31 MARCH 2020

Quarterly Report

InvestSMART Growth Portfolio

March 2020 Quarter Highlights

- **The InvestSMART Growth Portfolio lost 12.54% in the March quarter (after fees).**
- **No changes were made to the portfolio during the quarter.**
- **Estimated yield on the portfolio is currently 3.98%.**
- **All growth assets in the portfolio fell in the first quarter of 2020, all defensive assets gained over the same period.**

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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

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.

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)

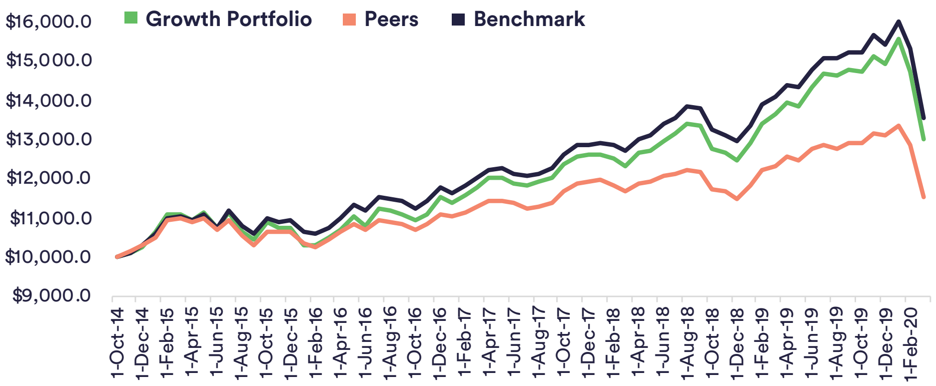
Performance to 31 March 2020 (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	S. I. (p.a.)
InvestSMART Growth Portfolio	−11.2%	−12.5%	−11.5%	−4.5%	2.8%	3.3%	5.5%	3.2%	5.3%
Average of 986 peers funds^	−11.5%	−13.2%	−11.9%	−6.9%	−0.8%	1.0%	N/A	1.7%	N/A
Excess to Peers	0.2%	0.7%	0.4%	2.4%	3.5%	2.2%	N/A	1.5%	N/A

Fees^: InvestSMART Conservative 0.55% & Average of 608 peers 1.58%

Note: Our InvestSMART Conservative is benchmarked against Morningstar Multisector Moderate Index.

Performance of $10,000 since inception



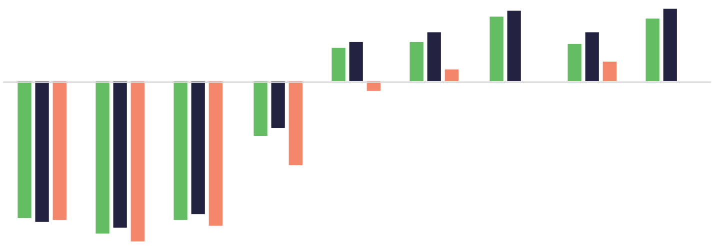
Asset allocation

International Equities	33.6%
Australian Equities	25.5%
Australian Fixed Interest	13.3%
Intl. Fixed Interest	9.9%
Cash	9.0%
Property	8.7%

Top 5 holdings

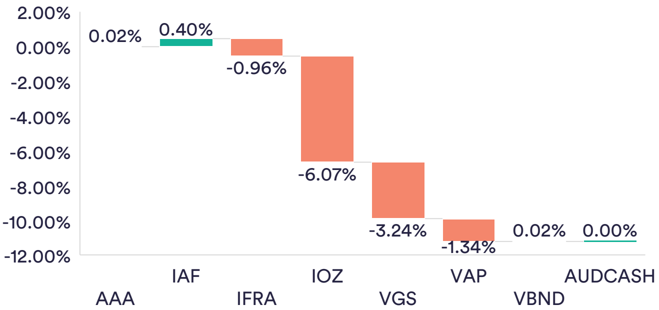
AAA	6.7%
IAF	16.1%
IFRA	5.1%
IOZ	26.4%
VGS	32.5%

