

31 DECEMBER 2019

Quarterly Report

InvestSMART Growth Portfolio

December Quarter Highlights

- Portfolio rose slightly in the Dec quarter up 1.21% (after fees)
- No changes were made to the portfolio during the quarter
- Estimated yield on the portfolio is currently 3.16%
- The quest for Growth assets by the market drove the performance of the Growth Portfolio



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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 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 5-15 Exchange Traded Funds (ETFs), to offer investors a higher allocation to growth assets (shares and property) than defensive income assets (bonds and cash) all managed in the one portfolio.

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

Investment objective

Provide a return of 3% over the RBA cash rate per annum over a 5-year rolling period by investing in a diverse mix of asset classes.

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 Multisector Growth Index

INCEPTION DATE

24 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

STRUCTURE

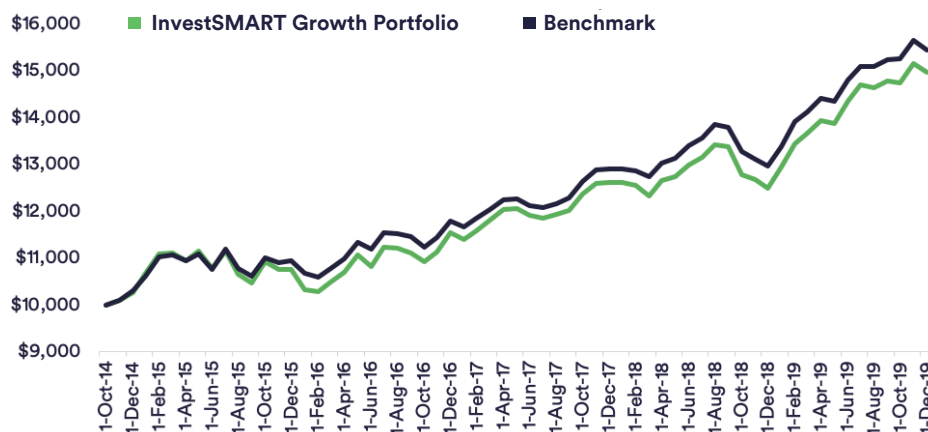
Professionally Managed Account (PMA)

Performance to 31 Dec 2019

	1 year	2 yrs p.a	3 yrs p.a	5 yrs p.a
InvestSMART Growth [#]	19.1%	8.7%	8.8%	7.7%
Average of 1003 peers funds [^]	15.3%	6.2%	7.0%	6.1%
Excess to Peers	3.8%	2.5%	1.8%	1.7%

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 Growth 0.55% & Average of 1003 peers 1.76%. Note: Our InvestSMART Growth is benchmarked against Morningstar Multisector Growth Index.

Performance of \$10,000 since inception



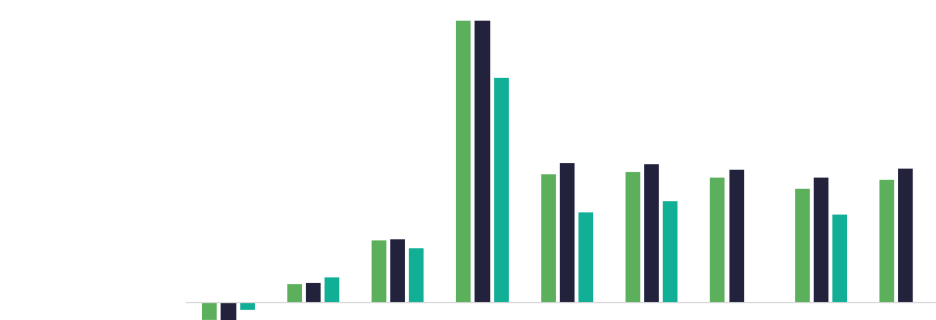
Asset allocation

International Equities	32.7%
Australian Equities	29.0%
Australian Fixed Interest	11.3%
Property	10.4%
International Fixed Interest	8.5%
Cash	8.1%

Top 5 holdings

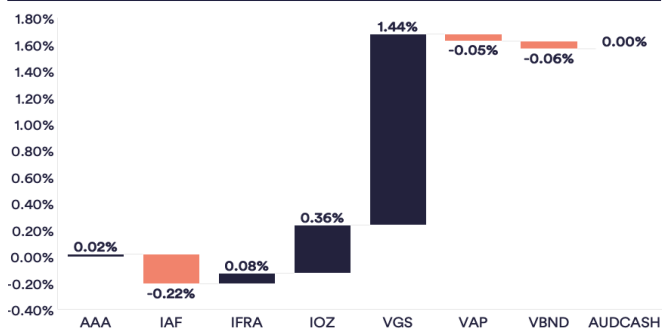
VGS	31.5%
IOZ	30.0%
IAF	13.7%
VBND	6.4%
AAA	5.8%

