

InvestSMART Balanced Portfolio

QUARTERLY UPDATE

Quarterly Video Update

Evan Lucas,
Portfolio Manager



This quarter Evan discusses:

- Why we are positioned to take advantage of growth but with a defensive backstop
- Why the Portfolio's structure should benefit investors with volatility increasing
- Outlook for the Portfolio into 2019-2020



InvestSMART Balanced Portfolio

PERFORMANCE TO 30 SEPT 2018	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	Since Inception (p.a.)
InvestSMART Balanced	-0.34%	2.19%	5.86%	8.07%	7.32%	6.66%	6.28%
Morningstar Aus Msec Balanced TR AUD	-0.32%	2.41%	6.55%	9.85%	7.69%	7.49%	7.37%
Peers	-0.39%	1.19%	3.80%	6.02%	5.33%	5.44%	-

KEY POINTS

- Produced a return of **3.82%**
- No changes were made to the Portfolio
- Estimated yield is **2.95%**

The InvestSMART Balanced Portfolio produced a return of 3.82% (after fees) during the September Quarter. Since inception the Portfolio has returned 6.52% p.a. (after fees).

The Vanguard MSCI index International Shares ETF (VGS) attributed 1.83% to the fund as US markets experienced their best quarter since the December quarter of 2013. VGS has a 63% exposure to US markets and the outlook remains robust for the world's largest economy, as forward-looking economic indicators from the US have provided some of their strongest readings in two decades. International assets are also benefiting from the falling AUD.

The iShares Core S&P/ASX 200 (IOZ) attributed only 0.41% over the quarter as geo-political tensions (US-China trade wars) and the Banking Royal Commission also took their toll on the index. We expect the Australian market will underperform global peers again this coming quarter as bank funding increases and commodity prices moderate.

The Vanguard Australia Property Securities Index ETF (VAP) and iShares Core Composite Bond ETF added 0.23% and 0.11% respectively as Australian bond markets remained steadfast and property benefited from increase in rental yields. The Vanguard Global Aggregate Bond Index

(Hedged) ETF (VBND) was the only part of the portfolio that contracted during the quarter, although it was very minor -0.06% and was due to the Federal Reserve increasing the Federal Funds rate in September.

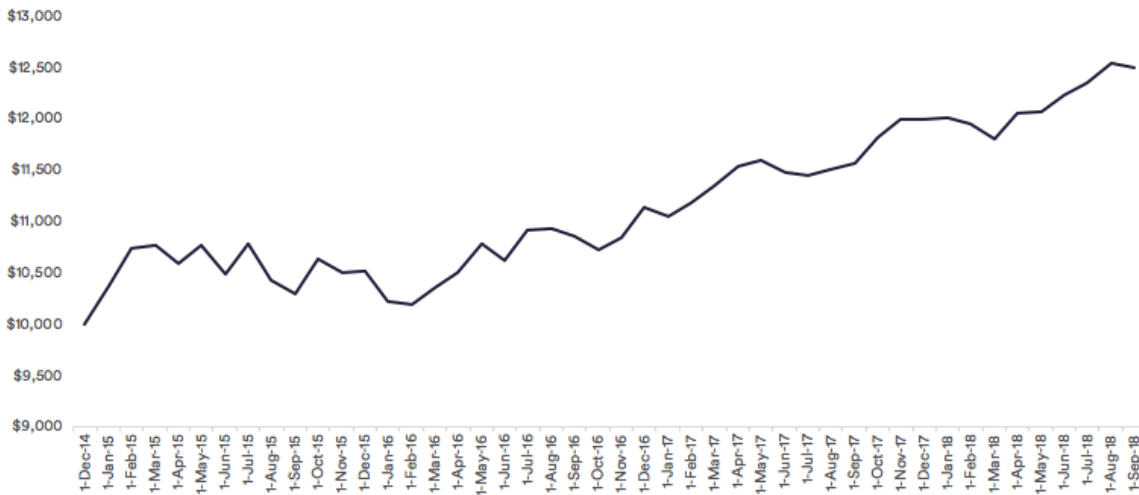
Looking forward, our international equities holding is likely to remain the largest contributor to the portfolio. The outlook for the US in the final quarter is strong and it is highly likely that US markets will continue to outperform international peers.

