INVESTMENT PHILOSOPHY

- *Our Investment Beliefs*
- *Our Investment Philosophy*
- *Our Portfolio Construction*

SPINIFEX
—PRIVATE WEALTH—

What is our Investment Client Value Proposition?
How do our clients benefit from this?

What is our Investment Value Proposition?

- We utilise a strong investment framework and disciplined process.
- We employ significant amount of high quality research in our process. If we don't understand it, we won't invest in it.
- We ensure that you understand our investment decisions and your portfolio as much as you would like. We enjoy educating.
- We are an anchor in times of stress, to remind our clients of previous recommendations and decisions. We'll be there should times get tough.
- We are patient when required and understand the need for appropriate investment timeframes. We don't panic and we are not speculators.
- We use a semi-active approach.
- We use investment platforms such as Wrap accounts.
- We invest and manage purely on a fee-for-service basis, no commissions are accepted.
- We like investing with our clients. We enjoy it and we are passionate about it.

How do you benefit?

- We can provide you with a high degree of confidence that your investment needs and objectives will be met or exceeded.
- By weeding out poor investments, focus on those that make sense. Therefore, minimise risk and better protect your capital.
- Educated clients are more comfortable and patient, leading to better investment decisions.
- Emotions and investing don't mix well. History has proven that patient investing pays rewards over time. Conversely, listening to short-term 'market noise' often leads to poor investment outcomes.
- We believe it's an optimal balance between increased returns from the exploitation of short-term market inefficiencies and opportunities and between keeping a check on transaction costs and taxes.
- Cheaper overall investment costs, access to more investment opportunities and greater convenience for all parties involved.
- Convenience and lower costs for you and more effective investment management from us.
- Transparency and no conflicts of interest.
- Our passion keeps us interested and focused on your investments.

Background

Our Investment Philosophy – What, How, Why…

What is an investment philosophy?

In simple terms, an investment Philosophy is how we think about investing. It is a framework which helps and guides us in designing and managing our client's investment assets.

How an investment philosophy relates to your beliefs?

Our investment philosophy is underpinned and born out of a set of principles, our investment beliefs. It is a natural product of our beliefs. The collection of our beliefs forms our philosophy.

Why it is important to have an investment philosophy?

Without this, we would have no framework nor guidelines within which to design and manage our client's investment assets. Investment decisions would possibly be made ad-hoc, without discipline, without proper reasons nor research etc.
That is not how we want to manage our client's assets.

What supports our Investment Philosophy?

- *Many years of ongoing professional education.*
- *Many years of experience in investment markets, including periods of boom and those of gloom.*
- *A large amount of research, sourced from a variety of reputable sources.*
- *Confirmation of the success of our philosophy via actual client portfolios.*
- *Regular reviews of all of the above to ensure that we remain on track.*

OUR INVESTMENT BELIEFS:

1. MARKETS ARE *IN*EFFICIENT – MARKETS ARE HUMAN
   - Market can be inefficient, particularly over shorter time periods. That is, markets can be distorted by emotions, sentiment and short-term thinking.
   - Therefore, good research and a semi-active approach can add value by taking advantage of short-term opportunities. However, ultimately, time in the markets is more important than timing of the markets and a more reliable generator of returns. Patience is rewarded.

2. ACTIVE vs PASSIVE
   - In line with the above, we exercise a semi-active approach.
   - We don't believe in short-term 'trading', as this would result in extra transaction costs, extra capital gains tax and as short-term timing in and out of investments is notoriously difficult to consistently get right over time.
   - However, we also don't believe in a set-and-forget approach. There are too many factors that affect investments to warrant continued oversight and periodic reviews. These include 'external' factors to an investor (eg economic, political, financial, tax, legislation etc) and those 'internal' (ie the investor's personal circumstances, goals, objectives, needs etc).
   - Hence we aim to strike a balance between these approaches and make changes to client's investments only when they are considered to be likely to be better off overall.
   - Equally we consider both 'active' and 'passive' funds as part of our investment funds universe. Our model portfolios are typically a combination of the two, depending on best actual track-records over various time-frames.

