

DP WEALTH ADVISORY

INVESTMENT

PHILOSOPHY

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Introduction — Our Investment philosophy

DP Wealth spend a lot of time thinking about client asset protection, retirement planning, aged care, tax structures, risk management and client education — things that can be termed as ‘traditional financial planning’. What we want to ensure isn’t overlooked is a sound, robust, and evidence based approach to investing so you can take comfort that our clients investments are aligned with their goals and strategy.

This document will inform you on DP Wealth Advisory’s Philosophy, allowing you to not only understand and agree with our values and ideals, but the logical basis for the decisions we make about clients wealth.

Why choose us?

DP Wealth Advisory has over 100 years of advisory experience and understands that every client is different and has particular investment needs. While there is no “one size fits all” investment solution, every bespoke investment strategy is built on a solid investment framework.

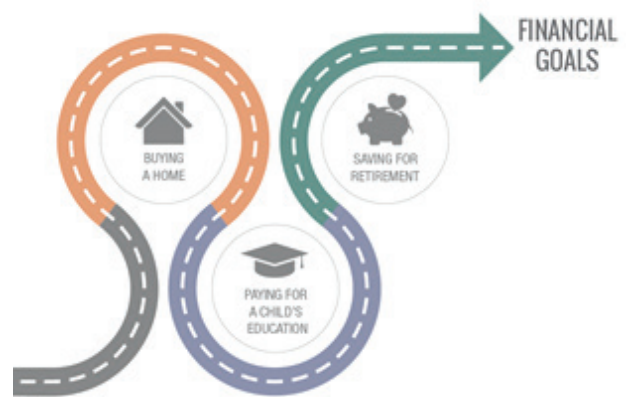


For us, successful investing is all about making sure that the client’s goals and objectives are being met. We concentrate our conversations on our clients individually expressed outcomes and not on outperforming the market in the short term, through taking unnecessary risks.

Meeting the clients' goals and objectives is our **number one priority.**

We work with you by using a “Goals Based Advice” process which aims to help people meet their personal and lifestyle goals. We do this by prioritising clients goals and constructing investment portfolio's targeted to achieving these.

DP Wealth Advisory build a financial road map to navigate our clients with their investment needs and expectations through different stages of life. The goals set are measurable, attainable and consistent with the clients risk profile.



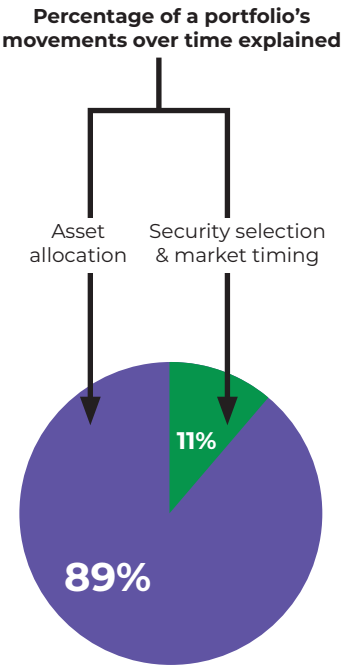
The success of a “Goals Based Strategy” is measured by how well an investor's portfolio is tracking against their stated goal, so our ongoing review service is a crucial component of our service to clients and achieving their personal and lifestyle goals.

DP Wealth Advisory believes a sound investment plan helps the investor stay focused on the factors that the investor can control rather than reacting to always changing newspaper headlines.

