

# ifsinvest Balanced Model – September 2020 Quarterly Report

# Actual asset allocation as at 30 September 2020

10.719
39.179
5.7%
3.32%
7.73%
14.47%
18.9%

## **Fund Objective**

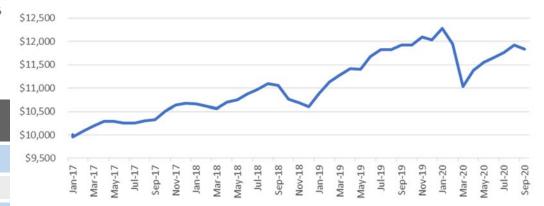
The Balanced Model aims to achieve a return of inflation + 2.25% p.a. on a rolling five-year basis.

# Performance as at 30 September 2020

	3 Months %	1 Year %	2 Year %	3 Year %
Net return	1.54	-0.72	3.45	4.63
Objective (CPI +2.25%)	2.14	2.94	3.43	3.67

Net return is shown after investment fees and costs 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 January 2017

# Recommended investment timeframe

7 years plus

### Performance-related fee

0.00%

#### Return objective

Inflation plus 2.25% per annum, over rolling 5 year periods

### Risk

Medium - High

### Investment Management fee

Direct: 0.15% (cap \$5m) Indirect: 0.15% Total: 0.30%

### **Allocations**

Top 5 Geographic Allocation	
Australia	48.73%
USA	25.53%
Continental Europe	11.55%
Japan	6.11%
UK	2.54%

Top 5 Exposures	
Gov. Bonds (Australia)	11.51%
Cash & Money Market (AUD)	11.22%
Gov. Bonds (US)	7.67%
Gov. Bonds (Cont. Europe)	7.27%
Gov. Bonds (Australian States)	4.85%

Top 5 Equity Exposures	
Goodman Group	1.09%
Apple	0.93%
ВНР	0.80%
CSL	0.74%
Microsoft Corp	0.71%



### ifsinvest Balanced Model - September 2020 Quarterly Report (continued)

### **Fund Commentary**

Within the model the International Equites (hedged), International Equities (unhedged), and Australian Fixed Income asset classes were the top contributors to performance for the quarter. Across the board all asset classes in the model were additive to the Q3 performance.

After posting a 16.5%<sup>1</sup> return during the second quarter, Australian equities followed up with a -0.4% return during the third quarter. Equities rose in most regions around the world, with China leading the way with a 12.0% return. In the U.S., large cap equities outperformed small caps, returning 4.7% versus 0.8%.

Australia's first wave of COVID-19 was spread across the country. The second wave is mostly concentrated in Victoria, which has forced all non-essential businesses to shut down. This has had a limited impact on consumption, as retail sales fell modestly. Small businesses are being supported by government programs and most are well positioned to service their debt. However, nearly 15% of small businesses in the hardest-hit industries do not have enough cash to meet their monthly expenses.

In March, Australian banks began to offer a six-month pause on mortgage repayments. This program has been successful and around 7% of borrowers have chosen to defer payments. This has provided support to housing prices which have declined modestly year-to-date. However, the initial six-month deferral period is now expiring, and banks are only granting a four-month extension in cases of severe hardship.

RBA Governor Lowe noted<sup>2</sup> that the RBA's balance sheet has expanded by less than its international peers and that the AUD ten-year yield was higher than "almost everywhere else in the world". During the quarter, the European Union announced a 750bn Euro stimulus package to fight the COVID-19 pandemic. In the U.S., additional stimulus was being negotiated between the House and Senate with a bill potentially being passed during the fourth quarter. However, the Federal Reserve reiterated their stance in their recent FOMC statement that they will use all possible tools to support the U.S. economy and that interest rates will remain near zero "until it is confident that the economy has weathered recent events".

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<sup>&</sup>lt;sup>1</sup> All returns converted into AUD.

<sup>&</sup>lt;sup>2</sup> In a talk at the Citi Investment Conference