

InvestSMART High Growth Portfolio

QUARTERLY UPDATE

Quarterly Video Update

Evan Lucas,
Portfolio Manager



This quarter Evan discusses:

- The performance of growth assets over the quarter
- The implications of the US Q4 earnings season
- The roadblocks for the ASX in the first quarter of 2019



InvestSMART High 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 High Growth	-2.16%	-9.10%	-5.34%	-2.55%	4.16%	5.48%	5.39%	6.24%
Morningstar Multisector Aggressive Index	-2.00%	-8.30%	-4.69%	-0.19%	5.37%	6.63%	-	8.08%
Peers	-2.41%	-8.19%	-5.87%	-3.09%	3.95%	4.99%	-	-

KEY POINTS

- **Portfolio produced a return of -9.10% (after fees) during the December quarter**
- **No changes were made to the Portfolio**
- **Estimated yield is 3.76%**
- **Since inception the High Growth portfolio has returned 6.24% p.a. (after fees)**

Growth assets suffered heavily in the final quarter of 2018 as markets questioned the future of global output, the rate tightening cycle by the US Federal Reserve and the impacts of the US-China trade war. These issues caused a complete reversal for the Vanguard MSCI Index International Shares ETF (VGS) in the December quarter. After attributing 3.57% in the September quarter, VGS detracted -5.22% in overall performance in the final quarter.

The 'finalisation' of Brexit and US Q4 earnings season are the two key events that international markets will be tracking in the first quarter of 2019. Apple has already singled out China as the reason it will miss its original revenue estimates, which indicates this quarter's US earnings season could have an even greater impact from an Australian-centric point of view. If other US-listed firms follow suit and downgrade earnings due to declining Chinese demand, the ASX will likely feel the brunt of this given Australia's reliance on Chinese demand for Australian goods and services.

The iShares Core S&P/ASX 200 ETF (IOZ) also suffered due to 'risk-off' trading, which became a worldwide phenomenon and detracted -3.24% over the quarter. Adding to the downward pressure from global markets was the tail end of the Banking Royal Commission. This fuelled greater speculation that regulation, and its impacts, will become a more prominent theme in 2019 and beyond. Considering over 40% of the ASX 200 is made up of companies that fall

under the Financials sector, this has already begun to be priced into future earnings.

There are several events that may roadblock the ASX in the first quarter of 2019, the first of which is H1FY19 earnings season where we are likely to see downgrades considering uncertainty around global growth. The other is Chinese Lunar New Year. This is a cyclical issue every year. It's a period where Chinese demand plummets as China celebrates the festive season. As a result, bulk commodity prices generally fall over this period and, as the trend goes, they tend not to recover until late April.

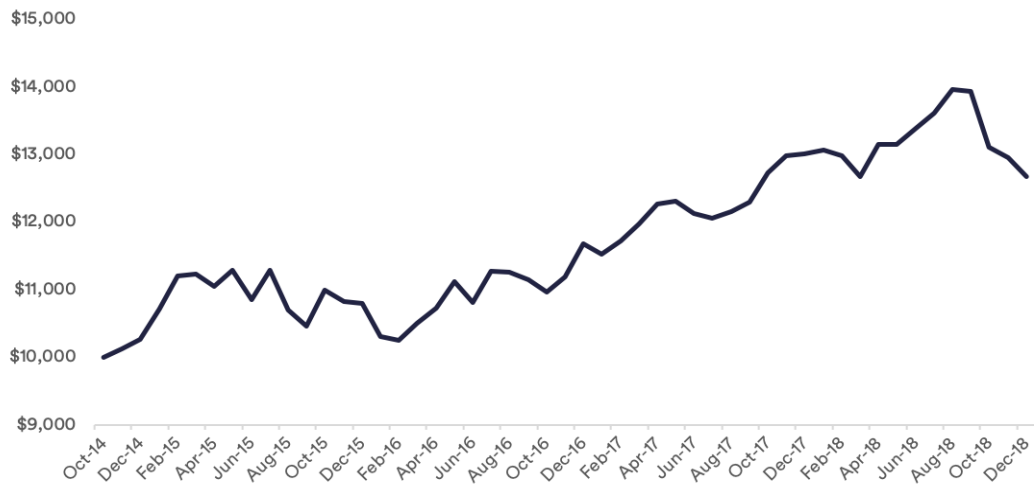
"ADDING TO THE DOWNWARD PRESSURE FROM GLOBAL MARKETS WAS THE TAIL END OF THE BANKING ROYAL COMMISSION."

