Growing your wealth

How InvestSMART can help you to build long-term wealth.

INVESTSMART

LET'S MAKE WEALTH HAPPEN

www.investsmart.com.au
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Contents

About InvestSMART

Founded in 1999, InvestSMART Group Ltd is a leading Australian digital wealth adviser. It owns Intelligent Investor, Eureka Report and has launched a number of its own funds.

InvestSMART's goal is to provide quality advice, research and easy-to-use tools, free from the jargon and complexities so commonly found in the finance industry, to help you meet your financial aspirations.

A word from Paul Clitheroe

If my 40-plus trips around the sun as a senior financial adviser have taught me anything, it's that there's never been nor will there ever be a 'magic pudding' when comes to wealth creation. As glib as it may sound, it is simple, time-honoured principles around investing that will help you realise your aspirations more than get-rich quick schemes – which financially astute Australians' keep falling for.

Fear and greed are the arch enemy of any investor. Yet all too often, I see Australians falling victim to the fear of missing out (FOMO) or the fear of not getting out (FONGO).

My experience tells me that the smarter approach is to avoid being unnerved by market volatility, and hold your course. That means continuing to save and invest with a plan that puts you in the driver's seat, and not the myriad of attention grabbing headlines that no investor can control.

Like the mariners of old, with only the sun, moon and stars to guide them through the storm, a few overarching guidelines will help you on the journey you're now on towards long-term wealth creation. It's our sole purpose here at InvestSMART to ensure you invest with the right building blocks.

Contrary to public opinion, growing your wealth is more about getting your ducks sufficiently aligned than it is rocket science. Getting the basics right will do more to maximise your wealth over time, than complex investment vehicles.

Given that you've already embarked on a savings journey, this white paper is all about showing you exactly how our investment options work and the steps you need to take to set the wheels in motion.

Just as sun and rain do wonders for your garden, so too compounding returns and lower fees, which help deliver greater returns – plus the right level of diversification – will grow your nest-egg regardless of what markets are doing.

We want to walk you through the options available as an InvestSMART investor. That means helping you to choose a portfolio with the right level of growth and defensive assets to best meet your unique financial and lifestyle goals and aspirations – and with your own specific time horizon in mind.

Paul Clitheroe
Chairman of InvestSMART Group

A blended approach

Understanding what we invest in

Due to their low-costs, greater transparency, and the ease with which they can be traded, each of InvestSMART's five portfolios invests exclusively in what are known as exchange traded funds (ETFs) which trade on the Australian Securities Exchange (ASX) as ordinary shares.

An ETF is simply a basket of listed companies (aka stocks). When you buy an ETF, you're actually buying a microscopic version of a particular share market index (or asset class). So for example, if you invest $500 in an ETF that's linked to a certain share market index, let's say the S&P-ASX 200, that means your $500 is split up to closely reflect the largest 200 companies on the ASX. How much of your $500 is invested in each stock depends on its actual weighting on the S&P ASX 200 Index.

So if the big telco Telstra accounts for 10 percent of the S&P ASX 200 Index by market capitalisation (ie how much its listed share are worth), then 10 percent of your $500 will be invested in this stock, and so on according to the weighting of the other 199 stocks on this index, it's really that simple.

Head on over to investsmart.com.au/how-it-works for more information on how we can help you get started.

Five portfolios: One theme

InvestSMART's five portfolios are essentially variations on the same ETF theme of diversification. For example, the types and exposures (~ aka weightings) you have to the different assets (~ namely ETFs) within your chosen portfolio, will be carefully blended to reflect your predetermined appetite for risk (see breakout below for more detail).

You will notice the same ETFs across the five core diversified portfolios, but as the recommended timeframe, and therefore risk profile, increases so to does the exposure to growth asset ETFs like Australian and international shares.

By using these ETFs we take away the risk of picking the wrong stock or wrong market sector to invest in. We don't like to put all our eggs in one basket and that is why, no matter the risk profile, we are diversified across asset classes and then within those asset classes too.

Which of our five portfolios should you choose?

