

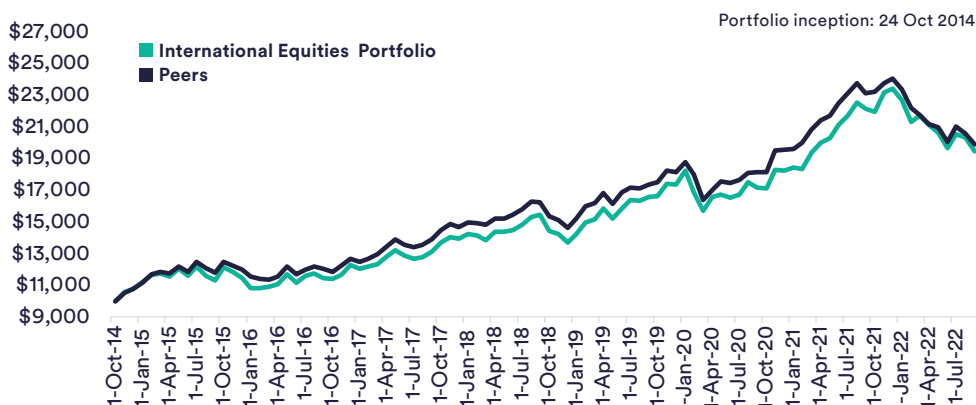
InvestSMART International Equities Portfolio

September Quarter 2022

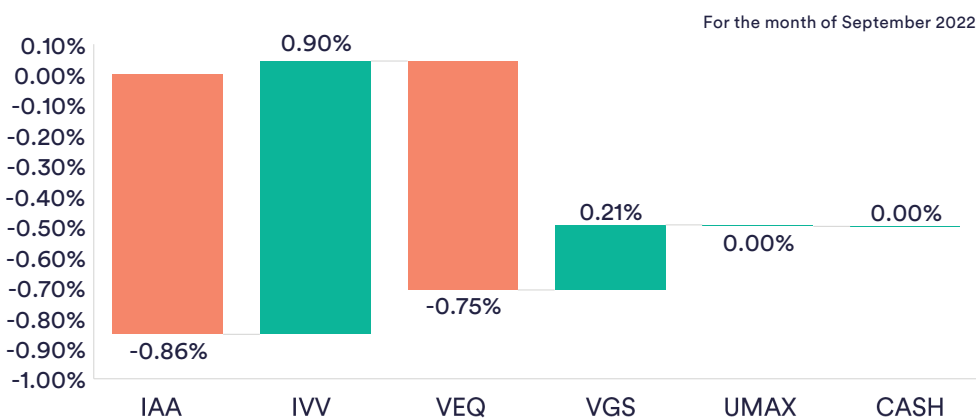
Despite all the doom and gloom in September the International Equities portfolio managed to buffer itself from the worst of the market declines falling only 0.89 per cent after fees for the quarter.

There were no changes to the portfolio over the quarter, all holdings continue to meet InvestSMART's holdings criteria of: high liquidity (easily traded), low fees known as the Management Expense Ratio (MER), large funds under management (FUM) and a price point that allows correct asset allocation.

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[^]

Benchmark

InvestSMART continues to review and evaluate the portfolio's holdings and performance to assure each one is providing the correct allocation you require and is meeting its long term stated goals.

Performance of individual holdings

VGS – Vanguard MSCI Index International Shares – 42 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 paces since the 1990s and 1980s while the globe is also facing an energy crisis not seen since the 70s, which is leading to the cost of living skyrocketing.

Yet despite all this international event risk, VGS finished the quarter down just 0.13 per cent. July and August were very positive months. There were expectations that global inflation was peaking, that energy prices may return to more manageable levels and that the US Federal Reserve in particular would moderate its rate hiking path.

This, however, was proven to be incorrect and led to a repricing of the global markets in September, which led to VGS having its worst month since the start of the pandemic..

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.

IVV – iShares Core S&P 500 – 38 per cent weighting

The S&P 500 had been moving up to the idea early in the quarter that inflation was starting to be tamed and that the Federal Reserve's rate-hiking path was

overdone. Some were even suggesting that 2023 would see rate cuts and that any recession would be short.

This thinking however was quickly erased at the end of August with the inflation-reading from both July and August coming in higher than expected and showing that US inflation is going to be hard to shift.

This led the Federal Reserve to harden its talk about rate rises and saw it raise rates in the US four times in four meetings by 0.75 per cent. The sharp selloff in risk assets led to the worse month of trading since March 2020 and the worse September on the S&P 500 in over 20 years. By the close of the quarter, the S&P 500 was back in a bear market and had lost 22.4 per cent for the year-to-date.

However, plenty are arguing that pricing in the US is overdone and is trading on 'peak doom'. Already, to start the final quarter of 2022, US markets are up and with earning season to come it may show that US corporates are coping better than expected with higher rates and a slowing economy. It should also be noted this is the first real negative year on the S&P 500 since 2008.

VEQ - Vanguard FTSE Europe Shares – 11 per cent weighting

With the war dragging on and the threat of an energy crisis not seen since the '70s facing most of the continent most European equities were sold off in the third quarter of the calendar year.

However, the falls were mitigated by some signs policymakers may have moved quick enough to cover the looming short falls of energy in the upcoming northern hemisphere winter.

But this wasn't enough to offset the biggest concerns and VEQ fell 8.5 per cent and was the biggest drag on the portfolio.

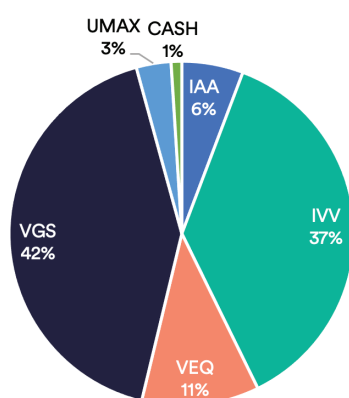
Performance vs Peers

	1 yr	2 yrs	3 yrs	5 yrs	SI p.a
International Equities Portfolio	-12.0%	6.5%	5.5%	8.2%	8.7%
Peers	-13.6%	5.1%	4.6%	7.4%	9.1%
Excess to Peers	1.4%	1.4%	0.9%	0.8%	-0.4%

Fees :InvestSMART International Equities fees are 0.55% Vs Average of 1034 peers 1.57%

Note: Our InvestSMART International Equities is benchmarked against MSCI World (ex-Australia) Total Return Index, unhedged
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

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