

IFS Growth Model – December 2018 Quarterly Report

Actual asset allocation as at
31 December 2018



■ Fixed Interest	28%
■ Australian Shares	29%
■ International Shares	24%
■ Property	6%
■ Liquid Alternatives	5%
■ Cash	4%
■ Alternative Debt	4%

Fund facts

Inception date

1 July 2012

Portfolio manager

Industry Fund Services

Asset Consultant

Frontier Advisors

Recommended investment timeframe

7 years plus

Performance-related fee

0.00%

Return objective

Inflation plus 2.75% per annum, over 7 years

Risk objective

Limit negative annual returns to 1 in 4

Investment Management fee

Direct: 0.15% (cap \$5m)
Indirect: 0.16%
Total: 0.31%

Fund Objective

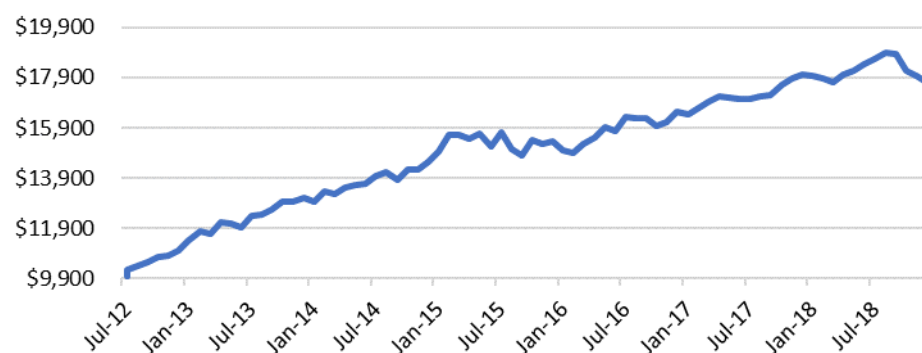
The Growth model aims to achieve a return of inflation + 2.75% p.a. on a rolling seven-year basis. Since inception in July 2012, a notional investment of \$10,000 would now be worth \$17,720.

Performance Review

	3 Months %	1 Year %	3 Years %	5 Years %
Net return	-5.95	-1.57	4.82	6.20
Objective (CPI + 2.75%)	-5.10	-0.31	5.24	4.51
Standard deviation			4.85	6.04
<i>Standard deviation – ASX 300 index</i>			<i>8.97</i>	<i>10.59</i>

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



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 Growth model returned -5.95% after fees for the quarter, this compares well to equity markets which fell 8.4% [Australia] and 13.6% [Global developed markets] respectively.

IFS Growth Model – December 2018 Quarterly Report (continued)

Allocations

Geographic Allocation		Currency exposures	
Australia	47.7%	Australian Dollar	83.2%
United States	25.1%	US Dollar	7.1%
Japan	5.6%	Euro	2.4%
United Kingdom	2.6%	Japanese Yen	1.9%
France	2.2%	UK Pounds	1.2%

Top 5 Exposures		Top 5 Equity Exposures	
Australia (Commonwealth of)	7.1%	Commonwealth Bank of Australia	2.3%
United States Treasury	5.5%	BHP Billiton	1.9%
Bank certificates of deposit	2.9%	Westpac Banking Corporation	1.6%
Japan (Government of)	2.7%	Australia & New Zealand Banking	1.3%
Commonwealth Bank of Australia	2.3%	CSL	1.3%

Investments held

Australian Shares	29.15%
State Street Australian Equity Index Trust	Market cap weighted index fund (ASX 200)
Schroders Equity Opportunity Fund	Active broad cap fund
International Shares	24.27%
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	5.04%
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
Property	6.04%
Macquarie Hedged Index Global Real Estate	Market cap weighted index fund (FTSE/EPRA)
Fixed Interest	27.55%
State Street Australian Fixed Interest Income Trust	Low cost index fund
State Street Global Fixed Interest Income Trust	Low cost index fund
Cash	3.98%
State Street Australian Cash Trust	Actively managed domestic cash portfolio

This document is prepared and published by Industry Fund Services ABN 54 007 016 195, AFSL 232514 (IFS) as the promoter and distributor of ifsinvest. Part performance is not an indicator of future performance. IFS believe the information contained in this document is based on reliable information; no warranty is given as to its accuracy and persons relying on this information do so at their own risk. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Any opinions and forecasts reflect the judgment and assumptions of IFS and its representative on the basis of information at the date of publication and may later change without notice. This material is of a general nature only. It has been prepared without considering your personal objectives, financial situation or needs. We recommend you should assess your own financial situation, seek professional advice and read any Product Disclosure Statements (PDS) applicable before making any investment decisions or taking any action based on this Quarterly Report. The PDS is available at www.ifsinvest.com.au or by calling 1300 734 496. No part of this material may be reproduced or disclosed, in whole or in part, without the prior written consent of Industry Fund Services