Just because you leave the house with an umbrella when there's only a 10 percent chance of rain, doesn't mean you should automatically opt for the conservative portfolio. Your investment timeframe will dictate which portfolio option is right for you. We've ascribed a recommended timeframe to each of InvestSMART's five ready-made portfolios, so it's easy to identify the one that most closely aligns with you goal.

The longer your investment time horizon, the greater your exposure to growth assets is likely to be. The trouble with selecting a more conservative portfolio – than your timeframe aligns with – is you won't have the appropriate amount of growth assets, which means reaching your investment goal will take longer.

What typically stops investors being more ambitious with their financial aspirations is their fear of a bumpy ride along the way. The net effect is excessive short-term thinking and its impact on investment returns can be severe.

While investor fear of losing money is very real, what they often misunderstand is that over the long haul, despite volatility, growth assets (like shares and property) have historically delivered better outcomes than low-risk, low-growth options like cash and term deposits.

Deciding which of InvestSMART's five readymade investment portfolios you should choose as your core investment plan, depends on a multiplicity of factors. However, it's important to remember that every one of InvestSMART's portfolios has a recommended timeframe. Your job is to choose the one that most closely aligns with timeframe within which you plan to achieve your goal.

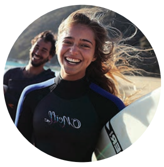
By combining timeframe, together with available financial resources and the comfort-factor with the decisions you've made about how and where your money is in invested, you'll get a pretty good idea of your own risk profile. Given that you've already started saving towards something, you should already have that goal in mind and the timeframe needed to achieve it.

> "
> **THE LONGER YOUR INVESTMENT TIME HORIZON, THE GREATER YOUR EXPOSURE TO GROWTH ASSETS IS LIKELY TO BE.**

We want you to be able to invest in the knowledge that you'll sleep comfortably with the decisions you've made. While each of our five portfolio's invests in five to 15 ETFs, the blend of defensive income assets (fixed income & cash) and growth assets (Australian and international shares, plus property and infrastructure) varies to reflect your risk profile.

Portfolios in focus

Each of the following five InvestSMART portfolios requires a minimum initial investment of $10,000, and they do not incur performance fees.



Portfolio 1
InvestSMART High Growth
(7+ years)

Looking to build wealth over the longer-term? If so, our High Growth Portfolio has been designed just for you. To help deliver that higher growth, this portfolio has greater allocation to growth assets (shares and property) than defensive income assets (bonds and cash).

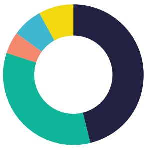
Suitable for those with a higher risk tolerance, who want to build wealth over seven-plus years – either to save for retirement, build a future nest egg or saving for a house deposit.

Inception Date: 27 October 2014

Standard Risk Measure: High

Benchmark Index: Morningstar Australia Aggressive Target Allocation NR AUD

Asset allocation: As at 31 December 2022



International Equities	44.50%
Australian Equities	35.00%
Property & Infrastructure	5.00%
Fixed Interest	6.50%
Cash	9.00%

Portfolio 2
InvestSMART Ethical Growth
(5+ years)

The Ethical Growth Portfolio is invested in a blend of 5 – 15 ethical Exchange Traded Funds (ETFs), where each ETF invests in a different asset class like Australian equities, international equities and fixed income like bonds.

Suitable for those looking for a high allocation to ethical growth assets; growing your retirement nest egg or superannuation; saving early for your child's education; or higher allocation to growth assets.

Inception Date: 1 November 2020

Standard Risk Measure: High

Benchmark Index: Morningstar Australia Growth Target Allocation NR AUD

Asset allocation: As at 31 December 2022

International Equities	35.00%
Australian Equities	31.00%
Fixed Interest	20.00%
Cash	14.00%

Portfolio 3
InvestSMART Growth
(5+ years)

Looking to build your wealth over the medium-term (five-plus years) – to save for your children's education, or top-up your retirement nest egg? Then InvestSMART's Growth Portfolio may be right for you. While this portfolio is designed to expose you to less risk than its High Growth counterpart, growth remains its primary objective. As a result, the portfolio's exposure to growth versus defensive assets is set at 70 percent and 30 percent respectively, and this is reflected in the weightings ascribed to each ETF within the fund.

