

PORTFOLIO MODELS – Quarter 4, 2019 Report

Market Review

The fourth quarter has decided the year in favour of the bulls. Global equities rose 9% in the last three months of the year, while developed market government bonds gave up some of their gains.

Several factors helped drive equities higher in the final quarter. Firstly, the US and eurozone manufacturing business surveys picked up slightly from September, although they remain weak. Secondly, the services sector business surveys in the US and Europe also picked up. Most importantly, US tariffs on China were scheduled to increase on 15 December but a phase one trade deal avoided that outcome and provided a significant relief for equity markets. The fact the US also didn't impose tariffs on European Union auto exports also helped support equities. How long the trade peace will last is anyone's guess, but markets ended the quarter cheered by the fact the worst-case scenario for trade had, at least for now, been avoided.

Domestically, recent Australian economic data releases have been disappointing. Housing construction and car sales are weak while consumer spending remains sedate. Jobs growth has slowed, and the unemployment rate has edged upwards to 5.2%. The Reserve Bank of Australia (RBA) cut the cash interest rate to a historic low of 0.75% in October in response to slow economic activity and mild inflation. There have been some more promising signs with the rebound in house prices in response to lower interest rates.

IndexInvest Strategic Portfolio models - Holdings (%)

Portfolio Constituents & Weights - 31 Dec 2019		Balanced	Growth	High Growth
Australian Equity		23.0%	32.0%	41.0%
MVW	VanEck Vectors Australian Equal Weight ETF	15.0%	20.0%	20.0%
A200	BetaShares Australia 200 ETF	8.0%	12.0%	21.0%
International Equity		29.0%	39.0%	50.0%
QUAL	VanEck Vectors MSCI World Ex Australia Quality ETF	18.0%	25.0%	32.0%
WXOZ	SPDR S&P World Ex Australia Fund	8.0%	11.0%	15.0%
CORE	ETFS Global Core Infrastructure ETF	3.0%	3.0%	3.0%
Property		8.0%	9.0%	9.0%
VAP	Vanguard Australian Property Securities Index ETF	5.0%	5.0%	5.0%
DJRE	SPDR Dow Jones Global Real Estate ETF	3.0%	4.0%	4.0%
Australian Fixed Income		20.0%	10.0%	
IAF	iShares Core Composite Bond ETF	20.0%	10.0%	
International Fixed Income		15.0%	8.0%	
VIF	Vanguard International Fixed Interest Index	15.0%	8.0%	
Cash		5.0%	2.0%	
ISEC	iShares Enhanced Cash ETF	5.0%	2.0%	

Quarterly Performance Commentary – IndexInvest Strategic Portfolio models

The portfolios benefited from global equities maintaining their momentum and posting strong gains during the fourth quarter of 2019. This is thanks to the ongoing support of the key central banks and easing fears about a potential cyclical slowdown. The thawing of tensions in the trade spat between the US and China plus a decisive outcome in the UK general election also boosted confidence that some of the key risks facing markets had abated.

The MSCI World Index rose by 8.6% in USD terms, boosting gains over the year to 27.7%, its best year since 2009. Australian shares made a positive gain of 0.7% for the quarter.