“WE EXPECT THE AUSTRALIAN MARKET WILL UNDERPERFORM GLOBAL PEERS AGAIN THIS COMING QUARTER AS BANK FUNDING INCREASES AND COMMODITY PRICES MODERATE”

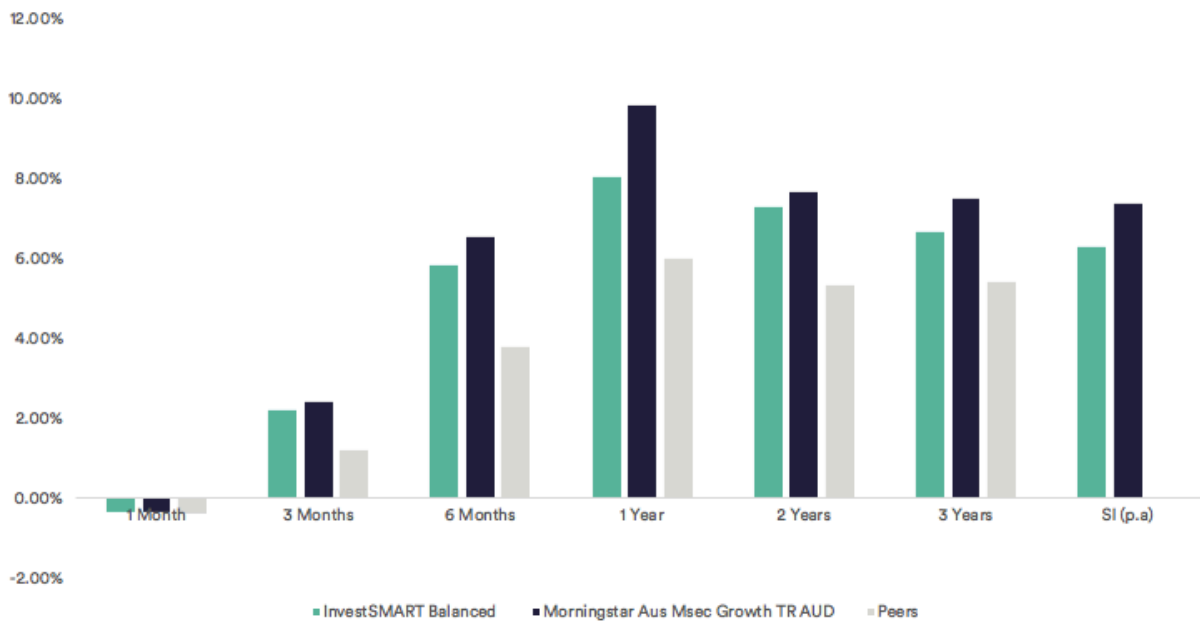
The International bond holding however is likely underperform as issues around Italy's fiscal spending program will affect European bond yields while the US Federal Reserve is likely to push US bond yields higher still.

