

InvestSMART International Equities Portfolio

QUARTERLY UPDATE



InvestSMART International Equities Portfolio

PERFORMANCE TO 30 SEPT 2018	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	Since Inception (p.a.)
InvestSMART International Equities	0.84%	6.84%	11.89%	18.37%	16.52%	11.20%	12.56%
MSCI World Ex Australia NR AUD	0.55%	7.35%	13.29%	20.82%	18.07%	12.43%	14.95%
Peers	0.08%	5.11%	9.55%	16.53%	16.00%	10.59%	-

KEY POINTS

- **Portfolio produced a return of 6.84%**
- **We have replaced VEU with VGS**
- **Estimated yield is 3.48%**

The InvestSMART International Equities Portfolio produced a return of 6.84% (after fees) during the September Quarter. Since inception the Portfolio has returned 9.26% p.a. (after fees).

With the addition of the Vanguard MSCI Index International Shares ETF (VGS) in the quarter, this ETF has become the core holding around which we can base all future market tilts. VGS encapsulates 22 of the 23 equity markets (excludes Australia) in the developed world and is market cap weighted. The iShares S&P 500 ETF (IVV) was redomiciled by BlackRock from the US to Australia which had no impact on the portfolios.

The International Equities Portfolio was InvestSMART's best performing portfolio for the quarter and the outperformance was due to the portfolio's large exposure to the US. The September quarter was the best quarter in US markets since the December 2013 quarter, on the back of economic growth, higher consumption and a booming employment market. Earnings growth in the US is also the strongest of the developed world. As this portfolio is unhedged provided the fund with another kick; the AUD fell to its lower levels in over 2.5 years to the end of September, meaning, IVV and VGS both experienced FX-related gains.

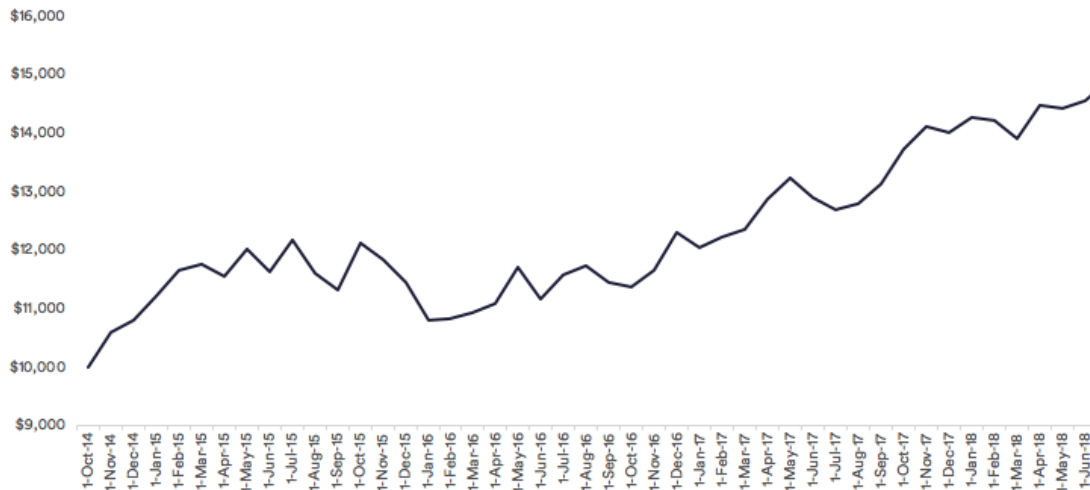
The Vanguard FTSE Europe Shares ETF (VEQ) fell after the threat of US tariffs on European car manufacturers, the lingering effects of the Italian elections and a fear of banking contagion from the collapse of the Turkish Lira. With the US mid-term elections taking place in November, there is a high risk that further tariffs proposals could be directed at Europe.

“THE INTERNATIONAL PORTFOLIO WAS INVESTSMART’S BEST PERFORMING PORTFOLIO FOR THE QUARTER DUE TO THE PORTFOLIO’S LARGE EXPOSURE TO THE U.S.”

