Quarterly Update

31 March 2023

Issued by
InvestSMART Funds
Management Limited
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Professionally Managed Accounts
ARSN 620 030 382

InvestSMART Ethical Growth Portfolio

March Quarterly review

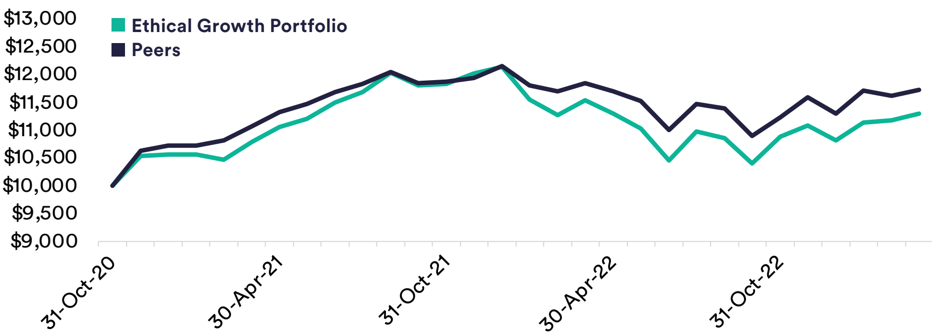
The Ethical Growth portfolio finished the quarter well, adding 4.5 per cent after fees. This saw the portfolio outperform peers by 0.71 per cent.

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 Ethical Growth Portfolio were fit for purpose and no changes apart from any rebalancing changes below were recommended.

Over the March quarter the Ethical Growth portfolio was rebalanced to meet weighting obligations in the following way:

AAA and IAF increased by 0.5 per cent to a 12.5 per cent and 11.5 per cent weighting respectively. This change was offset in VETH which was reduced by 1 per cent to a 30 per cent weighting.

Peformance of $10,000 since inception



Performance vs Peers

	6 mths	1 yr	2 yrs p.a	SI p.a
Ethical Growth Portfolio	8.6%	-2.1%	2.4%	5.2%
Peers	7.6%	-1.0%	2.9%	6.8%
Excess to Peers	1.0%	-1.1%	-0.5%	-1.6%

InvestSMART Ethical Growth fees are 0.55% p.a. vs average of 774 peers at 1.44% p.a.
Grow your returns, not your fees with InvestSMART Capped fees. Peers include non-ethical growth funds.

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

All other holdings remained the same.

Ethical Growth weightings
as at 31 March 2023

Security	Dec	Mar	Change
AAA	12.00%	12.50%	**0.50%**
IAF	11.00%	11.50%	**0.50%**
VETH	31.00%	30.00%	**-1.00%**
VESG	35.00%	35.00%	0.00%
VEFI	10.00%	10.00%	0.00%
CASH	1.00%	1.00%	0.00%
	100.00%	100.00%	

Performance of Individual Holdings

VETH – Vanguard Ethically Conscious International Shares Index ETF

VETH was stung by its own mandate in 2022 due to its ethical screen cutting out resources, energy and nuclear. To start 2023 the screener worked in its favour with its high exposures to sectors such as technology, boosting its start 2023.

VETH finished the quarter up 2.9 per cent, it would have been higher still if not for issues in the banking space. We continue to see strong demand for ethically-led investments and companies which should mean better returns and growth for ethically-mandated funds such as VETH into the future.

VESG – Vanguard Ethically Conscious Australian Shares ETF

VESG like VETH has higher exposures to sectors such as technology, health new world industries and consumer discretionary than non-ethical peers.

All these sectors that underperformed in 2022 as these sectors have higher sensitivities to rising interest rates and inflation. However with the prospect of lower inflation and rates over the coming year these sectors rallied hard in the first quarter especially tech which was savaged in 2022.

This meant VESG leapt 10.6 per cent in the first quarter, compared to its non-ethical peer VGS which gained 7 per cent. Showing that its ethical screen can have a double benefit.

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.

IAF – iShares Core Composite Bond ETF

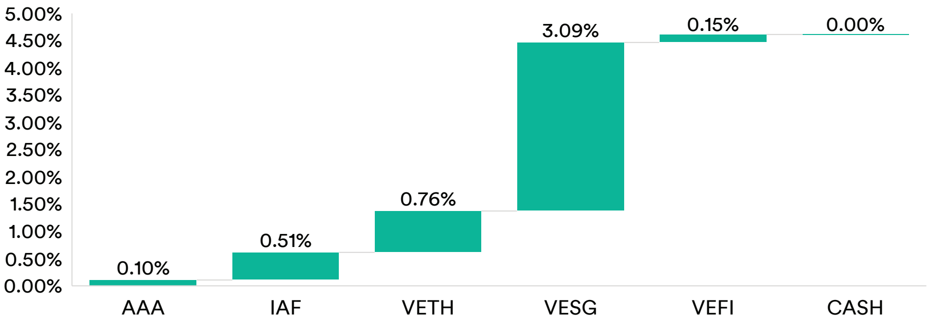
Coming off the most difficult year in IAF's history, the March quarter provided some much-needed relief.

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.

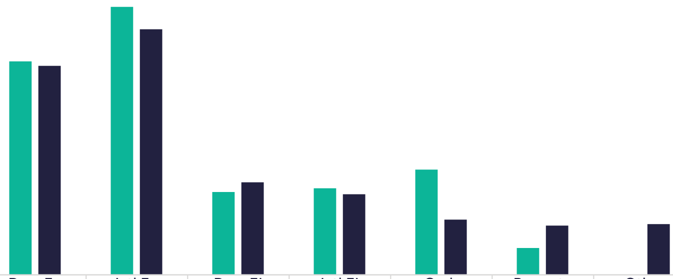
Thankfully, the March quarter has seen those fears dissipate as inflation has started to ease, although it still remains stubbornly high.

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.

Monthly attribution of returns



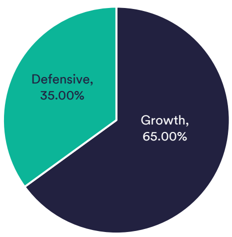
Asset allocation vs Peers

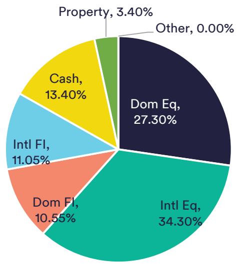


	Dom Eq	Intl Eq	Dom FI	Intl FI	Cash	Property	Other
InvestSMART Ethical Growth	27.30%	34.30%	10.55%	11.05%	13.40%	3.40%	0.00%
Peers	26.70%	31.41%	11.85%	10.33%	7.00%	6.23%	6.48%

Asset allocation breakdown

Asset Allocation





Our Investment Committee

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