



FINANCIAL PLANNING

Our Investment Philosophy

Our promise to you

At AMA Financial Planning, we have a core set of investment beliefs.

These beliefs shape the investment guidance we provide and give focus and discipline to the oversight of your investment goals.

We are guided in the decisions we make on your behalf by some fundamental investment 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 in your control such as:

- Understanding your attitude towards risk and return to develop a detailed risk profile.
- Allocating your investments across a wide range of assets such as shares, bonds, property and cash. Choosing the right mix of investments styles—index and active—to achieve your goals.
- Regularly reviewing your portfolio - to keep you on track to achieve your goals. Maintaining discipline - avoiding market timing and performance chasing.



The Advice Process

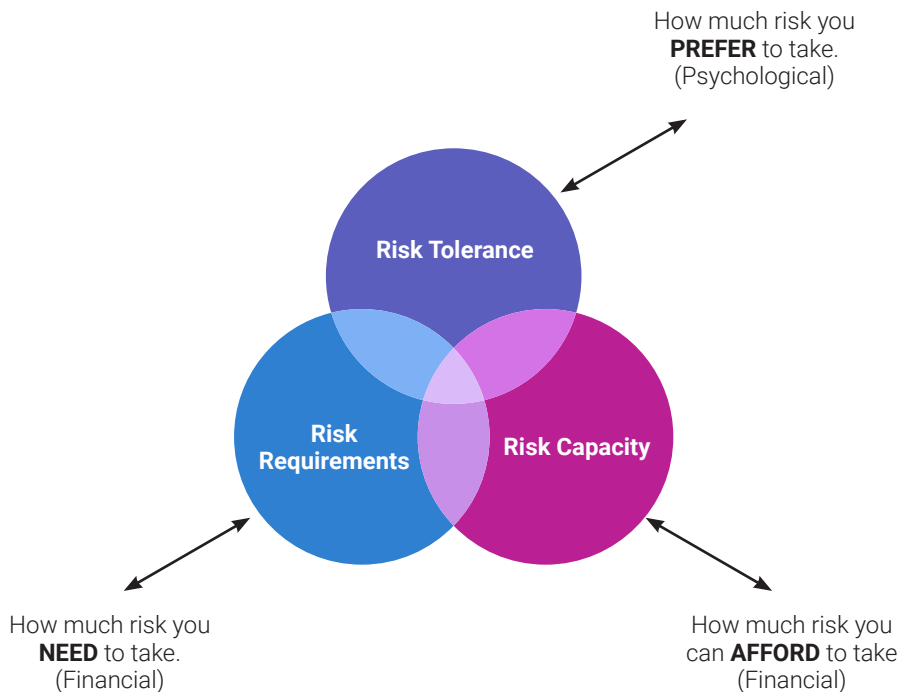
AMA's five steps in the strategic advice process:

1. Determine your current personal and financial circumstances.
2. Understand and prioritise your goals and objectives.
3. Develop a strategic plan.
4. Execute and manage your plan.
5. Review and revise the plan.

We do a lot of listening in the initial consultation. The more we understand your past, present situation and future aspirations, the better equipped we are to help you. We ask questions to help you think about your life and values and articulate how you see your financial future.

As part of the strategic advice process, we match investments to your investment horizon and (or) risk profile. A risk profile is an evaluation of your willingness and ability to take risks. Your risk profile is broadly a factor of:

1. Your risk capacity,
2. Your risk tolerance, and
3. Your risk requirement (i.e., the risk you need to take to achieve your planned financial goals).



In short, we look to understand your investment objectives, how long you are planning to invest for and whether you have any specific investment preferences such as environmental, social and governance (ESG) considerations. We then develop an investment strategy and provide you advice on those investments that fit your style, goals, and risk tolerance, making adjustments as needed.



The Mix of Investments: Asset Allocation

We believe asset allocation is a very important part of creating and balancing your investment portfolio. It is one of the main factors that that drives overall returns.

