



IOOF MULTIMIX

Our investment philosophy

When you're choosing an investment manager, you should know how they approach the task of managing your money. In this flyer, we document IOOF's investment philosophy because it's important that you're comfortable with how we go about generating positive investment returns.

We seek to maximise returns for a given level of risk

Our first and most obvious goal is provide you with the highest possible return within well-defined risk constraints. This means that we carefully balance risk and return within each of our funds to suit the type of investor that the fund is designed for.

We have five diversified funds which are intended for investors with five different levels of risk appetite and we always ensure that they're 'true to label'. That means – if you invest in a defensive fund, it will have a defensive risk profile.

We're always looking for potential upside but are constantly monitoring and managing downside risks.

We search for multiple sources of beta

Many managers focus heavily on alpha since it's the value that they feel they provide to investors. While this is true, we focus on getting our beta decisions right first. Often beta makes up the overwhelming majority of the return you'll receive so it's essential that we tap into every available source. Decisions such as which emerging markets to invest in and whether to include small-caps or micro-caps in a portfolio are key to returns. If we're not invested in the right markets and sectors, no amount of stock-picking expertise will save the portfolio.

We select 'best of breed' investment managers

We're a manager of managers. We don't believe that any single manager can be the best at managing money in every asset class, every sector, every strategy and in every market condition. So instead, we spend our time working out which managers are the best for each element of our portfolios. That's a lot more difficult than you would imagine. There are literally hundreds of managers and biggest isn't always best. Often, the smaller, boutique, up-and-coming managers offer the greatest potential. Seeking out these boutique managers can be challenging.

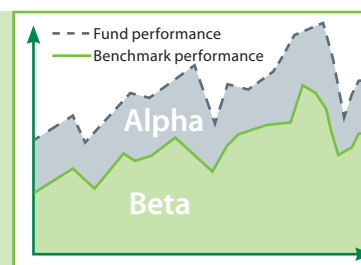
We have an experienced team of portfolio managers who spend their time researching new managers and evaluating the managers we already have. We also tap into the resources of some of the most respected analysts in the industry through Russell Investments and Mercer Consulting.

We search for multiple sources of value add

Remember alpha? We believe it doesn't just come from picking the right stocks. First and foremost, we seek to get our asset allocation right. Our Chief Investment Officer believes that 80 per cent of returns come from asset allocation decisions.

What is alpha and beta?

You'll often hear talk of alpha and beta. Put simply, alpha is the return that the manager can claim to have generated above the market or benchmark, while beta is the return that has been generated by the market. To use a simple example, if you're in an Australian shares fund that returns 15 per cent and the ASX200 went up 10 per cent during that period – then alpha was 5 per cent and beta was 10 per cent.





Secondly, currency can be a massive factor.

By actively managing our currency exposure via a currency overlay manager, we aim to minimise currency risk which can have a big impact on portfolio returns when currency is volatile.

Of course stock selection is still important which is why we spend so much time choosing the right managers. They're the ones that will make stock selection decisions every day.

We maintain a high level of transparency and liquidity

Transparency is important. You should always know where your money is invested and we make that easy. At any point, you can easily find out how much exposure you have to any particular asset class, sector or manager.

Liquidity is even more important. Liquidity is the ability to get your money back at any time. Our combination of impressive size and strong inflows means that our liquidity is excellent.

While we're very conscious of liquidity, the 'right' illiquid assets can generate returns that are uncorrelated to equity markets and which earn an illiquidity premium.

For example, we have a direct property portfolio which, although illiquid, has consistently earned excellent returns (in the low teens) at a low level of risk.

We work hard to minimise investment costs

Gross returns are meaningless if they're eaten away by investment costs. Our portfolio managers know that it's net returns that count.

- Our size enables us to negotiate significant discounts with our chosen underlying managers.
- We run a mandate structure (we retain ownership of assets managed by underlying managers). This minimises the assets that must be bought and sold when changing managers (buying and selling assets is expensive).
- And we employ expert transition managers to manage the buying and selling that must be done because they can do it more cost effectively and efficiently.

All of this reduces your cost of investing and ensures that more of the return generated by the assets you own ends up in your account.

For more information on our MultiMix Trusts, please speak to your financial adviser, visit www.ioof.com.au or call our **client services team** on **1800 002 217**.

Contact details

Telephone: 1800 002 217

Email: info@ioof.com.au

Website: www.ioof.com.au

Important Note: This document is issued by IOOF Investment Management Limited (IIML) ABN 53 006 695 021, AFS Licence No. 230524, as Responsible Entity for the IOOF MultiMix Trusts. IIML is a company within the IOOF group which consists of IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate. This document is not intended to represent investment or professional advice. The information does not take into account your individual objectives, financial circumstances or needs. You should assess whether the information is appropriate for you, having regard to your objectives, financial circumstances or needs. You should consider the PDS in deciding whether to acquire or to continue to hold the investment and consider talking to a licenced or appropriately authorised financial adviser before making an investment decision. The information in this document is effective 30 September 2011.