

InvestSMART Balanced Portfolio

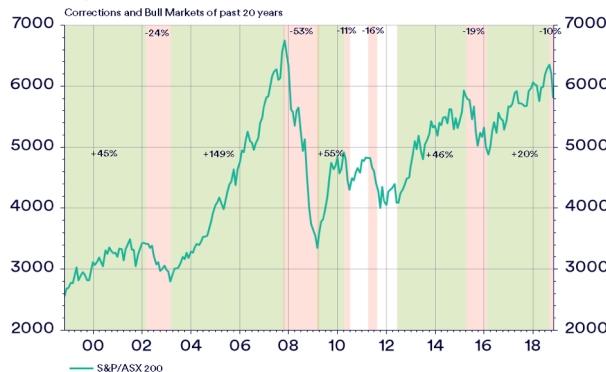
Monthly Update - October 2018

PERFORMANCE TO 31 OCT 2018	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	Since Inception (p.a.)
InvestSMART Balanced	-3.37%	-2.16%	0.16%	2.16%	6.16%	4.34%	5.25%
Morningstar Multisector Balanced Index	-2.82%	-1.51%	1.81%	4.34%	6.99%	5.42%	6.41%
Peers	-2.75%	-2.31%	-0.28%	1.31%	4.68%	3.74%	-

Market drivers of the Diversified Portfolios

It was a savage month for global markets. US markets in particular were hit hard and at one point on track for their worst month since March 2009. However, they steadied and closed out the final few days solidly to limit the damage. It ended up being the worst trading month since mid-2011, with the Dow losing 5.1%, S&P sliding 6.2%, and the NASDAQ dropping 9.4%.

Up the Stairs, Down the Elevator



(Pink bars are the correction of the past 20 years, green bars are the bull markets of the past 20 years. Figures are the gains and loss during each period.)

Looking through the intra-month volatility to the historical data, and what gives us confidence as longer-term value investors is that US markets, on average, experience a correction (a 10% or more move) once a year. This goes all the way back to 1900. Better still, fewer than 20% of these corrections turn into bear markets. Furthermore, US equities have delivered positive returns for 28 out of the last 37 years, or 75 per cent of the time.

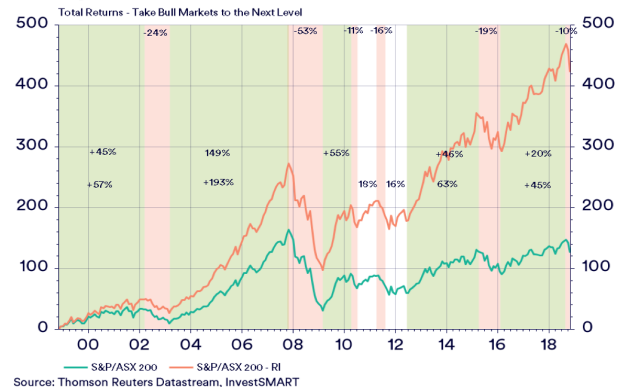
We think October created an opportunity for longer-term international exposure.

“THE ASX, ON AVERAGE, HAS EXPERIENCED A CORRECTION EVERY FOUR YEARS OVER THE PAST TWENTY YEARS.”

The ASX was also caught up in the October rout and technically corrected if we take the August 29 high to the October low, which marked a 10.4% loss. Again, for the ASX as well, there are positives to be taken from October.

The ASX, on average, has experienced a correction every four years over the past twenty years. Over the same period, it has experienced a bull market (a gain of 20% or more) 5 times.

Up the Stairs, Down the Elevator



(Salmon line: total returns over the past 20 years, additional figures are the total return during each bull market)

The ASX also remains the highest yielding market of the 23 MSCI world markets, meaning, total returns remain a huge

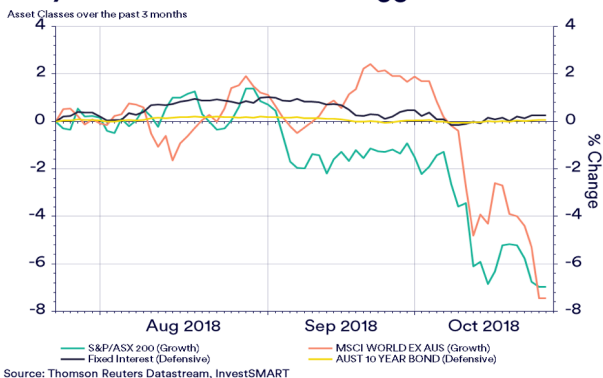
positive for the ASX overall. That means it will continue to be a solid investment market in the coming years.

