



Investment fundamentals

A picture book of investment fundamentals.

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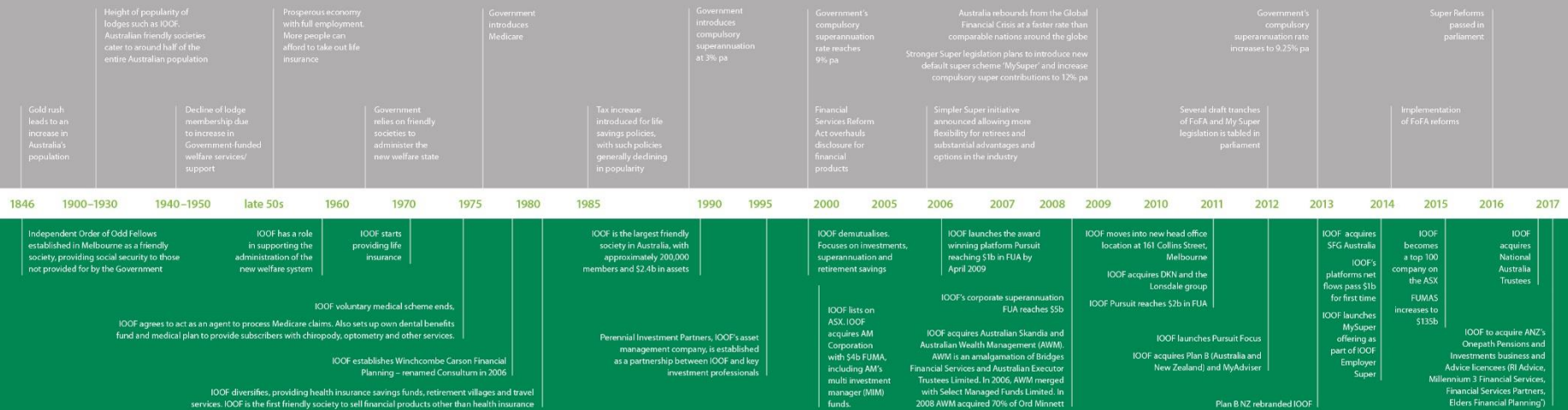
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IOOF

Proud of our heritage – excited by our future



Australia



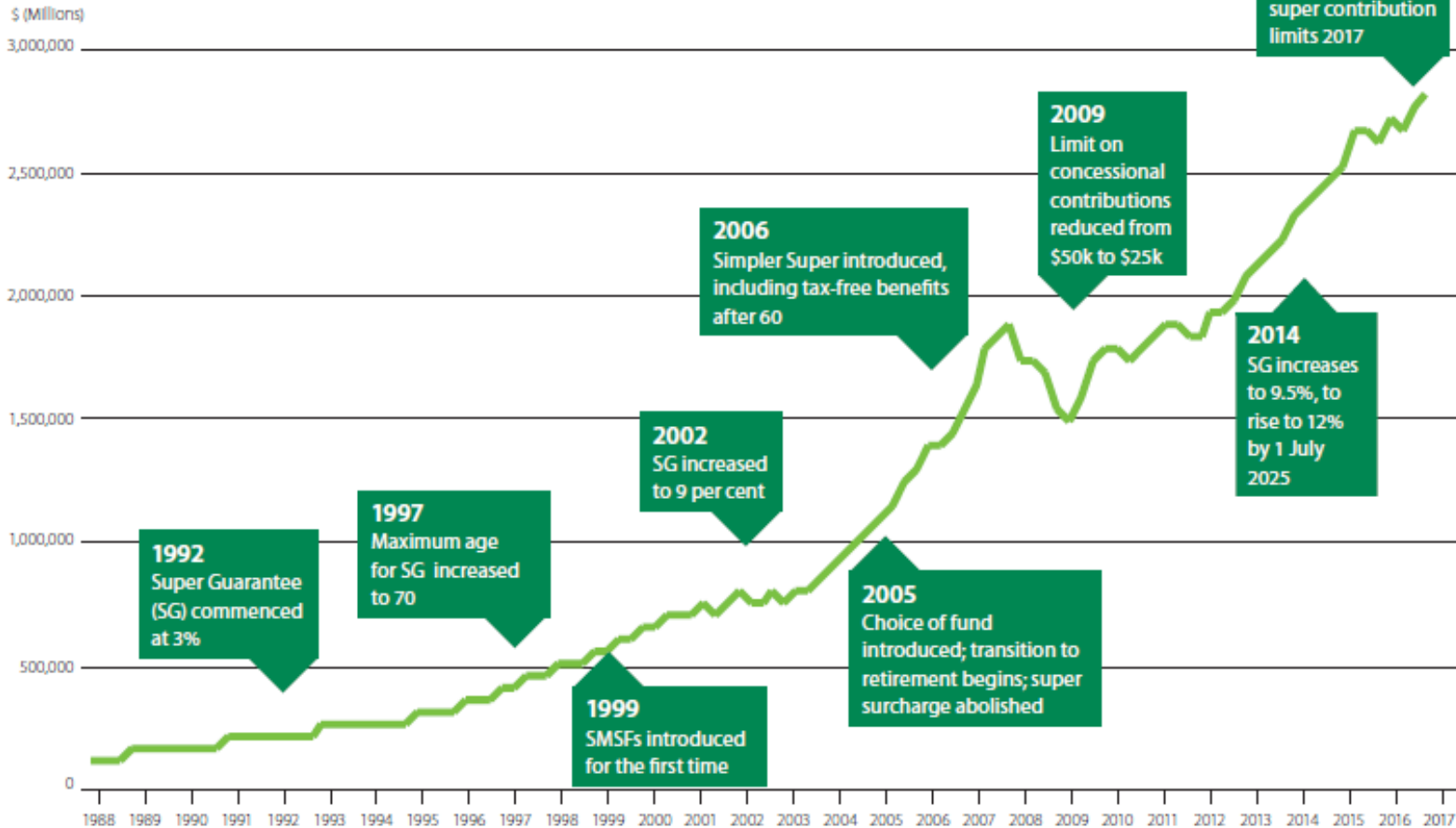
* Bases Financial Planning is 51% owned by Millennium 3 Financial Services.



Australia's big investment pool



Australia's big investment pool



Source: Bloomberg

Asset class returns



Growth of \$1000 over 20 years ending December 2017

The risk-return trade off means that you must be aware of your personal risk tolerance when choosing investments for your portfolio. Some asset classes may be more risky than others and you must be able to tolerate that risk or lower your risk by lowering return expectations.

