Quarterly Update

30 June 2023

Issued by
InvestSMART Funds
Management Limited
ACN 067 751 759
AFSL 246441

Professionally Managed Accounts
ARSN 620 030 382

InvestSMART Ethical Growth Portfolio

Financial Year 2023 review

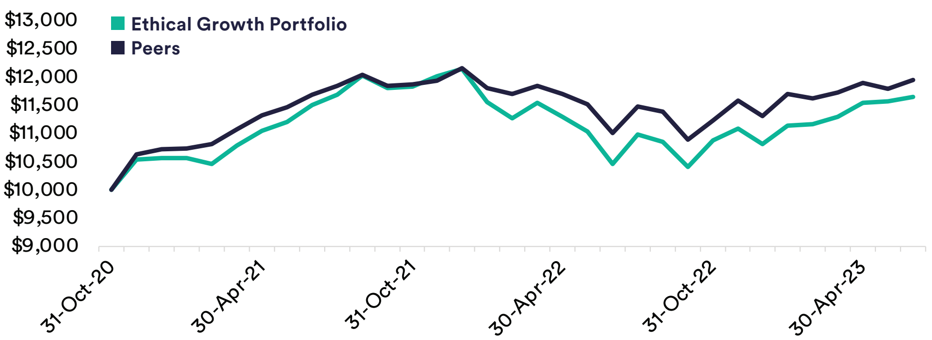
The Ethical Growth Portfolio finished the financial year well, adding 11.4 per cent after fees. This saw the portfolio outperform peers by a massive 2.8 per cent and a trend that is carrying on into the new financial year.

In the June quarter the Ethical Growth Portfolio added 3.1 per cent after fees outperforming peers by 1.3 per cent.

The quarterly review of the portfolio was conducted by the Investment Committee on the 28th of June 2023. It was agreed that all current ETFs used in the Ethical Growth portfolio were fit for purpose and no changes were recommended.

Over the June quarter the Ethical Growth Portfolio no rebalancing was required.

Peformance of $10,000 since inception



Performance vs Peers

	6 mths	1 yr	2 yrs p.a	SI p.a
Ethical Growth Portfolio	7.7%	11.4%	0.7%	5.9%
Peers	5.7%	8.6%	1.1%	6.9%
Excess to Peers	2.0%	2.8%	-0.4%	-1.0%

InvestSMART Ethical Growth fees are 0.55% p.a. vs average of 548 peers 1.34% 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

Ethical Growth weightings
as at 30 June 2023

Security	Dec	Mar	Change
AAA	12.50%	12.50%	**0.00%**
IAF	11.50%	11.50%	0.00%
VETH	30.00%	30.00%	0.00%
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 added 15.5 per cent on a total return basis in FY23, high exposure to technology assisted in this return.

VETH finished the quarter up 1.7 per cent, it would have been higher still if not for issues in the banking space. Like its international peers, Ethical ASX 200 stocks looked through the concerns around higher rates, high inflation and the pressure on the household. We should point out that the sectors responsible for the returns of FY23 are growth sectors, with IT and healthcare the stand outs.

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.

Led by the US, Japan and European equities, VESG's performance can be put down to several things:

First, the AI 'revolution' – with major stocks such as Apple, Microsoft, Meta (Facebook) and now Nvidia all riding the AI wave. The impact on the S&P 500 has been astonishing. Since its low in October last year the S&P 500 was up 24.4 per cent at the close of the financial year.

Second, Japan. The Nikkei 225 has had its best six months since the mid-90s, up as much at 30 per cent since its low in January. Over the financial year the 225 returned 28.6 per cent to be the second-best performer inside VESG.

Third is the European big two: Both the DAX (Germany) and the CAC (France) surged in FY23 as the effects of the Ukrainian war and inflation moderated. Over the financial year, the CAC was the best performing market up 28.9 per cent and the DAX was third, adding 26.3 per cent.

Put this together with the S&P 500's 17.5 per cent and VESG finished FY23 up 21.9 per cent and is a major reason for the strong performance of the portfolio, 9 per cent of this came in the final quarter alone.