Performance relative to benchmarks

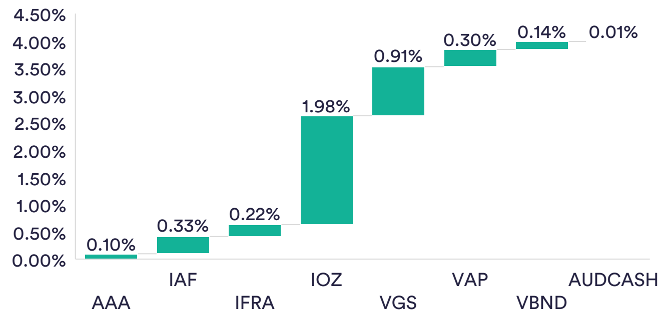


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART Growth	-11.23%	-12.54%	-11.49%	-4.53%	2.76%	3.28%	5.46%	3.16%	5.26%
Benchmark	-11.59%	-12.14%	-10.97%	-3.84%	3.24%	4.08%	5.94%	4.17%	6.06%
Peers	-11.5%	-13.2%	-11.9%	-6.9%	-0.8%	1.0%	0.0%	1.7%	0.0%

Attribution – Performance



Attribution – Yield



InvestSMART Growth Portfolio

How to explain or even comment on the last quarter? No one alive today has ever experienced a global health crisis like the one the globe is experiencing in 2020. It has had some 'starts' with the likes of SARS (Severe Acute Respiratory Syndrome), MERS (Mid-East Respiratory Syndrome) and Ebola, but nothing on the scale that COVID-19 has turned into.

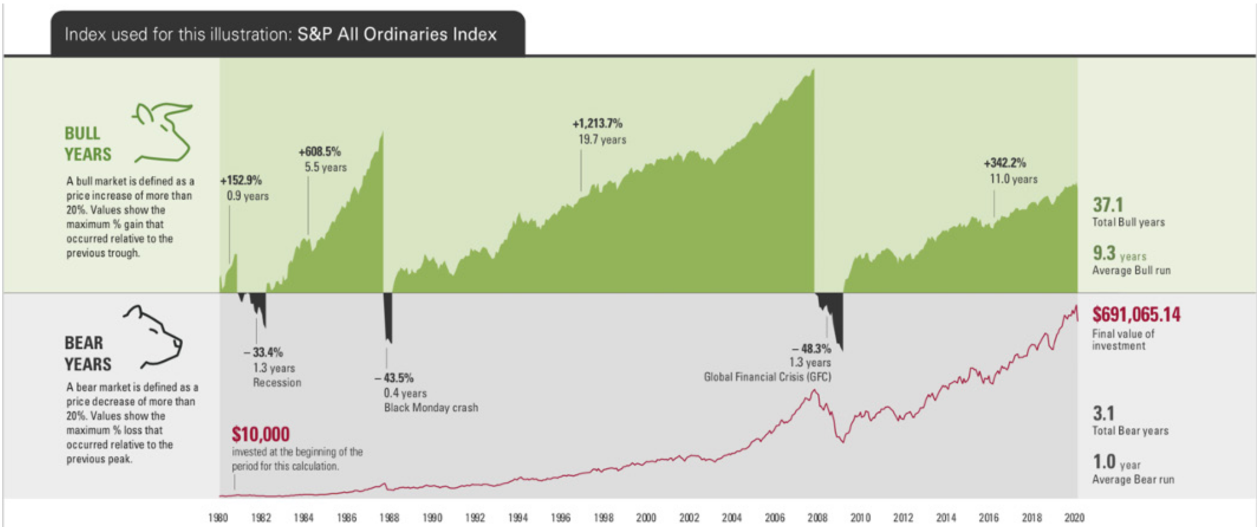
March 31 was a big full stop for the Growth Portfolio on the following stats:

- ASX Accumulation Index broke a 10.8-year bull run with a 23.1% decline in the March quarter, led by the Energy sector -47.92%, Real Estate -34.83% and Financials –27.95%.
- The biggest bull market in U.S. history has ended with the sharpest slide into a bear market since the 1987 crash. Mark the date: March 12, 2020 was the official end to the 11 year and 3-day U.S. bull market. The S&P 500 fell 20% in the first three months of the year, which is the worst first quarter on record.
- The US Volatility Index averaged 57 in March, triple the mean average of the past decade. It also hit an all-time high of 82, beating its GFC high by more than 10 points.
- European shares plunged more than 20% for the worst three months in the Eurozone since 2002, surpassing the Eurocrisis of 2011 and the GFC in 2008-09.
- Tokyo's TOPIX fell almost 20% in its worst three months since 2008.
- China's Shanghai Composite lost 10% in the quarter, South Korea's KOPSEI 19% and Singapore's Strait Times 20%.
- The Australian 10-year bond rallied 3.35% in the quarter the Australian 3-year bond rallied 11%, as the RBA stepped into market to support the economy.