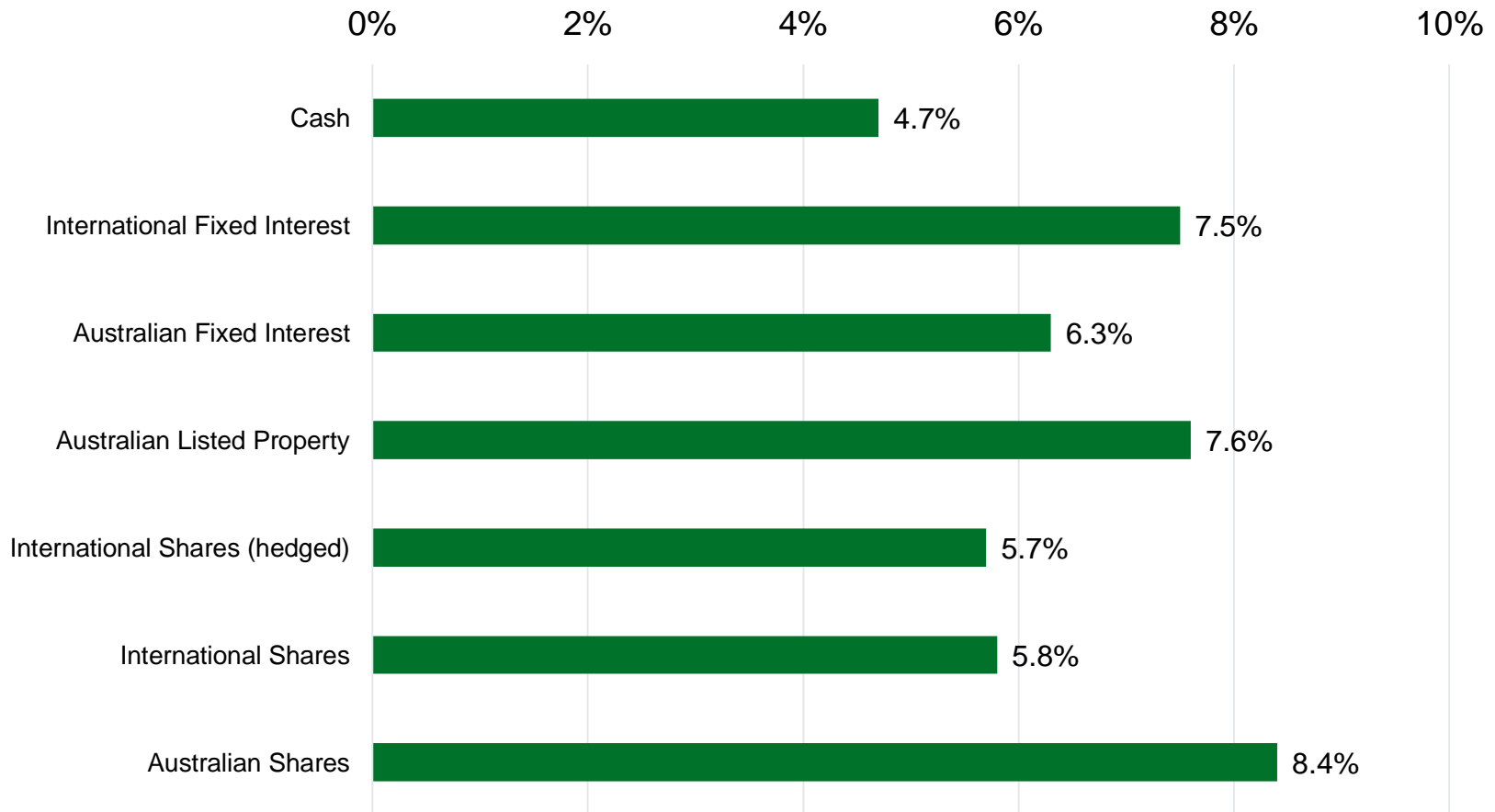


Source: Mercer Insights 2018
ASX All Ordinaries TR, UBS Bank Bill, UBS Composite Bond, MSCI AC World, Barclays Capital Global Agg

Annualised asset class returns



Annualised return over 20 years ending May 2017



Source: Bloomberg
Past performance is not a reliable indicator of future performance.

