

30 June 2021

## 2021 Financial Year Report

# InvestSMART Growth Portfolio



### Yearly Highlights

- The Portfolio added 18.43 per cent after fees for its best financial year since inception and beat peers by 0.25 per cent over the period
- The strongest performer over the financial year was listed property, adding 31.67 per cent on a total returns basis
- Portfolio has averaged 7.77 per cent after fees which is ahead of our peers by 1.27 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 Growth Portfolio is designed for investors who are looking to build their wealth over the medium-term. The Portfolio is invested in a blend of 5-15 Exchange Traded Funds (ETFs), to offer investors a higher allocation to growth assets (shares and property) than defensive income assets (bonds and cash) all managed in the one portfolio.

Our Growth 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 Growth Index

### 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

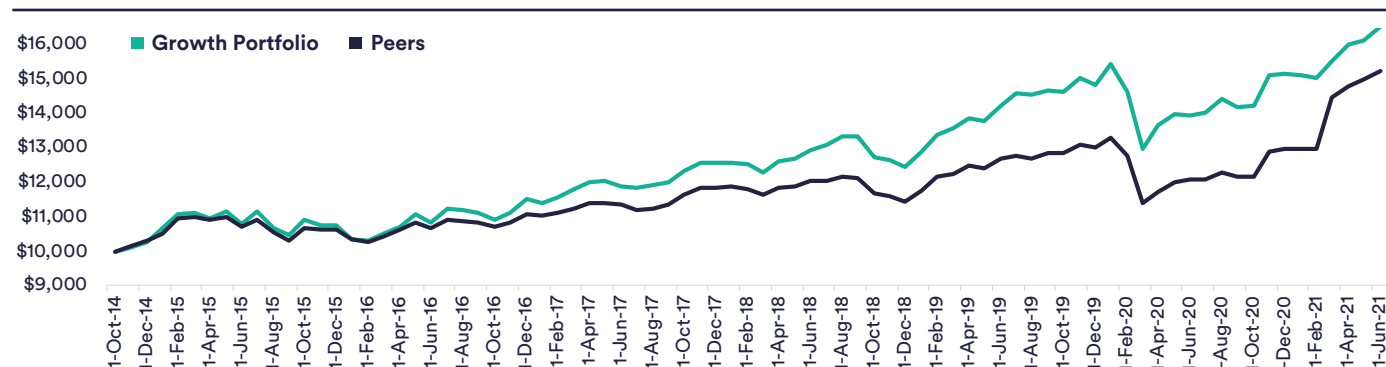
\$10,000

### STRUCTURE

Professionally Managed Account (PMA)

As at 30 June 2021

## Performance of \$10,000 since inception



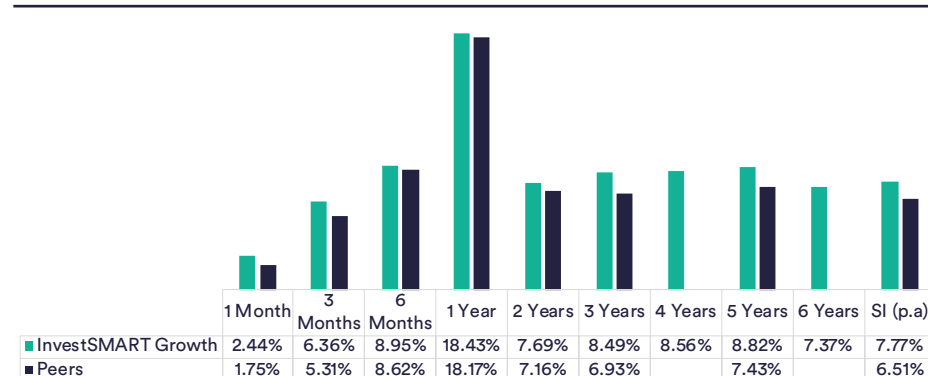
## Performance (after fees)

