30 June 2021

2021 Financial Year Report

InvestSMART Balanced Portfolio

Yearly Highlights

- Portfolio added 13.7 per cent after fees for its best financial year since inception and beat peers over the year by 0.4 per cent
- The strongest performer over the financial year was listed property, adding 31.67 per cent on a total returns basis
- Portfolio has averaged 6.16 per cent after fees since inception, which is ahead of our peers by 0.96 per cent

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 Balanced Portfolio is designed for investors who seek a balanced investment solution. The Portfolio is invested in a blend of 5 - 15 Exchange Traded Funds (ETFs), to offer investors an even allocation across both defensive income assets (bonds & cash) & growth assets (shares & property) all managed in the one portfolio.

Our Balanced 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 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
Morningstar Multisector Balanced Index

INCEPTION DATE
29 December 2014

SUGGESTED INVESTMENT TIMEFRAME
2+ years

NUMBER OF SECURITIES
5 - 15

INVESTMENT FEE
$99 - $451 p.a. capped

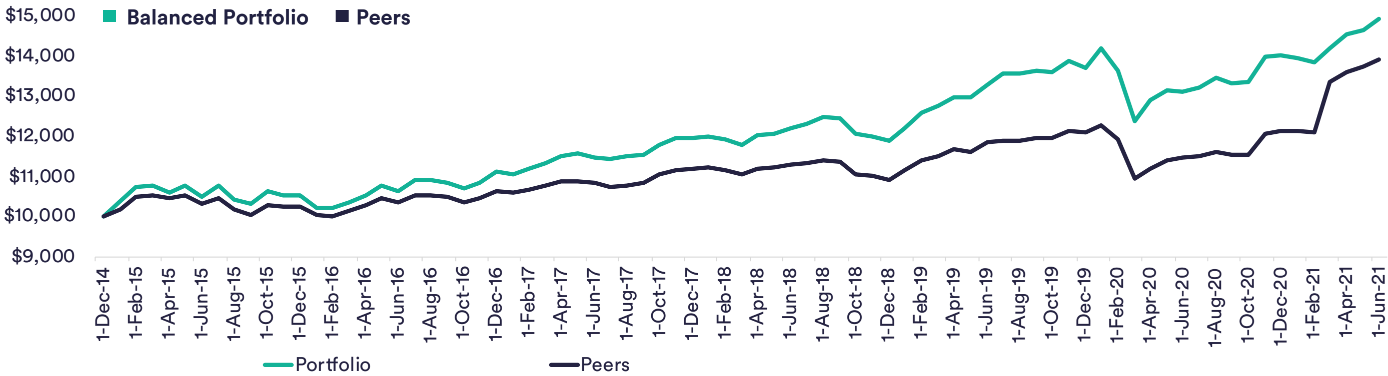
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 June 2021

Performance of $10,000 since inception

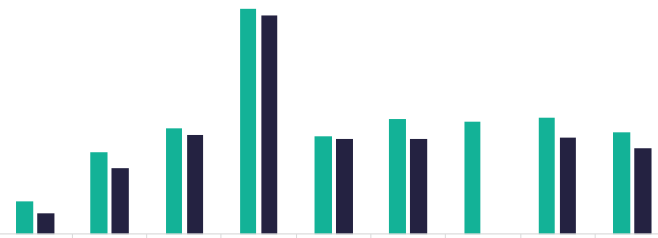


Performance (after fees)

	1 yr	2 yrs p.a	3 yrs p.a	4 yrs p.a	5 yrs p.a	Since Inc. p.a
InvestSMART Balanced Portfolio	13.7%	5.9%	7.0%	6.8%	7.0%	6.2%
Average of 510 peers funds*	13.3%	5.8%	5.7%	5.8%	5.9%	5.2%
Excess to Peers	0.4%	0.1%	1.3%	1.0%	1.1%	1.0%

Fees*: InvestSMART Balanced 0.55% & Average of 510 peers 1.40%
Note: Our InvestSMART Balanced is benchmarked against Morningstar Multisector Balanced Index

Performance relative to peers

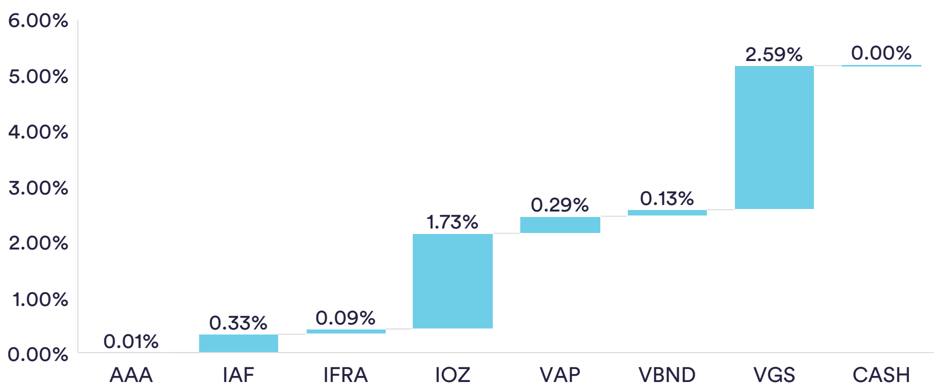


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART Balanced	1.98%	5.01%	6.43%	13.70%	5.93%	6.95%	6.82%	7.04%	6.16%
Peers	1.29%	4.00%	6.03%	13.31%	5.79%	5.75%		5.86%	5.20%

