

# WealthSolutions

## IPS Enhanced Index 50 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

Although financial markets were a little weak in the month of June, performance has been strong for the past 12 months.

The Vanguard Emerging Markets Shares and Vanguard International Shares funds were the standout performers within your portfolio earning 5.6% and 3.7% respectively over the quarter.

Within Australian shares, the Vanguard Australian Shares Index fund earned 13.7% for your portfolio over the year, although due to changing economic conditions and a weaker iron ore price, it experienced a small loss over the recent quarter. As we do not expect these conditions to improve, your portfolio remains underweight in Australian shares.

**Justin McLaughlin**  
Chief Investment Officer

## IPS Enhanced Index 50

As of 30/06/2017

## Portfolio objective

The IPS Enhanced Index 50 model is a portfolio of actively managed assets designed to achieve moderate returns over the medium term.

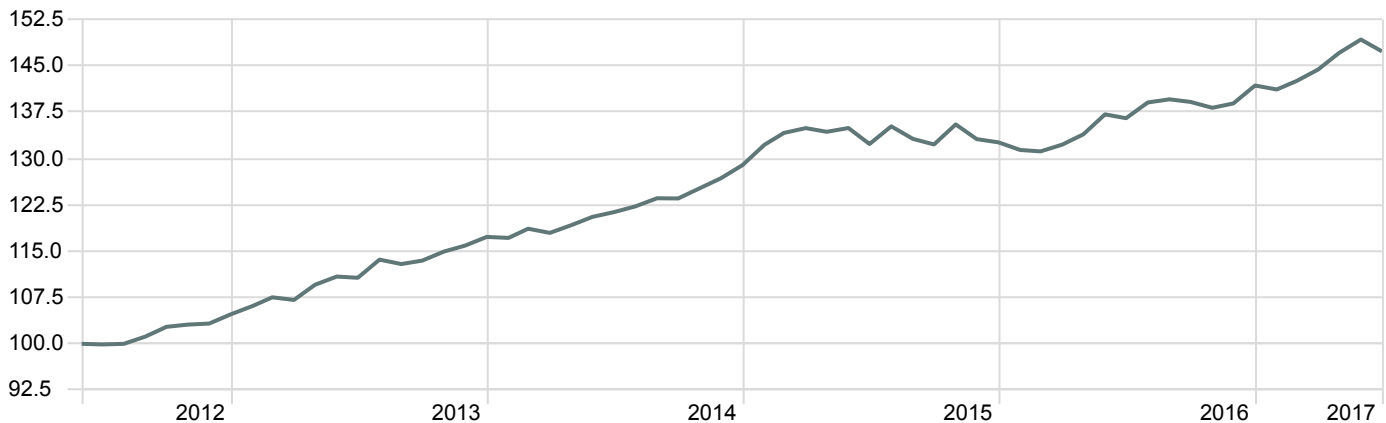
Performance<sup>^</sup>

	Since inception (%p.a)**	5 years (%p.a)	3 years (%p.a)	1 year (%p.a)	6 months (%)	3 months (%)	1 month (%)
Total Return	8.1	8.1	6.7	7.9	3.9	2.0	-1.3
Volatility	3.8	3.8	4.3	3.9	1.2		