Inception Date: 24 October 2014

Standard Risk Measure: High

Benchmark Index: Morningstar Australia Growth Target Allocation NR AUD

Asset allocation: As at 31 December 2022

International Equities	30.00%
Australian Equities	28.00%
Property & Infrastructure	6.00%
Fixed Interest	21.00%
Cash	15.00%

Portfolio 4
InvestSMART Balanced
(4+ years)

Just as its name might suggest, InvestSMART's Balanced Portfolio is suitable for those with moderate view on risk. It has an equal (50/50) spread of growth and defensive assets, and best complements investors planning to either save for a major purchase or progressively top-up their retirement funds over the four-plus year time horizon.

Inception Date: 29 October 2014

Standard Risk Measure: Medium/High

Benchmark Index: Morningstar Australia Balanced Target Allocation NR AUD

Asset allocation: As at 31 December 2022

International Equities	24.50%
Australian Equities	17.50%
Property & Infrastructure	4.00%
Fixed Interest	32.50%
Cash	21.50%

Portfolio 5
InvestSMART Conservative
(4+ years)

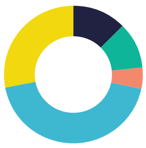
Suitable for investors with a low appetite for risk, InvestSMART's Conservative Portfolio is 70 percent skewed towards defensive income assets (bonds and cash), with growth (shares and property) assets comprising the remaining 30 percent. The fund best complements investors looking to either save for a specific goal, (like a home deposit, car or holiday); squirrel away some rainy day funds, or simply for retirees seeking capital stability over the two-plus year time horizon.

Inception Date: 29 October 2014

Standard Risk Measure: Low/Medium

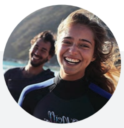
Benchmark Index: Morningstar Australia Moderate Target Allocation NR AUD

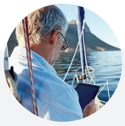
Asset allocation: As at 31 December 2022



International Equities	12.00%
Australian Equities	11.50%
Property & Infrastructure	4.00%
Fixed Interest	43.50%
Cash	29.00%

Portfolio overview




	High Growth	Ethical Growth	Growth	Balanced	Conservative
Risk tolerance	High	Med-High	Med-High	Medium	Low–Med
Time horizon	7+ yrs	5+ yrs	5+ yrs	3-5 yrs	2+ yrs
Minimum initial investments	$10,000/$4,000†	$10,000/$4,000†	$10,000/$4,000†	$10,000/$4,000	$10,000/$4,000
Fee	Capped*	Capped*	Capped*	Capped*	Capped*
Brokerage	$4.40 or 0.08%^	$4.40 or 0.08%^	$4.40 or 0.08%^	$4.40 or 0.08%^	$4.40 or 0.08%^

* Investment management fees start at just 0.55% p.a and are capped at $550 p.a. for total investments over $100,000. ^ Whichever is greater on any buys or sells. † $4,000 with Fundlater.

How do our five portfolios grow your wealth?

The ETFs that our portfolios invest in grow your wealth through the capital growth of the underlying holdings and dividends. Lower fees go a long way to explaining why ETFs are able to consistently outperform active fund managers – which charge considerably higher fees for their stock-picking expertise.

Head on over to investsmart.com.au/invest-with-us for more information on our capped fee ETF portfolios.

InvestSMART portfolios also benefit from another driver of growth through the 'multiplier effect' resulting from compounding returns. InvestSMART also adds to your wealth by capturing the dividends in the cash component on the portfolio, and then using it to buy more holdings when the portfolio is rebalanced.

Fees matter.

