Quarterly Update

30 September 2022

Issued by
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Professionally Managed Accounts
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InvestSMART Ethical Growth Portfolio

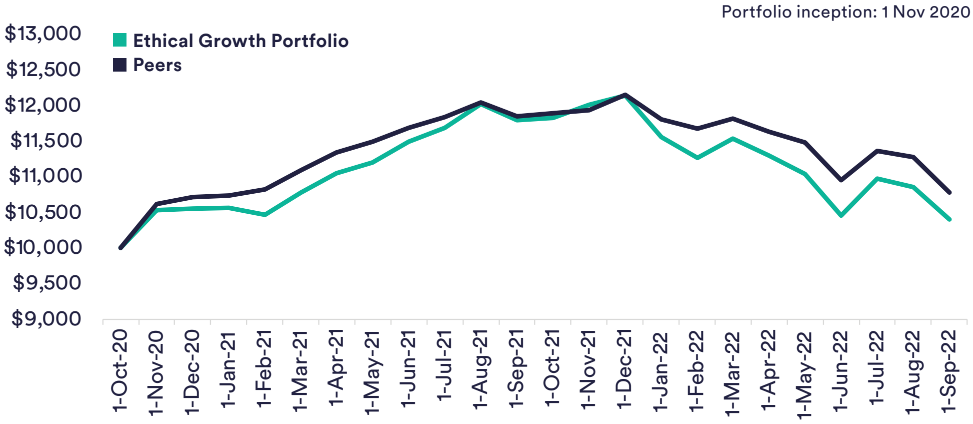
September Quarter 2022

Despite all the doom and gloom in September the Ethical Growth portfolio managed to buffer itself from the worst of the market declines falling only 0.5 per cent after fees for the quarter and beat its non-ethical peer.

There were no changes to the portfolio over the quarter and InvestSMART continues to review and evaluate the portfolio's holdings and performance to assure each one is providing the correct allocation you require for a growth risk profile with an ethical screen and is meeting its long term stated goals.

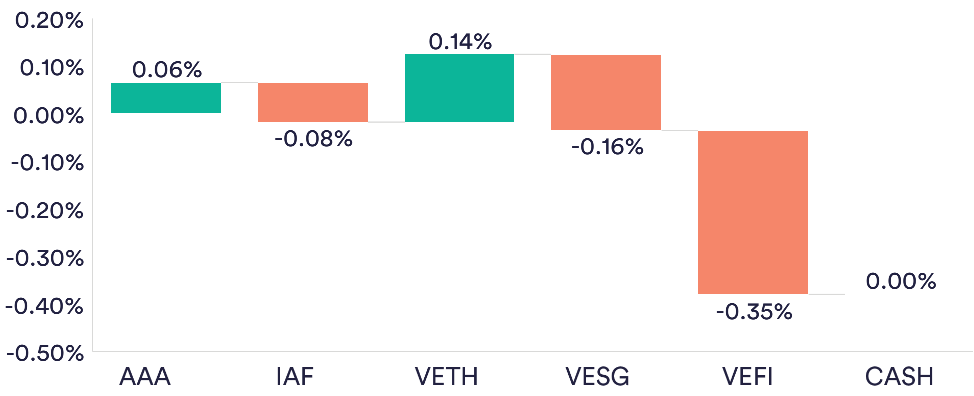
Peformance of $10,000 since inception

Portfolio inception: 1 Nov 2020



Attribution of returns

For the month of September 2022



Portfolio mandate

The Ethical Growth portfolio invests in sustainable, responsible, and/or ethical investments providing you an ethical portfolio that looks to grow wealth for the future.

The objective is to invest in a portfolio of 5-15 exchange traded funds (ETFs), with more of an emphasis on 'growth' assets like Australian and international shares that have the potential to appreciate in value over time.

$10,000
Minimum initial investment

5+ yrs
Suggested investment timeframe

5 - 15
Indicative number of securities

Risk profile: Medium - High
Expected loss in 4 to 6 years out of every 20 years

Morningstar AUS Growth Target Allocation Net Return (NR) AUD
Benchmark

Performance of Individual Holdings

VETH – Vanguard Ethically Conscious International Shares Index ETF – 31 per cent weighting

VETH is unfortunately not immune from the tumultuous trading in the final month of the quarter. With financial risk rising, global concerns about inflation and every month of the quarter seeing a 0.5 per cent rate rise by Reserve Bank of Australia VETH could not hold on to the gains it made in July and August and finished the quarter down 1.2 per cent.

That should be put into context. September was the worst month for global markets since March 2020 - the peak of COVID. Yet VETH? finished the quarter down just 1.2 per cent.

