



IOOF MULTIMIX

Diversified Fixed Interest Trust fund profile December 2011

Investment objective

To provide a low to medium risk, income producing investment over the medium term by investing in a diversified portfolio of fixed interest investments, and to achieve a total return after fees in excess of the Trust's benchmark over a rolling 3 year period.

Performance as at 31 December 2011^{1,2,3}

	3 mths %	6 mths %	1 year %	2 years % pa	3 years % pa
Distribution	0.87	1.94	8.42	10.93	11.40
Growth	1.07	1.91	-0.09	-2.24	-2.18
TOTAL	1.94	3.85	8.32	8.69	9.22
Benchmark ⁴	2.00	6.54	10.95	9.29	7.79
Added value	-0.06	-2.69	-2.63	-0.60	1.43

Trust highlights

- The Trust underperformed its benchmark over the December quarter, returning 1.94% versus the benchmark of 2.00%.
- Bond markets rallied over the quarter on the back of the sovereign debt crisis in Europe.
- The overweight position to cash contributed to the bulk of underperformance.
- All managers except Perennial in Australian bonds outperformed their benchmarks, with PIMCO and Loomis Sayles performing particularly strongly.
- The Trust maintains an overweight position to cash and short term securities, consistent with our view that Australian and US Government bond yields are very expensive.

Trust features

Features	Information
Investment time horizon	2 – 3 years
Risk/return profile	Low/Medium
Benchmark	Composite benchmark ⁵
Income distribution frequency	Quarterly (as at 31 March, 30 June, 30 September and 31 December)
Investment minimums ⁶	Initial investment: \$25,000 Additional investment: \$5,000 Switch/withdrawal: \$5,000
Management cost (% pa) ⁷	0.49
Trust size as at 31 December 2011	\$88.47m

Investment strategy

The Trust generally gains its investment exposure by investing in a well-diversified portfolio of Australian and international fixed interest managers. The underlying fixed interest investments include a range of international and domestic government bonds, corporate debt and asset backed securities⁸.

The Trust can also invest in cash, although the cash exposure cannot exceed 25% for any length of time.

The Trust is authorised to utilise approved derivative instruments subject to the specific restriction that derivative instruments cannot be used to gear the portfolio exposure.

The underlying investment managers may utilise strategies for managing currency exposure. The Trust's overall international fixed interest exposure is generally hedged. The Trust has the capacity to apply a currency overlay to manage the Trust's currency risk.

Investor profile

The Trust may be suitable for investors:

- with an investment horizon of 2 to 3 years
- with a low to medium level of risk tolerance
- who are predominantly seeking income generated returns through a well-diversified fixed interest portfolio.



Investment manager allocation as at 31 December 2011⁹

Asset class	Investment managers	Actual asset allocation (%)
Australian Fixed Interest	PIMCO Australia Pty Limited	11.34
	Perennial Investment Partners Limited	28.16
International Fixed Interest	Loomis Sayles and Company, LP	11.68
	PIMCO Australia Pty Limited)	26.51
Cash and short term securities	IOOF Investment Management Limited	12.91
	Perennial Investment Partners Limited	9.40

The asset allocations provided in the above table may not total 100% due to the effects of rounding.

Trust commentary

Market conditions

Australian bonds returned 1.94% over the quarter as measured by the UBS Australian Composite Bond Index. International bonds returned 2.04% in AUD hedged terms during the quarter. After an initial sell off in October, longer-dated government bond yields resumed their decline when a firm resolution to Europe's sovereign debt crisis failed to materialise and as it became clear that Italy – the euro-zone's third-largest economy – had fallen victim to the crisis.

Expectations of softer global growth in 2012 and the Reserve Bank of Australia's (RBA) decision to cut interest rates twice during the period also contributed to the gains. The RBA lowered the official cash rate by 0.50% to 4.25%, citing further deterioration in European debt markets and increasing downside risks to growth in Asia among the key reasons behind the moves.

Domestic economic data was mixed over the period. The unemployment rate remained at 5.3%, house prices continued to weaken in November and consumer confidence fell sharply in December. By contrast, the Australian economy expanded by 1.0% in the three months to 30 September, retail trade remained relatively positive and business conditions improved in November. Australian three-year and 10-year government bond yields both closed the period sharply lower. Bank bill yields also trended lower over the quarter amid expectations that the RBA will continue to lower interest rates throughout 2012.

Portfolio positioning

In the domestic market, PIMCO outperformed as a result of an overweight to duration as rates fell sharply over the quarter. An emphasis to Australian RMBS also contributed modestly on increased demand for high quality and high yielding assets. Perennial Investment Partners underperformed due to a short duration position. Sector allocation detracted some value as an overweight allocation to spread sectors underperformed risk free government bonds, mainly due to a widening of the bond swap spread. An overweight allocation to cash and short term securities via IOOF Investment Management Limited and Perennial detracted value as bond yields continued to fall.

In international bonds, Loomis Sayles outperformed its benchmark primarily due to security selection in the US Industrial and Financial sector. The portfolio's overweight position to Australia and underweight to Europe and Japan also added value. PIMCO outperformed its benchmark as a result of exposure to core Europe and US duration, where rates rallied as investors shed risk in a flight to safety. An underweight to the Euro as the currency depreciated in line with Europe's deteriorating sovereign debt crisis also added value.

The Trust maintains an overweight position to cash and short term securities, consistent with our view that Australian and US Government bond yields are very expensive.



Notes to the fund profile

- 1 Performance is net of management costs and expenses as disclosed in the RPDS. Performance is based on exit price to exit price for the period and assumes that all distributions are reinvested. Management costs and other expenses are accounted for in the exit price.
- 2 Past performance is not a reliable indicator of future performance.
- 3 All performance figures have been rounded to two decimal points.
- 4 Australian: UBSA Composite Bond Index (0+ years), International: Barclays Capital Global Aggregate Bond Index \$A – hedged.
- 5 The composite benchmark incorporates the applicable indices (or benchmark) for each asset class weighted against the Trust's target (or neutral) allocation.
- 6 Investment and withdrawal minimums do not apply for investments in the Trust via a master trust or investor directed portfolio service (IDPS). Please refer to the current IOOF MultiMix Trusts Replacement Product Disclosure Statement (RPDS), IDPS offer document or master trust PDS for more information.
- 7 The management cost listed above is effective 30 September 2011 (the issue date of the RPDS). This fee currently includes the investment management fee and expense recoveries (excluding any unusual or non-recurrent expenses). Fees paid to underlying investment managers (excluding performance fees) are currently paid out of the investment management fees and are not an additional charge to investors. Performance fees may be charged by underlying investment managers from time to time. The management cost excludes estimated performance fees that may be charged, any performance fees incurred will be an additional cost. Please refer to the RPDS for full details on fees and costs.
- 8 For reasons of investment efficiency, the Trust may gain its exposure by holding units in other IOOF group unit trusts and/or through direct investment holdings.
- 9 The asset allocations and investment manager allocations reflect the combined indirect exposure of the Trust's holdings via other IOOF group unit trusts and/or direct investments. Actual asset allocations may move outside the target asset allocations and ranges (as specified in the RPDS) from time to time.

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