

Investment Advisory Committee (IAC) quarterly report to IGC Board Quarter ending 31 December 2022 (reporting date)

EXECUTIVE SUMMARY

Recommendations and for noting by the Board

- despite an adverse 12 months to the reporting date for investment markets and the portfolio, the IAC's priorities are:
 - addressing the planned drawdowns over the period to May 2023 (redemption period)
 - requesting approval from the Board to enable variations from the Investment Policy's acceptable asset allocation ranges, during the redemption period and with a further period up to 12 months to enable efficient rebalancing
 - requesting the Board to clarify the purpose of the Relevant Funds, any minimum balance thereof and targeted future drawdowns
 - reviewing the Investment Policy based on the above
- periods of adverse markets provide opportunities for investment committees to review manager performance and the IAC continually monitors current and potential managers
- redemptions in this quarter totaling \$3,999,000 - \$1,333,000 from each of the 3 defensive funds (Macquarie, Pimco, Franklin Templeton)
- withdrawal of \$3,849,052 in this quarter (\$3,849,052 for the calendar year and \$4,405,780 since inception) for authorised spending
- receipt of \$89,475 in this quarter (\$417,150 for the calendar year and since inception) from RV

Introduction

The September 2020 Quarterly Report outlined the establishment of investment governance, processes and a phased investment implementation as recommended by the IAC and approved by the Board. The phased implementation was completed in the December 2020 quarter with final investments made in late December. The December quarter is the eighth quarter during which the Relevant Funds were fully invested.

Reporting requirements and guidelines

The Board approved Investment Policy for the Relevant Funds requires the IAC to:

- prepare a Quarterly Report outlining the performance of investment markets, the portfolio and underlying investment managers; and
- confirm compliance with the Investment Policy during the period.

Compliance

The IAC confirms compliance with the IGC Investment Policy. For the purposes of compliance with asset allocation ranges, the initial \$7,500,000 and subsequent balance relating to the 2017 ordinary resolution has been excluded.

Relevant Funds - snapshot at the reporting date

Total Relevant Funds, by asset type

RELEVANT FUNDS	\$	% of Portfolio
Managed Funds^ consisting of:		
- Core (defensive)	6,906,361	43
- Core (targeted return)	5,241,923	32
- Discretionary market return	<u>3,222,732</u>	20
	15,371,015	
Cash (Bank account)	878,487	5
TOTAL	16,249,502	

^ at market value

Relevant Funds – summary significant transaction history

\$	Transactions
19,500,000	initial investments in managed funds
3,999,000	investment redemptions
4,405,780	SGM approved expenditure
417,150	RV payments

Relevant Funds – summary balance history

Date	Total (\$)	Investments (\$)	Cash/term deposits (\$)
31 December 2022	16,249,502	15,371,015	878,487
31 December 2021	21,222,164	20,922,655	299,509
31 December 2020	20,251,774	19,851,721	400,053
31 December 2019	19,942,678	0	19,942,678
15 September 2019	20,115,455	0	20,115,455

Relevant Funds – summary performance history

December quarter	3.1%	\$ 504,612
2022 calendar year	-7.3%	-\$1,540,758

Period		
since inception*	0.2%pa	\$122,845
2022 calendar year	-7.3%	-\$1,540,748
2021 calendar year	5.3%	\$1,071,544
2020 calendar year	2.6%	\$510,085
15/9 to 31/12/ 2019	0.4%	\$81,975

*15 September 2019

Inflation history (Brisbane)

Over the December quarter:	1.5%
Over the calendar year:	7.7%
Since inception:	4.2%pa.

The annual CPI movement is the highest since 1990. The past four quarters have seen strong quarterly rises off the back of higher prices for food, automotive fuel and new dwelling construction.

Relevant Funds – market, nominal and notional inflationary value

Nominal value

The nominal value (\$16,126,656) is calculated as the opening balance +/- cashflows in/out, and excludes investment earnings as follows:

Initial payment	\$20,115,455
plus RV sales commission	\$417,150
less Authorised Expenditure	\$4,405,780
Less bank fees	\$169
Net	\$16,126,656

Market value

The market value of Relevant Funds as at the reporting date was \$16,249,502.

Notional inflationary value

Adjusting the opening balance and subsequent cashflows with the since inception inflation rate of 4.2% pa, produces a notional inflationary value of Relevant Funds as at the reporting date of \$18,940,594.

