Quarterly Report

30 September 2020

InvestSMART Growth Portfolio

September 2020 Quarterly highlights

- The InvestSMART Growth Portfolio rose slightly in the September quarter, up 1.85% (after fees).
- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 2.6%.
- The Growth Portfolio outperformed peers in the third quarter of 2020 by 0.35%.

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

To provide 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
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

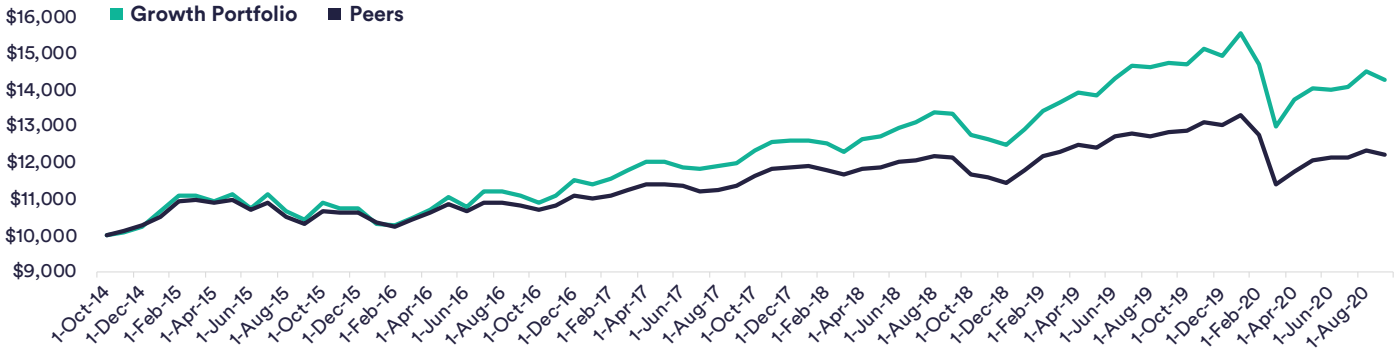
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 September 2020

Performance of $10,000 since inception

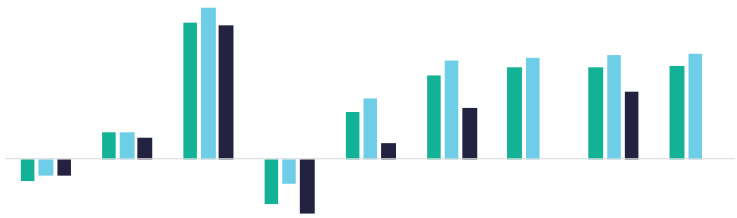


Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
InvestSMART Growth Portfolio	-1.5%	1.9%	9.4%	-3.1%	3.3%	5.8%	6.3%
Average of 916 peers funds*	-1.1%	1.5%	9.3%	-3.8%	1.1%	3.5%	4.6%
Excess to Peers	-0.4%	0.4%	0.1%	0.7%	2.2%	2.3%	1.7%

Fees*: InvestSMART Growth 0.55% & Average of 916 peers 1.70%.
Note: Our InvestSMART Growth is benchmarked against Morningstar Multisector Growth Index.

