

# InvestSMART International Equities Portfolio

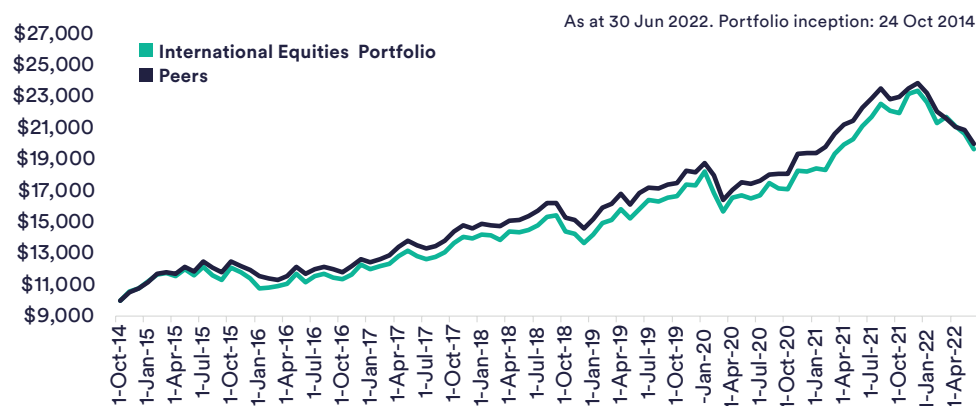
## Financial Year 2022

Financial year 22 was unfortunately the worst year for the International Equities portfolio since the start of the pandemic.

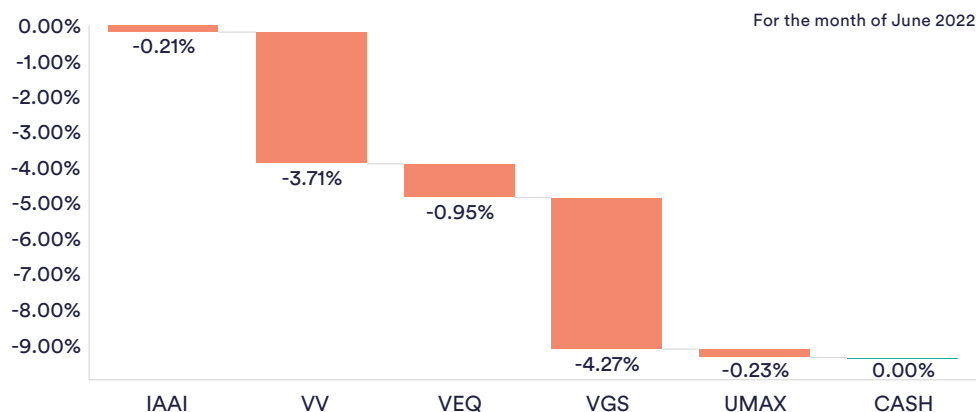
The portfolio fell by 7 per cent after fees. However, it is still averaging 9.2 per cent since inception.

There were no changes to the portfolio over the financial year and InvestSMART continues to review and evaluate the portfolio's holdings and performance to assure each one is providing the correct allocation to international equities and is meeting its long term stated goals.

## Performance of \$10,000 since inception



## Attribution of returns



## Portfolio mandate

The International Equities Portfolio is designed to let you access global share markets in an easy, low-cost way. The portfolio invests in some of the world's biggest companies across Europe, Asia and the US.

The objective is to invest in a portfolio of 1-10 exchange traded funds (ETFs), to provide broad exposure to international equities, and across different market sectors and/or regions to lower volatility, minimise overall risk, and increase the potential for long term growth.

## \$10,000

Minimum initial investment

## 7+ yrs

Suggested investment timeframe

## 5 - 15

Indicative number of securities

## Risk profile: Very High

Expected loss in 4 to 6 years out of every 20 years

## MSCI World (ex-Australia) Total Return Index, unhedged<sup>A</sup>

Benchmark

## Performance of Individual Holdings

### VGS – Vanguard MSCI Index International Shares ETF - 42 per cent weighting

VGS finished the Financial Year (FY) FY22 down 7.1 per cent on a total returns basis to close at \$88.61. This fall was due to the rising inflation problem and recession risks in VGS' highest geographic exposure, the United States.

The US market has fallen over 19.9 per cent in the six months to June 30 on a total returns basis seeing it down 11.1 per cent for the financial year. Falls in European, Japan and UK markets also contributed to VGS's financial year decline as investors weighed up global risk and the threat of a recession.

Looking to FY23, recession risk is likely to be the biggest factor for VGS. Interestingly enough, looking at all the recessions that have occurred in the US all the way back to 1945, each time a recession is confirmed it normally leads to a rally in US equities. The main reasoning for these rallies is the market's belief things can only improve. Whether that trend continues into the future is something we are watching very closely.

### IVV – iShares S&P 500 ETF - 35 per cent weighting

Tale of two halves for the S&P 500 in the last financial year. In the first six months to De-cember 31 the US market was up over 11 per cent on a total returns basis and looking strong. This was quickly eroded in the second half of the financial year, with the S&P 500 falling 19.9 per cent on a total returns basis for its worst start to a calendar year since 1970. The net result meant IVV lost 11.1 per cent to June 30.

The declines are directly related to the persistently high levels of inflation and also recession risks. With the US central bank increasing US interest rates at the fastest pace since the early 1980s, the slowing effects, coupled with global headwinds to supply, are likely to impact the S&P 500's trading again to start the new financial year.

However, there are already signs that the impacts on market seen at the start of this calendar year may not continue in the new year suggesting financial year 23 could be the opposite of last year.

*The InvestSMART Funds Management Ltd, as Responsible Entity for the Professionally Managed Accounts, has amended the investment process such that we may elect to participate in Distribution Reinvestment Plans for securities held in your account.*

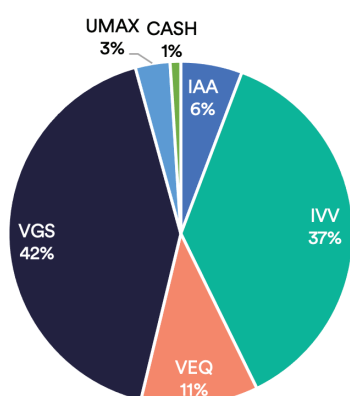
## Performance vs Peers

	1 yr	2 yrs	3 yrs	5 yrs	SI p.a
<b>International Equities Portfolio</b>	-7.0%	9.0%	7.4%	8.8%	9.2%
<b>Peers</b>	-9.9%	6.8%	5.5%	7.9%	9.4%
<b>Excess to Peers</b>	2.9%	2.2%	1.9%	0.9%	-0.2%

Fees :InvestSMART International Equities fees are 0.55% Vs Average of 982 peers 1.56%.

Note: Our InvestSMART International Equities is benchmarked against MSCI World (ex-Australia) Total Return Index, unhedged  
As at 30 Jun 2022. Portfolio inception (SI): 24 Oct 2014

## Attribution by holdings



## Our Investment Committee



**Alastair Davidson**  
Head of Funds Management



**Effie Zahos**  
Independent Director



**Alan Kohler**  
Editor-in-Chief



**Paul Clitheroe**  
Chairman



**Ron Hodge**  
Managing Director

### Important information

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the InvestSMART Capped Fee Portfolios (Fund) and issuer of the Fund.

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