

InvestSMART Diversified Property and Infrastructure Portfolio

Financial Year Update

30 JUNE 2019



- Return of 14.85% (after fees) during FY19
- No changes were made to the portfolio during the June quarter
- Estimated portfolio yield is 3.73%



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InvestSMART Diversified Property and Infrastructure Portfolio

PERFORMANCE TO 30 JUNE 2019 (AFTER FEES)	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS (P.A.)	3 YRS (P.A.)	S.I. (P.A.)
InvestSMART Diversified Prop. & Infra. Portfolio	3.61%	4.17%	16.64%	14.85%	10.46%	3.91%	7.97%
A Composite Benchmark	3.19%	3.71%	17.60%	14.98%	11.57%	5.28%	9.40%
Excess to Benchmark	0.42%	0.46%	-0.96%	-0.13%	-1.10%	-1.37%	-1.43%

Financial Year Highlights

- The InvestSMART Diversified Property & Infrastructure Portfolio produced a return of 14.85% (after fees) in FY19
- Yield in domestic infrastructure has remained over 5.6% in FY19
- Yield in domestic property has remained above 5.2% in FY19
- Since inception the Diversified Property & Infrastructure Portfolio has returned 7.97% per. annum (after fees)

Quarterly Highlights

- The InvestSMART Diversified Property & Infrastructure Portfolio produced a return of 4.17% (after fees) during the June quarter
- No changes were made to the portfolio during the June quarter
- Estimated yield on the portfolio is currently 3.73%
- All facets of the portfolio attributed to the quarter's performance

The final quarter of the financial year saw a sharp change in the outlook and actions from the RBA. For the first time in 32 months the RBA cut the cash rate in June, which moved to a new record low of 1.25%.

The change in tone from the RBA over the course FY19 was astounding:

Q1FY19

"The low level of interest rates is continuing to support the Australian economy. Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual."

Q2FY19

"The outlook for the labour market remains positive. With the economy growing above trend, a further reduction in the unemployment rate is expected to around 4¾ per cent in 2020. Inflation remains low and stable. Over the past year, CPI inflation was 1.9 per cent and, in underlying terms, inflation was 1¾ per cent... The central scenario is for inflation to be 2¼ per cent in 2019 and a bit higher in the following year."

Q3FY19

"There are plausible scenarios under which the next move in interest rates is up. There are also plausible scenarios under which it is down. At the moment, the probabilities appear reasonably evenly balanced."

Q4FY19

"Board decided to lower the cash rate by 25 basis points to 1.25 per cent. The Board took this decision to support

employment growth and provide greater confidence that inflation will be consistent with the medium-term target.”

Of the economists surveyed by Reuters, 84 per cent see the cash rate falling to 1% by December 2019 and over 63% see the cash rate below 1% come the end of FY20. The market has priced in 51 basis points of cuts over the same time to be in agreement with economists.

This movement in monetary policy has driven fixed income in FY19 which in turn has driven strong flows in the bond proxies. The second half of FY19 saw the Diversified Property and Infrastructure Portfolio registering its strongest year since inception due to its high-yielding non-franking nature.

“ THE FINAL QUARTER OF THE FINANCIAL YEAR SAW A SHARP CHANGE IN THE OUTLOOK AND ACTIONS FROM THE RBA.

This second point around franking also partly explains the surge in investment flows in the Q3FY19 in particular.

The May Federal Election, and the avoidance of a Labor Government at the federal level, saw the portfolio logging its best quarter ever as a clear ‘switching’ trade took hold. Several Australian Real Estate Investment Trusts (REITs) hit record highs at the start of the fourth quarter off the back of the election.

