



IFM

Strategic Australian Equities Fund



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 investment assets, including listed equities.

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 Strategic Australian Equities Fund is an open-ended wholesale fund designed for institutional investors looking for exposure to a concentrated, cost effective and long term investment (five years plus) portfolio of ASX listed equities. The fund takes an active approach to security selection, focusing on businesses that have a sound track record of achieving excellent returns on incremental investment. Ultimately, IFM expects these businesses to achieve superior share price performance relative to their peers over the longer term.

Investment Philosophy

The investment philosophy of the IFM Strategic Australian Equities Fund is consistent with the underlying philosophies of all asset classes managed by IFM.

IFM's approach recognises that the assets of a business continually diminish over time, whether by depreciation, through obsolescence, use or

otherwise. IFM intends that the fund would potentially hold its investments for the long term; therefore the ability of the business to efficiently and adequately replenish its assets is considered paramount.

The core of IFM's investment process is to quantify the rate and efficiency at which businesses have historically replenished their declining assets. By focussing on measures of a firm's return on cash invested, IFM is able to:

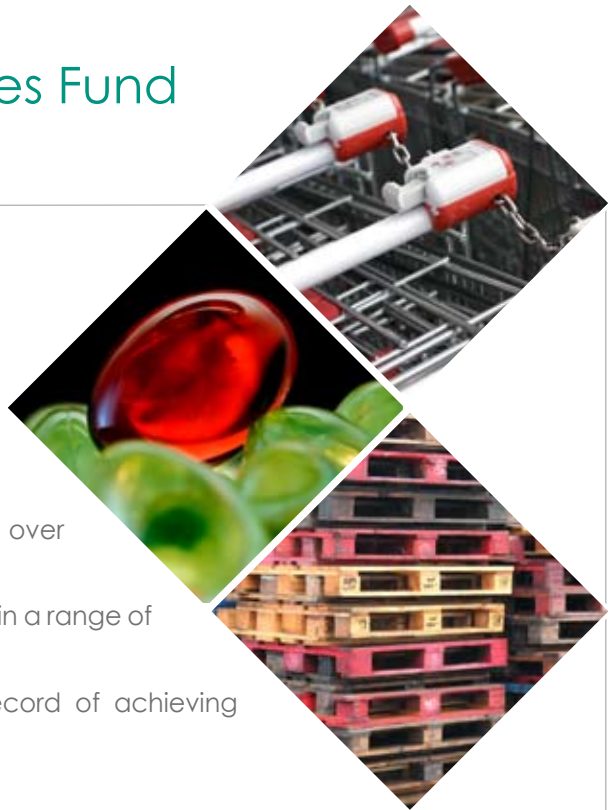
- ◇ quantitatively assess the ability of a company to efficiently recycle its cashflow; and
- ◇ rank and compare potential investments within the fund's universe.

Further analysis of a company's financial structure allows IFM to differentiate between firms whose growth and reinvestment are sourced from borrowings, and those whose growth is financed from free cash flow.

Once IFM has quantitatively screened businesses of interest, they are then assessed on a more traditional qualitative basis. IFM undertakes thorough research to understand the businesses in which the fund invests. IFM looks for entities that it considers have historic evidence that the business is managed with a sensible strategic time horizon and a focus on providing satisfactory long-term returns to investors. IFM assesses the quality and motivation of management and the long-term outlook for each entity's industry sector, including the behaviour of competitors, customers and suppliers.

IFM believes the practices of a business have to be sustainable to provide satisfactory long-term returns. IFM assesses Environmental, Social and Governance (ESG) factors as part of its broader assessment. Generally, the methodology used by IFM for the assessment of ESG factors is to monitor performance against an external ESG benchmark. This is achieved through in-house research in combination with data from a variety of independent sources including specialised service providers in this field.

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Key Features of the Fund

- ◇ Open ended wholesale fund
- ◇ Minimum investor commitment \$500,000
- ◇ Benchmarked to the S&P/ASX 200 Accumulation Index
- ◇ Aims to outperform the benchmark by 2.5% pa over rolling five-year periods (before fees and taxes)
- ◇ An actively managed portfolio of 15-25 companies in a range of industry sectors
- ◇ Focus on businesses that have a sound track record of achieving excellent returns on incremental investment
- ◇ Long-term investment approach
- ◇ Low fees
- ◇ Not a registered managed investment scheme

Benefits of Investing with IFM

- ◇ Patient and strategic approach to investment
- ◇ Long-term ownership of assets (five years plus)
- ◇ Focus on cash returns to investors
- ◇ Optimisation of tax position for superannuation and charity fund investors
- ◇ Fee minimisation and appropriate alignment of incentives
- ◇ Rigorous and consistent due diligence/valuation approach
- ◇ Experienced and established investment team

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Industry Funds Management