\*\*Inception Date: 1/06/2012

Growth of \$100 invested at inception <sup>^</sup>

Time Period: 2/06/2012 to 30/06/2017

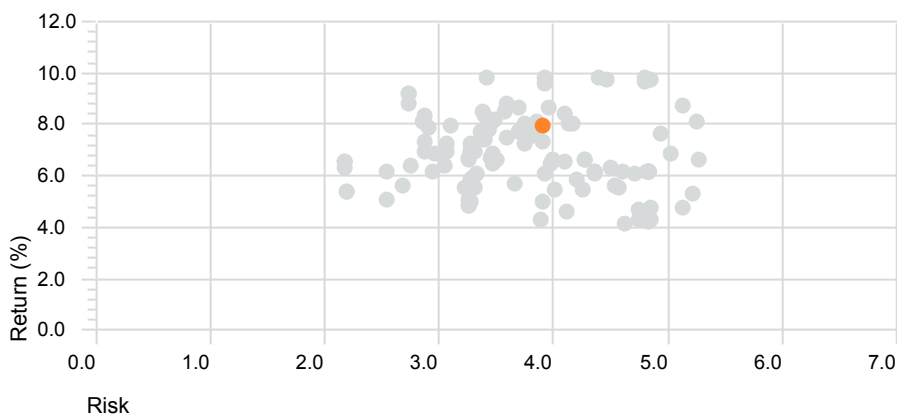


<sup>^</sup> Performance data is after fund manager fees, but before any other applicable fees or taxes and assumes the reinvestment of dividends. Past performance is not indicative of future performance. Due to the flexibility of rebalancing and variations between accounts, performance shown is indicative only and assumes rebalancing occurs at the end of each calendar month, and also 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%): Open End Funds - Australia - Multisector Balanced



## 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.

## Underlying funds

	APIR Code	Global Broad Category Group	Portfolio Weighting %
CFML Fixed Interest	NRM0030AU	Fixed Income	35.00
CFML Cash	NRM0026AU	Money Market	15.00
Vanguard Global Infrastructure Index	VAN0023AU	Equity	15.00
Vanguard International Shares Index	VAN0003AU	Equity	15.00
Vanguard Australian Shares Index	VAN0002AU	Equity	10.00
Vanguard Emerging Markets Shares Index	VAN0005AU	Equity	10.00

# IPS Enhanced Index 50

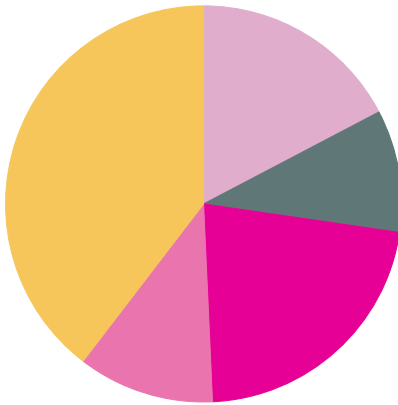
## Performance of current underlying funds

Portfolio Date: 30/06/2017

	5 Yr (%pa)	3 Yr (%pa)	2 Yr (%pa)	1 Yr (%)	6 Mth (%)	3 Mth (%)	1 Mth (%)
CFML Fixed Interest	4.19	4.47	4.30	3.16	2.64	1.35	-0.24
CFML Cash	2.28	1.93	1.74	1.53	0.74	0.37	0.11
Vanguard International Shares Index	18.35	13.08	7.48	14.74	4.60	3.68	-2.69
Vanguard Global Infrastructure Index	14.86	11.14	8.58	5.59	4.44	3.49	-4.02
Vanguard Emerging Markets Shares Index	9.84	7.90	3.98	19.54	11.53	5.55	-2.02
Vanguard Australian Shares Index	11.43	6.44	6.95	13.67	3.10	-1.53	0.20

## Asset class breakdown

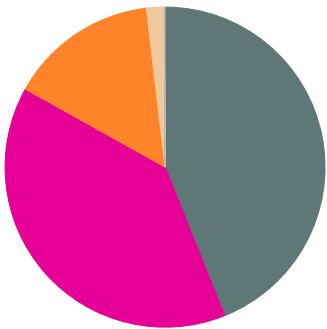
Portfolio Date: 30/06/2017



	%
Cash	17.3
Australian Equities	10.0
Australian Fixed Interest	22.0
International Fixed Interest	11.1
International Equities	39.6
<b>Total</b>	<b>100.0</b>

## Equities: Market capitalisation

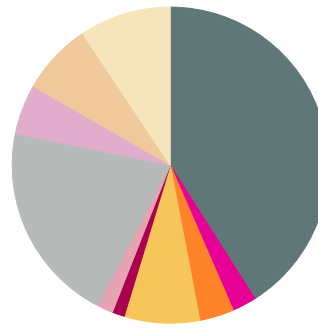
Portfolio Date: 30/06/2017



	%
Giant	43.9
Large	39.2
Mid	15.0
Small	1.8
Micro	0.1
<b>Total</b>	<b>100.0</b>

## Equities: Geographical exposure

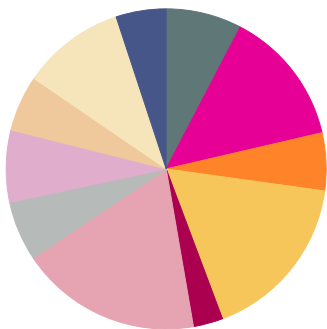
Portfolio Date: 30/06/2017



	%
North America	41.0
Latin America	2.5
United Kingdom	3.5
Europe developed	7.7
Europe emerging	1.3
Africa/Middle East	1.7
Australasia	20.6
Japan	5.1
Asia developed	7.3
Asia emerging	9.4
<b>Total</b>	<b>100.0</b>