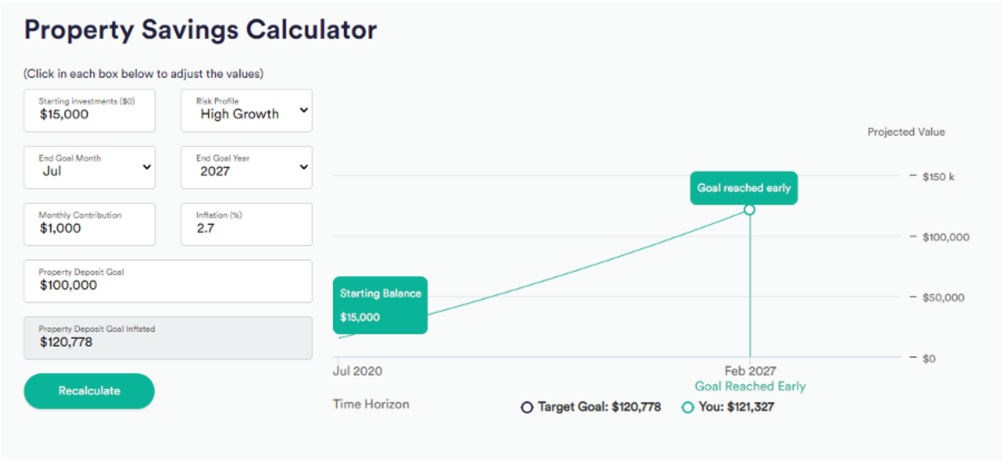
It’s simple, every dollar less in fees means more money towards growing your wealth. More money for dividends, more money for capital growth. InvestSMART’s capped fees portfolios will help you reach your investing goals sooner.

Portfolio's in practice

The following two examples illustrate how much you would need to invest and the monthly contributions required to reach your goals.

Example 1

Saving for a family home deposit



Sarah and Tom have set their sights on buying a family home, and need to save $100,000 as a minimum deposit. They can set aside $1,000 per month into a joint account.

Sarah and Tom currently have $15,000 already saved, and they want to invest it to get to their goal faster, as they see the interest rate on their term deposit constantly decrease.

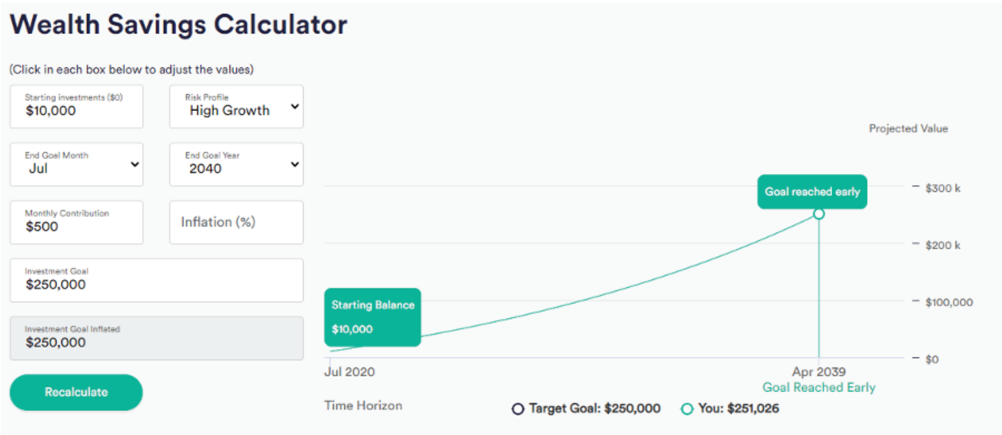
Using a mixture of investments available within the InvestSMART High Growth Portfolio, with a projected annual rate of return of 6.6 percent (not actual), the InvestSMART calculator reveals the couple will reach their goal in Feb 2027 - which once adjusted for annual inflation of 2.7 percent is $120,000.

It's important to understand that the amount you have start investing with, plus the monthly contributions you make, together with expected annual rate of return, and the power of compounding returns will determine how much you will save over time. Remember, the end outcome will reflect any material changes to these variables.

For example, if Sarah and Tom had $25,000 already saved (not $15,000) and could managed to chip in an additional $1,500 a month between them (with all other variables being the same) they would achieve their inflation adjusted target of $120,000 28 months earlier.

