31 MARCH 2020

Quarterly Report

InvestSMART International Equities Portfolio

March 2020 Quarter Highlights

- **The InvestSMART International Equities Portfolio lost 9.71% in the March quarter (after fees).**
- **No changes were made to the portfolio during the quarter.**
- **Estimated yield on the portfolio is currently 2.54%.**
- **All facets of the portfolio fell in the first quarter of 2020.**

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)

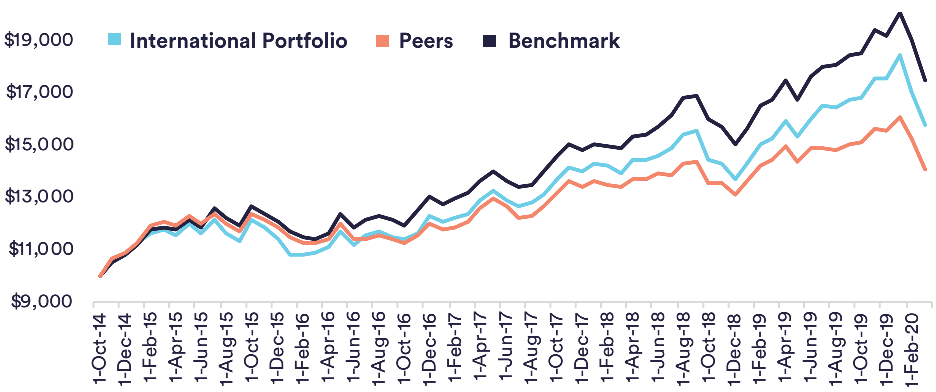
Performance to 31 March 2020 (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	S. I. (p.a.)
InvestSMART International Equities#	-7.0%	-9.7%	-5.3%	3.4%	6.4%	8.4%	9.5%	6.0%	9.2%
Average of 834 peers funds^	-8.9%	-10.1%	-6.5%	1.0%	4.6%	7.5%	N/A	6.2%	N/A
Excess to Peers	1.9%	0.4%	1.1%	2.3%	1.9%	0.8%	N/A	-0.2%	N/A

Fees^: InvestSMART International Equities 0.55% & Average of 834 peers 1.91%

Note: Our InvestSMART International Equities is benchmarked against MSCI World (ex-Australia) Total Return Index, unhedged.

Performance of $10,000 since inception



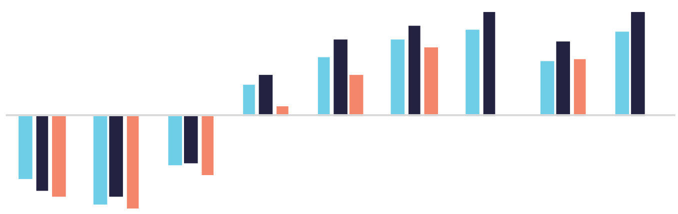
Asset allocation

International Equities	98.0%
Cash	2.0%

Top 5 holdings

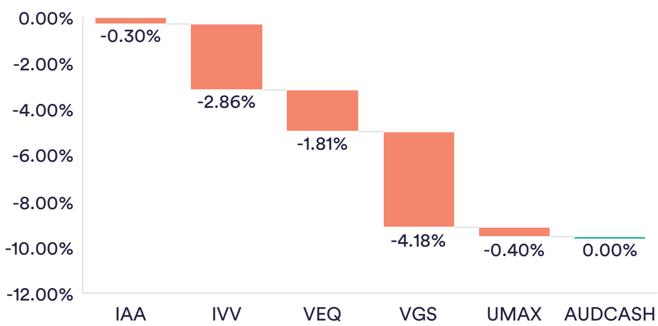
VGS	42.0%
IVV	35.5%
VEQ	11.0%
IAA	6.3%
UMAX	3.2%

Performance relative to benchmarks

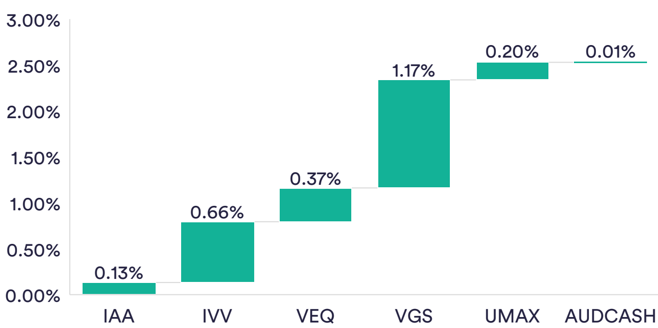


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART International Equities	-7.02%	-9.71%	-5.35%	3.39%	6.44%	8.37%	9.51%	5.99%	9.17%
Benchmark	-8.32%	-9.00%	-5.13%	4.44%	8.30%	9.95%	11.32%	8.09%	11.32%
Peers	-8.9%	-10.1%	-6.5%	1.0%	4.6%	7.5%	0.0%	6.2%	0.0%

Attribution – Performance



Attribution – Yield



InvestSMART International Equities 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.

