

31 DECEMBER 2019

Quarterly Report

InvestSMART International Equities Portfolio

December Quarter Highlights

- Portfolio fell 1.41% in the December quarter (after fees)
- No changes were made to the portfolio during the quarter
- Estimated yield on the portfolio is currently 1.93%
- Fixed income markets under real pressure as the forecast global slowdown hasn't materialised



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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 International Equities Portfolio provides Australian investors the ability to tap into the high potential growth of global markets and aid in portfolio diversification. The Portfolio is invested in a blend of our 5-15 preferred Exchange traded Funds (ETFs), where each ETF invests in a different market sector to the others, thereby lowering volatility, minimising overall risk, and increasing the potential for long-term growth.

Our International Equities 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

MSCI World (ex-Australia) Total Return Index, unhedged

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

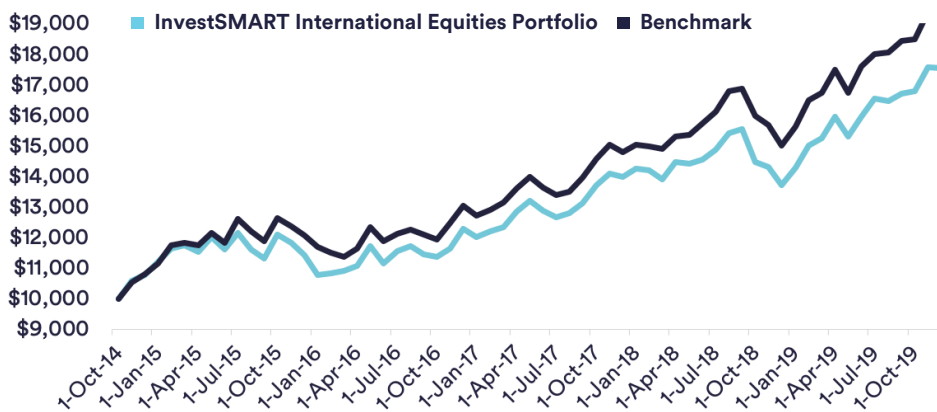
Professionally Managed Account (PMA)

Performance to 31 Dec 2019

	1 yr	2 yrs p.a	3 yrs p.a	5 yrs p.a
InvestSMART International Equities [#]	27.1%	11.7%	12.3%	10.1%
Average of 1062 peers funds [^]	23.1%	10.7%	12.0%	10.1%
Excess to Peers	4.0%	0.9%	0.3%	0.0%

[#] 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 International Equities 0.55% & Average of 1062 peers 1.83%. Note: Our InvestSMART International Equities is benchmarked against MSCI World (ex-Australia) Total Return Index, unhedged.

