Quarterly Update

30 June 2023

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

InvestSMART Property and Infrastructure Portfolio

Financial Year 2023 review

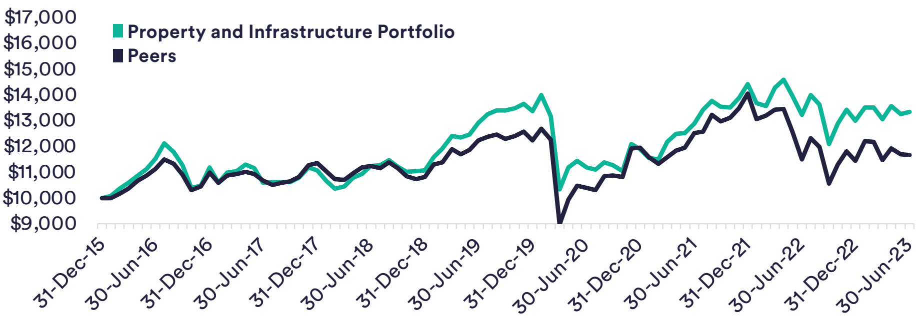
The Property and Infrastructure Portfolio finished out a difficult year with a tremendous bounce in the final quarter up 7.5 per cent after fees.

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 interest rate increases and inflation hit large cost assets.

The quarterly review of the portfolio was conducted by the Investment Committee on the 28th June 2023. 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 June quarter there were no rebalances in the Property and Infrastructure portfolio.

Peformance 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
Property and Infrastructure Portfolio	0.7%	6.0%	3.4%	2.1%	3.9%
Peers	1.5%	3.9%	0.8%	0.7%	2.1%
Excess to Peers	-0.8%	2.1%	2.6%	1.4%	1.8%

InvestSMART Property and Infrastructure fees are 0.55% p.a. vs average of 250 peers 1.11% p.a.
Grow your returns, not your fees with InvestSMART Capped fees.

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 & Infrastructure weightings
as at 30 June 2023

Security	Dec	Mar	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 interest 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.

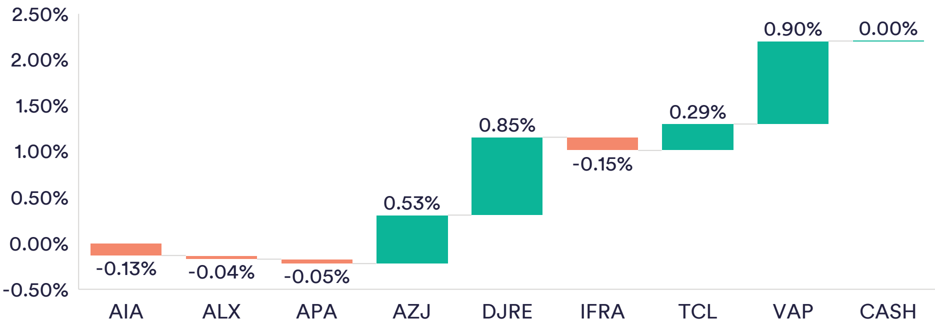
DJRE - SPDR Dow Jones Global Real Estate ESG Fund ETF

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.

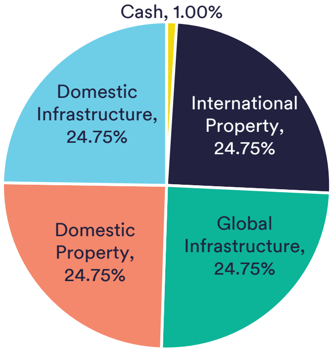
We are aware that higher interest rates are yet to materially hit consumer spending which might explain why global mall and department store listings performed slightly better than commercial peers. Commercial property and infrastructure were routinely sold off in 2022 as both sectors are debt sensitive; 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 of inflation easing and the peak of the interest rate cycle will be met with a positive outlook.

Monthly attribution of returns



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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