Before we go through the quarterly performance, I would highlight those nations that experienced SARS and the like and their handling of the COVID-19 crisis. The reason for this is, these nations have tended to manage the crisis better and have 'flattened the curve' faster than most, having learnt from past experiences and knowing how to manage these epidemics/pandemic crises. I highlight this because it's these nations that have managed to get through the first quarter in much better shape than the rest of the world.

However, March 31 was a big full stop for the international portfolio on the following stats:

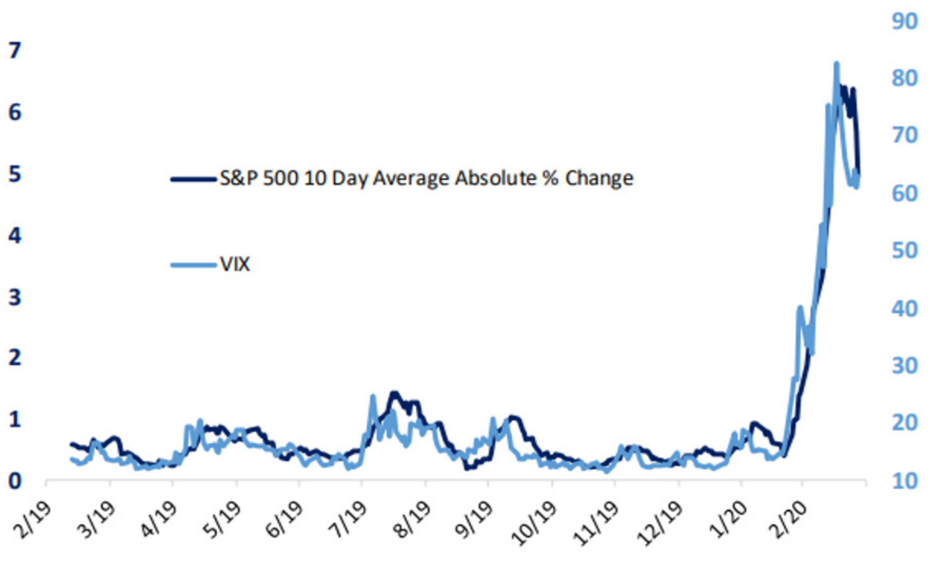
- The biggest bull market in U.S. history has ended with the sharpest slide into a bear market since the 1987 crash. Mark the date: March 12, 2020 was the official end to the 11 year and 3-day US bull market. The S&P 500 fell 20% in the first three months of the year, which is the worst first quarter 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%.

With international equities now into the depths of a bear market, we feel it's prudent to remind all what normally transpires during a bear market – surging volatility.

The thing about volatility is that it is directionally agnostic, not, as some believe, an inverse market index. Or to put it another way, volatility will remain high not just when markets collapse but when they rocket higher too.

Remember, in the penultimate week of March, US markets rallied over 19%, Europe and parts of Asia the same. Intraday moves were on par with intra-year moves (+12%, -13% or moving from negative to positive or vice versa +/-5%), yet over that same week, volatility remained at or above levels from the week before, showing that options markets continued to price in high levels of market volatility and immense intraday trading percentages.

This chart is a great example of what we mean, it shows the absolute percentage changes (both up and down are counted as the same direction) of the 10-day average of the S&P 500 (left-hand side) versus the US VIX index (right-hand side).



(Source: Bespoke)

The chart shows that the big intraday moves either up or down are going hand-in-hand with higher levels of volatility.

Looking forward at the second and third quarters, we expect the bear market to continue for at least the next 3 months, meaning this level of volatility will continue. We believe that until the US 'clears the peak' and is seeing a decline in cases and deaths, markets will continue to remain in their current state.

However, as the globe recovers from this horrible virus, and it will, there will come a time when global markets will calm, and normal trading will return. Remember, 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%.**

It's why we remain strong in our philosophy that time in the market will always outperform time out of the market. In fact, history shows that being out of the market is one of the biggest risks to your long-term goals. This is also the time, remember, that 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.

Portfolio performance

Due to the international portfolio diversification and high exposure to the US, the quarter, while hard to take, is not as bad as what has befallen individual indices declining over 9.7% after fees. We need to remember that during the quarter, 7 MSCI developed markets made record all-time highs, the US's S&P 500, which is represented in the portfolio by IVV being one of them.

However, all facets of the portfolio declined in the first quarter of the year. IVV's impact on performance was -2.86%, the world index excluding Australia VGS (our largest holding in the portfolio) detracted 4.18% from performance, while the European holding VEQ detracted 1.81%. The China A50 holding IAA was the 'bright spot,' only detracting 0.3% from performance, however, it is the smallest holding in the portfolio.

We don't expect to make any changes to this portfolio in the near future and no changes were made in the quarter.

INVESTSMART

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Important information