Quarterly Report

30 September 2020

InvestSMART

International Equities Portfolio

September 2020 Quarterly highlights

- The InvestSMART International Equities Portfolio performed solidly in the third quarter of 2020, up 3.83% (after fees).
- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 2.2%.
- The International Portfolio outperformed peers by 0.63% in the quarter.

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 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

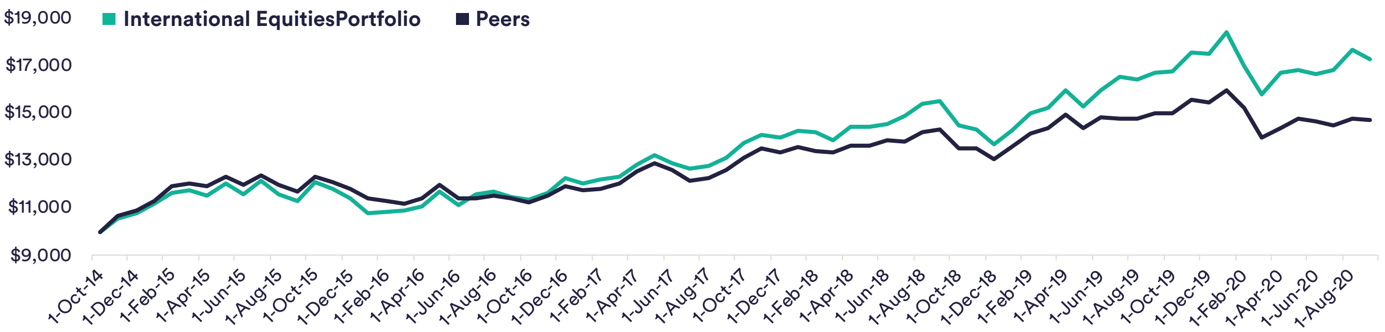
PERFORMANCE FEE
N/A

MINIMUM INITIAL INVESTMENT
$10,000

STRUCTURE
Professionally Managed Account (PMA)

As at 30 September 2020

Performance of $10,000 since inception

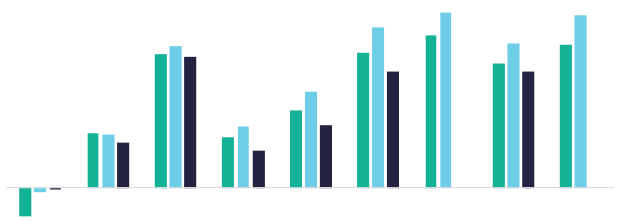


Performance (after fees)

	1 mth	3 mths	6 mths	1 yr	2 yrs	3 yrs	5 yrs
InvestSMART International Equities	-2.0%	3.8%	9.4%	3.6%	5.4%	9.4%	8.7%
Average of 1003 peers funds*	0.0%	3.2%	9.1%	2.6%	4.4%	8.2%	8.1%
Excess to Peers	-2.0%	0.6%	0.3%	1.0%	1.0%	1.2%	0.6%

Fees*:InvestSMART International Equities 0.55% & Average of 1003 peers 1.71%.
Note: Our InvestSMART International Equities is benchmarked against MSCI World (ex-Australia) Total Return Index, unhedged.

Performance relative to benchmarks

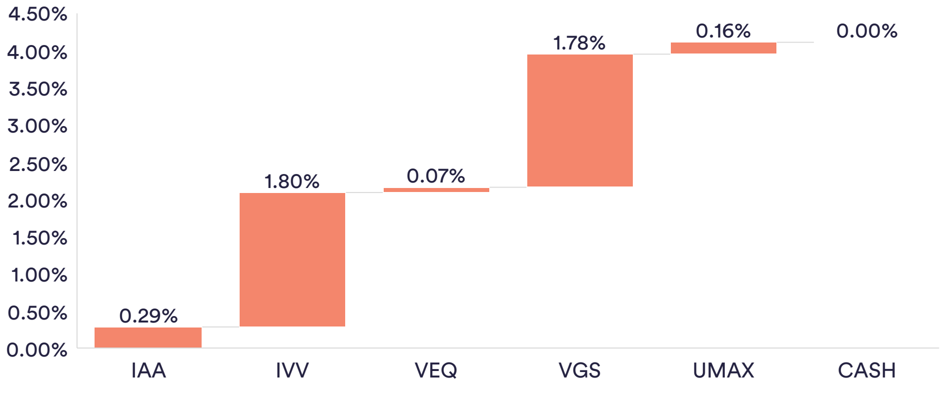


	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	4 Years	5 Years	SI (p.a)
InvestSMART International Equities	-1.97%	3.83%	9.39%	3.55%	5.39%	9.43%	10.67%	8.73%	10.02%
Benchmark	-0.31%	3.78%	9.94%	4.30%	6.69%	11.21%	12.23%	10.10%	12.09%
Peers	-0.04%	3.21%	9.15%	2.62%	4.36%	8.16%	0.00%	8.09%	0.00%

Asset allocation

International Equities	99.0%
Cash	1.0%

Attribution – Performance



Top 5 holdings

VGS	42.0%
IVV	36.0%
VEQ	11.0%
IAA	6.8%
UMAX	3.3%

InvestSMART International Equities Portfolio

30 September 2020 update

Quarterly performance

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- No changes were made to the portfolio during the quarter.
- Estimated yield on the portfolio is currently 2.2%.
- The International Portfolio outperformed peers by 0.63% in the quarter.

One of the most common discussions we have with clients at InvestSMART is about performance, and specifically international performance compared to domestic performance. It's no coincidence that growth and outperformance come from international markets. To put that idea into context, the ASX 200 only makes up 3 per cent of the world's developed markets while Australia's population compared to the globe is just 0.33 per cent – it's little wonder there are likely to be greater growth opportunities in other markets rather than just in Australia.

We have always understood this theme and we have also understood our investors' desire to access international markets with a minimal amount of fuss, on a low-cost basis and with a strategy that can capture all corners of the globe.

It is why the International Equities Portfolio was constructed and why it has managed to give you the growth performance that the international market continues to deliver through a diverse and weighted array of global markets. This has mitigated single region or single market risk while maintaining exposure to growth that outperforms over the long term.

If we look at the International Portfolio's performance in the third quarter, it returned 3.83 per cent after fees compared to a completely flat domestic market. Over the past six months, the fund is up 9.39 per cent and over the past year, the fund has still seen a 3.55 per cent total return after fees.

Think about that performance when you list the risks that have happened this calendar year with COVID-19 being the 'great reset'. Record declines and rebounds in global national accounts, some of the biggest unemployment reads since the Great Depression across the globe, and geo-political events that have seen nationalism and protectionism ramp up at the expense of globalism and free-market trade.

There is a fairly good reason why international markets have performed this well despite all that has happened in 2020 and that is because even in times of mass uncertainty, innovation, development and growth are still front and centre for firms listed on global indices.

The portfolio's performance can also be measured by comparing it to our peers as we are looking to maximise your returns by beating our peer groups, which we continue to do. Over the last quarter, the fund outperformed our peers by 0.63 per cent, over the past year it's 0.93 per cent. Over the longer term of three years the outperformance is 1.27 per cent – a significant difference when you take into consideration compounding returns.

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 that will impact the International Portfolio.

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.

(Source: Bespoke)

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, international markets will find growth and upside over the long term as they innovate and develop the business of tomorrow.

INVESTSMART

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Important information