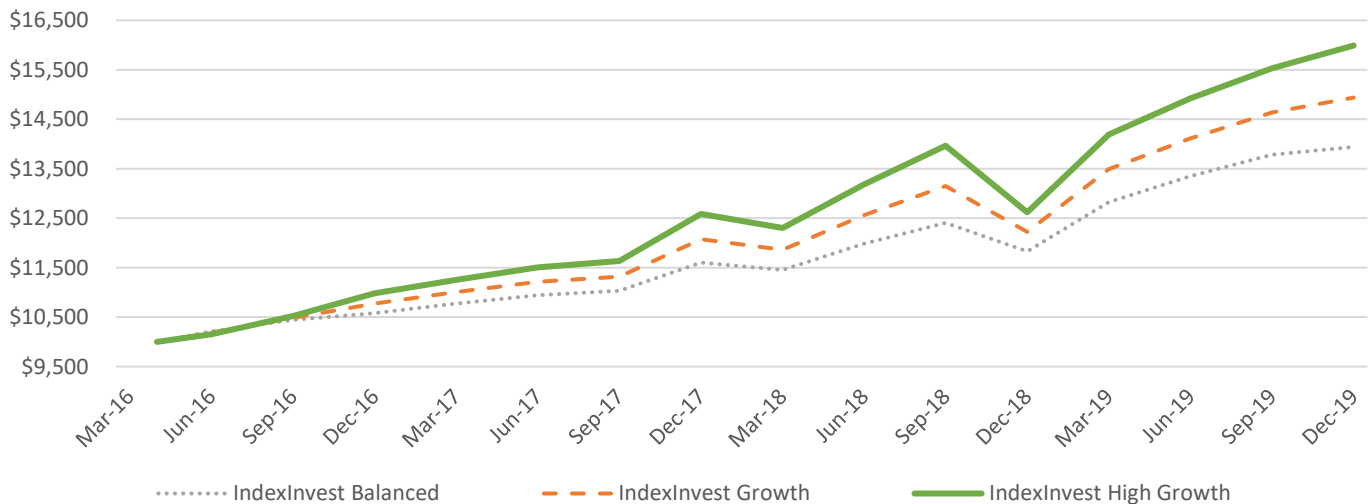
Credit markets delivered a weak return for the quarter. Rising expectations of a phase one US-China trade deal, with an agreement announced in December, and strong gains in global shares diminished investor's appetite for low yielding government bonds. Conversely, global government bond yields moved higher during the quarter. In the US, 10-year yields increased by 0.25% over the quarter, to end December at 1.92%. Australian bonds followed a similar trend with the 10-year yield rising by 0.35% over the quarter, to end December at 1.37%.

The Aussie dollar relative to the US dollar has seen a sustained period of decline. Indicators suggest the Aussie may move up against the US dollar over coming months. Accordingly, we have added currency hedging to the portfolios by introducing positions in QHAL and WXHG, the hedged versions of the two international equities positions we have historically allocated funds to.

Performance Details

Portfolio Chart

Growth of AUD \$10,000



Portfolio Performance Ending 31 December, 2019

Portfolio	3 Months	6 Months	1 Year	3 Years p.a.	Inception p.a.*
IndexInvest Strategic High Growth	2.97%	7.14%	26.74%	13.35%	12.45%
<i>High Growth Benchmark – CPI+4%</i>	^	3.07%	5.78%	5.90%	5.49%
IndexInvest Strategic Growth	2.06%	5.82%	22.23%	11.50%	10.55%
<i>Growth Benchmark – CPI+3%</i>	^	2.56%	4.74%	4.86%	4.54%
IndexInvest Strategic Balanced	1.14%	4.42%	17.81%	9.62%	8.66%
<i>Balanced Benchmark – CPI+2%</i>	^	2.06%	3.71%	3.83%	3.59%

*Inception date: 29 Apr 2016. ^ CPI data for formulating the benchmark is not available at time of writing.

Risk Analysis

IndexInvest Strategic	Balanced	Growth	High Growth
Standard Deviation	5.73%	7.55%	9.54%
Sharpe Ratio	1.26	1.24	1.21
Information Ratio	0.99	0.90	0.84
Sotino Ratio	2.16	1.77	1.56

