WEALTH DIFFERENTLY

Our Investment Philosophy & Process

About Us:

Managing significant wealth is challenging. We are your independent sounding board and guide to the complex world of managing your wealth. Every successful wealth strategy is grounded in a clear set of investment principles - these are ours. We'll work with you to develop your own wealth strategy, tailored to align with your unique goals and values.

Why Choose Us?:

We have nearly 30 years experience of managing significant pools of wealth in Investment Management and Advice, across all asset classes and investment options. Our unique approach means that we teach you the tools and discipline that professional investment managers use, so you can successfully manage and protect your wealth. We cut the jargon, help you develop your own unique frameworks for managing your money, placing you in the driver's seat to manage your wealth. We work collaboratively with all of your advisers, ensuring that you maximise the value from everyone in your team.

Our clients are at the centre of everything that we do. Our depth of experience means we are uniquely placed to *guide you to manage your wealth with confidence.*

Collaboration is the Cornerstone of Effective Wealth Management:

What sets our approach apart is that we work closely with not just you and your family, but also with your entire team of advisers—whether they're accountants, lawyers, private bankers, or other financial experts.

Our priority is achieving the best outcomes for you, and this teamwork ensures we're all aligned, helping you get the most from everyone involved.

True success is when we all work seamlessly together - for you and your family.

Our Values:

These are our four values that guide everything we do:

1. **Independence:** We speak our minds and always defend our clients' best interests. We only get paid by our clients.
2. **Curiosity:** We have a culture of learning and exploration and we are open-minded when it comes to finding solutions for our clients.
3. **Collaboration:** We bring everyone and everything together. We work seamlessly with all of your advisers.
4. **Doing Good:** We're committed to making the world a better place in whatever ways we can.

WEALTH DIFFERENTLY

Shelley Marsh | Wealth Differently
Phone: 0417 654 038

Email: shelley@wealthdifferently.com.au
Website: www.wealthdifferently.com.au

Your Goals and Values

Every Family is Unique:

We understand that every family is unique, each with your own set of challenges and goals. Luckily, it is our job to be your personal guide and sounding board.

We work closely with you to understand your needs, values, and what truly matters to you.

Our mission:

Our mission is to ***empower you to make informed, confident decisions about your wealth, always with your best interests at heart.***

Understanding You:

We ask a series of questions to better understand each of you as individuals, as well as your family as a whole.

Our aim is to get to know you all and discover what matters most to you.

Building Your Portfolio with Purpose:

When we get to know you we explore:

- What brings you joy?
- What keeps you up at night?
- If we were to look 10 years into the future, what would success look like for your family?
- Is legacy important to you or your family?

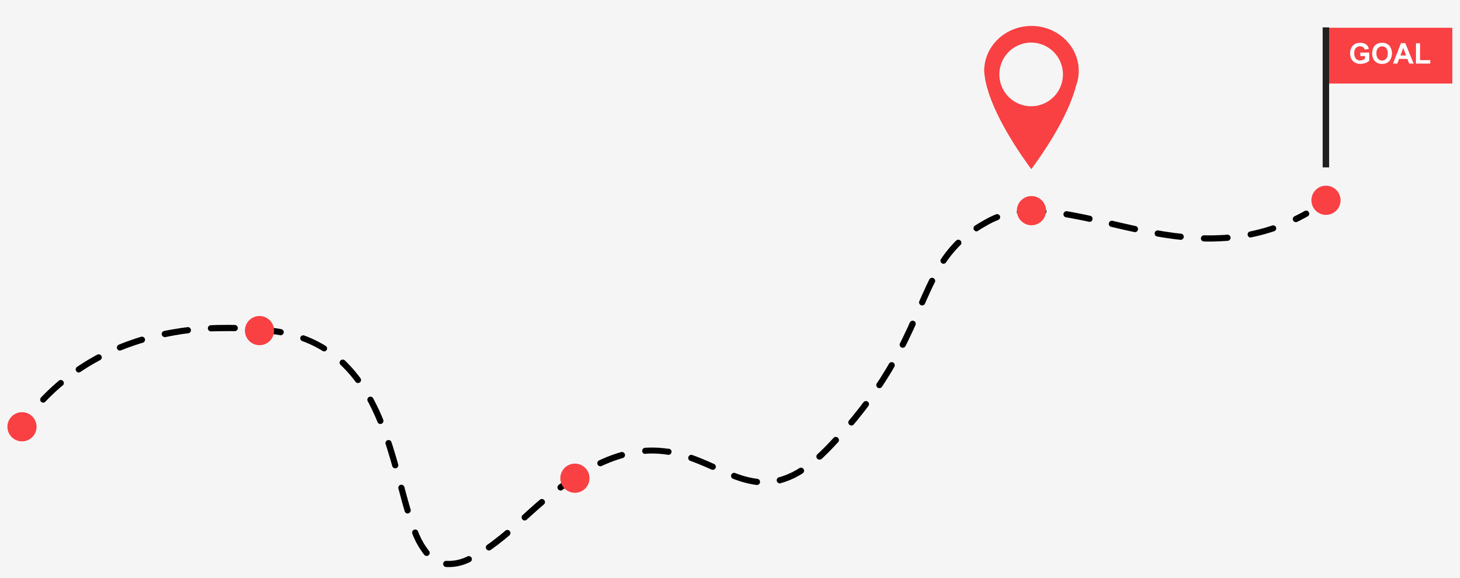
Your goals and values:

The approach when it comes to your investment goals is unique to you and your family and we help you define goals based on what's most important to you and what you want to focus on.

Our clients are often in a position to do anything they want to do, it's more about *what's possible and what you want to focus on to create.*

We will work with you to understand any investment preferences and/or beliefs that you have.