Understanding volatility

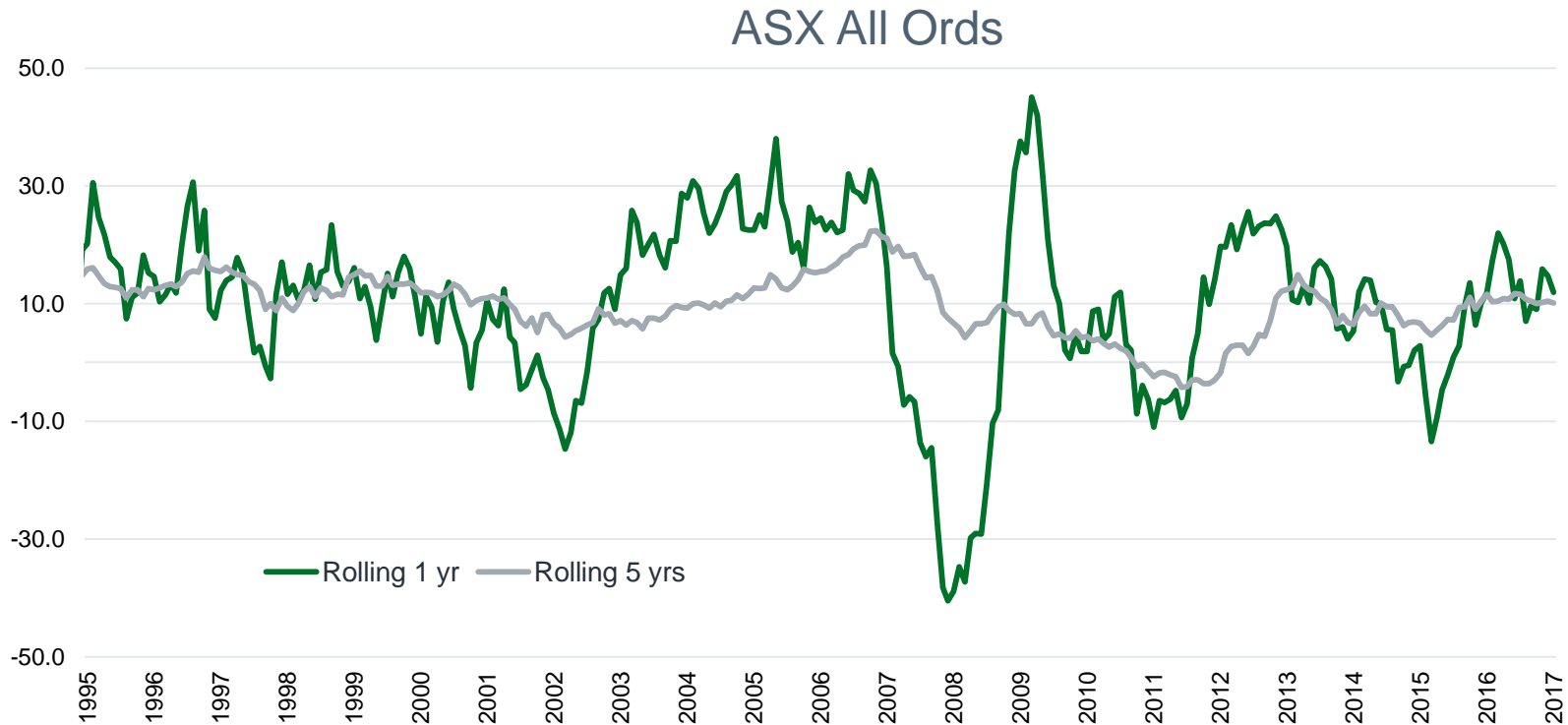


“Investment markets by their own nature are volatile. That’s why we always recommend that investors seek professional financial advice and are prepared to invest for the long-term (ie five years or more) to ride out periods of volatility. Investors who remain focused on their investment approach despite periods of volatility, have a greater chance of achieving their goals.”



Dan Farmer
Chief Investment Officer
IOOF

Rolling returns – Australian shares

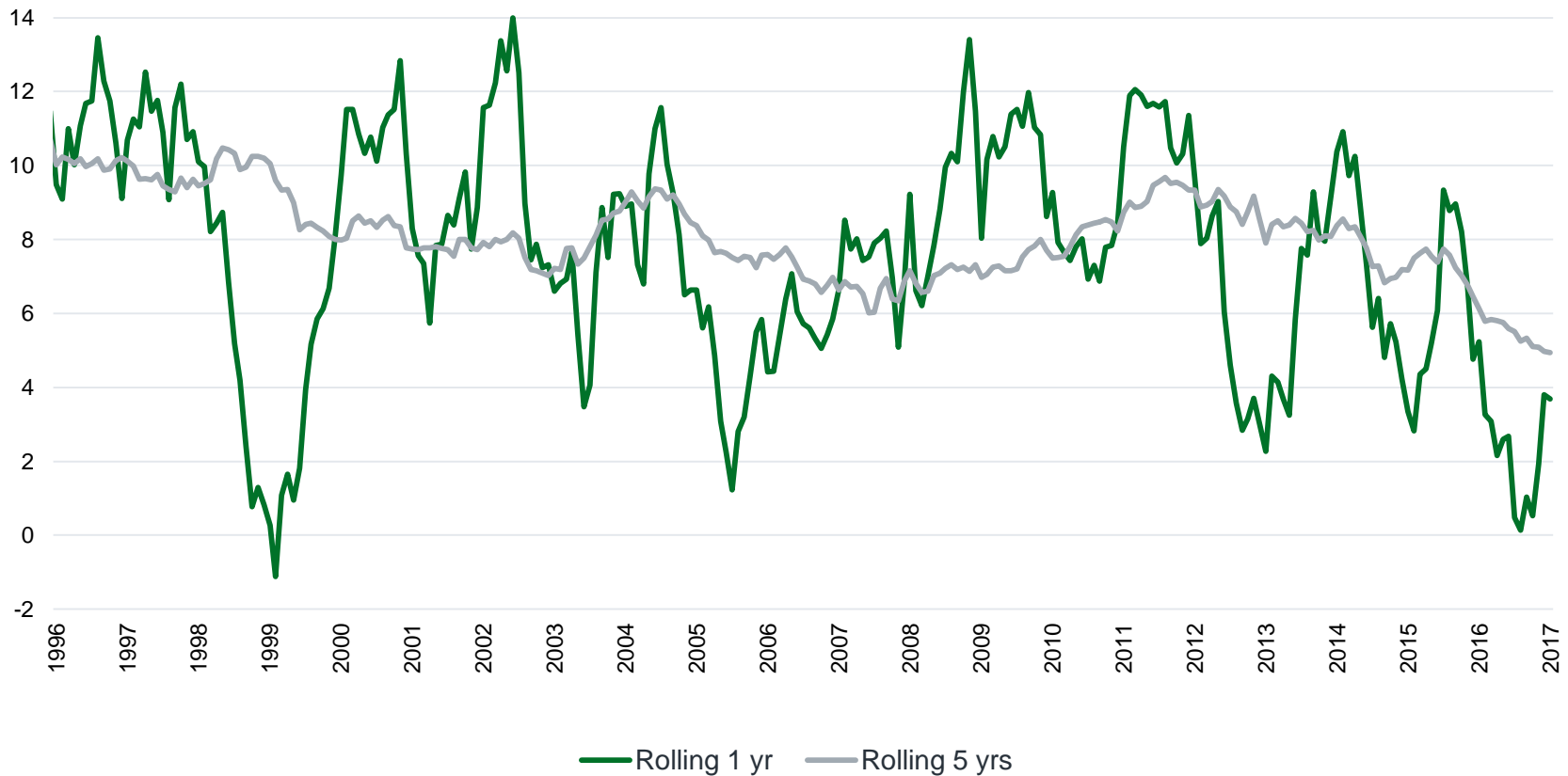


Rolling returns are useful for examining the behaviour of returns for different periods. We can see the volatility experienced over a one year period versus the smoother experience over a longer period of time.

