Creating financial independence since 1846

Welcome to your investment funds report for 2014

For one of the first years in living memory, financial services appear to have escaped the Federal Budget without any major changes. Whilst it was primarily an expenditure cutting Budget, there was certainly some good noteworthy news for those investors looking to make sure their investments are also tax effective. IOOF WealthBuilder has become even more attractive with the introduction of the temporary budget repair levy for a high income earner.

Without a doubt, one of the biggest misconceptions about investment bonds is that they either only have a ten year life or need to be invested for at least ten years. This is obviously very misleading as one of the best features about IOOF WealthBuilder is that it is accessible at any stage, and now with the budget tax changes even more tax effective than ever before.

At IOOF, we are very proud of our heritage of helping clients achieve financial independence and the delivery and on-going improvements to products together with valued customer service is testament to that. Should you require any information or if we can do anything to assist you, please do not hesitate to contact our client services team on 1800 002 217. We look forward to assisting you in reaching your financial goals.

Renato Mota
General Manager – Distribution

IOOF WealthBuilder featured in "The Investment Series"

This year, WealthBuilder has hit the small screen. In collaboration with Portfolio Construction Forum and major participating industry bodies, Evolution Media have introduced a new TV show called – The Investment Series.

IOOF was excited to be a part of this great initiative and featured in The Investment Series in early August showcasing the IOOF WealthBuilder investment bond.

The format of the show featured "The Guardians" who are from leading research houses and platforms together with John Brogden as the mentor and Graham Rich as the commentator. To watch the series, go to www.theinvestmentseries.com.au/tv-show/

Sue Herrald
Investment Specialist –
IOOF WealthBuilder

Vest to age 25 when kids have a bit more maturity

There's a big gap between an 18 year old and a 25 year old. Cast your mind back and at 18, you may be in your final year of school, still dependent on mum and dad and not really concerned with "adult issues". Yet by age 25, you were probably working full time, trying to pay the rent (or mortgage) and may even have set some life goals. So why do most investments for kids vest at age 18?

An investment bond is an attractive vehicle for investors who wish to gift or hold funds for children. WealthBuilder stands out from many of our competitors however, as we give you the opportunity to nominate a vesting age up to age 25. You can nominate earlier if you wish or you can have peace of mind that the funds will be invested appropriately – and not spent on a schoolies trip!

Don't wait... Nominate

Have you nominated a beneficiary for your IOOF WealthBuilder account? Does your nomination need changing or updating?

Recent changes now mean that if a beneficiary passes away before the life insured, the percentage allocated to the deceased beneficiary will be proportionately weighted and allocated to any remaining beneficiaries based on their existing allocation.

Making a nomination and keeping it up-to-date allows the proceeds of your account to pass straight to your beneficiaries rather than your estate upon death of the life insured. This eliminates the delays and costs associated with obtaining probate.

To check your beneficiary nomination, speak to your financial adviser or contact our client services team on 1800 002 217.

IOOF "steps up"

IOOF was proud to be the Principal Sponsor of the inaugural Step-a-thon for Kids 2013 and once again we have taken the lead this year. This event brings the Murdoch Children's Research Institute one step closer to discovering preventions and treatments to improve the health and well-being of all Australian children.

The Step-a-thon is a national event for primary school children to encourage them to get active whilst supporting child health research. We believe this partnership is a perfect complement to our core business which is to deliver financial wellbeing to our clients and we have a long history of doing just that for over 150 years.

The event was held from 1-7 September 2014. To make a donation or find out more, visit www.stepathon.org.au

Market commentary – A fine vintage for investors: A financial year recap

The year that was: growth assets

Investors can thank supportive central bank policy settings for another year of sparkling returns from growth assets like shares or listed real estate securities. As the global economy is still healing from the Global Financial Crisis, many economies have higher than normal levels of unemployment and this is giving central banks the room to run very supportive policies with minimal risk of generating excessive inflation.

These policies include conventional measures, like very low cash rates, but also unconventional measures, like quantitative easing programmes, where central banks are buying a range of assets in order to push interest rates lower and improve liquidity conditions. Part of the transmission mechanism of these programmes is higher asset prices and these were certainly evident over the past financial year.

