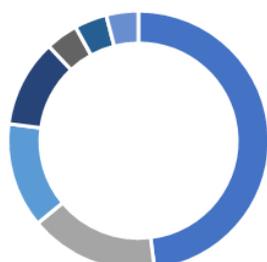


IFS Income Plus Model – December 2018 Quarterly Report

Actual asset allocation as at 31 December 2018



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

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 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 \$15,140.

Performance Review

	3 Months %	1 Year %	3 Years %	5 Years %
Net return	-2.20	0.30	3.81	5.18
Objective (CPI + 2%)	-1.64	1.18	4.09	3.76
Standard deviation			3.12	3.36
Standard deviation – ASX 300 index			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 Income Plus model returned -2.2% after fees for the quarter, this compares well to equity markets which fell 8.4% [Australia] and 13.6% [Global developed markets] respectively.

IFS Income Plus Model – December 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	53.5%	Australian Dollar	93.5%
United States	20.0%	US Dollar	1.8%
Japan	6.3%	Euro	1.2%
United Kingdom	2.2%	Japanese Yen	1.0%
France	2.5%	UK Pounds	0.5%

Top 5 Exposures		Top 5 Equity Exposures	
Bank certificates of deposit	14.4%	Commonwealth Bank of Australia	1.0%
Australia (Commonwealth of)	12.5%	BHP Billiton	0.8%
United States Treasury	9.4%	Westpac Banking Corporation	0.7%
Japan (Government of)	4.8%	Australia & New Zealand Banking	0.6%
Qld Treasury Corp	2.2%	CSL	0.6%

Investments held

Australian Shares	13.08%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	10.89%
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
Property	4.02%
Macquarie Hedged Index Global Real Estate	Market cap weighted index fund (FTSE/EPRA)
Alternatives	4.03%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Alternative Debt	3.97%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	48.04%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	15.97%
State Street Australian Cash Trust	Actively managed domestic cash portfolio