INVESTSMART

30 April 2019

InvestSMART International Equities Portfolio

Monthly update

PERFORMANCE TO 30 APRIL 2019	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS (P.A.)	3 YRS (P.A.)	4 YRS (P.A.)	S. I. (P.A.)
InvestSMART International Equities	4.43%	11.32%	9.94%	10.05%	11.16%	12.73%	8.29%	11.40%
MSCI World (Ex-Australia) Index, unhedged	4.56%	12.02%	9.57%	14.28%	13.34%	14.52%	10.48%	13.81%
Peers	4.25%	10.63%	9.64%	9.52%	11.59%	13.40%	-	-

Key points

- Added 4.43% after fees in April its rolling three-month performance is 11.32%
- The S&P 500 (IVV) attributed 1.78%, the global index (VGS) 1.83% while Asia attributed 0.3% impressive considering it only makes up 6% of the total portfolio
- All facets of the Portfolio contributed to performance in April

April in Review: Rarefied air

Headlines such as a record all-time high, and best start to a year in over a decade, were blasted out across all geographies in April as growth markets hit rarefied air.

US equities made a new record high on April 30, Europe surged to its best start since the end of the Eurocrisis (2012) and Asia ran hard as the US-China Trade war hit a 'constructive' phase in April.

We had previously highlighted Asia was a place to watch for international equities. The savage sell-off in 2018 was overdone and was likely to recover in 2019. Yes, the US-China trade war is impacting Chinese-facing economies, and the month of May has started with this issue as front and centre once more. However, what is clear is that over the coming year, as we approach the 2020 presidential campaign, Washington will want a 'deal' as that will be a huge political win. It will also be a positive for Asian markets. This year is still looking positive for growth assets.

But that is not what impacted April trading, as it could not be a strong enough catalyst to impact all markets almost simultaneously.

So, what caused risk assets (equities) to 'melt-up'? The answer in the post-GFC world invariably lands at the feet of one thing – 'cheap money' – and in the case of Europe and Japan, the prospect of the 'cheapest' money in history.

By this I mean possible further cuts to official interest rates.

The January trigger for the best start to a trading year in the US since 1967 came from its central bank, the Federal Reserve, pivoting away from its rate hiking path to a 'neutral' position. The reasoning at the time was that 7 rate rises since December 2016 and a forecasted further 3 rises for 2019 had place serious strain on the flow of credit in the US, and across the global for that matter.

With the Federal Reserve backing down, this eased the pressure on the flow of credit and its possible impingement on economic growth. Equities took this to be a risk-on event; the question now is if it's gone from 'risk-on' to 'exorbitance'.

I mean, how exactly would further interest rate cuts support each economy? Europe's interest rates are effectively 0%, places like England and Canada have increased interest rates in the past 2 years but are nowhere near their pre-GFC levels.

So, yes, the equity market views more cuts to interest rates as the 'cure' to the malaise in the global economy. But what the month of May is beginning to show us is the 'cure' (lower cash rates) may not come as soon or loom as large as what the market believes (pricing in). Could April be the peak of global market in 2019?

For more information on our International Equities Portfolio, click here.

Portfolio allocation

ASSET ALLOCATION	
Sector	**Weighting**
International Equities	96.97%
Cash	3.03%

Performance numbers exclude franking, after investment and admin fees; excludes brokerage. All yield figures include franking. All performance figures, graphs and diagrams are as at 30 April 2019. Performance figures are based on the portfolio's previous investment structure, a Separately Managed Account (SMA). This portfolio is now offered as a Professionally Managed Account (PMA), as of 1 November 2018. The underlying securities remain the same between the SMA and PMA structures. The inception date refers to the SMA. Please see the Investment Menu for full PMA fee details.

TOP 5 HOLDINGS	
Security	**Weighting**
Vanguard MSCI Index International Shares ETF (VGS)	39.57%
iShares S&P 500 ETF (IVV)	36.05%
Vanguard FTSE Europe Shares ETF (VEQ)	11.96%
iShares Asia 50 ETF (IAA)	6.05%
Betashares S&P 500 Yield Maximiser Fund (UMAX)	3.34%

InvestSMART Group Limited (INV)

was founded in 1999 and is a leading Australian digital wealth advisor which has over 32,000 clients and over $1.4B in assets under advice. InvestSMART's goal is to provide quality advice and low cost investment products, free from the jargon and complexities so commonly found in the finance industry, to help you meet your financial aspirations.

The Portfolio

The InvestSMART International Equities Portfolio provides Australian investors the ability to tap into the high potential growth of global markets and aid in portfolio diversification. The Portfolio is invested in a blend of our preferred ETFs, where each ETF invests in a different market sector to the others, thereby lowering volatility, minimising overall risk, and increasing the potential for long-term growth.

Investment objective

The Portfolio's investment objective is to provide investors returns in line with the benchmark minus our fees by investing in a blend of our preferred Exchange Traded Funds (ETFs).

Why the InvestSMART International Equities Portfolio?

Australia represents less than 2% of the world's total share market value, with over 50% of our market made up of only 20 companies. Investing overseas however is often considered too expensive, or complicated. The InvestSMART International Equities Portfolio is designed to give investors access to globally known brands & mega-cap companies like Apple and Microsoft at a low cost managed by our investment team.

Who manages the investment?

Evan Lucas, has been investing and researching global markets for over 10 years and is supported by our Investment Committee, chaired by Paul Clitheroe. After getting his Masters in Finance from Flinders University, Evan started his career in Amsterdam with ABN Amro before moving to the Royal Bank of Scotland. He returned to Australia with RBS Morgans where he developed his top down approach, joining InvestSMART as our Chief Market Strategist in 2018.

Key Details

INVESTMENT CATEGORY
A blend of our preferred Exchange Traded Funds (ETFs)

INVESTMENT STYLE
Low cost Active Asset Allocation

BENCHMARK
MSCI World (ex-Australia) Index, unhedged

INCEPTION DATE
24 October 2014

SUGGESTED INVESTMENT TIMEFRAME
7+ years

NUMBER OF SECURITIES / STOCKS
5 - 15 securities

INVESTMENT FEE
$99 - $451 p.a. capped

PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

SUITABILITY
Suitable for investors seeking international exposure at a low cost

PORTFOLIO MANAGER
Evan Lucas

Important information

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