Nevertheless, there were a few risk off periods over the year but they did little lasting damage. The first came in October when the US government was shut down for a period before US politicians came up with a temporary deal to fund the US government and extend the debt ceiling. Lessons appear to have been learnt and by the end of the year US politicians struck a deal that would fund the US government for the 2014 and 2015 financial years.

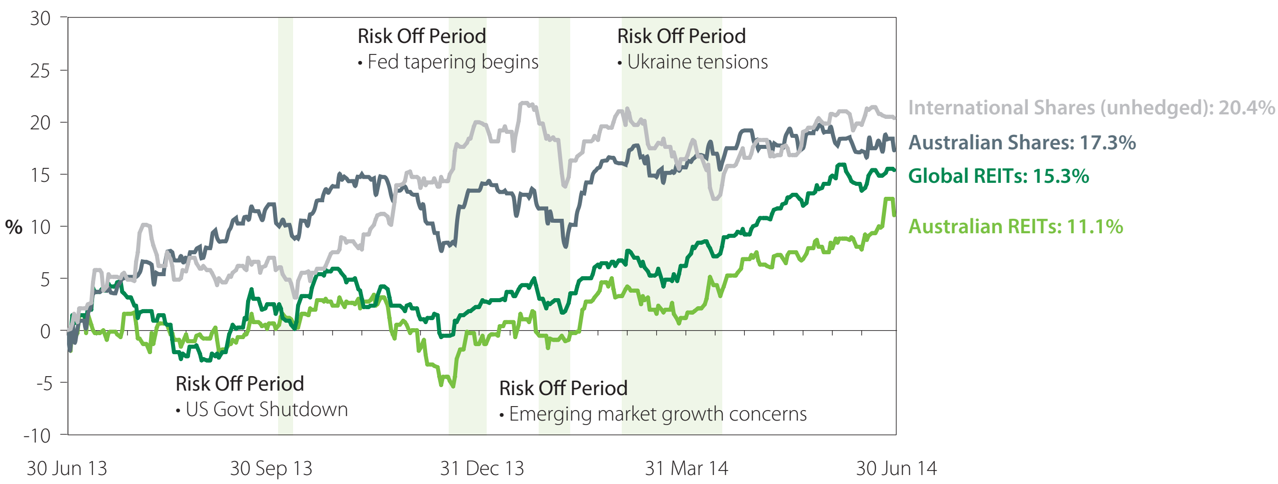
With the global economy gathering momentum over the second half of 2013 and following ongoing improvement in the US economy, the US Federal Reserve (Fed) began to wind back or taper its quantitative easing programme in December. This triggered a brief risk off period which re-emerged again in January as markets became concerned that Fed tapering would have negative spill over effects for emerging and developing markets. Bad winter storms in the US also disrupted the global supply chain early in 2014 and there was a definite slowing in global growth momentum which sapped confidence.

The next rocky patch for growth assets came over March. Geo-political tensions lifted sharply following the Ukraine's loss of control over Crimea, which became an independent republic and joined the Russian Federation. Geo-political tensions flared up again in June following escalating territorial disputes in Iraq.

For investors in growth assets, these flaring geo-political risks have not had a meaningful impact on the economic outlook with the global economy appearing to rebound from earlier adverse weather effects.

So in order from highest to lowest, top honours went to overseas shares in Australian dollar terms which gained 20.4 per cent over the financial year. Next best was Australian shares at 17.3 per cent followed by global REITs at 15.3 per cent. Australian REITS were at the back of the pack with a handy 11.1 per cent.

