

# InvestSMART Core Growth Portfolio

QUARTERLY UPDATE

## Quarterly Video Update

Evan Lucas,  
Portfolio Manager



This quarter Evan discusses:

- /// The US earnings season and what it means for the Australian market
- /// The importance of diversification
- /// The Portfolio's core focus



# InvestSMART Core Growth Portfolio

PERFORMANCE TO 31 DEC 2018	1 mth	3 mths	6 mths	1 yr	2 yrs (p.a.)	3 yrs (p.a.)	4 yrs (p.a.)	Since Inception (p.a.)
InvestSMART Core Growth	-1.41%	-6.59%	-3.72%	-0.89%	4.04%	5.14%	5.07%	5.88%
Morningstar Multisector Growth Index	-1.17%	-6.01%	-3.18%	0.56%	4.82%	5.81%	-	6.77%
Peers	-1.57%	-5.90%	-4.27%	-2.30%	3.09%	3.98%	-	-

## KEY POINTS

- **Portfolio produced a return of -6.59% (after fees) during the December quarter**
- **No changes were made to the Portfolio**
- **Estimated yield at 3.62% p.a.**
- **Since inception, Core Growth has returned 5.88% p.a. (after fees)**

We saw a complete reversal of fortunes in international markets in the final quarter of 2018. US markets delivered their best quarterly return in 5 years in the September quarter, only for the December quarter to be the complete opposite. It was the worst quarter in almost 10 years. It was also the worst December in 50 years for US markets. The Vanguard MSCI Index International Shares ETF (VGS) has a 63% exposure to US markets, which explains why it detracted -3.61% in overall performance over the quarter.

Focusing on this first quarter of 2019, two key events will define international markets, being the 'finalisation' of Brexit and US Q4 earnings season. US earnings season has already taken on a bigger meaning from an Australian-centric point of view with Apple singling out China as the reason it will miss its original revenue estimates. If other US-listed firms follow suit and downgrade earnings due to waning Chinese demand, the ASX will likely see downward pressure given Australia's reliance on Chinese demand for our goods and services.

The iShares Core S&P/ASX 200 ETF (IOZ) detracted -2.36%

from performance over the December quarter. Australian equities were impacted by the global sell-off, as well as the Banking Royal Commission. The threat of regulation continues to surround the Financials sector, a sector that makes up over 40% of the ASX 200. This quarter, the Australian market will experience H1FY19 reporting season. We will direct a keen eye to those firms with Chinese

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**“DIVERSIFICATION WILL BE KEY OVER THE INTERIM PERIOD AS IT WILL BUFFER FROM SINGLE-ASSET VOLATILITY.”**

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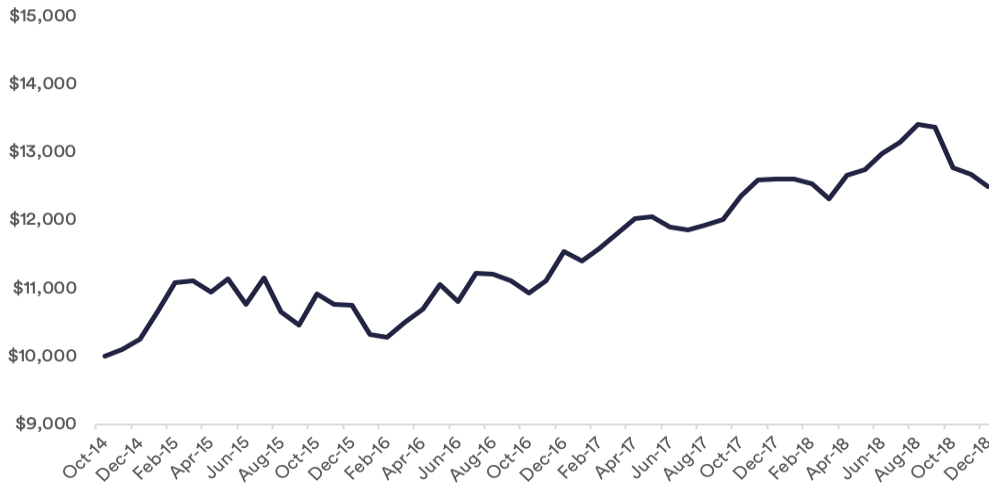
exposure as international and domestic firms are suggesting Chinese demand slipped in the final quarter of calendar year 2018 and this could hurt returns.

However, the Core Growth Portfolio is diversified. It has a 29% weighting to 'defensive' assets, something that mitigated the portfolio from seeing larger, more volatile trading losses. The iShares Core Composite Bond ETF (IAF) attributed 0.21% while the Vanguard Global Aggregate Bond Index (Hedge) ETF (VBND) added 0.07% in the final quarter as both domestic and international bonds markets saw solid inflows. Diversification will be key over the interim period as it will buffer from single-asset volatility.

