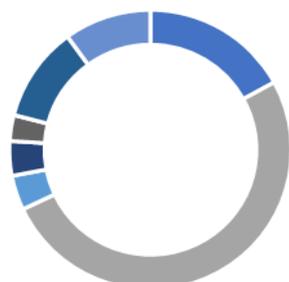


ifsinvest Income Plus Model – March 2020 Quarterly Report

Actual asset allocation as at 31 March 2020



| | |
|------------------------|-----|
| ■ Cash | 17% |
| ■ Fixed Interest | 51% |
| ■ Alternative Debt | 4% |
| ■ Liquid Alternatives | 4% |
| ■ Property | 3% |
| ■ Australian Shares | 11% |
| ■ International Shares | 10% |

Fund facts

Inception date

1 July 2012

Portfolio manager

Industry Fund Services

Asset Consultant

Frontier Advisors

Recommended investment timeframe

5 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: 0.12%
 Total: 0.27%

Fund Objective

The Income Plus model aims to achieve a return of inflation + 2% p.a. on a rolling five-year basis.

Performance as at 31 March 2020

| | 3 Months % | 1 Year % | 3 Years % | 5 Years % |
|-------------------------------------------|------------|----------|-----------|-----------|
| Net return | -4.94 | 0.10 | 3.11 | 3.25 |
| Objective (CPI + 2%) | 0.84 | 4.19 | 3.81 | 3.77 |
| <i>Standard deviation</i> | | | 4.22 | 4.14 |
| <i>Standard deviation – ASX 300 index</i> | | | 15.67 | 14.53 |

Net return is shown after investment fees and costs but before administration fees. Past performance is not a reliable indicator of future performance. 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 (\$Aud)



Allocations

Geographic Allocation

| | |
|-----------|--------|
| Australia | 53.24% |
| USA | 22.16% |
| Japan | 6.11% |
| France | 2.38% |
| UK | 2.01% |

Top 5 Exposures

| | |
|------------------------------|--------|
| Bank certificates of deposit | 14.08% |
| Government Bonds (Australia) | 13.38% |
| United States Treasury | 11.19% |
| Japan (Government of) | 4.76% |
| Qld Treasury Corp | 2.07% |

Currency exposures

| | |
|-------------------|--------|
| Australian Dollar | 91.62% |
| US Dollar | 4.89% |
| Japanese Yen | 0.59% |
| Chinese Yuan | 0.54% |
| Euro | 0.53% |

Top 5 Equity Exposures

| | |
|--------------------------------|-------|
| CSL Ltd | 0.84% |
| Commonwealth Bank of Australia | 0.75% |
| BHP Group | 0.63% |
| Westpac | 0.44% |
| Woolworths | 0.36% |

ifsinvest Income Plus Model – March 2020 Quarterly Report (continued)

Fund Commentary

The March 2020 quarter was one of the most negative, and volatile, that investment markets have faced in recent decades. As the quarter began, Australia was coping with a dramatic summer. Drought and bushfires made headlines in a more dramatic way than anyone would have hoped, with some rural communities facing ruin, with disagreement amongst commentators and politicians over the causes and the response. As January progressed, the world became aware of a new respiratory illness in China, COVID 19. By the end of the month the World Health Organisation reported 7,818 cases globally, with only 82 outside China. The Chinese government had shared the genetic profile of the virus with researchers round the world. This, together with the strict lockdown imposed on the city of Wuhan, and the quick construction of a new hospital, led many to believe the threat from the virus would be contained. Markets continued to advance, with Australia's 200 largest companies (represented by the ASX 200 index) gaining 4.98% for the month.

This rally in stock markets continued into February, but as the month progressed new facts emerged and investors took a far less benign view of COVID 19. The first headlines to grab our attention related to the astonishing situation of a cruise ship docked in Yokohama, where the number of confirmed cases rapidly increased to include 712 of 3,711 people on board. Against the backdrop of these infections, and the evacuation flights of foreign nationals from the locked down city of Wuhan, the global infection numbers began to quickly climb. By 22 February, the Australian Government reported that there were now 77,794 infections globally, including 2,359 deaths. These remained 98% restricted to China, but it was clear to most observers that China was going to be facing a challenge to economic growth and there would be some disruption to global supply chains. The Australian cases totalled 22; 15 linked to Wuhan and 7 from Australians repatriated from the cruise ship in Yokohama. During the last 6 business days of February, markets fell with shocking rapidity: the ASX 200 fell by 10% in this period.

As March unfolded, the global infection rate accelerated. As we were jolted emotionally from the extraordinary scenes in Italy, we were told to stay at home. Faced with serious job insecurity and good old fashioned fear, consumer confidence dropped. The Westpac-Melbourne Institute Index of Consumer Sentiment fell dramatically, in fact the April index (capturing most of March) showed the biggest monthly decline in the whole 47 years of their survey. There were very strong policy responses from the various arms of government, both monetary and fiscal. The monetary response included 2 interest rate cuts and a yield targeting operation, essentially buying bonds to keep bond yields at 0.25%. Apart from the direct impact on households through mortgage repayments, these policies were hoped to stabilise bond markets and ensure a low, consistent bond yield which may underpin share prices. The fiscal response was no less dramatic, with unprecedented government intervention in the job market and spending approaching 10% of GDP (over 5 times the stimulus during the 2008 Global Financial Crisis). During the course of March though, markets continued to fall with the ASX 200 losing 20.65%.

Against the backdrop of such significant human, economic and investment damage, the Income Plus model inevitably suffered a loss for the March quarter. It fell by 4.94%, although the 1 year return remained positive. But over the quarter, the ASX 200 lost over 23%. The Income Plus model held up well under the circumstances, highlighting the importance of diversification. During the quarter, the diversification benefit was realised from two main areas, fixed interest and international shares. The fixed interest allocation is defensively positioned mostly in government bonds, which rallied over the quarter – the FTSE World Government Bond Index returning 3.91%. International share investing brings with it not just exposure to the share price of overseas shares, but also an exposure to the foreign currency. A major decision for international investing is whether to take on the currency exposure or seek to eliminate it via a hedging contract with a bank. Within the Income Plus model we had decided to hedge only around 53% of the exposure, for multiple reasons, but mostly because currency has traditionally acted as a shock absorber for Australian investors as the dollar tends to depreciate during economic trauma. And so, it proved during the March quarter, with the benchmark MSCI World ex Australia Index declining either 9% or 21% depending on whether or not there was currency hedging in place.

Past performance is not a reliable indicator of future performance. This document is prepared and published by ifsinvest which is a division of Legg Mason Asset Management Australia Limited, ABN 76 004 835 849, AFSL No. 240 827 ('Legg Mason Australia') and is the Promoter of the Model Portfolios offered through ifsinvest. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the Model Portfolio carefully and you need to consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting ifsinvest on 1300 734 496 or at www.ifsinvest.com.au. This product has not been prepared to take into account the investment objectives, financial objectives or particular needs of any particular person. Neither ifsinvest, Legg Mason Australia nor any of its related parties guarantees any performance or the return of capital invested. Past performance is not necessarily indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested. These opinions are subject to change without notice and do not constitute investment advice or recommendation.