

# InvestSMART Balanced Portfolio

## Monthly Update - February 2019

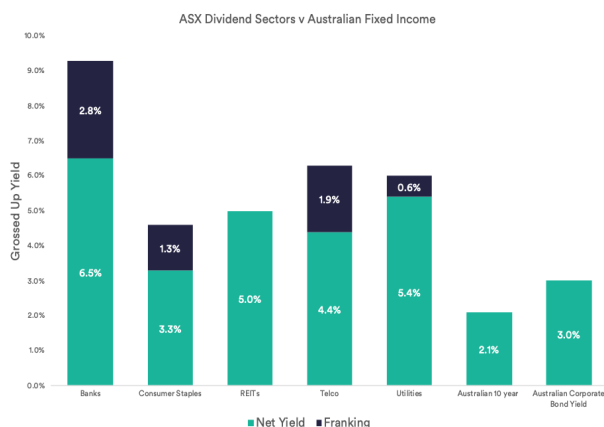
PERFORMANCE TO 28 FEB 2019	1 mth	3 mths	6 mths	1 yr	2 yrs (p.a.)	3 yrs (p.a.)	4 yrs (p.a.)	Since Inception (p.a.)
InvestSMART Balanced	2.95%	4.92%	0.63%	5.50%	6.13%	7.28%	4.07%	5.83%
Morningstar Multisector Balanced Index	3.01%	5.00%	0.91%	7.16%	7.16%	7.79%	5.34%	6.94%
Peers	2.38%	3.82%	-0.05%	3.30%	4.48%	5.71%	-	-

### February in Review: Raining Dividends

Australian's love their dividends, even more so when Australian companies decide to bump up dividend pay outs by an average of 10% from the same time last year.

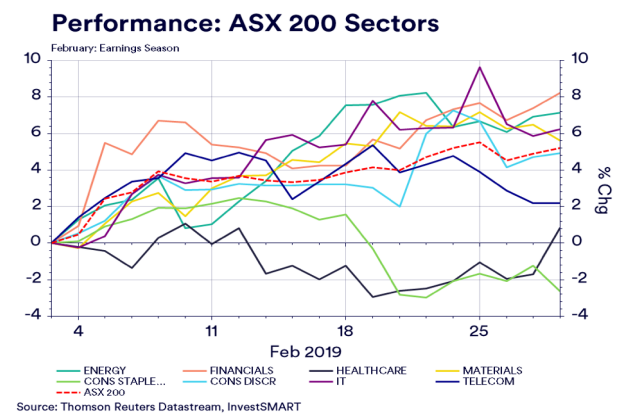
The ASX's grossed up yield is now 5.88%, which saw the ASX beating all major peers in February adding over 5% in the shortest month of the year. This has had a positive effect on all portfolio yields.

Dividends are an attractive thing – this chart shows the grossed-up yields of the higher dividend yield sectors of the ASX 200. A 9.3% grossed yield from the banks goes a long way to explaining the ASX's outperformance considering the banks make up over 27% of the whole of the ASX 200.



This yield story also explains ASX performance considering it was the 'same' month that saw the final Banking Royal Commission report being handed down and both sides of Government looking to introduce the majority of its

recommendations. Financial Services added 8.23% in February beating all others.



Looking to the coming months, the declared dividends from February's reporting season will be returned to shareholders - \$86 billion worth to be exact. This should add some support to the market as these funds are reinvested.

The next question however becomes: is this dividend growth sustainable? Looking at the outlook statements and forecasted guidance for ASX listed firms one would suspect not.

Revenue growth was, in the main, downgraded (just not as hard as analysts had forecasted) and the economic outlook from business could be summarised as 'soggy'. Therefore, the longer-term sustainability of the dividends on the ASX looks strained.

This is a good reminder of two major points when we look at overall investing:

1. Dividends aren't everything, total returns are the name of the game.
2. We want smooth returns over the long term, thus need to diversified across assets.

Globally, what was seen in January trade filtered into February. The US markets continued to recoup its final quarter losses. In fact, since December 24 the S&P 500 has now added over 18%.

As we mentioned in the January update, there has been a rather large change in the global outlook around interest rates and this has not changed in the 28 days since.