Performance of \$10,000 since inception



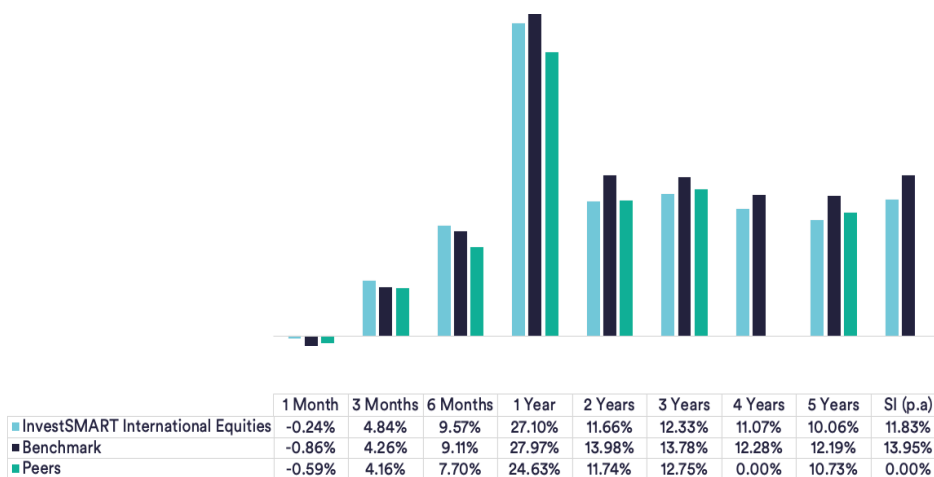
Asset allocation

International Equities	97.8%
Cash	2.2%

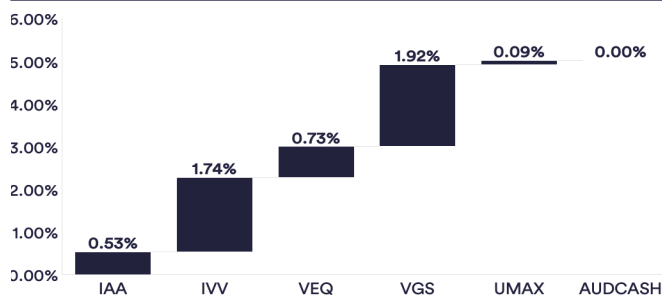
Top 5 holdings

VGS	42.01%
IVV	34.55%
VEQ	11.92%
IAA	5.97%
UMAX	3.36%

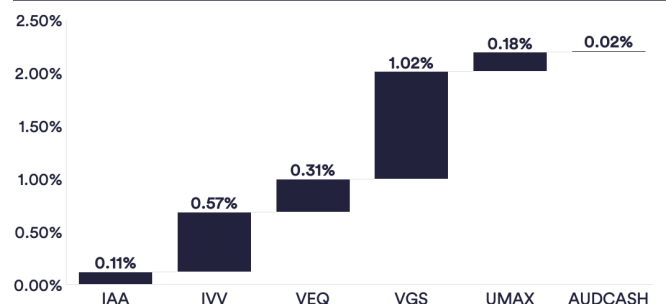
Performance relative to benchmarks



Attribution – Performance



Attribution – Yield



InvestSMART International Equities Portfolio

The International Equities portfolio continues to impress with its performance, the 12-month return to December 31 – 27.1%, a 2.46% beat on peers and the best performance year since inception for the portfolio. Over the quarter, the portfolio returned 4.84% after fees a 0.58% beat on benchmark which in itself is impressive.

2019 was the year of the decade for the following reasons:

- 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. For the decade, the S&P500 returned 256% on a total returns basis to be the best diversified market on the planet.
- Europe rose 23.25% or 27.62% on a total return basis
- Globally, it was the best year since 2009 for MSCI World Index up 24.04% capital return for a 27.3% total return
- China, after the issues facing Hong Kong, managed 16.4% or 20.7% on total returns.

All facets of the portfolio were positive in the quarter as all regions represented in the portfolio returned a positive quarter. This saw VGS contribute 1.92% to performance, IVV 1.72%, VEQ 0.73% and IAA 0.53%.

We should also highlight that it was the largest yearly fall in the Volatility Index (VIX) since 2009 as investors shed their risk-off protection. This will be an interesting indicator to watch in 2020 – could it continue to fall as

more funds flow into equities or will equities become overcrowded, creating a risk event that causes the VIX to rise?

Looking ahead to 2020 and 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). The Federal Reserve cut rates last year for the first time since the GFC and begun expanding its balance sheet again. We saw the re-enactment of quantitative easing from the European Central bank and the Bank of Japan therefore it’s little wonder this massive liquidity excess flowed into risk investment.

Will this ‘cure’ continue to support global markets into 2020? Likely, but we certainly don’t believe it will be as strong as calendar year 2019, and taking this idea further; did 2019 just price in all current and future stimulus? It’s a risk we are monitoring, however, on current and forward-looking data, further cuts from most global central banks are coming sooner rather than later.

Remember when investing, your time horizon is key, and you should always be thinking in a 7+ year timeframe when invested in a high growth 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 while adding scale to your investment pool over the long term.



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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 International Equities Portfolio] (Fund) and issuer of units in the Fund.

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