3. DIVERSIFICATION
   - We have no crystal balls that accurately predict the future. However, history shows that different investment types have performed differently over different years.
   - Therefore we consider it only sensible and prudent, to spread our client's investment assets over a variety of different types of investments.
   - Particularly so, when we can mix together investments, whose performance and risk is uncorrelated or even negatively correlated with each other.
   - So, diversification reduces risk and volatility but too much diversification dilutes returns. It's about striking an appropriate balance for each client and that means that there is a place for higher conviction strategies with less diversification.

4. Asset Allocation – Tactical vs Strategic

- Strategic asset allocation is in line with long-term beliefs and views on investment markets.
- Tactical asset allocation takes into account and makes adjustments in how portfolios are designed, based upon shorter-term factors and views on economies and financial markets.
- We see merit in both and thus we construct and manage portfolios using a combination of the two.

5. Research

- We are not investment/market experts ourselves nor do we have the resources and time to research investment markets and the many many investment assets available on an ongoing basis.
- Therefore we access and import necessary research intelligence and resources by aligning ourselves with a number of high quality investment research providers. We take guidance from these teams on a range of investment matters, we liaise with and consult them where needed and we utilise the model portfolios that they have constructed.
- We believe in sourcing investment research from organisations which:
  - Have sufficient resources
  - Have an appropriate degree of independence from product providers
  - Has broad access to external sources of research/data
  - Share a similar investment philosophy to ourselves.
- We believe that good quality research is not just crucial in managing our client's portfolios but adds real value in both risk protection and excess returns.

6. Risk & Volatility

- We recognise the various risk that exist in relation to investments. These include:
  - The risk of permanently losing capital (real and ultimate risk)
  - The risk of an investor not achieving a required rate of return on an investment (risk of not taking enough risk)
  - The risk of an investor outliving their investment assets (longevity risk)
  - The risk of investment incomes not exceeding inflation (inflation risk).
  - The risk of an investor having to access capital earlier than expected (the life-is-unexpected risk).
- We explicitly differentiate between normal and expected market fluctuations (volatility) and between the risk of actually losing one's capital. We know that these are often misunderstood and confused. In constructing our client's portfolios we take into account a comfortable level of the former while always aiming to avoiding the latter.
- We believe that the latter can be avoided by:
  - Good research to avoid poor investments, those badly constructed or those of unacceptable risk
  - Smart / adequate diversification
  - Portfolio construction and choosing of underlying investments that is in line with your stated investment timeframe.

7. Direct vs Indirect

- We believe there is a place and merit for both.
- Holding investments directly (eg listed shares) can:
  - reduce ongoing investment costs,
  - allow for greater tax flexibility
  - Allow for participation in corporate actions such as rights issue, share purchase plans, buy-backs etc.

  …but should only be done if good research can be accessed on an ongoing basis and if the investor has the means to not just monitor their investments but also to make adjustments quickly if and when required.
- If this cannot be done, then perhaps a managed investment fund is a better option.
- In line with this and on the assumption that the portfolio is large enough, then we generally invest into Australian Shares on a mostly direct basis (with exceptions such as Smaller Companies and Long-Short strategies) and other asset classes via selected managed funds.

8. Costs

- Investment costs are a balancing point to us.
- Arguably, no one likes to pay (more than necessary) for anything but we believe that quality does always pay for it itself over time and good quality research, a strong investment platform etc are worth paying for.
- We will always try to take costs into account and as long as the investor is still better off, tangibly or otherwise, then some costs are reasonable to incur when investing. This applies in particular to the choice of cheaper index/passive investments vs more expensive active investments.

9. Taxation

- We believe that investment merits should generally override taxation considerations.
- In other words, we are not going to invest into something, be a financial product or an investment, purely or even primarily, to gain a tax benefit. If the investment or product or strategy doesn’t stack up and produce real benefits to you own its own, then we won’t invest.
- Examples of where we have employed this philosophy over the years include Agricultural type schemes which were avoided due to their high costs and as they appeared to be driven primarily by tax deductions.
- Having said that, in the ordinary course of managing investment portfolios, we do consider capital gains tax when making investment decisions and will take this into account at the time as one of several inputs.