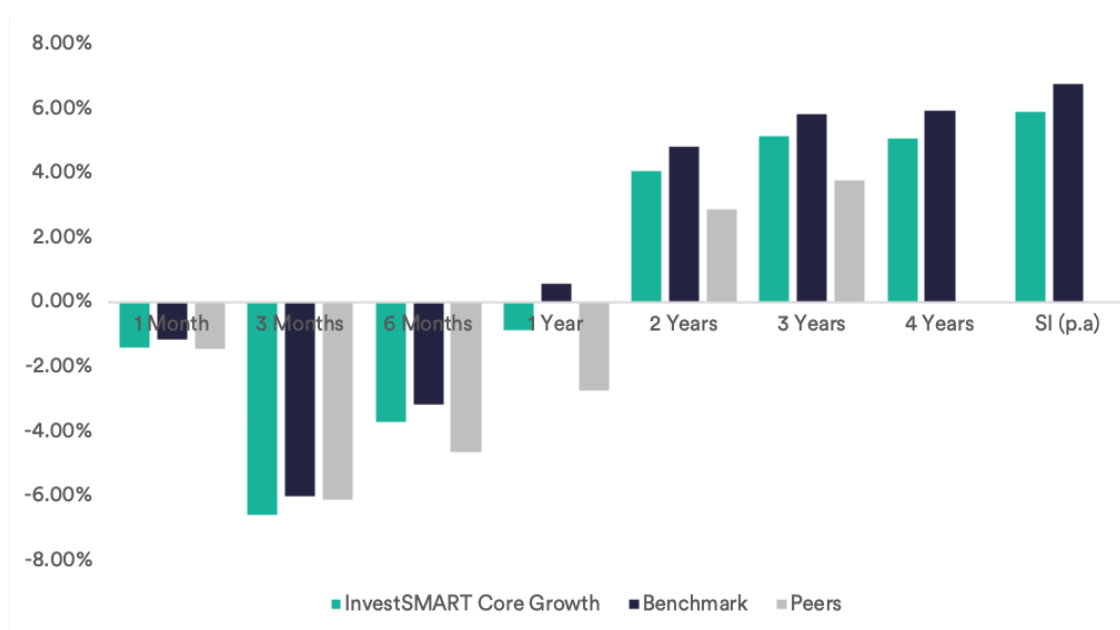
Nevertheless, this Portfolio's core focus remains growth over the long term (5+ years). We believe the current correction is providing entry points for those looking for long-term, above average returns.

# Performance

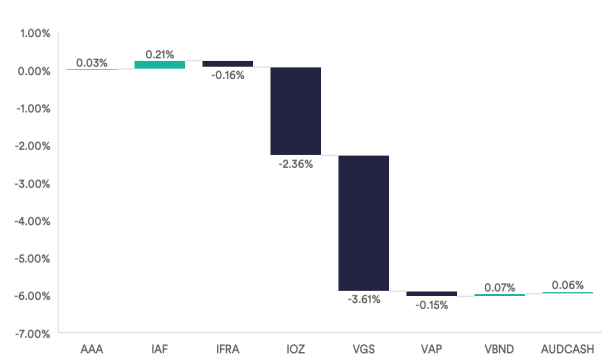
## PERFORMANCE OF \$10,000 SINCE INCEPTION