Example 2

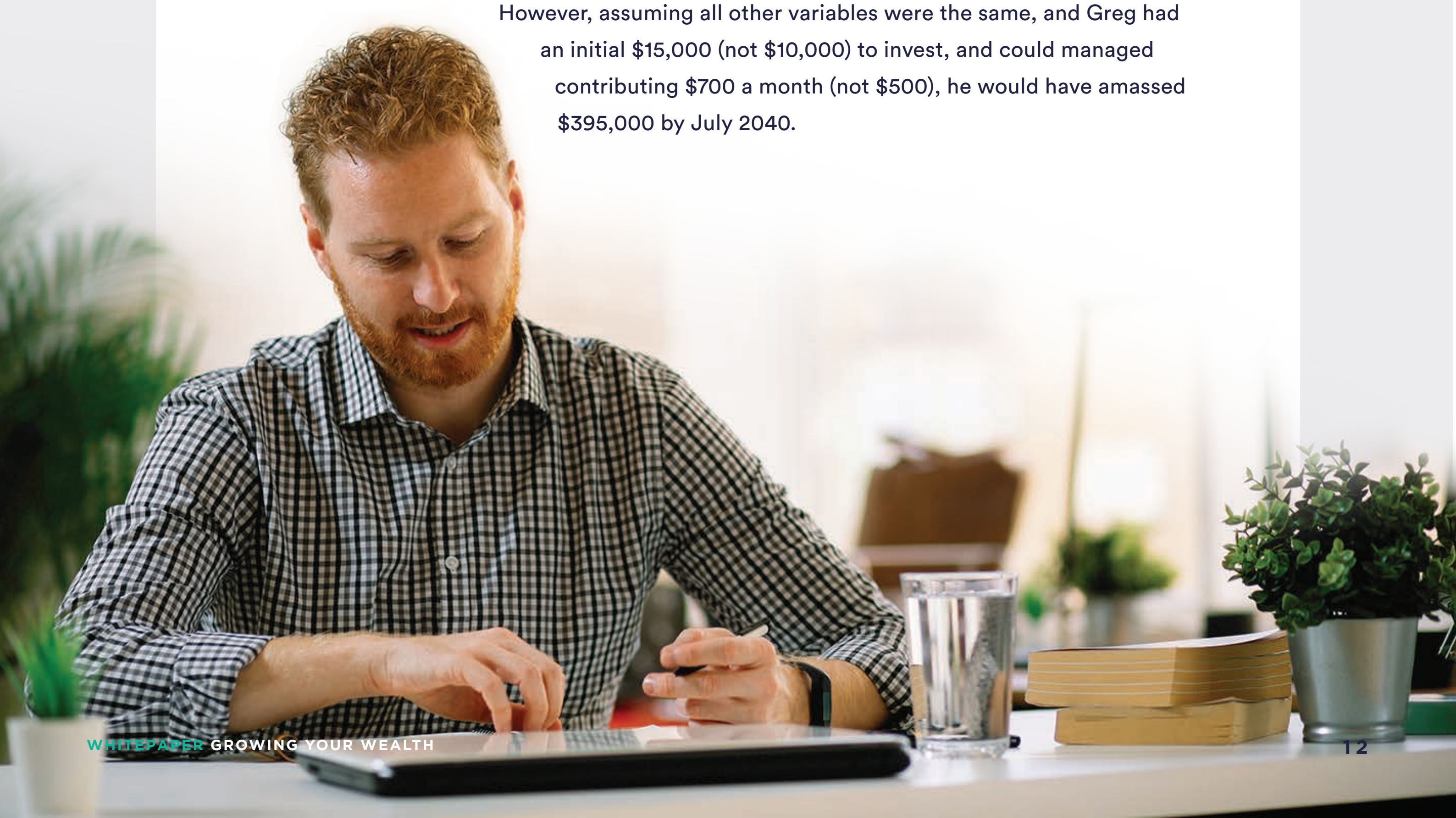
Building a nest egg



While young Greg doesn't necessarily want to buy a house just yet, he knows full well he should be using his salary to save and invest for the future.

Greg decides to invest the initial $10,000 he's saved within a high growth mix of assets, and has the capacity to contribute an additional $500 a month. Based on a notional annual return of 6.6 percent, zero inflation and the power of compounding returns, Greg will have amassed a nest egg of $250,000 by July 2040.