*Risk free rate is assumed to be 2.5%

Fund Portfolio Performance Ending 31-Dec-2019

Fund	3 Months	6 Months	1 Year	3 Years p.a.	Inception p.a.
VanEck Vectors Australian Equal Weight ETF	1.45%	4.36%	23.73%	11.13%	10.92%
BetaShares Australia 200 ETF	-0.51%	0.76%	19.13%	-	-
VanEck Vectors MSCI World Ex Australia Quality ETF	7.47%	13.16%	36.82%	17.93%	16.01%
SPDR S&P World Ex Australia Fund	4.09%	9.26%	24.02%	12.43%	12.10%
SPDR Dow Jones Global Real Estate ETF	-3.28%	5.81%	18.20%	7.06%	6.36%
VanEck Vectors Australian Property ETF	-1.14%	0.31%	22.14%	12.51%	10.22%
Vanguard Australian Property Securities Index ETF	-1.02%	0.15%	18.95%	8.53%	7.31%
VanEck Vectors FTSE Global Infrastructure*	1.51%	5.32%	23.86%	11.38%	10.03%
ETFS Global Core Infrastructure ETF	-1.43%	4.30%	18.79%	-	-
iShares Core Composite Bond ETF	-1.64%	0.41%	7.30%	4.94%	3.86%
Vanguard International Fixed Interest Index	-1.41%	1.17%	6.40%	3.68%	2.87%
iShares Enhanced Cash ETF	0.27%	0.61%	1.59%	-	-

*This holding was sold on 18th Sep 2017, purchased ETFS Global Core Infrastructure ETF on 19th Sep 2017.

Performance Contributors and Detractors for 12 Months

Fund	Balanced	Growth	High Growth
VanEck Vectors Australian Equal Weight ETF	4.89%	6.93%	8.84%
BetaShares Australia 200 ETF	0.12%	0.19%	0.35%
VanEck Vectors MSCI World Ex Australia Quality ETF	6.14%	8.73%	11.46%
SPDR S&P World Ex Australia Fund	1.83%	2.58%	3.62%
SPDR Dow Jones Global Real Estate ETF	0.56%	0.76%	0.78%
VanEck Vectors Australian Property ETF	1.15%	1.18%	1.21%
Vanguard Australian Property Securities Index ETF	-0.12%	-0.12%	-0.12%
ETFS Global Core Infrastructure ETF	0.57%	0.59%	0.60%
iShares Core Composite Bond ETF	1.55%	0.79%	0.00%
Vanguard International Fixed Interest Index	1.03%	0.56%	0.00%
iShares Enhanced Cash ETF	0.09%	0.04%	0.00%
Portfolio Performance	17.81%	22.23%	26.74%
Investment Sectors	Balanced	Growth	High Growth
Australian Equity	5.02%	7.12%	9.18%
International Equity	8.55%	11.91%	15.68%
Property	1.59%	1.82%	1.87%
Australian Fixed Income	1.55%	0.79%	0.00%
International Fixed Income	1.03%	0.56%	0.00%
Cash	0.09%	0.04%	0.00%
Portfolio Performance	17.81%	22.23%	26.74%

Important Information

Performance Data

The performance figures represent past performance of the model portfolios. Past performance is not indicative of future performance. Performance for periods longer than a year have been annualised and represent cumulative (i.e. compounded) returns. Performance is calculated to the last business day of the quarter. Performance does not include brokerage fees and commissions that may be incurred in the trading of securities within each model portfolio.

Performance figures include fund management fees and expenses of the ETFs included within a model portfolio and assume the reinvestment of distributions of any such ETF. Performance figures do not include investment management fees, if any, to be applied by IndexInvest. Performance returns do not reflect any management fees, transaction costs or expenses applied by product issuers.

Important Information

Issued by IndexInvest Pty Ltd ABN 68 112 875 617, Authorised Representative no. 338955.

This material is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. IndexInvest is a part of the Holzworth Partners group which comprises of accountants, lawyers, financial advisers. IndexInvest acts as an investment manager in Australia. IndexInvest does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This material is not a securities recommendation or an offer or solicitation with respect to the purchase or sale of any securities in any jurisdiction.

No part of this material may be reproduced or distributed in any manner without the prior written permission of IndexInvest.

© 2019 IndexInvest Pty Ltd. All Rights reserved. IndexInvest and the stylised logo are unregistered trade marks of IndexInvest.