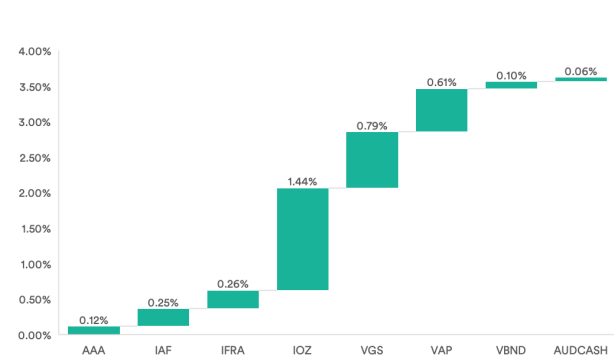
## PERFORMANCE RELATIVE TO BENCHMARKS



## PERFORMANCE ATTRIBUTION - BEFORE FEES

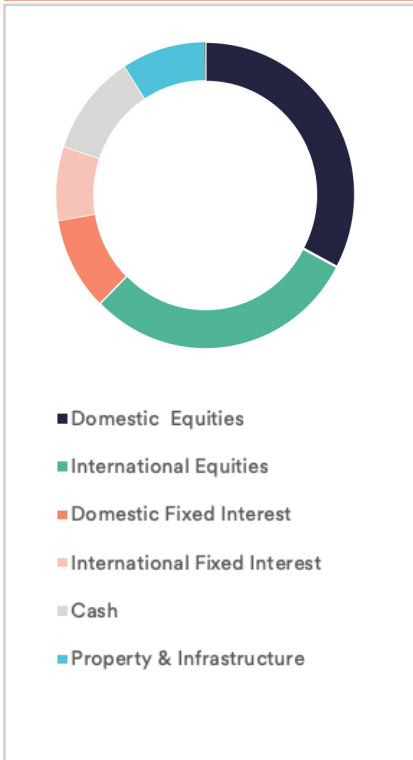


## YIELD ATTRIBUTION



# Portfolio Holdings

TOP PORTFOLIO HOLDINGS		
Security	Ticker	Dec 2018
<b>Australian Equities</b>		
iShares Core S&P/ASX 200 ETF	IOZ	28.57%
<b>International Equities</b>		
Vanguard MSCI Index International Shares ETF	VGS	29.64%
<b>Property &amp; Infrastructure</b>		
Vanguard Australian Property Securities Index ETF	VAP	7.27%
VanEck Vectors FTSE Global Infrastructure ETF	IFRA	6.40%
<b>Cash</b>		
BetaShares Australian High Interest Cash ETF	AAA	5.71%
AUD Cash	AUDCASH	3.65%
<b>Fixed Interest</b>		
iShares Core Composite Bond ETF	IAF	10.82%
Vanguard Global Aggregate Bond Index ETF	VBND	7.94%



## Live Webinar with Evan Lucas

Thursday, 24 January @ 12.00pm

Join Evan as he provides an update on the Diversified and Strategy Portfolios and discuss how we're positioning ourselves in the current environment

[REGISTER | FIND OUT MORE](#)

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 31 December 2018. 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. Peers indicated in the performance table is a Morningstar data feed based on similar underlying securities per portfolio.

## 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 Core Growth Portfolio is designed for investors who are looking to build their wealth over the medium-term. The Portfolio is invested in a blend of Exchange Traded Funds (ETFs), to offer investors a higher allocation to growth assets (shares & property) vs income assets (bonds & cash) all managed in the one portfolio.

## 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 ETFs.

## Why the InvestSMART Core Growth Portfolio?

Having a well-diversified portfolio is a well-known strategy to assist in growing your capital whilst minimising your investment risks. The InvestSMART Core Growth Portfolio has been designed to balance your returns, by carefully balancing risk and fees.

## 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

Morningstar Multisector Growth Index

### INCEPTION DATE

24 October 2014

### SUGGESTED INVESTMENT TIMEFRAME

5+ 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 looking to build their wealth over the medium-term

### PORTFOLIO MANAGER

Evan Lucas

# Appendix

## Portfolio Holdings

CORE GROWTH PORTFOLIO	
Australian Equities	
iShares Core S&P/ASX 200 ETF [IOZ]	Issuer: Blackrock iShares Management fee: 0.15% Benchmark: S&P/ASX200 Investment case: Provide domestic equity market exposure.
International Equities	
Vanguard MSCI Index International ETF [VGS]	Issuer: Vanguard Management fee: 0.18% Benchmark: MSCI World ex-Australia Investment case: Provide domestic REIT exposure.
Property & Infrastructure	
Vanguard Australian Property Securities Index ETF [VAP]	Issuer: Vanguard Management fee: 0.23% Benchmark: S&P/ASX300 A-REIT Index Investment case: Provide domestic REIT exposure.
VanEck Vectors FTSE Global Infrastructure (50/50 Hedged) ETF [IFRA]	Issuer: VanEck Management fee: 0.52% Benchmark: FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index Investment case: Provide exposure to global infrastructure securities.
Cash	
BetaShares Australian High Interest Cash ETF [AAA]	Issuer: BetaShares Management fee: 0.18% Benchmark: 30-day Bank Bill Swap Rate Investment case: Provide returns more than RBA cash rate on our cash holdings.
Fixed Interest	
iShares Core Composite Bond ETF [IAF]	Issuer: Blackrock iShares Management fee: 0.20% Benchmark: Bloomberg AusBond Composite 0+ Yr Index Investment case: Provide exposure to domestic fixed interest securities.
Vanguard Global Aggregate Bond Hedged ETF [VBND]	Issuer: Vanguard Management fee: 0.20% Benchmark: Bloomberg Barclays Global Aggregate Float Adjusted Index hedged into Australian dollars Investment case: Provide exposure to international fixed interest securities.

# Appendix

## Glossary

**Attribution** highlights the proportion of the total return that was generated by a given security.

**Peers** are defined as retail investment funds that share the same benchmark as the portfolio, as determined by Morningstar's peer grouping methodology. Regarding the InvestSMART Core Growth Portfolio, these are multi asset class funds with an asset allocation that is weighted higher toward growth assets. Not all retail investment funds have been included in Morningstar data. Number of peers is 1002.

**The Indirect Cost Ratio** is the weighted management fee of the underlying ETFs and Managed Funds held within the portfolio.

The **Risk Ratings** that InvestSMART Group assigns to our investment products is based on an industry standard, The Standard Risk Measure (SRM). The SRM is a guide developed by the Financial Services Council (FSC) and The Association of Superannuation Funds of Australia (ASFA) that outlines the likely number of negative annual returns expected over any 20 year period. The purpose of the SRM is to provide a standardised labelling system to assist investors in comparing investment options across providers.

Performance numbers exclude franking, after investment and admin fees. All yield figures include franking. Performance Attribution graph only relates to the 3-month performance figure for the quarter. All performance figures, graphs and diagrams are as at 31 December 2018.

## Important information

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