



The Asset Mix

- ✓ 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.

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 Legend: Cash (Red), Aus Fixed Interest (Blue), Intl Equities: EM (Green), Aus Property (Purple), Aus Equities (Orange), Global Agg H (Cyan), Intl Equities: DM H (Pink), Intl Property H (Yellow)

- ✓ 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 recommend appropriate asset allocation for each client

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.

Asset Allocation Considerations

Strategic Asset Allocation



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



Volatility

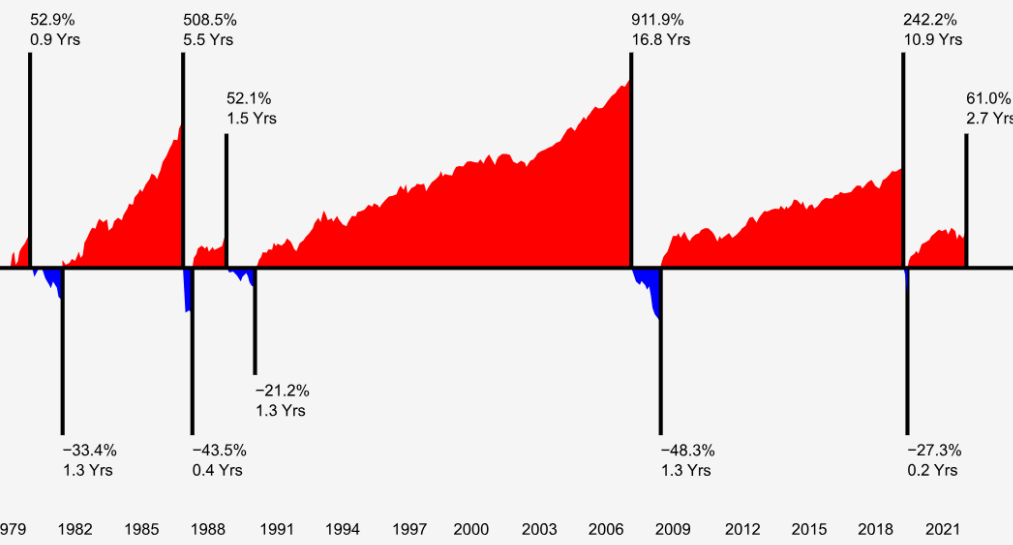
- ✓ Exposure to volatility is unavoidable when investing in growth assets.
- ✓ We believe that it is our role to provide you sufficient education to withstand a certain amount of volatility.
- ✓ This education coupled with investing only in accordance your timeframe is crucial to the avoidance of unnecessarily realising 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.



6.4
Years average bull period

38.3
Total bull years

Bear years

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

0.9
Years average bear period

4.6
Total bear years

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.