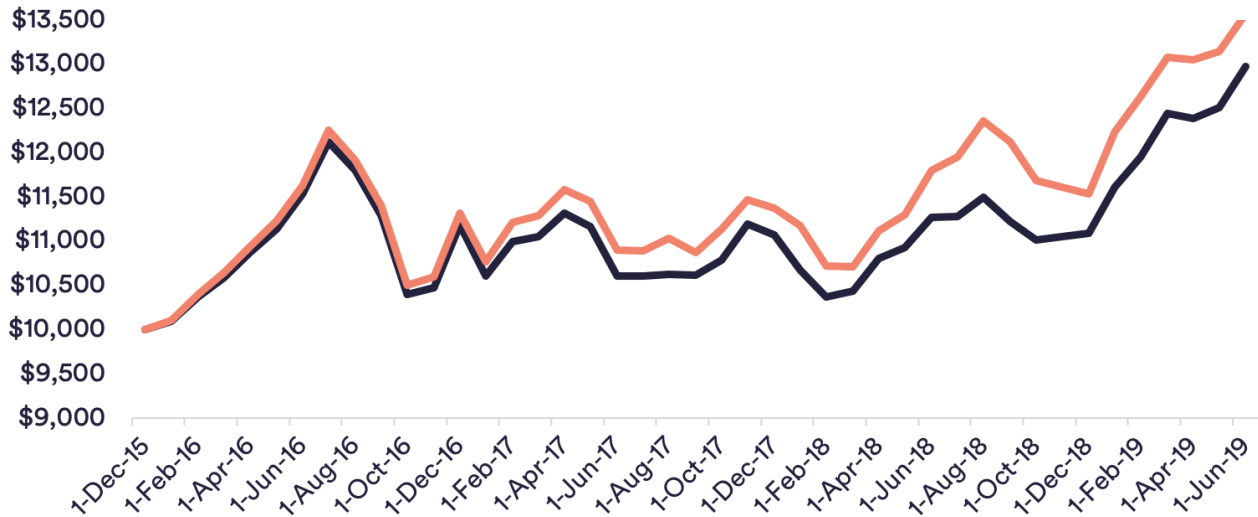
Not surprising, as the combined average non-franked yield on domestic infrastructure is 5.6%, a full 360 basis points (3.6%) above the average term deposit and 435 basis points (4.35%) above the cash rate. It’s clearly attractive and the FY19 performance of this portfolio reflects this.

What also eventuated in the final quarter of FY19 was the collapse in fixed interest yields globally. The Federal Reserve, the European Central Bank and the Bank of Japan are now changing tact and moving back toward easing their respective monetary policy stances. The portfolio’s global assets in property and infrastructure look set to perform well into FY20 as investors look for higher-yielding assets in this low interest rate world.

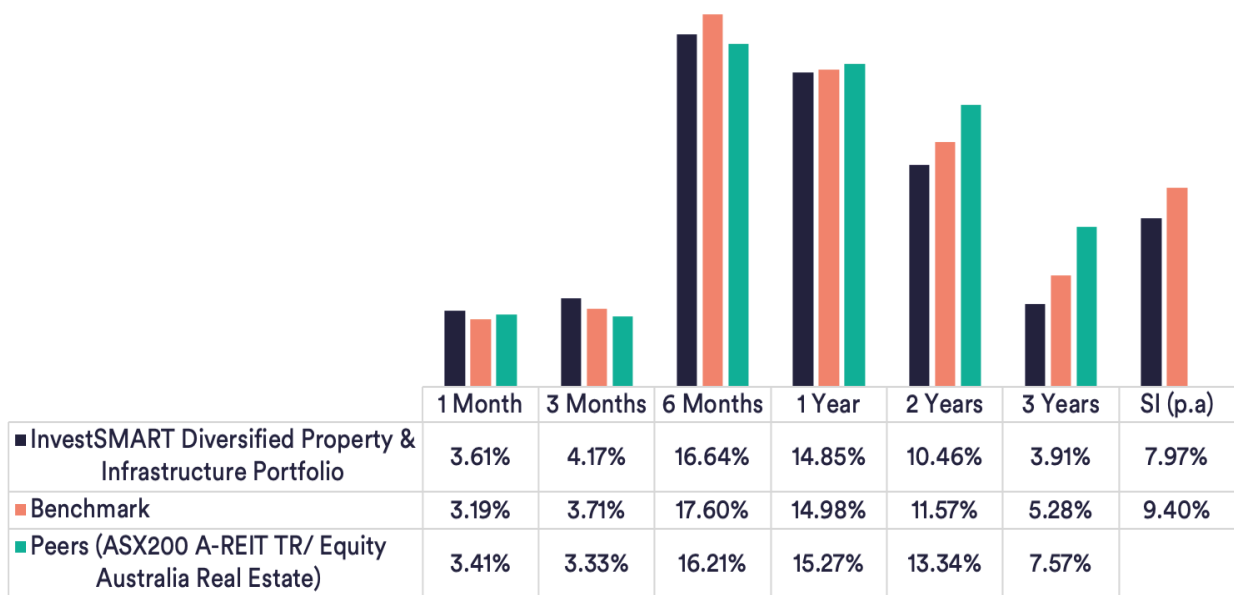
All this is likely to see the Diversified Property & Infrastructure Portfolio continuing to perform well over the coming 12 months of the financial year.

