



Objectives-based financial advice in practice

Stephen Furness, Director, MGD Wealth

Dr Bart Dowling, Investment Strategist, Select Asset Management

Andrew Fairweather, Winston Capital Partners



Pillars for building better quality investor portfolios

Thinking about... lifecycle investing in practice.

How to implement **contemporary approaches to portfolio construction** into a financial planning practice in a **post GFC, post FOFA** world, using case studies and discussion.

Our pathway to fit Graham's brief...

1. **Implemented Solutions to manage lifecycle goals – Post FoFA**
Andrew Fairweather | Representing Select IP
2. **Strategy first – Contemporary approach to advice**
Stephen Furness | Head of Investment Advisory, MGD Wealth
3. **Portfolio construction second – Contemporary approach, Post GFC**
Dr Bart Dowling | Investment Strategist, Select IP

For original thinking, be select.



Implemented solutions to manage lifecycle goals Post FoFA

Andrew Fairweather | Representing Select Investment Partners

What investment problems are boutiques faced with?

1. There are few off the shelf portfolio services that meet the needs of planning groups if adopting a lifecycle goals approach to advice
2. Managing wealth is more complex than ever before and the costs of creating in-house portfolio capabilities is prohibitive
3. Large dealers have an '**unfair advantage**' across the value chain, where internal revenues can be shifted in a FoFA world
4. Boutiques are at a structural disadvantage from a cost, scale and scope point of view
5. Clients are demanding more in terms of the delivery of their portfolios and want more information, more often
6. Advisers are constrained in what funds/structures they can use to manage money in a world where having fewer constraints makes sense

A snapshot value chain

Vertically integrated firm

Separately priced services that can cross-subsidise 'losses' elsewhere



Boutique dealer



Vertically integrated dealer 'Unfair Advantage' here



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Vertical integration drives AMP wealth results

Written by Aleks Vickovich
Thursday, 15 August 2013

AMP has announced \$393 million net half-yearly profits, pointing to strong results on its platform and wealth businesses and product recommendation from a growing adviser network.

Outgoing chief executive Craig Dunn – he is to be replaced by former AMP Financial Services managing director Craig Meller, the company's board has announced – said the AMP wealth management business was a strong contributor to the overall results.

"The combined earnings from all businesses, excluding our wealth protection business, were up 17 per cent, as net cashflows increased significantly in our wealth management business, investment markets continued to improve and we drove down costs," Mr Dunn said.

Operating earnings for the wealth business for 1H 13 were up 20 per cent compared with 1H 12, according to the published results.

In addition, the combined assets under management on the North platform and AMP Flexible Super was \$15.5 billion as at 30 June 2013 – up 80 per cent on 12 months ago, off the back of "more AMP planners choosing to recommend the North platform to their customers".

The growth of the company's licensee channels has continued, growing from 3,636 to 3,680 total AMP advisers from financial year 2012 (FY12) to FY13.

"All of AMP's financial planner groups experienced good uplifts in net cashflows," the report states.



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Fidelity Australian Equities Fund

Today's News

- Macquarie Wrap accounts reach record FUA
- BT announces platform updates
- Vertical integration drives AMP wealth results
- CFP Board announces online course
- Chambers client claims revealed

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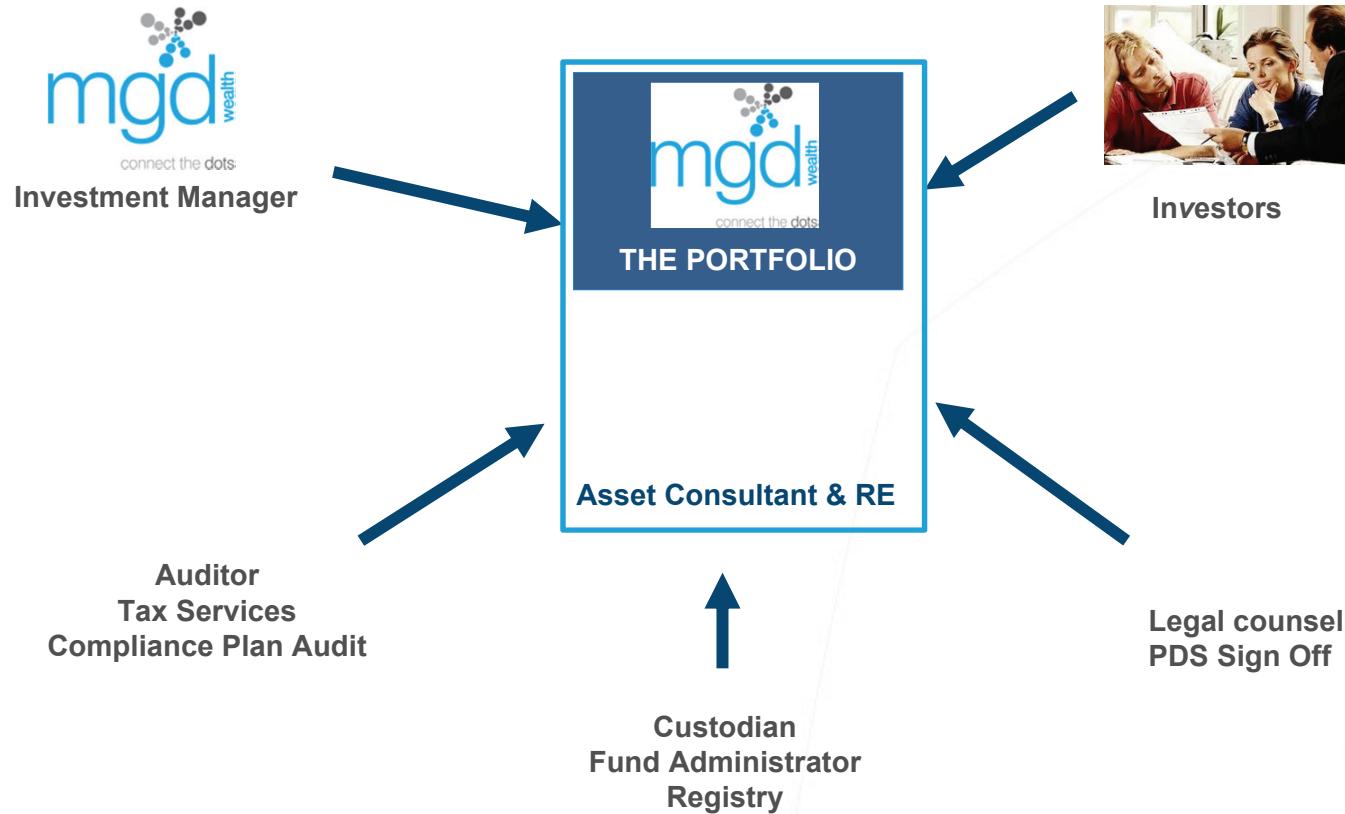
This is what you should/could be doing for yourself...

'Unfair advantage' delivered to boutiques at very low cost



- Scale
- Access
- Liquidity
- Co-investment
- Sophisticated tools
- Best of breed
- Complete transparency
- Risk management
- Institutional quality
- Saving in admin fees
- FoFA compliant revenue and scale
- Compliance
- All RE services delivered at one stop shop
- More time on strategy & comms
- Integrated into desktop
- Less admin
- Best of breed
- Institutional quality
- Performance equity

Post FoFA World Legal structure – implemented unit trust option



The barriers to entry are increasing...

1. Platform requirements have increased (APRA related) e.g. APRA requirement to provide Standard Risk Measure, which requires forward risk modelling capability
2. Boutiques moving to one to two portfolios and supporting the proposition with satellites for cost purposes
3. PI Insurers interrogating underlying assets/structure
4. Customers go from multiple unit prices to one
5. Those operating MDA's may be impacted by ASIC discussion paper changes (if they occur)



Strategy First – Contemporary approach to advice

Stephen Furness | Head of Investment Advisory, MGD Wealth

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PortfolioConstruction Forum Conference 2013 (portfolioconstruction.com.au/conference/)



About MGD – snapshot...