The year that was: growth assets



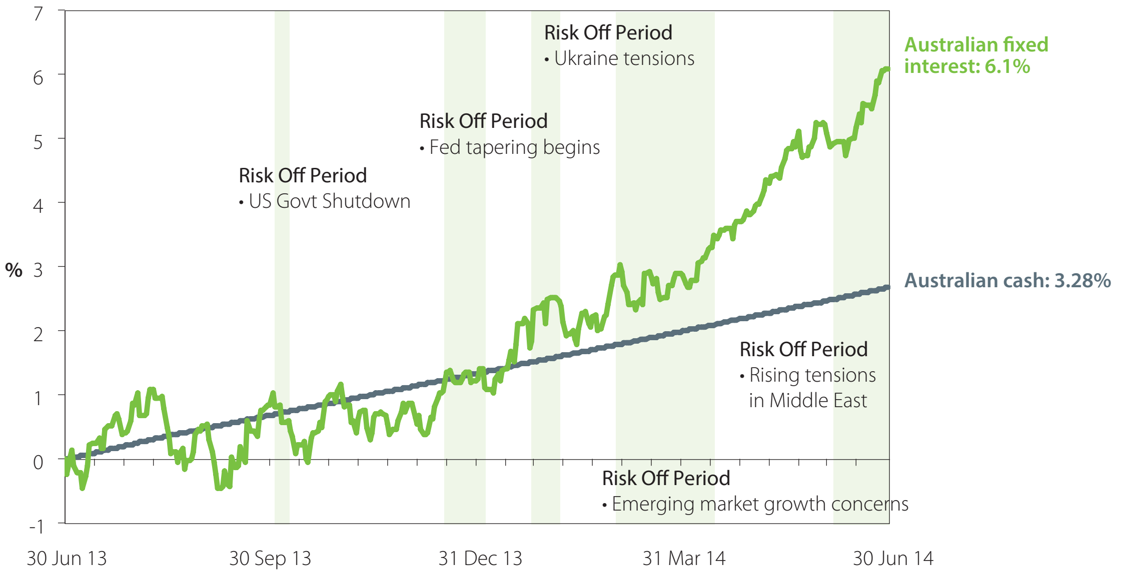
The year that was: defensive assets

Investors in defensive assets like cash and fixed interest also did relatively well over the year given the low level of interest rates across the globe.

For the cash sector, the primary driver of returns is the official cash rate. This began the financial year at 2.75 per cent and was lowered to 2.5 per cent by the RBA in August 2013. It stayed at that level over the remainder of the financial year. For the financial year as a whole, the cash sector returned 2.7 per cent. While it appears as though we have reached the low point in the current monetary easing cycle, the growth and inflation outlook suggest that the RBA will continue to hold the cash rate at the current level of 2.5 per cent for some time. This means investors should expect another year of modest returns from the cash sector.

Investors in the Australian fixed interest sector had a much better year with the sector returning 6.1 per cent over the year. Investors faced headwinds over the second half of 2013 as fixed interest markets across the globe adjusted to the prospect of an eventual rise in the US cash rate. However, these expectations were pared back over the first half of 2014. Periods of rising geo-political uncertainty and the prospect of a quantitative easing programme from the European Central Bank helped push yields lower and delivered investors modest capital gains.

The year that was: defensive assets



Looking ahead

Looking to the year ahead, investors can expect central banks across the globe to continue running very accommodative policy settings. These policy settings, along with an increasing focus on G-20 countries to lift growth outcomes and fine tuning steps in China, should all help underpin global growth.

Sector indexes

- Cash – UBS Bank Bill Index
- Australian fixed interest – UBS Composite Bond Index (All Maturities)
- Australian listed property – S&P/ASX 200 Property Accumulation Index
- International listed property – FTSE EPRA/NAREIT Global Real Estate Total Return Index (Hedged to $A)
- Australian shares – S&P/ASX 300 Accumulation Index
- International shares – MSCI World (ex Australia) Accumulation Index – unhedged

Market commentary provided by Frank Uhlenbruch, Investment Strategist at Perennial Investment Partners Limited[1].

1 Perennial Investment Partners Limited, ABN 59 087 901 620, AFS License No. 238763, an entity within the IOOF group.

Performance summary (as at 30 June 2014)