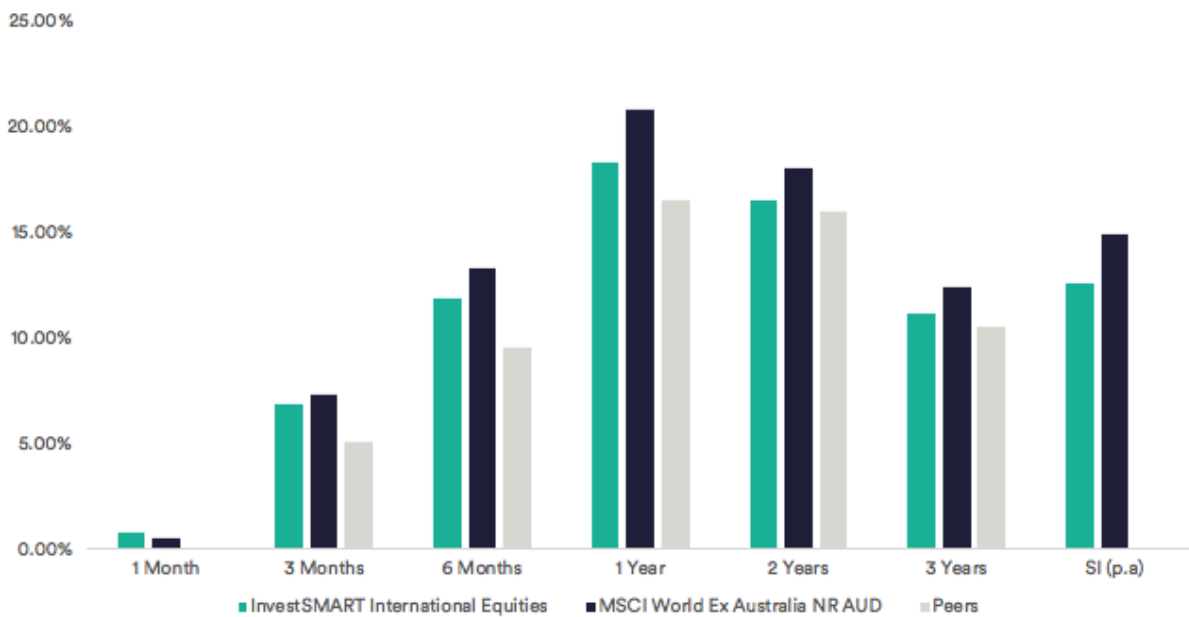
The iShares Asia 50 ETF (IAA) suffered from the US-China trade war becoming fact as two tranches of tariffs (US\$50 billion and US\$200 billion worth) of tariffs were enacted. The physical effects of the tariff are likely to be seen in 2019, however positioning has already begun. We note there is possible 'value' from the selloff and we may see Asia bouncing in the final quarter of the year.