- Total Wealth approach including tax, accounting, SMSF administration and corporate advisory
- Liability Driven Investment (LDI) advice process
- Nine employees in planning division
- BT wrap and xPlan user
- Self licensed but BT Select
- FUM of \$300m
- Separate revenue streams (advice, risk and investments) – valued differently
- Average FUM per client \$950k
- Fee for service
- Three LDI implemented portfolios using Select Investment Partners and Select Fund Services for RE + bespoke

Our approach is all about understanding a client's Total Wealth Management requirements



Lifecycle advice is
what we have
always done!

MGD Section – Strategy First

1. What problem are we solving for?
2. Issues encountered with the LDI approach
3. Why an implemented portfolio made sense for MGD?
4. The why, the how and the what of objective based advice
5. The importance of client communication
6. **Group discussion**

What problem are we solving for?



- Investors do not think in terms of risk profiles in the traditional sense, they think in cashflow terms (e.g. liabilities)
- They mentally account for future cash flows; short, medium and long term in buckets – (e.g. holiday bucket, car bucket, child education etc)
- They are not static risk allocators, behaving like the flawed models suggest and always worry about capital preservation
- Deale/Researcher models are not dynamic enough to cope with volatile markets and a nightmare to administer
- Most off the shelf multi managers are SAA focused and conflicted by use of in-house assets
- We see our value add as strategic planning and communication and not as Warren Buffett

The industry is not structured to deal with lifecycle advice and LDI portfolios

- Risk profiling does not provide a satisfactory basis for advice with a cash flow approach
- There are no off the shelf tools that provide modeling for cashflows and the presentation of the data to clients
- SAA does that does not take valuation into consideration, does not work well with LDI approach – need to look forward
- Client communication moves from performance measurement as a primary, to ‘are we on track’ conversations
- Model portfolios are static and with investment and administration limitations and conflicts (e.g. small universe, pay for rating, no hedging, liquidity spectrum...)
- Minimum investment limits exclude many world class managers

Why we chose an implemented portfolio solution to complement our lifecycle advice process?

- No off the shelf portfolios to manage for our advice process
- To solve administration and investment limitation issue
- No conflicts with research of managers – none get paid to be rated
- Clients best interests drove the process
- We wanted to own the performance, increase revenue and increase the customer investment experience
- Engaged Select to create three portfolios to match the liability timeframes (e.g 3 to 5 years, 5 to 10 years and long term)
- LDI20 our latest portfolio – FutureFund like with monthly pricing)

Pre and post the our implementation

Pre implementation

- Traditional bespoke/models investing via APL - very static (buy and hold)
- Limited to wrap menus and research rated products to build portfolios
- Conservative through to high growth risk profile approach
- No genuine risk management science and tools
- Asset allocation calls very difficult to implement in a timely manner
- Required army of paraplanners and support staff
- Clients demand more

Post Implementation

- Institutional and unconstrained
- CPS aligned to LDI philosophies – supported by bespoke investing
- Back office efficiencies and performance equity across clients
- BDM visits now limited
- Compliance, governance and risk management now best of breed
- More time on strategy and communication
- Bespoke investments still implemented via APL

The why, the how and the what of lifecycle advice – we call it LDI

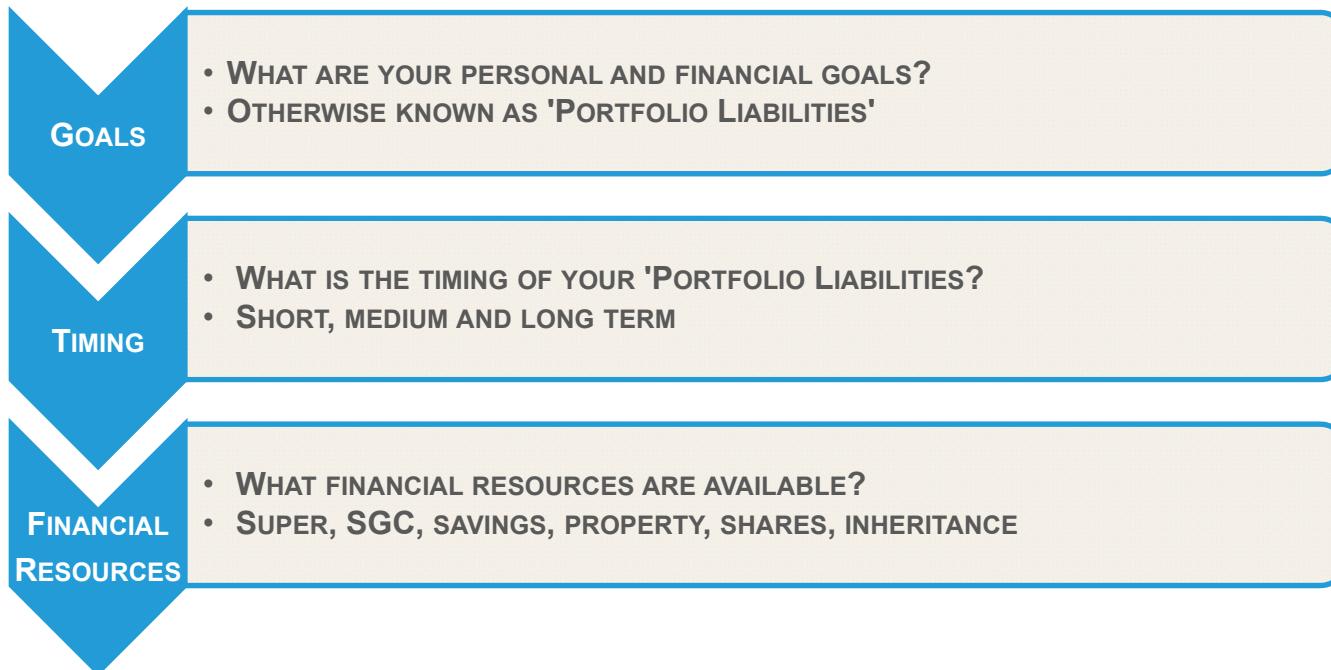
Strategy first, portfolio construction second...

MGD Wealth Investment Advisory believes that the key to constructing an appropriate investment portfolio is an intimate knowledge of its clients' financial affairs and goals.

That is because their **investment portfolio is ultimately there to provide the funding requirements** (known as 'portfolio liabilities') over the short, medium and long term. MGD Wealth's **Liability Driven Investing** (or LDI) approach factors that in, and forms the backbone of the investment strategies prepared for clients.