Rolling returns – Fixed interest



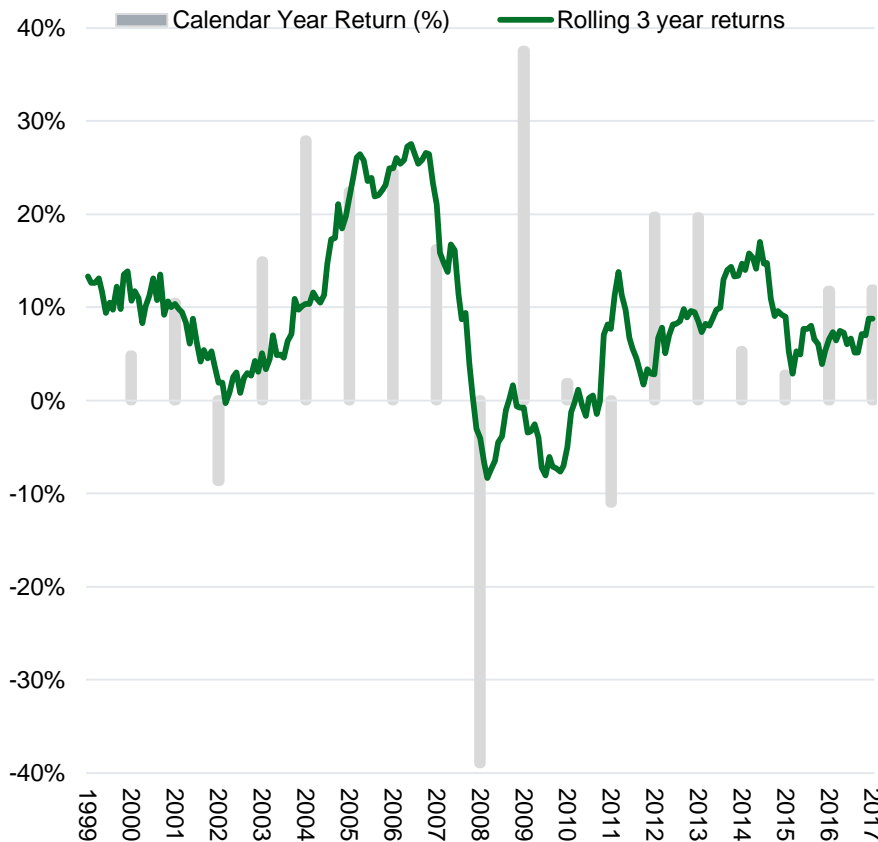
Barclays Capital Global Aggregate Bond Index (\$A hedged)



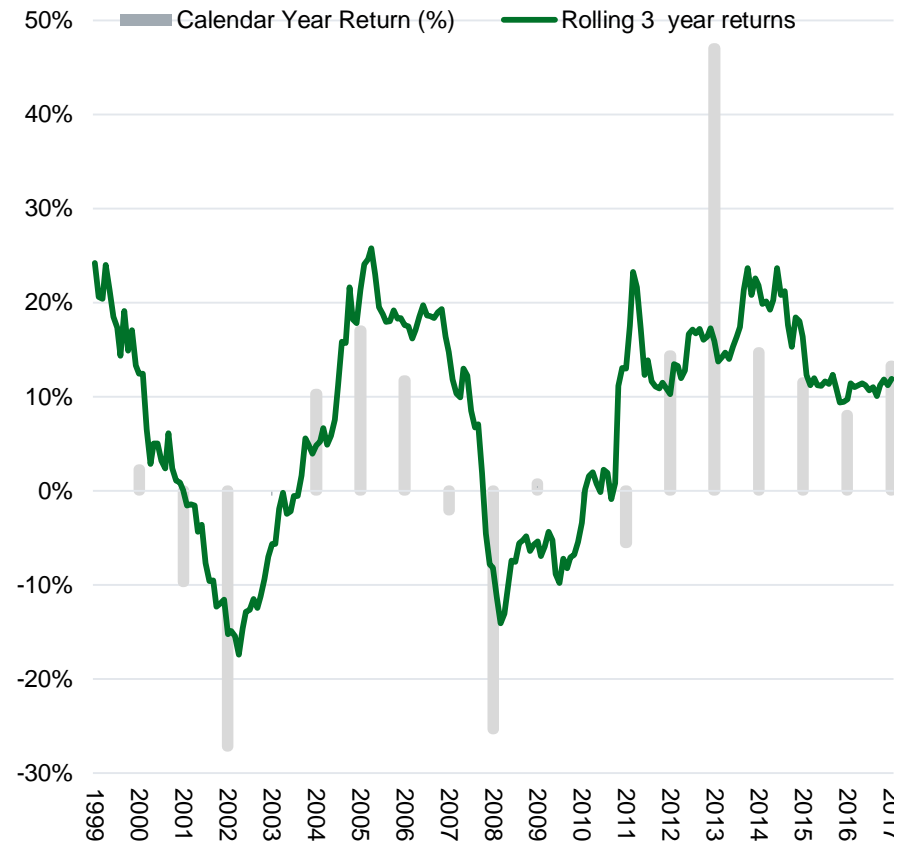
Volatility and the long term



Annualised S&P/ASX 300 returns and rolling one year returns



Annualised MSCI World returns and rolling one year returns*



* MSCI World Ex Australia (Un-hedged) Index
Source: Mercer Insight 2018

Calendar year returns



Many investors consider changing asset classes to chase the next return.

But as you can see, it's very difficult to predict which asset class will perform strongest in the following year.

This years winner may not necessarily be next years.

