



PRESERVATION PORTFOLIO

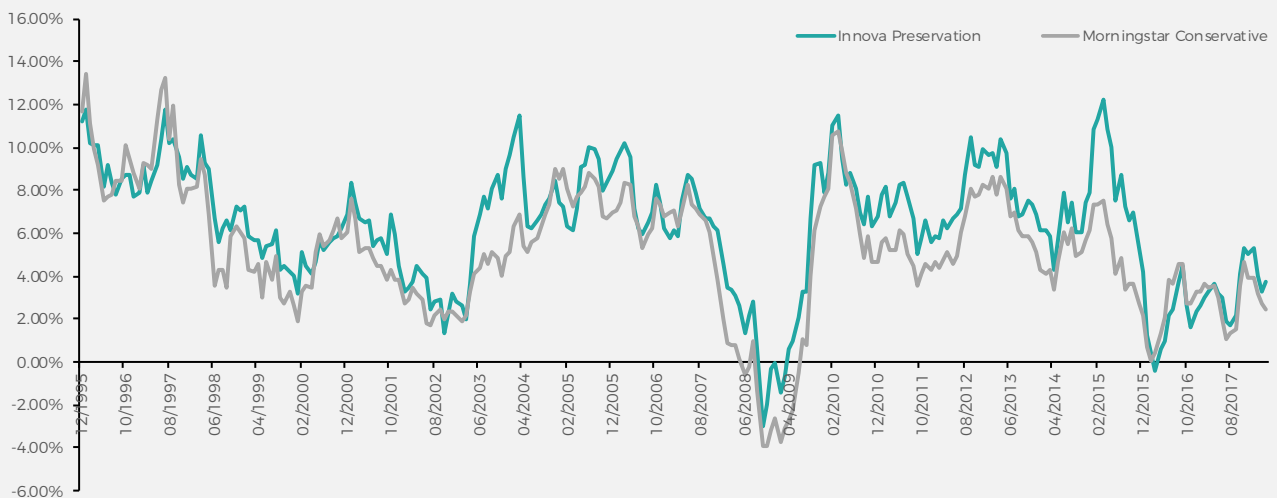
Objective:

To manage risk within tightly controlled benchmarks whilst exceeding the RBA Target cash rate by 1.5% p.a over rolling 5-year periods.

September 2018 Portfolio Review:

The last quarter was an interesting one to navigate for portfolios. Australian Equities were a poor relative performer, but they were overshadowed by the negative performance of the Emerging Markets. Our greater allocation to Global equities was a positive for Asset Allocation, with our Japanese and European equity allocations outperforming Australia's equity market (HJPN being the standout at almost 9% performance). However Asian and broader Emerging markets acted as a drag on performance. Being unhedged in our Global allocations (i.e. having exposure to global currencies, mostly the US Dollar instead of the AUD) also helped performance. Those portfolios with fixed income allocations did well over the quarter, outperforming traditional Fixed Income indices. Our allocations to alternative sources of return hurt performance though - with diversified Beta continuing its run of poor performance, and Dalton Street Capital suffering from a breakdown in the relationship between the US lead market and Asian subordinate market signals (which it relies on). These breakdowns have happened historically before, and always proved transitory, so we are not currently concerned about the recent run of performance

PRESERVATION 1 YEAR ROLLING RETURNS



	1 Month	3 Month	6 Month	1 year	Equity market risk **
Innova Preservation Returns*	-0.08%	0.63%	1.97%	3.61%	50.70%
Morningstar Multi-sector Conservative Returns	-0.20%	0.51%	1.64%	3.29%	61.08%

*Live performance commencement date - 01.09.2017

**This shows the average equity market risk that was taken to achieve the overall portfolio return. Innova strive to build robust portfolios that are driven by more than just equity market risk and therefore seek to diversify risk across numerous asset classes.

Purpose:

The Innova Preservation portfolio is designed to meet those goals that aren't up for negotiation, such as a sustainable retirement income or funds needed to send children to school. As this portfolio is designed for your highest priority goals that often are the shortest in timeframe, this portfolio naturally has a lower degree of risk.