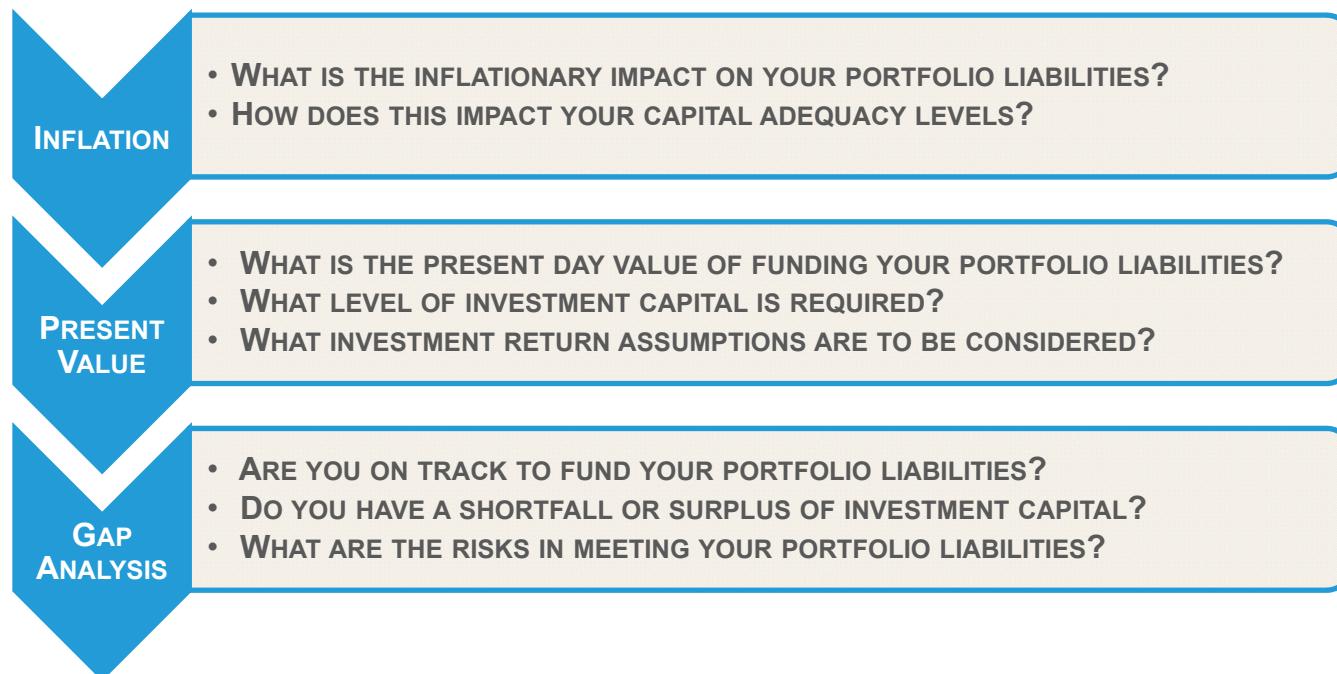
Investment Process Overview - Discovery

Strategy first, portfolio construction second...



Investment Process Overview - Analysis

Strategy first, portfolio construction second...



Investment Process Overview - Implement

Strategy first, portfolio construction second...



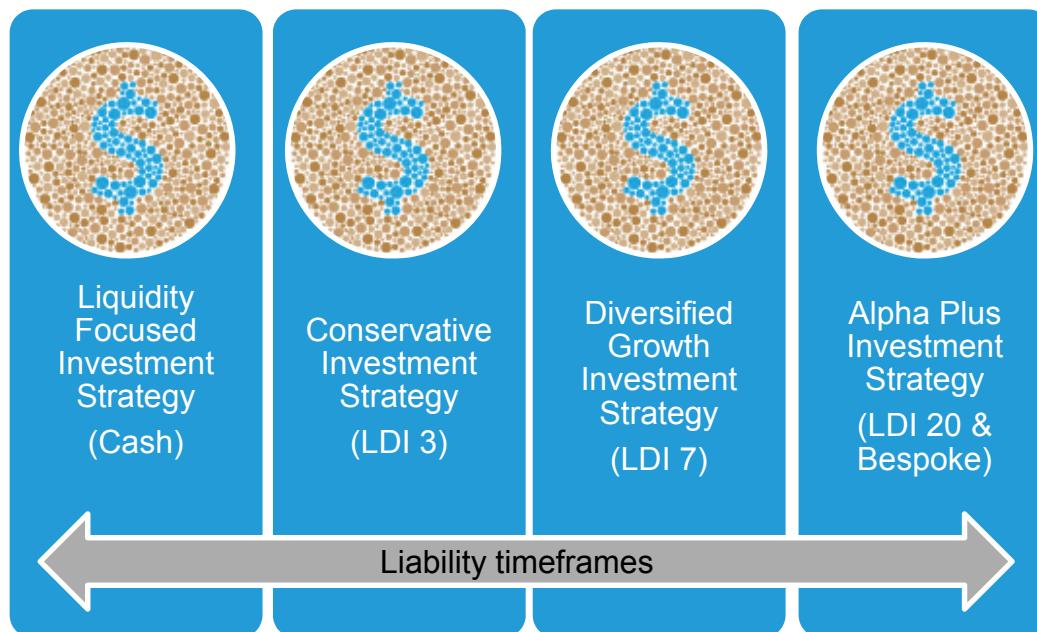
Investment Process Overview - Review

Strategy first, portfolio construction second...

ONGOING
REVIEW

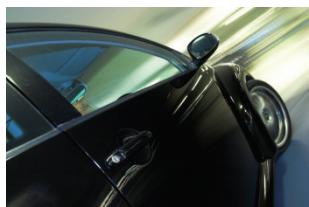
- WHAT HAS CHANGED IN YOUR LIFE TO IMPACT ON YOUR PORTFOLIO LIABILITIES?
- WHAT IS THE REVISED ALLOCATION ACROSS THE LDI INVESTMENT STRATEGIES?
- WHAT OTHER ECONOMIC OR PERSONAL CHANGES ARE RELEVANT?

Implemented portfolios strategies to meet client liabilities – cash + objectives



What Do We Mean By ‘Portfolio Liabilities’?

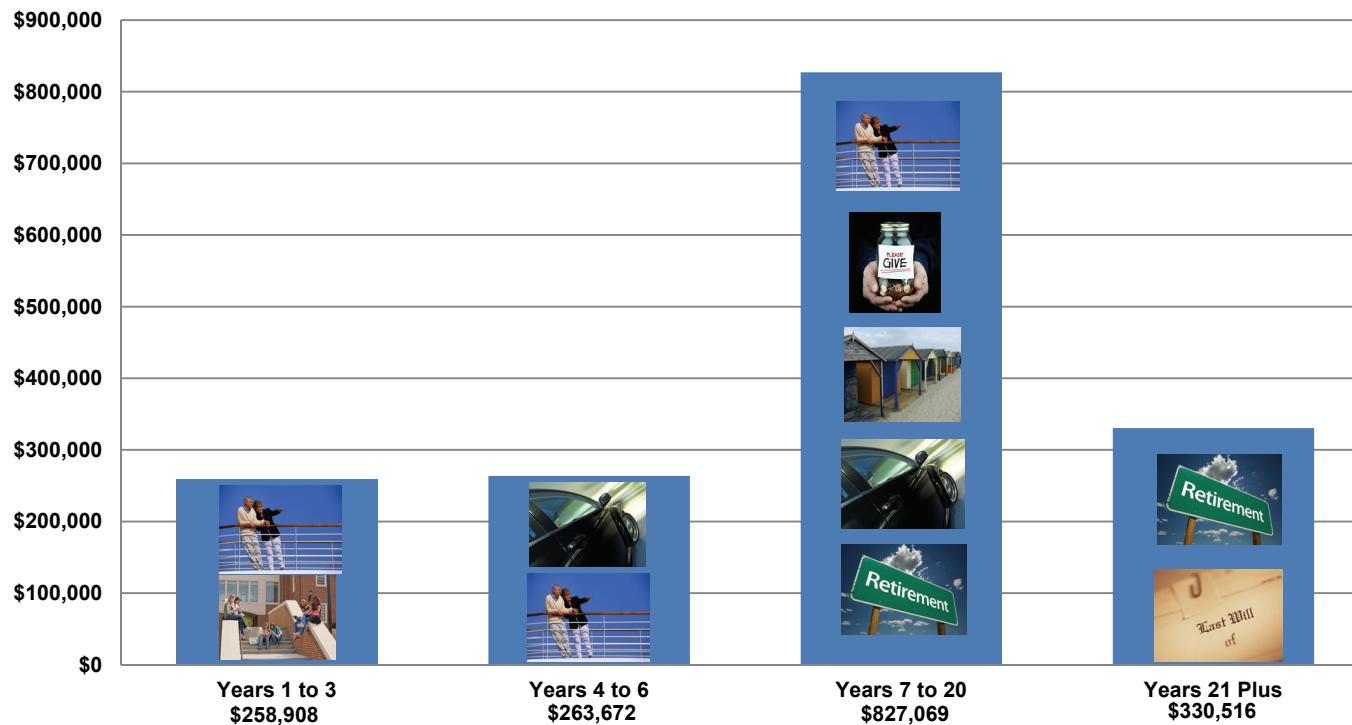
What ‘portfolio liabilities’ need to be funded by your portfolio?...



Why is ‘Portfolio Liability’ Timing Important?