10. Currency Hedging

- We know that currency movement can make a significant impact upon the capital value and investment returns over overseas assets, both negatively and positively. Naturally, we prefer the latter.
- However, we also believe that getting currency calls right consistently, is difficult and fraught with additional risks.
- We don't have the in-house expertise to make such calls and therefore prefer to rely on research teams to assist us and/or use managed funds that actively manage currency risk.
- We have also seen enough studies to form a view that currency impacts tend to be felt more so over shorter periods of time, while over the medium to long-term, they are of less consequence.

11. Alternatives

- Investments and/or investment strategies strategies such as Options, Hedging, Long-Short Strategies, Absolute Returns, Futures, Currency, Direct Commodities etc are often referred to as 'alternatives' to what are considered more traditional (long-only) investments such as Shares, Property, Bonds, Cash etc.
- This is largely due to them:
  - providing additional sources in investment returns, and
  - exhibiting a low or even negative correlation to the risk/return behaviour of these traditional investments. For example, even in a falling share markets, a long-short manager can still make positive returns.
- We therefore routinely include an allocation to these in client's portfolio.

12. Social/Ethical Considerations

- It can be difficult to effectively incorporate social and/or ethical considerations into a portfolio. Investment assets meet this criteria and continue to do so on an ongoing basis are small in numbers and not easy to monitor.
- In addition, incorporating these can have adverse affects on portfolio performance.
- We therefore don't as default, apply any social/ethical filters or overlays to our investment portfolios. They are constructed and managed first and foremost to meet and exceed investment performance objectives.
- However, if a client expresses a wish for us to include social/ethical considerations in their portfolio, then we can certainly do so.

13. ‘Platforms’

- Investment ‘platforms’ refers to technological systems and/or services which can house a portfolio of investment assets and administer them. ‘Wraps’ are a well known example. Investment assets than can sit on these include:
  - Listed Shares / Listed Income Securities / Investment Companies
  - Managed Funds
  - Term Deposits / Cash Accounts
- The services/benefits that these ‘platforms’ provide typically include:
  - Easy overview of all investments in a portfolio (online)
  - Easily produced consolidated reports for the portfolio, including valuations, asset allocation, capital gains tax, performance etc.
  - Access to a wide menu of investment options, including cheaper ‘wholesale’ funds.
  - Efficiencies on the part of the adviser in managing the investment portfolios, which should be able to be passed on in lower fees.
  - Efficiencies on the part of the investor’s Accountant, due being able to receive yearly tax reports, which easily consolidate all tax matters for the portfolio, as opposed to having to reconstruct this for a portfolio of individually held investments.
- The only downside that we see to using such a platform as opposed to trying to construct and hold and manage a portfolio of direct assets, is cost. That is, there is a fee charged by the platform providers for their services.
- However, we believe that this is more than offset by the benefits flowing from their use.

14. Investment Performance:

Last but not least, how do we evaluate performance of portfolios and individual investments therein:

- Any performance evaluation must be relative to and in line with the goals and objectives and timeframes of the investor.
- There is no point judging an investment or an entire portfolio on performance over the short-term (say 3 months or 1 year), when it is a long-term investment that is designed to grow and achieve its investment objectives over 5, 10, 20 years. Conversely, it’s risky hoping for good longer-term returns when the investment was only ever to have been made for a short time.
- Having said that, the majority of our managed investment portfolios are longer-term assets, with usually a minimum investment time horizon of 5-7 years +, often much longer.
- Therefore, we believe we should evaluate investments on a similar basis. That is, have they and/or are they likely to in the future, achieve appropriate and competitive investment returns over the medium to long-term, over a business cycle (ie 5-7 years) etc? Any other judgement is deemed potentially unfair and potentially will cost the investor money, as an investment that underperformed in the short-term, may outperform when the business cycle turns or when investment conditions improve.
- Having said that and in line with our semi-active portfolio approach, consideration should be given to opportunities that exist at every part of the business and investment cycle.
- Typically, ‘Growth’ assets such as Shares and Real Estate should be judged over an investment period of 5-7 years+, Bonds and the like over 2-3 years+ and cash very much the more immediate.

