30 June 2020

ifsinvest

ifsinvest Aggressive Model – June 2020 Quarterly Report

Actual asset allocation as at 30 June 2020

Cash	3%
Fixed Interest (Global & Aus)	15%
Alternative Debt	4%
Liquid Alternatives	8%
Australian Shares	37%
International Shares	33%

Fund Objective

The Aggressive Model aims to achieve a return of inflation + 3.50% p.a. on a rolling ten-year basis.

Performance as at 30 June 2020

	3 Months %	1 Year %	2 Year %
Net return	9.71	-1.98	2.76
Objective (CPI + 2.75%)	-1.01	3.15	4.12

Net return is shown after investment fees and cost but before administration fees. Please see the Product Disclosure Statement for further information in regards to fees. Past performance is not a reliable indicator of future performance.

Growth of $10,000 ($Aud)

Fund facts

Inception date
1 December 2017
Recommended investment timeframe
10 years plus
Performance-related fee
0.00%
Return objective
Inflation plus 3.50% per annum, over rolling 10 year periods
Risk objective
Limit negative annual returns to 1 in 3 years
Investment Management fee
Direct: 0.15% (cap $5m) Indirect: 0.17% Total: 0.32%

Allocations

Top 5 Geographic Allocation	
Australia	47.73%
USA	29.84%
Continental Europe	8.24%
Emerging Markets	5.55%
Japan	4.04%

Top 5 Currency Exposures	
Australian Dollar	71.70%
US Dollar	16.89%
Emerging Markets	3.79%
Euro	2.67%
Japanese Yen	1.79%

Top 5 Exposures	
Gov. Bonds - Australia	4.32%
Cash & Money Market (AUD)	3.36%
Gov. Bonds - US	3.33%
Gov. Bonds - Continental Europe	2.74%
Equity - Commonwealth Bank	2.45%

Top 5 Equity Exposures	
Commonwealth Bank	2.45%
CSL Ltd	2.38%
BHP Billiton	2.22%
Westpac Banking	1.42%
Apple	1.30%

Fund Commentary

Australian equities performed strongly in the June quarter, recouping approximately half of their losses in the March quarter. The story for global equities was mixed, depending amongst other things on whether the exposure was currency hedged. We're now at the stage where the return on equities for 12 months is either positive (international markets) or single digit negative (the S&P / ASX 200 is down by 7.68% for the year).

The question on many lips is whether this is sustainable. The world appears no closer to a COVID-19 vaccine than was the case last quarter and much of Australia remains closed. According to the Australian Bureau of Statistics (ABS), payroll jobs decreased 5.6% between March and July. This was even worse in Victoria, with a drop of 7.3%. Given that the unprecedented support measures cannot be indefinite (job keeper, early access to super) there is clearly a risk of unemployment spiralling to catastrophic levels. But there are positives too. The cohesion and bipartisanship of the National Cabinet has survived the initial 'in this together' feelgood period. Government support may well be dialled back, but it seems likely to be done gently. In this context, growth may be both more subdued and more volatile than normal. And equity prices, undeniably elevated compared to the previous quarter, are not at extreme levels. The ASX 200 had a price/earnings ratio of 16.9 as at 30 June, below the 18.4 at the pre-COVID peak and the mid-20s prior the Global Financial Crisis.

Our models have return targets that are tied to the rate of inflation. This is a standard practice in the super industry and reflects that the first objective is to preserve capital in the face of rising prices. The June quarter was unusual in that inflation was negative, with the drop in the CPI of 1.9% being the largest in the 72 years that Australia has measured the CPI. This however is an average fall across the economy as a whole; many individuals would experience prices rising. The fall in the CPI was largely due to free childcare, low fuel prices and pre-school and primary education. If these things did not affect you personally, then your experience would have been different. According to the ABS 'excluding these three components, the CPI would have risen 0.1% in the June quarter'.