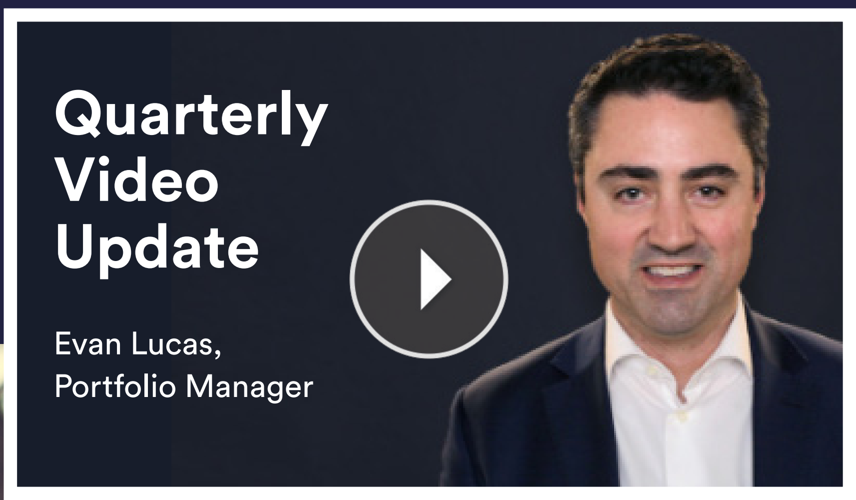
31 March 2019

InvestSMART Core Growth Portfolio

QUARTERLY UPDATE



This quarter Evan discusses:

- The booming growth assets
- Interlinking events in Q1
- The Portfolio's performance

InvestSMART Core Growth Portfolio

PERFORMANCE TO 31 MAR 2019	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS (P.A.)	3 YRS (P.A.)	4 YRS (P.A.)	SINCE INCEP.
InvestSMART Core Growth	1.64%	9.04%	1.78%	10.61%	7.43%	9.03%	5.19%	7.61%
Morningstar Multisector Growth Index	1.51%	8.85%	2.31%	10.84%	8.29%	9.42%	6.28%	8.44%
Peers	0.90%	7.12%	0.64%	5.73%	5.33%	6.74%	-	-

Key points

- **The InvestSMART Core Growth Portfolio produced a return of 9.04% (after fees) during the March Quarter**
- **No changes were made to the portfolio during the March quarter**
- **Estimated yield on the portfolio is currently 3.51% per. annum**
- **Since inception the Core Growth portfolio has returned 7.61% per. annum (after fees)**
- **All facets of the portfolio attributed to the quarter's performance**

A very rare event took place in the first quarter of 2019, where both bonds and equities appreciated together. There is clear justification for this move, that is, the change global economic risk. However, there are different reasons for the upwards price moves seen in both bonds and equities. The bond market is reacting to the 'malaise' of a contracting (and possible recessional) global growth story, while equities were reacting to the possible 'cure' in future monetary policy stimulus from central banks.

Further to this, there were three interlinked events in Q1 that drove the portfolio further still:

- The US Federal Reserve backing away from this rate hiking cycle, which released the pressure building in the flow of credit that had hit 'restrictive' levels (which was a clear drag on economic growth).
- The US-China trade war moving into a constructive phase, releasing the concern that geo-political risk would accelerate the issue around slowing global growth.
- Expectations of global monetary stimulus in the second half of 2019 have accelerated.

Domestic and international equities surged on all this. We witnessed the US have its best start to a year since 1998 and its best quarter since Q3 2009, up 14.1%. The ASX in January and February was one of the best performing indices of the MSCI 23 developed markets before settling in March. Its performance for the quarter was 9.3 per cent. Buying in the bond market actually depressed some bond yields, including the Australian 10-year, which recorded record lows. Safety buying ramped up, which had a very positive impact on listed property and infrastructure due to their bond-proxy structures. As such, the Australian REIT sector was the best performing sector for the month of March, going up 5.1%, which filtered nicely into the Vanguard Australian Property Securities Index (VAP).

Looking forward, growth assets are continuing to boom as we start Q2. Cyclical growth inputs, such as commodities, suggest growth assets will continue to perform solidly in the near future, as iron ore, coal and copper all move toward multi-year highs. If monetary policy, both in Australia and globally, were to loosen then growth assets would be likely to continue to appreciate.

From a performance perspective, the growth side of the Core Growth portfolio continue to outperform, with the iShares Core S&P/ASX 200 (IOZ) (attributing 3.15%) and the Vanguard MSCI Index International Shares ETF (VGS) (attributing 3.65%) both highly accretive. However, the defensive side also added to performance, even with its moderate weighting in the portfolio. The iShares Core Composite Bond ETF (IAF) attributed 0.31% while the Vanguard Global Aggregate Bond Index (Hedge) ETF (VBND) added 0.28%.