WHAT IS OUR INVESTMENT PHILOSOPHY?

Investment markets are ineffcient over the short to medium term

We generally believe in a semi-active management of portfolios.

Risk management is critical. A need to focus on the understanding, allocation and management of risk.

We are happy to take risk, but must be adequately compensated for it.

Beta or market returns are important, but not automatic decisions

We may consider reducing or increasing beta exposure over the market cycle

Currency needs to be considered 'actively' within the investment process

We believe investors should not invest offshore without considering how currency impacts their total return.

Alternatives have a role to play in diversifed portfolios

We believe there is value in using non-correlated assets to enhance diversifcation benefts.

Direct investments (such as equities) provide low cost exposure

We believe there are merits in holding direct assets in an investor's portfolio.

…WHAT IS OUR INVESTMENT PHILOSOPHY?

Based upon our extensive experience and education and the beliefs we have thus formed, our investment philosophy is as follows:

- RESEARCH: good research is crucial. We source high quality investment from a number of what we see as well regarded, well resourced and reputable sources. We combine this to form our final view on investment matters.
- INVESTOR PROFILES: we believe that most investors can be categorised into the 5 profiles that we generally use. Providing all clients with individual profiles and asset allocations does in our opinion not add any value for them and conversely creates unnecessary complexity and costs for us in managing portfolios.
- ASSET ALLOCATION: Asset allocation generates most of the investment return over time and so portfolios are constructed in line with long-term Strategic Asset Allocation models. However, we also believe that additional returns can be generated and risk mitigated by adjusting to shorter-term conditions. Therefore, we also overlay with short to medium-term Tactical Asset Allocation to take into account contemporary circumstances in economic and financial markets.
- TIME: We aim to be patient and look beyond short-term market ‘noise’ and focus on delivering longer-term returns.
- RISK: We employ a robust risk management framework to safeguard capital over time. That framework consists of elements such as:
    - Good quality research
    - Diversification
    - Regular portfolio reviews as appropriate
    - Patience and a long-term view to investing
- TAX: Tax should never be an overriding consideration in making investment decisions and should instead be seen as a price to pay for good returns.

…WHAT IS OUR INVESTMENT PHILOSOPHY?

- COSTS: Costs should be contained but are a necessary contribution to successful investing. We believe that over time, and particularly in some investment areas, active managers can justify their higher fees by higher returns.
- DIVERSIFICATION: Portfolios should be adequately but also intelligently diversified, so as to reduce unnecessary risk/volatility and improve returns over time.
- DIRECT ASSETS: direct/listed assets may be included in the areas of Australian Shares/Fixed interest, so as to lower overall investment costs, provide access to corporate actions, provide more tax flexibility, account for client's existing holdings and account for any share holding restrictions they may be under.
- INVESTMENT STYLES: we use a combination of 'Active' and 'Passive' funds. We believe that our research partners can source active funds that will outperform markets and peers over time and thus focus on these. However, we will let actual long-term performance be the final judge. Where we have found that these active managers are unable to outperform over time, then we may use a low-cost passive investment instead. In addition, portfolios use a complimentary mix of investment styles such as 'Growth', 'Value', 'GARP', Macro (To Down) /Micro focus etc.
- ALTERNATIVES: Alternative investment and strategies play a beneficial role in portfolios.
- LIQUIDITY: Sufficient liquidity should be maintained to pay for costs and taxes and to take advantage of investment opportunities as they may arise.
- CURRENCY HEDGING: should be either left to experts or implemented to only moderately over the longer-term.
- PORTFOLIO ADMIN PLATFORMS: should be used unless a specific portfolio would not benefit.
- FILTERS / SRI: Social/ethical filters are not applied to a portfolio unless requested.
- PERFORMANCE: Performance should be judged against the investors goals and dependant upon the assets invested in. Generally speaking, we are longer-term investors.