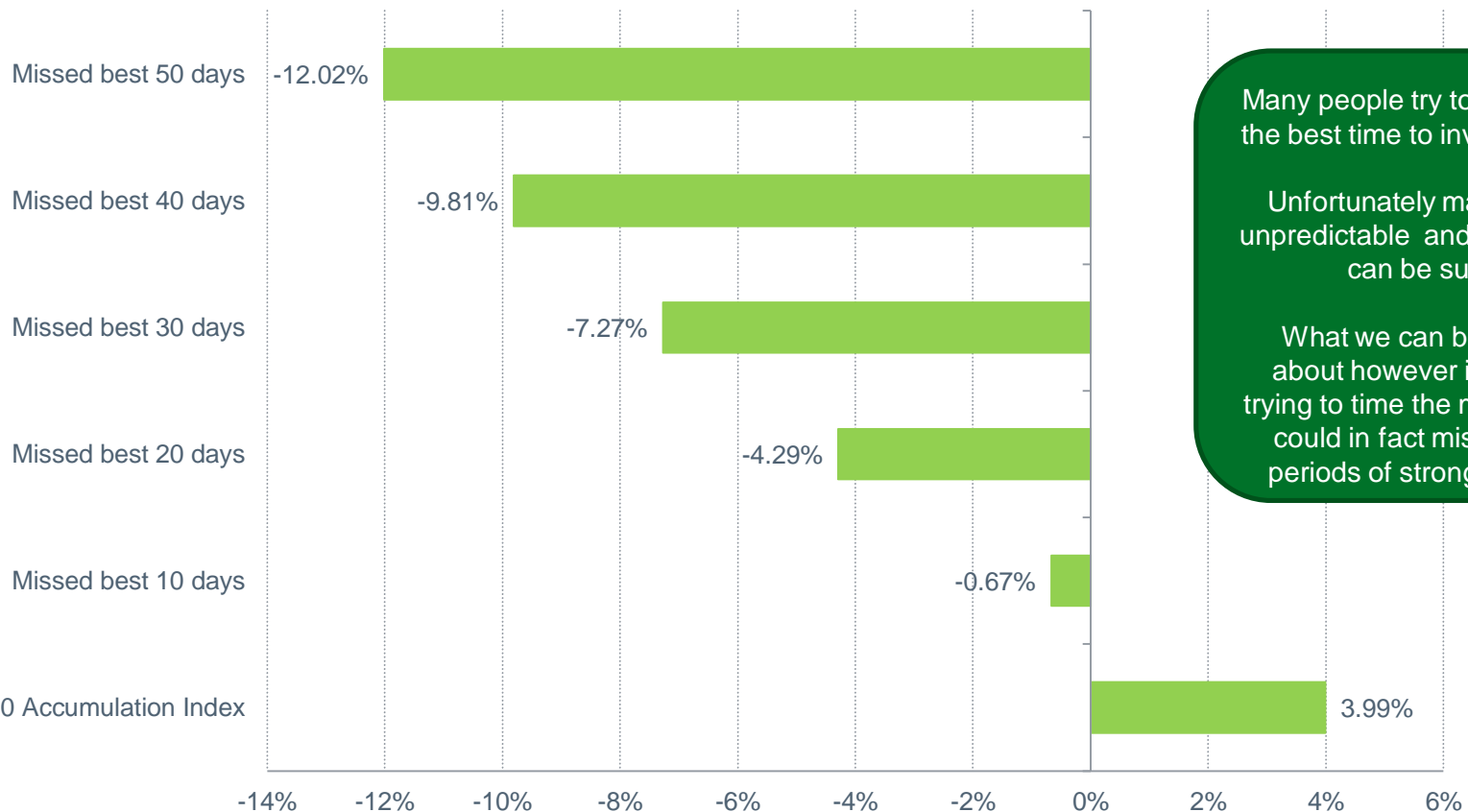
	Australian Shares (%)	Australian Listed Property (%)	International Shares (%)	Australian Fixed Interest (%)	Cash (%)
2000	5	19	2	12	6
2001	10	15	-10	5	5
2002	-9	12	-27	9	5
2003	15	9	-1	3	5
2004	28	32	10	7	6
2005	22	13	17	6	6
2006	25	34	11	3	6
2007	16	-8	-3	3	7
2008	-39	-55	-25	15	8
2009	38	10	0	2	3
2010	2	-1	-2	6	5
2011	-11	-2	-5	11	5
2012	20	33	14	8	4
2013	20	7	48	2	3
2014	5	27	15	10	3
2015	3	14	12	3	2
2016	12	13	8	3	3
2017	12	6	13	4	2

Source: FactSet – Australian Shares: S&P/ASX300 Accumulation Index, Australian Property: S&P/ASX300 A-REIT Accumulation Index, International Shares: MSCI World Ex Australia (un-hedged), Fixed Interest: UBS Composite Bond Index 0+YR, Cash: UBS Bank Bill Index 90 day Calendar year returns. Past performance is not a reliable indicator of future performance.

Time in – not timing



Annualised 10 year return to 31 December 2017



Many people try to pick when the best time to invest will be.

Unfortunately markets are unpredictable and none of us can be sure.

What we can be certain about however is that by trying to time the market, you could in fact miss out on periods of strong returns.

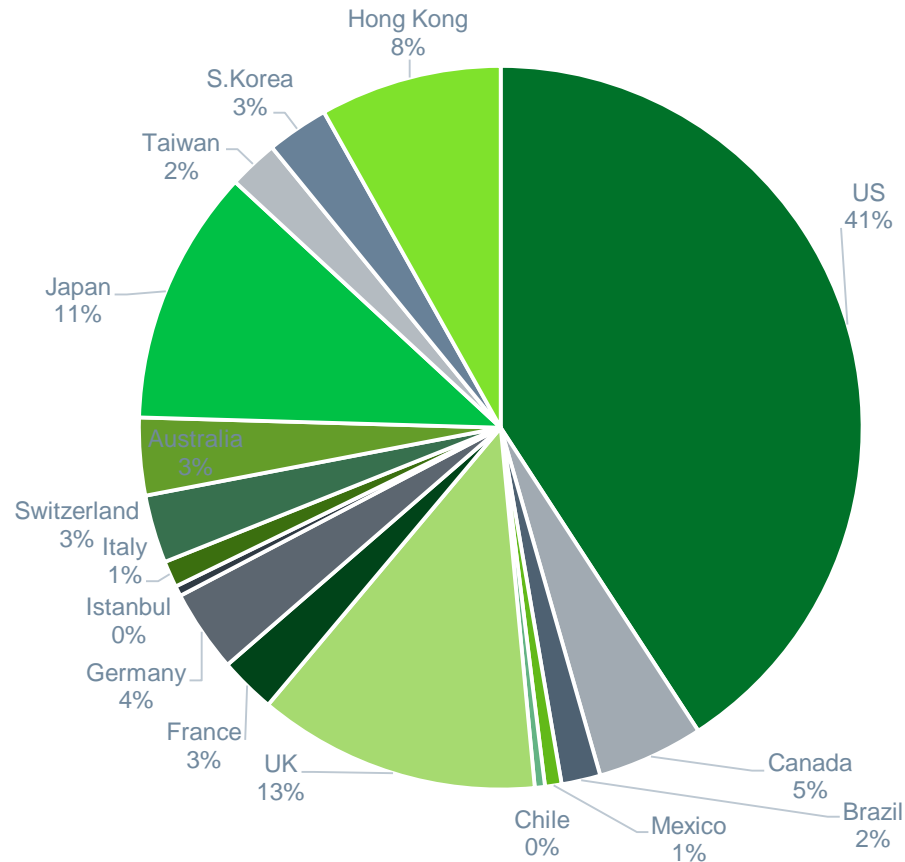
Source: Bloomberg (ASX300 accumulation index)
Annualised 10 year returns to 31 December 2017
Past performance is not a reliable indicator of future performance.