Keeping you on track to achieving your goals



The importance of a disciplined framework for decision making:

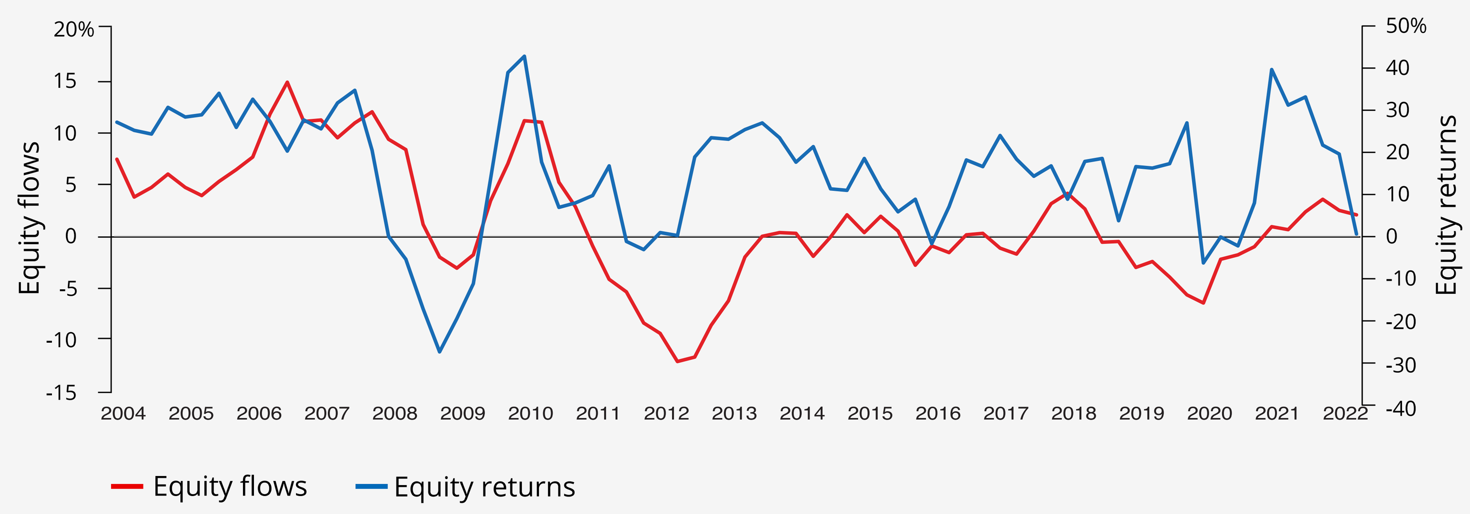
We believe that having a structured and disciplined approach to decision making is essential for long-term wealth creation and preservation.

With our extensive market experience, we've seen it all. Market cycles come and go, but maintaining a calm, rational approach - without getting carried away by emotion - is a key to building lasting wealth.

This matters because it's crucial to keep your head, when everyone else is losing theirs. In my experience, everyone feels confident during rising markets, but when things get tough, people tend to panic and make poor decisions. That's when discipline and structure are critical.

The danger of lacking a plan

Managed funds cash flow often follow performance



Notes: Net flows represent net cash moving in or out of equity funds for Australian funds excluding ETFs and platforms. Index returns are based on the S&P/ASX 300 from 2004 to 2022. Sources: Vanguard calculations based on data from Morningstar Inc. and Factset.

"Begin with the end in mind." *- Stephen Covey*

Balancing Risk and Return

Balancing Risk and Return:

We believe that discussing risk is one of the most crucial conversations you can have with your adviser.

Many advisers stick to predetermined risk profiles, but we recognise that for high-net-worth individuals, assessing risk is much more nuanced and personalised.

Balancing risk and return alongside your goals is crucial.

Mitigating Risk:

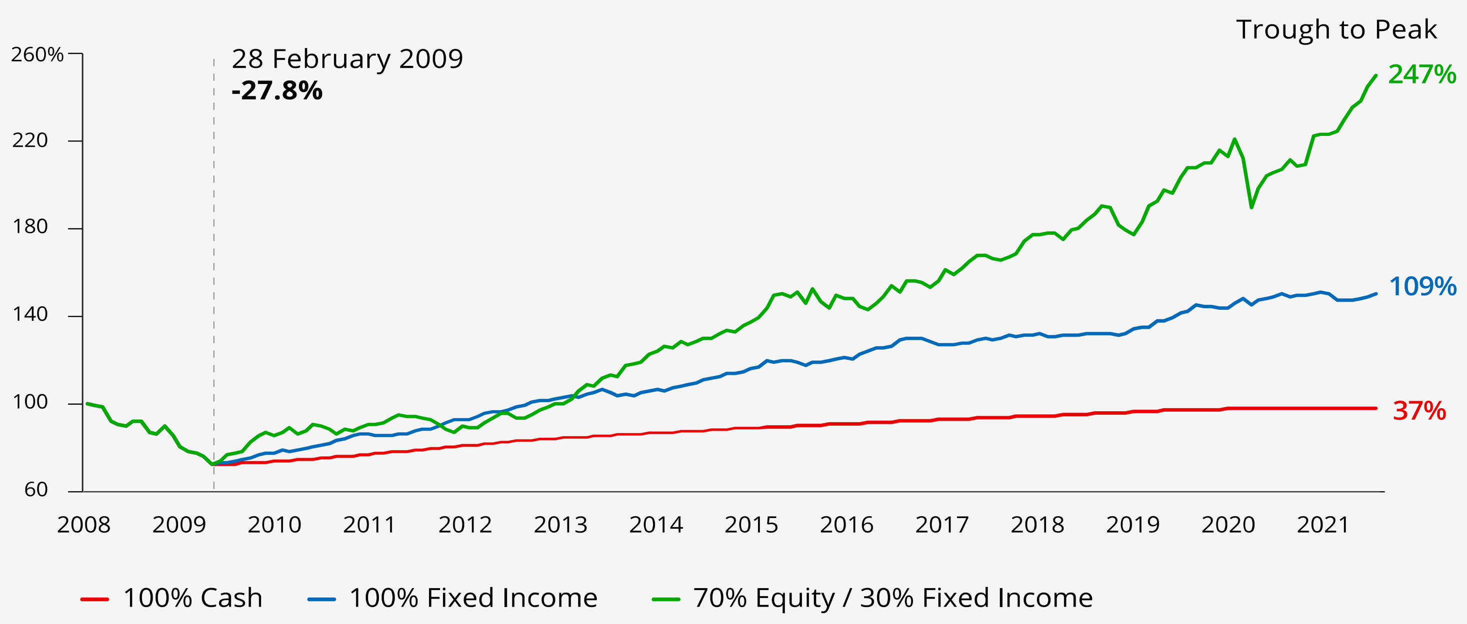
At its core, risk is about the possibility of losing money. We engage in multiple conversations with our clients and use a variety of tools to explore their true feelings about risk, both as an individual and as a group. Some key areas we explore include:

- Your perspective on the risk/return trade off
- Your investing history
- How losses affect your overall wellbeing

The structure of your portfolio is guided by your risk tolerance and return objectives. We take the time to help you fully understand your risk tolerance, its impact on returns, and work with you to develop long-term portfolio management goals.

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.

Risk vs Volatility:

Investors often get risk and volatility confused. They are related but they are different concepts and it pays to know the difference.

Risk: refers to the potential for loss or the uncertainty of returns associated with an investment.

Volatility: specifically measures the degree of variation in an asset's price over time, reflecting how much the price can swing up or down within a given period.

While high volatility can indicate a greater risk of price swings, it doesn’t necessarily mean that the investment itself is fundamentally risky. Understanding this is crucial to making informed investment decisions.

Creating Enduring Wealth:

We believe that long-term investment is the most effective way to build and preserve substantial wealth. Ideally, investments should be held for 10-15 years, and for some families we work with, we invest with future generations in mind. While we don’t focus on short-term trading, we are open to rare opportunities that the market occasionally presents. In our experience, these opportunities do exist, but they are relatively rare.

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong." *- George Soros*

The Power of Diversification

The importance of diversification

Total returns (%) for the major asset classes for financial years ending between 1995 and 2024.

The illustration above shows the performance of various asset classes over the past 30 years ranked from best to worst. When deciding where to invest, it is important investors understand that the best and worst performing asset classes will often vary from one year to the next. Having a diversified mix of investments across multiple asset classes can help smooth out returns over time. Source: Andex Charts Pty Ltd, June 2024. Notes: 1. S&P/ASX All Ordinaries Total Return Index. 2. Bloomberg AusBond Composite 0+ Yr Index. 3. S&P/ASX 200 A-REIT Total Return Index. 4. MSCI World ex-Australia Net Total Return Index AUD Index. 5. Prior to 1 May 2013, index is the UBS Global Real Estate Investors Index ex-Australia with net dividends reinvested. From 1 May 2013 the index is the FTSE EPRA/NAREIT Developed ex-Australia Rental Index with net dividends reinvested. 6. Bloomberg AusBond Bank Bill Index. 7. S&P 500 Total Return Index (in AUD). 8. MSCI World ex-Australia Net Total Return Index (local currency) - represents a continuously hedged portfolio without any impact from foreign exchange fluctuations. 9. Index prior to 30 June 2008 is the Citigroup World Government Bond Index AUD hedged, from 30 June 2008 the index is the Bloomberg Global Treasury Index in AUD (Hedged).

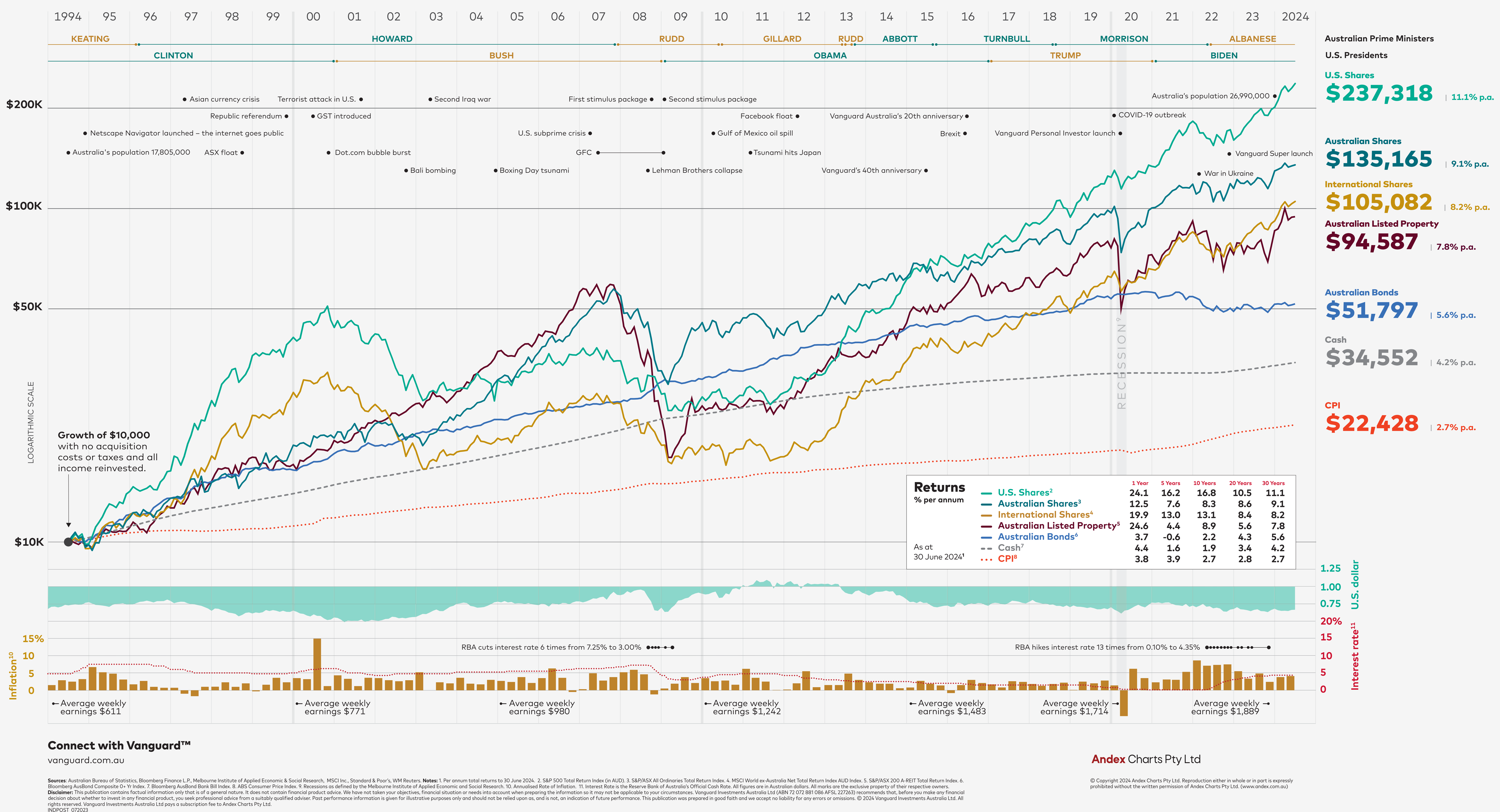
The Art of Diversification:

Diversification is a crucial strategy for reducing risk in a portfolio. We advocate for diversification across both asset classes and individual investments. We would never '*bet the house*' on a single position, regardless of how promising it may seem - unpredictable events can occur. Overexposure to one investment can lead to significant setbacks.

However, diversification can be a double-edged sword. Having too many small positions can result in mediocre performance. When investments are too minor relative to your overall wealth, even a substantial gain won't make a meaningful impact. In this case, it becomes a waste of time.

2024 Vanguard Index Chart

Market returns – 1 July 1994 to 30 June 2024.



Investment Selection

Active versus Passive Management:

Active investment strategies involve paying an expert to select investments on your behalf with the aim of outperforming the market long term.

Index investment strategies is where you simply buy a market index and you receive the performance of that market minus fees.

We believe both active and index (passive) strategies have a role in building high-net worth portfolios. How these are combined depend on your goals and risk tolerance.

Legacy Assets:

Legacy assets often play a significant role in high-net-worth portfolios, frequently serving as the original source of wealth. It's essential to consider them carefully when designing and implementing the rest of your overall portfolio strategy.

Investment Structures:

The investment structures you choose are crucial decisions that can significantly affect your investment costs, liquidity, and the ease of managing your portfolio.

Some structures are simpler to navigate than others; for instance, managing a 40-stock portfolio can be more complex than investing in a managed fund or a separately managed account, but it may be more cost-effective and advantageous for your tax situation.

Each structure has distinct characteristics, so it's important to carefully assess your needs and preferences before making your decision.

Investment structures

Varying investment structure differences

Managed Fund	Exchange Traded Fund	Separately Managed Account
Costs • Management fee • Entry/Exit price differential • Platform fee (if used)	**Costs** • Management fee • Bid/Offer price differential • Brokerage	**Costs** • Management fee (inc. platform, SMA manager and underlying fund managers) • Platform transaction costs and buy/sell spread of underlying
Price and purchasing • Price set at end of investing day • Application and redemption forms	**Price and purchasing** • Price known at transaction time • Can be bought and sold on ASX	Platform functionality and reporting
May work well for regular investing and withdrawals as no brokerage	**Easy to transact quickly and with certainty**	**May be able to transfer between SMA changes without triggering CGT**

Source: Vanguard

Managing your Liquidity:

As a high-net-worth investor, you have access to a wide range of asset classes, including exotic and exciting opportunities. However, many of these investments can be illiquid and may come with substantial lock-up periods (10 years or more). While significant holdings in unlisted assets can enhance your overall returns by capturing the liquidity premium, they can also reduce flexibility in your portfolio.

Liquidity often appears less important until a situation arises, at which point it becomes critical. That is why we believe you should always be cognisant of your overall liquidity levels and why we believe they should be actively managed.

Large Cap versus Small Cap:

Small and micro-cap companies can enhance portfolios by delivering strong performance during market upturns, as their growth potential often exceeds that of larger firms. However, the downside is that during market downturns, these smaller companies typically have less cushion and tend to underperform significantly compared to larger companies.

Small cap and micro-cap stocks are a specialised field, risks are high, and information is important. The balance between small and large cap firms is an important decision in how you build your portfolio for the stability of returns. Small companies is a place where we believe active management can add significant value.

"Know what you own, and know why you own it." *- Peter Lynch*

Market Timing and Other Myths

Market Timing Myths:

Timing the markets is virtually impossible, and only the unwise attempt to do so. While there are periods when market risks are elevated and it may be prudent to reduce exposure, where you are growing long term wealth, market timing largely does not matter.

We often use modified dollar-cost averaging with our high-net-worth clients to mitigate the risks associated with market timing. This approach helps minimise the chance of buying at market peaks.

Gradually entering and exiting positions can also be an effective strategy for managing taxes and reducing timing-related risks. In many ways, deciding when to sell is more challenging than deciding when to buy. When investments surge, it's crucial to assess the situation: Is there more to the story than initially perceived? Sometimes, it's wise to trim positions, regardless of how attached you feel to them - we all have our favorite winners.

Remember, it's essential not to become emotionally invested in any single asset. Effective risk management is always key.

