

WealthFoundations

IPS Income (Pension) Quarterly Report

As of 30/06/2017

Second quarter 2017

Market update

Political uncertainty was a major theme across global markets this quarter, with both good and bad outcomes. Emmanuel Macron's victory in the French elections and Angela Merkel's Christian Democratic Party's strong performance in local elections have helped ease concerns over a seemingly populist anti-globalisation movement in Europe.

British equities and the Sterling initially responded well to Theresa May's call for a snap election in May to strengthen the nation's position in Brexit negotiations. However, this momentum dissipated when the election produced a hung parliament and May's Brexit plan still lacked detail at quarter end.

North Korea's nuclear missile program is also stirring the pot but it is not expected to affect equity markets as long as the US and China continue to cooperate on the matter.

China is increasingly conscious of its financial fragility caused by high levels of corporate debt, the complex nature of its wealth management products, and links to the shadow banking system. To overcome this, the central bank and three regulators (banking, securities and insurance) have joined forces to address the complex and opaque shadow banking sector, and introduced aggressive restrictions on permissible financial activities. This is the right move in the long run to defuse overleveraging and systemic financial risk in China's economy, although we are watching closely for short term negative repercussions.

Model update

Interest rates are slowly increasing in the US as the central bank gradually moves rates back towards more normal levels. In Australia, the cash rate is still on hold, although the banks are tightening lending and raising rates on interest only borrowers.

The IPS income model experienced small negative returns for the month, but positive returns for the quarter and over the one and two year time periods.

In today's low interest rate environment, modest returns in the 2-4% range are probably the best that can be expected.

Justin McLaughlin
Chief Investment Officer

IPS Income (Pension)

As of 30/06/2017

Portfolio objective

A portfolio of fixed interest investments with the objective to earn relatively stable returns over the short to medium term.

Performance[^]

	Since inception (%p.a)**	3 years (%p.a)	2 years (%p.a)	1 year (%p.a)	6 months (%)	3 months (%)	1 month (%)
Total Return	4.3		4.3	3.0	2.6	1.3	-0.2
Volatility	2.4		2.0	2.1	0.4		

**Inception Date: 23/09/2014

Growth of \$100 invested at inception [^]

Time Period: 24/09/2014 to 30/06/2017

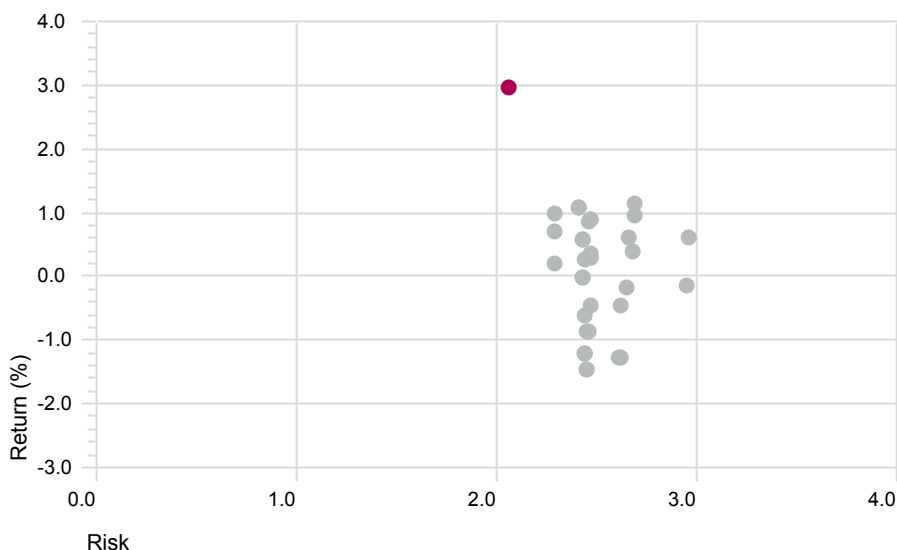


[^] Performance data is **after** applicable fees and taxes, and assumes the reinvestment of distributions. Past performance is not indicative of future performance. Due to the flexibility of rebalancing and variations between accounts, performance shown is indicative only and, for example, assumes that there are no deposits, withdrawals nor exceptions to regular rebalancing in the model portfolio.

Return and risk vs. peer group

Time Period: 1/07/2016 to 30/06/2017

Peer Group (5-95%): Insurance and Pension Funds - Australia - Pension - Bonds - Global / Australia



What is a risk and return chart?

The chart to the left shows the returns and associated risk of the model portfolio (darker shape) against its peers (light grey circles), over the past year.

The past years return (as a percentage) is shown on the vertical axis.

The risk (as measured by the standard deviation) of the investment over the past year is shown on the horizontal axis.

