

Commentary

PORTFOLIO COMMENTARY

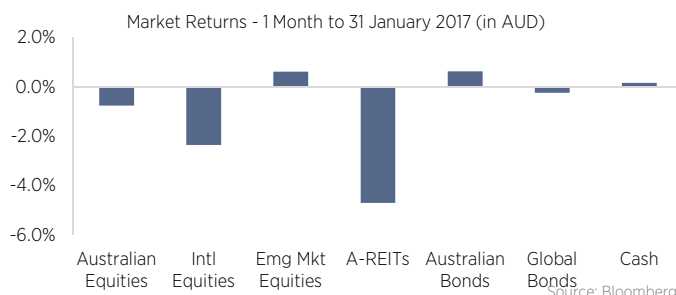
After a strong December, markets generally retreated in the month of January with Australian equities returning -0.8% for the month and international equities returning -2.4%.

The InvestSMART Conservative Portfolio returned -0.3% over the month of January. The overweight to Australian equities dragged on the portfolio slightly as markets were down but the underweight to the US and overweights to Emerging Markets and Europe contributed positively.

Australian REITs posted a negative return over the month of -4.7% which was a continuation of the trend we saw in the latter half of last year as investors inflation expectations have risen, bond proxies such as REITs have been impacted. This sensitivity to interest rates is why the portfolio is underweight REITs.

Within fixed interest the portfolio's exposure to Australian government bonds returned 0.6% for the month as did the exposure to Macquarie Income Opportunities Fund. It is worth noting that the exposure to the Macquarie Income Opportunities Fund has returned 5.2% over the past year compared to 2.2% for the broader Australian bond market and relative to cash which returned 2.0% for the year. Overall the Macquarie Income Opportunities Fund has been a positive contributor not only in terms of return but also in risk-adjusted terms in that it has generally been less volatile than bonds.

Since inception the portfolio continues to track ahead of its cash +1% objective by around 1.0% after investment fees.

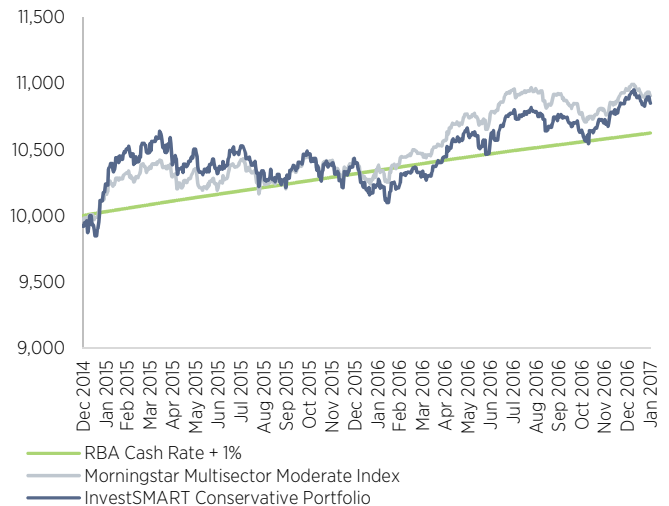


PORTFOLIO POSITIONING

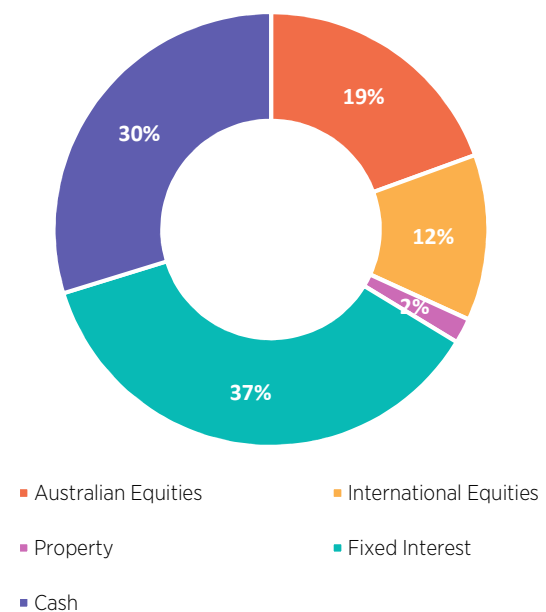
The portfolio remains overweight Australian equities on the basis that valuations appear reasonably compelling when compared to other asset classes and given the attractive yield characteristics of the asset class. Within fixed interest the portfolio holds Australian government bonds and has an exposure to Australian credit and overseas securities. This means that investors should be comfortable with above average volatility, which could result in a short-term fall in the portfolio's value of around 14%.

Current market pricing implies that the portfolio's RBA Cash Rate+1% objective is achievable over the long-term but only through a reasonable allocation to relatively volatile equity investments. This means that investors should be comfortable with above average volatility, which could result in a short-term fall in the portfolio's value of around 14%.