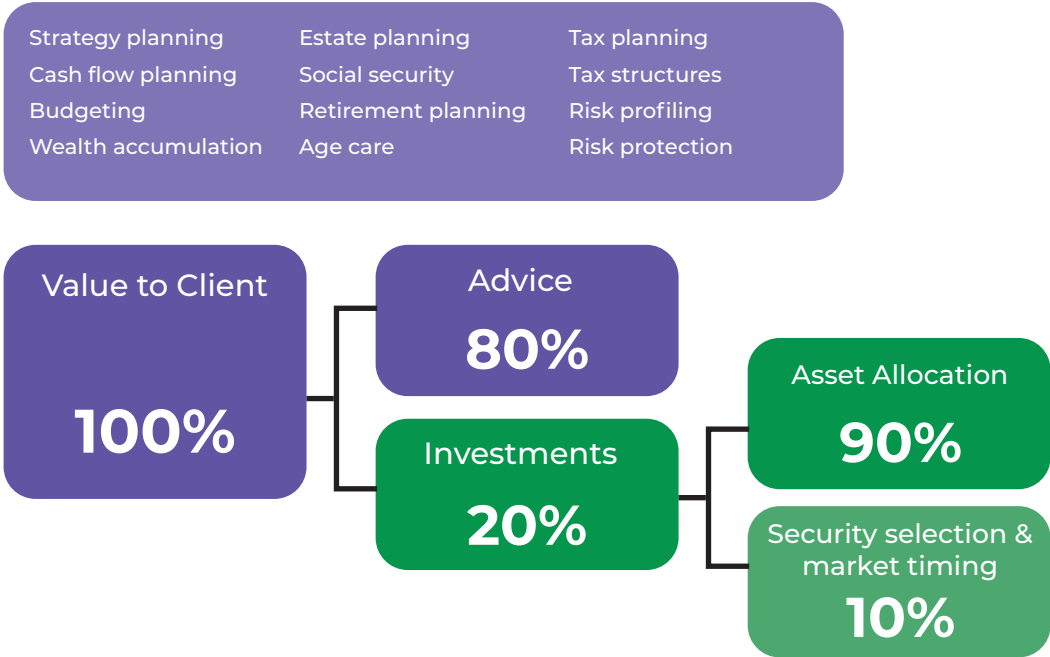
Asset allocation is the primary portfolio decision

DP Wealth Advisory believes that asset allocation is the most important decision when constructing a portfolio, as it is the primary determinant of risk and return. This belief is empirically well supported through ongoing research over the past thirty years.

Asset allocation can help clients manage risk through diversification. Historically, the returns of shares, bonds, property and cash haven't moved in unison. Market conditions that lead to one asset class outperforming during a given timeframe might cause another to underperform. According to Vanguard (the largest issuer of mutual funds in the world) as the diagram opposite illustrates, asset allocation accounts for a whopping 89 percent of volatility (risk) and returns.



A seminal study by the Institute of Actuaries examined the key drivers of value over an average term of a relationship — whilst it was clear that strategic advice was the predominate component of value creation, however regarding the investment function, formulating a asset allocation was the key component, as shown opposite.



Source: "The Value of Advice", The Institute of Australian Actuaries Forum and Vanguard calculations, using data from Morningstar, Inc., As at 31 December 2011.

