



# *Investment Philosophy*

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## Our commitment to you

Like all successful financial advice businesses, we have a core set of investment beliefs. These beliefs shape the investment decisions we take on your behalf and give focus and discipline to the oversight of your investment goals.

## General Advice Warning

This document may contain general advice and does not take into account your objectives, financial situation or needs. You should consider whether the advice is suitable for you and your personal circumstances. Before you make any decision about whether to acquire a certain product, you should obtain and read the relevant product disclosure statement. In the event I am providing personal advice, this will be communicated via a 'statement of advice'.

We are guided in the decisions we make on your behalf by some fundamental principles that assist you to stay focused on your investment goals and build wealth over time.

We know that investors can't control short-term market movements. So, instead we focus on factors such as:

- Understanding your attitude towards risk and return to develop a detailed risk profile.
- Allocating your portfolio across a range of assets- shares, bonds, property, and cash.
- Choosing a suitable mix of investment styles- index and active, to achieve your goals.
- Reducing the cost of investing wherever possible by implementing tax-effective investment strategies.
- Rebalancing your investments back to your target asset allocation to keep you on track to achieve your goals.

We don't focus on the markets, the economy, manager ratings or the performance of individual securities. Instead, we focus on the fundamental principles that we believe can give our clients the best chance of success.

- We will help you create specific and measurable investment goals.
- We will help you develop a suitable asset allocation using broadly diversified funds.
- We will help you minimise cost.
- We will help you maintain perspective and long-term discipline.

These principles are embedded in our culture and guide the investment decisions our clients make.



## Why we invest

We believe that clients generally invest for one or several of these three simple reasons:

1. To derive a source of income from which to fund their lifestyle
2. To preserve the purchasing power of their existing wealth
3. To avail themselves to the prospect of capital growth for overall wealth enhancement.

We understand that the priority between these three goals can vary significantly from client to client and for this reason we tailor our investment advice to the unique requirements of each individual.

We also acknowledge that you may have other important preferences (i.e. - tax effective income, limited volatility, etc) which we will take into consideration.

There are many different assets and strategies one can pursue when seeking to achieve these goals and the resultant activity exposes clients to a wide array of risks.

We shape our investment advice process around the sound management of risks that may hinder the successful achievement of these primary objectives.

We believe that investment goals and plans need to take into account important considerations such as time horizon, cash requirements and tax.

We believe a sound financial plan helps our clients to stay focused on the factors they can control rather than reacting to always changing newspaper headlines.

We believe that clear and realistic goals can help protect clients from common mistakes that can deprive them of achieving investment success.

We will focus on helping you to develop realistic plans to achieve your goals and what's important to you.



