

IFS Cautious Model – June 2018 Quarterly Report

Actual asset allocation as at 30 June 2018



- Cash 30%
- Fixed Interest 33%
- Alternative Debt 5%
- Liquid Alternatives 5%
- Australian Shares 15%
- 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: 0.15% Total: 0.30%

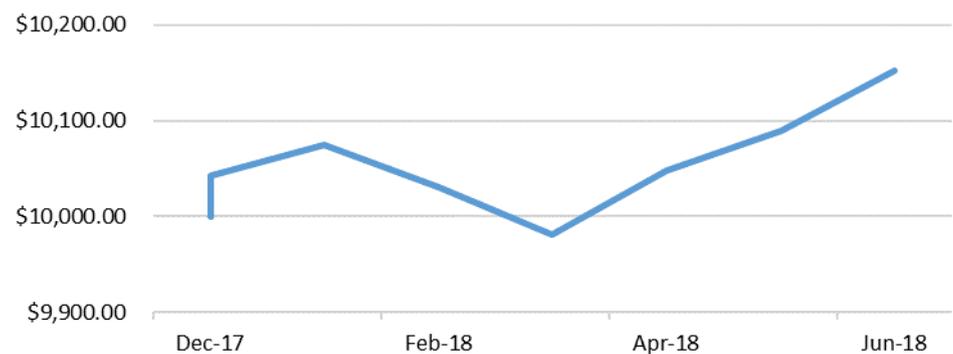
Fund Objective

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 \$10,152 compared to the target of \$10,242. The model has not been in operation long enough to have made meaningful progress toward its investment objectives.

Performance Review

	3 Months %
Net return	1.71
Objective (CPI +2.25%)	1.01

Growth of \$10,000



Fund Commentary

June was a solid quarter for the markets, and this is reflected in the near 2% return achieved by the Cautious portfolio.

The portfolio's defensive assets anchored it well from a risk perspective and provided modest returns. The cash allocation beat its internal benchmark, driven by holding asset backed floating rate notes and negotiable certificates of deposit with a duration longer than benchmark.

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 0.2% to the 1 year return.

IFS Cautious Model – June 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	61.7%	Australian Dollar	100.0%
United States	16.1%	US Dollar	-
Japan	4.3%	Euro	-
United Kingdom	1.9%	Japanese Yen	-
France	1.6%	UK Pound	-

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	8.7%	Commonwealth Bank of Australia	1.1%
Westpac Bank NCD	4.4%	BHP Billiton	0.9%
National Australia Bank NCD	4.1%	Westpac Banking Corporation	0.8%
United States Treasury	3.8%	Australia & New Zealand Banking	0.7%
ANZ Bank NCD	3.5%	CSL	0.6%

Investments held

Australian Shares	15.0%
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	11.5%
iShares Hedged Indexed International Equities	Market cap weighted index fund (MSCI W)
Alternatives	5.0%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Invesco Wholesale Global Targeted Returns Fund	Low Volatility, diversified returns
Alternative Debt	5.0%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	33.5%
iShares Australian Bond Index Fund	Low cost index tracking fund
iShares Global Bond Index Fund	Low cost index tracking fund
Cash	30.0%
Colonial First State Wholesale Cash Fund	Actively managed domestic cash portfolio

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