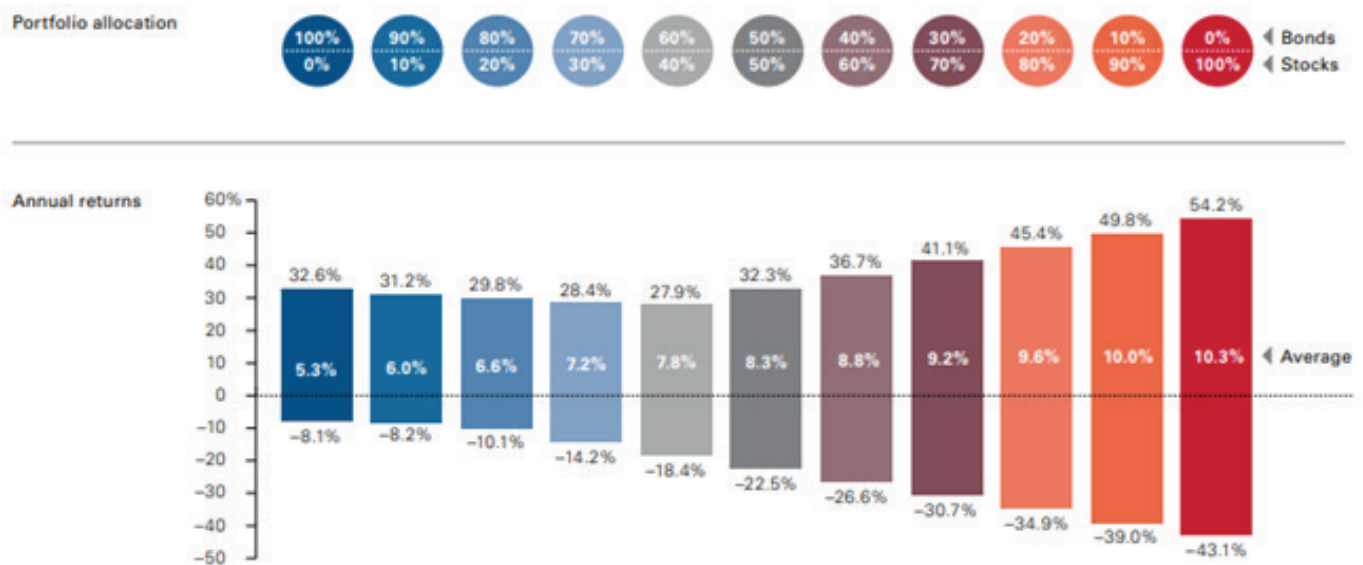
Broad Diversification is Crucial

Following implementation of our investment philosophy clients have the following diversification characteristics to help manage their investment risk in line with their tolerance.

Diversification across asset classes

The main asset classes – Cash, Australian Equities, International Equities, Property and Infrastructure, Australian Fixed Interest and International Fixed Interest – perform differently under different economic and market conditions. DP Wealth Advisory provided portfolios across these asset classes to reduce the impact of downward fluctuations in any asset class over the short term, yet still giving the benefit of potentially higher returns over the long term.

Best, worst, and average returns for various stock/bond allocations, 1926 - 2019



Sources: Vanguard calculations, using data from Morningstar, Inc

Diversification across on listed and unlisted investments

DP Wealth Advisory have the ability to invest using listed and unlisted investments. We believe this can support your risk management by providing the benefits of both diversification and liquidity, depending on your needs and circumstances. .

DP Wealth Advisory may also consider using a barbell strategy, whereby we can provide alternative income and growth opportunities but still allowing appropriate liquidity for each client.

Diversification across Exchange-Traded Fund (ETF) providers and portfolio managers

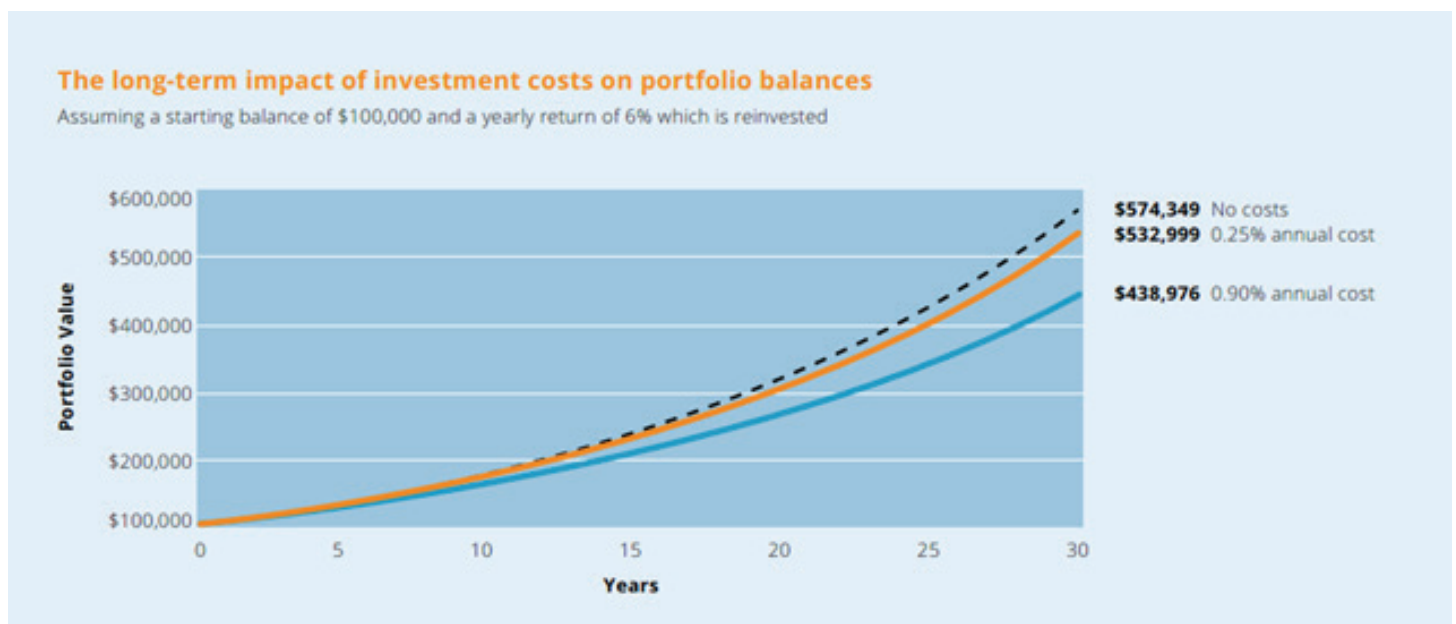
DP Wealth Advisory use a “best of breed” approach, whereby we combine a range of ETF providers with complementary investment styles, using sophisticated techniques to neutralise unintended style biases in each asset class, and to ensure that diversification of management styles results in true diversification of the underlying investments.