Performance of \$10,000 since inception

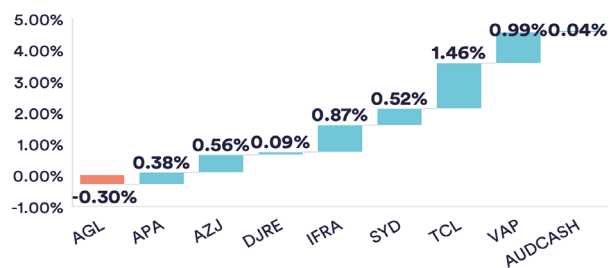
■ InvestSMART Diversified Property and Infrastructure Portfolio ■ Benchmark



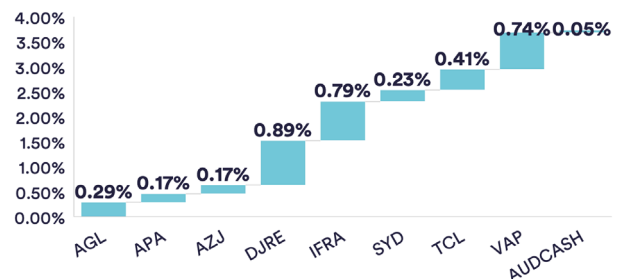
Performance relative to benchmarks



Performance attribution – before fees



Yield attribution



TOP 5 HOLDINGS	
Security	Weighting (%)
Vanguard Australian Property Securities Index ETF (VAP)	24.37%
VanEck Vectors FTSE Global Infrastructure ETF (IFRA)	23.40%
SPDR Dow Jones Global Real Estate Fund (DJRE)	23.13%
Transurban Group (TCL)	10.44%
Sydney Airport (SYD)	4.86%

ASSET ALLOCATION	
Sector	Weighting (%)
Property	96.39
Cash	3.62

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 30 June 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. Table 1 performance figures; after investment and admin fees, includes brokerage. Unit pricing taken at the end of each month.

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 Property & Infrastructure Portfolio is designed for investors looking to diversify their property exposure or tap into the income & capital growth potential from the commercial property market generally inaccessible to the public. The Portfolio invests in a mix of Real Estate Investment Trusts (A-REITs), Infrastructure, and global property Exchange Traded Funds (ETFs) 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 Diversified Property and Infrastructure Portfolio?

Get exposure to large-scale domestic and global property opportunities that would be too expensive for most people on their own. The InvestSMART Property & Infrastructure Portfolio is designed to give investors a good source of income through capital growth, property development and property-related earnings. Other benefits consist of inflation protection and portfolio diversification.

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

Low-cost ETF Portfolio

INVESTMENT STYLE

Low cost Active Asset Allocation

BENCHMARK

A Composite Index

INCEPTION DATE

23 December 2015

SUGGESTED INVESTMENT TIMEFRAME

2+ years

NUMBER OF SECURITIES / STOCKS

5 - 12 securities

INVESTMENT FEE

\$99 - \$451 p.a. capped

PERFORMANCE FEE

N/A

MINIMUM INITIAL INVESTMENT

\$10,000

PORTFOLIO MANAGER

Evan Lucas

Important information

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