Differences

The market value of Relevant Funds:

- is approximately \$122,845 more than the nominal value of the Relevant Funds.
- lags the notional inflationary value of Relevant Funds by approximately \$2,691,000. This compares to a surplus of approximately \$455,000 at 31 December 2021.

In % terms, the since inception return of Relevant Funds (0.2%) lags the since inception inflation rate (4.2%) by 3.8% pa.

Essentially the gains made up to 31 December 2021 have been more than eroded in the past year by the broad-based losses incurred across almost all asset classes.

ATTACHMENT

- Investment market performance
- Relevant Funds investment performance
- Relevant Funds – nominal value, inflationary value, market value
- IGC portfolio snapshot at the reporting date
- IGC portfolio investment managers returns over 1,3 and 5 years to the reporting date
- Investment performance of relevant market indices over various periods to the reporting date

Investment market performance

The following returns are those of investment market indices* which are generally used by investors as performance benchmarks. Examples are:

- S&P/ASX 300 Accumulation Index for Australian shares
- MSCI World Index for International shares
- Bloomberg Ausbond Composite 0+ Yr for Australian bonds

*source Vanguard

Index returns are calculated assuming reinvestment of all income distributions but do not allow for taxes, management and transaction costs. Investment manager returns for investors are on the other hand before taxes, but after management and transaction costs.

Over the quarter:

- domestic cash returned +0.7%
- domestic fixed interest returned +0.4%
- international fixed interest returned +0.6%
- the \$A appreciated 4.2% against the \$US
- domestic shares returned +9.1%
- international shares returned +7.2% (currency hedged) and +4.0% (unhedged) – the difference mainly due to the appreciating \$A
- international listed infrastructure securities returned +6.6% (currency hedged) and +2.9% (unhedged) – the difference mainly due to the appreciating \$A
- domestic property securities returned +11.6%
- international listed property securities returned +4.1% (currency hedged) and +1.0% (unhedged) – the difference mainly due to the appreciating \$A

Over the calendar year

- domestic cash returned +1.2%
- domestic fixed interest returned -9.7%
- international fixed interest returned -12.3%
- the \$A depreciated 6.6% against the \$US
- domestic shares returned -1.7%
- international shares returned -18.1% (currency hedged) and -12.5% (unhedged) – the difference mainly due to the depreciating \$A
- international listed infrastructure securities returned -6.4% (currency hedged) and +0.2% (unhedged) – the difference mainly due to the depreciating \$A
- domestic property securities returned -20.1%
- international listed property securities returned -26.4% (currency hedged) and -21.5% (unhedged) – the difference mainly due to the depreciating \$A

Comment

After strong returns in 2021 thanks to reopening from Covid restrictions and stimulatory fiscal and monetary policies, 2022 was a rough year reflecting high inflation, a surge in interest rates and bond yields, geopolitical issues (notably the invasions of Ukraine) and recession worries. This hit both defensive assets (bonds) and growth assets (shares) hard.

Despite positive returns in the December quarter, this saw a representative index diversified funds (which excludes investment management fees and tax), with allocation allocations to growth and defensive assets ranging from 30%/70% to 15%/85% respectively, all return in the range of -9% to -10.8% for the year.

Relevant Funds investment performance

Summary – since inception, by calendar year

- since inception (September 2019) **0.2% pa**
or **\$122,847** consisting of:
 - **\$252,831** bank account and term deposit interest
 - **-\$129,984** managed funds change in market value*

- **2022 calendar year** **-7.3%**
or **-\$1,540,758**, consisting of:
 - \$ 11,883 bank account and term deposit interest
 - **-\$1,552,640** managed funds change in market value*

- **2021 calendar year** **5.3%**
or **\$1,071,544**, consisting of:
 - \$ 610 bank account and term deposit interest
 - \$1,070,934 managed funds change in market value*
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- **2020 calendar year** **2.6%**
or **\$510,085**, consisting of
 - \$158,364 bank account and term deposit interest
 - \$351,721 managed funds change in market value*

- **2019 calendar year (final 4 months)** **0.4%**
or **\$81,975**, consisting of bank account and term deposit interest only

2022 calendar year detail

- **December quarter 2022** **3.1%**
 or **\$504,612**, consisting of:

 - \$ 8,656 bank account and term deposit interest
 - \$ 495,956 managed funds change in market value*

- **September quarter 2022** **-1.7%**
 or **-\$333,021**, consisting of:

 - \$ 2,672 bank account and term deposit interest
 - -\$ 335,693 managed funds change in market value*
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- **June quarter 2022** **-5.0%**
 or **-\$1,032,987**, consisting of:

 - \$ 438 bank account and term deposit interest
 - -\$1,033,425 managed funds change in market value*

- **March quarter 2022** **-3.2%**
 or **-\$679,362**, consisting of:

 - \$ 117 bank account and term deposit interest
 - -\$ 679,479 managed funds change in market value*
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*including reinvestment of distributions

Managed fund components investment performance only (ie excluding cash and term deposit interest)

Component	Return %pa since inception	Return % calendar year 2022	Return % December quarter 2022
Core defensive	-2.1%	-6.8%	1.5%
Core targeted return	+4.4%	-2.6%	3.6%
Discretionary market return	-0.5%	-16.0%	6.6%
Total managed	-0.3%	-7.6%	3.1%

Comment

Over the December quarter

- all three components produced positive returns, in comparison with the negative returns in each of the previous 3 quarters.

Over the calendar year:

- the domestic (international) fixed interest passive benchmark returned -9.7% (-12.3%). The Core defensive component's active managers in aggregate returned -6.8%, which while negative was 2.9% (5.5%) better than the domestic (international) benchmark
- the core targeted return component returned -2.6% demonstrating its positive diversification characteristics. Its performance can be compared with the Vanguard Balanced Index Fund which returned -10.8%
- the discretionary market return component returned -16.0% resulting from its exposure to equity markets. This component underperformed its weighted average benchmark over the year

Since inception, the above table demonstrates the very unusual return profiles of defensive and equity based investments with defensive performing worse than equity markets.

The negative returns come at an inopportune time as the Board seeks to redeem some of these assets for spending purposes.

Note however that the planned redemption of funds has been/is going to be, sourced from a combination of RF Cash, Defensive assets and Targeted Return assets. There is no current plan to drawn down the Discretionary Market Return Assets as this asset class will form a core component of the ongoing Relevant Funds portfolio.

Investment manager returns to reporting date

Investment Manager	1 Year Performance (%pa)	3 Year Performance (%pa)	5 Year Performance (%pa)
Core targeted absolute return component			
Macquarie Income Opportunities	-3.83	-0.54	0.78
Benchmark (Bloomberg Gbl Agg Corp TR Hdg AUD)	-15.45	-3.60	-0.28
Pimco Diversified Fixed Interest	-11.4	-2.95	0.06
Benchmark (MorningstarAus BBG AuBD Cmp)	-10.99	-3.01	0.17
Franklin Australian Absolute Return Bond	-4.77	-0.57	1.03
Benchmark (Bloomberg AusBond Composite 0+Y)	-9.71	-2.87	0.54
Perpetual Diversified Real Return	0.06	3.91	3.75
Benchmark (Morningstar Aus Balance Tgt Alloc)	-9.22	1.33	3.77
Schroder Real Return Fund	-5.39	1.43	2.32
Benchmark (Morningstar Aus Balance Tgt Alloc)	-9.22	1.33	3.77
Vanguard Balanced Index Fund	-11.04	0.81	3.49
Benchmark (Morningstar Aus Balance Tgt Alloc)	-9.22	1.33	3.77
Maple-Brown Abbott Global Listed Infrastructure	5.66	3.69	6.73
Benchmark (FTSE Dvlp Core Infra 50/50 NR AUD)	1.00	2.65	7.49
Discretionary market return component			
Resolution Capital Global Property Securities	-24.99	-4.14	0.8
Benchmark (FTSE EPRA Nareit Developed NR)	-24.16	-5.60	-0.42
Fidelity Australian Opportunities	-9.13	3.44	5.52
Benchmark (SPX/ASX 200 TR AUD)	-1.08	5.55	7.11
Walter Scott Global Equity (Hedged)	-18.6	3.38	7.11
Benchmark (Morningstar DM xAus Large-Mid NR Hdg)	-17.88	2.96	4.94
MFS International Shares	-11.65	4.42	8.42
Benchmark (MSCI World Ex Australia NR AUD)	-12.52	6.22	9.26