Cost is a **critical success factor**

Costs are a pervasive feature of the investment management industry and can take the form of management expenses or other related fees applied to investor's capital as it changes through time. Cost can therefore be a strain on net performance. In contrast to the uncertainty about future returns on securities and asset classes, minimising costs is a certain way for DP Wealth Advisory to influence investment performance in a positive manner.

Indexing can help minimise costs

Index Funds and indexed exchange-traded funds (ETF's) tend to have costs among the lowest in the industry. As previously discussed in this document, DP Wealth Advisory may use index funds as the core of one's portfolio. Not only are they lower-cost investments, they typically outperform active managers over a long time-frame and often without taking on more risk.



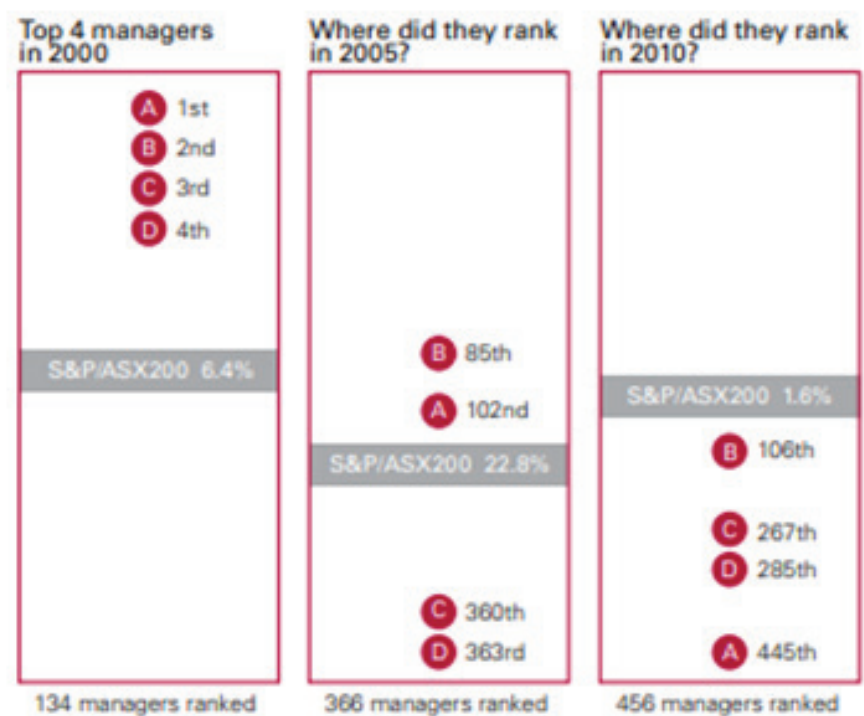
Note: The portfolio balances shown are hypothetical and do not reflect any particular investment. Source: Vanguard

Consistently outperforming the financial markets is extremely difficult

Research has shown us it is extremely difficult to outperform investment markets by actively selecting individual investments. So to even out returns and provide sufficient diversification to lower the risk, we typically invest the core portfolio in passive investments that are more aligned to follow market indexes.