A cycle of emotions



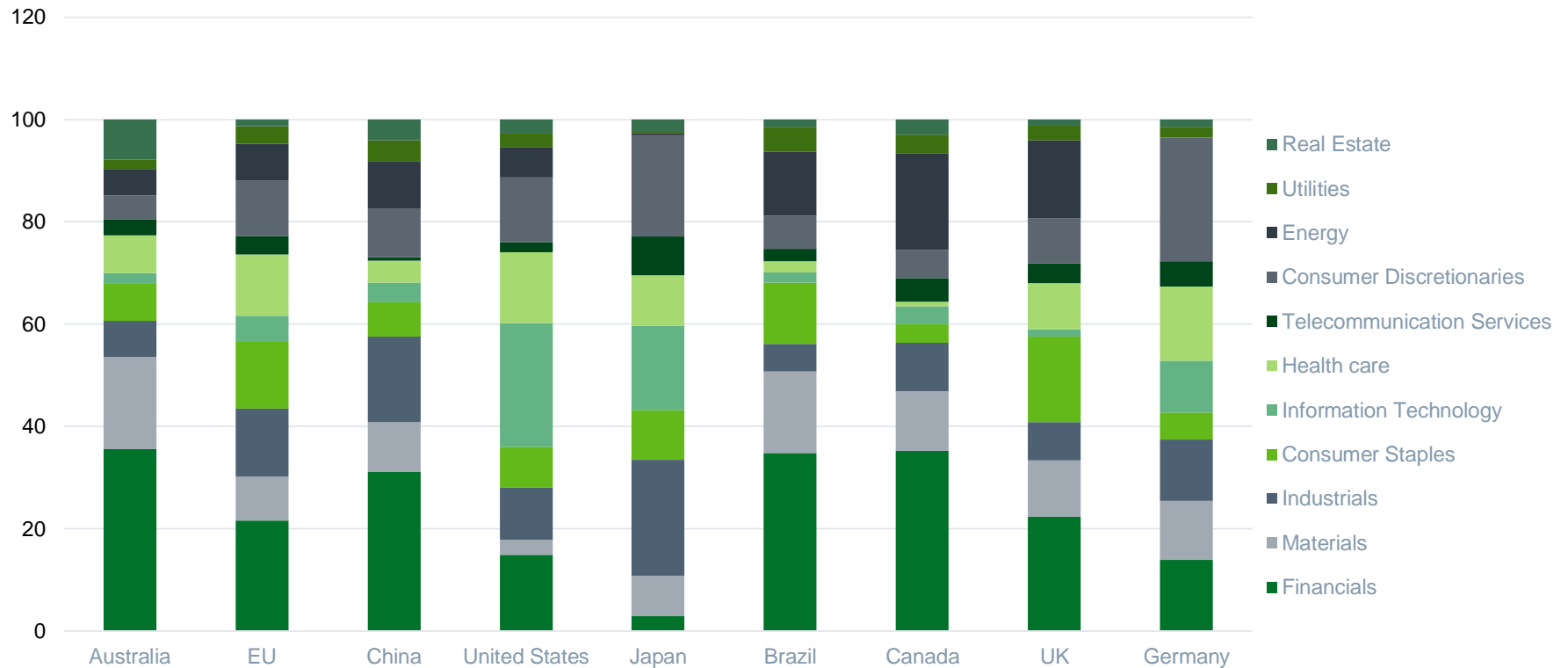
Source: Mercer Insight S&P/ASX300 2006 – 2009 Actual data

Australia's share of global listed stocks



The Australian market represents just 3 per cent of the world's listed stocks

Global share markets by sectors

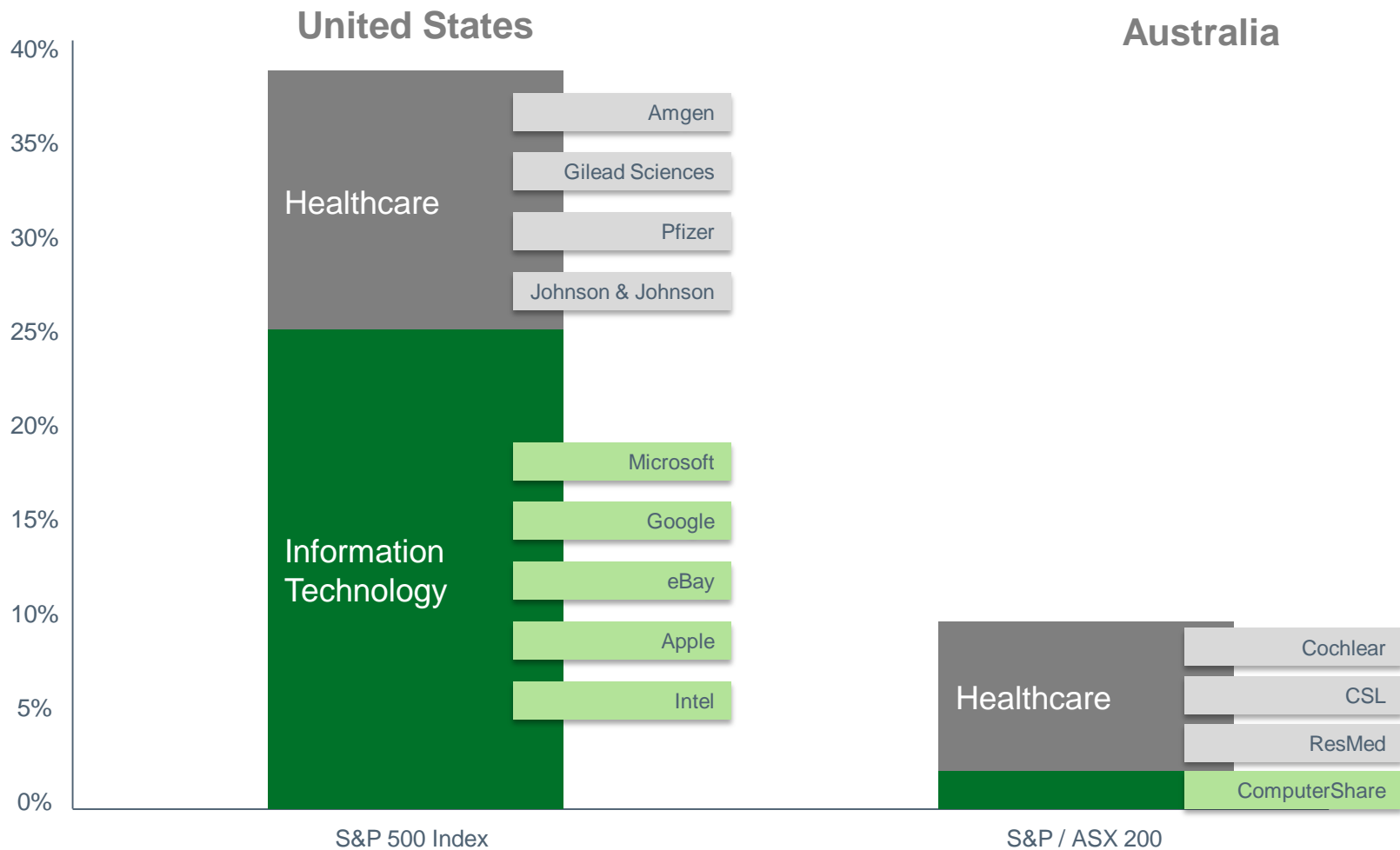


The Australian market is dominated by financials. By looking overseas to invest, you may benefit from access to industries not represented domestically and add further diversification to your portfolio.

