Smarter Money Investments™ | Coolabah Capital — Every Basis Point Counts...

April 2019

[Click Here to Apply Online]

Fund: **Smarter Money Fund**

Strategy: **Cash Plus/Short-Term Fixed-Interest**

Return (inception Feb. 2012): **4.8% pa gross/3.9% pa net**

Net return volatility (inception Feb. 2012): **0.43% pa**

FE/Aust. Ratings/Lonsec/Atchison rating: **4 FE Crowns/Superior/Recommended/Highly Recommended**

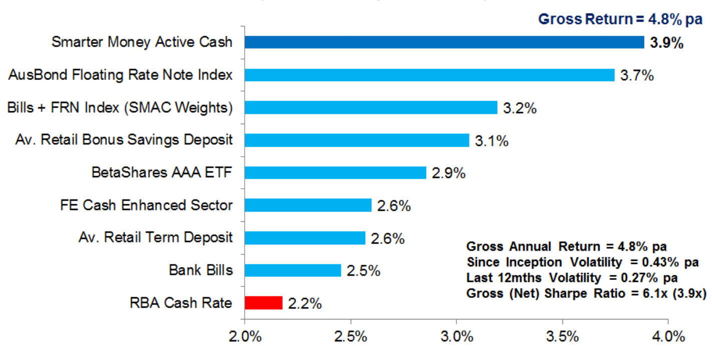
Objective: An independently-rated/recommended strategy targeting low-risk cash and fixed-income returns that exceed the RBA's cash rate by 1%-2% pa after fees, over rolling 12 month periods.

Strategy: We actively invest in a diversified portfolio of Australian deposits and investment grade floating-rate notes with a weighted-average "A" credit rating. We do not invest in fixed-rate bonds (unless interest rate risk is swapped out), sub-investment grade bonds, direct loans, equities, capital notes, preference shares (aka 'hybrids'), use leverage, or take currency risk. We add value via active asset-selection using a range of valuation models with the aim of (1) delivering lower portfolio volatility than traditional cash/bond funds and (2) providing superior risk-adjusted returns or alpha without explicitly seeking interest rate risk, credit risk or liquidity risk.

Period ending 30/4/2019	Gross Return (Assist.)†	Net Return (Inst.)†	Net Return (Assist.)†	RBA Cash Rate	Gross Excess Return‡	Insto. Net Excess Return‡
1 month	**0.50%**	**0.40%**	**0.40%**	**0.12%**	**0.38%**	**0.28%**
3 months	1.51%	1.19%	1.19%	0.36%	1.15%	0.83%
6 months	1.91%	1.44%	1.40%	0.74%	1.17%	0.70%
1 year	**3.48%**	**2.67%**	**2.57%**	**1.50%**	**1.98%**	**1.17%**
2 years pa	3.30%	2.55%	2.47%	1.50%	1.80%	1.05%
3 years pa	3.89%	3.03%	2.97%	1.52%	2.37%	1.51%
4 years pa	3.65%	2.84%	2.76%	1.64%	2.01%	1.20%
5 years pa	3.87%	3.08%	3.00%	1.80%	2.07%	1.28%
Inception pa Feb. 2012	**4.83%**	**3.94%**	**3.89%**	**2.18%**	**2.65%**	**1.76%**

† The Assisted (Assist.) and Institutional (Inst.) columns represent different unit classes within the fund. Refer to the PDS for more information. ‡ The Excess Return columns represent the gross and net return of the fund above the RBA cash rate.

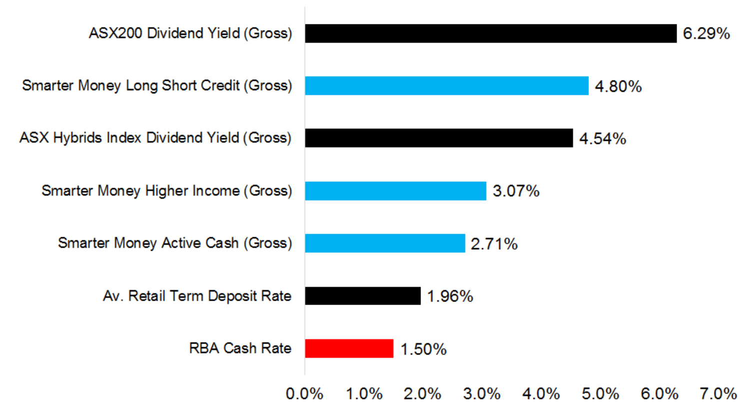
Smarter Money Active Cash Returns (Net) vs Benchmarks:
Since Inception in February 2012 to 30 April 2019



Source: RBA; Bloomberg; Coolabah Capital Investments

Disclaimer: Past performance does not assure future returns. Returns are shown after all trust fees. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. To understand Smarter Money Active Cash's risks better, please refer to the detailed Product Disclosure Statement. The graph above shows the net returns since inception (Feb. 2012) after all fees attributable to Smarter Money Active Cash (source: Mainstream) and various benchmarks (source: Reserve Bank of Australia and Bloomberg). A fund is not a bank deposit and your capital is not guaranteed. This information has been prepared by Smarter Money Investments. It is general information only and is not intended to provide you with financial advice.