Looking to FY24, international equities are still facing similar concerns to that of FY23: high interest rates, falling economic activity and a constrained household budget. We would also point out that FY23 returns are abnormal -- the average yearly return for VESG is 11 per cent.

AAA – Betashares Australian High Interest Cash ETF

With interest rates climbing nine times in FY23 and 11 times since the RBA started hiking rates in early 2022, total returns on AAA surged in the financial year. Yield hit a record high of 4.2 per cent to close out the financial year.

We need to point out that the total return on AAA is still well below fixed interest and equities which is why we hold it for its defensive qualities not its overall return.

IAF – iShares Core Composite Bond ETF

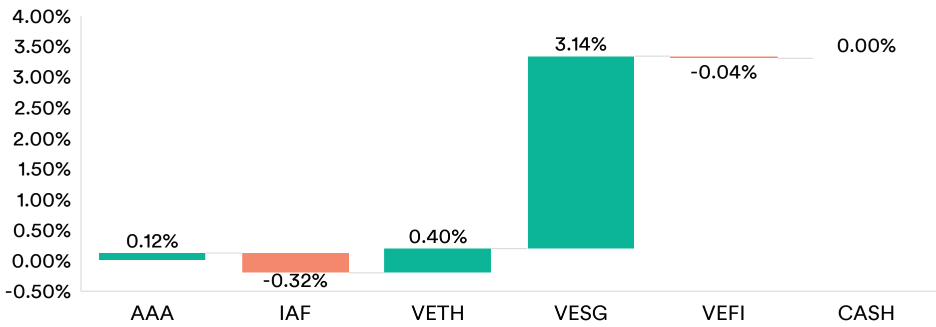
FY22 was the most difficult year in IAF's history, and it was unlikely to be repeated in FY23. Having seen the fastest increase in the cash rate by the RBA in its history, bonds had to deal with inflation levels not seen since the '80s and the persistent threat to the household.

Although inflation has started to ease, it still remains stubbornly high, and this remained a drag on bond performance.

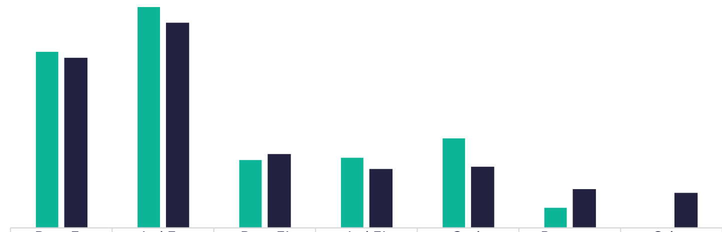
For example, the Australian Commonwealth Government Bond (ACGB) 10-year bond yield started FY23 at 3.63 per cent before rising to 4.24 per cent in October. It fell all the way back to 3.19 per cent in April before surging again to finish the financial year at 3.99 per cent on signs the RBA was far from finished with raising rates. This movement was not exclusive to the ACGB 10 year, either - similar moves were seen across all maturities.

This explains IAFs performance which finished the financial year up 1.3 per cent on a total return basis having peaked at 5.25 per cent in April. Looking to FY24 it should be noted that interest rate rises are near or at their peaks and the pressure this put on IAF in FY23 will be less in FY24.

Monthly attribution of returns

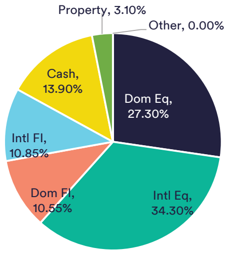


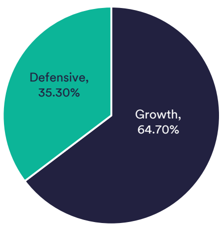
Asset allocation vs Peers



	Dom Eq	Intl Eq	Dom FI	Intl FI	Cash	Property	Other
InvestSMART Ethical Growth	27.30%	34.30%	10.55%	10.85%	13.90%	3.10%	0.00%
Peers	26.39%	31.87%	11.51%	9.15%	9.53%	6.03%	5.51%

Asset allocation breakdown





Our Investment Committee

Effie Zahos
Independent Director

Paul Clitheroe
Chairman

Alastair Davidson
Head of Funds Management

Alan Kohler
Editor-in-Chief

Ron Hodge
Managing Director

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