Performance relative to benchmarks

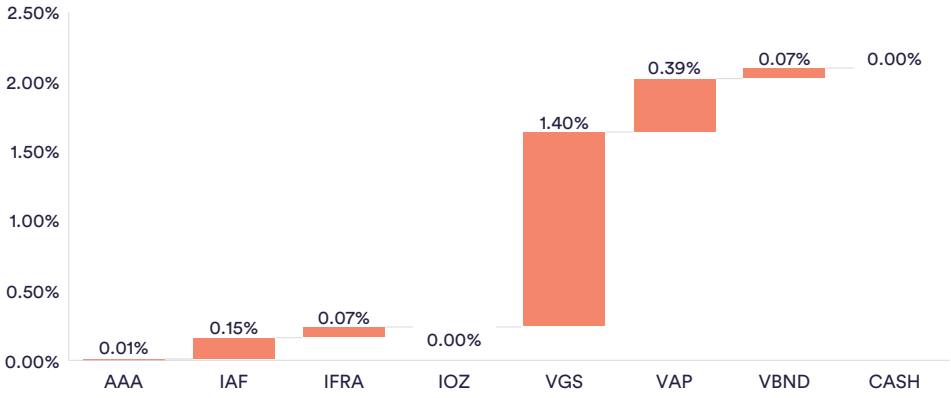


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART Growth	-1.50%	1.85%	9.44%	-3.14%	3.29%	5.81%	6.37%	6.33%	6.41%
Benchmark	-1.13%	1.86%	10.42%	-1.70%	4.22%	6.85%	6.95%	7.14%	7.31%
Peers	-1.14%	1.50%	9.28%	-3.80%	1.14%	3.49%	0.00%	4.62%	0.00%

Asset allocation

International Equities	27.0%
Australian Equities	34.1%
Australian Fixed Interest	12.2%
International Fixed Interest	9.6%
Cash	7.3%
Property	9.7%

Attribution – Performance



Top 5 holdings

VGS	33.0%
IOZ	28.0%
IAF	14.8%
VBND	7.3%
AAA	6.0%

InvestSMART Growth Portfolio

30 September 2020 update

Quarterly Performance

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Despite a second lockdown in Victoria, confirmation of the first recession in Australia since 1992 and one of the most humbling earnings seasons for the ASX 200 since the Global Financial Crisis, the third quarter of 2020 was actually pretty benign for the domestic index.

On a capital basis, the ASX 200 was down just 0.44 per cent over the 92 days of the quarter and on a total returns basis it was slightly in the black, adding 0.3 per cent.

However, if we drill into the market's performance on a sector basis there is a rather large discrepancy: health, materials and technology are significantly outperforming the likes of real estate, utilities and financial services.

The discrepancy also explains the ASX 200's rather flat performance. Health and technology make up no more than 17 per cent of the ASX's total weightings. Financials, real estate and utilities is near enough to 35 per cent.

As growth investors, we know you are willing to take on some underperformance in your portfolio as you search for better returns. But we also know that you expect to be diversified into all manner of growth assets to offset the underperformance you might experience in portions of your overall portfolio.

This is exactly why the Growth Portfolio is weighted to growth markets and has a sizable portion weighted to international investments.

If we now compare the ASX 200 to two larger international peers in the S&P 500 and the Nikkei 225 (both indices are held in the Growth Portfolio), we can see that their collective performance to date is significantly better than the ASX.

In fact, over the third quarter the S&P 500 is up over 8 per cent on a total returns basis while the Nikkei 225 is up more than 5 per cent. This is despite the US nearing the November 3 Presidential election which is historically a very volatile time and Japan seeing its longest serving Prime Minister Shinzo Abe step down for health reasons.

This chart is why your Growth Portfolio has been designed to meet its growth mandate through diversification. Your portfolio's 34 per cent exposure to international markets has more than offset the flat return from the domestic market exposure.

With the Growth Portfolio adding 1.85 per cent after fees for the third quarter, it illustrates that having a solitary asset exposure (i.e. just the ASX 200) can and will lead to adverse outcomes.

What the last quarter has also shown is that once again, the InvestSMART Growth Portfolio has outperformed peers, this time by 0.35 per cent. This continues the long-term trend that sees the Growth Portfolio outperforming peers by 0.66 per cent on a one-year basis and 2.32 per cent on a three-year basis.

As we start the final quarter of this unforgettable year, we do need to highlight some very short-term event risks above and beyond the COVID-19 issues. The first is the US Presidential election on November 3. Putting the politics to one side, markets will view the pre- and post-election period as something of an 'unknown' which could see some of the S&P 500's outperformance coming off. However, the long-run view for the US is one of a rebounding economy and a strengthening private sector.

The second is something that has probably been lost in the COVID-19 ether and that is the finalisation of Brexit which is due to be completed by the end of December. This is becoming a possible market event concern because the UK Parliament is trying to alter its agreed deal with the EU. This has led the EU to sue the UK for a breach of a 'good faith' agreement. There is a growing chance the UK crashes out of the EU without a deal.

But these are short-term event risks and as COVID and all other event risks throughout history have taught us, a diversified allocation will smooth out these blips and over the medium to longer term will continue to provide the total returns one expects from a growth portfolio.

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