IPS Income (Pension)

Underlying funds

	APIR Code	Global Broad Category Group	Portfolio Weighting %
CLAL Fixed Interest Fund	CVW0021AU	Fixed Income	75.00
PIMCO International Bonds Fund	CVW0022AU	Fixed Income	25.00

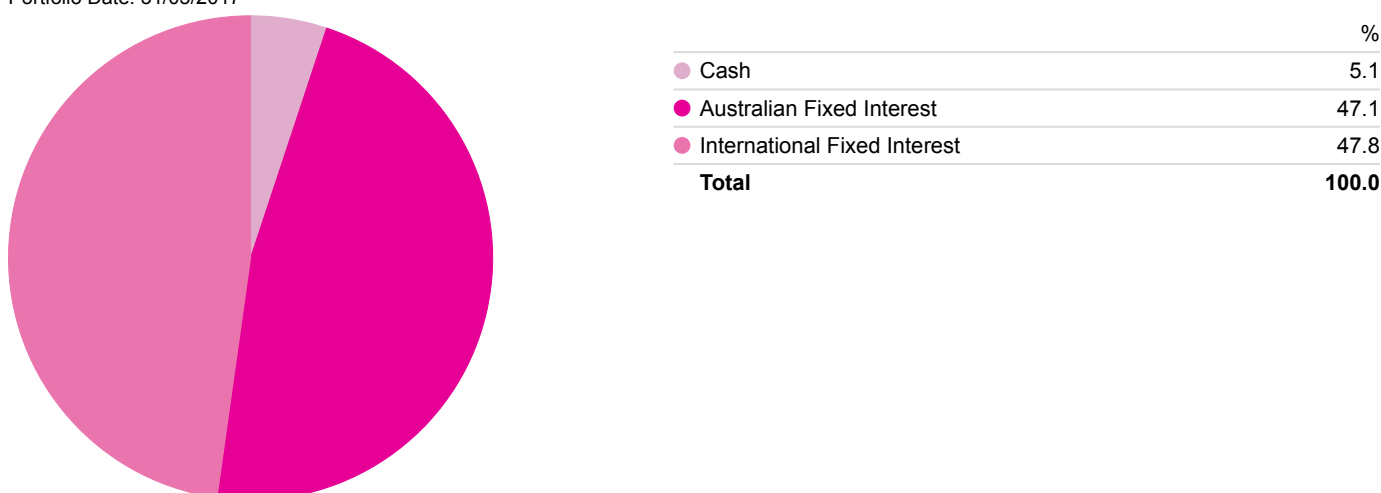
Performance of current underlying funds

Portfolio Date: 30/06/2017

	3 Yr (%p.a)	2 Yr (%p.a)	1 Yr (%p.a)	6 Mth (%)	3 Mth (%)	1 Mth (%)
CLAL Fixed Interest Fund		4.02	2.95	2.56	1.31	-0.25
PIMCO International Bonds Fund		5.01	2.97	2.51	1.13	-0.10

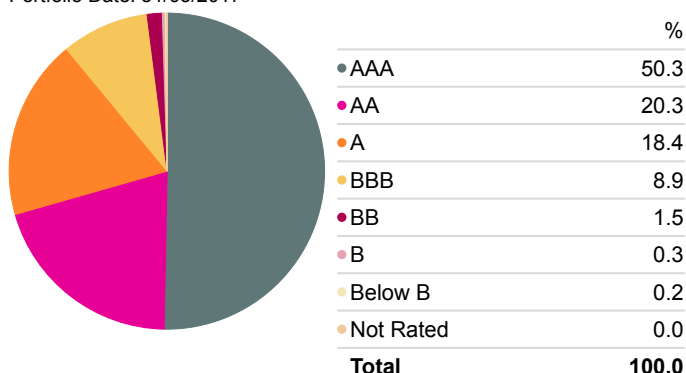
Asset class breakdown

Portfolio Date: 31/05/2017



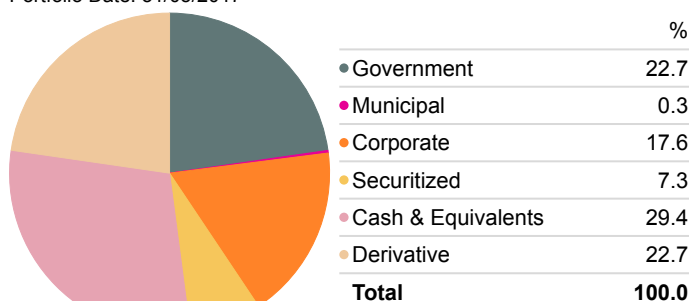
Fixed Income: Credit Quality

Portfolio Date: 31/05/2017



Fixed Income: Sectors

Portfolio Date: 31/05/2017



Important Information

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