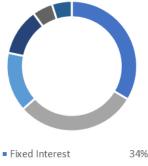
IFS Cautious Model – December 2018 Quarterly Report

Actual asset allocation as at 31 December 2018



Fixed Interest	34%
= Cash	30%
 Australian Shares 	15%
International Shares	12%
 Liquid Alternatives 	5%
 Alternative Debt 	5%

Fund Objective

The Cautious model aims to achieve a return of inflation + 2.25% p.a. on a rolling five-year basis. Since inception in December 2017, a notional investment of \$10,000 would now be worth \$10,000. The model has not been in operation long enough to have made meaningful progress toward its investment objectives.

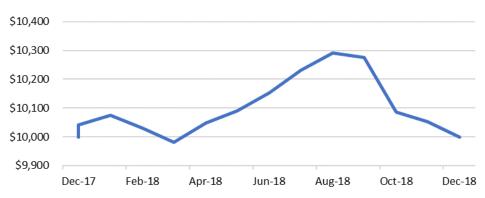
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Performance Review

	3 Months %	1 Year %
Net return	-2.69	-0.42
Objective (CPI +2.25%)	-1.96	0.86

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

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 Cautious model returned -2.69% after fees for the quarter, this compares well to equity markets which fell 8.4% [Australia] and 13.6% [Global developed markets] respectively.

Fund facts

Inception date

1 December 2017

Portfolio manager

Industry Fund Services

Asset Consultant

Frontier Advisors

Recommended investment timeframe

5 years plus

Performance-related fee

0.00%

Return objective

Inflation plus 2.25% per annum, over 5 years

Risk objective

Limit negative annual returns to 1 in 10

Investment Management fee

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

IFS Cautious Model – December 2018 Quarterly Report (continued)

Allocations

Geographic Allocation	
Australia	61.8%
United States	16.9%
Japan	4.7%
United Kingdom	1.7%
France	1.9%

Currency exposures	
Australian Dollar	100.0%
US Dollar	-
Euro	-
Japanese Yen	-
UK Pound	-

Top 5 Exposures	
Bank certificates of deposit	27.8%
Australia (Commonwealth of)	8.7%
United States Treasury	6.7%
Japan (Government of)	3.3%
QLD Treasury Corp	1.5%

Top 5 Equity Exposures	
Commonwealth Bank of Australia	1.2%
BHP Billiton	1.0%
Westpac Banking Corporation	0.8%
Australia & New Zealand Banking	0.7%
CSL	0.7%

Investments held

Australian Shares	14.81%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	11.70%
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
Alternatives	5.03%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Alternative Debt	4.96%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	33.53%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	29.97%
State Street Australian Cash Trust	Actively managed domestic cash portfolio

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