

IFS Cautious Model – June 2019 Quarterly Report

Actual asset allocation as at 30 June 2019



- Cash 28%
- Fixed Interest 34%
- Alternative Debt 5%
- Liquid Alternatives 5%
- Australian Shares 16%
- International Shares 12%

Fund facts

Inception date	1 December 2017
Portfolio manager	Industry Fund Services
Asset Consultant	Frontier Advisors
Recommended investment timeframe	5 years plus
Performance-related fee	0.00%
Return objective	Inflation plus 2.25% per annum, over 5 years
Risk objective	Limit negative annual returns to 1 in 10
Investment Management fee	Direct: 0.15% (cap \$5m) Indirect: 0.14% Total: 0.29%

Fund Objective

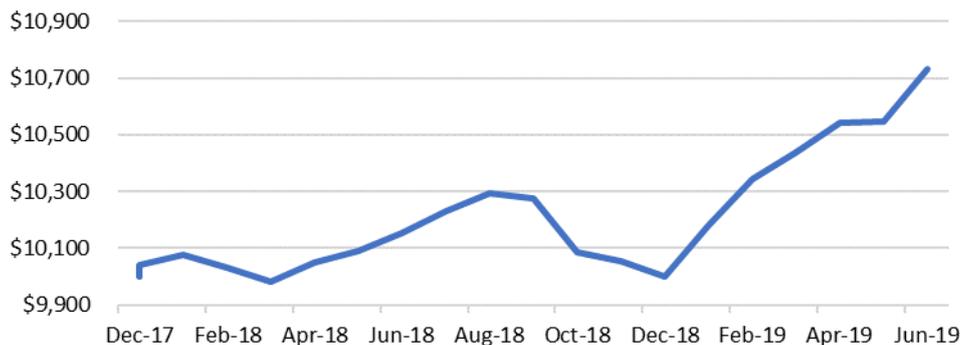
The Cautious model aims to achieve a return of inflation + 2.25% p.a. on a rolling five-year basis. Since inception in December 2017, a notional investment of \$10,000 would now be worth \$10,731.

Performance Review

	3 Months %	1 Year %
Net return	2.80	5.70
Objective (CPI +2.25%)	0.56	3.58

Net return is shown after investment fees and costs but before administration fees.

Growth of \$10,000



Fund Commentary

The Cautious model returned 2.80% over the June quarter, significantly above its objective. Returns over the longer term have also been strong, and materially above its objectives.

Investment markets delivered impressive returns for the 2018/19 financial year, although it was a bumpy ride. Shares fell significantly in the last three months of 2018, due to indications from the US Federal Reserve that monetary policy conditions would be tightened. US shares make up around 60% of the entire world stock market; therefore, the sharp drop in US shares had a global impact. However, the monetary policy stance was subsequently eased, which led to US shares rebounding throughout 2019. Australian shares recovered especially well, as a surge in the iron ore price also benefitted mining companies and resource stocks more generally.

Fixed Interest was also a standout, with an extraordinary 9.57% benchmark annual return for Australian bonds. Bond valuations initially rose following the drop in equity markets (the 'flight to safety' factor) in late 2018. The June quarter saw Bond prices rise dramatically after the RBA cut interest rates by 50 basis points, an outcome the market had not expected.

IFS Cautious Model – June 2019 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	62.23%	Australian Dollar	95.20%
United States	19.09%	US Dollar	3.73%
Japan	4.42%	Euro	0.20%
United Kingdom	1.67%	Japanese Yen	0.25%
France	1.88%	UK Pound	0.08%

Top 5 Exposures		Top 5 Equity Exposures	
Bank certificates of deposit	25.64%	Commonwealth Bank of Australia	1.13%
Australia (Commonwealth of)	8.90%	BHP Billiton	0.95%
United States Treasury	7.76%	Westpac Banking Corporation	0.77%
Japan (Government of)	3.23%	Australia & New Zealand Banking	0.67%
Floating Rate Notes	2.56%	CSL	0.66%

Investments held

Australian Shares	16%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	12%
State Street International Equities Index Trust	Market cap weighted index fund (MSCI W)
State Street International Equities Index (Hedged) Trust	Market cap weighted index fund (MSCI W)
BlackRock Indexed Emerging Markets IMI Equity Fund	Market cap weighted emerging markets index fund
Alternatives	5%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Alternative Debt	5%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	34%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	28%
State Street Australian Cash Trust	Actively managed domestic cash portfolio