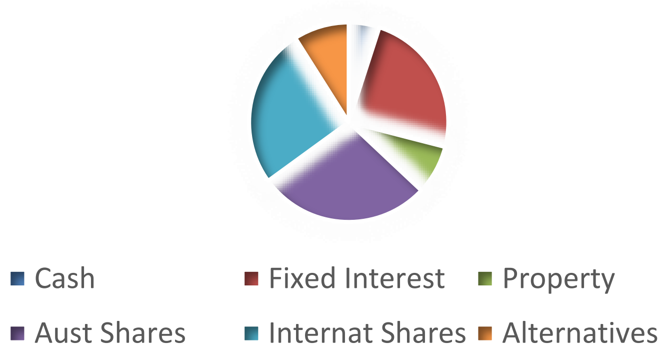
PORTFOLIO CONSTRUCTION:

How we move from your Life Goals and Needs to your Investment Portfolio

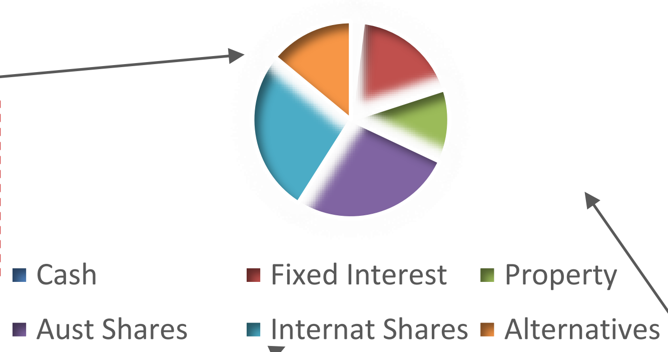
Your Life Goals and Needs → **Your Investment Objectives** → **Your Investment Strategy** → **Strategic (Long-Term) Asset Allocation (SAA)** → **Tactical (Shorter-Term) Asset Allocation (TAA)**

Regular Reviews

Strategic Asset Allocation



Tactical Asset Allocation



Fixed Interest:
- Diversified
- Global and Local
- Funds and Listed Securities
- Currency Hedged

International Shares:
- Specialist Fund Managers
- Various levels of currency hedging

Australian Shares:
- Diversified
- Sector Model Portfolios
- Use of specialist funds and portfolio of 10-20 listed Shares

PORTFOLIO CONSTRUCTION cont….:

So how do we construct our portfolios, what do they typically to look like, how do we look after them…?

Approx. Portfolio Size	Up to $250K	$250K - $750K	$750K - $1m	$1m - $2.5m	$2.5m+
Typical Portfolio Construction	Multi-Asset Multi-Manager (Pre-blended diversified portfolio)	Managed Funds only (Model Portfolio +)	Full Portfolio Service: Managed Funds & Listed/Direct Securities, Shares, Term Deposits, Hybrids, IPOs etc (Model Portfolio +)		
Typical Full Portfolio Review Cycle	Yearly	Yearly or Half-Yearly	Min 3 x pa		
Ongoing Portfolio Monitoring	No	Possibly	Yes - Full Service		
Access to IPOs	No	Possibly			
Management of Corporate Actions?	No	Possibly			

RESEARCH: General

Our investment research covers areas such as:

- Asset allocation (Strategic and Tactical)
- Investment types
- Currency considerations incl portfolio hedging
- Investment styles incl Active and Passive, Core, Value, Growth etc.
- Broad economic and financial markets conditions
- Expectations for the future
- Share corporate actions, IPOs

Current research sources include:

- Lonsec
- Morningstar
- Various industry publications
- Fund manager websites, publications and personnel.
- In-house proprietary analysis

RESEARCH: Fund/Manager research process:

Having constructed with you what the overall investment strategy for your portfolio should look like, we then select a portfolio of suitable investments. Any and all investments chosen, must meet strict selection criteria, in line with the process shown below:

1. Filter Investment Universe

A reasonable number of funds are selected for further consideration and research. The number of funds included will depend upon factors such as:

- the size of the universe
- the location of managers
- demand for such funds
- Our portfolio requirements etc.

