



IFM

Alternative Fixed Income Funds



Overview

Industry Funds Management Pty Ltd (IFM) is a unique investment firm with an established record of success in four key sector specialisations - infrastructure, private equity, listed equities and debt investments.

Initially established by four Australian industry superannuation funds to help them access specialised, low cost investment services, over the past fourteen years IFM has grown into one of Australia's most innovative fund managers with experience in managing a diverse portfolio of debt assets, including fixed income and cash.

Now wholly owned by 35 Australian superannuation funds representing the retirement savings of almost 50% of the Australian workforce, IFM has built a record of success by assembling a group of professional staff with strong investment and banking experience. IFM is headquartered in Melbourne and has offices in London and New York.

The IFM Alternative Fixed Income Funds ("AFIF") is a wholesale unit trust that invests in a diversified portfolio of alternative fixed income assets where a margin for credit risk and illiquidity is available. AFIF aims to generate returns predominantly from credit risk, not interest rate risk, unlike many Fixed Interest funds.

Investment Process

The investment process for AFIF features a cooperative approach designed to maximise access to investments and by using the strengths of each of the parties involved.

AFIF's multi-manager investment structure accesses the different specialist skills of a panel of investment managers in evaluating alternative debt securities. The multi-manager structure allows AFIF to benefit from each investment manager's

specialisation in sourcing different types of debt from different market segments. This structure also facilitates the construction of a portfolio that is well diversified in terms of issuer, industry sectors, type of debt instrument, priority of claim and credit quality. Current managers include Alliance Bernstein, AMP Capital Investors, Hastings Funds Management, ING Investment Management and IFM.

AFIF aims to achieve an 'average' overall portfolio that is regarded as investment grade quality as measured by its weighted average credit rating. Individual assets will include investment and non-investment grade quality, but all investments must satisfy the minimum credit rating requirements.

The investment universe of the Investing Trust includes, but is not limited to: project finance, property development loans, infrastructure debt, structured financial instruments and finance leases, mortgages, corporate debt, asset and mortgage backed securities, debt-like preference shares and convertible notes, other senior, subordinated and quasi debt investments, hybrid securities, derivatives and liquid investments.

Investment Options

Investors are given a choice of interest rate exposure with which they are comfortable within AFIF, having the choice between AFIF Short (having a duration around 0.12 years) and AFIF Long (having a duration around 3.5 years) or a combination of both. AFIF Short is benchmarked to the UBS Bank Bill Index while AFIF Long is benchmarked to the UBS Australian Composite Bond Index.

Both AFIF Short and AFIF Long invest in the same underlying diversified alternative fixed income portfolio via the Investing Trust and, therefore, have the same credit risk profiles. AFIF aims to achieve a return of 1% per annum above the respective benchmarks.

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Key Features of the Fund

- ◇ Open end wholesale unit trust
- ◇ Diversification across industry sectors, issuers and type of securities or instruments
- ◇ A mix of investment grade and sub-investment grade credit such that the overall portfolio is of investment grade quality averaging a rating of BBB-
- ◇ Management of cash, deal flow and investor applications so that the Fund is fully invested at all times
- ◇ Income distributed half yearly
- ◇ The ability of investors to choose their interest rate exposure/risk within the portfolio through access to AFIF Long and AFIF Short, or a combination thereof
- ◇ The ability to transfer unitholdings between AFIF Long and AFIF Short
- ◇ Minimum initial investor commitment \$5 million

Benefits of Investing with IFM

- ◇ Accessible, transparent and trustworthy
- ◇ Large, diversified, existing portfolio of strong assets
- ◇ Experienced and established investment team
- ◇ Close alignment with investor needs and interests
- ◇ Low fees
- ◇ Competitive returns
- ◇ Products with a segmented approach to interest rate risk

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