Investment bonds		Inception date	Fund size	6 months	1 year	3 years	5 years	10 years	Since inception
			$m	%	%	% pa	% pa	% pa	% pa
APIR code	**Investment fund**								
IOF0230AU	IOOF WealthBuilder Cash Fund	28 February 2013	12.67	0.75	1.35	-	-	-	1.35
IOF0009AU	IOOF WealthBuilder Capital Stable Fund	September 1994	82.94	2.32	6.21	5.00	5.54	4.28	4.53
IOF0008AU	IOOF WealthBuilder Fixed Interest Fund	September 1994	26.34	1.95	2.87	3.43	4.19	3.43	3.59
IOF0010AU	IOOF WealthBuilder Balanced Fund	September 1994	131.15	2.32	10.74	6.81	7.67	4.69	4.84
IOF0017AU	IOOF WealthBuilder Australian Shares Fund	September 1994	186.91	3.11	14.48	6.45	8.47	7.12	7.55
IOF0134AU	IOOF WealthBuilder High Growth Fund	20 October 2008	7.95	2.73	12.40	7.85	7.86	-	6.47
IOF0133AU	IOOF WealthBuilder Australian Shares Fund – MultiMix	20 October 2008	5.17	1.68	12.91	6.31	6.78	-	6.09
IOF0135AU	IOOF WealthBuilder International Shares Fund – MultiMix	20 October 2008	2.92	0.42	12.90	8.96	6.72	-	3.25
IOF0132AU	IOOF WealthBuilder Smaller Companies Fund – Perennial	20 October 2008	3.62	2.63	15.47	2.80	10.95	-	11.41
IOF0129AU	IOOF WealthBuilder High Conviction Shares Fund – Perennial	20 October 2008	1.86	6.79	20.80	6.24	7.16	-	6.28
IOF0130AU	IOOF WealthBuilder Global Property Securities Fund – Perennial	20 October 2008	1.40	5.13	6.16	6.64	11.69	-	7.81
IOF0131AU	IOOF WealthBuilder Global Shares High Alpha Fund – Perennial	20 October 2008	1.67	0.82	14.38	8.75	8.21	-	5.44

Deferred annuities		Inception date	Fund size	6 months	1 year	3 years	5 years	10 years	Since inception
			$m	%	%	% pa	% pa	% pa	% pa
APIR code	Investment fund								
IOF0025AU	IOOF Deferred Annuity – Cash Management Fund	August 1995	0.28	1.31	2.68	3.37	4.17	4.03	3.90
IOF0713AU	IOOF Deferred Annuity – Capital Stable Fund	July 1993	1.58	3.19	6.77	5.71	6.36	5.48	5.66
IOF0714AU	IOOF Deferred Annuity – Managed Fund	June 1989	9.41	4.13	10.95	7.23	7.88	6.18	7.43

Capital guaranteed funds		Inception date	Fund size	Bonus rates %	Bonus rates %	Bonus rates %	Bonus rates %	Bonus rates %
			$m	2013/14	2012/13	2011/12	2010/11	2009/10
APIR code	Investment fund							
IOF0311AU	IOOF WealthBuilder Capital Guaranteed Fund	April 1981	283.92	1.80	2.60	2.35	3.50	3.50
IOF0042AU	IOOF Capital Builder Bond	May 1996	4.04	3.00	4.80	3.50	6.00	6.00
IOF0321AU	IOOF Estate Essentials Bond	January 1990	66.99	3.00	4.75	3.50	6.00	6.00
IOF0712AU	IOOF Deferred Annuity – Capital Guaranteed Fund	June 1989	4.12	2.50	4.15	3.00	5.00	5.00

Important information about the performance data

- Past performance is not a reliable indicator of future performance.
- For the funds listed in the above tables (excluding the Capital Guaranteed Funds), performance is net of fund manager fees and charges. Performance is based on exit-to-exit price for the period and assumes that all distributions (if applicable) are reinvested. Investment management fees and other fees, expenses and tax (where applicable) are accounted for in the exit prices.
- For the Capital Guaranteed Funds, the annual bonus rates declared for each fund for the applicable financial year are calculated net of applicable investment management fees, tax and other expenses.
- Historical performance data is provided from the date that IOOF Ltd commenced management of the funds' assets, which may differ from the fund inception dates.
- Neither IOOF Ltd, nor any related body corporate within the IOOF group, or any investment management company appointed to manage the investment assets of the funds, guarantees the performance of any fund (except the Capital Guaranteed Funds, where the return of capital is guaranteed).

Contact us

We provide you with a number of options to make it easy for you to contact us regarding your investment.

Please contact our client services team via:

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