2. Initial Fund Manager Review

This focuses on the key elements of an investment manager/fund and aims to capture all aspects of a fund/strategy as well as the manager's investment capabilities, resourcing and their ability to meet or exceed the targeted investment objectives on a consistent basis over time. More specifically, these aspects include:

a) Business Profile:
- Ownership / Management
- Investment style
- Resourcing and business capitalisation
- Fund capacity
- Liquidity controls
- Aim and objective of the fund/manager

b) Investment costs incl fund MER

c) Investment Process:
- Investment philosophy and process incl investment decision making process
- Details of any ethical/social screening used
- Details of currency hedging philosophy
- Risk management controls
- Portfolio turnover
- Use of leverage/gearing, etc

d) Performance
- Performance comparison against its own objectives
- Comparison against indices and peers.
- Consistency of performance
- Performance attribution

e) Team
- Size and experience of investment team
- Team turnover
- Remuneration of investment personnel

f) Product Features
- Features/benefits analysis
- Competitor analysis
- Product flexibility

3. Conduct due diligence

Once the information in step 2 has been received and analysed, it will be reviewed along with supporting documentation such as:

- FSC Investment Management Questionnaires
- Portfolio analysis
- Performance analysis
- Attribution analysis
- Research house reports
- Product Disclosure Statements

For products/funds that continue to be of interest, the research team will then meet with the fund/product manager and conduct further due diligence on the manager's capabilities.

4. Final Review & Recommendation

Once the due diligence process identifies suitable offerings, the research team will prepare a recommendation to the investment committee for approval for inclusion of the 'Approved Product List' (APL). As part of the recommendation, the research team will recommend that an associated APL status be applied to the fund/product depending upon the relative conviction and view on the product/fund. These include:

- Buy
- Hold
- Under Review
- Exit on next review
- Sell

5. Ongoing Monitoring

The primary objective of monitoring the APL it to ensure that it continues to be made up of high quality investment offerings and continues to meet the client and business objectives.

PORTFOLIO REVIEWS:

Having set up your portfolio, how do we look after it going forwards? How do we ensure that it continues to be in the best shape possible, continues to meet your needs, goals and objectives etc?

Periodic Full Portfolio Reviews

- Depending upon the size and construct of your portfolio and the service package you have elected to take up, we will conduct a full and comprehensive review of your portfolio on a basis that is yearly, half-yearly or up to 3 times pa.
- This will take into account….
    - ✓ Your agreed needs, goals and objectives (financial and otherwise)
    - ✓ Your investment timeframe
    - ✓ Therefore, the overall investment strategy for the portfolio.
    - ✓ As part of this, our agreed asset allocation benchmarks and ranges.
    - ✓ The research team's view on macro economic conditions.
    - ✓ The research team's view on the state of financial markets, currency, geopolitical conditions etc.
    - ✓ The research team's current construction of model portfolio, including equities models.
    - ✓ The research team's current view on individual funds/shares/hybrids/debt notes etc.

Ongoing Monitoring and Actions

- At the same time, we will monitor economic conditions and investment markets and again review your portfolio and make or suggest appropriate changes, should the conditions warrant this.
- At the same time we will continue to liaise with our research partners and should the view or rating on an existing investment deteriorate or conversely, should a new investment opportunity come along that we believe would suit your portfolio, then we will take appropriate action to either reduce / exit a poor investment or conversely, take up an allocation in a new one.

IMPORTANT WARNING:

This document has been prepared by Spinifex Private Wealth – Corporate Authorised Representative of Evaro Wealth Partners AFSL 472429.

It has been prepared merely as an educational and informational tool to describe a part of our business.

The information in this document contains only general information and does not take into account your personal objectives, financial situation or needs.

Therefore, it should never be construed as financial advice and never be relied upon to make personal financial decisions.

We recommend that you consult us for further information, in regards to how this may or may not apply to your own needs, goals and objectives and what if any actions you should take in regards to your financial affairs.