April 2019 Investment Running Yields (Gross)



Source: RBA, Bloomberg, Solactive Hybrid index, Coolabah Capital Investments

% Monthly Returns > RBA Cash Rate + 0.66%	83.9%	Inception Av. Portfolio Weight to Cash	39.0%
Portfolio Weight to Cash Securities	31.2%	Portfolio Weight to AT1 Hybrids	0.0%
Portfolio Weight to Floating-Rate Securities	68.8%	Portfolio Weight to Sub-BBB- Securities	0.0%
Av. Portfolio Credit Rating	A+	Cash-Flow Duration Across Portfolio	1,019 days
No. Cash Securities	13	Portfolio Weight to ABS/RMBS	0.3%
No. Floating-Rate Notes/Bonds	34	Credit Spread Duration	2.7 years
Total Number of Unique ADIs	16	Annual Volatility (since incep.)	0.43% p.a.
Av. Interest Rate (Gross Running Yield)	2.71%	Gross/Net Sharpe Ratio (since incep.)	6.1/3.9 times
Modified Interest Rate Duration	0.07 years	Quant Ratings: 4FE Crowns (FE); 4 Stars (Morningstar, December 2018). Qual Ratings: Recommended (Lonsec); IG (Mercer); Highly Recommended (Atchison); "Superior" (Aust. Ratings)	

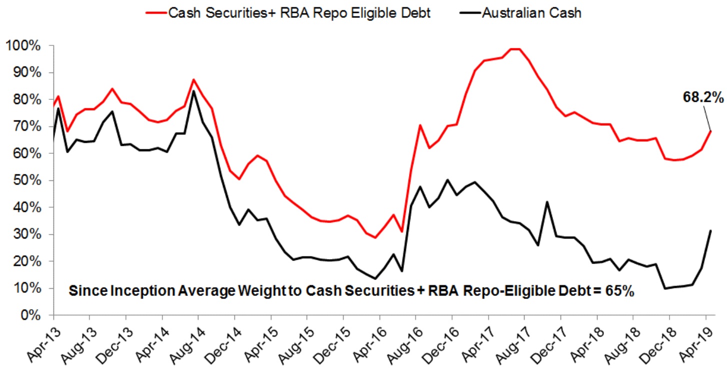
Past performance does not assure future returns. Please read the PDS to understand risks and disclaimers on final page

www.smitrust.com.au
www.coolabahcapital.com

Fund: Smarter Money Fund

Return/Risk: 4.8% pa gross/3.9% pa net (0.43% pa volatility)

SMAC Portfolio Weights: Cash Securities Plus RBA Repurchase Eligible Debt
(End of Month, April 2019)



Source: Coolabah Capital Investments

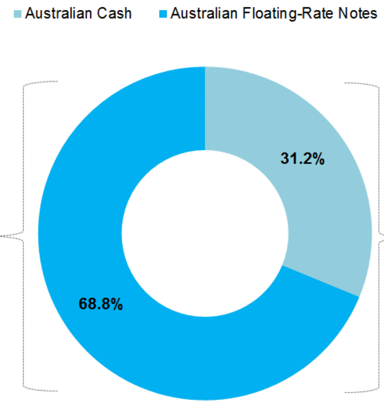
Smarter Money Active Cash Portfolio Composition:
30 April 2019

> 34x Australian (mainly bank) FRNs; 47x securities in total incl. cash

> Dollar-weighted Credit Rating: "A+"

> Near-zero interest rate duration risk (0.07yrs)

> Credit spread duration: 2.7yrs



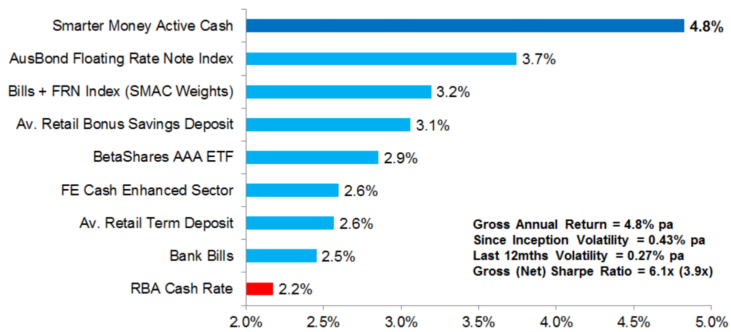
> Hybrid Additional Tier 1 (AT1) Securities = 0%

