My Financial Mentors

Investment Philosophy

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Investment Philosophy

My Financial Mentors' investment philosophy combines theory and practical experience, providing our clients a high probability for long-term investment success.

Key investing principles:

- Broad diversification is crucial.
- Risk is the price we pay for return.
- Long-term success requires strategic discipline.
- Asset allocation is the primary driver of portfolio success.
  - » Markets are efficient
  - » Active Vs passive
  - » Strategic Vs tactical
  - » Rebalancing
- Low cost is a critical success factor.
- Aligned interests between investor, adviser and fund manager is essential.

Providing our clients a high probability for long-term investment success.

Diversification

Investment markets are generally unpredictable, making it extremely difficult to pick winners consistently. My Financial Mentors utilises a longer-term strategic approach.

As the cornerstone of our philosophy, diversification across the various asset classes as well as investment styles reduces risk in a portfolio by offsetting the returns of underperforming investments with those of better performing investments. Diversification also enhances returns by allowing exposure to riskier investments with higher expected returns which may have been too risky to hold in isolation.

Periodic Table of Assets - AUD

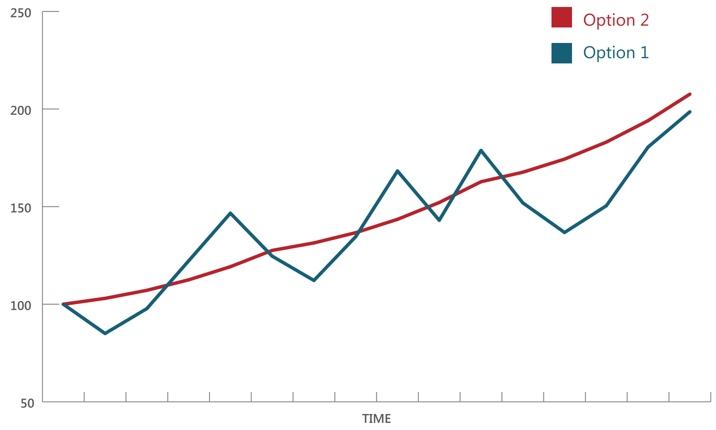
January 2001 - December 2014

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highest Return	20.39%	11.57%	32.29%	31.30%	43.20%	34.21%	25.12%	9.23%	57.43%	13.05%	10.51%	21.64%	53.62%	32.93%
	15.87%	4.77%	17.93%	27.99%	23.65%	27.63%	17.05%	7.60%	40.86%	10.66%	5.00%	21.00%	47.00%	14.72%
	11.28%	-3.53%	16.45%	26.84%	22.79%	24.27%	16.13%	-24.92%	38.38%	9.28%	0.61%	20.54%	46.94%	13.36%
	9.45%	-3.66%	13.76%	26.64%	21.67%	23.43%	10.28%	-25.33%	36.19%	7.22%	-5.55%	16.74%	24.55%	11.40%
	8.29%	-8.63%	11.20%	20.68%	19.59%	23.01%	6.73%	-26.80%	11.73%	4.67%	-5.63%	16.08%	21.54%	10.37%
	5.71%	-9.12%	6.59%	19.48%	17.07%	16.41%	6.63%	-31.60%	8.03%	4.30%	-9.08%	14.38%	18.32%	6.97%
	5.24%	-14.71%	4.90%	13.91%	17.01%	11.74%	-2.12%	-37.21%	3.48%	1.69%	-9.82%	14.06%	13.03%	6.93%
	1.78%	-23.65%	3.23%	10.27%	16.69%	9.07%	-7.18%	-41.23%	2.24%	0.84%	-9.94%	9.66%	2.87%	6.13%
	-7.66%	-27.17%	2.12%	8.92%	6.62%	6.04%	-9.53%	-41.24%	0.77%	-1.94%	-18.44%	6.58%	2.27%	2.69%
Lowest Return	-9.71%	-27.23%	-0.52%	5.62%	5.73%	4.41%	-20.75%	-53.17%	-1.80%	-4.35%	-21.43%	3.97%	-0.76%	-3.81%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Australian Large	11.28%	-8.63%	13.76%	27.99%	22.79%	23.43%	16.13%	-37.21%	36.19%	0.84%	-9.82%	21.00%	21.54%	6.13%
Australian Small	1.78%	-9.12%	32.29%	26.64%	19.59%	34.21%	17.05%	-53.17%	57.43%	13.05%	-21.43%	6.58%	-0.76%	-3.81%
Australian Value	15.87%	-3.53%	11.20%	31.30%	21.67%	24.27%	10.28%	-41.24%	40.86%	1.69%	-9.94%	21.64%	24.55%	6.97%
Global Large	-9.71%	-27.17%	-0.52%	10.27%	17.01%	11.74%	-2.12%	-25.33%	0.77%	-1.94%	-5.55%	14.38%	47.00%	14.72%
Global Small	9.45%	-23.65%	17.93%	19.48%	23.65%	9.07%	-9.53%	-26.80%	11.73%	10.66%	-9.08%	16.08%	53.62%	11.40%
Global Value	-7.66%	-27.23%	3.23%	13.91%	17.07%	16.41%	-7.18%	-24.92%	-1.80%	-4.35%	-5.63%	14.06%	46.94%	13.36%
Emerging Markets	5.71%	-14.71%	16.45%	20.68%	43.20%	23.01%	25.12%	-41.23%	38.38%	4.30%	-18.44%	16.74%	13.03%	6.93%
Property	20.39%	-3.66%	2.12%	26.84%	16.69%	27.63%	-20.75%	-31.60%	2.24%	7.22%	0.61%	20.54%	18.32%	32.93%
Cash	5.24%	4.77%	4.90%	5.62%	5.73%	6.04%	6.73%	7.60%	3.48%	4.67%	5.00%	3.97%	2.87%	2.69%
Fixed Interest	8.29%	11.57%	6.59%	8.92%	6.62%	4.41%	6.63%	9.23%	8.03%	9.28%	10.51%	9.66%	2.27%	10.37%

