

InvestSMART Core Growth Portfolio

Monthly Update - October 2018

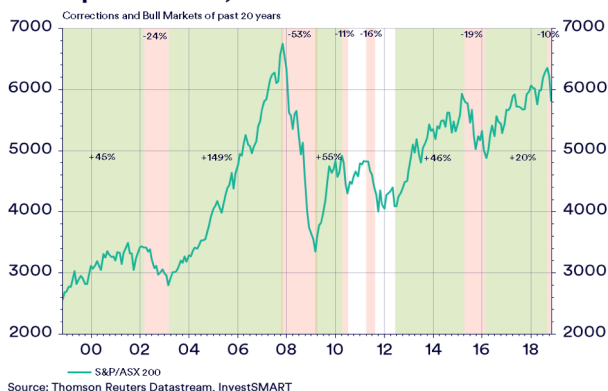
PERFORMANCE TO 31 OCT 2018	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	4 yrs	Since Inception (p.a.)
InvestSMART Core Growth	-4.52%	-2.85%	0.86%	3.30%	8.10%	5.35%	6.30%	6.71%
Morningstar Multisector Growth Index	-3.83%	-2.23%	1.86%	4.99%	8.68%	6.36%	7.31%	7.68%
Peers	-3.68%	-3.12%	-0.50%	1.76%	6.28%	4.61%	-	-

The InvestSMART Core Growth Portfolio celebrated its 4th birthday in October. Since inception, the Portfolio has returned 6.71% p.a (after fees).

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.

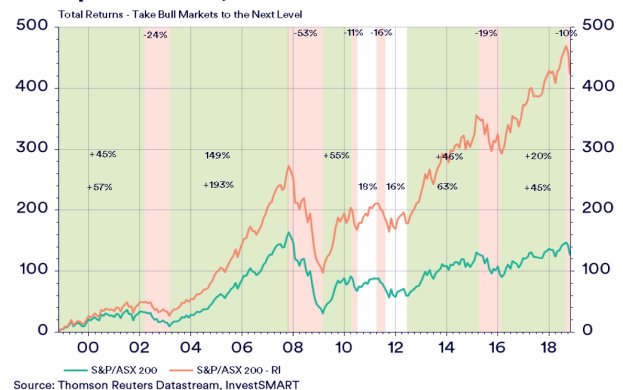
We think October created an opportunity for longer-term international exposure.

“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

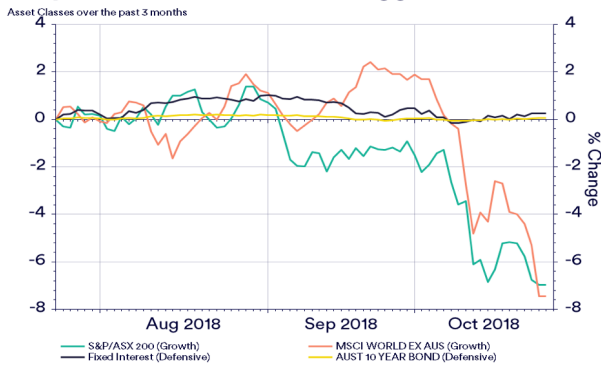


(Salmon line: total returns over the past 20 years, additional figures are the total return during each bull market)

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.

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



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.**

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.

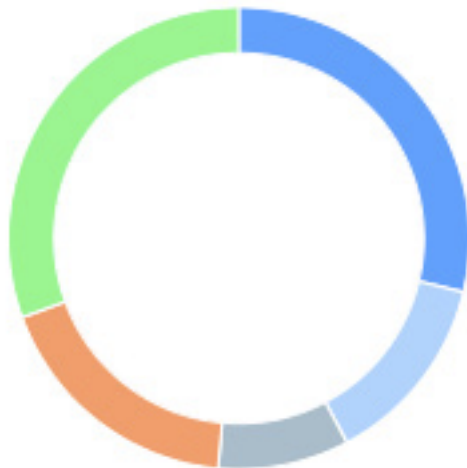
Sydney fell 0.7% in October to be down 7.4% over the year, while Melbourne also fell 0.7% over the month to be down 4.7% over the year. Brisbane and Adelaide bucked this trend to be up on the month and the year. A caveat from the property data was rental income. Both commercial and residential rents 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 26.51%
- / Property & Infrastructure 15.07%
- / Cash 10.54%
- / Fixed Interest 16.97%
- / International Equities 30.80%

TOP 5 HOLDINGS

Security	Weighting
Vanguard MSCI Index International Shares ETF	30.80%
iShares Core S&P/ASX 200 ETF	28.51%
iShares Core Composite Bond ETF	10.43%
Vanguard Global Aggregate Bond Index (Hedged) ETF	7.69%
Vanguard Australian Property Securities Index ETF	6.97%

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 Core Growth Portfolio is designed for investors who are looking to build their wealth over the medium-term. The Portfolio is invested in a blend of Exchange Traded Funds (ETFs), to offer investors a higher allocation to growth assets (shares & property) vs income assets (bonds & cash) 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 Core Growth Portfolio?

Having a well-diversified portfolio is a well-known strategy to assist in growing your capital whilst minimising your investment risks. The InvestSMART Core Growth 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 Growth Index

INCEPTION DATE

24 October 2014

SUGGESTED INVESTMENT TIMEFRAME

5+ 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 looking to build their wealth over the medium-term

PORTFOLIO MANAGER

Evan Lucas

Important information

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