

31 December 2021

## Quarterly Report

# InvestSMART High Growth Portfolio



### Quarter Highlights

- Portfolio increased 3.63% after fees for December quarter
- 19.7% return 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 High Growth Portfolio is designed for investors who are looking to build their wealth over the longer-term. The Portfolio is invested in a blend of 5-15 Exchange Traded Funds (ETFs), to offer investors a high allocation to growth assets (shares and property) than defensive income assets (bonds and cash) all managed in the one portfolio.

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

## Investment objective

To provide returns in line with the benchmark minus our fees by investing in a blend of our preferred Exchange Traded Funds (ETFs).

## 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 Aggressive Target Allocation NR AUD+

### INCEPTION DATE

27 October 2014

### SUGGESTED INVESTMENT TIMEFRAME

2+ 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](#))

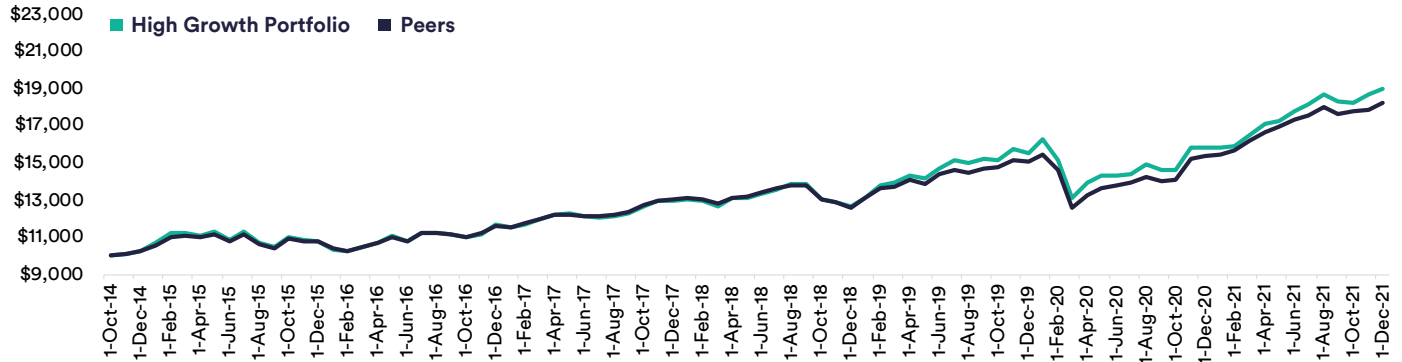
### STRUCTURE

Professionally Managed Account (PMA)

As at 31 December 2021

## Performance of \$10,000 since inception

Inception: 27 Oct 2014



## Performance (after fees)

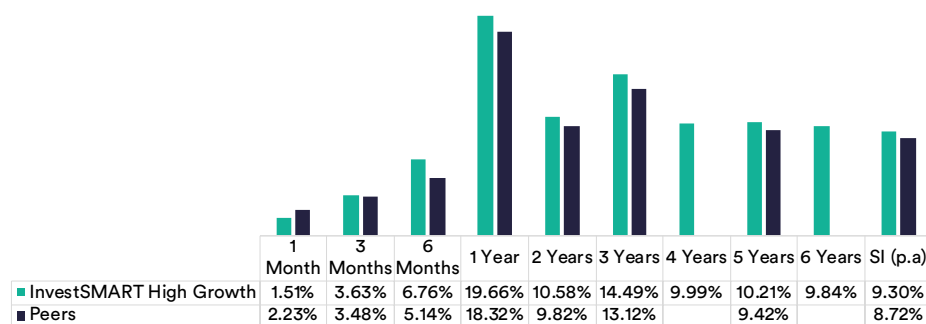
Inception (S.I.): 27 Oct 2014

	1 yr	2 yrs p.a.	3 yrs p.a.	4 yrs p.a.	5 yrs p.a.	S.I. p.a.
InvestSMART High Growth Portfolio	19.7%	10.6%	14.5%	10.0%	10.2%	9.3%
Average of 506 peers funds*	18.0%	9.8%	13.0%	8.8%	9.4%	8.6%
Excess to Peers	1.7%	0.8%	1.5%	1.2%	0.8%	0.7%

Fees\*: InvestSMART High Growth 0.55% &amp; Average of 417 peers 1.34%

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

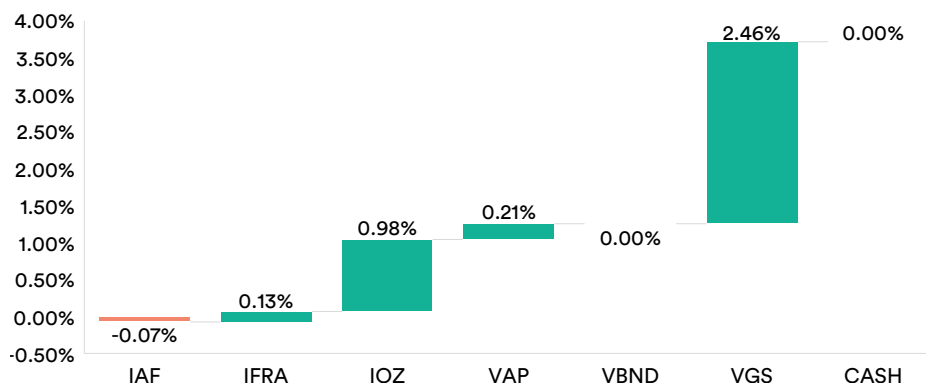
## Performance relative to peers



## Asset allocation

Australian Equities	38.2%
International Equities	46.0%
Australian Fixed Interest	4.6%
International Fixed Interest	2.9%
Cash	6.0%
Property & Infrastructure	2.3%

## Attribution – Performance



## Top 5 holdings

VGS	44.0%
IOZ	38.0%
IAF	4.5%
VBND	3.0%
IFRA	2.3%

# InvestSMART High Growth Portfolio

## Quarterly Update

### Portfolio Performance

The December quarter finished off what was an astounding year for the High Growth Portfolio. Over the quarter the portfolio increased 3.63 per cent after fees. Over the calendar year the Portfolio was up 19.7 per cent on a total returns basis after fees which is its second strongest year on record behind 2019. Since inception the High Growth Portfolio has averaged 9.3 per cent after fees which is what we would expect the Portfolio to do in 2022 rather than its incredible performance of 2021.

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.

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

#### VGS – Vanguard MSCI Index International Shares

The December quarter saw VGS finish 7.23 per cent higher capping off the best quarter of 2021. It also capped off what was the best year for VGS since its inception in 2014 up 29.6 per cent beating the previous best year 2019's 28.4 per cent.

This performance is mainly down the VGS' 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 VGS.

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 VGS is 14.3 per cent which by any normal measure is incredibly strong. We would expect VGS to revert to its historical norms in 2022.

The High Growth Portfolio's weighting to VGS is 44 per cent and it remains the highest growth performer both now and into the future in the Portfolio.

#### IOZ – iShares Australia 200 ETF

A solid final quarter from the ASX 200 saw IOZ finish the quarter up 2.05 per cent on a total return basis. The fourth quarter also saw the largest distribution for IOZ of 47.7c since July 2016 adding to the strong total return.

Over the 2021 calendar year IOZ returned 17.11 per cent it second best year in the past five. 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 IOZ to return its yearly average in 2022.

The High Growth Portfolio's weighting to IOZ is 38 per cent and it remains a strong growth performer both now and into the future.

#### 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 High Growth Portfolio's weighting to IAF is 4.5 per cent and remains a defensive asset both now and into the future for the portfolio.



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### **Important information**

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