> 16 Unique ADIs represented in total across entire portfolio

> Total RMBS + ABS weight: 0.3%

Source: Coolabah Capital Investments

Smarter Money Active Cash Returns (Gross) vs Benchmarks:
Since Inception in February 2012 to 30 April 2019



Source: RBA; Bloomberg; Coolabah Capital Investments

The since inception gross (net) return of 4.8% p.a. (3.9% p.a.) is the total annual return earned by the fund since February 2012, including interest income and movements in the price of the bond portfolio after all fund fees. The net return quoted applies to the Assisted Investor Unit Class, with quarterly distributions reinvested. Each investor's return will vary depending upon their own investment date and any top-ups and withdrawals they make. **The annualised volatility estimate of 0.43% p.a.** is based on the standard deviation of net daily returns since inception, which are then annualised, attributable to the Assisted Unit Class.

Portfolio Managers	Christopher Joye, Darren Harvey, Ashley Kabel, Stephen Parker: Coolabah Capital Investments		
APIR Code (Assisted)	CRE0014AU	Fund Inception	17-Feb-12
mFund Code	SMF01	Distributions	Quarterly
Morningstar Ticker	19382	Unit Pricing	Daily (earnings accrue daily)
Asset-Class	Short-Term Fixed-Interest	Min. Investment	$1,000
Target Return	Net 1-2% over RBA cash rate	Withdrawals	Daily Requests (funds normally in 3 days)
Investment Manager	Smarter Money Investments	Buy/Sell Spread	0.00%/0.05%
Sub-Manager	Coolabah Capital Investments	Mgt. Fee (Assisted)	0.41% p.a.
Responsible Entity	EQT RE Services Ltd	Admin. Fee	0.25% p.a.
Custodian	BNP Paribas	Perf. Fee	20.5% of returns over RBA cash + 1.66% p.a.

Portfolio commentary: **In April the daily liquidity and near-zero interest rate duration Smarter Money Active Cash (SMAC) strategy reported strong total returns of 0.40% net of fees (0.50% gross), significantly outperforming the RBA Cash Rate (0.12%), the AAA ETF (0.18%), the AusBond Bank Bill Index (0.16%), and the average "Cash Enhanced" peer fund reported by Financial Express (0.19%) while maintaining a healthy 2.71% per annum running yield.** SMAC's excess returns were driven by the ongoing mean-reversion (or normalisation) of credit spreads in the portfolio's core bond positions back towards Coolabah Capital's proprietary estimates of fair value, including senior-ranking floating-rate notes that had become particularly cheap over late 2018. Profit-taking on these positions drove the portfolio weight to cash back up to 31.2%, which was the highest cash weight since October 2017. **Over the 3 months to April 2019, SMAC has returned 1.19% net (1.51% gross), which was its best quarter since October 2016, outperforming the RBA Cash Rate (0.36%), the AusBond Bank Bill Index (0.50%), the AAA ETF (0.54%), the Financial Express Cash Enhanced Sector (0.66%), and the AusBond Floating-Rate Note Index (1.18%).** Although SMAC's performance since 2018 compared to the RBA cash rate (4.6% annualised net of fees for SMAC vs the 1.5% cash rate) might appear surprisingly high, it reflects the fact that the assets acquired by the portfolio managers when credit was out of favour in 2018 were paying spreads well above their modelled fair value estimates. **Since SMAC's inception 7 years ago in February 2012, it has returned 3.9% annually net (4.8% pa gross) of fund fees compared to the AusBond Bank Bill Index (2.5%) and the average "Cash Enhanced" peer fund reported by Financial Express (2.6%). Over the same period, SMAC delivered 1.8% pa net (2.7% pa gross) above the RBA cash rate and 2.6% pa net (3.5% pa gross) above Australia's core inflation rate. SMAC's since inception Sharpe Ratio, which measures risk-adjusted returns, has been 6.1 times (3.9 times) gross (net).**