> “ **CYCLICAL GROWTH INPUTS, SUCH AS COMMODITIES, SUGGEST GROWTH ASSETS WILL CONTINUE TO PERFORM SOLIDLY IN THE NEAR FUTURE, AS IRON ORE, COAL AND COPPER ALL MOVE TOWARD MULTI-YEAR HIGHS.**

The last quarter’s performance reminds us of something we alluded to in January:

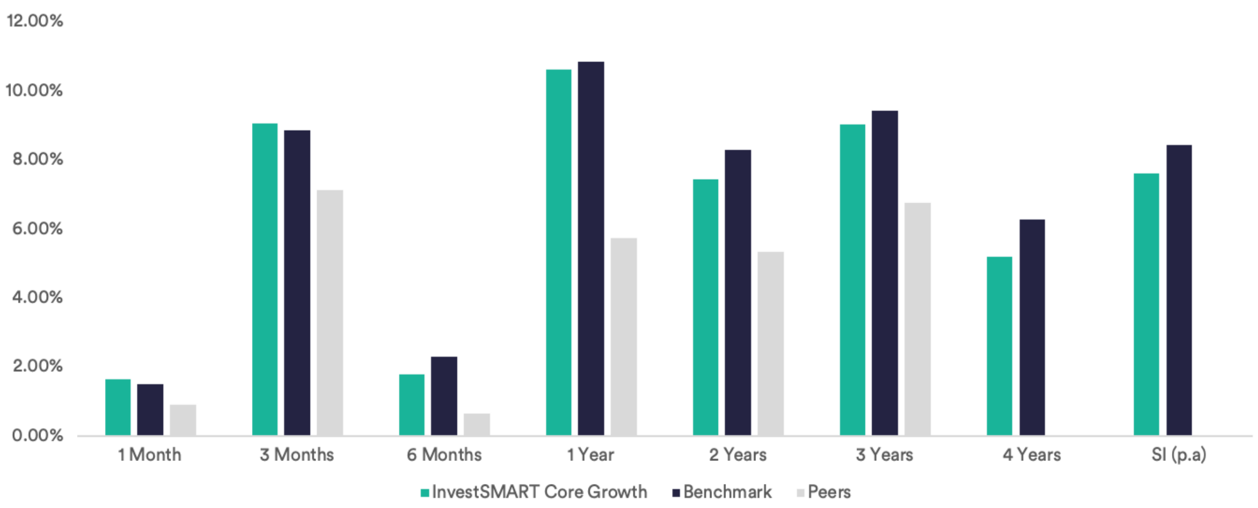
- As providers of Managed Accounts, we have a duty to remind ourselves and our investors that short-term gyrations, while captivating, do detract from our long-term stated goal of providing long-term, above-peer returns with the lowest fees possible. Thus, we need to loo k through the short-term volatility.
- The events of the past 7 months remind us why diversification is important when managing capital. We need to provide the correct exposure to each asset class depending on your selected level of risk, but also assist in smoothing out market events by providing diversification across asset classes. That still applies even if your investment risk is weighted towards a higher level of risk.
- Your investment timeframe has multiple facets. For starters, there is the time you have set to reach your goals, and then the time required to allow your portfolio to recover and expand. The events of the past 4–6 months should remind all investors that volatility is part of normal market cycles and we must look through this even view it as opportunity.

For more information on our Diversified Portfolios, click here.