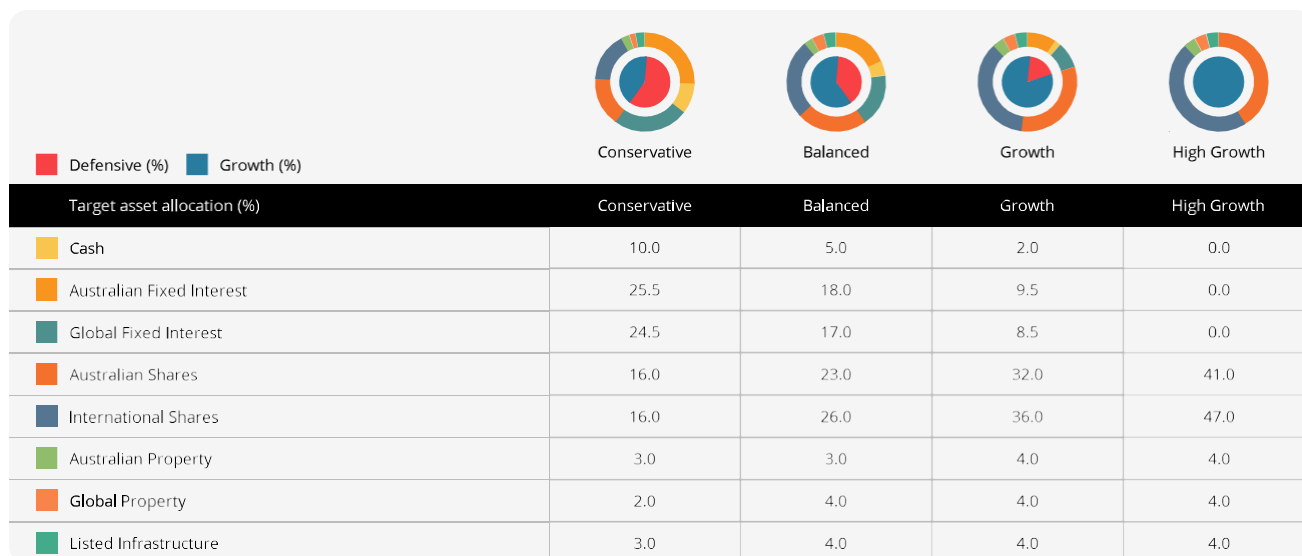
## Managing Risk

Investing presents clients with an array of risks to contend with. Some of the more common risks include market risk, liquidity risk, currency risk, credit risk, interest rate risk, inflation risk and shortfall risk. Understanding way to manage these risks is a crucial part of how we help you achieving your financial goals.

At the onset, we embark on a comprehensive educational session with clients to ensure we gain a firm understanding of your tolerance to risk. This places us in a strong position to design a portfolio that is suitable for your risk profile and investment objectives.

Diversification is a powerful strategy for managing traditional risks. Diversifying across asset classes reduces a portfolio's exposure to the risks common to an entire class. Diversifying within an asset class reduces exposure to risks associated with a particular company, sector, or segment.

Research has consistently shown that the mix of assets in broadly diversified portfolios is by far the greatest determinant of both total returns and return variability over the long term. For this reason, we place extreme importance on correctly understanding your tolerance to risk and strategically go about preparing a portfolio with an asset mix that is suitable for your risk profile.





## The Asset Mix

### Consistently picking winners is difficult

Annual asset class returns (%) for the year ended December 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash	32.8	32.3	26.8	14.4	13.2	27.5	4.5	26.8	10.6	30.2	1.3
Aus Fixed Interest	32.0	19.7	23.1	4.6	12.1	20.0	3.3	23.8	8.1	27.0	-1.8
Intl Equities: EM	19.7	13.4	12.6	3.8	11.8	11.9	1.9	22.4	5.1	23.9	-9.7
Aus Property	18.7	10.1	10.4	3.3	10.3	6.4	1.6	19.6	4.5	17.5	-12.3
Intl Equities: DM H	17.1	7.3	9.8	2.8	6.5	9.5	-3.1	19.1	1.7	3.8	-13.9
Intl Property H	9.7	2.9	7.3	2.6	5.2	3.7	-3.5	7.3	0.4	0.0	-18.1
Aus Equities	7.7	2.3	5.3	2.3	2.9	3.7	-4.7	7.2	-4.0	-1.5	-20.1
Global Agg H	4.0	2.0	2.7	-3.9	2.1	1.7	-7.6	1.5	-12.8	-2.9	-23.9

Asset Class

- Cash
- Aus Fixed Interest
- Intl Equities: EM
- Aus Property
- Aus Equities
- Global Agg H
- Intl Equities: DM H
- Intl Property H

Vanguard Investment Strategy Group analysis using index data from Bloomberg, FTSE, MSCI, S&P & UBS. Notes: Australian equities is the S&P/ASX 300 Index; Australian Property is the S&P/ASX 300 A-REIT Index; International Property Hedged = FTSE EPRA/NAREIT Dev x Au Hedged into \$A from 2013 and UBS Global Investors ex Australia AUD hedged Index prior to this; International Shares Hedged is the MSCI World ex-Australia Index Hedged into \$A; Emerging Markets Shares is the MSCI Emerging Markets Index; Australian Bonds is the Bloomberg Ausbond Composite Bond Index; Global Aggregate Bonds = Bloomberg Global Aggregate Index Hedged into \$A; Cash = Bloomberg AusBond Bank Bill Index.

Economic conditions impact each of the asset classes differently.

Because future economic conditions are unknown, we focus on ensuring client portfolios have a suitable mix of asset classes.

This lowers overall risk in the portfolio by ensuring clients aren't under or overexposed to any given asset class.

### Asset allocation considerations

#### Strategic Asset Allocation (SAA)



Constructed based on long-term asset class forecasts with targets to maintain a set combination of asset classes.

