

# InvestSMART Property and Infrastructure Portfolio

## Property and Infrastructure Portfolio: 2022 in review

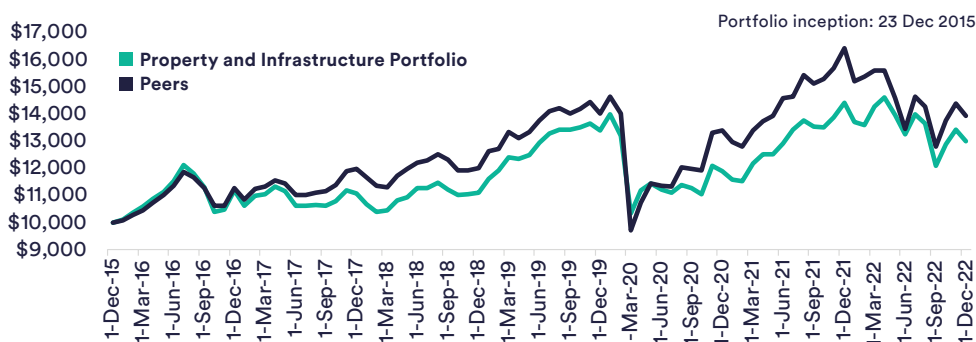
The Property and Infrastructure portfolio finished out a difficult year with a tremendous bounce in the final quarter up 7.5 per cent after fees.

This masked the issues property in particular had in 2022 meaning for the calendar year 2022, the portfolio declined 9.8 per cent after fees as mass interest rate rise and inflation hit large cost assets more on this below.

The quarterly review of the portfolio was conducted by the Investment Committee on the 14th of November 2022. It was agreed that all current ETFs used in the Property and Infrastructure portfolio were fit for purpose, no changes apart from any rebalancing changes below were recommended.

Over the December quarter there were no rebalances in the Property and Infrastructure portfolio.

### Performance of \$10,000 since inception



| Performance vs Peers                  |       |            |            |            |         |
|---------------------------------------|-------|------------|------------|------------|---------|
|                                       | 1 yr  | 2 yrs p.a. | 3 yrs p.a. | 5 yrs p.a. | SI p.a. |
| Property and Infrastructure Portfolio | -9.8% | 4.6%       | -1.0%      | 3.3%       | 3.8%    |
| Peers                                 | -8.0% | 1.7%       | -0.8%      | 2.8%       | 0.0%    |
| Excess to Peers                       | -1.8% | 2.9%       | -0.2%      | 0.5%       | 0.0%    |

Fees: InvestSMART Property and Infrastructure fees are 0.55% Vs Average of 327 peers 1.24%  
Note: Our InvestSMART Property and Infrastructure is benchmarked against A Composite Index  
Portfolio inception (SI): 29 Dec 2014



### Portfolio mandate

The Diversified Property & Infrastructure Portfolio allocates funds across commercial property (Australian and international) as well as infrastructure assets like road, rail and ports that can be hard to access as an individual investor.

The objective is to invest in a portfolio of 1-10 exchange traded funds (ETFs) and specific ASX infrastructure securities, across Australian Real Estate Investment Trusts (A-REITs), plus infrastructure and global property ETFs, all managed in the one portfolio.

### \$10,000

Minimum initial investment

### 5+ yrs

Suggested investment timeframe

### + 5 - 12

Indicative number of securities

### Risk profile: High

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

### A Composite Index

Benchmark

| Property and Infrastructure weightings as of 31 Dec 2022 |         |         |        |
|--|---------|---------|--------|
| Security   | Sep     | Dec     | Change |
| AIA  | 2.25%   | 2.25%   | 0.00%  |
| ALX  | 2.50%   | 2.50%   | 0.00%  |
| APA  | 4.00%   | 4.00%   | 0.00%  |
| AZJ  | 2.80%   | 2.80%   | 0.00%  |
| DJRE   | 24.75%  | 24.75%  | 0.00%  |
| IFRA   | 24.75%  | 24.75%  | 0.00%  |
| TCL  | 13.20%  | 13.20%  | 0.00%  |
| VAP  | 24.75%  | 24.75%  | 0.00%  |
| CASH   | 1.00%   | 1.00%   | 0.00%  |
|  | 100.00% | 100.00% |        |

## Performance of Individual Holdings

### VAP - Vanguard Australian Property Securities Index ETF

Very tough year for Australian property. Its exposure to interest rate rises was laid bare in 2022 as property became one of the worse performing sectors in the market. Property is a high-cost asset and with a high cost comes the need to borrow.

With property's exposure to high funding costs due to increased increase rates plus the fact commercial rents in the post-COVID world have not return to pre-pandemic levels, VAP fell 19.8 per cent on a total return basis.

VAP is well diversified and holds high quality assets in a range of property fields from industrial to commercial to residential. This diversification however was, and is, being ignored and with the threat of further rate rises in 2023 VAP remains in the short term a risk.

But, like its peers, VAP's longer term performance needs to be taken into account. Over the last 5 years VAP has returned 12.8 per cent on a total return basis, over the past 10 it's a massive 173.8 per cent. VAP remains a long-term investment in our view.

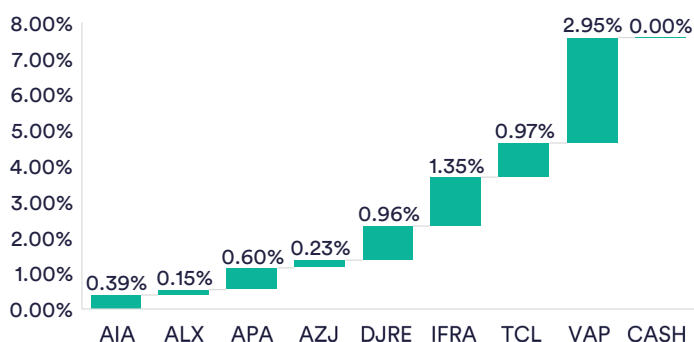
### DJRE - SPDR Dow Jones Global Real Estate ESG Fund ETF

Like its domestic peer VAP, DJRE suffered from higher interest rates, a slower than expected return to work, the prospect of a global recession and high levels for debt funding. This saw the global real estate ETF declining 24 per cent on a total returns basis in 2022 – its worst year since the start of the pandemic.

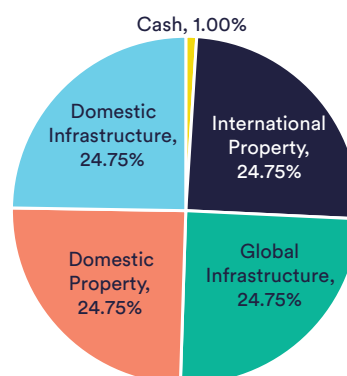
We are very aware that higher interest rates are yet to materially hit consumer spending which might explain why global mall and department listings performed slightly better than commercial peers. Commercial property and infrastructure were routinely sold off in 2022 as both sectors are debt sensitive; the retail-exposed real estate sector will likely follow suit in 2023.

With interest rates expected to rise further in 2023 and the housing and property market now cooling we watch with interest how DJRE and its peers navigate the coming period. It is likely to be tough in the first half of the year. However any sign inflation is easing and that the hike cycle has peaked will be met with a positive outlook.

## Attribution performance



## Sub-Asset Allocation



## 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 31 December 2022.