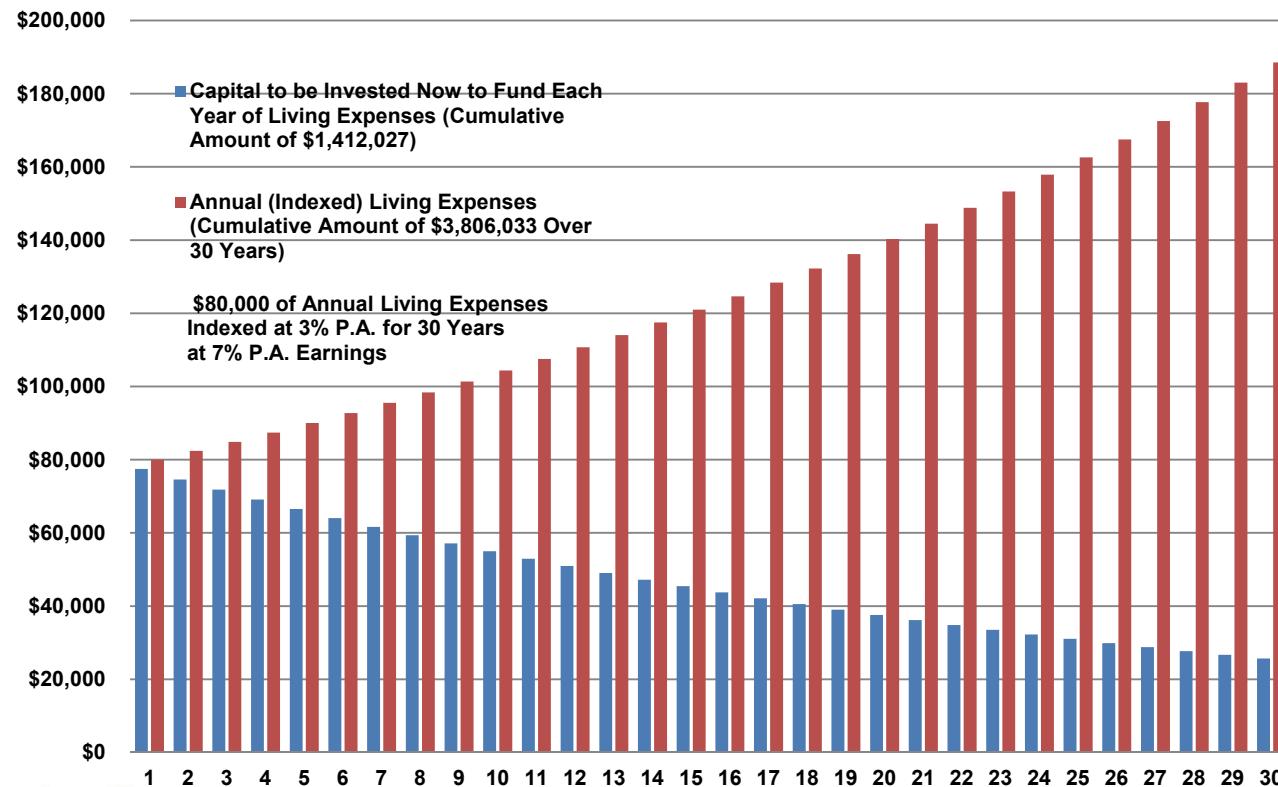
When do your ‘portfolio liabilities’ fall due?...

When is capital required to meet your ‘portfolio liabilities’?...



What is ‘Present Day Value of Goals’?

What is today’s value of your future ‘portfolio liabilities’?...



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Why is inflation an important consideration?

What is the effect of inflation on your ‘portfolio liabilities’?

YEAR	Bread (4lb loaf)	Milk (quart)	Sugar	Butter (lb)	Potatoes (lb)	Tea (lb)
1970	21c	19c	42c	53c	45c	30c
1980	54c	63c	90c	\$1.00	36c	74c
1990	\$1.37	85c	\$2.17	\$2.09	99c	\$1.64
1999	\$2.33	\$1.40	\$2.21	\$2.09	\$1.55	\$3.34

Table Sources

Australian Bureau of Statistics

Australians Historical Statistics

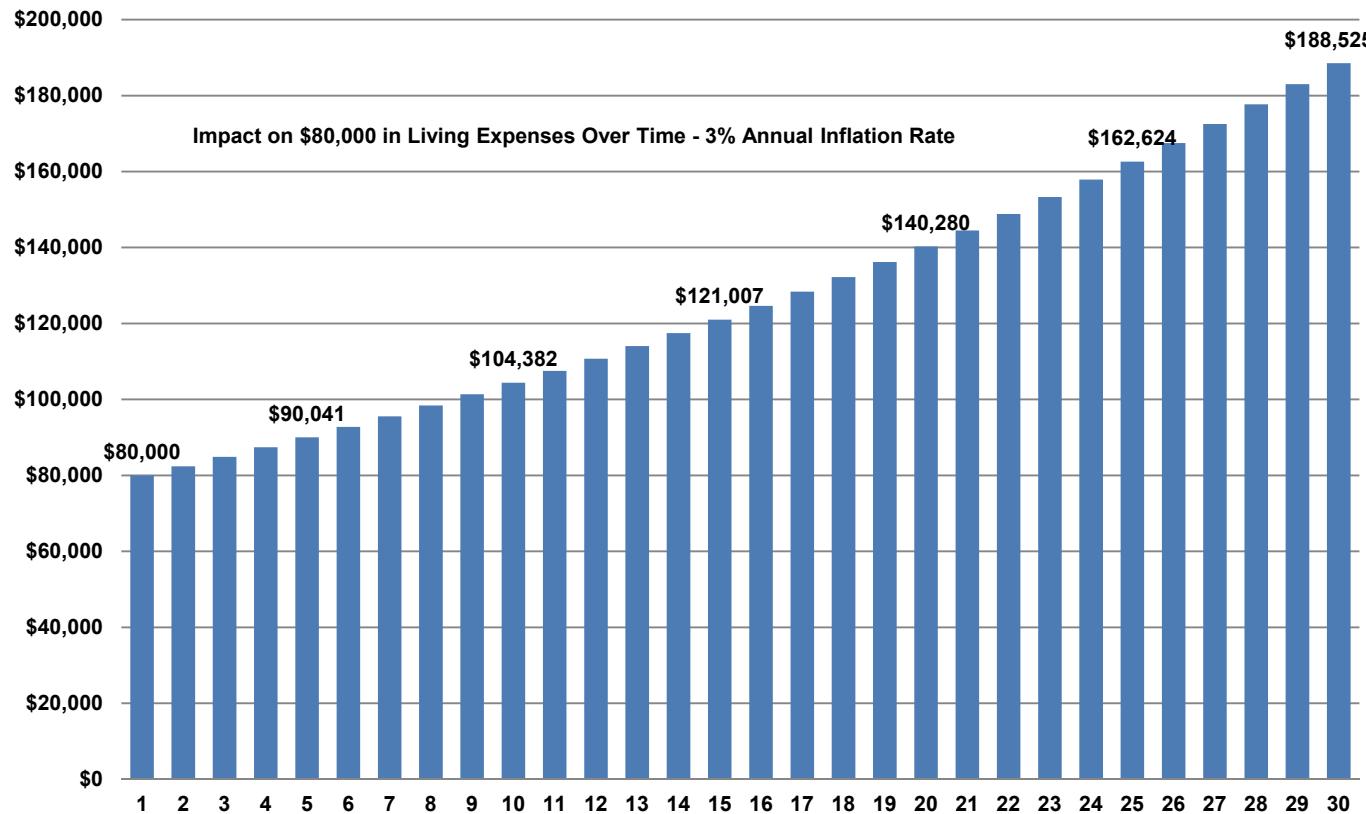
Prices, price indexes and cost of living in Australia

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Why is inflation an important consideration?

What is the effect of inflation on your 'portfolio liabilities'?