VETH also had to deal with the majority of its holdings going ex-dividend which added to the downward pressure. That said, October will see those dividends actually returning to shareholders and it is a record amount at over AU$43 billion. A significant amount of this will return to the market through dividend reinvestments which should support the ASX 200 and by extension VETH to start the final quarter

It should be also noted VETH's ethical filter removes most energy and resource holdings which positively impacted VETH's performance compared to the full index as these sectors were the biggest detractors on the ASX 200.

How the remainder of 2022 plays out will come down to how pessimistic the global situation gets. But it should be noted that markets are always trying to price themselves 12 months ahead and October 2023 is likely to be much rosier than the situation we have now.

VESG – Vanguard Ethically Conscious Australian Shares ETF – 35 per cent weighting

International equities have been under huge strain. Inflation is rife in the US, Europe and even Japan. Respective cash rates are rising at the fastest pace since the 1990s and 1980s.

Yet despite all this international event risk, VESG finished the quarter down just 1.5 per cent. July and August were very positive months – there were expectations that global inflation was peaking, and that the US Federal Reserve in particular would moderate its rate hiking path.

This though was incorrect and lead to a repricing of global markets, which lead to VESG having its worst month since the start of the pandemic in September.

Looking forward, markets are currently dealing with a high probability of recession in Europe and America. Markets are also grappling with rate increases that are bigger and sharper than most have experienced in living memory, which is making pricing difficult.

What should be noted about US recessions in modern history is: once 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.

AAA – Betashares Australian High Interest Cash ETF – 13 per cent weighting

AAA continued to power ahead as interest rate rises from the Reserve Bank of Australia (RBA) translated into higher yields for money markets. The interest on AAA has now jumped to 2.73 per cent, having started the calendar year at 0.2 per cent. This is pushing the total returns on AAA to levels not seen in its history. This much-needed return from an asset class that has suffered over the last decade is good to see and is providing a solid defensive asset in your portfolio during this period.

IAF – iShares Core Composite Bond ETF – 11 per cent weighting

If it wasn't for the UK's government's decision to implement their unfunded tax cuts using UK government debt, Australian bonds would have probably finished the quarter in the black.

Having priced in the risk of rapid rate rises from the Reserve Bank of Australia (RBA) and other central banks in June, Australian bonds recovered solidly in July and August.

The Australian Commonwealth Government Bond (ACGB) 10-year bond yield moved from 3.77 per cent at the end of June to 3.34 per cent at the end of August. This movement was not exclusive to the ACGB 10 year either and similar declines in yields were seen across all maturities, helping IAF appreciate.

However, as mentioned, the release of the UK's unfunded tax policy coupled with sharper and harder rate rises from the US Federal Reserve riled global and domestic bond markets, leading to a complete reversal of fortunes for IAF and seeing it lock in its second consecutive quarter of losses, finishing down 1.26 per cent for the quarter.

Looking forward, the very large and dramatic declines seen in the first half of 2022 are unlikely to recur in the final quarter as rate rises are now priced in, which should limit further downsides.

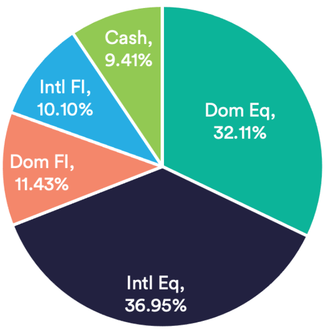
Performance vs Peers*

	3 mths	6 mths	1 yr	SI p.a
Ethical Growth Portfolio	-0.5%	-9.9%	-11.8%	2.1%
Peers	-1.5%	-8.7%	-9.1%	4.0%
Excess to Peers	1.0%	-1.2%	-2.7%	-1.9%

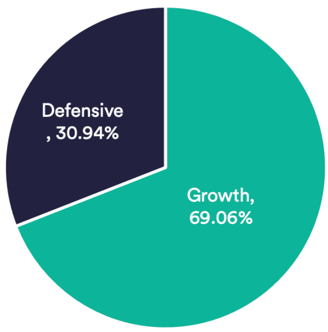
Fees: InvestSMART Ethical Growth fees are 0.55% Vs Average of 751 peers 1.63%
Note: Our InvestSMART Growth is benchmarked against Morningstar® Australia Growth Target Allocation NR AUD+
Portfolio inception (SI): 1 Nov 2020
* Performance shown is theoretical from 1 November 2020 and includes management fees but excludes brokerage and other trading costs.

Attribution of returns

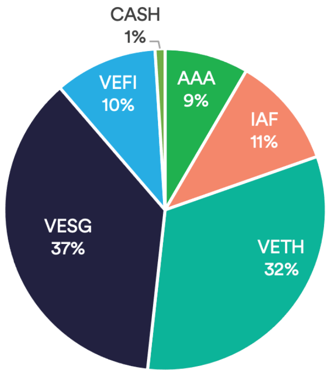
By class



By profile



By holdings



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Important information

All table and chart data is correct as at 30 September 2022.