

IFS Balanced Model – June 2019 Quarterly Report

Actual asset allocation as at 30 June 2019



■ Cash	9%
Fixed Interest	38%
Alternative Debt	4%
Liquid Alternatives	5%
■ Property	5%
Australian Shares	22%
International Shares	17%

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: 0.13% Total: 0.28%

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 \$11,670.

Performance Review

	3 Months %	1 Year %	2 Year %
Net return	3.51	7.36	6.69
Objective (CPI +2.25%)	0.56	3.58	3.87

Net return is shown after investment fees and costs but before administration fees.

Growth of \$10,000



Fund Commentary

The Balanced model returned 3.51% over the June quarter, significantly above its objective. Returns over the longer term have also been strong, and materially above objective in the 1 and 2 year categories.

Investment markets delivered impressive returns for the 2018/19 financial year, although it was a bumpy ride. Shares fell significantly in the last three months of 2018, due to indications from the US Federal Reserve that monetary policy conditions would be tightened. US shares make up around 60% of the entire world stock market; therefore, the sharp drop in US shares had a global impact. However, the monetary policy stance was subsequently eased, which led to US shares rebounding throughout 2019. Australian shares recovered especially well, as a surge in the iron ore price also benefitted mining companies and resource stocks more generally.

Fixed Interest was also a standout, with an extraordinary 9.57% benchmark annual return for Australian bonds. Bond valuations initially rose following the drop in equity markets (the 'flight to safety' factor) in late 2018. The June quarter saw Bond prices rise dramatically after the RBA cut interest rates by 50 basis points, an outcome the market had not expected.



IFS Balanced Model – June 2019 Quarterly Report (continued)

Allocations

Geographic Allocation	
Australia	50.68%
United States	24.05%
Japan	5.76%
United Kingdom	2.31%
France	2.25%

Currency exposures	
Australian Dollar	85.20%
US Dollar	9.07%
Euro	1.21%
Japanese Yen	0.94%
UK Pound	0.56%

Top 5 Exposures	
Australia (Commonwealth of)	10.01%
United States Treasury	8.47%
Bank certificates of deposit	7.52%
Japan (Government of)	3.66%
Italy (Republic of)	1.63%

Top 5 Equity Exposures	
Commonwealth Bank of Australia	1.63%
BHP Billiton	1.36%
Westpac Banking Corporation	1.11%
Australia & New Zealand Banking	0.96%
CSL	0.95%

Investments held

Australian Shares	23%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	17%
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)
BlackRock Indexed Emerging Markets IMI Equity Fund	Market cap weighted emerging markets index fund
Property	5%
Macquarie Hedged Index Global Real Estate	Market cap weighted index fund (FTSE/EPRA)
Alternatives	5%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Alternative Debt	4%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	38%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	8%
State Street Australian Cash Trust	Actively managed domestic cash portfolio

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