We take the time to understand your risk profile before determining the balance of investments. This is achieved through our discussion of your risk tolerance, risk capacity and risk required to achieve your financial goals.

We also make sure you understand the variety of approaches available and how they behave differently over time (i.e. investment returns), and help you choose the right one for you.

Diversification

Your investment portfolio is a collection of financial investments—cash, fixed interest, property shares and alternatives which matches the levels of risk and return that you are comfortable to achieve your financial goals.

Diversification is a powerful risk management strategy for managing traditional investment risks. We believe it is simply good practice and should be employed widely in your portfolio.

We help you to design an investment portfolio which is diversified across asset classes to reduce a portfolio's exposure to the risks common to an entire asset class.

Diversifying within an asset class reduces exposure to risks associated with a particular company, sector, or segment.

Portfolio Description	Growth 15	Growth 30	Growth 50	Growth 60	Growth 70	Growth 85	Growth 100
Split of Assets (%) 							
Minimum recommended investment horizon	2 Years	3 Years	3 Years	5 Years	5 Years	6 Years	7 Years
Short-term security of initial capital	Very High	High	Moderate	Lower	Lower	Low	Very Low
Security of initial capital over recommended investment horizon	Very High	Very High	High	High	High	Moderate	Moderate
Ability of portfolio to protect against inflation	Low	Low	Moderate	Usually High	Usually High	Usually High	High

Indicative Asset Allocation								
Growth	Total Growth Assets	0% - 30%	15% - 45%	35% - 65%	45% - 75%	55% - 85%	70% - 100%	85% - 100%
	Australian Equities	0% - 18%	0% - 35%	10% - 35%	13% - 45%	15% - 55%	20% - 60%	25% - 65%
	International Equities	0% - 18%	0% - 35%	5% - 35%	10% - 45%	15% - 55%	20% - 60%	25% - 65%
	Property & Infrastructure	0% - 15%	0% - 30%	0% - 30%	0% - 30%	0% - 30%	0% - 30%	0% - 30%
	International Property & Infrastructure	0% - 15%	0% - 30%	0% - 30%	0% - 30%	0% - 30%	0% - 30%	0% - 30%
	Growth Alternatives	0% - 10%	0% - 20%	0% - 20%	0% - 20%	0% - 20%	0% - 25%	0% - 30%
Defensive	Total Defensive Assets	70% - 100%	55% - 85%	35% - 65%	25% - 55%	15% - 45%	0% - 30%	0% - 15%
	Defensive Alternatives	0% - 61%	0% - 50%	0% - 50%	0% - 40%	0% - 30%	0% - 20%	0% - 10%
	Australian Fixed Income	0% - 73%	0% - 60%	0% - 60%	0% - 48%	0% - 35%	0% - 23%	0% - 10%
	International Fixed Income	0% - 73%	0% - 60%	0% - 60%	0% - 48%	0% - 35%	0% - 23%	0% - 10%
	Australian Cash	0% - 100%	0% - 45%	0% - 45%	0% - 33%	0% - 20%	0% - 15%	0% - 10%
	International Cash	0% - 10%	0% - 10%	0% - 10%	0% - 10%	0% - 10%	0% - 10%	0% - 10%

Source: Consultum Financial Advisors Pty Ltd ABN 65 006 373 995 AFSL No. 230323



Core - Satellite Approach

We use a core satellite approach to construct a portfolio for you which minimises your investment costs, tax liability, and volatility while providing an opportunity to outperform the broad stock market as a whole.

This approach includes both active and passive funds in your portfolio(s) and can be tailored to your individual needs. The core-satellite concept recognises the fundamental differences between index and active investing and combines the best aspects of both approaches.