However, assuming all other variables were the same, and Greg had an initial $15,000 (not $10,000) to invest, and could managed contributing $700 a month (not $500), he would have amassed $395,000 by July 2040.



How much can you regularly add to your portfolio?

Whether you've managed to save $5,000 or $50,000, it's important to remember that reaching this financial goal isn't the end of the line for your savings journey. Once you've stood back from the short-term drivers, and taken stock of the bigger picture, you'll recognise that saving and investing is more of a continuum than an end game, so why stop now?

It's now time to build on the good habits of budgeting and continually saving that have got you to where you are now. While you're to be commended for finally choosing a portfolio, it's important to recognise that from an investment viewpoint, doing so isn't the end-game, in fact it's just the beginning.

Instead of letting surplus cash accumulate in your bank account every month, where it earns next to nothing, the smarter alternative is to use those regular savings to add to your portfolio. Adding to your investment portfolio constantly is a form of what's called dollar cost averaging, and whether you realise it or not, you've probably already been doing it, so keep going.

Remember, the 'multiplier effect' that comes from regularly putting extra funds to work within your portfolio, plus the power of compounding returns means you'll grow your wealth a lot faster than simply relying on the investment return alone.

You can arrange for a direct debited from your account each month to your chosen InvestSMART portfolio. Alternatively, you may simply choose to add to your portfolio balance once the funds in your bank account hit a certain dollar amount.

Rebalancing act

So what happens if you're financial goals change over time, as they invariably will? There's no need to fret, you can rebalance the assets you're invested in to better reflect your changing financial circumstances. For example, if you started out with a Conservative Portfolio and suddenly received an unexpected windfall, you may wish to rebalance your portfolio.

However, the closer you get to your goal, be it retirement or saving a deposit for your first home, the greater your difficulty recouping larger losses will become (~ aka 'sequencing risk').

The good news is you can offset this risk by rebalancing your portfolio at any time. For example, as Sarah and Tom (mentioned above) get closer to the $100,000 they need for a house deposit, they could progressively take risk off the table. So assuming Sarah and Tom had amassed $80,000 and were now only two years away from achieving their $100,000, they could move from high growth to conservative to ensure the timeframe remained in sync with their portfolio.