Investment market performance to reporting date

Asset Class	Investment Market Indices	1 Year (%)	3 Year (% pa)	5 Year (% pa)	7 Year (% pa)	10 Year (% pa)
Cash	Bloomberg AusBond Bank Bill Index	1.2	0.5	1.0	1.3	1.7
Australian Fixed Interest	Bloomberg AusBond Composite 0+ Yr Index	-9.7	-2.9	0.5	1.3	2.3
International Fixed Interest	Barclays Global Aggregate Index (hedged)	-12.3	-3.2	-0.2	1.1	2.3
Australian Shares	S&P/ASX 300 Accumulation Index	-1.8	5.5	7.1	8.4	8.6
International Shares (hedged)	MSCI World Index (hedged)	-18.6	3.0	5.6	8.2	10.4
International Shares (unhedged)	MSCI World Index (unhedged)	-12.5	6.2	9.3	9.6	13.7
Australian Property	S&P/ASX 300 Property Accumulation Index	-20.1	-0.8	3.8	5.5	8.5
Global Property (hedged)	FTSE/EPRA/NAREIT Developed Rental index (hedged)	-26.4	-5.7	-0.3	1.6	4.8
Global Property (unhedged)	FTSE/EPRA/NAREIT Developed Rental index (unhedged)	-21.5	-3.6	3.0	2.9	8.2
Global Infrastructure (hedged)	FTSE Developed Core Infrastructure index (hedged)	-6.4	2.3	5.9	8.0	8.9
Global Infrastructure (unhedged)	FTSE Developed Core Infrastructure index (unhedged)	0.2	4.3	9.3	9.4	12.0
Inflation	Australian Consumer Price Index	7.8	4.0	3.1	2.7	2.5
AUD/USD exchange rate Absolute (not % pa) change over period		-6.6	-3.3	=13.1	-7.3	-34.8

Indooroopilly Golf Club Portfolio as at 31 December 2022		Manager and Asset Class Allocation (\$)						MV	Net Capital Invested	Return net of fees Total \$
		AE \$000	IE \$000	PS \$000	INF S \$000	DS \$000	Cash \$000			
IGC Cash							878	878,487	625,656	252,831
	sub total						878	878,487	625,656	252,831
Core targeted absolute return component										
Defensive										
Macquarie Income Opportunities		-	-	-	-	2,494	-	2,493,765	2,567,000	(73,235)
Pimco Diversified Fixed Interest		-	-	-	-	2,044	-	2,044,255	2,467,000	(422,745)
Franklin Australian Absolute Return Bond		-	-	-	-	2,368	-	2,368,341	2,467,000	(98,659)
	sub total					6,906	-	6,906,361	7,501,000	(594,639)
Targeted Return										
Perpetual Diversified Real Return		148	310	81	-	727	-	1,346,239	1,250,000	96,239
Schroder Real Return Fund		204	166	-	-	882	-	1,277,778	1,250,000	27,778
Vanguard Balanced Index Fund		247	371	-	-	618	-	1,235,449	1,250,000	(14,551)
Maple-Brown Abbott Global Listed Infrastructure		-	-	-	1,382	-	-	1,382,457	1,100,000	282,457
	sub total	600	846	81	1,382	2,226	-	5,241,923	4,746,624	495,298
	Total	600	846	81	1,382	9,133	-	12,148,283	12,247,624	(99,341)
Core targeted absolute return component										
Discretionary market return component										
Resolution Capital Global Property Securities		-	-	756	-	-	-	756,374	800,000	(43,626)
Fidelity Australian Opportunities		1,019	-	-	-	-	-	1,019,337	1,000,000	19,337
Walter Scott Global Equity (Hedged)		-	692	-	-	-	-	691,548	735,000	(43,452)
MFS International Shares		-	755	-	-	-	-	755,473	718,375	37,098
	Total	1,019	1,447	756	-	-	-	3,222,732	3,253,375	(30,643)
	TOTAL	1,619	2,293	837	1,382	9,133	878	16,249,502	16,126,656	122,847
Portfolio Allocation (excl cash, TDs)		12%	17%	6%	10%	47%	7%	1%	complies with policy?	
Policy Allocation ranges		0 - 25%	0 - 25%	0 - 10%	0 - 10%	30 - 100%	0 - 10%	0 - 10%	yes - after excluding \$7,500,000 of ordinary resolution November 2017	

AE - Australian Equities, IE - International Equities, PS - Property Securities, INF S - Infrastructure Securities, DS - Debt Securities, Alt - Alternatives, MV - Market Value
* % pa for investment periods longer than 1 year, % for periods less than 1 year, IRR is the uniform annual rate of return applied to cashflows