	1 yr	2 yrs p.a	3 yrs p.a	4 yrs p.a	5 yrs p.a	Since Inc. p.a
InvestSMART Growth Portfolio	18.4%	7.7%	8.5%	8.6%	8.8%	7.8%
Average of 796 peers funds*	17.9%	7.1%	6.9%	7.1%	7.4%	6.5%
Excess to Peers	0.5%	0.6%	1.6%	1.5%	1.4%	1.3%

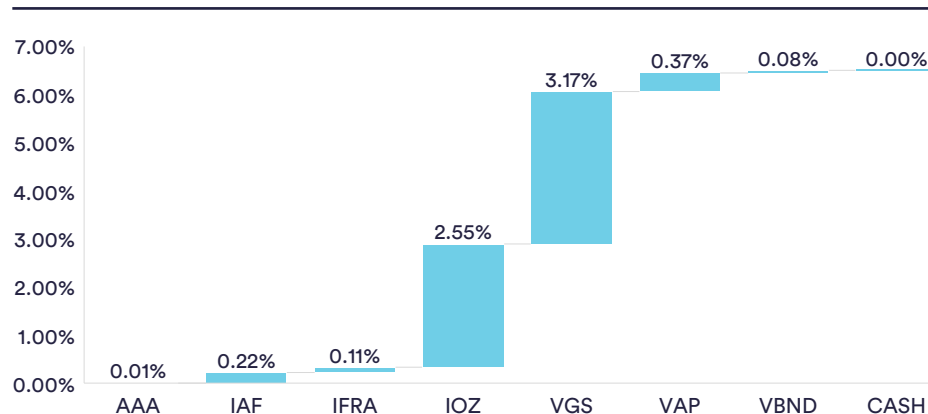
Fees\*: InvestSMART Growth 0.55% &amp; Average of 796 peers 1.60%

Note: Our InvestSMART Growth is benchmarked against Morningstar Multisector Growth Index

## Performance relative to peers



## Attribution – Performance



## Asset allocation

Australian Equities	30.8%
International Equities	34.4%
Property & Infrastructure	7.0%
Fixed interest	21.2%
Cash	7.6%

## Top 5 holdings

VGS	33.0%
IOZ	31.0%
IAF	14.8%
VBND	7.3%
AAA	6.0%

# InvestSMART Growth Portfolio

## Quarterly Update

### Financial Year Performance

- The Portfolio added 18.43 per cent after fees for its best financial year since inception and beat peers by 0.25 per cent over the period
- 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 7.77 per cent after fees which is ahead of our peers by 1.27 per cent

### Quarterly Performance

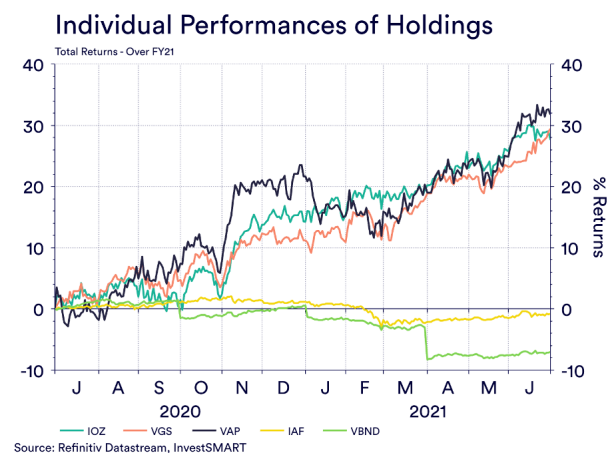
- The portfolio appreciated 6.36 per cent after fees, beating peers by 1.05 per cent
- No changes were made to the portfolio during the quarter
- The yield on the portfolio is approximately 2.69 per cent

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



This portfolio is heavily weighted to growth, with IOZ and VGS making up 64 per cent of the overall weightings. This explains why the portfolio returned over 18 per cent in the financial year. But to see such a discrepancy between asset classes, particularly fixed income to equities, is abnormal.

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 Growth portfolio is designed to give you access to growth and defensive assets with both domestic and international flavours. If risks were to eventuate and equities for example were to ease, the diversification in the Growth portfolio will provide a buffer for you. Likewise if equities continue to move ahead in the way we have seen over the past 18 months, last financial year's performance shows the portfolio is ready to capture its movement.



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