



# IFM Active Australian Equities



Industry Funds Management (IFM) specialises in the management of investment products across listed equity, debt, infrastructure and private equity, with clients and teams located in three of the four largest pension markets in the world. It is differentiated via a compelling ownership structure and philosophical alignment, genuinely focused on the investor.

In active Australian equities, IFM focuses on building a concentrated, long-term "buy and hold" portfolio of high-quality businesses that we expect to hold through all phases of an economic cycle.

## The Strategic Australian Equities process

IFM's investment philosophy is based on:

- ◇ Rigorous and consistent due diligence/valuation
- ◇ Patient and strategic approach to investment
- ◇ Long-term investment (five years plus)
- ◇ Optimisation of tax position for investors
- ◇ Consideration of environmental, social and corporate governance
- ◇ Fee minimisation and alignment of incentives.

To construct portfolios, we use a combination of quantitative screens and qualitative research to

identify companies that:

- ◇ Have a superior product or service
- ◇ Are achieving excellent and persistent incremental returns
- ◇ Are investing adequately in their businesses
- ◇ Are managing their business in a sustainable way
- ◇ Are not over-g geared or financially engineered.

Our research shows us that these are the businesses that outperform over the long-term and ultimately, this is positively reflected in portfolio returns.

As we invest with a long-term view, turnover in our portfolios is very low compared to the majority of active managers. As a result, our portfolios have a very low level of taxable realised capital gains and no imputation credit destruction, making their after-tax returns very attractive on a relative basis.

## Track record

On 30 June 2010 the Strategic Australian Equities Process completed its initial five-year track record. With an excess return of 5.4% p.a., it would have ranked fifth in the Mercer Survey. The table below shows the performance of the top decile of Australian share managers over the five-year period.

Manager/Fund	Return p.a.	S&P/ASX 200 p.a.	Excess Return p.a.	Rank out of 68 Funds
SGH 20	12.2%	4.5%	7.7%	1
Alleron Growth	11.2%	4.5%	6.7%	2
ING Concentrated	10.8%	4.5%	6.3%	3
Independent Asset Management	10.6%	4.5%	6.1%	4
<b>IFM Strategic Australian Equities Process</b> (if included in survey)	<b>9.9%</b>	<b>4.5%</b>	<b>5.4%</b>	
Platypus Australian Equities	9.8%	4.5%	5.3%	5
Hyperion Australian Growth	9.8%	4.5%	5.3%	6
CFS Core	8.4%	4.5%	3.9%	7

Source: Mercer Surveys June 2010 and IFM. Top seven Australian (long only) Share Managers over five years to 30 June 2010. All rates of return are before tax and before management fees. Note, performance prior to, and including 01/07/08, refers to a Core Australian Equities portfolio that the IFM Executive Director, Listed Equities, Clyde Haldane, managed in another organisation. Performance after 01/07/08 is the IFM Strategic Australian Equities Fund.

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## Key features

- ◇ Open end wholesale fund
- ◇ Aims to outperform the S&P/ASX 200 Accumulation Index by 2.5% p.a. over rolling five-year periods
- ◇ Actively managed portfolio of 15 to 25 companies in a range of industry sectors
- ◇ May invest in financial derivatives to cover cash flows
- ◇ Minimum investor commitment \$500,000.

## Benefits of investing with IFM

- ◇ Experienced, established investment team with a strong track record in Australian equities
- ◇ Accessible, transparent and trustworthy
- ◇ Closely aligned to needs of superannuation and 'not for profit' investors
- ◇ A differentiated approach that combines well with other Australian equity managers
- ◇ Low turnover
- ◇ Very competitive fees.

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