Performance

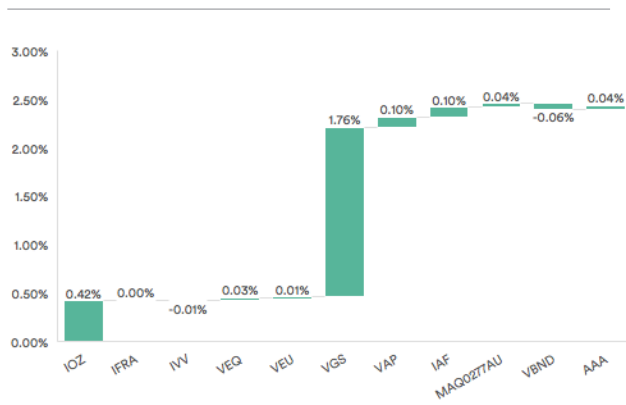
PERFORMANCE OF \$10,000 SINCE INCEPTION



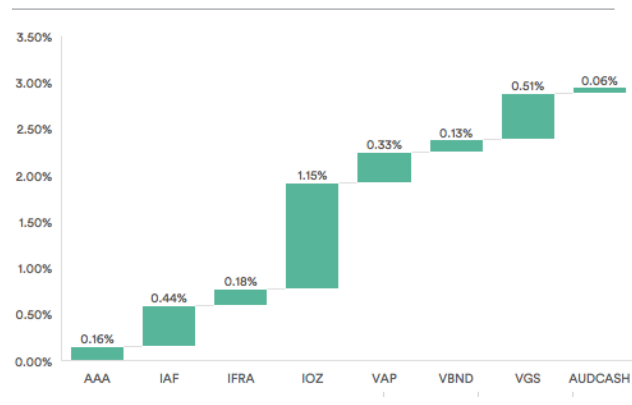
PERFORMANCE RELATIVE TO BENCHMARKS



PERFORMANCE ATTRIBUTION - BEFORE FEES



YIELD ATTRIBUTION



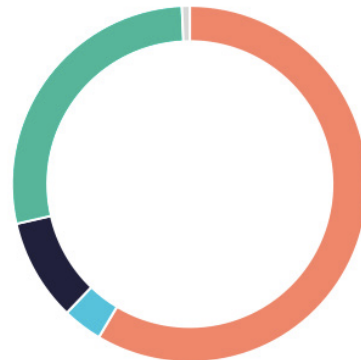
Portfolio Holdings

SECTOR ALLOCATION



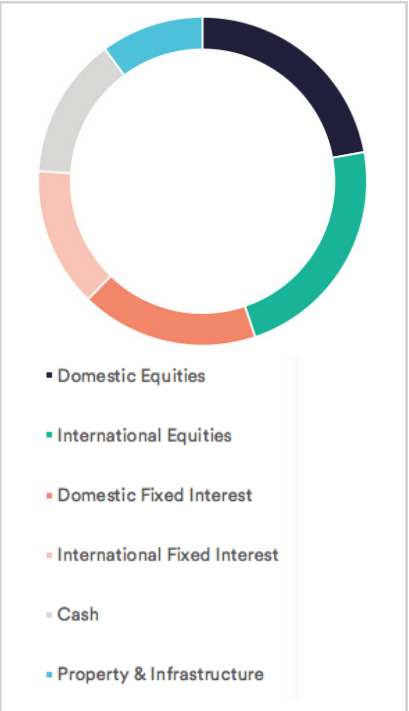
- Government Bonds
- Consumer Discretionary
- Energy
- Health Care
- Information Technology
- Other
- Telecommunication Services
- Cash
- Corporate Bonds
- Consumer Staples
- Financials
- Industrials
- Materials
- Real Estate
- Utilities

GEOGRAPHIC ALLOCATION



- Australia
- Asia
- Europe
- North America
- Others

TOP PORTFOLIO HOLDINGS		
Security	Ticker	Sep 2018
Australian Equities		
iShares Core S&P/ASX 200 ETF	IOZ	23.83%
International Equities		
Vanguard MSCI Index International Shares ETF	VGS	22.65%
Property & Infrastructure		
Vanguard Australian Property Securities Index ETF	VAP	3.93%
VanEck Vectors FTSE Global Infrastructure ETF	IFRA	4.76%
Cash		
BetaShares Australian High Interest Cash ETF	AAA	7.71%
AUD Cash	AUDCASH	3.83%
Fixed Interest		
iShares Core Composite Bond ETF	IAF	19.29%
Vanguard Global Aggregate Bond Index ETF	VBND	14.005%



- Domestic Equities
- International Equities
- Domestic Fixed Interest
- International Fixed Interest
- Cash
- Property & Infrastructure

InvestSMART Group Limited (INV)

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.

The Portfolio

The InvestSMART Balanced Portfolio is designed for investors who seek a balanced investment solution. The Portfolio is invested in a blend of Exchange Traded Funds (ETFs), to offer investors with a balanced allocation across both income assets (bonds & cash) & growth assets (shares & property) all managed in the one portfolio.

Investment Objective

The Portfolio's investment objective is to provide investors returns in line with the benchmark minus our fees by investing in a blend of our preferred ETFs.

Why the InvestSMART Balanced Portfolio?

Having a well-diversified portfolio is a well-known strategy to assist in growing your capital whilst minimising your investment risks. The InvestSMART Balanced Portfolio has been designed to balance your returns, by carefully balancing risk and fees.

Who manages the investment?

Evan Lucas, has been investing and researching global markets for over 10 years and is supported by our Investment Committee, chaired by Paul Clitheroe. After getting his Masters in Finance from Flinders University, Evan started his career in Amsterdam with ABN Amro before moving to the Royal Bank of Scotland. He returned to Australia with RBS Morgans where he developed his top down approach, joining InvestSMART as our Chief Market Strategist in 2018.

Key Details

INVESTMENT CATEGORY

A blend of our preferred Exchange Traded Funds (ETFs)

INVESTMENT STYLE

Low cost Active Asset Allocation

BENCHMARK

Morningstar Multisector Balanced Index

INCEPTION DATE

29 December 2014

SUGGESTED INVESTMENT TIMEFRAME

4+ years

NUMBER OF SECURITIES / STOCKS

5 - 15 securities

MANAGEMENT FEE

0.40% - 0.77% p.a.

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

STRUCTURE

Separately Managed Account (SMA)

SUITABILITY

Suitable for investors seeking a conservative investment solution.