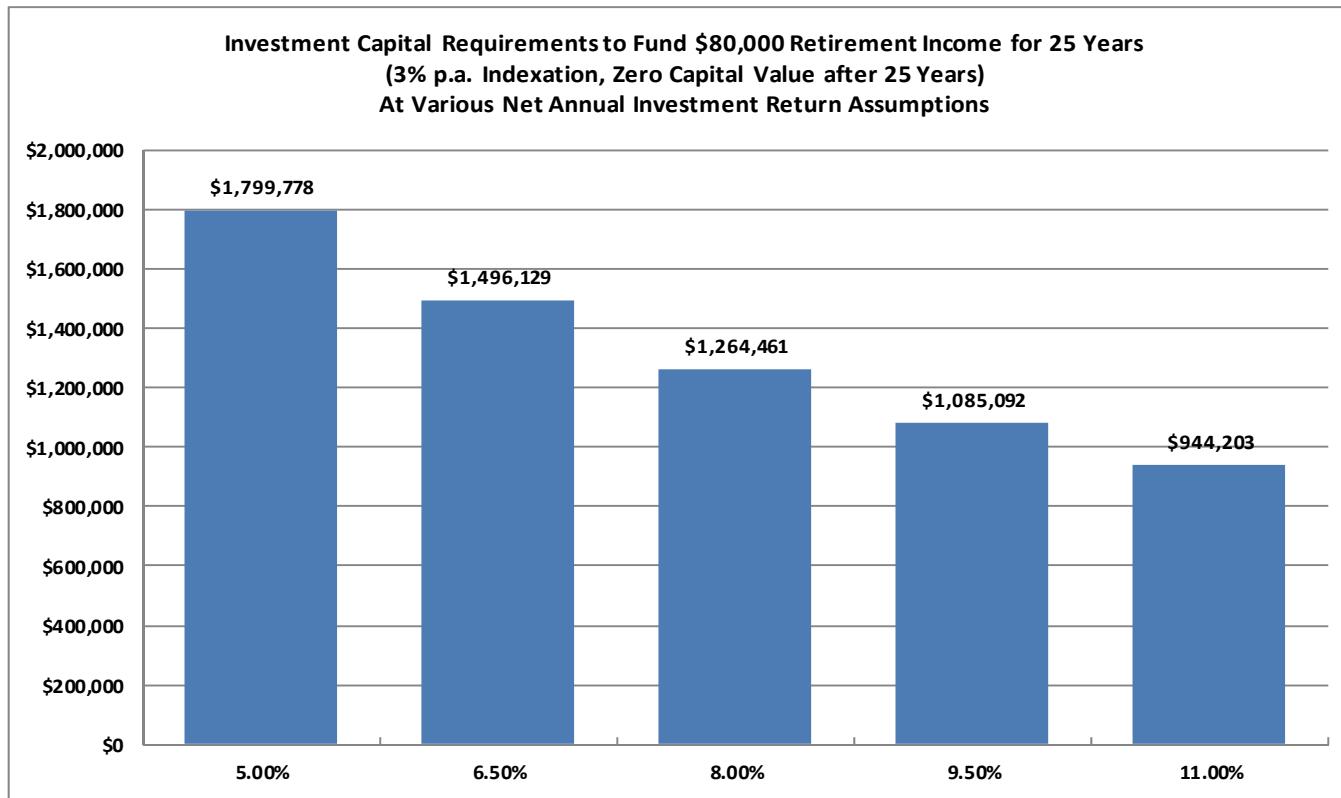


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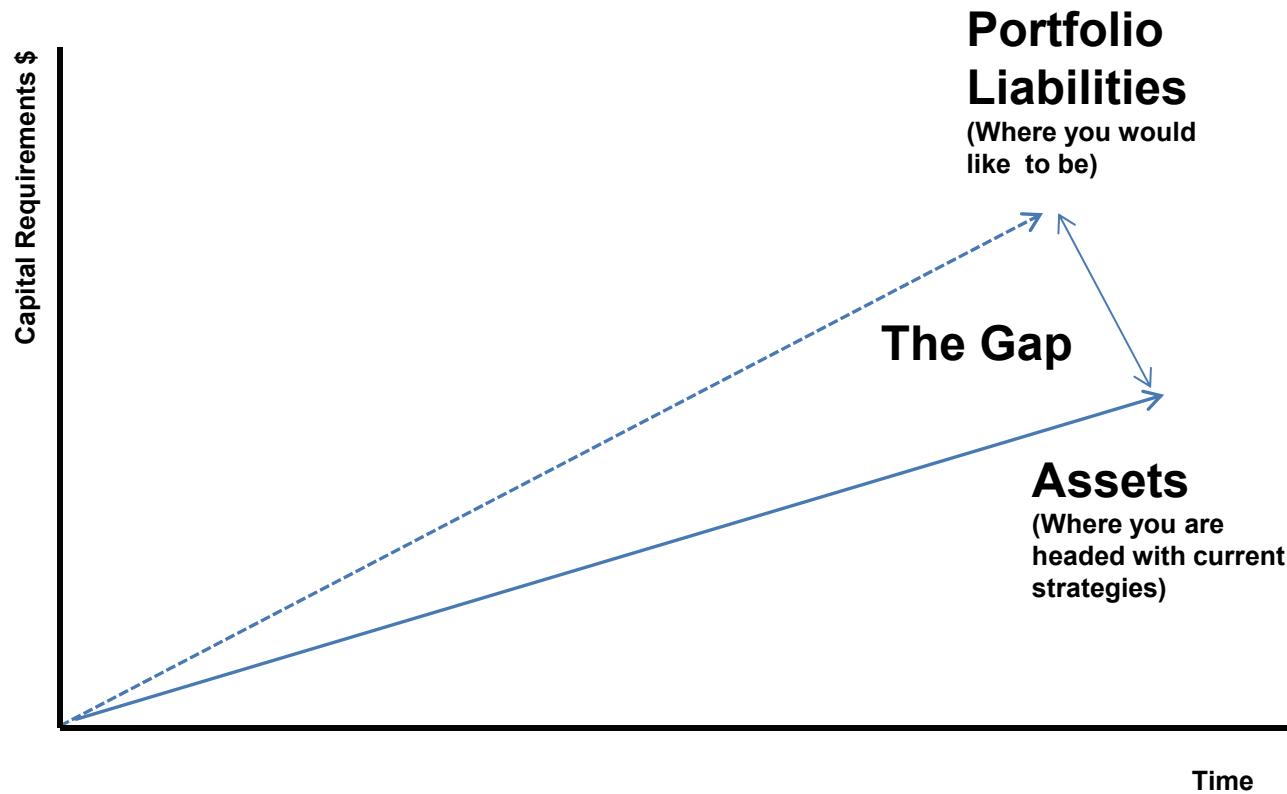
What Investment Return Do You Need?

What return is required to achieve your ‘portfolio liabilities’?...



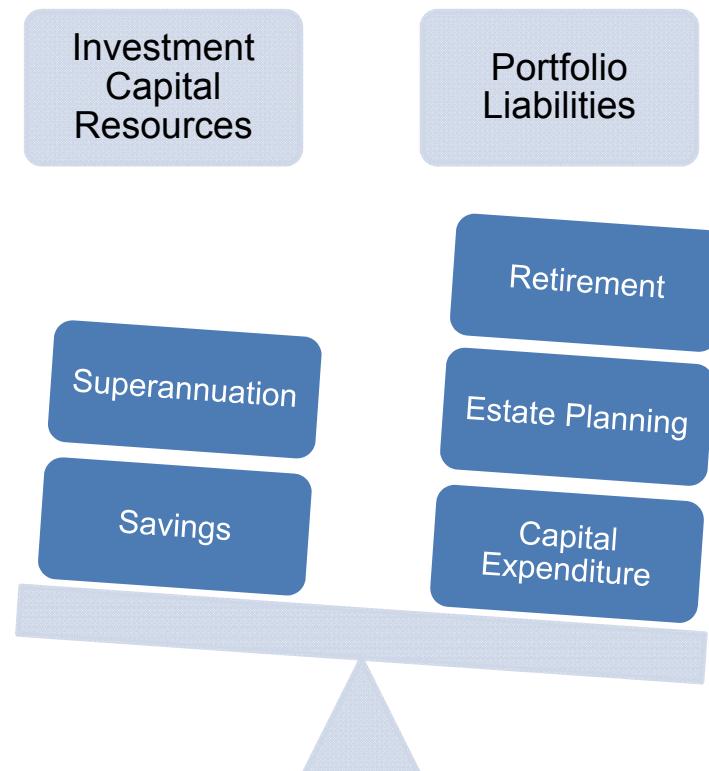
Why is Gap Analysis Important?