Performance

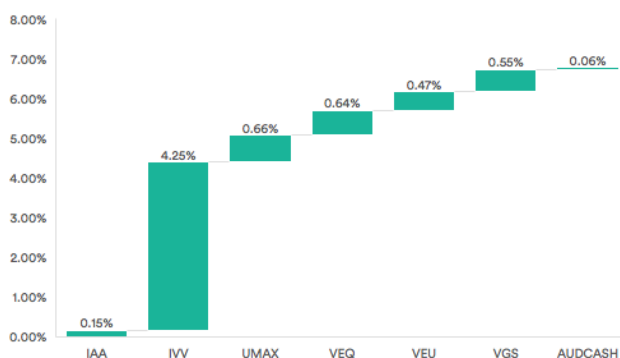
PERFORMANCE OF \$10,000 SINCE INCEPTION



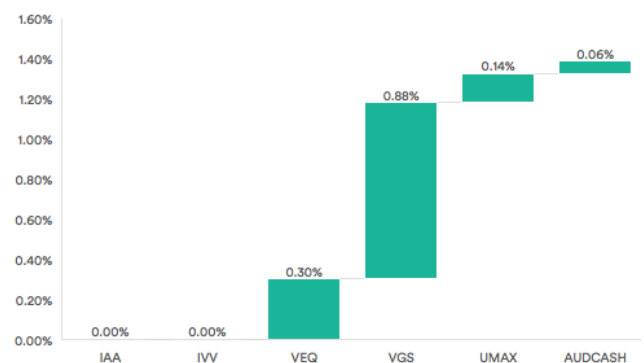
PERFORMANCE RELATIVE TO BENCHMARKS



PERFORMANCE ATTRIBUTION - BEFORE FEES

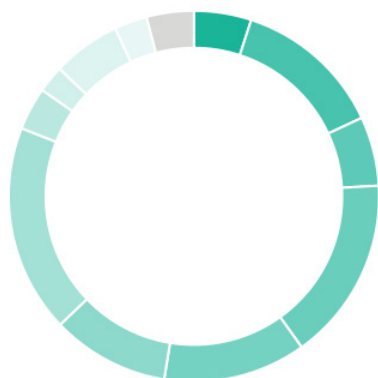


YIELD ATTRIBUTION



Portfolio Holdings

SECTOR ALLOCATION



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

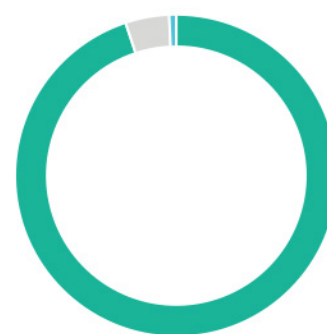
GEOGRAPHIC ALLOCATION



- Australia
- Asia
- Europe
- North America
- Others

TOP PORTFOLIO HOLDINGS

Security	Ticker	Sep 2018	Jun 2018
Cash			
AUD Cash	AUDCASH	4.04%	2.50%
International Equities			
iShares Asia 50 ETF	IAA	5.85%	7.00%
iShares S&P 500 ETF	IVV	35.18%	43.27%
Vanguard FTSE Europe Shares ETF	VEQ	12.13%	12.47%
Vanguard All-World ex-US Shares Index ETF	VEU	-	27.06%
Vanguard MSCI Index International Shares ETF	VGS	39.28%	-
BetaShares S&P 500 Yield Maximiser Fund	UMAX	3.52%	7.70%



- International Equities
- Cash
- Property

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 International Equities Portfolio provides Australian investors the ability to tap into the high potential growth of global markets and aid in portfolio diversification. The Portfolio is invested in a blend of our preferred ETFs, where each ETF invests in a different market sector to the others, thereby lowering volatility, minimising overall risk, and increasing the potential for long-term growth.

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 Exchange Traded Funds (ETFs).

Why the InvestSMART International Equities Portfolio?

Australia represents less than 2% of the world's total share market value, with over 50% of our market made up of only 20 companies. Investing overseas however is often considered too expensive, or complicated. The InvestSMART International Equities Portfolio is designed to give investors access to globally known brands & mega-cap companies like Apple and Microsoft at a low cost managed by our investment team.

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

MSCI World (ex-Australia) Index, unhedged

INCEPTION DATE

24 October 2014

SUGGESTED INVESTMENT TIMEFRAME

7+ 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 international exposure at a low cost.

PORTFOLIO MANAGER

Evan Lucas

Appendix

Portfolio Holdings

INTERNATIONAL EQUITIES PORTFOLIO	
International Equities	
iShares Asia 50 ETF [IAA]	Issuer: Blackrock iShares Management fee: 0.50% Benchmark: S&P Asia 50 Investment case: Provide exposure to Asian equity markets.
iShares S&P 500 ETF [IVV]	Issuer: Blackrock iShares Management fee: 0.04% Benchmark: S&P 500 Investment case: Provide US equity market exposure.
Vanguard FTSE Europe Shares ETF [VEQ]	Issuer: Vanguard Management fee: 0.35% Benchmark: FTSE Developed Europe All Cap Index Investment case: Provide exposure to European equity markets.
Vanguard MSCI Index International ETF [VGS]	Issuer: Vanguard Management fee: 0.18% Benchmark: MSCI World ex-Australia Investment case: Provide core to portfolios diversified international equity exposure
BetaShares S&P 500 Yield Maximiser Fund [UMAX]	Issuer: BetaShares Management fee: 0.79% Benchmark: S&P 500 Index Investment case: Provide exposure to US equities, with a focus on enhancing yield using covered call writing activity.

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 MSCI's peer grouping methodology. Regarding the InvestSMART International Equities 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 1108.

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

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