Asset Protection:

Asset protection is a vital component of any wealth strategy. Our role goes beyond merely helping you to further build your wealth - it also involves safeguarding it. Structuring, insurance, and estate planning are essential elements that help ensure your wealth remains protected. All these areas should be carefully considered and even if they are ultimately viewed as unnecessary, it's important to document the reasons and revisit them as needed. All investment decisions should be viewed in context of your asset protection plan.

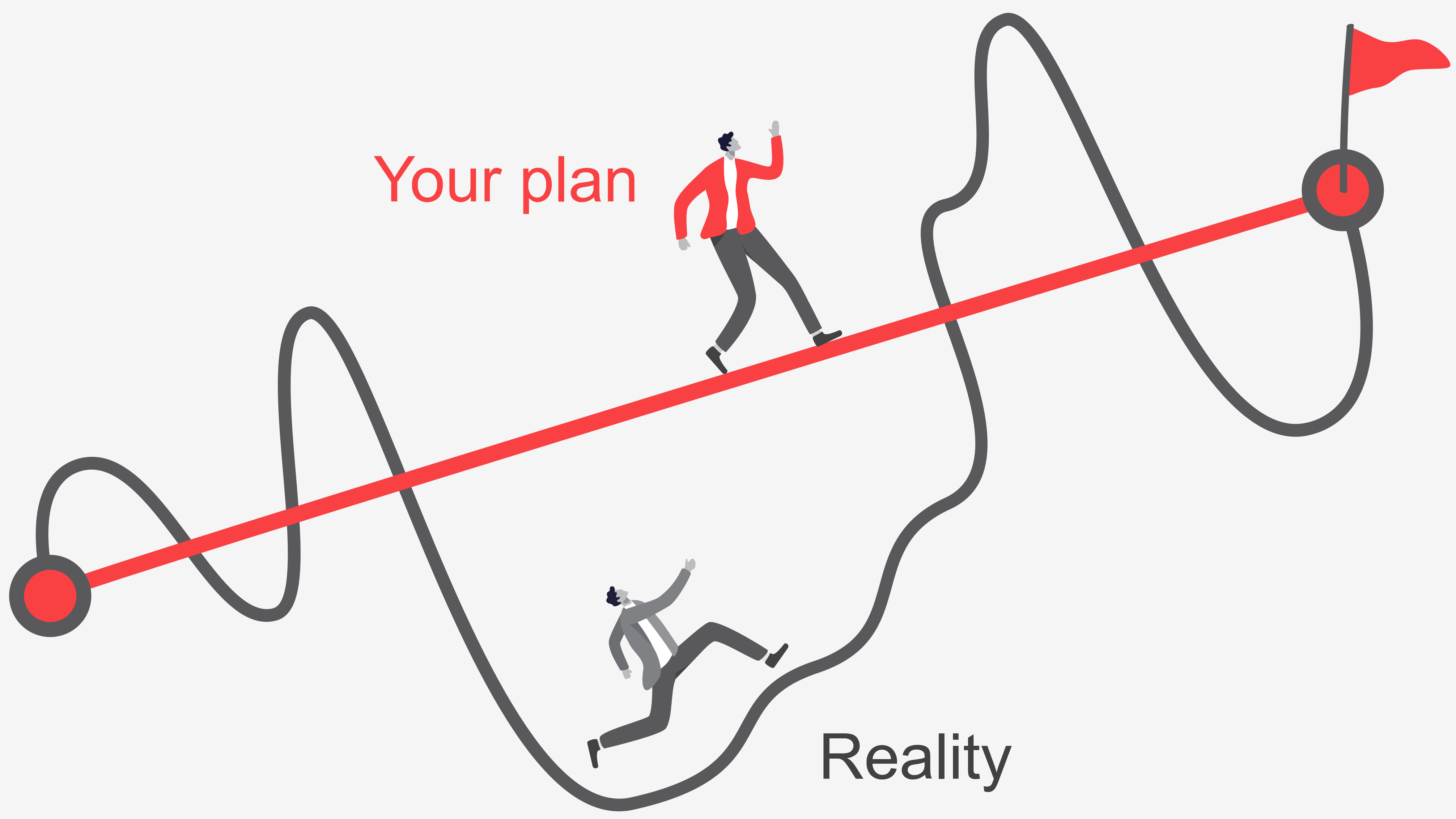
The Power of Leverage:

Leverage can be good or it can be bad. Leverage should only be employed when the risk versus reward ratio is favorable. It must be used in a controlled manner.

It's essential to keep in mind that leverage amplifies both losses and gains.

Additionally, understanding the leverage associated with your underlying investments is crucial, as it can adversely affect your returns if circumstances take a turn for the worse.

Stay the course



The Bias Blindspot:

We all have biases that can influence our wealth management decisions. Recognising and understanding these biases is crucial for effective investment strategies. Some common biases to be aware of include:

- Loss aversion
- Anchoring
- Endowment effect
- Opportunity cost neglect

As your investment sounding board, we help you to be aware and more mindful of your biases so you can make more informed and rational investment choices.

"The big money is not in the buying and selling, but in the waiting."
- Charlie Munger

Formulating Your Asset Allocation Approach

The Power of Asset Allocation:

Getting your asset allocation right is essential for achieving strong performance. Research indicates that asset allocation is responsible for 90% of your investment returns.

We work with you to create a tailored asset allocation that considers your unique circumstances, objectives, and legacy assets.

Having a long-term asset allocation framework enables you to assess your investment decisions and maintain discipline throughout market fluctuations.

Asset allocation defines return and risk

"Research shows that about 90% of return variation is explained by asset allocation. It varies slightly from country to country. For example, 91.1% in the US, 89.3% in Australia"

Note: Equities are represented by S&P/ASX 200 Total Return Index, and bonds are represented by the Bloomberg AusBond Composite 0+Y Total Return AUD Index. Data as at 31 August 2022 commencing May 1993. Source: Lonsec iRate

Our Insights on the Asset Classes:

Cash: While often viewed as boring, cash is a vital component of every portfolio. The amount you should hold depends on your liquidity needs and risk tolerance. Cash provides the flexibility to add to positions and helps you weather market downturns.

