

IFS Moderate Model – June 2018 Quarterly Report

Actual asset allocation as at 30 June 2018



■ Cash	14%
■ Fixed Interest	29%
■ Alternative Debt	6%
■ Liquid Alternatives	10%
■ Australian Shares	24%
■ International Shares	17%

Fund facts

Inception date	1 December 2017
Portfolio manager	Industry Fund Services
Asset Consultant	Frontier Advisors
Recommended investment timeframe	7 years plus
Performance-related fee	0.00%
Return objective	Inflation plus 2.75% per annum, over 7 years
Risk objective	Limit negative annual returns to 1 in 5
Investment Management fee	Direct: 0.15% (cap 5m) Indirect: 0.19% Total: 0.34%

Fund Objective

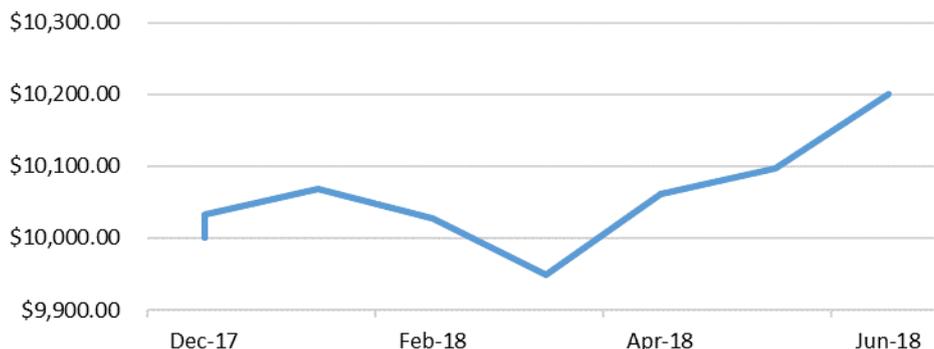
The Moderate model aims to achieve a return of inflation + 2.75% p.a. on a rolling seven-year basis. Since inception in December 2017, a notional investment of \$10,000 would now be worth \$10,201 compared to the target of \$10,271. The model has not been in operation long enough to have made meaningful progress toward its investment objectives.

Performance Review

	3 Months %
Net return	2.53
Objective (CPI + 2.75%)	1.13

Net return is shown after investment fees and costs.

Growth of \$10,000



Fund Commentary

June was a solid quarter for the markets, and this is reflected in the around 2.5% return achieved by the Moderate portfolio.

The portfolio's defensive assets anchored it well from a risk perspective and provided modest returns. However, the growth assets were the predominant factor in returns. Our house preference to slightly favour Australian shares over International shares paid off, with the Australian shares part of the portfolio delivering over 7% versus 4.8% for International. Our published returns do not include the additional benefit to investors from franking credits (as they have a different value to each investor, depending upon their tax circumstances). However, for a tax exempt investor, this may add around 0.3% to the 1 year return.

The portfolio has a 10% exposure to foreign currency, an allocation which has worked well over the quarter. Currency provided approximately 0.18% additional return over the quarter, as the AUD weakened against major currencies.

IFS Moderate Model – June 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	51.7%	Australian Dollar	90.0%
United States	20.7%	US Dollar	6.2%
Japan	4.8%	Euro	1.2%
United Kingdom	2.2%	Japanese Yen	0.9%
France	1.8%	UK Pounds	0.7%

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	7.8%	Commonwealth Bank of Australia	1.6%
United States Treasury	3.6%	BHP Billiton	1.3%
Westpac Bank NCD	2.0%	Westpac Banking Corporation	1.2%
National Australia Bank NCD	1.8%	Australia & New Zealand Banking	1.0%
Commonwealth Bank of Australia	1.6%	CSL	0.9%

Investments held

Australian Shares	22.8%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Perpetual Wholesale Australian Share Fund	Value broad caps
Perpetual Wholesale Smaller Companies Fund	Value small caps
International Shares	17.3%
iShares Indexed International Equities	Market cap weighted index fund (MSCI W)
iShares Hedged Indexed International Equities	Market cap weighted index fund (MSCI W)
Alternatives	10.0%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Invesco Wholesale Global Targeted Returns Fund	Low Volatility, diversified returns
Alternative Debt	6.0%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	30.0%
iShares Australian Bond Index Fund	Low cost index tracking fund
iShares Global Bond Index Fund	Low cost index tracking fund
Cash	14.0%
Colonial First State Wholesale Cash Fund	Actively managed domestic cash portfolio

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