Performance relative to benchmarks

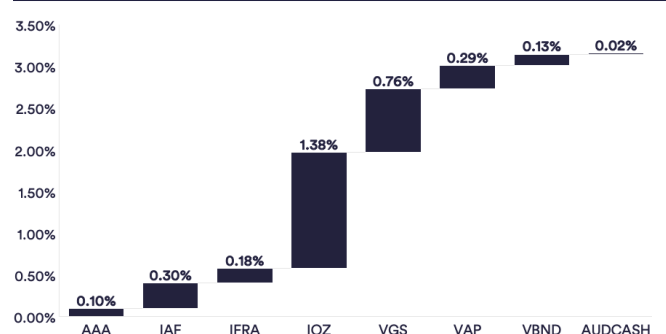


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART Growth	-1.23%	1.21%	4.21%	19.12%	8.69%	8.82%	8.44%	7.72%	8.29%
Benchmark	-1.32%	1.34%	4.30%	19.12%	9.44%	9.39%	8.99%	8.43%	9.05%
Peers	-0.50%	1.70%	3.69%	15.24%	6.08%	6.84%	0.00%	5.94%	0.00%

Attribution – Performance



Attribution – Yield



InvestSMART Growth Portfolio

The Growth Portfolio's 33% weighting to international equities has been a huge driver of its yearly and quarterly performance. Its 72% overall weighting to Growth also allowed it to take full advantage of the rotation into risk in the final two quarters of the financial year.

The positive quarter for the Growth portfolio came despite the fact on December 31, the ASX logged a 1.8% decline for a 2.36% decline over the month, the ASX makes up 29.96% of the portfolio.

However, we should highlight the year that was 2019:

- Best year of the decade for the ASX 200 adding 18.4% on a capital basis but more importantly, it added 23.4% on a total return basis – a figure we at InvestSMART see as a much more important figure. What's even more interesting from the domestic trading year is the returns of the MSCI Australian High Dividend index, up a whopping 36.4%. Compare that to the Growth index adding 28.31% while the Value index added just 10.8%. This suggests that the outflows from fixed interest are likely to be heading to high yielding returns despite the increase risk of equities.
- S&P 500 added 29% for its best year since 2014, 31.4% on a total returns basis as investors piled into the risk returns.
- Europe rose 23.25%, 27.62% on total return and even China, after the issues facing Hong Kong, managed 16.4%, 20.7% on total returns.

This saw VGS contributing 1.44% to performance in the quarter and IOZ adding 0.36% over the same period despite the market's performance in December.

Looking into financial years 2020/21, there are plenty of questions to be asked no doubt. 2019 was the year we constantly referred to as the 'malaise' (economic slowdown) and the 'cure' (central bank stimuluses). With three rate cuts from the RBA and the possibility of a further two in 2020 and even Aussie-styled

quantitative easing, two from the Federal Reserve and a re-enactment of quantitative easing from the European Central bank and the Bank of Japan, it's little wonder this massive liquidity excess flowed into investment.

Will this 'cure' continue to support markets into 2020? Likely, but we certainly don't believe it will be as strong a calendar year as 2019. Taking this idea further, did 2019 just price in all current and future stimulus and thus, if the RBA for example does not cut rates further, see some of the gains in 2019 coming out in 2020? It's a risk we are monitoring, however, on current and forward-looking data, the cuts are coming sooner rather than later with the first likely to come in March 2020.

The other part of the portfolio that we will be monitoring in the final six months of the financial year is property. The median capital city house price rose 10.4% in the final quarter of 2019, the fastest rate in five years, as the RBA rate cuts 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.

Looking at the defensive side of the portfolio, the final quarter of the calendar year was now as positive as its growth peer.

From the beginning of October all the way through to the close of the calendar year, fixed income both domestically and internationally has been slipping as fund managers rotate into higher yielding risk assets.

We did expect some rotation out of fixed interest as the run up in this asset class had been phenomenal. From December 2018 to August 2019, moves in fixed interest were the 'exception' not the rule, of fixed interest trade. An 8.5% capital gain is the kind of movement one expects in equities, per annum, not fixed interest inside nine months. Furthermore, if, as forecasted by most economists, central banks ease rates and the global slowdown doesn't eventuate, the decline in fixed interest is likely to continue in the near future.

Remember when investing, your time horizon is key, and you should always be thinking in a 7+ year timeframe for a growth portfolio set up. Pull backs should be seen as an opportunity to top up.

That opportunity averages down your cost base and it also 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

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