

31 DECEMBER 2019

Quarterly Report

InvestSMART Diversified Property and Infrastructure Portfolio

December Quarter Highlights

- Portfolio fell slightly in the December quarter down 0.16% (after fees)
- No changes were made to the portfolio during the quarter
- Estimated yield on the portfolio is currently 4.05%
- Bond proxies experience indifferent trade as fixed income markets sell off



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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 Diversified Property & Infrastructure Portfolio is designed for investors looking to diversify their property exposure or tap into the income & capital growth potential from the commercial property market generally inaccessible to the public. The Portfolio invests in a mix of 5 - 12 securities across Real Estate Investment Trusts (A-REITs), Infrastructure, and global property Exchange Traded Funds (ETFs) all managed in the one portfolio.

Our Diversified Property & Infrastructure 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 investors 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

A Composite Index

INCEPTION DATE

23 December 2015

SUGGESTED INVESTMENT TIMEFRAME

2+ years

NUMBER OF SECURITIES

5 - 12

INVESTMENT FEE

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

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

STRUCTURE

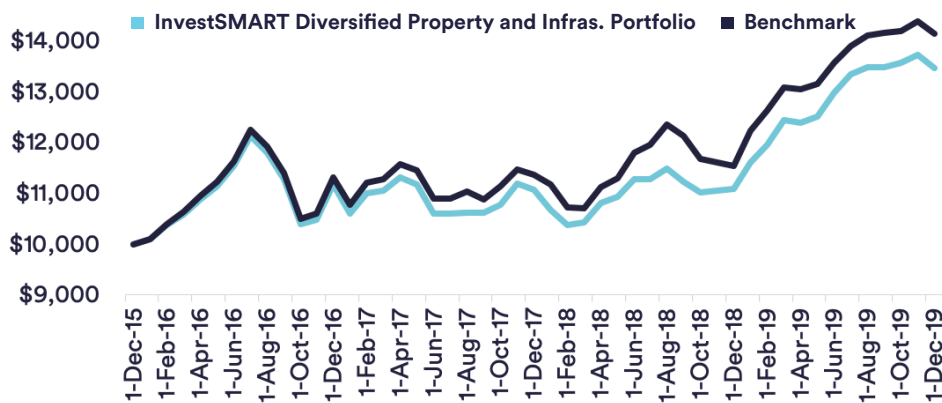
Professionally Managed Account (PMA)

Performance to 31 Dec 2019

	1 yr	2 yrs p.a	3 yrs p.a	4 yrs p.a
InvestSMART Diversified Property and Infrastructure [#]	20.9%	10.1%	6.2%	7.6%
Average of 424 peers funds [^]	16.8%	8.1%	7.4%	N/A
Excess to Peers	4.1%	2.0%	-1.2%	N/A

[#] InvestSMART Portfolio performance figures are after investment and admin fees excl. brokerage and assuming dividends re-invested and no withdrawals. The peer comparison figures have been sourced from Morningstar data and is therefore limited to the funds and investment products included in their database. This may not include all funds available for retail investment in Australia. The peer calculation is inclusive of admin and investment fees; excludes brokerage and no withdrawals have been made. InvestSMART cannot determine whether or not franking has been included, nor if dividends have been reinvested. Historical performance is not a reliable indicator of future performance. Fees[^]: InvestSMART Diversified Property and Infrastructure 0.55% & Average of 424 peers 1.54%. Note: Our InvestSMART Diversified Property and Infrastructure is benchmarked against A Composite Index.

Performance of \$10,000 since inception



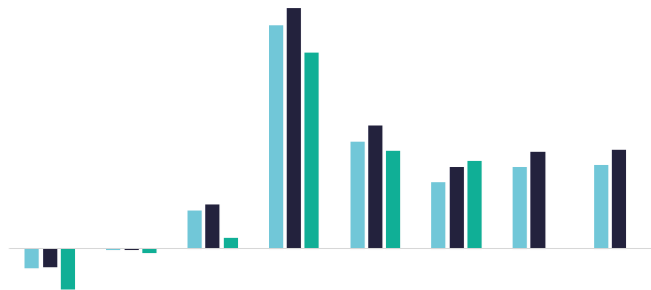
Asset allocation

International Infrastructure	24.9%
International Property	24.8%
Domestic Infrastructure	24.7%
Domestic Property	23.5%
Cash	2.1%

