30 June 2021

2021 Financial Year Report

InvestSMART Conservative Portfolio

Yearly Highlights

- Portfolio added 8.16 per cent after fees for its best financial year since inception and beat peers over the year by 0.53 per cent
- International and domestic growth assets led the way with almost identical total returns of 28.91 per cent and 29.01 per cent, respectively
- Portfolio has averaged 4.63 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 Conservative Portfolio is designed to offer investors a sustainable income stream by investing across asset classes, actively managed by our investment team. Having a well-diversified portfolio is a well-known strategy to assist in growing your capital while minimising your investment risks.

Our Conservative 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 Moderate Index

INCEPTION DATE
29 December 2014

SUGGESTED INVESTMENT TIMEFRAME
2+ years

NUMBER OF SECURITIES
5 - 15

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

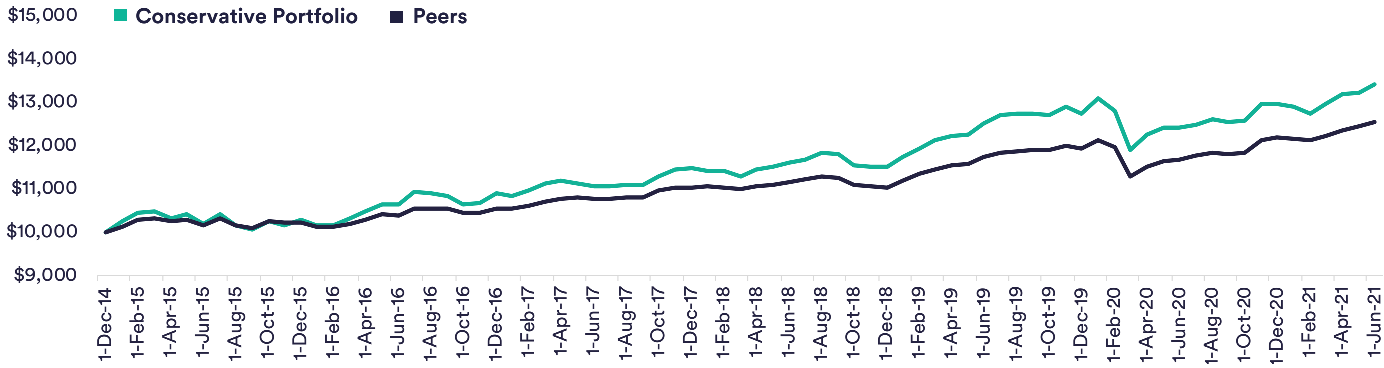
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 June 2021

Performance of $10,000 since inception

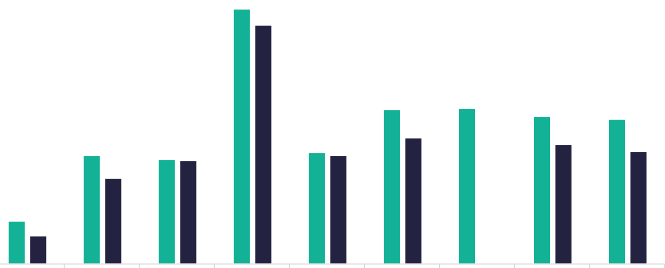


Performance (after fees)

	1 yr	2 yrs p.a	3 yrs p.a	4 yrs p.a	5 yrs p.a	Since Inc. p.a
InvestSMART Conservative Portfolio	8.2%	3.5%	4.9%	4.9%	4.7%	4.6%
Average of 486 peers funds*	7.5%	3.5%	4.1%	4.0%	3.9%	3.6%
Excess to Peers	0.7%	0.0%	0.8%	0.9%	0.8%	1.0%

Fees*: InvestSMART Conservative0.55% & Average of 486 peers 1.44%
Note: Our InvestSMART Conservative is benchmarked against Morningstar Multisector Moderate Index