## Equities: Industry exposure

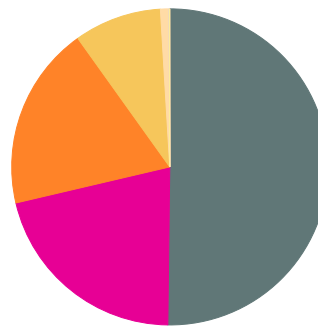
Portfolio Date: 30/06/2017



	%
Energy	7.7
Industrials	13.7
Consumer Staples	5.8
Financials	17.1
Telecom Services	3.0
Utilities	18.3
Materials	6.0
Consumer Discretionary	7.3
Healthcare	5.6
Information Technology	10.4
Real Estate	5.1
<b>Total</b>	<b>100.0</b>

## Fixed Interest: Credit quality

Portfolio Date: 30/06/2017



	%
AAA	50.2
AA	21.1
A	18.8
BBB	8.9
BB	0.9
B	0.0
Below B	0.0
Not Rated	0.0
<b>Total</b>	<b>100.0</b>

## Top holdings of the underlying infrastructure, property and equity funds

### Vanguard Global Infrastructure Index - Top Holdings

Portfolio Date: 31/05/2017

	Sector	Portfolio Weighting %
Union Pacific Corp	Industrials	4.95
NextEra Energy Inc	Utilities	3.64
Enbridge Inc	Energy	3.45
Duke Energy Corp	Utilities	3.26
American Tower Corp	Communication Services	3.05
Canadian National Railway Co	Industrials	2.90
CSX Corp	Industrials	2.82
Dominion Energy Inc	Utilities	2.78
Southern Co	Utilities	2.73
National Grid PLC	Utilities	2.68

### Vanguard Australian Shares Index - Top Holdings

Portfolio Date: 31/05/2017

	Sector	Portfolio Weighting %
Commonwealth Bank of Australia	Financial Services	8.91
Westpac Banking Corp	Financial Services	6.62
Australia and New Zealand Banking Group Ltd	Financial Services	5.32
National Australia Bank Ltd	Financial Services	5.21
BHP Billiton Ltd	Basic Materials	4.96
CSL Ltd	Healthcare	3.81
Telstra Corp Ltd	Communication Services	3.38
Wesfarmers Ltd	Consumer Defensive	3.13
Woolworths Ltd	Consumer Defensive	2.18
Macquarie Group Ltd	Financial Services	1.97

### Vanguard International Shares Index - Top Holdings

Portfolio Date: 31/05/2017

	Sector	Portfolio Weighting %
Apple Inc	Technology	2.24
Microsoft Corp	Technology	1.43
Amazon.com Inc	Consumer Cyclical	1.12
Facebook Inc A	Technology	0.99
Johnson & Johnson	Healthcare	0.97
Exxon Mobil Corp	Energy	0.93
Alphabet Inc C	Technology	0.84
JPMorgan Chase & Co	Financial Services	0.82
Alphabet Inc A	Technology	0.82
Nestle SA	Consumer Defensive	0.74

## Top holdings of the underlying infrastructure, property and equity funds

### Vanguard Emerging Markets Shares Index - Top Holdings

Portfolio Date: 31/05/2017

	Sector	Portfolio Weighting %
Samsung Electronics Co Ltd	Technology	4.24
Tencent Holdings Ltd	Technology	4.21
Taiwan Semiconductor Manufacturing Co Ltd	Technology	3.58
Alibaba Group Holding Ltd ADR	Consumer Cyclical	2.99
Naspers Ltd Class N	Technology	1.95
China Construction Bank Corp H	Financial Services	1.50
China Mobile Ltd	Communication Services	1.47
Hon Hai Precision Industry Co Ltd	Technology	1.14
Baidu Inc ADR	Technology	1.10
Industrial And Commercial Bank Of China Ltd H	Financial Services	1.07

#### Important Information

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