Top 5 holdings

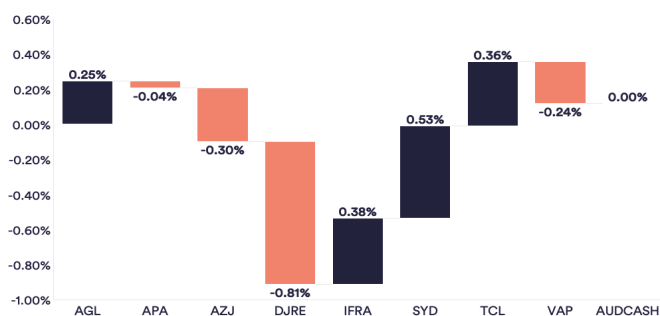
IFRA	24.9%
DJRE	24.8%
VAP	23.5%
TCL	10.0%
SYD	5.2%

Performance relative to benchmarks

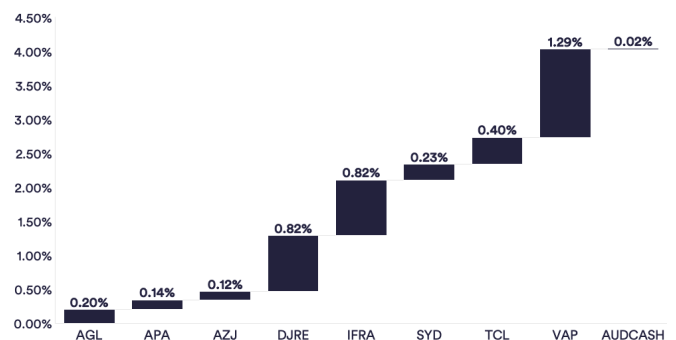


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	SI (p.a)
InvestSMART Diversified Property & Infrastructure Portfolio	-1.89%	-0.16%	3.61%	20.90%	10.07%	6.24%	7.63%	7.89%
Benchmark	-1.74%	-0.15%	4.19%	22.52%	11.50%	7.70%	9.04%	9.29%
Peers (ASX200 A-REIT TR/ Equity Australia Real Estate)	-3.88%	-0.46%	1.03%	18.36%	9.17%	8.24%	0.00%	0.00%

Attribution – Performance



Attribution – Yield



InvestSMART Diversified Property and Infrastructure Portfolio

It was an interesting period for bond proxies over the quarter, listed property both domestically and internationally declined, while infrastructure on the other hand increased. Yield on the portfolio has increased off the back of the declines in property – the interesting question from this statement is will the market's quest for yield make it attractive over the coming quarter?

The answer to that question may not come from a yield perspective, but a capital growth perspective. In the final quarter of the calendar year the median capital city house price rose 10.4%, the fastest rate in five years, as the RBA cut rates lowered rates and flushed out buyers. It should also be pointed out that proposed changes from the Labor Party at the May 2019 election around negative gearing also released a risk issue, and property has been surging since June. Forecasts are for a strong year in property as low supply coupled with returning demand drive prices higher. This price increase, coupled with demand for income, is likely to manifest into total returns for property into 2020.

The three rate cuts from the RBA, the possibility of a further two in 2020 and even Aussie-styled quantitative easing in 2020 will make the bond proxy trade all the more attractive as these securities hold up their yields.

However, DJRE and VAP did decline in the quarter which impacted performance of the portfolio by -0.81% and -0.24% respectively.

On the infrastructure side, one of the firms InvestSMART views as a 'never sell' – Transurban (TCL), attributed 0.36%, however its more than this. TCL continues to provide a total return base of Australian infrastructure listing and will continue to do so as it increases its footprint in both Australia and the US.

Sydney Airport (SYD) also continued its strong yearly performance attributing 0.53% in the final quarter as sales revenue and traveller growth continued to accelerate. We would note that the horrible wildfires in New South Wales and the resulting smoke that has blanketed Sydney will likely impact traveller numbers. This is an individual stick risk we understand, however, the weight to SYD is correct and any declines will likely be offset by the other investment in the portfolio.

We highlight all this for constructive reasons – when investing, your time horizon is key, and you should always be thinking in 4+ year timeframes. Pull backs are opportunities not impediments.

Your opportunity to average down your cost base as you look to your investment time horizon gives you the ability to look through the intra-day, week, month and even yearly fluctuations with a resolve that will minimise making an investment mistake.



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Important information

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the [InvestSMART Diversified Property and Infrastructure Portfolio] (Fund) and issuer of units in the Fund.

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