

# InvestSMART Balanced Portfolio

## March Quarterly review

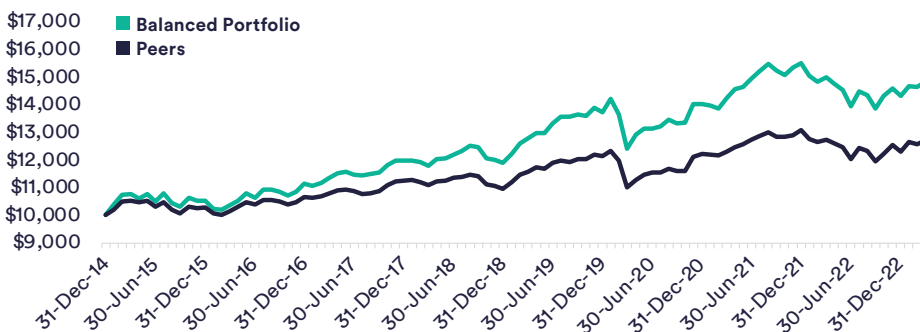
The Balanced portfolio finished the March quarter with a solid gain of 3.54 per cent after fees seeing it outperformed peers by 0.32 per cent.

We note that, since inception, the portfolio is averaging 4.76 per cent after fees per annum 1.83 per cent better than our peers. Since inception the portfolio is over 21 per cent better off compared to peers.

The quarterly review of the portfolio was conducted by the Investment Committee on the 7th of March 2023. It was agreed that all current ETFs used in the Balanced portfolio were fit for purpose and no changes apart from any rebalancing changes below were recommended.

Over the March quarter the Balanced portfolio was rebalanced to meet the weighting obligations of a Balanced profile in the following way:

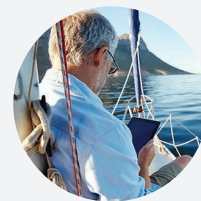
### Performance of \$10,000 since inception



### Performance vs Peers

	1 yr	3 yrs p.a	5 yrs p.a	7 yrs p.a	SI p.a
Balanced Portfolio	-1.1%	6.1%	4.7%	5.2%	4.8%
Peers	-0.2%	4.8%	2.7%	3.2%	2.9%
Excess to Peers	-0.9%	1.3%	2.0%	2.0%	1.9%

InvestSMART Balanced fees are 0.55% p.a. vs average of 535 peers at 1.19% p.a.  
Grow your returns, not your fees with InvestSMART [Capped fees](#).



### Portfolio mandate

The Balanced Portfolio is a simple way to get exposure across many different markets. The potential for capital growth over 3 to 5 years lets your portfolio do more of the hard yards working towards your goals

The objective is to invest in a portfolio of 5-15 exchange traded funds (ETFs), that provide a more even mix of regular income plus the potential for capital growth through equities, property and infrastructure assets.

**\$10,000**  
Minimum initial investment

**4+ yrs**  
Suggested investment timeframe

**5 - 15**  
Indicative number of securities

**Risk profile: Medium - High**  
Expected loss in 3 to 4 years out of every 20 years

**Morningstar AUS Balanced Target Allocation Net Return (NR) AUD**  
Benchmark

IAF increased by 0.5 per cent and VBND increased by 1 per cent each to weightings of 17.5 per cent and 16.5 per cent respectively.

IOZ moved down to 16.6 per cent weighting from 17.5 per cent weighting. While AAA decreased in size from 20.5 per cent to 19.9 per cent.

All other holdings remained the same.

Balanced weightings as at 31 March 2023			
Security	Dec	Mar	Change
AAA	20.50%	19.90%	-0.60%
IAF	17.00%	17.50%	0.50%
IFRA	2.00%	2.00%	0.00%
IOZ	17.50%	16.60%	-0.90%
VAP	2.00%	2.00%	0.00%
VBND	15.50%	16.50%	1.00%
VGS	24.50%	24.50%	0.00%
CASH	1.00%	1.00%	0.00%
	100.00%	100.00%	

## Performance of Individual Holdings

### VGS – Vanguard MSCI Index International Shares ETF

After a very difficult year for international equities in 2022, 2023 has started to claw back some of those losses.

VGS is dominated by the US S&P 500 and after a poor 2022, the first quarter of 2023 has started with a very solid 7 per cent quarterly gain. However the S&P wasn't the best performer in the VGS basket as the big three European indices in the DAX (Germany), the CAC (France) and MIB (Italy) added over 10 per cent each to 31 March.

Overall VGS finished the first quarter of 2023 up 9.3 per cent on a total returns basis. To put that in perspective, it lost 12.3 per cent on a total return basis for all of 2022. Since inception, VGS has provided an average of 11.5 per cent per annum. That is why it remains a major part of any portfolio.

### AAA – Betashares Australian High Interest Cash ETF

The 2022 cash renaissance continued in the March quarter as the RBA increased the cash rate a further 50 basis points to 3.6 per cent. This pushed the total returns on AAA to a new record high as the yield hit 3.7 per cent.

### IOZ – iShares S&P/ASX 200 ETF

A very strange three months for the ASX 200 (which is replicated by IOZ), the best start to a year for the ASX 200 since its founding in March 2000, up 6.5% in January alone. February saw the reporting season for the first half of financial year 2023 which brought some reality to the market as firms showed that revenues are slowing due to higher rates. March saw a recovery of sorts as expectations grew that the RBA has completed its hiking cycle and that over the coming year it will be forced to cut rates to improve economic activity.