It's been a huge quarter with COVID-19 decimating economies around the world, putting health systems under immense strain. Central banks all over the world reacted to the pandemic by moving monetary policy to GFC footings for the likes of the US, Europe and Asia and to record positions for our own Reserve Bank.

These global programs will be in place for a significant period of time and they will support the global and domestic economy over the coming years as the world recovers from COVID-19, and it will. There will come a time when global markets will calm, and normal trading will return.

Why we are confident in this view is that over the last 70 years, the US has seen 14 bear markets, on average each one has lasted a year with the average decline being 28.6%. At the same time, **what normally eventuates in the 12 months after these bear markets is a US bull market, lasting an average of 7 years with an average rise of 43%.**



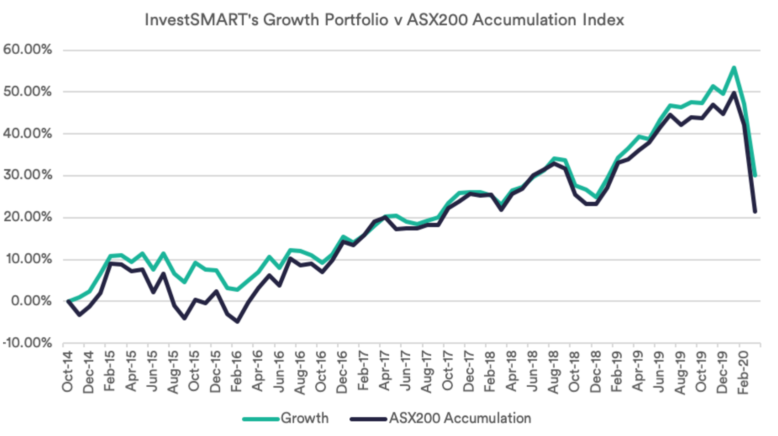
If we look at the ASX, it too has shown time and time again that it does recover and even more so when you factor in total returns. Remember, statistically, the ASX is the highest yielding developed market in the world – it has an average yield of 4.2% over the past 5 years and although in the short term these yields may be impacted, they too will return.

Then there is the 40-year history in bull and bear markets, and this chart from Vanguard Australia is a perfect illustration of why we remain strong in our philosophy that time in the market will always outperform time out of the market.

However, all this illustrates one thing – single asset classes are a risk in themselves. At InvestSMART, our core values when it comes to portfolio investment are:

- Diversification.
- Total return.
- Time in the market; and
- Low fees.

These values can be seen when we compare the Growth Portfolio's performance in the first quarter to that of the



ASX 200 Accumulation Index (total return) – it is a perfect illustration of the cushion that diversification provides.

As the chart shows, the Growth Portfolio's exposure to domestic and international fixed income coupled with its international equities exposure, has mitigated the full brunt COVID-19 has had on a single asset such as the ASX. The chart also shows that it could underperform during periods of boom like what was seen during the December 18 to February 20 boom period, but this is more than made up for in the risk mitigation that diversification provides.

Looking forward at the second and third quarters, we expect the bear market to continue for at least the next 3 months, meaning the volatility seen in global equity markets will continue. We believe that until the US 'clears the peak' and is seeing a decline in cases and deaths, markets will continue to experience these large intraday swings of 1% or more. This is also the time to evaluate how cost-price averaging can significantly improve your long-term returns due to your larger investment base and better average price. It is a tried and proven strategy for those looking for long term total returns, and we have shown above we know the market will return.

Portfolio performance

As explained above, the portfolios diversification buffered it from the full force of the declines in equities, with the fixed income side of the portfolio holding up during this period. Both the domestic and international equity listings detracted from performance; IOZ -6.07% with VGS -3.24%. It was the same story for property with VAP -1.34% and IFRA -0.96%.

On the defensive front, both fixed income listings held ground with IAF actually contributing to performance +0.4%, which is impressive considering its only 16% of the total portfolio.

No changes were made to the portfolio in the first quarter and we do not expect any changes to be made in the coming quarter.

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Important information