

# IFS High Growth Model – December 2018 Quarterly Report

Actual asset allocation as at 31 December 2018



- Australian Shares 49%
- International Shares 40%
- Property 10%
- Cash 1%

### Fund facts

|                                  |                                                             |
|----------------------------------|-------------------------------------------------------------|
| Inception date                   | 1 July 2012                                                 |
| Portfolio manager                | Industry Fund Services                                      |
| Asset Consultant                 | Frontier Advisors                                           |
| Recommended investment timeframe | 7 years plus                                                |
| Performance-related fee          | 0.00%                                                       |
| Return objective                 | Inflation plus 3.0% per annum, over 7 years                 |
| Risk objective                   | Limit negative annual returns to 1 in 3                     |
| Investment Management fee        | Direct: 0.15% (cap \$5m)<br>Indirect: 0.14%<br>Total: 0.29% |

## Fund Objective

The High Growth model aims to achieve a return of inflation + 3% p.a. on a rolling seven-year basis. Since inception in July 2012, a notional investment of \$10,000 would now be worth \$19,916.

## Performance Review

|                                           | 3 Months % | 1 Year % | 3 Years % | 5 Years % |
|-------------------------------------------|------------|----------|-----------|-----------|
| Net return                                | -10.00     | -3.39    | 5.98      | 6.56      |
| Objective (CPI + 3%)                      | -9.51      | -2.64    | 6.25      | 4.76      |
| Standard deviation                        |            |          | 7.51      | 8.15      |
| <i>Standard deviation – ASX 300 index</i> |            |          | 8.97      | 10.59     |

Net return is shown after investment fees and costs but before administration fees. Standard Deviation is a historical measure of the degree to which the portfolio's returns varied over time. The higher the standard deviation, the greater the likelihood that a portfolio's performance will fluctuate and exhibit volatility. Lower standard deviations indicate that the historical returns have been less volatile.

## Growth of \$10,000



## Fund Commentary

With the possibility of further rises in US interest rates, amidst accelerating uncertainty over global trade, US/China relations and Brexit, markets around the world had a difficult quarter. December 2018 was the worst month for US stocks since the Great Depression and resulted in the worst calendar year return for the S&P 500 Index since 2008 (the Global Financial Crisis). During such significant market downturns, the importance of being invested in a well-diversified portfolio becomes apparent. The IFS portfolios were not immune to the market's fall during the December quarter, although the positioning of our equity exposures helped reduce losses. The bias to Australian equities proved beneficial, with the local market down 8.4% versus 13.6% for developed market equities. Also important was the strategic exposure to foreign currency in most portfolios, as the depreciation of the AUD by around 2.5% limited the impact from the decline in global markets. At the time of writing (in late January) markets have had a positive start to 2019, with part of the quarter's losses recouped.

All of the IFS portfolios were re-balanced during the quarter. As a result, investors now have reduced administration fees, as well as an updated suite of investments. Although the high level mix of investments remains as before, we have taken the opportunity to incept a small exposure to emerging markets. We have also refreshed the management of the Australian Shares sector, reallocating some funds from Perpetual to Schroders. The re-balance caused a slight hit to performance due to transaction costs, although this will be recouped through lower ongoing administration fees.

The High Growth model returned -10% after fees for the quarter.

## IFS High Growth Model – December 2018 Quarterly Report (continued)

### Allocations

| Geographic Allocation |       | Currency exposures |       |
|-----------------------|-------|--------------------|-------|
| Australia             | 50.6% | Australian Dollar  | 75.1% |
| United States         | 28.1% | US Dollar          | 13.4% |
| Japan                 | 4.3%  | Euro               | 2.5%  |
| United Kingdom        | 2.9%  | Japanese Yen       | 1.9%  |
| France                | 1.6%  | UK Pounds          | 1.5%  |

  

| Top 5 Exposures                 |      | Top 5 International Exposures |      |
|---------------------------------|------|-------------------------------|------|
| Commonwealth Bank of Australia  | 3.9% | Apple                         | 0.8% |
| BHP Billiton                    | 3.2% | Microsoft                     | 0.8% |
| Westpac Banking Corporation     | 2.6% | Alphabet                      | 0.7% |
| Australia & New Zealand Banking | 2.3% | Amazon                        | 0.6% |
| CSL                             | 2.2% | Simon Property Group          | 0.4% |

### Investments held

|                                                          |                                            |
|----------------------------------------------------------|--------------------------------------------|
| <b>Australian Shares</b>                                 | <b>48.96%</b>                              |
| State Street Australian Equity Index Trust               | Market cap weighted index fund (ASX 200)   |
| Schroders Equity Opportunity Fund                        | Active broad cap fund                      |
| <b>International Shares</b>                              | <b>40.08%</b>                              |
| 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)    |
| Janus Henderson Global Emerging Markets Equity Fund      | Active emerging markets fund               |
| <b>Property</b>                                          | <b>9.97%</b>                               |
| Macquarie Hedged Index Global Real Estate                | Market cap weighted index fund (FTSE/EPRA) |
| <b>Cash</b>                                              | <b>0.99%</b>                               |
| State Street Australian Cash Trust                       | Actively managed domestic cash portfolio   |