

31 MARCH 2020

## Quarterly Report

# InvestSMART Diversified Property and Infrastructure Portfolio

### March 2020 Quarter Highlights

- The InvestSMART Property and Infrastructure Portfolio declined 22.91% in the March quarter (after fees).
- No changes were made to the portfolio over the quarter.
- Estimated yield on the portfolio is currently 5.15%.
- All facets of the portfolio declined in the quarter as COVID-19 restrictions shattered the normal operations of the property and infrastructure sector.

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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 Diversified Property & Infrastructure Portfolio is designed for investors looking to diversify their property exposure or tap into the income & capital growth potential from the commercial property market generally inaccessible to the public. The Portfolio invests in a mix of 5 - 12 securities across Real Estate Investment Trusts (A-REITs), Infrastructure, and global property Exchange Traded Funds (ETFs) all managed in the one portfolio.

Our Diversified Property & Infrastructure 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

A Composite Index

### INCEPTION DATE

23 December 2015

### SUGGESTED INVESTMENT TIMEFRAME

2+ years

### NUMBER OF SECURITIES

5 - 12

### INVESTMENT FEE

\$99 - \$451 p.a. capped

### PERFORMANCE FEE

N/A

### MINIMUM INITIAL INVESTMENT

\$10,000

### STRUCTURE

Professionally Managed Account (PMA)

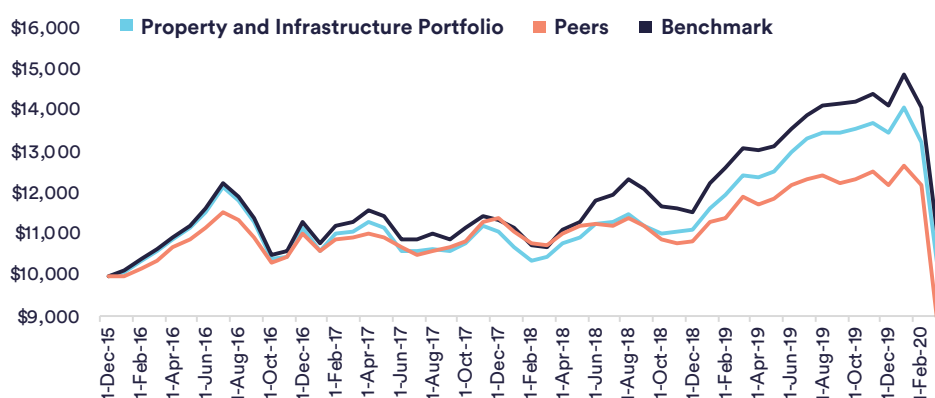
### Performance to 31 March 2020 (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	4 yrs	S. I. (p.a.)
InvestSMART Property and Infrastructure#	-21.7%	-22.9%	-23.1%	-16.9%	-0.5%	-2.2%	-0.6%	1.0%
Average of 356 peers funds^	-34.8%	-34.5%	-34.8%	-31.5%	-9.2%	-6.6%	N/A	N/A
Excess to Peers	13.1%	11.6%	11.8%	14.6%	8.6%	4.4%	N/A	N/A

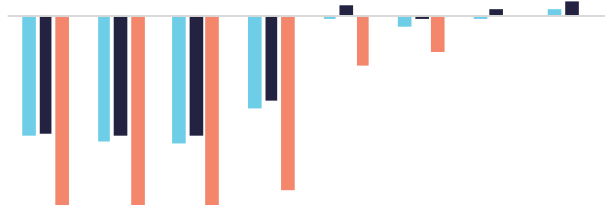
Fees^: InvestSMART Property and Infrastructure 0.55% & Average of 356 peers 1.56%

Note: Our InvestSMART Property and Infrastructure is benchmarked against A Composite Index.