#### Dynamic Asset Allocation (DAA) and Tactical Asset Allocation (TAA)



Active portfolio management strategies that shift the percentage of assets held in various categories to take advantage of short to medium term market pricing anomalies or strong market sectors.

For any tactical move to be successful, managers need to be right not just once but at least five times.

- 1 Identify a reliable indicator of short-term future market returns
- 2 Time the exit from an asset class or market, down to the precise day
- 3 Time re-entry to an asset class or the market, down to the precise day
- 4 Decide on the size of the allocation and how to fund the trade
- 5 Execute the trade at a cost less than the expected benefit

Source: Vanguard.

We believe in strategic asset allocation.

We take the time to ensure we have a strong handle on our client's true tolerance to investment risks.

We only ever recommend asset allocation that is appropriate for our client's individual risk profile.



## Volatility

Exposure to volatility is unavoidable when investing in growth assets.

We believe that it is our role to provide you sufficient education to withstand a certain amount of volatility.

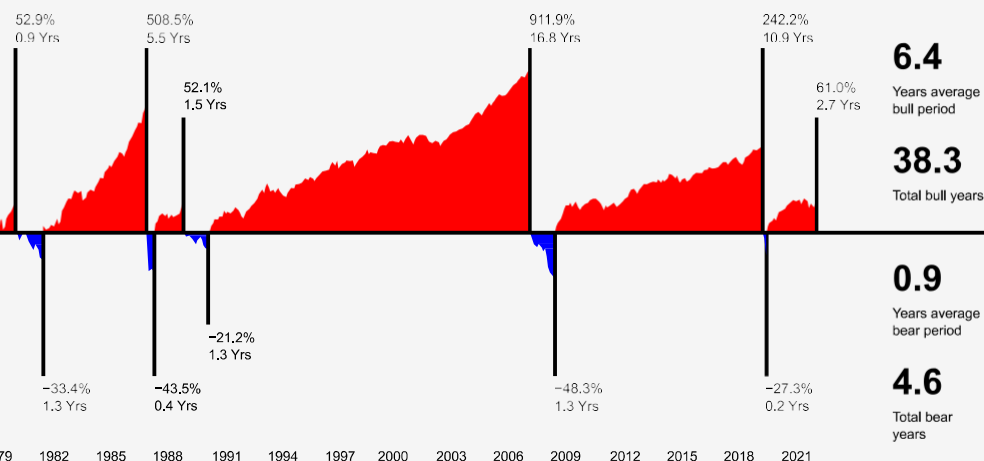
This education coupled with investing only in accordance your timeframe is crucial to the avoidance of unnecessarily realizing losses.

### Importance of staying invested

How bull and bear markets have impacted returns over the past 40+ years: long term perspective

#### Bull years

A bull market is defined as a price increase of more than 20% from trough to peak. Values show the maximum % gain that occurred relative to the previous trough.



Notes: 1. The latest bull run is still ongoing. The calculations represent the price increase and period up to 30 November 2022. Calculations are based on the S&P All Ordinaries Index for the period 1/1/1980 to 30/11/2022. The plotted areas depict the losses/gains ranging from the minimum following a 20% loss to the respective maximum following a 20% appreciation in the underlying index. Calculations based on monthly data. Logarithmic scales are used for this illustration. All distributions are reinvested. Values in the figures reflect rounding. Sources: Morningstar data and Vanguard.



## Discipline

We believe in taking a long term strategic approach and create investment portfolios designed to broadly withstand all market conditions.

While it is possible for a market-timing strategy to add value from time to time, on average we believe these strategies have not produced returns in excess of market benchmarks.

We educate you on the dangers of reacting to market downturns and making poor investment decisions when emotional. We help you to focus on your long-term goals and how staying the course will help you to achieve them.

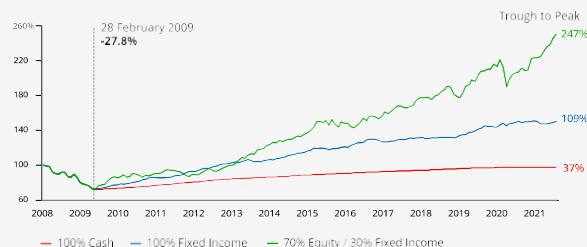
Where possible we encourage you to invest more. Savings are among the few factors that clients can control. They can substantially improve their long-term outcome by saving more and or spending less.

