Quarterly Report

30 June 2020

InvestSMART

International Equities Portfolio

2020 Financial year highlights

- The InvestSMART International Equities Portfolio rose 4.22% in FY20 (after fees).
- Estimated yield on the portfolio is currently 2.45%.
- The International Portfolio outperformed peers in FY20 by 1.83%.

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 International Equities Portfolio provides Australian investors the ability to tap into the high potential growth of global markets and aid in portfolio diversification. The Portfolio is invested in a blend of our 5-15 preferred Exchange traded Funds (ETFs), where each ETF invests in a different market sector to the others, thereby lowering volatility, minimising overall risk, and increasing the potential for long-term growth.

Our International Equities 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
MSCI World (ex-Australia) Total Return Index, unhedged

INCEPTION DATE
24 October 2014

SUGGESTED INVESTMENT TIMEFRAME
2+ years

NUMBER OF SECURITIES
5 - 15

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

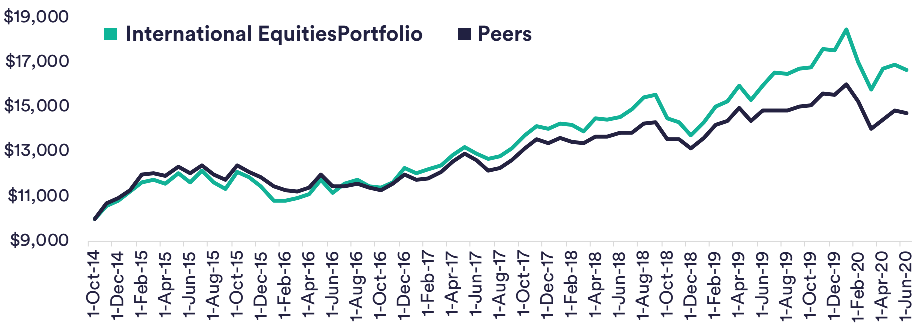
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 June 2020

Performance of $10,000 since inception



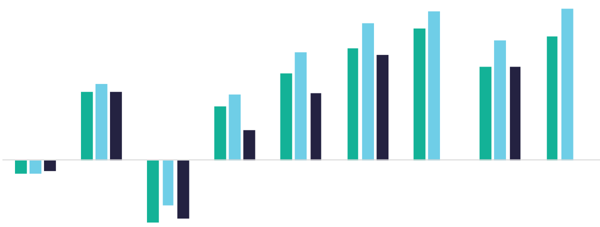
Top 5 holdings

VGS	41.9%
IVV	35.3%
VEQ	11.0%
IAA	6.4%
UMAX	2.9%

Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
InvestSMART International Equities#	-1.1%	5.3%	-4.9%	4.2%	6.8%	8.8%	7.3%
Average of 834 peers funds^	-0.9%	5.3%	-4.6%	2.4%	5.3%	8.2%	7.3%
Excess to Peers	-0.2%	0.0%	-0.3%	1.8%	1.5%	0.5%	0.0%

Performance relative to benchmarks

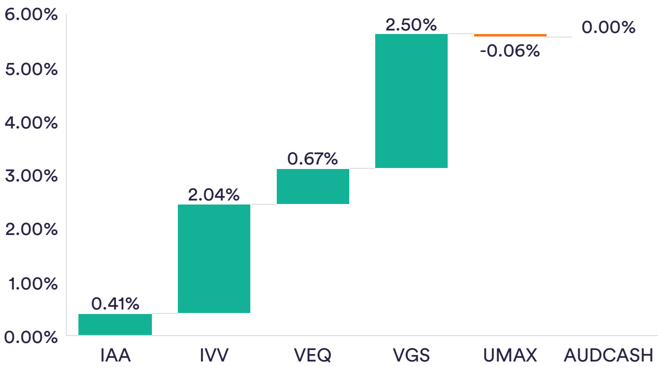


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART International Equities	-1.11%	5.34%	-4.89%	4.22%	6.82%	8.76%	10.35%	7.34%	9.76%
Benchmark	-1.12%	5.94%	-3.60%	5.18%	8.51%	10.76%	11.74%	9.37%	11.93%
Peers	-0.9%	5.3%	-4.6%	2.4%	5.3%	8.2%	0.0%	7.3%	0.00%