All this saw IOZ on a total returns basis adding 3.42 per cent to 31 March. Since inception IOZ has given an average of 7.8 per cent on a total returns basis.

### IAF – iShares Core Composite Bond ETF

Coming off the most difficult year in IAF's history, the March quarter provided some much-needed relief.

Having seen the fastest increase in the cash rate by the RBA in its history, bonds had to deal with inflation levels not seen since the '80s and the fear of a debt crash.

Thankfully, the March quarter has seen those fears dissipate as inflation has started to ease, although it still remains stubbornly high.

The Australian Commonwealth Government Bond (ACGB) 10-year bond yield started 2023 at 4.04 per cent and by the end of the quarter had fallen 73 basis points to 3.31 per cent -- and has fallen further to start the second quarter. This movement was not exclusive to the ACGB 10 year either -- similar falls in yields were seen across all maturities.

### VBND – Vanguard Global Aggregate Bond Index ETF

VBND, like its domestic peer, was coming off a particularly bad year and has had a much better start to 2023 than 2022.

VBND is heavily dominated by US bonds and the US Federal Reserve's inflation-busting program that has seen the Federal Funds Rate move from record lows to 4.75 to 5.00 per cent as of 31 March has been behind VBND's performance.

However, the market is now working on the idea that the US Federal Reserve has almost finished its hiking cycle and that over the coming years the Federal Funds Rate will fall. This saw the US 10-year falling 40 basis points to 3.49 per cent come 31 March and it has fallen further to start the June quarter. This snapped VBND out of a year-long losing streak.

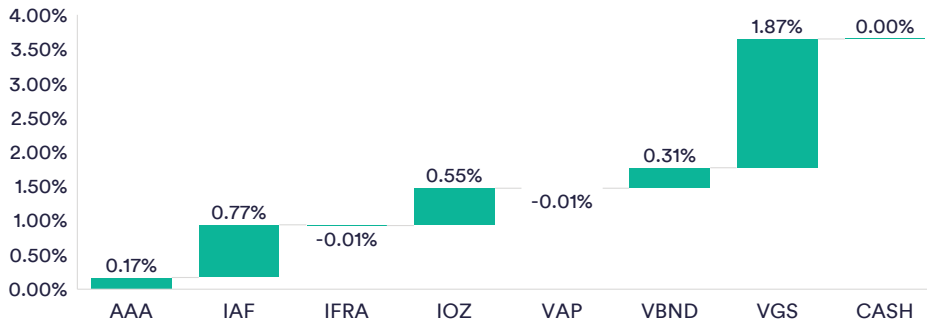
#### **VAP - Vanguard Australian Property Securities Index ETF**

A tough year for Australian property has followed through into 2023. With property's exposure to high funding costs plus the fact commercial rents in the post-COVID world have not returned to pre-pandemic

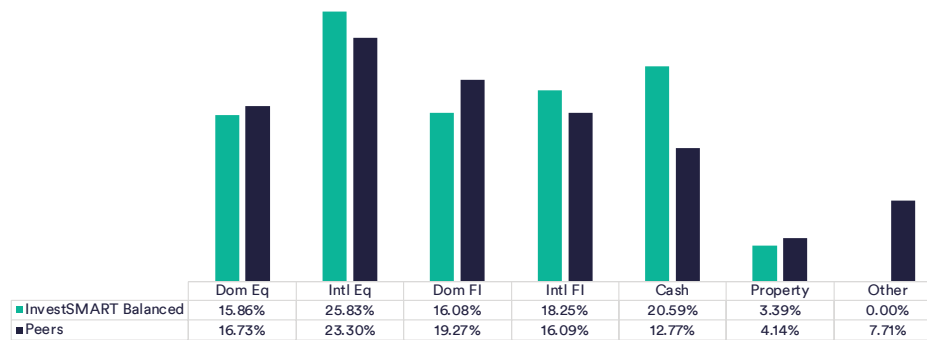
levels saw VAP dead-flat on a total return basis for the quarter. It was not helped by the fact VAP lost 6.85 per cent in March as several listed entities reported poor numbers due to the reasons listed earlier.

We should point out that 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 with migration on the up and rental properties now few and far between, there is likely to be an increased demand for property over the coming year that should start to offset some of the other issues the sector is facing.

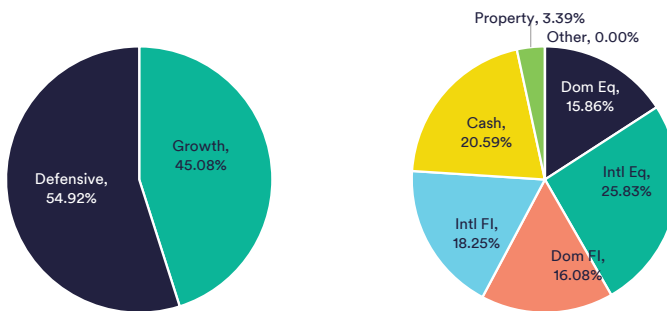
## Monthly attribution of returns



## Asset allocation vs Peers



## Asset allocation breakdown



## 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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