PORTFOLIO MANAGER

Evan Lucas

Appendix

Portfolio Holdings

BALANCED PORTFOLIO	
Australian Equities	
iShares Core S&P/ASX 200 ETF [IOZ]	Issuer: Blackrock iShares Management fee: 0.15% Benchmark: S&P/ASX200 Investment case: Provide domestic equity market exposure.
International Equities	
Vanguard MSCI Index International ETF [VGS]	Issuer: Vanguard Management fee: 0.18% Benchmark: FTSE MSCI World ex-Australia Investment case: Provide diversified international equity exposure.
Property & Infrastructure	
Vanguard Australian Property Securities Index ETF [VAP]	Issuer: Vanguard Management fee: 0.23% Benchmark: S&P/ASX300 A-REIT Index Investment case: Provide domestic REIT exposure.
VanEck Vectors FTSE Global Infrastructure (50/50 Hedged) ETF [IFRA]	Issuer: VanEck Management fee: 0.52% Benchmark: FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index Investment case: Provide exposure to global infrastructure securities.
Cash	
BetaShares Australian High Interest Cash ETF [AAA]	Issuer: BetaShares Management fee: 0.18% Benchmark: 30-day Bank Bill Swap Rate Investment case: Provide returns more than RBA cash rate on our cash holdings.
Fixed Interest	
iShares Core Composite Bond ETF [IAF]	Issuer: Blackrock iShares Management fee: 0.20% Benchmark: Bloomberg AusBond Composite 0+ Yr Index Investment case: Provide exposure to domestic fixed interest securities.
Vanguard Global Aggregate Bond Hedged ETF [VBND]	Issuer: Macquarie Management fee: 0.492% Benchmark: Bloomberg AusBond Bank Bill Index Investment case: Provide exposure to international fixed interest securities.

Appendix

Glossary

Attribution highlights the proportion of the total return that was generated by a given security.

Peers are defined as retail investment funds that share the same benchmark as the portfolio, as determined by Morningstar's peer grouping methodology. Regarding the InvestSMART Balanced Portfolio, these are multi asset class funds with an asset allocation that is weighted higher toward growth assets. Not all retail investment funds have been included in Morningstar data. Number of peers is 624.

The Indirect Cost Ratio is the weighted management fee of the underlying ETFs and Managed Funds held within the portfolio.

The **Risk Ratings** that InvestSMART Group assigns to our investment products is based on an industry standard, The Standard Risk Measure (SRM). The SRM is a guide developed by the Financial Services Council (FSC) and The Association of Superannuation Funds of Australia (ASFA) that outlines the likely number of negative annual returns expected over any 20 year period. The purpose of the SRM is to provide a standardised labelling system to assist investors in comparing investment options across providers.

Performance numbers exclude franking, after investment and admin fees. All yield figures include franking. Performance Attribution graph only relates to the 3-month performance figure for the quarter. All performance figures, graphs and diagrams are as at 30 September 2018.

Important information

While every care has been taken in preparation of this document, InvestSMART Financial Services Pty Ltd (ABN 70 089 038 531, AFSL 226435) ("InvestSMART") makes no representations or warranties as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. Past performance is not a reliable indicator of future performance. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and see professional advice, having regard to the investor's objectives, financial situation and needs. This document is solely for the use of the party to whom it is provided.

This document has been prepared by InvestSMART. Financial commentary contained within this report is provided by InvestSMART. The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this model portfolio is appropriate for you and should not be relied upon in making a decision to invest in this product.

The information in this report is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. No representations or warranties express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this report. In preparing this report, InvestSMART has relied upon and assumed, without independent verification, the accuracy and completeness of all information available to us. To the maximum extent permitted by law, neither InvestSMART, their directors, employees or agents accept any liability for any loss arising in relation to this report.

The suitability of the investment product to your needs depends on your individual circumstances and objectives and should be discussed with your Adviser. Potential investors must read the PDS, Approved Product List and FSG along with any accompanying materials.

Investment in securities and other financial products involves risk. An investment in a financial product may have the potential for capital growth and income, but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor.

Past performance of financial products is not a reliable indicator of future performance. InvestSMART Financial Services Pty Ltd does not assure nor guarantee the performance of any financial products offered.

Information, opinions, historical performance, calculations or assessments of performance of financial products or markets rely on assumptions about tax, reinvestment, market performance, liquidity and other factors that will be important and may fluctuate over time.

InvestSMART Financial Pty Ltd, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in Securities that are contained in this investment product.

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