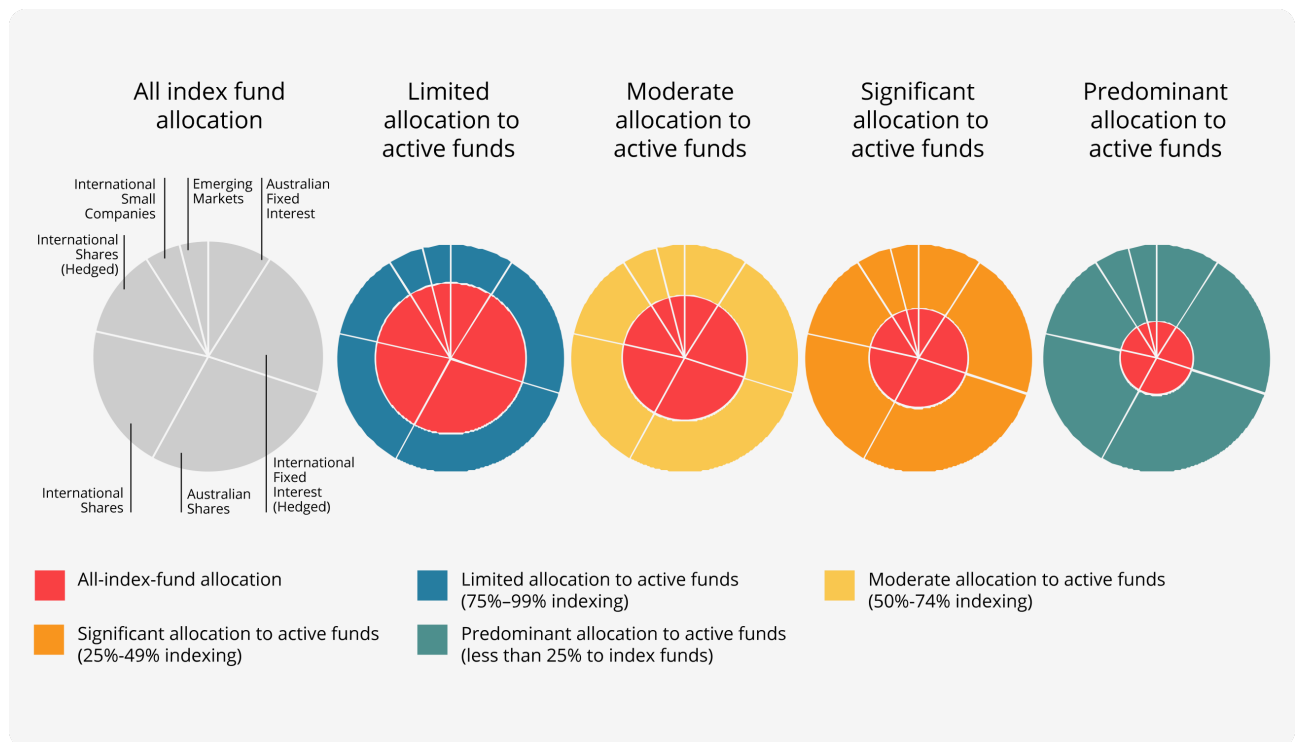
The core (index) component

The primary aim for an index fund is to track market performance (beta) at a low cost.

Index funds achieve this by holding a broad spread of securities with an aim to track the overall performance of the index. An index fund does not require the same level of research and security analysis that active management requires (at substantial cost) and will tend to buy and hold these securities with very low levels of portfolio turnover. Lower portfolio turnover results in lower fees to the investor and generally more favourable tax outcomes.

The active (satellite) component

The primary aim of an active fund is to seek outperformance of the index (alpha) through security selection and (or) market timing.



Source: Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263)



Performance Expectations

Picking winners is hard

We don't chase performance. We believe doing so is a road to wealth destruction, as we never know which asset classes or market segments will outperform from year to year.

We instead help you to build a smarter investment approach to keep things robust, transparent and simple, resulting in an effective and survivable portfolio.

We help you avoid trying to time markets and the temptation to jump between asset classes, countries, sectors or managers.