Performance relative to peers

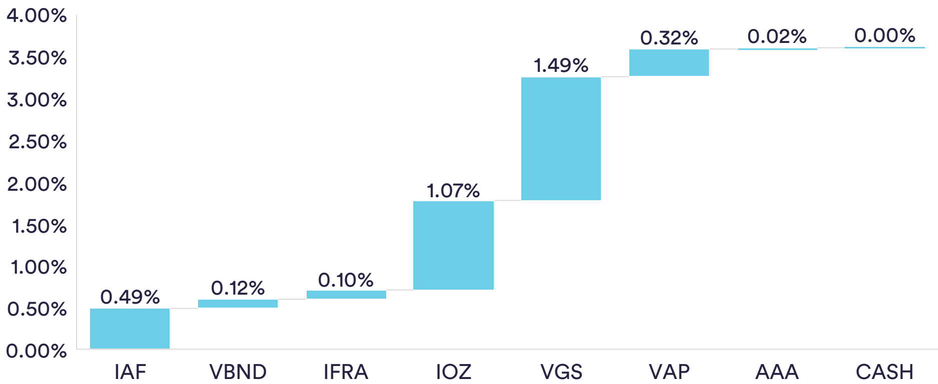


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART Conservative	1.36%	3.44%	3.34%	8.16%	3.54%	4.92%	4.94%	4.72%	4.63%
Peers	0.89%	2.71%	3.28%	7.63%	3.46%	4.00%		3.78%	3.57%

Asset allocation

Australian Equities	11.8%
International Equities	12.0%
Property & Infrastructure	9.5%
Fixed interest	46.7%
Cash	19.9%

Attribution – Performance



Top 5 holdings

IAF	33.0%
AAA	20.0%
VGS	15.5%
IOZ	13.0%
VBND	11.5%

InvestSMART Conservative Portfolio

Quarterly Update

Financial Year Performance

- The Portfolio added 8.16 per cent after fees for its best financial year since inception and beat peers over the year by 0.53 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 4.63 per cent after fees which is ahead of our peers by 0.96 per cent

Quarterly Performance

- The portfolio appreciated 3.34 per cent after fees, beating peers by 0.74 per cent
- No changes were made to the portfolio during the quarter
- The yield on the portfolio is approximately 2.79 per cent

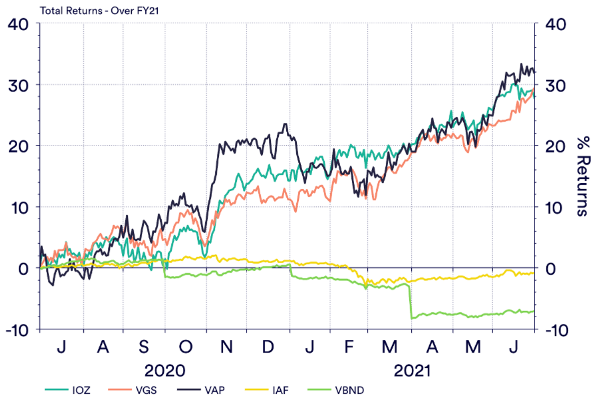
A very stark differential in performance was between the growth and defensive sides of the portfolio in the financial year. It is a very rare thing to see a solid decline in defensive assets, but also such a breakout year in growth assets.

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 performance of the Conservative 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 Conservative portfolio

Individual Performances of Holdings



Source: Refinitiv Datastream, InvestSMART

With this portfolio weighted to defensives it did lag its more assertive peers but still performed well due to its growth exposure. With IOZ and VGS making up 28 per cent of the overall weightings compared to IAF and VBND 44 per cent the overweight fixed income explains why the portfolio only returned 8.16 per cent in the financial year. 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 normally expect under normal conditions. The fall in fixed income has moderated and 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. Themost 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 lockdown 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 Conservative portfolio is designed to provide a buffer from major risk gyrations. The defensive assets under normal situations provide peace of mind and the stable income we know you seek. Yes, over the last year they have slight underperformed, but with risks remaining high as COVID continues to rage around the world, defensive assets will see investment.

However, this portfolio does have some growth assets and if equities continue to move ahead in the way we have seen over the past 18 months, this portfolio is ready to capture movement with its domestic and international listings.

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