

31 December 2021

## Quarterly Report

# InvestSMART Ethical Growth Portfolio



### Quarter Highlights

- Portfolio increased 2.9% after fees for December quarter
- Finished 15% higher on a total return basis for the calendar year
- No changes to the portfolio over the quarter

## About Us

InvestSMART 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.

## Portfolio overview

The InvestSMART Ethical Growth Portfolio invests in exchange traded funds where the majority of those funds are held in sustainable, responsible, and/or ethical investments (certain cash positions and other asset types deemed not relevant for ESG analysis are excluded).

Our Ethical Growth Portfolio is part of our capped fee range, so you keep more of what you earn to grow your investment faster.

## Investment objective

Invest in a portfolio of 5-15 ethical 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.

## 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 portfolio details

### INVESTMENT CATEGORY

Low-cost ETF Portfolio

### BENCHMARK

Morningstar® Australia Growth Target Allocation NR AUD+

### INCEPTION DATE

1 Nov 2020

### SUGGESTED INVESTMENT TIMEFRAME

5+ years

### NUMBER OF SECURITIES

5 - 15

### INVESTMENT FEE

\$99 - \$451 p.a. capped

### PERFORMANCE FEE

N/A

### MINIMUM INITIAL INVESTMENT

\$10,000 (or \$4,000 with [Fundlater](#))

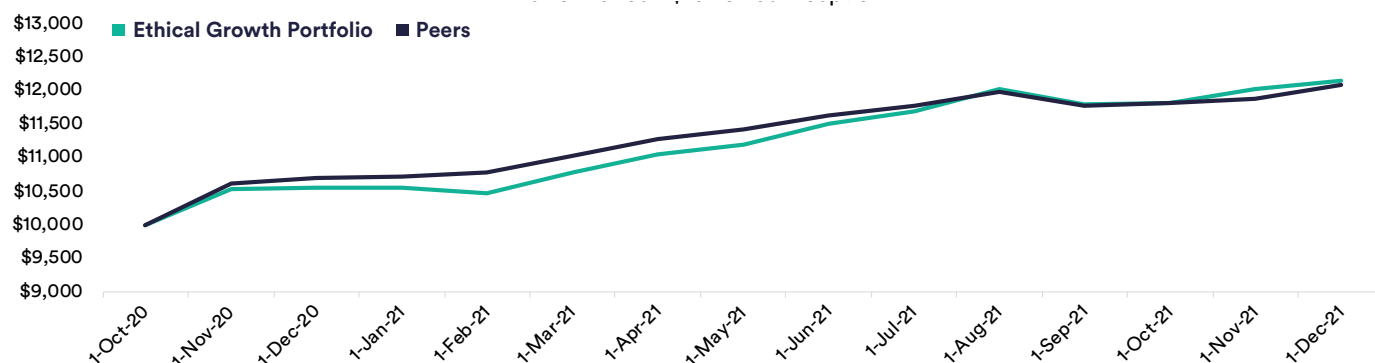
### STRUCTURE

Professionally Managed Account (PMA)

As at 31 December 2021

## Performance of \$10,000 since inception

Inception: 1 Nov 2020



## Performance (after fees)

Inception (S.I.): 1 Nov 2020

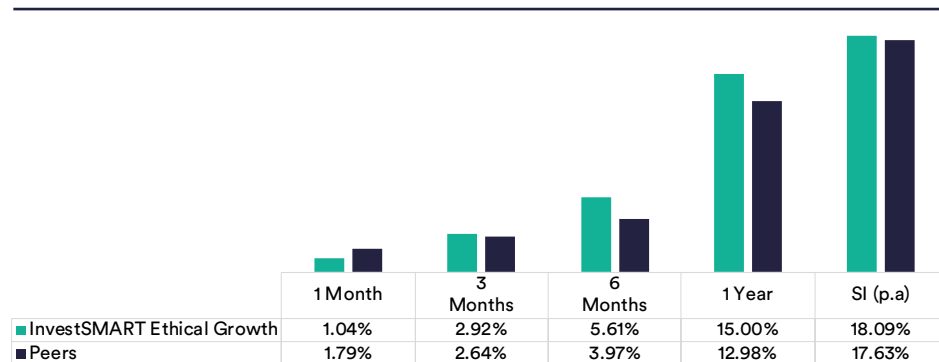
	3 mths	6 mths	1 yr	S.I. p.a.
InvestSMART Ethical Growth Portfolio	2.9%	5.6%	15.0%	18.1%
Average of 506 peers funds*	2.6%	3.9%	12.7%	17.1%
Excess to Peers	0.3%	1.7%	2.3%	1.0%

Fees: InvestSMART Ethical Growth 0.55% &amp; Average of 775 peers 1.60%

Note: Our InvestSMART Ethical Growth is benchmarked against Morningstar® Australia Growth Target Allocation NR AUD+

Performance shown is theoretical from 1 November 2020 and includes management fees but excludes brokerage and other trading costs.