Investing is more than just picking winners. We help you build a diversified portfolio which is:

1. Broadly diversified across securities, markets and asset classes (e.g., equities, bonds).
2. Offers a robust and attractive relationship between risk and return.
3. Exhibits a range and pattern of returns that is appropriate to you.

Diversification: it is hard to pick a winner

Out and underperforming annual asset class returns follow a seemingly random pattern

Asset Class	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Aus Fixed Interest	26.2%	11.4%	32.8%	32.3%	27.7%	14.4%	13.2%	27.1%	4.5%	26.8%	10.6%
Aus Property	13.1%	10.5%	26.3%	19.7%	26.8%	6.0%	11.8%	20.0%	3.3%	23.8%	7.8%
Cash	9.3%	5.0%	19.7%	13.0%	12.6%	3.8%	11.7%	11.9%	1.9%	22.6%	5.1%
Global Agg H	6.0%	1.9%	18.7%	7.3%	10.4%	3.3%	10.3%	6.4%	1.6%	19.6%	4.5%
Aus Equities	4.7%	-1.6%	16.7%	6.3%	9.8%	2.8%	6.7%	6.3%	-3.1%	18.6%	1.7%
Intl Property H	4.3%	-1.9%	9.7%	2.9%	6.9%	2.6%	5.2%	3.7%	-4.3%	7.3%	0.4%
Intl Equities EM	1.9%	-11.0%	7.7%	2.3%	5.3%	2.3%	2.9%	3.7%	-5.1%	7.2%	-4.0%
Intl Equities DM H	-0.7%	-18.4%	4.0%	2.0%	2.7%	-4.3%	2.1%	1.7%	-7.6%	1.5%	-13.3%

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 Barclays Global Aggregate Index Hedged into \$A; Cash = Bloomberg AusBond Bank Bill Index. Source: Vanguard Investment Strategy Group analysis using index data from Bloomberg, Barclays, FTSE, MSCI, S&P & UBS.



Investment Manager Selection

Where your portfolio includes managed funds, we believe an effective manager selection process is critical to attracting and retaining skilled managers to implement asset allocation and achieve investment objectives.

We believe it's important to understand the manager's philosophy, culture, expertise, and investment process. For every manager we establish measures of success and time periods for which the manager will be evaluated.

Framework for selecting active managers

Emphasis on quality, not short-term performance

Drivers



Firm

- Ethics
- Stability
- Ownership Structure
- Accounts and asset trends
- Steady-to-growing client base
- Incentives that drive appropriate behaviour



People

- Deep investment team
- Succession/contingency
- Limited turnover of key professionals
- Tenure and experience
- Proven expertise in subject matter
- Demonstrated ability to handle required mandates



Philosophy

- Shared by investment professionals
- Enduring
- Easily articulated



Process

- Understandable
- Stable/proven
- Repeatable
- Unambiguous decision-making

Outcomes



Portfolio

- Is it a clear reflection of philosophy and process?
- Are the characteristics consistent with expectations?
- Is the risk profile aligned with the investment strategy?



Performance

- Is there a long-term history of competitive results vs benchmarks and peers?
- Is performance consistent with the investment approach?

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Portfolio Reviews

At each review:

- We consider whether your objectives have changed and alter the portfolio accordingly.
- We assess whether your portfolio remains within its strategic asset allocation. We assess your individual circumstances and adhere to this allocation unless there is a compelling reason not to.
- We assess changes in the economic and market climate and change satellite funds to (1) realise profits on investments that have performed well or (2) take advantage of other investment opportunities.
- We consult our Research Team and assess individual managers against their benchmark; If they underperform consistently, they will be removed.



Discipline

We believe it is imperative to avoid market timing. 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 strategies and how staying the course will help you to achieve your goals in life – it's time in the market, not timing the market.



Don't let your emotions get in the way. Many people struggle to separate their emotions when investing. Reacting emotionally to sudden market movements (buying high and selling low) may lead to poor investment decisions.

Having read through our Investment Philosophy, you'll now be aware of our focus on the fundamental principles that we believe will give you 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.



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