

IFS Cautious Model – September 2018 Quarterly Report

Actual asset allocation as at 30 September 2018



- Cash 30%
- Fixed Interest 33%
- Alternative Debt 5%
- Liquid Alternatives 5%
- Australian Shares 15%
- International Shares 12%

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%

Fund Objective

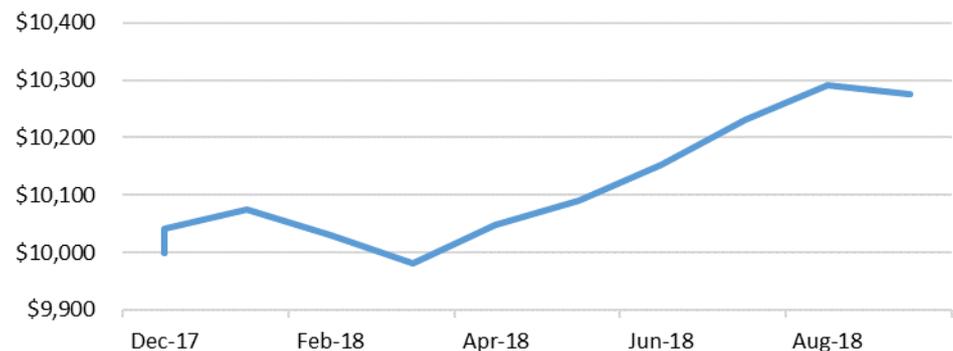
The Cautious model aims to achieve a return of inflation + 2.25% p.a. on a rolling five-year basis. Since inception in December 2017, a notional investment of \$10,000 would now be worth \$10,275.76. The model has not been in operation long enough to have made meaningful progress toward its investment objectives.

Performance Review

	3 Months %
Net return	1.22
Objective (CPI +2.25%)	1.23

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

The September started off along the same trend as previous quarters, delivering robust returns across most market sectors. This is reflected in the quarterly return for the Cautious portfolio of over 1.2%.

The portfolio has 55% of its equities in Australian shares (the other 45% being in International shares). This positioning failed to pay off during the September quarter, with the Australian market lagging major overseas markets. However, the benefit of franking credits (not included in our published returns) is a compelling factor for most of our investors, together with the expected volatility benefits of blending domestic and international equities.

Across most of our portfolios, foreign currency exposures provided a strong tailwind. However, as a robustly defensive product, we have deliberately avoided any such exposure for the Cautious portfolio.

IFS Cautious Model – September 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	61.7%	Australian Dollar	100.0%
United States	16.1%	US Dollar	-
Japan	4.3%	Euro	-
United Kingdom	1.9%	Japanese Yen	-
France	1.6%	UK Pound	-

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	8.7%	Commonwealth Bank of Australia	1.1%
Westpac Bank NCD	4.4%	BHP Billiton	0.9%
National Australia Bank NCD	4.1%	Westpac Banking Corporation	0.8%
United States Treasury	3.8%	Australia & New Zealand Banking	0.7%
ANZ Bank NCD	3.5%	CSL	0.6%

Investments held

Australian Shares	15.2%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Perpetual Wholesale Australian Share Fund	Value broad caps
Perpetual Wholesale Smaller Companies Fund	Value small caps
International Shares	11.28%
iShares Hedged Indexed International Equities	Market cap weighted index fund (MSCI W)
Alternatives	4.99%
Pinebridge Global Dynamic Asset Allocation Fund	Global Multi Asset, growth oriented
Invesco Wholesale Global Targeted Returns Fund	Low Volatility, diversified returns
Alternative Debt	5.0%
T. Rowe Price Dynamic Global Bond Fund	Low duration, active bonds
Fixed Interest	33.34%
iShares Australian Bond Index Fund	Low cost index tracking fund
iShares Global Bond Index Fund	Low cost index tracking fund
Cash	30.19%
Colonial First State Wholesale Cash Fund	Actively managed domestic cash portfolio