S&P Dow Jones Indices, SPIVA provides ample data to indicate that, on average, active managers fail to deliver benchmark-beating returns. The diagram illustrates the top four active managers and how they have performed over time against the benchmark and their peers.

Index investments effectively buy the entire market included in that index. This can provide clients with less exposure to the ups and downs of a single investment. There are index investments that cover most of the major asset classes, as well as specific themes, such as technology or the top 20 Australian companies.



Source: Vanguard

The **Core-Satellite** Approach

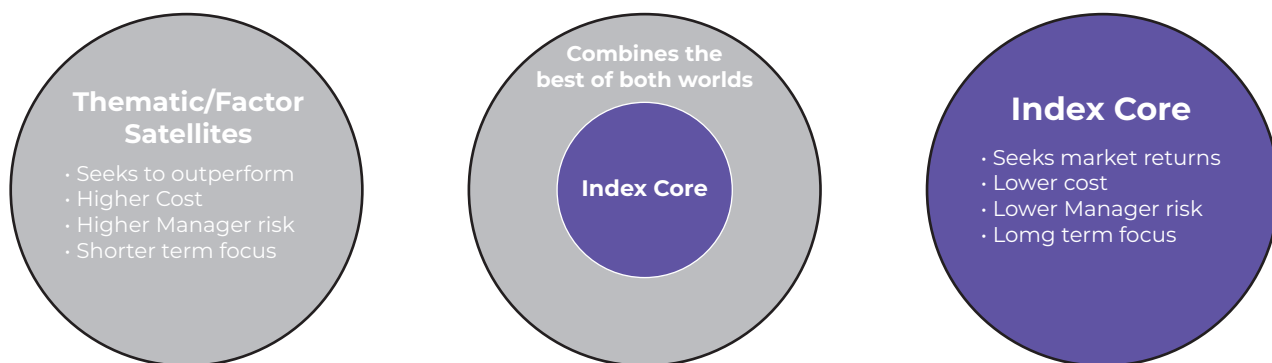
DP Wealth Advisory's core-satellite philosophy is a common-sense investment approach that combines the benefits of lower cost, broad diversification and lower volatility together with investments focused on a specific theme, demographic or idea in order to offset the potential for outperformance. This approach typically using index funds at the core of an investor's portfolio and then selecting a thematic or factor based investments as the satellites.

Core-satellite portfolios brings greater discipline and stability when compared to an actively managed investment portfolio by:

- ▶ Reducing reliance on 'picking winners'
- ▶ Providing greater portfolio diversification
- ▶ Increasing the transparency of a portfolio
- ▶ Reducing overall fund management and transaction costs

Core investments are diversified, typically low cost investments that capture the overall performance of the market (i.e Index Funds), which are used to:

- ▶ Capture market performance
- ▶ Reduce investments costs
- ▶ Reduce volatility across a clients total portfolio by spreading their risk
- ▶ Create a stable portfolio foundation



Satellite investments typically represent a smaller allocation of funds that are designed to capture market opportunities that may tilt a portfolio in areas that add value and potential for higher investment returns. These investments are used to:

- Add the opportunity for out-performance
- Allow the ability for clients to add their own investment ideas
- Investing in more aggressive assets without risking their entire portfolio.

Regular portfolio rebalancing reduces risk

Regular portfolio rebalancing helps clients maintain the target asset allocation that is associated with their risk profile.

By periodically rebalancing, investors can diminish the tendency for “portfolio drift,” and thus potentially reduce the likelihood of taking on a sub-optimal risk and return profile.. Semi-annual or Quarterly monitoring, with rebalancing at particular thresholds, is likely to produce a reasonable balance between risk control and cost minimisation for most investors.

