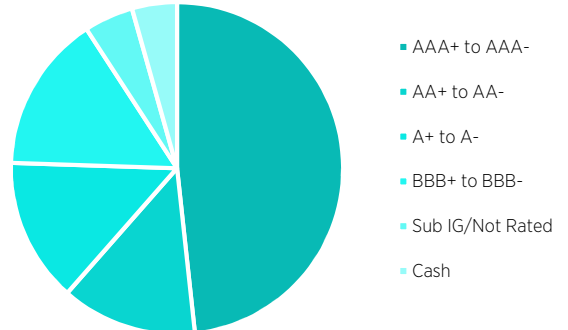
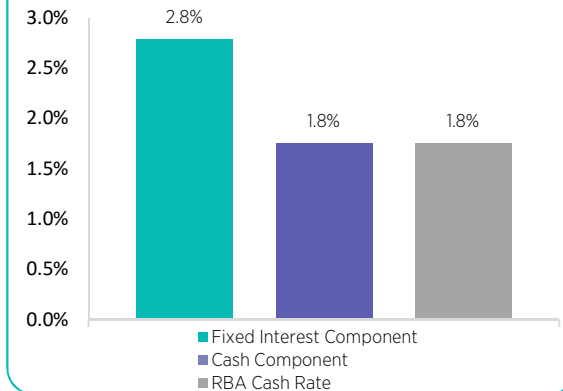
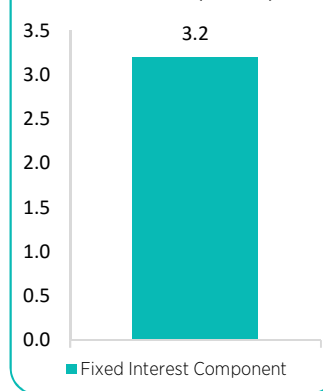


Property Breakdown

TOP 10 STOCKS	WEIGHT (%)
SCENTRE GROUP	20.9%
WESTFIELD CORP	16.3%
GOODMAN GROUP	9.0%
STOCKLAND	9.0%
VICINITY CENTRES	8.7%
GPT GROUP	7.8%
DEXUS PROPERTY GROUP	6.9%
MIRVAC GROUP	5.9%
IRON MOUNTAIN INC. CDI	2.3%
INVESTA OFFICE FUND	2.1%



Fixed Interest & Cash Breakdown

SECTORS - FIXED INTEREST

CREDIT QUALITY - FIXED INTEREST

ESTIMATED YIELD

DURATION (YEARS)


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