Asset allocation

Australian Equities	24.0%
International Equities	22.3%
Property & Infrastructure	8.8%
Fixed interest	33.3%
Cash	11.6%

Attribution – Performance



Top 5 holdings

VGS	27.0%
IAF	22.5%
IOZ	21.0%
VBND	12.0%
AAA	11.0%

InvestSMART Balanced Portfolio

Quarterly Update

Financial Year Performance

- The Portfolio added 13.7 per cent after fees for its best financial year since inception and beat peers over the year by 0.4 per cent
- The international and domestic growth assets led the way with almost identical total returns of 28.91 per cent and 29.01 per cent respectively
- The strongest performer over the financial year was listed property, adding 31.67 per cent on a total returns basis
- Since inception the portfolio has averaged 6.16 per cent after fees which is ahead of our peers by 0.96 per cent

Quarterly Performance

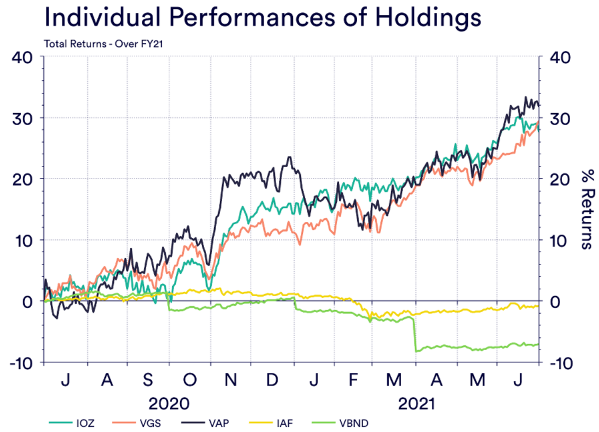
- • The portfolio appreciated 5.01 per cent after fees, beating peers by 1.01 per cent
- No changes were made to the portfolio during the quarter
- The yield on the portfolio is approximately 2.81 per cent

A very stark difference in performance between the growth and defensive sides of the portfolio in the financial year: It is a very rare thing to see a solid decline in defensive assets, but also such a breakout year in growth assets.

Financial year 2021 was like nothing we have really seen in living memory. It was not like financial year 2008 when the global financial crisis was at its peak, nor was it like the FY88 that followed the 1987 flash crash. This once-in-a-generation pandemic still has plenty of time left before we return to some form of normality, but what is reassuring even with new lockdowns taking effect is that strategies such as diversification continue to be proven right, as seen in the Growth portfolio.

That's not to say that there haven't been out-of-the-ordinary investing trends that have caught our attention.

Here is the individual performance of the main holdings in the Growth portfolio



Source: Refinitiv Datastream, InvestSMART

With this portfolio evenly balanced between growth and defensives, the performance of growth more than offset the performance of defensives. With IOZ and VGS making up 48 per cent of the overall weightings compared to IAF and VBND at 34.5 per cent. This explains why the portfolio returned 13.7 per cent in the financial year. But to see such a discrepancy between asset classes particularly fixed income to equities is abnormal and something we do not expect to see replicated going forward.

The fall in global and domestic sovereign bonds in the third quarter of the financial year was an aberration and the fact growth assets just continue to power on over this period is not something one would expect under normal conditions. The fall in fixed income has moderated and it has recouped some of the declines in the final quarter of the financial year, a trend that should continue into the next financial year.

This brings us to what we might expect in the coming financial year. Growth assets have been accelerating since the end of the first quarter of the calendar year. The most logical reason for this has been the natural economic recovery as lockdowns are lifted and domestic populations get vaccinated.

If we look at the international community, the US has been averaging over 1 million people vaccinated a week, leading to surges in employment, wages, consumption and economic growth.

If we look domestically, although the vaccine rollout has been slow, the recovery in Australia has been similar, with employment at 2010 levels, consumption high and economic growth expanding at levels not seen since 2009. Even with the current issues around the Delta strain, expectations are that once restrictions ease the rebound will follow that of what has been seen after each lock down since November 2020.

However, there are still risks to any recovery and we should remind all Investors that they apply their personal risk tolerance to their investment goals and timeframes. The Balanced portfolio is designed to give you access to growth and defensive assets in even measures with both domestic and international flavours.

If, risks were to eventuate and equities for example were to ease, the diversification in the Balance portfolio will buffer you from possible falls. Likewise, if equities continue to move ahead like what we have seen over the past 18 months last financial year's performance shows the portfolio is ready to capture is movement.

INVESTSMART

investsmart.com.au/invest

1300 880 160

Important information