Fixed interest: Fixed interest can play an important role in the defensive part of your portfolio, depending on market conditions and pricing. Some fixed interest investments are riskier than they seem and should be treated with caution, within the context of your risk profile and desired return.

Property: Real estate can enhance diversification but should be balanced against personal holdings. We prefer listed property options for their liquidity, while unlisted options should represent exceptional opportunities that justify the lack of liquidity.

Australian Shares: Our market is small (only 3% of global markets) and is heavily concentrated in resources and financials. We believe you should have a core holding. Shares should be held directly when it aligns with your investment philosophy, and you should take advantage of franking credits whenever prudent.

International Shares: We believe that international shares should form the core of any portfolio, with greater exposure than Australian shares for long-term growth. International markets offer opportunities that are often lacking in Australia, particularly in sectors like technology and healthcare. Whether you hedge your currency risk or not should depend on the level of the Australian Dollar.

Alternatives: There is value in using non-correlated assets to enhance diversification. Identifying effective managers and strategies that genuinely do not correlate with other asset classes can be challenging, but high-quality alternative managers do exist. It's important to be discerning in this area.

"Your asset allocation is the most important decision you will make as an investor. It determines your returns, risk, and overall investment success." *- Jack Bogle*

Investment Costs

When Investing, the Fees You Pay Matter:

We believe that paying fees is part of investing, but the fees you pay matter. The level of fees an investment charges impact the returns you ultimately receive.

The level of fees should always be factored into any investment decision. Paying high fees for index-like performance is simply not worth it. We're willing to pay higher fees for active management, but only if the manager can consistently demonstrate value.

We're open to performance fees as long as they are well-structured, tied to a reasonable benchmark, and include a high watermark.

We are cautious about funds that don't charge a management fee, as this can incentivise managers to take excessive risks when performance is poor.

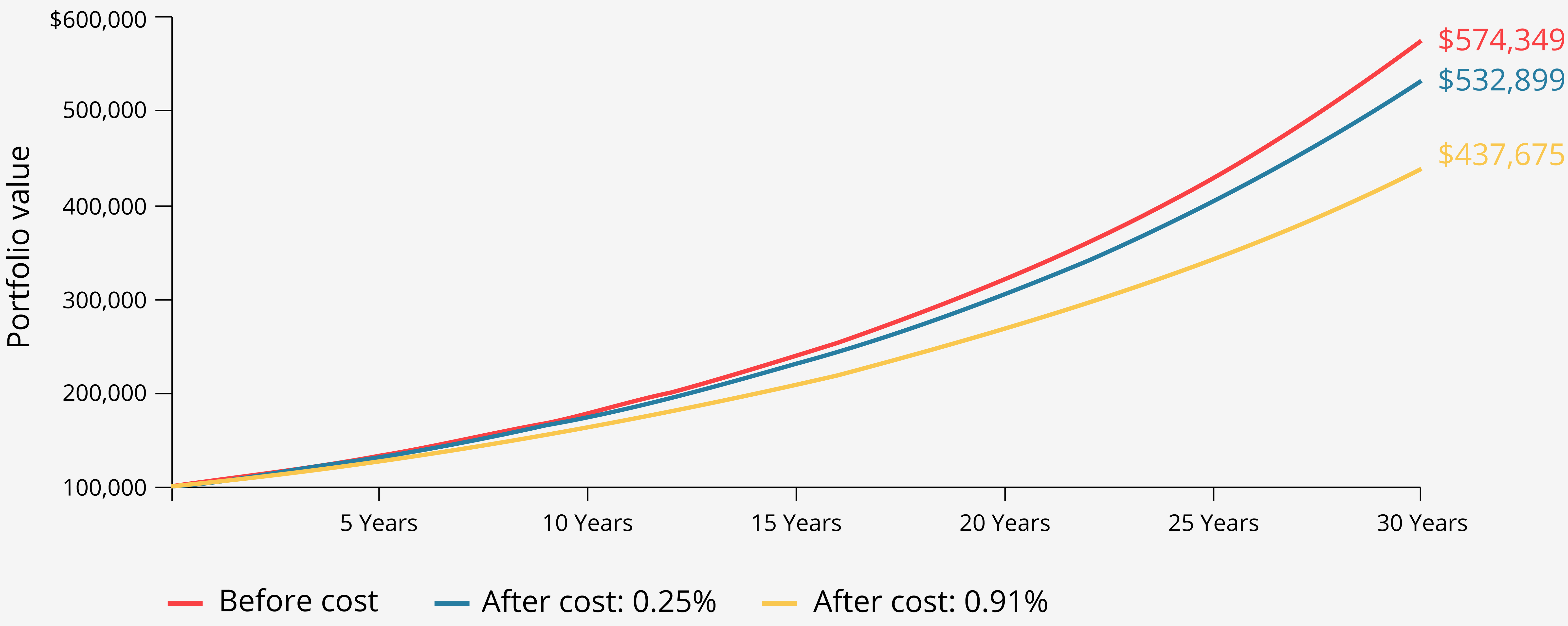
Not all performance fees are created equally:

Performance fees are complex. In an ideal performance fee structure, better performance for you means more fees for them, your interests are aligned.

It's crucial to fully understand how they work, as some structures may create misaligned incentives or be overly favorable to the Manager, ultimately eating into your post-fee returns.

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).



Note: The portfolio balances shown are hypothetical and do not reflect any particular investment. The final account balances do not reflect any taxes or penalties that might be due upon distribution. Indirect Cost Ratio (ICR) is used for the expense ratio. ICR is the sum of the expenses incurred by the fund expressed as a percentage of the average net assets throughout the year. The ICR includes management and performance fees, as well as other operational fees. The ICR includes management and performance fees, as well as other operational fees. Source: Vanguard calculations using data from Morningstar.

