InvestSMART High Growth Portfolio

Monthly Update - January 2019

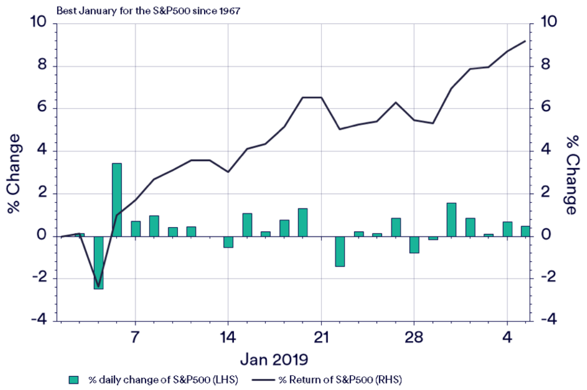
PERFORMANCE TO 31 JAN 2019	1 mth	3 mths	6 mths	1 yr	2 yrs (p.a.)	3 yrs (p.a.)	4 yrs (p.a.)	Since Inception (p.a.)
InvestSMART High Growth	4.05%	0.54%	-3.12%	0.92%	6.97%	8.55%	5.34%	7.10%
Morningstar Multisector Aggressive Index	3.78%	0.11%	-2.73%	3.12%	8.16%	9.21%	-	8.86%
Peers	3.82%	0.32%	-3.71%	-0.22%	6.24%	7.67%	-	-

January in Review: 2019 like its 1967

For US equities, 2019 has been a start unlike any other. Or at least since 1967.

It may have been the worst December for the S&P 500 in more than 50 years, but January 2019 was the best start to a year since 1967, with the index adding 9.2%.

2019 like its 1967



Source: Thomson Reuters Datastream, InvestSMART

The ASX also started 2019 with enthusiasm, up 3.87% for the month. Meanwhile, high growth exposures such as the Asia A50 have actually been bouncing since the start of December as Asia growth concerns faded.

This is in stark contrast to the market's performance in the final quarter of 2018. Global equity markets were savaged. The MSCI World Index fell over 11.6% as investors began to question global growth, the impact of trade tensions, ongoing political issues associated with Brexit, and the final sitting weeks of the Banking Royal Commission.

It begs the question: What changed? Specifically, why have risk assets (equities) bounced so hard and so fast in January? To answer this question we should look at it in reverse, as in, why the final quarter of 2018 was rather so volatile and so negative.

There are several reasons. The US was continuing to increase its official interest rate and forecasting further rises (as much as 4) into 2019. This started to place a lot of strain on credit and had the market believing it would impact economic growth both in the US and globally. The S&P 500 had just made a record all-time high and valuations were elevated after almost 8 years in a bull market. This had created a 'perfect trading storm'.

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A couple of things have changed in 2019. The US Federal Reserve has backed away from its forecasted rate rises, while several other major central banks, including our own Reserve Bank of Australia, have tilted to a dovish bias whereby rate cuts are more likely than hikes.

This is easing the pressure on the flow of credit and its possible impingement on economic growth. Equities have taken these changes in monetary policy as a risk-on event, hence the January pop.

If we see more central banks back down on rate hikes, and growth only moderate not contract over the year, then 2019 could actually be a positive year rather than a negative. This would be the opposite of what was forecasted at the end of 2018.

We highlight these events for several reasons:

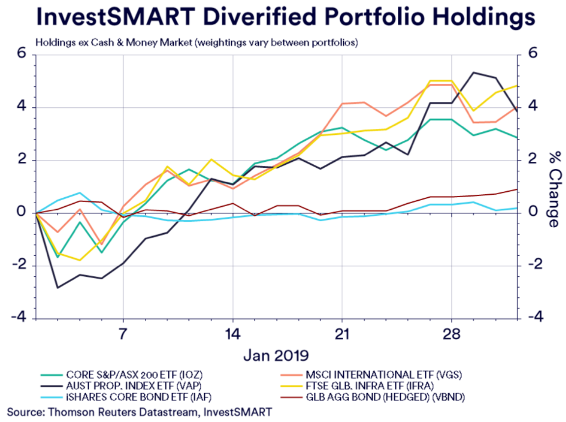
1. As providers of Managed Accounts, we have a duty to remind ourselves and our investors that short-term gyrations, while captivating, do detract from our long-term stated goal of providing long-term, above-peer returns with the lowest fees possible. Thus, we need to look through the short-term volatility.

2. The events of the past 4 months remind us why diversification is important when managing capital. We need to provide the correct exposure to each asset class depending on your selected level of risk, but also assist in smoothing out market events by providing diversification across asset classes. That still applies even if your investment risk is weighted towards a higher level of risk.

3. Your investment timeframe has multiple facets. For starters, there is the time you have set to reach your goals, and then the time required to allow your portfolio to recover and expand. The events of the past 4-6 months should remind all investors that volatility is part of normal market cycles and we must look through this (even view it as opportunity).

Diversified Portfolios

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



High Growth

- Added 4.05% in January as the growth assets particularly the international exposures surged.

- Domestic equities attributed 1.51%, international equities 2.02% property 0.39%

- All facets of the portfolio attributed to the performance of the portfolio in January

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

PORTFOLIO ALLOCATION

ASSET ALLOCATION

Sector	Weighting
Domestic Equities	39.61%
International Equities	43.11%
Domestic Fixed Interest	1.88%
International Fixed Interest	2.03%
Cash	6.92%
Property	6.04%

TOP 5 HOLDINGS

Security	Weighting
Vanguard MSCI Index International Shares ETF	43.11%
iShares Core S&P/ASX 200 ETF	39.16%
Vanguard Australian Property Securities Index ETF	3.69%
VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	3.58%
Betashares Australian High Interest Cash ETF	2.55%

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 January 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 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

Important information

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