Access innovative sectors



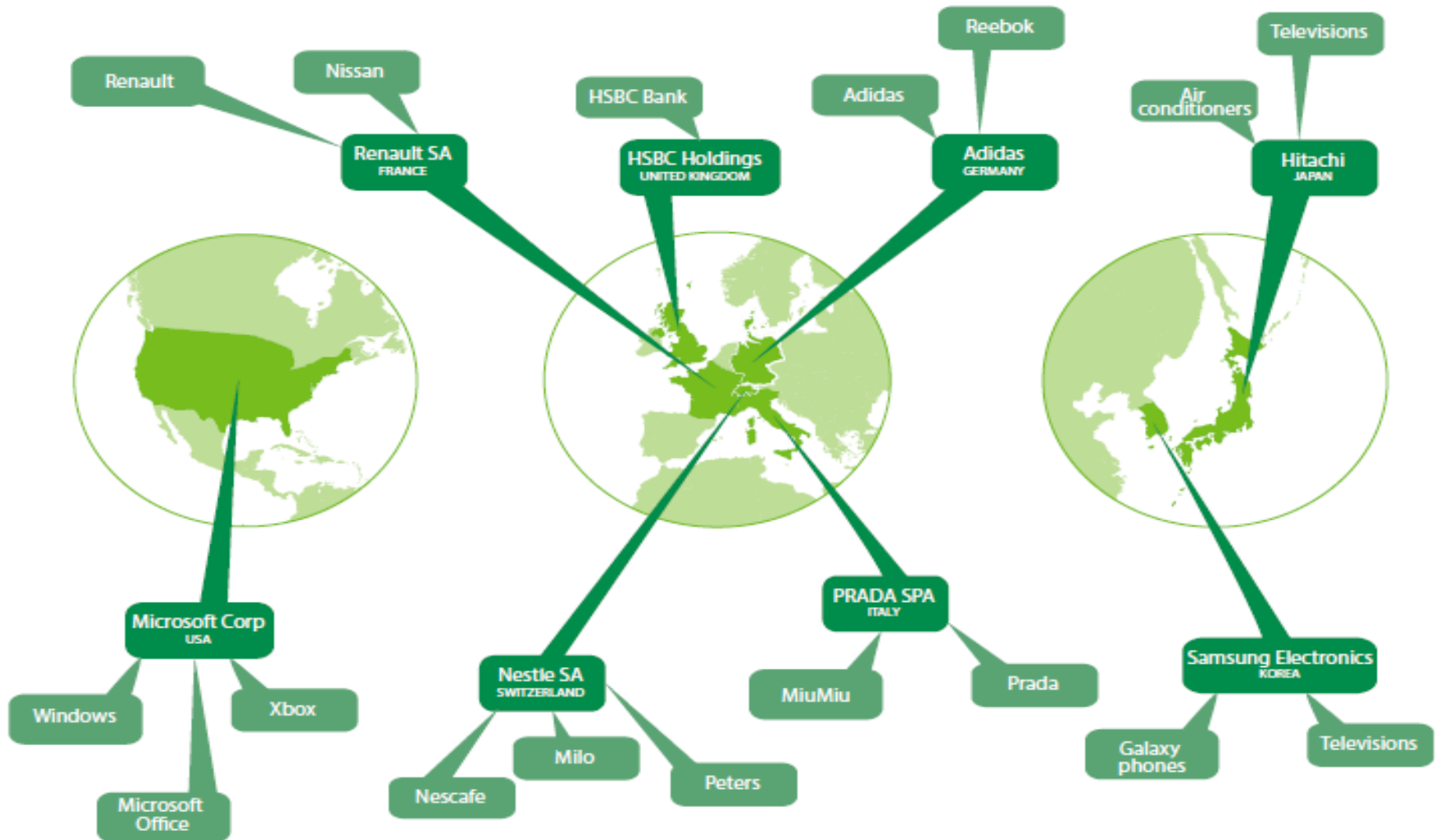
Index Weight



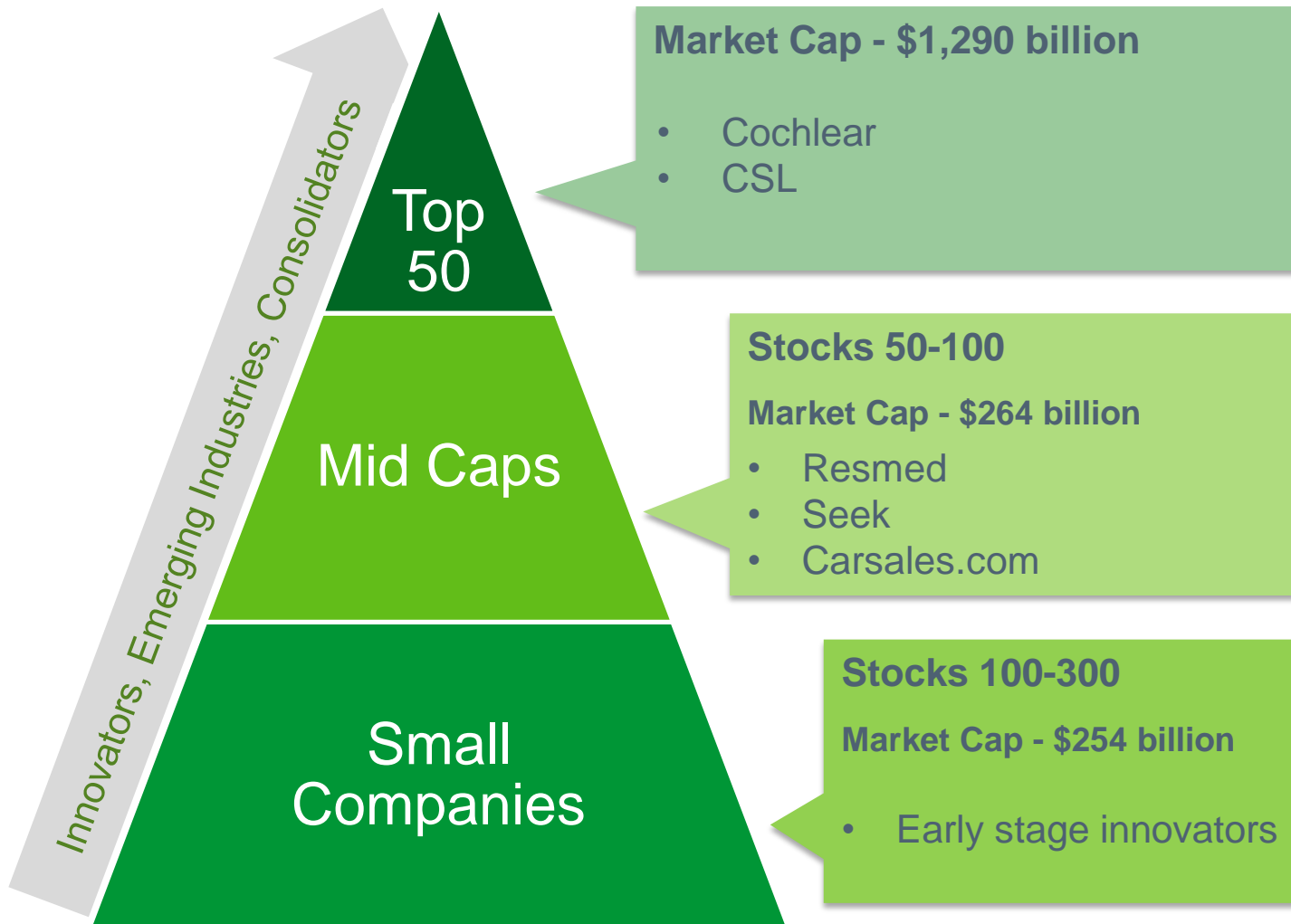
Source: Bloomberg as at March 2018

More familiar than you thought

Many well-known brands are actually listed on overseas share markets, so they are really not that foreign to you after all!



Australian market capitalisation

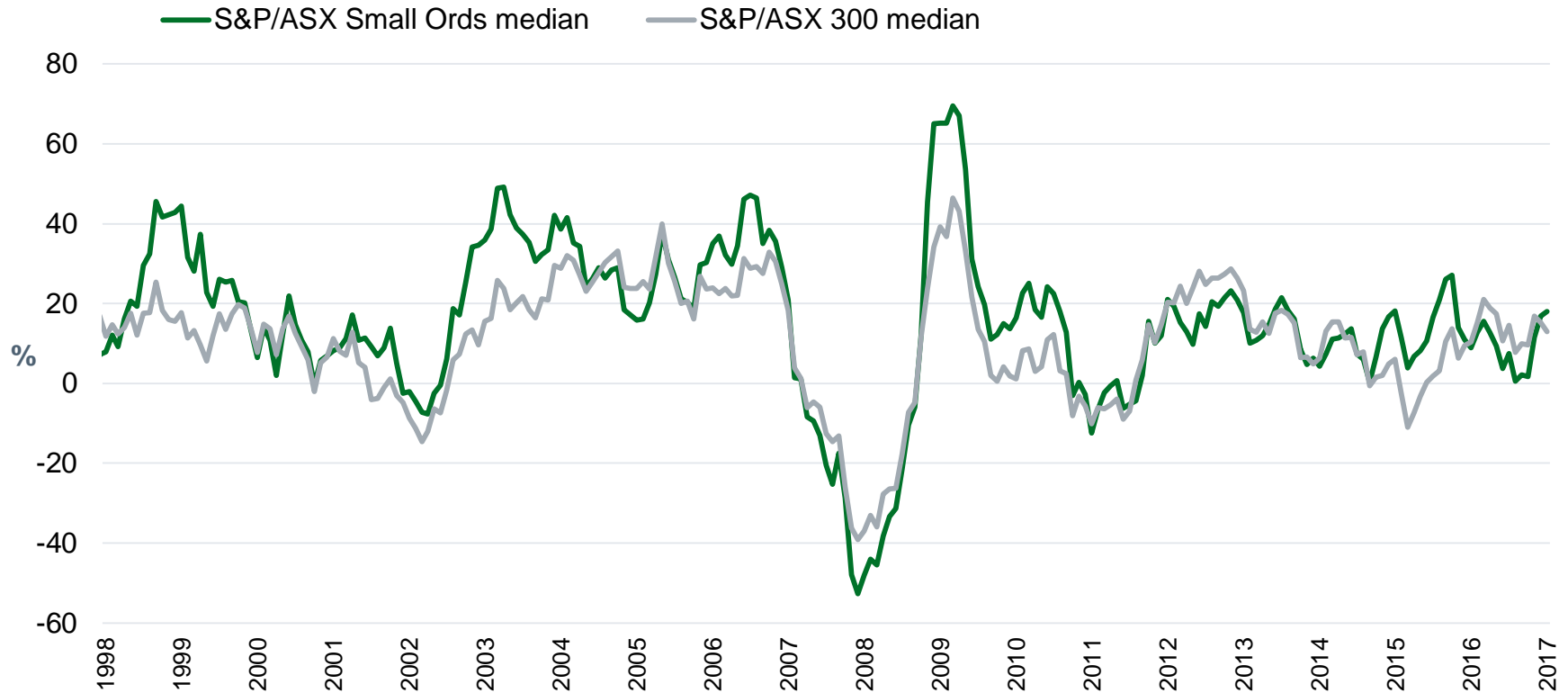


Market capitalisation is the total dollar market value of all of a company's outstanding shares. We tend to use this figure to determine a company's size, as opposed to sales or total asset figures.

Smaller companies



Rolling 1 year returns



Smaller companies by their nature tend to outperform during periods when the market is rising and underperform when the market is falling. Investors have the potential to be rewarded for riding out periods of volatility.

Understanding dollar cost averaging



	Amount invested	Unit price	Number of units
January	\$1,000	\$22	45.45
February	\$1,000	\$24	41.67
March	\$1,000	\$27	37.04
April	\$1,000	\$32	31.25
May	\$1,000	\$31	32.26
June	\$1,000	\$36	27.78
July	\$1,000	\$35	28.57
August	\$1,000	\$34	29.41
September	\$1,000	\$32	31.25
October	\$1,000	\$27	37.04
November	\$1,000	\$26	38.46
December	\$1,000	\$27	37.04
		Average \$29.42	Total units 417

If you had invested \$6,000 each in of June and July, he would have only been able to buy 338 units, against 417 by investing steadily over the whole year.

Multi-Manager solutions work in partnership with your adviser



IOOF Multi-Manager Investments

Multiple sources of value-add



1
2
3

.....

Manage diversified portfolios of high quality managers

.....

Manage asset allocation

.....

Manage risk

Pick the right speed... and accelerate with confidence



25 years of multi-manager experience

- IOOF has its origins in one of the first multi-managers in Australia.
- Depth of experience in process.

The right scale not too big; not too small

- \$17.6 billion in FUM.
- Big enough to access the very best managers.
- Small enough to derive meaningful value from boutiques.



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March 2017