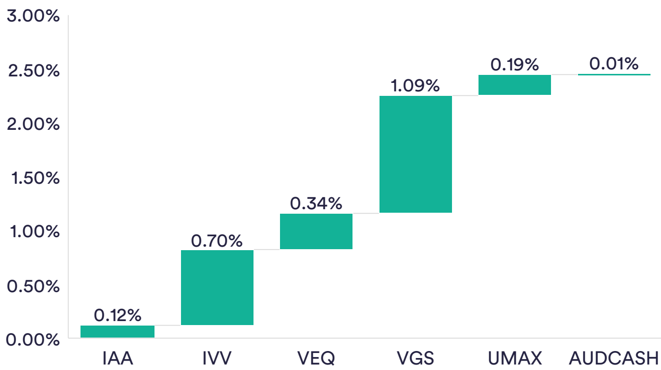
Asset allocation

International Equities	97.5%
Cash	2.5%

Attribution – Performance



Attribution – Yield



InvestSMART International Equities Portfolio 2020 Financial year udpate

Yearly performance

- The InvestSMART International Equities Portfolio rose 4.22% in FY20 (after fees).
- No changes were made to the portfolio during the year.
- Estimated yield on the portfolio is currently 2.45%.
- The International Portfolio outperformed peers in FY20 by 1.83%.

Quarterly performance

- The InvestSMART International Equities Portfolio rose slightly in the June quarter, up 5.34% (after fees).
- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 2.45%.
- The International Portfolio outperformed peers by 0.03% in the quarter.

Risk reward has never been more on display than the performance of the International Equities Portfolio over the past 12 months. The International Portfolio with its weighted exposure to the MSCI developed and developing markets has withstood the past six months incredibly well to actually finish the financial year in the black.

There is no argument to say that the final six months of the financial year have been momentous. Since January, international markets have been subjected to the UK officially enacting Brexit, China and the US ramping up geo-political tensions to levels not seen in decades, Hong Kong being subjected to new security laws and the US threatening Europe with new draconian auto tariffs. And then, of course, there has been the biggest global health crisis in 100 years as the coronavirus spreads throughout the world.

The past four months have been the biggest economic crisis since the Great Depression. Never in US history has it seen a scenario where nearly one in every six Americans (47.8 million) are unemployed and nearly one in every five claiming some form of work benefit. In Europe, Gross Domestic Product (GDP) is forecast to fall over 12% in France, Spain and Italy, while Germany's GDP is expected to collapse by 9% and the UK over 10%. Then there is Asia – China is rebounding, but at a slower rate than it wants, and Japan is facing its worst economic outlook since the Asian Financial Crisis.

All this caused the US to exit its longest ever bull market of 11 years and 1 month in March, the globe experienced its sharpest fall in equities since 2008 and in some instances the sharpest falls since the 1987 flash crash.

The economic crisis saw the US Federal Reserve's balance sheet expand by the equivalent of 13% of US GDP in the space of three months to try and cushion the blow to the 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.

This action, however, is probably why the US saw the largest subsequent post-bear market rally since the Great Depression. But it confirmed the 'risk' markets saw, and so we saw, more violent intra-day and intra-week moves in March to June than the whole of 2008.

So, volatility is up but so too is the market's belief that central governments and central banks will do 'whatever it takes' to support their respective economies to get through the COVID-19 crisis.

This pace of change from bull to bear to bull illustrates just how detrimental it is to break your investment strategy as it has caught so many out and crippled their long-term returns.

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

(Source: Bespoke)

In the final quarter of FY20 international equities boomed on signs a recovery is starting to take place, leading the international portfolio to rise 5.34% in the three months to June.

But it is more than this, the smart money also deployed 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.

If we look at the performance of the portfolio throughout this past period, its exposure to all parts of the world means the portfolio's global allocation has clearly buffered it from the really big hits seen in the European exposures while also capturing recoveries in the US and Asian markets. If we then throw in dollar-cost averaging, the outperformance has been amplified further through lower prices and large parcels resulting from COVID.

FY20 may have been a year like no other but it continues to prove the 'rules' true.

These being:

- Your time horizon is key, and you should always be thinking in a 7+ year timeframe for the International Portfolio setup as event risks like COVID or the GFC are, unfortunately, part of the investment cycle.
- Dollar-cost averaging gives you the ability to average down your cost base and the ability to look through the intra-day, week, month and even yearly fluctuations with a resolve that will minimise making an investment mistake.
- Asset-allocation helps smooths out volatility, gives you exposure to growth while also providing a buffer by not having all c

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1300 880 160

Important information