Overall strategy commentary: **April delivered yet another month of outperformance across all our strategies as credit spreads continued to mean-revert towards our propriety estimates of fair value. Across our core active positions, the biggest of which is exposures to non-bail-in-able and RBA repurchase-eligible bank-issued, senior-ranking bonds, we have seen significant ongoing normalisation in spreads from the wides last year and in early 2019 where we maximised our exposures to these assets.** For example, five year major bank senior bond spreads blew-out as wide as 115 basis points (bps) over the three month bank bill swap rate (BBSW), and they are now bid around 83bps over. For investors like us who bought these very cheap bonds at the wides, we have captured additional capital gains of about 160bps (ie, we bought at $100 and the assets are now trading at $101.60 ex interest accrual). Yet we believe that there is substantial additional spread compression that we have not captured to date, albeit that we have been taking profits along the way (we have net sold about $630m of bonds since 31 December 2018). **Our modest Tier 2 subordinated bond positions continue to perform robustly as the market prices out the risk of the banking regulator requiring $100 billion of extra Tier 2 bond issuance to satisfy its total loss absorbing capacity (TLAC) policy, as we predicted.** Indeed, some Tier 2 securities are now trading very close to their pre-APRA levels. We continue to believe APRA will adopt a contractual Tier 3 bond solution that will be credit positive for senior bonds, and reduce about 20% of all senior bond supply, while being neutral for Tier 2. **In strategies that can hold them, our bank hybrid holdings performed well in April, and we regard these as our cheapest positions right now. This is because we believe that the Senate will block the ALP's proposal to eliminate cash refunds on franking credits, which the Centre Alliance and Clive Palmer (who are expected to hold the balance of power in the Senate) have committed to do.** Five year major bank hybrids are currently paying excess credit spreads of 50bps above their pre-ALP announcement levels (ie, 350bps over BBSW today vs 300bps over BBSW in January 2018). **On the macro front, the prospect of an RBA cash rate cut coupled with a much more dovish Fed has fuelled a massive reintensification of the search for yield dynamic that is extremely positive for all spread assets.** While corporate credit is very expensive and trading back to 2007 spread levels, financial credit looks strikingly cheap in comparison, with credit spreads across financial capital structures trading some 3x to 8x wider than 2007 levels even though banks have undertaken enormous balance-sheet deleveraging and business model de-risking. **We were the first to argue this month that the Australian housing correction, which we correctly forecast in April 2017 would materialise and push house prices down 10%, will be over if the RBA cuts its cash rate as markets widely expect.** RBA research suggests that for every 50bps reduction in the cash rate, Aussie house prices will rise 14%. We also believe that the RBA and APRA are considering cutting the minimum interest rates banks use when assessing a home buyer's borrowing capacity. This is currently set at 7.25%, which is miles above the typical discounted home loan rate at circa 3.5%. We project that APRA and the RBA will allow this to be reduced to at least 6.75%, which we estimate will immediately lift the maximum borrowing capacity by 5%. Finally, a big thanks for the incredible interest in our **Complexity Premia podcast**! In the latest episode we: discuss the **huge credit rally that no experts expected at the end of 2018** (capitalising on this, our insto-only Active Composite Bond strategy returned 10.24% before fees over the year to April 2019 compared to the Composite Bond Index's 7.87%); make the case that the **housing bust could be about to end**; reveal that the **RBA is considering unconventional monetary policy**; argue (again) that ScoMo has a much **better chance of winning the election** than betting markets/political experts think; canvass **rising RMBS risks** as house prices plunge; explain why the **Senate will probably kill the ALP's franking policy** as it stands; and consider **Magellan's entry into the simmering LIC debate**. Listen over at [Apple here.]

Performance Disclaimer:

Past performance does not assure future returns. Returns are shown after all fund fees. All investments carry risks, including that the value of investments may vary, future returns may differ from past returns, and that your capital is not guaranteed. This information has been prepared by Smarter Money Investments Pty Ltd. It is general information only and is not intended to provide you with financial advice. You should not rely on any information herein in making any investment decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The Product Disclosure Statement (PDS) for the funds should be considered before deciding whether to acquire or hold units in it. A PDS for these products can be obtained by visiting www.smitrust.com.au. Neither Smarter Money Investments Pty Ltd, Equity Trustees Ltd nor its respective shareholders, directors and associated businesses assume any liability to investors in connection with any investment in the funds, or guarantees the performance of any obligations to investors, the performance of the funds or any particular rate of return. The repayment of capital is not guaranteed. Investments in the funds are not deposits or liabilities of any of the abovementioned parties, nor of any Authorised Deposit-taking Institution. The funds are subject to investment risks, which could include delays in repayment and/or loss of income and capital invested. Past performance is not an indicator of nor assures any future returns or risks. Smarter Money Investments Pty Limited (ACN 153 555 867) is authorised representative #000414337 of Coolabah Capital Institutional Investments Pty Ltd, which holds Australian Financial Services Licence No. 482238 and authorised representative #414337 of ExchangeIQ Advisory Group Pty Limited that holds Australian Financial Services Licence No. 255016.

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for this fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

Ratings Disclaimers:

Financial Express Crown Rating: © 2018 FE. All Rights Reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE, (2) may not be copied or redistributed, (3) do not constitute investment advice offered by FE, (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and (5) are not warranted to be correct, complete, or accurate. FE shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. FE does not guarantee that a fund will perform in line with its FE Crown Fund Rating as it is a reflection of past performance only. Likewise, the FE Crown Fund Rating should not be seen as any sort of guarantee or assessment of the creditworthiness of a fund or of its underlying securities and should not be used as the sole basis for making any investment decision.

The Lonsec Rating (assigned April 2017) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Smarter Monday Investments product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website.