

IFS Income Plus Model – June 2018 Quarterly Report

Actual asset allocation as at 30 June 2018



■ Cash	16%
■ Fixed Interest	48%
■ Alternative Debt	4%
■ Liquid Alternatives	4%
■ Property	4%
■ Australian Shares	13%
■ International Shares	11%

Fund Objective

The Income Plus model aims to achieve a return of inflation + 2% p.a. on a rolling five-year basis. Since inception in July 2012, a notional investment of \$10,000 would now be worth \$15,300 compared to the target of \$12,618.

Performance Review

	3 Months %	1 Year %	3 Years %	5 Years %
Net return	1.97	4.72	4.83	6.52
Objective (CPI + 2%)	0.95	3.90	3.78	3.92
Standard deviation			3.12	3.36
Standard deviation – ASX 300 index			10.59	10.79

Net return is shown after investment fees and costs but before IFS Invest 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 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 2.0% per annum, over 5 years

Risk objective

Limit negative annual returns to 1 in 10

Investment Management fee

Direct: 0.15% (cap 5m)

Indirect: 0.13%

Total: 0.28%

Fund Commentary

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

The portfolio has 55% of its equities in Australian shares (the other 45% being in International shares). Maintaining a relative overweight to Australia (at 55%, much higher than the 2.4% which is Australia's weight of global developed markets) paid off, as the broad Australian market significantly outperformed. We believe it is sensible to maintain some domestic focus, given the importance of franking credits and the currency risk associated with international shares (which can be managed, but at a cost).

The portfolio has only a limited exposure to foreign currency, however this assisted in the return for the June quarter by 0.1% and by 0.2% over the year.

30 June 2018

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(continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	53.4%	Australian Dollar	95.0%
United States	20.2%	US Dollar	3.1%
Japan	5.8%	Euro	0.6%
United Kingdom	2.4%	Japanese Yen	0.4%
France	2.0%	UK Pounds	0.3%

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	12.5%	Commonwealth Bank of Australia	0.9%
United States Treasury	5.0%	BHP Billiton	0.8%
Japan (Government of)	2.4%	Westpac Banking Corporation	0.7%
Westpac Bank NCD	2.3%	Australia & New Zealand Banking	0.6%
National Australia Bank NCD	2.1%	CSL	0.5%

Investments held

Australian Shares	13.3%
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	10.8%
iShares Indexed International Equities	Market cap weighted index fund (MSCI W)
iShares Hedged Indexed International Equities	Market cap weighted index fund (MSCI W)
Property	4.0%
Macquarie Hedged Index Global Real Estate	Market cap weighted index fund (FTSE/EPRA)
Alternatives	4.0%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Invesco Wholesale Global Targeted Returns Fund	Low Volatility, diversified returns
Alternative Debt	4.0%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	48.0%
iShares Australian Bond Index Fund	Low cost index tracking fund
iShares Global Bond Index Fund	Low cost index tracking fund
Cash	16.0%
Colonial First State Wholesale Cash Fund	Actively managed domestic cash portfolio