Pressure on the flow of credit and the slowdown in consumption are causing central banks to dive back into their monetary policy forecasts and forcing them to raise the prospect of rate cuts in the coming 12 months.

The RBA is a clear case-in-point, with its new description of Australian economy and the fact that...*'Over the past year, the next-move-is-up scenarios were more likely than the next-move-is-down scenarios. Today, the probabilities appear to be more evenly balanced.'*

February again reminds us as Portfolio Managers that:

1. Markets are not 'perfect'. The fact that at the end of February's reporting season (which was disappointing) and then to March markets (particularly equities) are rallying on the idea that the RBA could cut rates to stimulate the economy makes us sit up.

This is why all of our [Diversified Portfolios](#) are diversified across asset class and geography, even if your risk weighting is toward a higher level of risk. The short-term rally in Australian equities will moderate and thus we need defensive assets in the portfolios to cushion any pull backs and international exposure to capture growth outside of Australia.

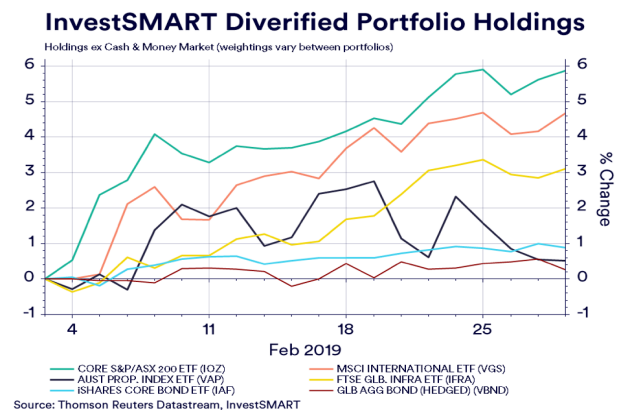
2. Your investment timeframe is key to your returns. 2019 has started very positively, the correction in the final quarter of 2018 has almost been erased in capital terms (and that's in just 2 months) and in some cases, on total return basis, erased and well into the black.

But, investing for the most of us is a long-distance journey, we need to remain strong in our convictions and not deviate from our goal of smoothed out, long-term, total returns. And, this point is just as true in positive market times as it is in negative ones. Positive markets

can create greed and complacency which can cause investors to diverge from their stated goals by going after 'additional risk'.

## Balanced

Individual capital performance of the securities held by the Diversified Portfolios - weightings vary depending on risk appetite.



- Added 2.95% after fees in February as the risk side of the portfolio surged again
- Domestic equities attributed 1.37% and international equities 1.18%
- All facets of the portfolio were attributed to performance in February
- The yield on the portfolio rose in February to 3.11%

For more information on our Diversified Portfolios, [click here](#).

## PORTFOLIO ALLOCATION

ASSET ALLOCATION	
Sector	Weighting
Domestic Equities	26.89%
International Equities	21.99%
Domestic Fixed Interest	18.13%
International Fixed Interest	14.14%
Cash	12.89%
Property	5.52%

TOP 5 HOLDINGS	
Security	Weighting
iShares Core S&P/ASX 200 ETF	23.70%
Vanguard MSCI Index International Shares ETF (Hedged) ETF	21.99%
iShares Core Composite Bond ETF	20.05%
Vanguard Global Aggregate Bond Index	14.43%
Betashares Australian High Interest Cash ETF	7.82%

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 28 February 2019. 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 Balanced Portfolio is designed for investors who seek a balanced investment solution. The Portfolio is invested in a blend of Exchange Traded Funds (ETFs), to offer investors with a balanced allocation across both income assets (bonds & cash) & growth assets (shares & property) 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 Balanced Portfolio?

Having a well-diversified portfolio is a well-known strategy to assist in growing your capital whilst minimising your investment risks. The InvestSMART Balanced 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 Balanced Index

### INCEPTION DATE

29 December 2014

### SUGGESTED INVESTMENT TIMEFRAME

4+ 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 seeking a conservative investment solution

### PORTFOLIO MANAGER

Evan Lucas

## Important information

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InvestSMART Funds Management Limited  
PO Box 744  
Queen Victoria Building  
NSW 1230 Australia

Phone: 1300 880 160  
Email: [invest@investsmart.com.au](mailto:invest@investsmart.com.au)

[www.investsmart.com.au](http://www.investsmart.com.au)