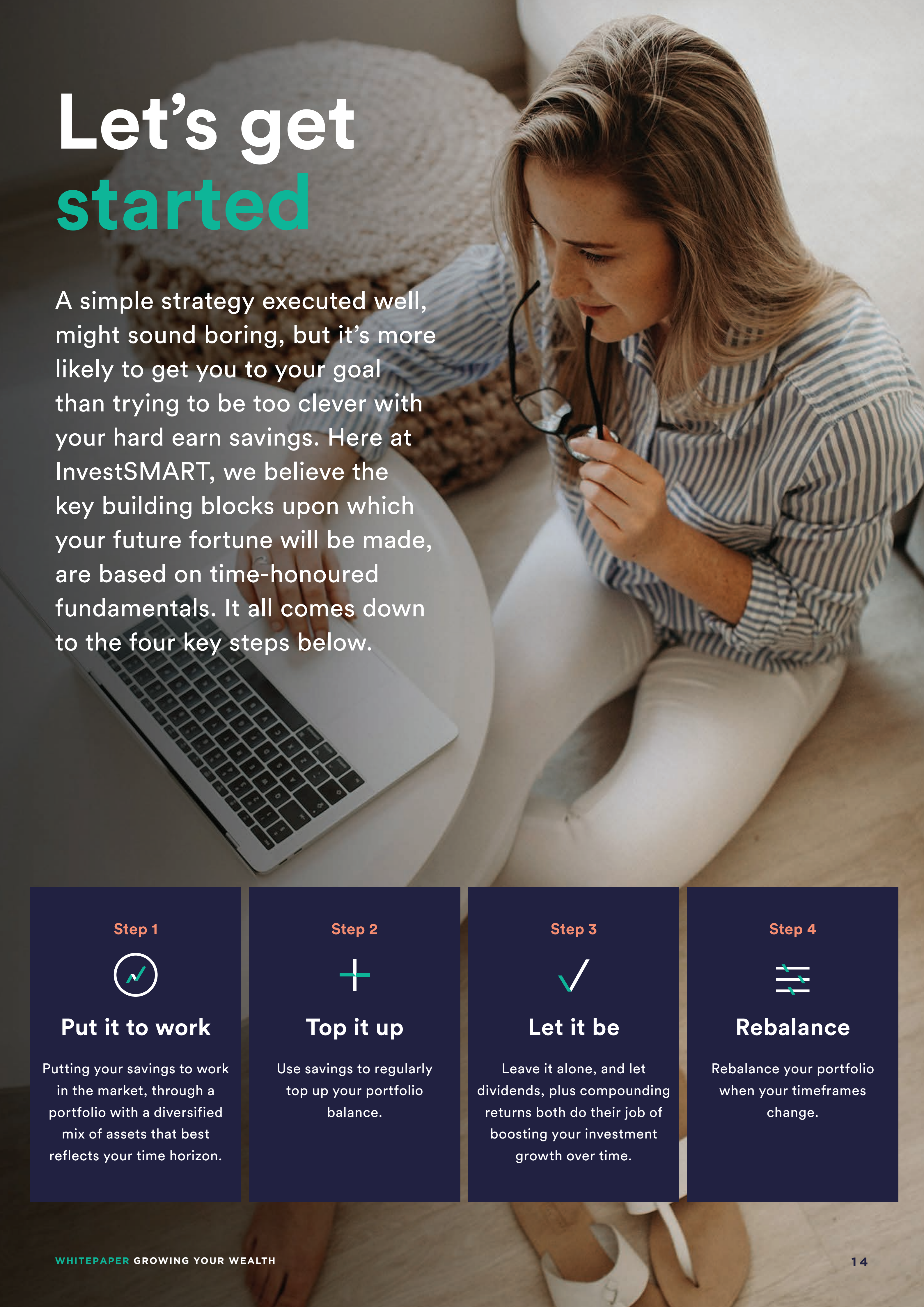
Keep your emotions in check

Instead of jumping at shadows on the back of every negative news report, you're better off letting the diversification within your portfolio take care of market movements. When it comes to long-term savings and risk, it's important to remember that growth assets like shares (and property) go through cycles, and rarely go up in a straight line.

It's only human nature to be fearful of a bumpy ride associated with investing in a mix of growth and defensive assets. But the point to remember is that over the long haul, despite volatility, growth assets have historically delivered better outcomes than low-risk, low growth options. Update this paragraph to: For example, Vanguard data reveals that $10,000 invested in Australian shares in 1993, would have delivered annual returns of 9.8% over 20 years. By comparison, cash over the same period delivered an annual return of 4.4% [(1)].

Given that investments are long term play, you're better off letting the market, combined with regular contributions do the heavy lifting for you. By resisting the temptation to switch your portfolio around, you'll save yourself from abandoning growth assets at that pocket in time when they start going up in value.

[(1)] https://intl.assets.vgdynamic.info/intl/australia/documents/resources/2022-Index-Chart-A4-Flyer-For-Web.pdf



Let’s get started

A simple strategy executed well, might sound boring, but it’s more likely to get you to your goal than trying to be too clever with your hard earn savings. Here at InvestSMART, we believe the key building blocks upon which your future fortune will be made, are based on time-honoured fundamentals. It all comes down to the four key steps below.

Step 1

Put it to work

Putting your savings to work in the market, through a portfolio with a diversified mix of assets that best reflects your time horizon.

Step 2

Top it up

Use savings to regularly top up your portfolio balance.

Step 3

Let it be

Leave it alone, and let dividends, plus compounding returns both do their job of boosting your investment growth over time.

Step 4

Rebalance

Rebalance your portfolio when your timeframes change.

Security & experience

InvestSMART's portfolios are overseen by a team with decades of investing experience led by Paul Clitheroe and Alan Kohler.

Your investments are held on a HIN in your name. All investors are the full legal owner of their holdings, registered through CHESS on the ASX for 100% security.

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