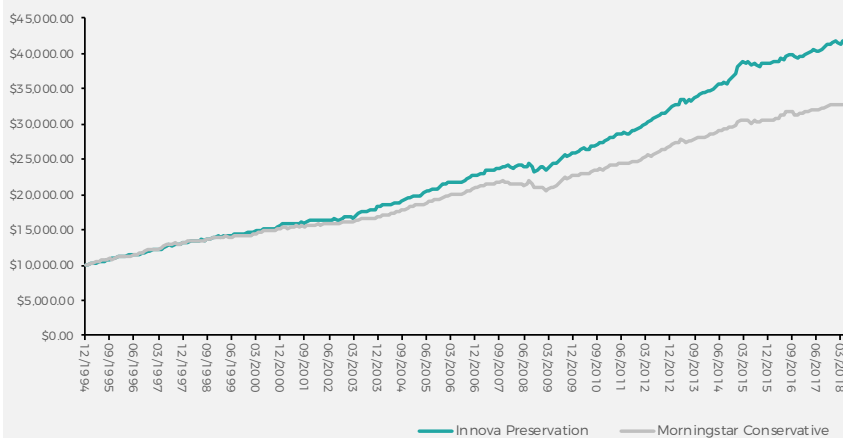


September 2018 Market Outlook:

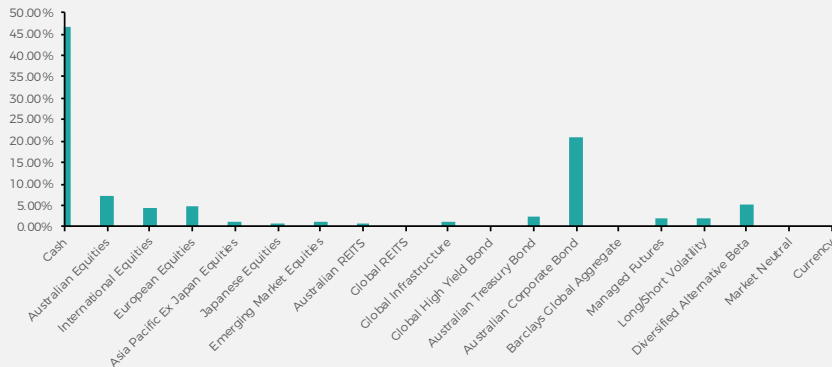
October has begun with a sell-off in Global Sovereign bonds sparking a rout across most asset classes, including equities, corporate bonds, emerging market bonds and various currencies. Innova have repeatedly warned about the risk of a bond market selloff not being zero, yet the market pricing that probability at or near zero. Time will tell if this short term upset turns into something more sinister but should be a wakeup call to most market participants who have relied on historical relationships, and assumed that they will hold into the future – that is that bonds will go up in price if stocks go down. Unfortunately any true student of history knows this isn't always the case, and so

given the amount of uncertainty in the world around trade tariffs, Government deficits in the US, the rise of populism, Central Bank tightening and extremely indebted household here in Australia, Innova believe questioning the norm is a fiduciary responsibility. The outlook is clearly uncertain, so we will attempt to navigate this environment by following our common-sense process – steer clear of expensive assets, buy into the cheaper priced assets and be more diversified when uncertainty is high (such as now).

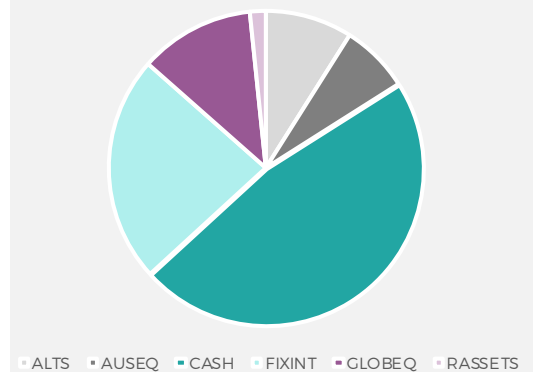
PRESERVATION RETURN ON \$10 K



SUB ASSET CLASS ALLOCATION



ASSET CLASS ALLOCATION



Fees	%
Transaction Cost	0.046%
Manager Fee	0.274%
Model Fee	0.385%



INNOVA
ASSET MANAGEMENT

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