It is not sufficient to just set a target asset allocation. You must constantly review and ensure the asset allocation is being maintained through time. For example, if shares perform better than the other assets in a portfolio, the actual allocation to shares will increase above the target asset allocation. With disciplined rebalancing, a rebalanced portfolio provides lower volatility and a higher return. This also means you are never exposed to risks you had not agreed to when you first invested.

As part of our ongoing service offering we will undertake monitoring of the portfolio and regular due diligence of the underlying investment managers within, keeping the portfolio invested the way it should be.

Investing **without emotion**

Investment markets can be volatile at times and a range of emotions can be experienced by investors as their life savings fluctuate in value.

On many occasions investors are willing to take on more risk when markets are strong searching for greater returns. On the flip side instead of enduring a period of lower returns it is quite often seen investors being impacted by their feelings and emotions which sometimes results in irrational decisions being made. That is why DP Wealth Advisory helps clients to put strategies in place and stay disciplined to keep them on track to reach their investment goals by helping to;

- ▶ Establish and review investment portfolio's that are aligned with client goals
- ▶ Investment Portfolio construction backed by robust research
- ▶ Disciplined approach to investing
- ▶ Tune out the noise
- ▶ Don't try and time the market – it's about time in the market
- ▶ Utilise Dollar Cost Averaging strategies where appropriate
- ▶ Be aware of own biases

Investment committee

To help deliver a rewarding experience to our clients, we've appointed an Investment Committee of seasoned industry veterans who see things differently — who know how to translate financial markets research and data into sound, disciplined investment strategies that build long-term value in clients' portfolios. This Committee provides valuable insights on our investment philosophy, strategies and research function, collectively bringing decades of professional experience in investment management and the financial markets.

Andrew Wielandt

BCom (Finance)



- ▶ Director at DP Wealth Advisory
- ▶ 24 years' experience in providing advice to private clients

Michael Doherty

BEcon, Dip Fin Plan



- ▶ 24 years' experience in providing advice to private clients

Dan Marks

Accredited Age Care Professional, Dip Fin Plan, Dip Fin Adv



- ▶ 20 years' experience in providing advice to private clients

Jye Berghofer

BGen, BCom (Finance & Accounting), Grad Dip App



- ▶ 4 years' experience in preparing advice documents

Rod White

Certified Financial Planner (CFP), Dip Fin, Plan



- ▶ 21 years' experience in providing advice to private clients

Brendan Jones

BCom (Finance), PFP



- ▶ 8 years' experience in preparing advice documents



The **Core Research** Manager

We have selected a specialist investment partner to help us to deliver client core portfolios that reflect our investment philosophy and core beliefs.

We have considered many investment partner options and have decided after completing our research and due diligence that “Morningstar” is our preferred option. By partnering with the “Morningstar” team of experts we are able to utilize innovative solutions, world class technology, and global management expertise all backed with independent research capabilities.

“Morningstar” is one of the most trusted names in the investment industry, both locally in Australia and globally. Morningstar operates from 27 different countries and employs over 3,800 worldwide. They are a leading provider of independent investment research throughout the globe and we are comfortable that their support will help our client’s to reach their investment goals.

DP Wealth Advisory also utilise the services Lonsec, Marcus Today, Market Matters and Motley Fool to complete further due diligence and alternative viewpoints.

Education and a disciplined approach **improves returns**

One of our main motives for preparing this Investment Philosophy Document is so that our new and existing clients can understand our approach to growing, protecting and maintaining their wealth. The way to capture the expected returns from the risk taken is to remain disciplined and to ensure you capture the returns when they are there and to hold your nerve by staying the course when they aren't.

We hope this document helps you better understand how we manage money, how we are different to the mainstream institutions and how we follow the best interests of the client.

DP Wealth Advisory believe education of the advisers and clients improve returns. Each adviser at DP Wealth Advisory have completed and passed their FASEA exam and complete their continuing professional development hours on regular basis. Client Seminars are regularly held, whereby we can inform clients on economic updates and potential investments.

This document is by no means static and we encourage clients to challenge our business on any of the decisions set out in this document because we find that only by continually challenging and evolving this investment process are we able to produce the best results for clients.