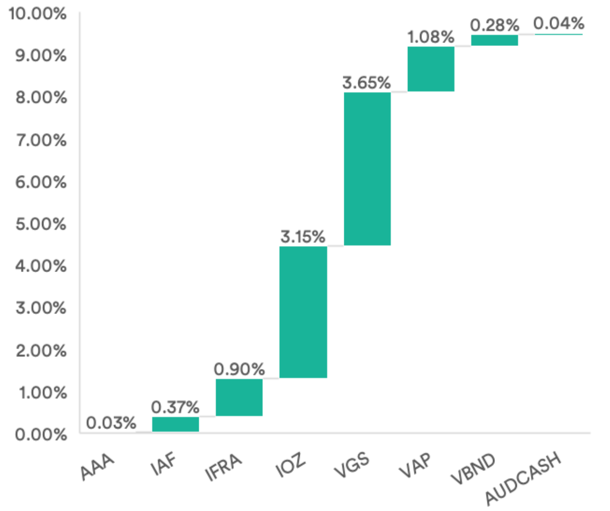
Performance

Performance of $10,000 since inception

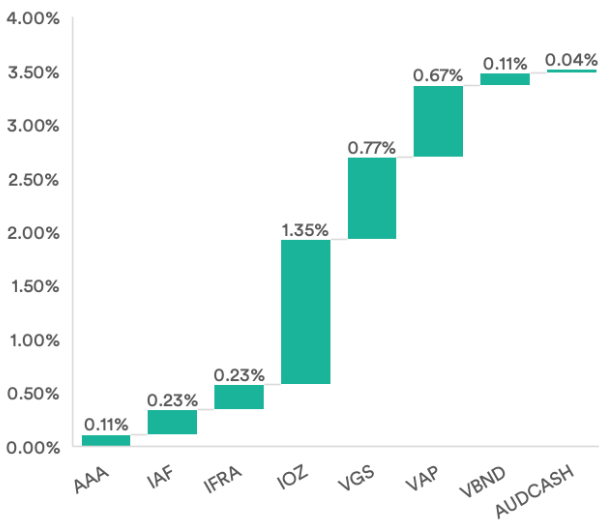
Performance relative to benchmarks



Performance attribution – before fees



Yield attribution



Portfolio holdings

TOP PORTFOLIO HOLDINGS		
SECURITY	**TICKER**	**MAR 2019**
Australian Equities		
iShares Core S&P/ASX 200 ETF	IOZ	29.19%
International Equities		
Vanguard MSCI Index International Shares ETF	VGS	30.69%
Property & Infrastructure		
Vanguard Australian Property Securities Index ETF	VAP	7.59%
VanEck Vectors FTSE Global Infrastructure ETF	IFRA	6.70%
Cash		
BetaShares Australian High Interest Cash ETF	AAA	5.32%
AUD Cash	AUDCASH	2.51%
Fixed Interest		
iShares Core Composite Bond ETF	IAF	10.37%
Vanguard Global Aggregate Bond Index ETF	VBND	7.63%

ASSET ALLOCATION					
AUSTRALIAN EQUITIES	**INTERNATIONAL EQUITIES**	**AUSTRALIAN FIXED INTEREST**	**INTERNATIONAL FIXED INTEREST**	**CASH**	**PROPERTY**
28.33%	31.86%	8.66%	9.24%	8.02%	13.89%

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 31 March 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. Peers indicated in the performance table is a Morningstar data feed based on similar underlying securities per portfolio.

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 Core 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 Exchange Traded Funds (ETFs), to offer investors a higher allocation to growth assets (shares & property) vs income assets (bonds & cash) all managed in the one portfolio.

Investment objective

Provide a return of 3% over the RBA cash rate per annum over a 5-year rolling period by investing in a diverse mix of asset classes.

Why the InvestSMART Core Growth Portfolio?

Having a well-diversified portfolio is a well-known strategy to assist in growing your capital whilst minimising your investment risks. The InvestSMART Core Growth Portfolio has been designed to balance your returns, by carefully balancing risk and fees.

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
A blend of our preferred Exchange Traded Funds (ETFs)

INVESTMENT STYLE
Low cost Active Asset Allocation

BENCHMARK
Morningstar Multisector Growth Index

INCEPTION DATE
24 October 2014

SUGGESTED INVESTMENT TIMEFRAME
5+ years

NUMBER OF SECURITIES / STOCKS
5 - 15 securities

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

PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

SUITABILITY
Suitable for investors looking to build their wealth over the medium-term

PORTFOLIO MANAGER
Evan Lucas

Appendix

Glossary

Attribution highlights the proportion of the total return that was generated by a given security.

Peers are defined as retail investment funds that share the same benchmark as the portfolio, as determined by Morningstar's peer grouping methodology. Regarding the InvestSMART Core Growth Portfolio, these are multi asset class funds with an asset allocation that is weighted higher toward growth assets. Not all retail investment funds have been included in Morningstar data. Number of peers is 1011.

The Indirect Cost Ratio is the weighted management fee of the underlying ETFs and Managed Funds held within the portfolio.

The **Risk Ratings** that InvestSMART Group assigns to our investment products is based on an industry standard, The Standard Risk Measure (SRM). The SRM is a guide developed by the Financial Services Council (FSC) and The Association of Superannuation Funds of Australia (ASFA) that outlines the likely number of negative annual returns expected over any 20 year period. The purpose of the SRM is to provide a standardised labelling system to assist investors in comparing investment options across providers.

Important information

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Past performance of financial products is not a reliable indicator of future performance. InvestSMART does not assure nor guarantee the performance of any financial products offered.

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