### Performance of \$10,000 since inception

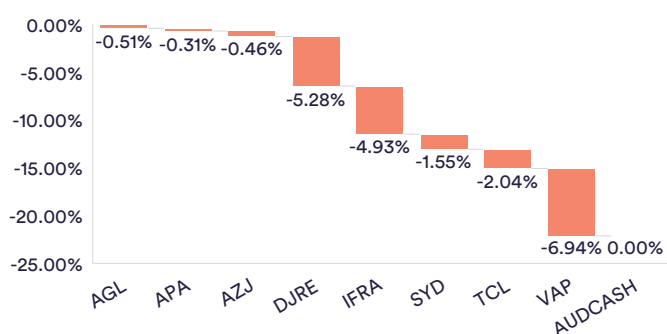


### Performance relative to benchmarks

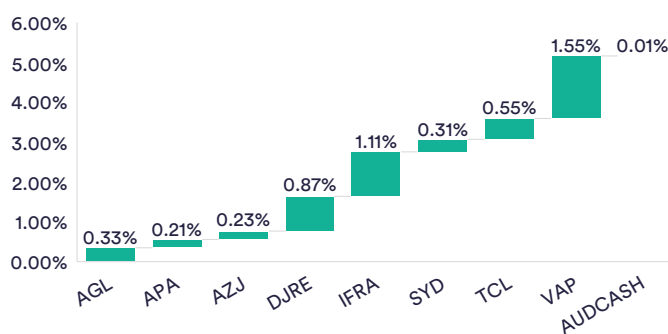


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	SI (p.a)
InvestSMART Diversified Property & Infrastructure Portfolio	-21.71%	-22.91%	-23.06%	-16.87%	-0.54%	-2.24%	-0.62%	1.03%
Benchmark	-21.42%	-21.71%	-21.83%	-15.40%	1.65%	-0.64%	0.98%	2.67%
Peers (ASX200 A-REIT TR/ Equity Australia Real Estate)	-34.8%	-34.5%	-34.8%	-31.5%	-9.2%	-6.6%	0.0%	0.0%

### Attribution – Performance



### Attribution – Yield



### Asset allocation

Global Infrastructure	26.3%
International Property	25.9%
Domestic Infrastructure	25.8%
Domestic Property	19.8%
Cash	2.2%

### Top 5 holdings

IFRA	26.3%
DJRE	25.9%
VAP	19.8%
TCL	10.6%
SYD	4.4%

## InvestSMART Diversified Property and Infrastructure Portfolio

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This portfolio is, unfortunately, the perfect example of the economic effects of COVID-19 restrictions both domestically and internationally.

The grounding of the aviation industry has seen the likes of Sydney Airport (SYD) removing guidance and is currently seeing a loss of cash flow not seen in decades. The shutdown is also increasing the need for a capital raising to continue operations.

Social distancing laws have seen road usage fall to unprecedented levels, hitting even the most assured of revenue earners in Transurban (TCL). We must also mention that TCL is currently in a dispute with suppliers over the delivery of the Western Distributor in Melbourne which has also impacted its price.

And then there is the impact of social distancing laws on listed property. The restrictions on core tenants from the retail and services sectors has been devastating for revenues.

The mass closures of tenants coupled with restrictions on how many individuals can congregate in enclosed centres, has had a profound impact on the ability to pay rent which is hitting the sector. Then there is the forced closure of gyms, cinemas and other personal entertainment spaces. All of this has smashed listed property as the market assumes that rental yields will be significantly impacted for the foreseeable future.

What has also hurt listed property is a lack of fiscal policy for landlords. Unlike the retail and services sectors which are being supported by the government's JobSeeker and JobKeeper programs, no major support package for listed property has been released, which is placing even more pressure on REITs.

COVID-19 was the perfect storm for this portfolio and thus has led to significant declines. However, what history has shown in sectors such as infrastructure and property, is that it can and does bounce back very rapidly.

These sectors are also long-term essential services that provide high levels of employment and economic return. We do still see the short-term impact to the portfolio as the COVID-19 restrictions hold firm, but as the restrictions unwind, we expect the portfolio to rebound.

### Portfolio performance

Both property holdings were the biggest detractors from performance in the first quarter with the domestic property holding VAP detracting 6.94% and the international holding DJRE detracting 5.28%. The international infrastructure holding IFRA detracted 4.93% while TCL and SYD detracted 2.04% and 1.55% from performance.

There was some brighter news with the utilities listings of AGL and APA remaining relatively untouched during the quarter, falling modestly, while haulage firm Aurizon (AZJ) also held up well as demand remained relatively unaffected.



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### **Important information**

This document has been prepared by InvestSMART Funds Management Limited (ABN 62 067 751 759, AFSL 246441) (InvestSMART), the responsible entity of the [InvestSMART Diversified Property and Infrastructure Portfolio] (Fund) and issuer of units in the Fund.

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