"In investing, you get what you don't pay for. Costs matter."
- John C. Bogle

Maintaining a Disciplined Approach

Fear and Greed Drive Everything:

Markets are driven by emotion, the “animal spirits” *John Maynard Keynes* famously spoke about.

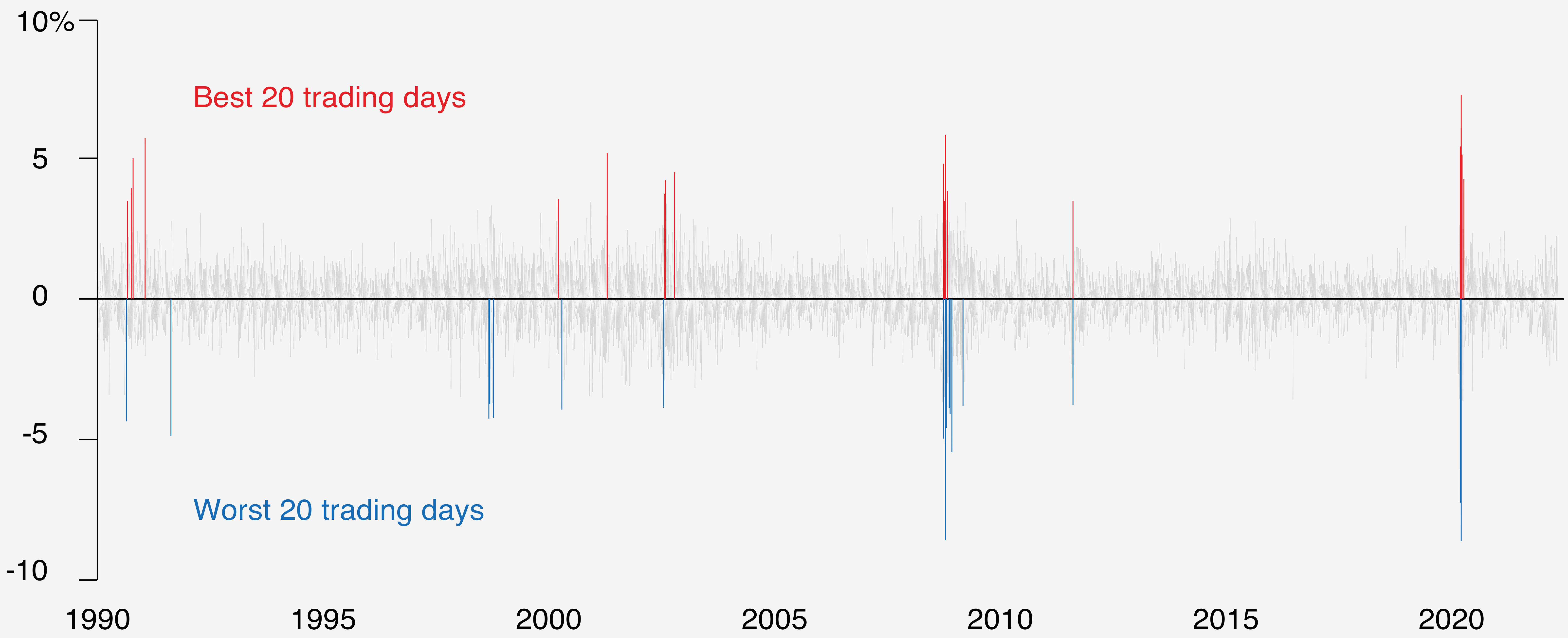
We have been involved in markets long enough to have seen it all. However, market cycles come and go, but keeping a level head, not getting swept up in emotion, having discipline and structure makes a good investor.

When things are going up everyone thinks they are going up forever. When things are going down, everyone thinks they are going down forever. Always keeping a level head is critical.

Market Cycles

Best and worst trading days

The best trading days often occur close to the worst days, so staying invested is important



Note: The chart shows the daily price return to the MSCI All Country World Index in AUD, with the best and worst 20 days by price return highlighted. Source: Vanguard calculations, using data from Bloomberg from 1 January 1988 to 30 June 2022.

Managing Underperformance:

When investing, periods of underperformance are inevitable. This is the time to ask yourself a few key questions:

- What did I get wrong?
- What is the market seeing that I am not seeing?
- Has anything fundamentally changed from my initial investment thesis?

From there, you need to decide: Do you buy more or is something fundamentally broken, making it time to cut and run? Evaluating these factors can be difficult, which is why a robust review process is essential.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine." *- Benjamin Graham*