Are you on track? Is there a gap between assets and liabilities?...



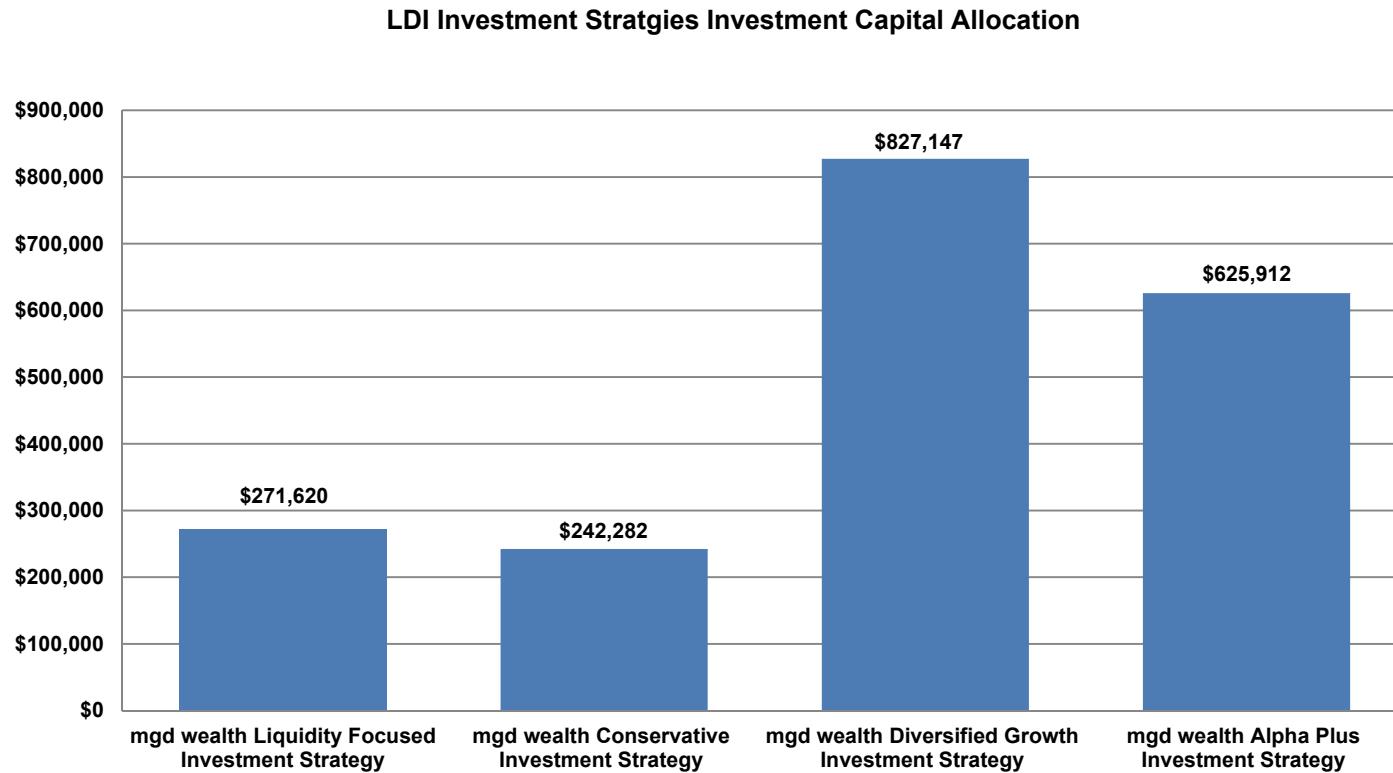
Why is Trade Off Important?

Have you got the right balance? Is a trade off required?...



What is your Portfolio Strategy?

What is the most prudent allocation of investment capital?



Client communications vital

1. Had to develop many in-house tools including:
 1. Wealth tracker
 2. Portfolio tracker
 3. Cashflow tracker
 4. Strategy roadmap

With many supporting documents

Financial Clarity



About MGD Wealth's approach to investing your money



Integrated advice for complete financial clarity

We believe that the key to constructing an appropriate investment portfolio is to first gain an intimate knowledge of your financial affairs and goals. That's because your investment portfolio is ultimately there to meet your goals and needs (within your risk tolerance levels) is the focus of our MGD Wealth Investment Advisory.

Our MGD Wealth Investment Advisory team adopts a best practice approach to creating an investment solution that delivers on your specific requirements. For more information about MGD Wealth Investment Advisory, visit mgdwealth.com.au

Liability Driven Investing philosophy

We believe that the key to constructing an appropriate investment portfolio is to first gain an intimate knowledge of your financial affairs and goals. That's because your investment portfolio is ultimately there to meet your goals and needs (within your risk tolerance levels) is the focus of our MGD Wealth Investment Advisory.

Our Liability Driven Investing (LDI) approach factors these portfolio liabilities in, and forms the backbone of the investment strategy that will be designed for you.

If you are retired or close to retirement, your portfolio liabilities are likely to be focused around retirement income requirements, capital expenditure plans and estate planning.

If you are younger, your portfolio liabilities may be more likely to focus around objectives such as wealth accumulation, your share of education costs and wealth creation.

You are unique and our clients come to us to plan for and manage their financial future. In order to do this, our role is to understand these portfolio liabilities intimately in order to tailor an investment solution that is right for you.

The outcome of the Liability Driven Investing process is the development of an appropriate investment portfolio strategy suited to your unique needs.

Key benefits of our Liability Driven Investing philosophy

The key difference in the LDI approach is not only to create a direct linkage between your investment portfolio and your financial goals, but also to take account of the need to manage the risk of not meeting your portfolio liability. The GIPS® is a reminder that managing risk is the cornerstone of investing and is the big basis of investing and is the preferred investment approach to controlling that risk.

LDI is all about reducing the investment risks you don't want to deal with and linking your portfolio strategy to what it actually needs to deliver. LD is all about setting a unique, clearly stated and outcomes based investment portfolio strategy in place and to break away from the standard paradigm of investing.

Telephone: 07 3391 5055
Facsimile: 07 3391 1711
Email: info@mgdwealth.com.au
www.mgdwealth.com.au

MGD Wealth Ltd
AFS Licence No. 220280 ABN 61 009 079 702
175 Melbourne St, South Brisbane Qld 4101
PO Box 7074, East Brisbane Qld 4169

Longevity Risk in Retirement



Making your retirement savings last the distance

It is no secret that we are all living longer today than previous generations. Female baby boomers have a 50% chance of living beyond age 80, and male baby boomers a 34% chance. Before you start planning what you are going to do with those extra retirement years, there is one small matter of how much pay for tomorrow.

Living longer and saving extra money for retirement is a sensible strategy in place to maintain your desired lifestyle beyond what might be the standard 25 year retirement planning timeframe. It should be noted that the expectancy statistics are averages.

In his 2012 Report Strategic Issues for the Retirement Income System (submitted to the Honorable Wayne Swan MP), Kevin McCormick made an entire section of the report to the topic "Planning Against Longevity Risk".

The recent difficult times in investment markets has many retirees concerned about the reduction in their portfolio values and the impact this will have on their long term financial funding strategies.

Quickly, we can see that longevity risk is the risk of outliving your assets (and increasing) in the world, this issue is clearly of concern for Government and individual retirees alike.

Government is concerned about the impact of longevity risk on the age pension system, with the population as a whole living longer and the age pension system having to support more people. This is why the government's savings and falling back on the age pension in whole or part to fund their retirement is an obvious one for Government. This is also why the government is currently aged, increasing superannuation preservation ages and the proposed increased to employer SGC contributions. No doubt there will be further policy responses in the years ahead to deal with issues around the ageing populous.

Also, the industry is concerned about a variety of issues around the risk of longevity risk, including this paper in the MGD Wealth Liability Driven Investing philosophy and advice process.

In structuring retirement plans for our clients, we assess the level of investment capital needed to fund retirement based on life expectancy statistics and our client's specific retirement goals and objectives. Only rarely is it made a recommendation to invest in a portfolio that is not suitable for a client's risk tolerance level, however a sensible range of investment capital requirements can be determined and reviewed on an ongoing basis.

