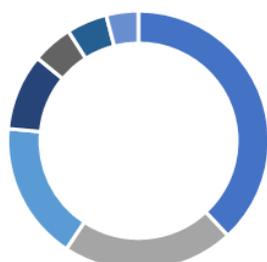


IFS Balanced Model – December 2018 Quarterly Report

Actual asset allocation as at 31 December 2018



Fixed Interest	38%
Australian Shares	21%
International Shares	17%
Cash	9%
Property	5%
Liquid Alternatives	5%
Alternative Debt	4%

Fund facts

Inception date

1 January 2017

Portfolio manager

Industry Fund Services

Asset Consultant

Frontier Advisors

Recommended investment timeframe

7 years plus

Performance-related fee

0.00%

Return objective

Inflation plus 2.25% per annum, over 5 years

Risk objective

Limit negative annual returns to 1 in 6

Investment Management fee

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

Fund Objective

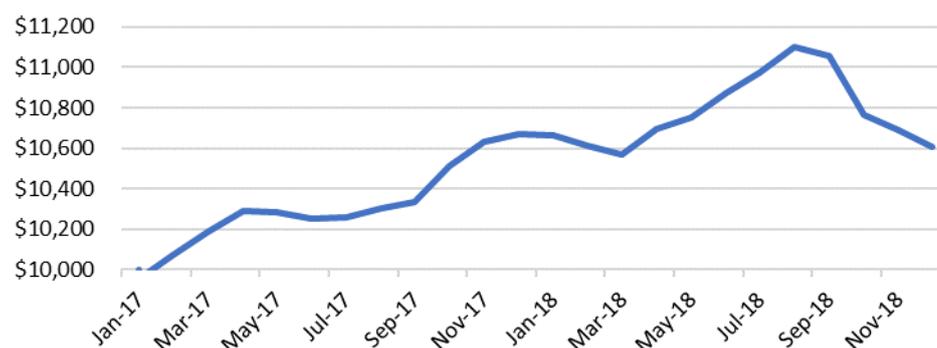
The Balanced model aims to achieve a return of inflation + 2.25% p.a. on a rolling five-year basis. Since inception in January 2017, a notional investment of \$10,000 would now be worth \$10,605.

Performance Review

	3 Months %	1 Year %	2 Year %
Net return	-4.08	-0.63	2.98
Objective (CPI +2.25%)	-3.33	0.63	3.74

Net return is shown after investment fees and costs but before administration fees. 12 month performance will be illustrated for the December 2018 quarter.

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 include 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 Balanced model returned -4.08% after fees for the quarter, this compares well to equity markets which fell 8.4% [Australia] and 13.6% [Global developed markets] respectively.

IFS Balanced Model – December 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	50.2%	Australian Dollar	90.0%
United States	22.9%	US Dollar	6.2%
Japan	5.7%	Euro	1.2%
United Kingdom	2.7%	Japanese Yen	0.9%
France	2.0%	UK Pound	0.7%

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	9.9%	Commonwealth Bank of Australia	1.5%
United States Treasury	4.1%	BHP Billiton	1.3%
Japan (Government of)	1.9%	Westpac Banking Corporation	1.2%
Queensland Treasury Corp	1.6%	Australia & New Zealand Banking	0.9%
Commonwealth Bank of Australia	1.5%	CSL	0.9%

Investments held

Australian Shares	21.24%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	17.19%
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	5.03%
Macquarie Hedged Index Global Real Estate	Market cap weighted index fund (FTSE/EPRA)
Alternatives	5.03%
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	38.05%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	9.49%
State Street Australian Cash Trust	Actively managed domestic cash portfolio