Why Volatility Matters

	Option 1	Option 2
Year 1	-15%	3%
Year 2	15%	4%
Year 3	25%	5%
Year 4	20%	6%
Year 5	-15%	7%
Year 6	-10%	3%
Year 7	20%	4%
Year 8	25%	5%
Year 9	-15%	6%
Year 10	25%	7%
Year 11	-15%	3%
Year 12	-10%	4%
Year 13	10.%	5%
Year 14	20%	6%
Year 15	10%	7%
Total	**90**	**75**

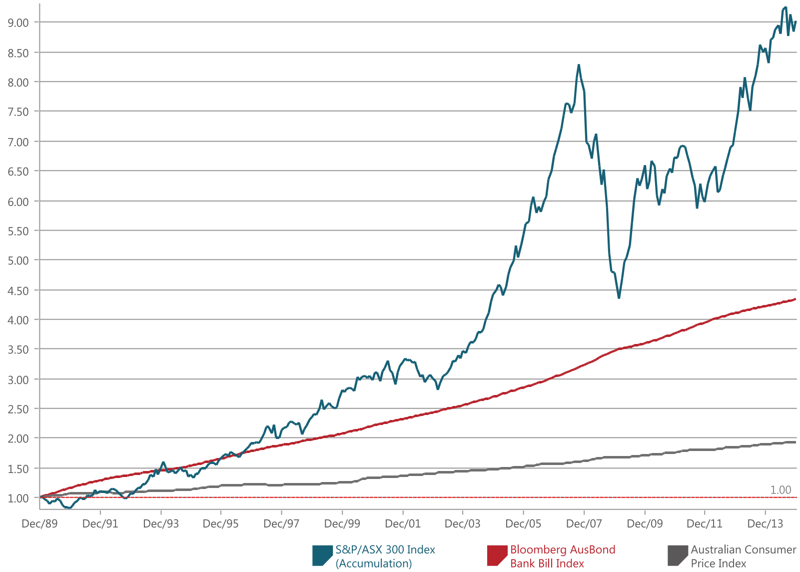


	Option 1	Option 2
Capital invested	$100	$100
Total return	90.00%	75.00%
Average	6.00%	5.00%
Std Dev	16.45%	1.41%
Capital after 15 years	**$198.57**	**$207.61**

Diversification makes for a smoother journey.

Risk & Return

Risk is the price paid for return. There is no such thing as a risk free investment, however the risk premium (expected returns relative to risk) should be fair compensation for the risk taken. Everyone's risk tolerance is different based on attitudes, personal circumstances, and investment timeframes.



Growth of Wealth

Monthly:01/1990 - 02/2015; Default Currency: AUD

We believe that your portfolio should be tailored according to your risk tolerance.

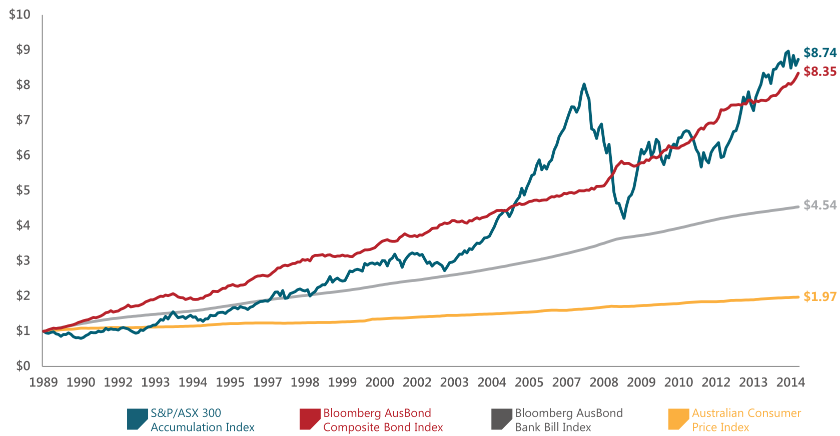
As your trusted advisers, we ignore the herd and cut through the noise with the conviction that capital markets will continue to reward long-term investors.