The biggest unknown in this retirement planning process is longevity risk and whether or not individual retirees will live longer than expected. If they do, then the impact on their investment capital will be significant. This is where the capital cost required to fund retirement. Naturally, we would not like our clients to have to fall back on the age pension in this situation.

In his 2012 Report, Kevin McCormick poses the question of whether insuring against longevity risk should be mandatory, or voluntary, which he should be provided by the public or private sector and what role guaranteed income products should play.

Our view via the MGD Wealth Liability Driven Investing process, is that if our retirees should (where possible) just insure against longevity risk through a sensible allocation of investment capital – that is set aside investment capital specifically provided for retirement income beyond normal life expectancy.

This budgeting of investment capital for retirement needs, including longevity risk, is at the heart of our advice process.

Telephone: 07 3391 5055
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Email: info@mgdwealth.com.au
www.mgdwealth.com.au

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PO Box 7074, East Brisbane Qld 4169

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Financial Clarity



Introducing the MGD Wealth Retirement Advisory Service



Most retirees who we advise are concerned about ensuring they have sufficient funds to meet their retirement aspirations, and a critical aspect of planning for retirement is to ensure that your investment and superannuation portfolio is positioned prudently in order to provide you with the best chance of meeting your specific goals and aspirations.

The MGD Wealth Retirement Advisory Service captures your unique retirement goals and aspirations, documented in your personalised Retirement Roadmap, which we then use to construct a series of investment portfolios that give us the best chance of delivering on your cash flow requirements, as well as your changing needs. As such, we believe that there is no one retirement solution that suits each and every retiree.

From the work force to retirement:
For most individuals and couples who are about to retire or who are managing their finances in retirement, it can be a very challenging and exciting and challenging time. From a financial perspective, there are a wide range of questions that you may have. This is only natural.

Based on our 30+ years of experience in helping retirees transition from the workforce into retirement, we find that clients who are contemplating the move have a range of concerns and aspirations including:

Certainty of Retirement Income	"we are concerned that our cash-flow will not be sufficient to meet our daily living needs and long term aspirations"
Overseas Travel Allowance	"we would like to invest overseas in the early years of our retirement but are not sure how to make this work financially"
Motor Vehicle Upgrades	"we generally change vehicle every 4 to 5 years and want to make sure we can continue to do this in retirement"
Inflation Protection	"we want to make sure that our income keeps pace with inflation so as not to erode our standard of living"
Longevity Risks	"we are concerned that we may outlive our money - what would happen if this occurs?"

Telephone: 07 3391 5055
Facsimile: 07 3391 1711
Email: info@mgdwealth.com.au
www.mgdwealth.com.au

MGD Wealth Ltd
AFS Licence No. 220280 ABN 61 009 079 702
175 Melbourne St, South Brisbane Qld 4101
PO Box 7074, East Brisbane Qld 4169

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Longevity Risk in Retirement



Will your retirement savings go the distance?

In his May 2009 "Report on Strategic Issues for the Retirement Income System" (submitted to the Honourable Wayne Swan MP), Kevin McCormick dedicated an entire section of the report to the topic "Planning Against Longevity Risk".

During his report, Kevin McCormick makes mention of longevity risk and its impact on the reduction in their portfolio and the impact this will have on their long term retirement funding strategies.

Quite simply, longevity risk centres around the risk of outliving your investment assets (primarily superannuation) in retirement. With Australia having one of the longest life expectancies (and increasing) in the world, this issue is clearly of concern for Government and individual retirees.

At an individual retiree level, longevity risk is a very real issue for clients and one that we specifically focus through MGD Wealth Driven Investment philosophy and advisory process.

In structuring retirement plans for our clients, we assess the level of investment capital needed to fund the retirement based on life expectancy statistics and our client's specific retirement goals and objectives. Clearly by making a number of assumptions around factors such as inflation and investment earning rates, a client's investment capital needs can be determined.

However, the biggest unknown in this retirement planning process is no doubt centred on longevity risk and whether or not individual retirees will live longer than life expectancy statistics would otherwise indicate. Living longer will obviously place additional pressure on investment capital and therefore, we would like to make sure we have a fall back plan on the age pension system in the event of this.

In his report, Kevin McCormick poses the question of whether cash-flow will be sufficient to meet our daily living needs and long term aspirations.

Our view is that we need to have a sensible investment strategy and client specific investment capital and objective. Clearly by making a number of assumptions around factors such as inflation and investment earning rates, a client's investment capital needs can be determined.

The process of calculating longevity risk is referred to as a "backwards" approach as it starts with a client's investment capital and then works backwards to determine the assumptions that would be needed to calculate thus budgeting of investment capital.

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The process of calculating longevity risk is referred to as a "backwards" approach as it starts with a client's investment capital and then works backwards to determine the assumptions that would be needed to calculate thus budgeting of investment capital.

The difficulties that arise in this process is determining the assumptions to make around how best to calculate and thus fast rule that applies to all retirees.

In closing, longevity risk is a very real issue for retirees and one that you be sure we address and is at the heart of our advice process.

We invite you to consult with your MGD Wealth Relationship Manager in respect of how you can plan your retirement strategies to best insure against the risk this poses for your retirement.

Disclaimer: The publication contains general information only and is not intended to constitute financial advice. Any information provided is indicative, general or implied, do not act on it without seeking professional advice. Financial advice and/or investment advice is provided by a licensed financial advisor.

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Facsimile: 07 3391 1711
Email: info@mgdwealth.com.au
www.mgdwealth.com.au

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AFS Licence No. 220280 ABN 61 009 079 702
175 Melbourne St, South Brisbane Qld 4101
PO Box 7074, East Brisbane Qld 4169

Financial Clarity



MGD Wealth Liability Driven Investing Investment Strategies Overview



Overview

We believe that the key to constructing an appropriate investment portfolio is to first gain an intimate knowledge of your financial goals and needs, and then to structure an investment strategy that is able to manage these needs, all while trying to provide the funding required to meet your goals and needs.

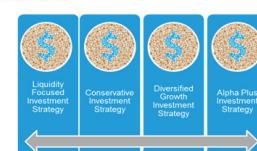
Our Liability Driven Investing (LDI) approach factors these portfolio liabilities in, and forms the backbone of the investment strategy that will be designed for you.

The MGD Wealth Liability Driven Investing philosophy is detailed in our Financial Clarity article "About MGD Wealth's approach to investing your money" which is available upon request via our MGD Wealth client advisor or by visiting www.mgdwealth.com.au

MGD Wealth LDI Investment Strategies

To recognise that there are different types of investment strategies (portfolio liabilities) fall across the spectrum of short, medium and long term liabilities, we have developed a range of investment strategies that are designed to provide tailored investment solutions to support our Liability Driven Investing philosophy.

This range of investment strategies are:



You may have the need to have your overall investment portfolio strategy structured across all four investment strategies. The appropriate allocation of investment capital across each of these investment strategies is determined as a result of our Liability Driven Investing strategy.

The following pages provide details of each of these investment strategies.

Telephone: 07 3391 5055

Facsimile: 07 3391 1711

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What does 'risk' really mean in asset allocation? November 2012



Today's article of interest is "what does 'risk' really mean in asset allocation?" by Dominic McCormick, Chief Investment Officer of Select Asset Management, which appeared in Money Management magazine on the 8th November 2012.

Select Asset Management has been appointed as the Asset Consultant to the MGD Wealth Portfolio Solutions and MGD Wealth more broadly.

Dominic's article discusses the confusion caused by simplistic investment categorisations and how misleading this can be for clients.

We trust that you find Dominic's article insightful and we encourage you to discuss any resultant queries with your MGD Wealth Relationship Manager.