We do not believe in the predictive ability required to correctly time markets. Dollar Cost Averaging is key in reducing the risk of mistiming the market.

We help you understand why rebalancing is necessary to keep their portfolio in line with their objectives and risk appetite throughout the cycle.

### Importance of maintaining discipline

Reacting to market volatility can jeopardise returns



Notes: 1 Oct 2007 represents the EQ peak of the period, and has been indexed to 100. Assumes that all dividends and income are reinvested in the respective. Source: Vanguard calculations using data sourced from DataStream through July 2021.



## Investment Cost

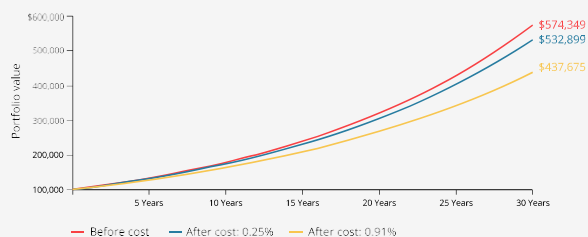
Clients cannot control the markets but they can control their overall costs.

The lower investment costs are, the more you keep of your returns and the greater your chance of achieving investment success.

We do not purely seek out the cheapest investment product per category. We do however ensure that every investment product recommended is priced competitively and represents value for money within your portfolio.

### Impact of investment costs

"The long-term impact of investment costs on portfolio balances Assuming a starting balance of \$100,000 with a yearly return of 6%, which is reinvested"



Note: The portfolio balances shown are hypothetical and do not reflect any particular investment. The final account balances do not reflect any taxes or penalties that might be due upon distribution. Indirect Cost Ratio (ICR) is used for the expense ratio. ICR is the sum of the expenses incurred by the fund expressed as a percentage of the average net assets throughout the year. The ICR includes management and performance fees, as well as other operational fees. The ICR includes management and performance fees, as well as other operational fees. Source: Vanguard calculations using data from Morningstar.





## Manager Selection

We believe that an effective manager selection process is critical to attracting and retaining skilled managers to implement asset allocation and achieve investment objectives.

We believe it is important to understand manager's philosophy, culture, expertise and investment process.

For every manager we establish measures of success and time period for which the manager will be evaluated.

We take into account transaction, management and performance fees to understand the overall cost of the recommended investment option to our clients.

We believe that past performance is not a reliable indicator of future performance but it is a fair measure of how well an investment manager delivered against its peers and own objectives over a given timeframe.

### Active vs Passive Investing

Both active and passive investment styles have potential benefits within a portfolio.

Passive funds offer low-cost efforts to track benchmarks, leading to a tight range of relative returns.

Active funds offer the potential for outperformance, although with greater uncertainty and typically higher costs.

Our decisions to include active and passive investment styles into portfolios will depend on our client's objectives.

### Manager selection considerations



#### Talent

Carefully select managers with a proven process and demonstrable ability



#### Cost

Don't let high fees destroy fund performance



#### Patience

Accept that there will be periods of underperformance



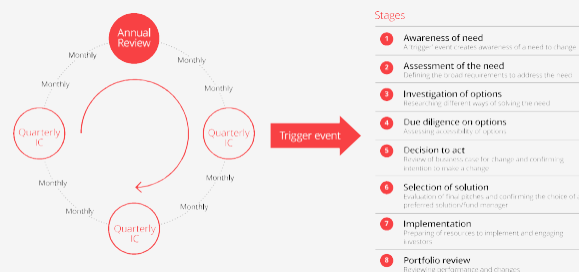
## Governance

For every manager we establish measures of success and time period for which the manager will be evaluated.

We undertake regular reviews to stay informed about investment portfolios and managers' capabilities. We pay attention to changes in manager ownership, personnel, resources and culture.

We maintain regular communications to check if the portfolio is being managed in accordance with established guidelines and to discuss performance results.

### Investment review process





Having read through our Investment Philosophy, you'll now be aware of the framework we will be using to make recommendations and investment decisions on your behalf. We focus on fundamental principles that we believe will give our clients the best chance of success.

This document will become a useful reference tool as we continue to work towards achieving your personal financial plan.

We are excited about being on the journey together and helping you to secure your financial future.



*Empowering Financial Freedom*  
**Simple.**



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