Quarterly Report

30 June 2020

InvestSMART

High Growth Portfolio

2020 Financial year highlights

- The InvestSMART High Growth Portfolio fell slightly in FY20, down 2.86% (after fees).
- Estimated yield on the portfolio is currently 3.42%.
- The High Growth Portfolio outperformed peers in FY20 by 1.44%.

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 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 5-15 Exchange Traded Funds (ETFs), to offer investors a high allocation to growth assets (shares and property) than defensive income assets (bonds and cash) all managed in the one portfolio.

Our High 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 investors 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 Aggressive Index

INCEPTION DATE
27 October 2014

SUGGESTED INVESTMENT TIMEFRAME
2+ years

NUMBER OF SECURITIES
5 - 15

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

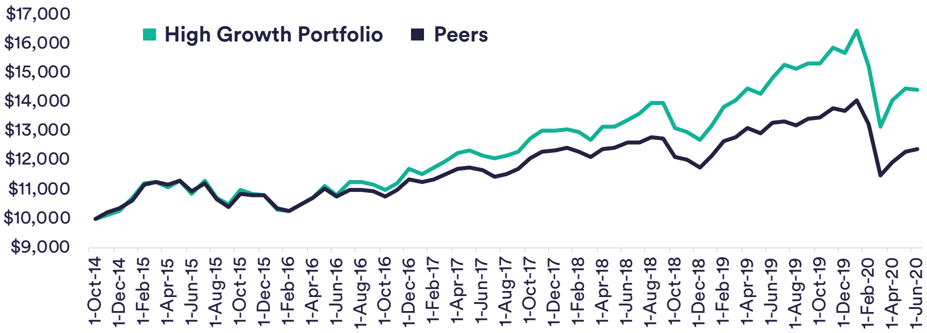
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 June 2020

Performance of $10,000 since inception



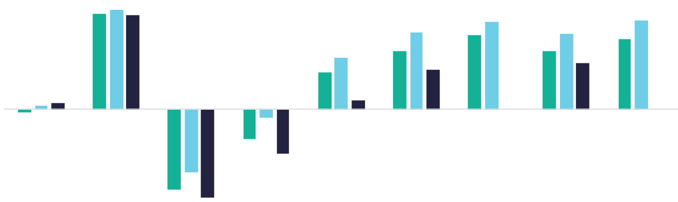
Top 5 holdings

VGS	45.8%
IOZ	37.6%
VAP	3.9%
IFRA	3.5%
VBND	2.2%

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
InvestSMART High Growth Portfolio	-0.3%	9.3%	-7.8%	-2.9%	3.6%	5.7%	5.7%
Average of 548 peers funds^	0.7%	9.3%	-8.6%	-4.3%	0.9%	3.9%	4.6%
Excess to Peers	-1.0%	0.0%	0.8%	1.4%	2.7%	1.9%	1.2%

Performance relative to benchmarks

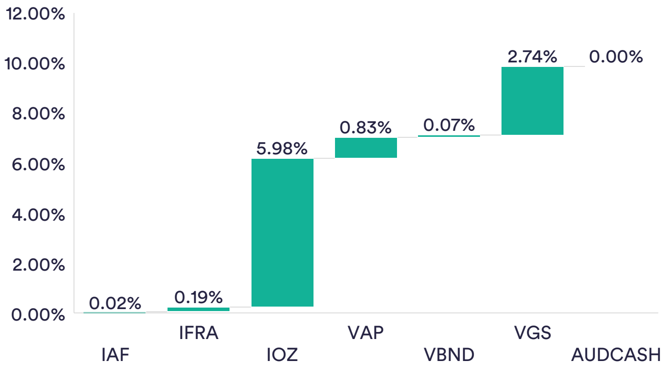


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART High Growth	-0.33%	9.30%	-7.80%	-2.86%	3.61%	5.74%	7.31%	5.71%	6.85%
Benchmark	0.41%	9.74%	-6.11%	-0.86%	5.00%	7.52%	8.53%	7.36%	8.64%
Peers	0.7%	9.3%	-8.6%	-4.3%	0.9%	3.9%	0.0%	4.6%	0.00%

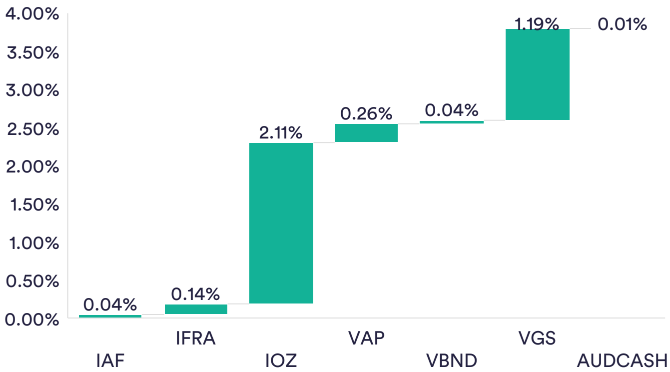
Asset allocation

International Equities	47.3%
Australian Equities	36.1%
Property	7.2%
Cash	5.2%
International Fixed Interest	2.5%
Australian Fixed Interest	1.8%