Growth of \$10,000 INCOME REINVESTED



Asset Allocation as at 31 January 2017



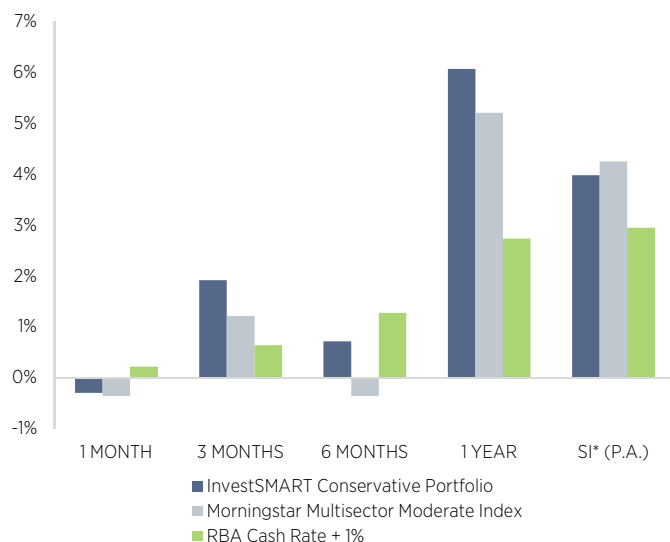
Portfolio Objective

The investment objective is to achieve a return of 1% above the RBA Cash rate per annum 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.

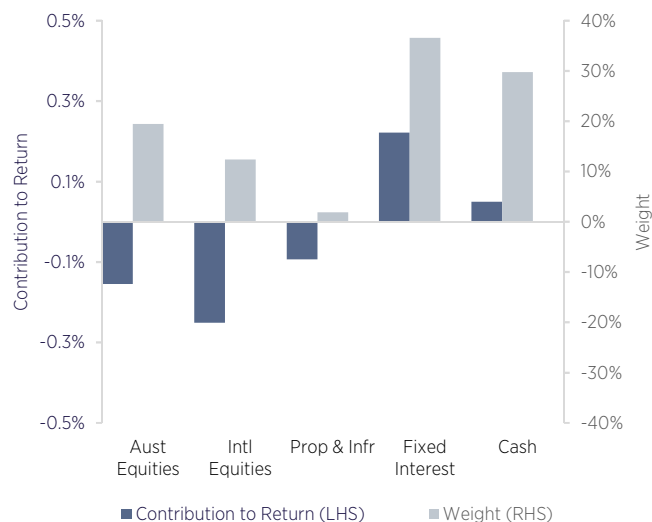
PERFORMANCE TO 31 JANUARY 2017	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SI* (P.A.)
InvestSMART Conservative Portfolio	-0.31%	1.91%	0.71%	6.06%	3.98%
Morningstar Multisector Moderate Index	-0.37%	1.20%	-0.37%	5.20%	4.24%
Excess to Benchmark	0.06%	0.70%	1.08%	0.86%	-0.27%
RBA Cash Rate + 1%	0.21%	0.63%	1.27%	2.73%	2.94%
Excess to Objective	-0.52%	1.28%	-0.56%	3.33%	1.03%

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

Performance Summary to 31 January 2017



Contribution to Return 1 Month to 31 January 2017



Underlying Holdings Performance

PERFORMANCE TO 31 JANUARY 2017

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR
ISHARES S&P/ASX 200 ETF	-0.8%	6.7%	3.7%	18.3%
VANGUARD ALL-WORLD EX-US SHARES INDEX ETF	-0.8%	4.0%	4.6%	10.2%
ISHARES CORE S&P 500 ETF	-3.3%	7.9%	5.2%	14.7%
VANGUARD FTSE EUROPE SHARES ETF ETF UNITS FULLY PAID	-2.1%	4.5%	2.2%	0.0%
VANGUARD FTSE EMERGING MARKETS SHARES ETF ETF UNITS FULLY PAID	1.1%	1.4%	3.4%	20.2%
ISHARES CORE S&P MIDCAP ETF	-3.9%	12.9%	8.0%	25.3%
VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF	-4.7%	2.6%	-11.7%	6.0%
SPDR DOW JONES GLOBAL REAL ESTATE FUND ETF	-5.3%	2.0%	-8.8%	1.9%
ISHARES COMPOSITE BOND ETF	0.6%	-0.9%	-2.1%	2.1%
MACQUARIE INCOME OPPORTUNITIES	0.6%	0.6%	1.9%	5.2%
BETASHARES AUSTRALIAN HIGH INTEREST CASH ETF	0.2%	0.5%	1.0%	2.2%
CASH	0.2%	0.5%	0.9%	2.0%

Source: Bloomberg

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