

InvestSMART Fixed Income Portfolio 31 March 2017

Portfolio commentary

The InvestSMART Fixed Income Portfolio produced a return of 0.9% (after fees) during the quarter.

The main positive contributor was the Macquarie Income Opportunities fund, which gained 1.0%.

With interest rates falling over the past 30 years, fixed income investments has enjoyed a period of excellent returns. However, with interest rates now near record lows, this is unlikely to be repeated.

This will be made even more difficult with expectations of a further two rate rises this year and another three in 2018. This of course is all dependent on how the US economy performs over the short term.

Rate rises have the effect of increasing yields on new bond issues, but will also lower the capital value of existing bonds if they are sold in the secondary market. However, the key advantage of fixed interest is that it provides capital security and a regular income stream, and provided the bond is held to maturity, the capital value will be preserved.

One key change that we have made to the Fixed Income portfolio is that we have sold the Vanguard Australian Fixed Interest ETF and replaced it with the iShares Core Composite Bond ETF (which is up 0.3% since being added).

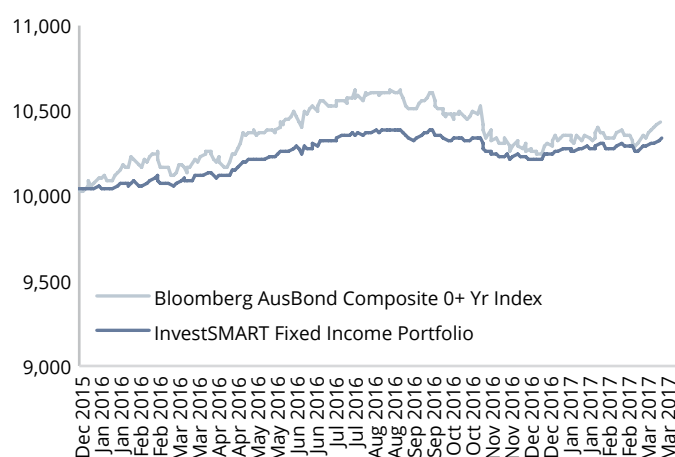
The iShares Core Composite Bond ETF is invested in a highly diversified, low risk, portfolio of bonds. Around 90% of the ETF is invested in Treasury and Government related bonds, with 9% invested in corporate bonds. It currently has an average yield to maturity of around 2.5% a year and has an average maturity of 5.9 years.

The portfolio is also around 20% invested in the Betashares Australian High Interest Cash ETF, which provides attractive and regular income distributions.

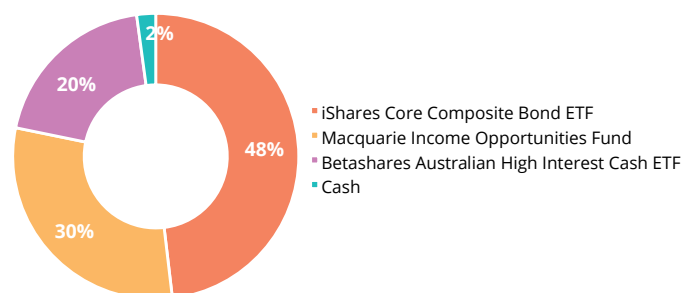
Since inception, the InvestSMART Fixed Income portfolio has returned 2.1% per annum (after fees).

We're delighted to note that, as of 1 April 2017, fees on the InvestSMART Property Portfolio have been reduced by 0.20%. That takes them down to just 0.77% a year for balances below \$250,000 (and less for higher balances).

GROWTH OF \$10,000 - INCOME REINVESTED



ASSET ALLOCATION AS AT 31 MARCH 2017



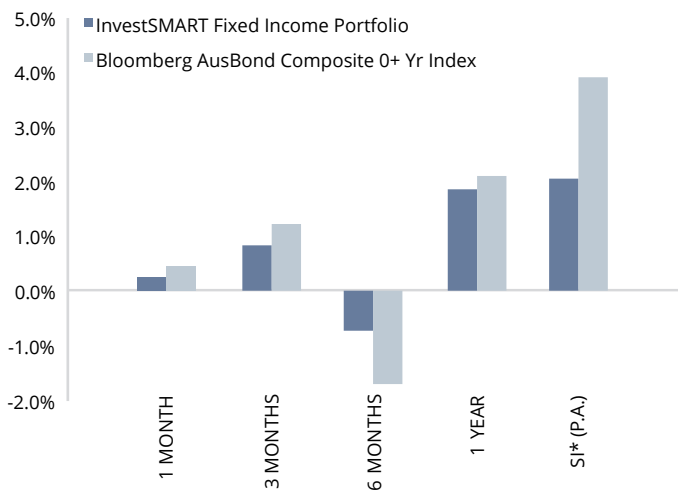
PERFORMANCE TO 31 MARCH 2017

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SI* (P.A.)
INVESTSMART FIXED INCOME PORTFOLIO	0.27%	0.85%	-0.73%	1.88%	2.06%
BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	0.44%	1.23%	-1.67%	2.09%	3.94%
EXCESS TO BENCHMARK	-0.17%	-0.38%	0.94%	-0.21%	-1.88%

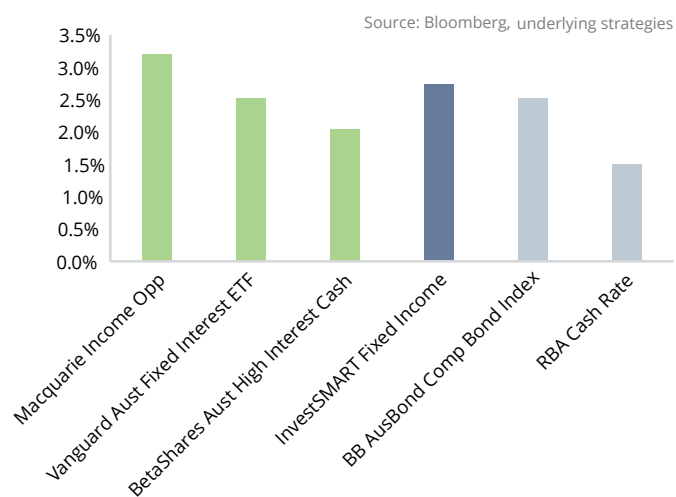
Source: Praemium, RBA. Returns are after investment and admin fees. Returns are shown as annualised if the period is over 1 year. * Since Inception (SI) date is 23 December 2014.

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PERFORMANCE SUMMARY TO 31 MARCH 2017



ESTIMATED YIELD - 31 MARCH 2017





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Important information

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InvestSMART Financial Services Pty Ltd
PO Box 744
Queen Victoria Building
NSW 1230 Australia

Phone: 1300 880 160
Email: invest@investsmart.com.au

www.investsmart.com.au