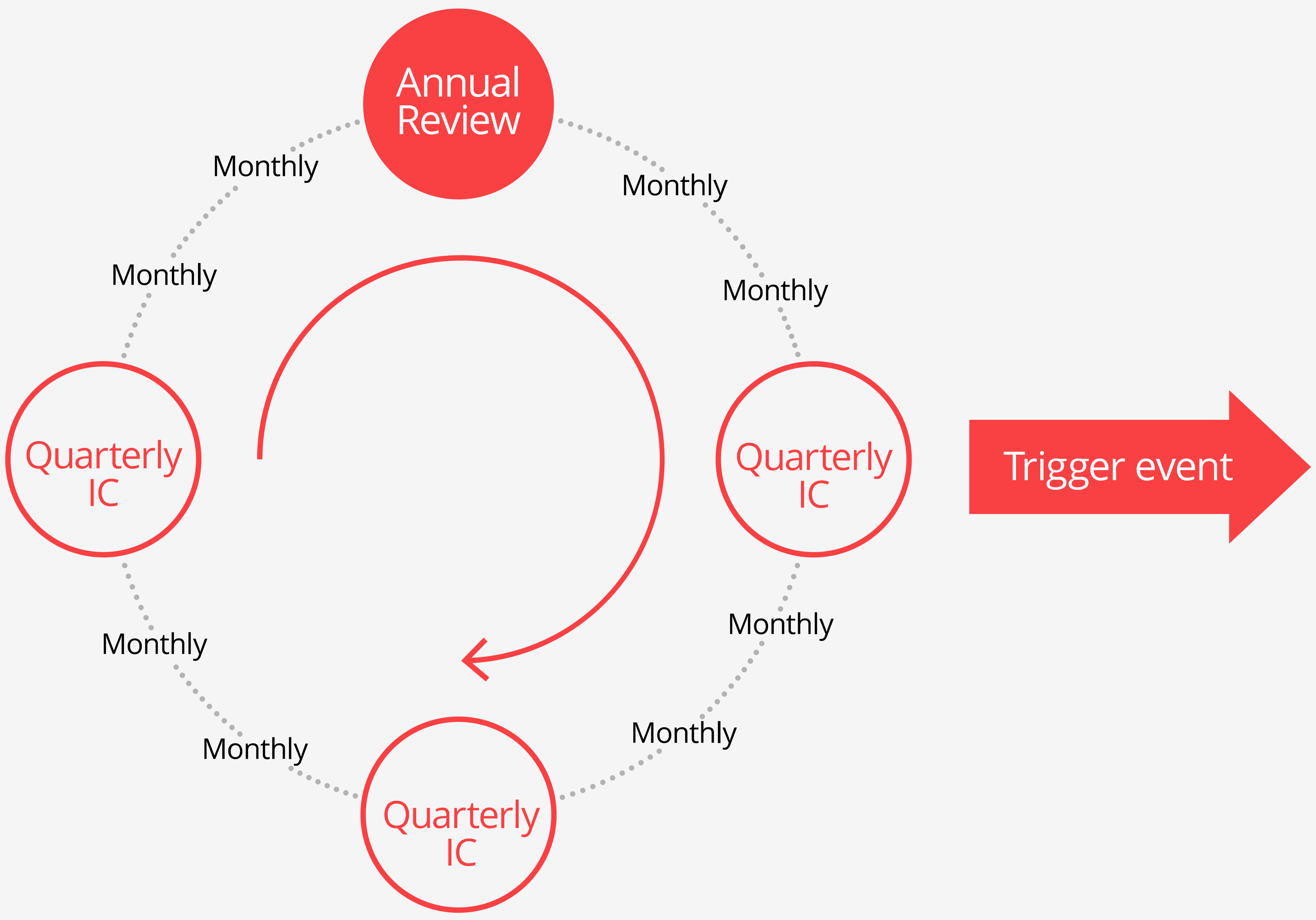
Our Review Process

Managing Significant Wealth Requires Discipline:

There's a common myth that you should "set and forget" your investments - we disagree!

Effectively managing significant wealth requires structure and discipline. It's easy to focus on top performers while overlooking the underperformers, but those underperformers come with a substantial opportunity cost. You could be putting that capital to better use elsewhere. That said, all investment managers experience periods of underperformance - it's a natural part of investing. No investment style works all the time, which is why diversification is key.

Investment review process



Stages

1. **Awareness of need**
   A 'trigger' event creates awareness of a need to change
2. **Assessment of the need**
   Defining the broad requirements to address the need
3. **Investigation of options**
   Researching 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 confirming 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

Reviews are Critical to Keep Your Wealth On Track:

We collaborate with our clients to establish a formal *quarterly review process* that evaluates every aspect of their portfolio, including liquidity, performance, and exposures. This involves assessing both their investment assets and their overall wealth position, which includes lifestyle assets such as homes and boats, as well as legacy holdings. We incorporate all your advisors into this process, and for clients with formal investment committees, we assist in organising and chairing those meetings.

When evaluating performance, we analyse both underperformers and outperformers. Our goal is to understand the reasons behind each investment's performance and ensure alignment with our expectations and portfolio structure. We maintain a *"watch list"* for investments that are not meeting expectations. While we strive to understand each manager's circumstances, if an investment remains on the watch list for too long, we have a formal process for reevaluating it. This disciplined approach ensures that your portfolio is consistently optimised to align with your long-term goals and values.

The *annual review* is a more comprehensive undertaking, where we formally assess and document the progress made throughout the year toward your objectives. We take the time to reassess all of your goals and investment frameworks to make sure they are still relevant. We ensure that each investment position still reflects your objectives and that your exposures are optimised accordingly.

"The investment world is constantly changing; a systematic review process is essential to stay aligned with your goals and adapt to new circumstances." *- Peter Lynch*

Independent. Collaborative. Transparent. Attentive.

We specialise in high-net-worth individuals & family wealth.

Our client group is small and selective.

We are independent and only get paid by you.

We are your independent sounding board for your investments.

We actively collaborate with all your advisers.

We work with clients all around Australia.

Your Outsourced Chief Investment Officer (OCIO):
Shelley Marsh is your independent OCIO, Founder of Wealth Differently.

Having spent 28 years in investment markets and advising, she is highly experienced and is uniquely positioned to help high-net-worth individuals and families manage their wealth.

Shelley believes that collaboration and transparency are keys to managing significant wealth. She is passionate about guiding her clients through the complexities of investment markets, empowering them to take an active and involved role in their wealth.

Our other services include:

- Investment education tailored for families and the next generation
- Participation on your investment committee
- Available for speaking engagements

We work with clients all around Australia

Office location
Salesforce Tower, Level 22
180 George St
Sydney NSW 2000

Important information

1. Wealth Differently Pty Ltd (AFSL 547820)

WEALTH DIFFERENTLY

Shelley Marsh | Wealth Differently
Phone: 0417 654 038

Email: shelley@wealthdifferently.com.au
Website: www.wealthdifferently.com.au