The High Growth Portfolio, however, is diversified with a portion of its weightings focused on defensive assets designed to mitigate the portfolio from being overexposed to one asset class. The iShares Core Composite Bond ETF (IAF) attributed 0.04% while the Vanguard Global Aggregate Bond Index (Hedge) ETF (VBND) added 0.02% in the final quarter as both domestic and international bonds markets saw solid inflows. Diversification will be key over the coming short-term period as this helps create a buffer from single-asset volatility.

In saying that, this portfolio's fundamental focus is strong long-term growth and has an investment horizon of 7+ years. Although the current correction has impacted the short-term performance, we believe the current conditions are providing entry points for those looking for long-term capital growth.

Performance

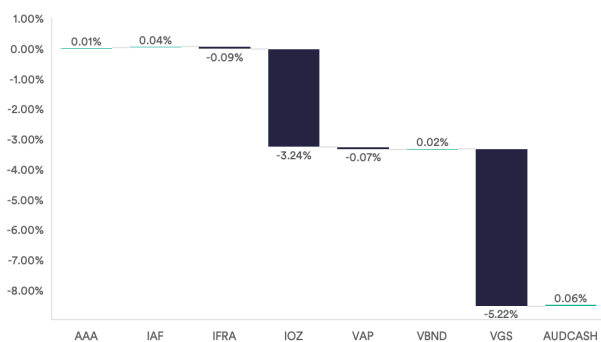
PERFORMANCE OF \$10,000 SINCE INCEPTION



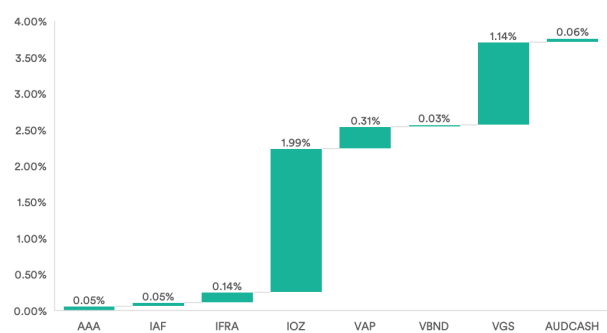
PERFORMANCE RELATIVE TO BENCHMARKS



PERFORMANCE ATTRIBUTION - BEFORE FEES

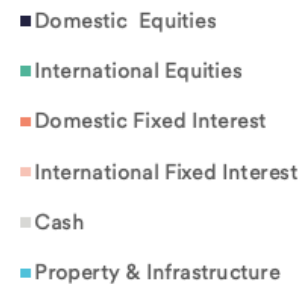
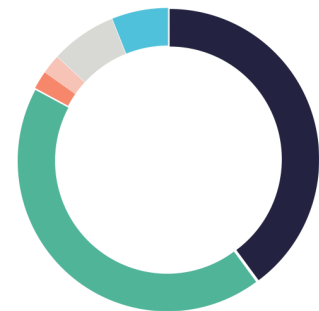


YIELD ATTRIBUTION



Portfolio Holdings

TOP PORTFOLIO HOLDINGS		
Security	Ticker	Dec 2018
Australian Equities		
iShares Core S&P/ASX 200 ETF	IOZ	39.33%
International Equities		
Vanguard MSCI Index International Shares ETF	VGS	42.80%
Property & Infrastructure		
Vanguard Australian Property Securities Index ETF	VAP	3.66%
VanEck Vectors FTSE Global Infrastructure ETF	IFRA	3.52%
Cash		
BetaShares Australian High Interest Cash ETF	AAA	2.63%
AUD Cash	AUDCASH	3.81%
Fixed Interest		
iShares Core Composite Bond ETF	IAF	2.13%
Vanguard Global Aggregate Bond Index (Hedged) ETF	VBND	2.12%



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

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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 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 Exchange Traded Funds (ETFs), to offer investors a high 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 Exchange Traded Funds (ETFs).

Why the InvestSMART High 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 High Growth 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 Aggressive Index

INCEPTION DATE

27 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 looking to build their wealth over the longer-term

PORTFOLIO MANAGER

Evan Lucas

Appendix

Portfolio Holdings

HIGH 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 diversified international equity 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 High 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 579.

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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