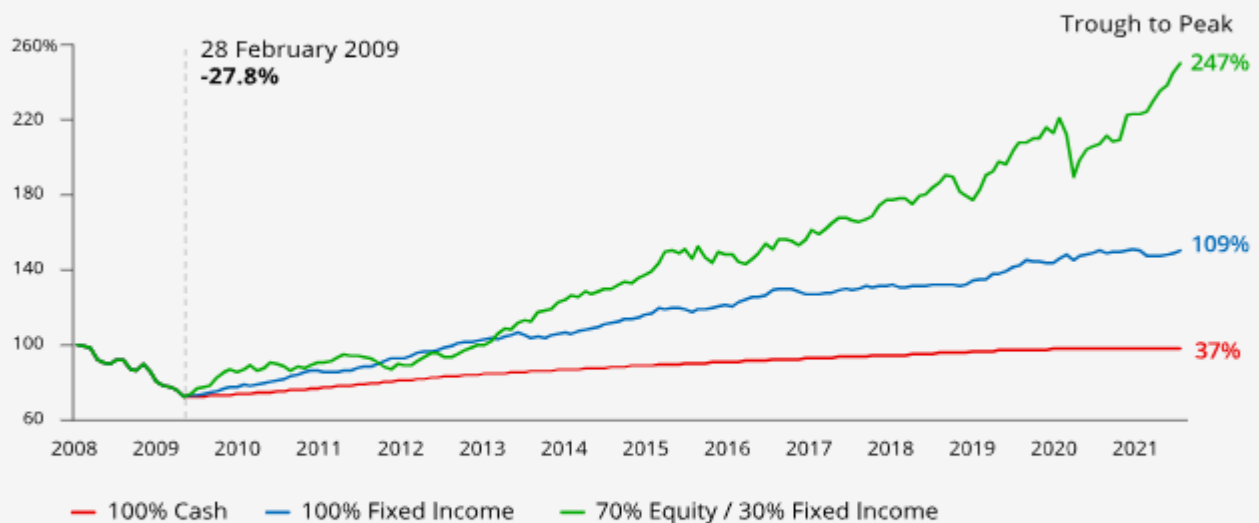


Discipline

- ✓ 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 consistent 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. As such, Dollar Cost Averaging is key in reducing the risk of mistiming the market.
- ✓ We help you understand why re-balancing is necessary to keep your portfolio in line with your 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.

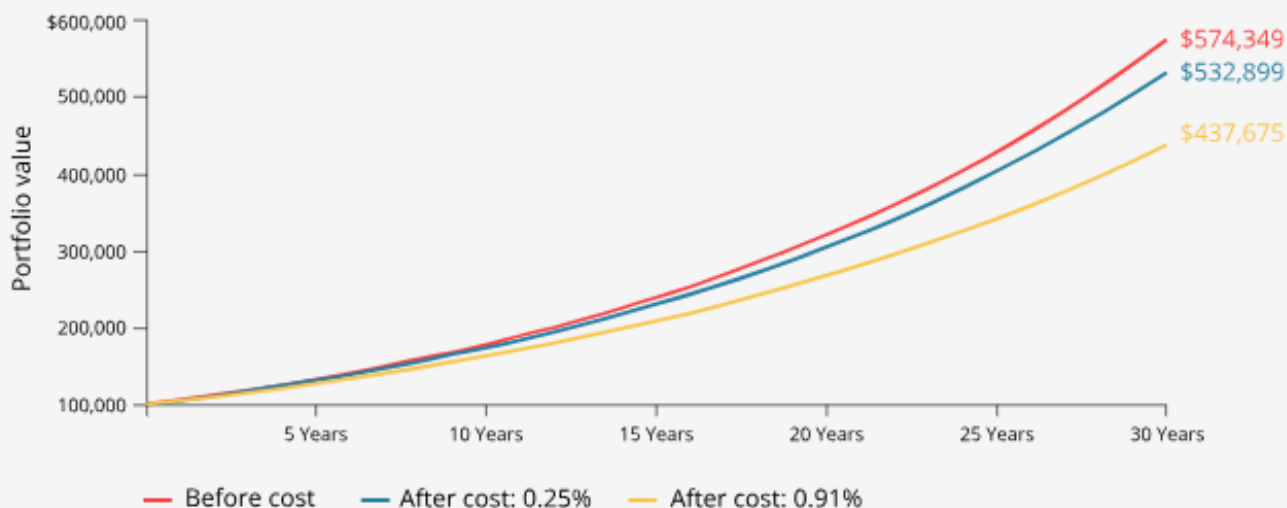


Investment Cost

- ✓ 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).





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 time-frame.

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



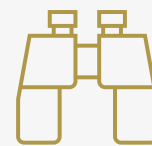
Talent

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 periods 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



Stages	
1	Awareness of need A trigger event creates an awareness of a need to change
2	Assessment of the need Defining the broad requirements to address the need
3	Investigation of options Researching the different ways of solving the need
4	Due Diligence on Options Assessing accessibility of options
5	Decision to act Review of business case for change and monitoring intention to make a change
6	Selection of solution Evaluation of final pitches and confirming the choice of a preferred solution/fund manager
7	Implementation Preparing of resources to implement and engaging investors
8	Portfolio Review Reviewing performance and changes



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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