Attribution – Performance



Attribution – Yield



InvestSMART High Growth Portfolio 2020 Financial year udpate

Yearly Performance

- The InvestSMART High Growth Portfolio fell slightly in FY20, down 2.86% (after fees).
- No changes were made to the portfolio during the year.
- Estimated yield on the portfolio is currently 3.42%.
- The High Growth Portfolio outperformed peers in FY20 by 1.44%.

Quarterly Performance

- The InvestSMART High Growth Portfolio rose strongly in the June quarter, up 9.30% (after fees).
- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 3.42%.
- The High Growth Portfolio outperformed peers in the final quarter by 0.03%.

I wanted to try to avoid emphasising the obvious, but I just can't. Financial year 2020 was probably the most momentous financial year in living memory.

Never have markets moved from full bull market to full bear market and back again in such a short period of time. March 2020 marked the end of the longest bull market in US and Australian history lasting 11 years and one month, registered the fastest equity market crash since the 1987 'flash crash' and the fastest recovery since 1998 when the Asian Financial Crisis was in full swing.

In the last four months of the financial year, the world has witnessed the worst economic crisis since the Great Depression and in some instances, the worst set of economic data on record. For example, US unemployment has never in its history seen a scenario where nearly one in every six Americans (47.8 million) are now unemployed and where nearly one in every five is claiming some form of work benefit.

This has led to the US Federal Reserve expanding its balance sheet by the equivalent of 13% of US Gross Domestic Product (GDP) in the space of just three months to try and cushion the blow on the US economy. To put this expansion into context, what the Federal Reserve has done in three months in 2020 took it three years to do during the Global Financial Crisis (GFC).

COVID-19 is officially the worst global public health crisis in 100 years and it has caused the greatest economic shock in 80 years. FY20, thanks to COVID-19, will be remembered as the year that reset conventional wisdom. Traditional questions of what constitutes a market valuation, a risk, a return and a price have all been thrown into disarray by the complete blurring of what future earnings, revenues and daily operations look like.

What COVID has also taught investors is the pace of change has never been faster. It has caught out so many, particularly those that panicked and broke their investment strategies.

Those that went to cash because of COVID and stayed in cash throughout the pandemic are lamenting this move. The smart money, on the other hand, either held firm to their strategy or doubled down on the discounts in international and domestic equities.

Growth and high growth strategies in the final quarter of FY20 have boomed on signs that a recovery is starting to take place both domestically and internationally, illustrated by the High Growth Portfolio's 9.30% rise in the three months to June.

But it is more than this. The smart money also continued with tried and tested investment strategies. We have always been a strong advocate for strategies such as dollar-cost averaging and asset allocation. Both have been almost textbook truths since COVID hit.

I want to really highlight why dollar-cost averaging is so important. From July 2019 to February 2020, both defensive and growth facets of the portfolio (fixed interest and equities) had been rising solidly, with equities both here and abroad making record all-time highs around 20 February.

For arguments sake, let's create an example of a dollar-cost averaging strategy where the investor was adding $5000 to their investments at the end of every month.

So, in February you would have bought near enough to the top of the market. Again, for arguments sake, let's say the investor bought $5000 of the market at a price of $1, meaning 5000 lots of the market was bought in February.

COVID hits and the market fell 22% come the close of March, leading to panic and investors breaking strategy. The smart money, however, held true to the dollar-cost average strategy and bought another $5000 of the market in March. But this time the price was $0.78, meaning they bought 6410 lots of the market. The smart money now held 11,420 lots of the market at an average price of $0.876 per lot.

The smart money continued this strategy for the end of April, May and June. At the close of the financial year, the smart money's $25,000 of investment from February to June netted 28,300 lots of the market at an average price of $0.88 at 30 June with the market at $0.92. This is in contrast to those that haven't bought the market since February who are stuck with 5000 lots at $1.00 with the market at $0.92. To put this a different way, those that broke strategy have a negative $400 balance, the smart money now has a positive balance of over $1,000.

If you apply this principle to the High Growth Portfolio, you can see that not only has the portfolio weathered the COVID crisis pretty well, but your overall average unit price would have reduced during this time, positioning you even better for your long-term investment horizon.

Remember, your time horizon is key, and you should always be thinking in a 7+ year timeframe for a High Growth Portfolio setup. Event risks like COVID or the GFC are, unfortunately, part of the investment cycle. But when you apply strategies like dollar-cost averaging and asset allocation, it gives you the ability to look through the intra-day, week, month and even year fluctuations with more confidence.

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