Discipline

Long-term success requires sticking to a well-defined and evidence-based process. With over emphasis often placed on short-term, sensational news stories, it can be easy to get absorbed in the noise and make poor investment decisions based on emotion.

Capital Markets Have Rewarded Long-Term Investors

Monthly growth of wealth ($1), October 1898 - December 2014



Asset Allocation

Market efficiency: We believe that markets are generally highly efficient in pricing themselves and as such, that strong portfolio performance can largely be attributed to asset allocation and investor discipline.

Drivers of return: Academic research has identified a number of key drivers which have proven to add value to a portfolio over time. Relative performance among stocks largely depends on company size (small vs. large), relative price (value vs. growth) and profitability (high vs. low). In fixed income, there are two key factors driving relative performance: term and credit. As a result, our portfolios are structured to accommodate these drivers.

Active Vs passive management: Active management aims to outperform the market either with a 'value' approach (buying under-priced shares) or a 'growth' approach (buying shares with superior profit prospects). Passive management gives broad exposure to an asset class resulting in returns which track that particular market. Consistent with our belief that the majority of portfolio performance comes from the asset classes themselves, we primarily work with passive managers who are typically more competitively priced than active managers.

We do believe that select active managers with unique investment approaches can enhance a portfolio through delivering Alpha and providing something unique to the rest of the portfolio - in these instances we are comfortable to pay a premium.

Strategic Vs tactical asset allocation: Making tactical calls as to when to be invested in specific asset classes is near impossible to get right over the long-term. This, combined with the associated fees involved with entering and exiting markets, supports our conviction for strategic asset allocation, where value is created and risk managed through long-term asset allocation decisions.

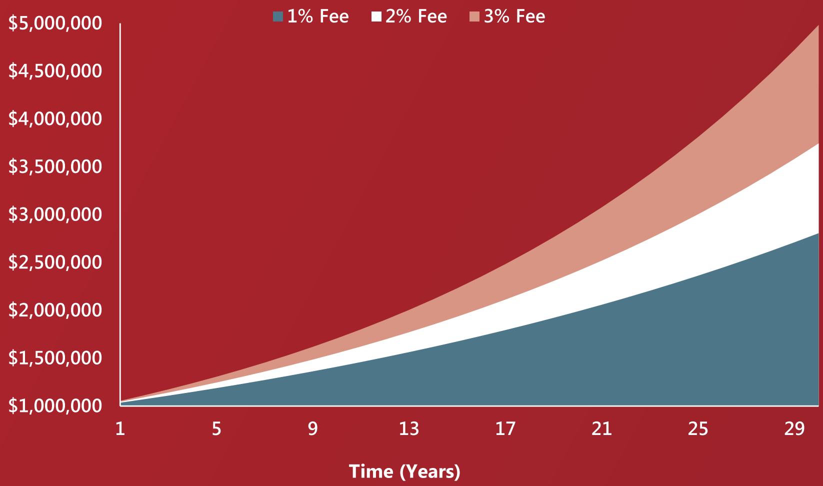
Rebalancing: Regular rebalancing helps control risk in a portfolio. As certain asset classes outperform or underperform, a portfolio will fall out-of-line with its strategic asset allocation. A disciplined approach to rebalancing removes the emotions (greed and fear) from the equation by redistributing capital from stronger performing asset classes into poorer performers. This will have the flow-on effect of systematically buying low and selling high without having to make tactical calls.

We rebalance at two distinct levels:

1. Fund managers rebalance regularly to adhere to their stated asset allocation levels.
2. We rebalance at a macro level to adhere to our clients' long-term strategic asset allocation. This rebalance takes place on an annual basis or after a significant market event (e.g. equity markets moving by more than 20%).

Controlling cost

With so many uncertainties in investing, it is important to focus on the controllable aspects. Fund manager fees can quickly erode investment returns, particularly if a fund underperforms.



We aim to build our portfolios aligned to the strategic asset allocation with the best possible pricing.

Alignment of interests

Our goal is to align the interests of our business with that of our clients so that we rise or fall together.

We are able to achieve this in the following ways:

- Our directors invest personal money in the same portfolios as our clients.
- We have the option of a performance based fee model.
- The fund managers we work with share the same philosophy.

Our goal is to align the interests of our business with that of our clients so that we rise or fall together.

“ Someone’s sitting in the shade today because someone planted a tree long ago.”

Warren Buffet

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