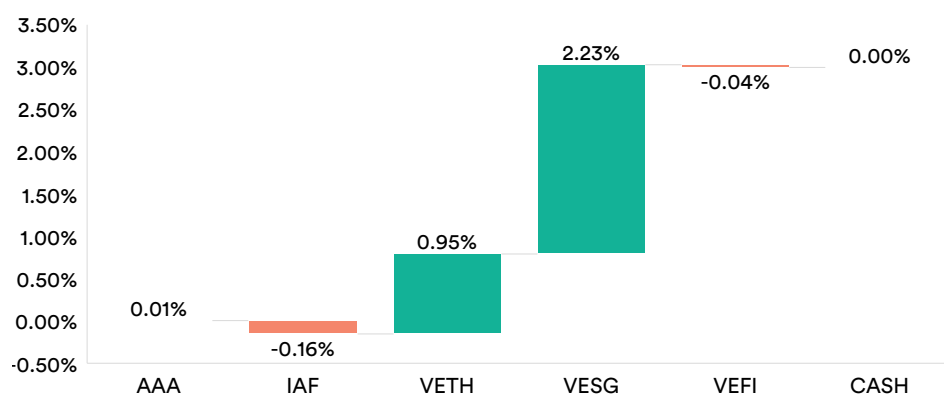
## Performance relative to peers



## Asset allocation

Australian Equities	32.1%
International Equities	37.0%
Australian Fixed Interest	11.4%
International Fixed Interest	10.1%
Cash	9.4%

## Attribution – Performance



## Top 5 holdings

AAA	8.41%
IAF	11.22%
VETH	32.11%
VESG	36.95%
VEFI	10.31%

# InvestSMART Ethical Growth Portfolio

## Quarterly Update

### Portfolio Performance

This is the first quarterly report for the Ethical Growth Portfolio since coming to market and it was a solid quarter at that. The Portfolio increased by 2.9 per cent after fees in the December quarter meaning over the calendar year the Portfolio finished 15 per cent higher on a total return basis.

There were no changes to the Portfolio over the quarter, all holdings continue to meet InvestSMART's holdings criteria of: high liquidity (easily traded), low fees known as the Management Expense Ratio (MER), large funds under management (FUM) and a price point that allows correct asset allocation. Plus, an additional review of the holdings' ethical nature.

As we move into 2022 InvestSMART will continue to review and evaluate the Portfolio's holdings to assure each one is providing the correct allocation you require.

### Performance of individual holdings.

#### VETH - Vanguard Ethically Conscious Australian Shares

A solid final quarter from the ASX 200 saw VETH finish the quarter up 2.63 per cent on a total return basis, this actually outperformed its non-ethical ASX 200 peer IOZ which finished the quarter up 2.08 per cent.

Over the 2021 calendar year VETH returned 18.6 per cent beating its non-ethical peer by 1.4 per cent which was dragged down by the energy sector.

We should point out that the historical average return of the ASX 200 on a yearly basis is 8.7 per cent thus an 18 per cent return is clearly outside of the norm. It is unlikely, although not impossible, for the ASX 200 to replicate 2021 in 2022. We therefore would be looking for VETH to return its yearly average in 2022.

The Ethical Growth Portfolio's weighting to VETH is 32.1 per cent and it remains a strong growth performer both

now and into the future while also providing a certified ethical investment vehicle.

#### VESG – Vanguard Ethically Conscious International Shares Index

The December quarter saw VESG finish 7.33 per cent higher capping off the its second best quarter of 2021. It also capped off what was the best year for VESG since its inception in 2018 up 29.6 per cent eclipsing the previous best year 2019's 29.4 per cent.

This performance is mainly down the VESG' high exposure to the US markets. The S&P 500 notched its third consecutive year of double-digit gains up 27 per cent. It's the S&P 500's longest annual hot streak since 1999. However, it wasn't all down to the US - all developed markets in 2021 had standout years in 2021 adding that little bit extra for VESG.

Looking to 2022 we should point out that 25 per cent plus yearly returns is unsustainable and abnormal. The since inception the total return of VESG is 14.3 per cent which by any normal measure is incredibly strong. We would expect VESG to revert to its historical norms in 2022.

The Ethical Growth Portfolio's weighting to VESG is 36.9 per cent and it remains the strongest growth holding in the Portfolio both now and into the future while also providing a certified ethical investment vehicle.

#### IAF – iShares Core Composite Bond

Difficult year for fixed income assets, low rates and low returns coupled with uncertainty and the threat of rate rises in the come years led to IAF falling for the first time in its history (circa 2012).

IAF fell 1.51 per cent in the final quarter of 2021 rounding out the year which saw a total return of negative 3.06 per cent for the full year on a total return basis. 2021 needs to be put into context of the broader historical performance, since inception IAF has averaged 4.01 per cent on a total return basis, the yield is 2.65 per cent. We would expect 2022 to return to historical norms.

The Ethical Growth Portfolio's weighting to IAF is 11.2 per cent and remains a solid defensive asset both now and into the future for the Portfolio.



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### **Important information**

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