October was also a perfect illustration of why one should never put all their investment ‘eggs’ into one ‘basket’. All asset classes found sellers in October, however, the capital erosion experienced in equities was far sharper than that we saw in cash and fixed interest.

October is a great example as to why diversification should be core to any investment strategy. And that’s why InvestSMART offers diversified portfolios.

To check your overall investment diversification, [visit our Portfolio Manager](#).

Why You Dont Put All Your 'Eggs' in 1 Basket



Australian residential property fell further in October, declining 0.6% to be down 4.6% year-on-year. Drilling into

the figures, and looking at the capital cities, it remains a tale of Sydney and Melbourne versus the rest.

Sydney fell 0.7% in October to be down 7.4% over the year, while Melbourne also fell 0.7% over the month to be down 4.7% over the year. Brisbane and Adelaide bucked this trend to be up on the month and the year. A caveat from the property data was rental income. Both commercial and residential rents actually rose according to the September quarter inflation read.

Global fixed income markets also faced headwinds in October as the US Federal Reserve all but confirmed December will see a further 25-basis point rise to the Federal Funds rate. The statement also showed that 2019 will likely see three, possibly four, more 25-basis point increases.

US 10-year Treasury yields hit 3.25% on this news. This spread into fixed income markets across the world, pushing markets lower. The Australian fixed income market, however, remained steady as the RBA held the cash rate at 1.5% for the 26th consecutive month. The RBA is showing no signs the status quo will shift over the coming 12 months. We expect Australian fixed income to outperform global peers as further selling in US bond markets is likely.

For more information on our Diversified Portfolios, [click here](#).

PORTFOLIO ALLOCATION



/ Australian Equities	21.22%
/ Property & Infrastructure	10.18%
/ Cash	14.18%
/ Fixed Interest	32.34%
/ International Equities	21.89%

TOP 5 HOLDINGS

Security	Weighting
iShares Core S&P/ASX 200 ETF	22.82%
Vanguard MSCI Index International Shares ETF	21.89%
iShares Core Composite Bond ETF	20.07%
Vanguard Global Aggregate Bond Index (Hedged) ETF	14.48%
BetaShares Australian High Interest Cash ETF	8.05%

Have markets given us the opportunity to invest in long-term growth?

Thursday, 29 November @ 12.00pm

Join Portfolio Manager Evan Lucas for a live webinar as he discusses the latest market changes and opportunities it has created.

[REGISTER | FIND OUT MORE](#)

Performance numbers exclude franking, after investment and admin fees; excludes brokerage. All yield figures include franking. All performance figures, graphs and diagrams are as at 31 October 2018. Performance figures are based on the portfolio's previous investment structure, a Separately Managed Account (SMA). This portfolio is now offered as a Professionally Managed Account (PMA), as of 1 November 2018. The underlying securities remain the same between the SMA and PMA structures. The inception date refers to the SMA. Please see the Investment Menu for full PMA fee details. Peers indicated in the performance table is a Morningstar data feed based on similar underlying securities per portfolio.

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

INVESTMENT FEE

\$99 - \$451 p.a. capped

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

STRUCTURE

Professionally Managed Account (PMA)

SUITABILITY

Suitable for investors seeking a conservative investment solution

PORTFOLIO MANAGER

Evan Lucas

Important information

While every care has been taken in preparation of this document, InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) ("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 Product Disclosure Statement (PDS) and Investment Menu (IM), 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 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, 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. As Responsible Entity, InvestSMART is the issuer of the product through the Managed Investment Scheme (ARSN: 620 030 382).

InvestSMART Funds Management Limited
PO Box 744
Queen Victoria Building
NSW 1230 Australia

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

www.investsmart.com.au