Wren regards

Stephen Farness
Director
Head of Investment Advisory
MGD Wealth Ltd

Dominic McCormick | Chief Investment Officer and Executive Director | Select Asset Management

BIG (Sydney), MCG (NSW)
Telephone: 02 8230 0000
Facsimile: 02 8230 0001
Email: dominic.mccormick@selectam.com.au
www.selectam.com.au

Telephone: 07 3391 5055
Facsimile: 07 3391 1711
Email: info@mgdwealth.com.au
www.mgdwealth.com.au

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AFS Licence No. 220280 ABN 61 009 079 702
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Financial Clarity



MGD Wealth Portfolio Solutions Governance Framework



Background on the MGD Wealth Portfolio Solutions

MGD Wealth established the MGD Wealth Portfolio Solutions (Portfolio Solutions) as many of our clients have very busy lives and we believe that they do not have the time to pay as much attention to their investments that should be considered. Many of our clients have a desire to have a simple, easy to understand and easy to follow framework to build diversified investment portfolios that can cope in a range of different economic environments and then review each year to make sure that the investment strategy will be actively managed and reviewed with their objectives in mind.

The Portfolio Solutions have been constructed and are managed by MGD Wealth as the Investment Manager to achieve the client's investment objectives. Select Asset Management (Select IP) and the Responsible Entity of the Portfolio Solutions, Select Asset Management (Select AM), are responsible for the day-to-day management of the Portfolio Solutions.

As clients cannot be entirely avoided when investing, the philosophy employed for the Portfolio Solutions is to identify and manage the risk associated with the investment process.

MGD Wealth is guaranteed, but MGD Wealth believes that it has an appropriate and robust governance framework for the Portfolio Solutions to manage the risk associated with the investment process.

Our approach to investment risk within the Portfolio Solutions is to manage the risk through a integrated thought through our investment philosophy and advice process.

The MGD Wealth governance framework is highly comprehensive.

There are six pillars to the MGD Wealth governance framework. MGD Wealth's governance framework takes a holistic view in managing these risks and is built on the following core principles:

- MGD Wealth Investment Committee
- Asset Consulting and Research (Select Investment Partners appointed by MGD Wealth)
- Investment Advisory Panel (external panel of investment professionals)
- Responsible Entity Services (Select Asset Management appointed by MGD Wealth)
- Select Asset Management Compliance Committee

More details of each of these governance pillars are outlined on the following page.

Telephone: 07 3391 5055
Facsimile: 07 3391 1711
Email: info@mgdwealth.com.au
www.mgdwealth.com.au

MGD Wealth Ltd
AFS Licence No. 220280 ABN 61 009 079 702
175 Melbourne St, South Brisbane Qld 4101
PO Box 7074, East Brisbane Qld 4169

PortfolioConstruction Forum Conference 2013 (portfolioconstruction.com.au/conference/)

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Regular and customised investment reports



CQS MGD Wealth Portfolio Solutions - Manager Spotlight CQS Credit Multi Asset Fund - April 2013

About the Manager

Founded in 1999 by Michael Hintze, CQS is an \$11.5 billion global multi strategy asset management firm, headquartered in London with over 250 staff globally.

About the Fund

The Credit Multi-Asset Fund (the Fund) aims to exploit opportunities across the credit space via tactical/opportunistic investment across Loans, Corporate Credit, Convertible bonds and ABS.

The Fund is long-only and targets a return 2-3% over the current cash rate.

Why a Multi-Asset Credit Approach?

Credit Sectors work on different cycles driven by changes in fundamentals, supply/demand and regulatory environments, providing opportunities for Managers to dynamically allocate across different credit markets as mispricings occur.

Why has MGD Wealth Chosen CQS?

- a) Investment expertise and success investing across different credit markets, notably Loans and ABS.
- b) Strong Risk Management Systems and Transparency.
- c) A Solid Investment Philosophy and approach to Credit Investing.

Philosophy on Investing

Fundamental credit analysis is at the core of CQS' Investment Philosophy. CQS believes in a specialist approach to analysing and trading financial securities - and accordingly have respective credit sector teams.

The multi-asset sector approach benefits by exploiting opportunities across the entire credit spectrum, along-side comprehensive risk and liquidity management.

Investment Talent

Simon Finch

Simon is the Chief Investment Officer of Credit, and Portfolio Manager for the Multi-Asset Credit Fund. His responsibilities include overseeing the entire credit fund management and trading. He previously worked at Peloton Partners and Abbey National.

Michael Hintze

Prior to establishing the firm, Michael was Head of Convertible Bonds at Credit Suisse, as well as being Head of UK Equity Trading at Goldman Sachs. Michael holds degrees in Physics and Pure Mathematics and served as a captain in the Australian Army.

Source: CQS Global Multi-Strategy Asset Manager.
To learn more about the Fund visit: <http://www.cqs.ch>

MGD Wealth Ltd
ABN 53 009 079 725 - AFSL No. 222800
Ground Floor, 175 Melbourne Street, East Brisbane QLD 4101
P: +61 7 3391 5055 F: +61 7 3391 1711 E: advice@mgdwealth.com.au

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March 2012

Managed Wealth Portfolio Solutions – Quarterly Update

LDI Connect 3 Portfolios

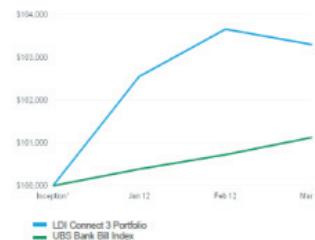
A generally strong quarter for the LDI Connect 3 Portfolio was tempered towards quarter end by poor performance from several areas, particularly gold mining stocks. The Portfolio returned +3.29% for the quarter.

Comprehensive details of the current positioning of the LDI Connect 3 Portfolio can be found in the LDI Connect 3 Holdings and Manager Summaries report on our website [click here](#) or upon request from MGD Wealth.

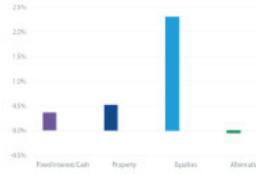
Performance¹ and Asset Allocation Exposures

Performance Snapshot ¹	
3 Month Return	3.29%
Since inception – Total Return (Jan-12)	3.29%
% Profitable Months	67%
Asset Class Exposure ²	
Cash and Fixed Interest	26%
Property	17%
Equities	39%
Alternatives	17%

Total Return of a \$100,000 Investment¹



Attribution by Sector (1 Jan 12 to 31 Mar 12)



Key Sector Holdings

Fixed Interest	Property & Infrastructure	Equities	Alternatives
Ardea	Infrastructure Capital	Baker Steel	36 South
DFA	Lazard	Bennelong	AQR
Kapstream	Phoenix	Ellerston	Aspect
Macquarie	Prime-Ag	Lazard	Gold Bullion
Vianova	SG Hiscock	Wingate	H3 Global Advisors

¹Performance returns noted are reflective of relevant currency hedges. Past performance figures are calculated pre-tax after taking into account fees and expenses, assumes that all distributions are reinvested and do not take into account inflation. Neither past performance nor volatility is a reliable indicator of what may happen in the future.

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Ground Floor, 175 Melbourne Street, South Brisbane QLD 4101
P: +61 7 3391 5055 F: +61 7 3391 1711 E: advice@mgdwealth.com.au

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connect the dots

Group discussion 1 – Lifecycle Advice

- What were the key take outs from Stephen's session?
- What might you do different in your own practice to implement an objective based advice process?

Portfolio Construction Second – Contemporary approach, Post GFC

Dr Bart Dowling | Investment Strategist, Select IP
BEc Honours (Newcastle), PhD Economics (Melbourne), MSc
Mathematical Finance (Oxford)

What problem are we solving for?

- Given a lifecycle advice process, how should a series of portfolios be structured to match the liability profiles
- If we adopt an SAA approach, we are accepting the following: -
 - Backward looking process for portfolio construction with some tactical
 - Mean optimisation – assumption that risk and correlations are constant
 - Suits risk profiling approach
 - Risk = volatility
 - Fine for traditional financial planning
 - Return maximising
- If we adopt a liability driven investment approach, we need to customise
 - Flexible/Dynamic asset allocation
 - Forward looking → scenarios, asset class valuations, momentum/sentiment
 - Assumes that risk and correlations are not constant
 - Risk = drawdown and not meeting objectives
 - Better for cashflow approach
 - Risk reducing – need more certainty

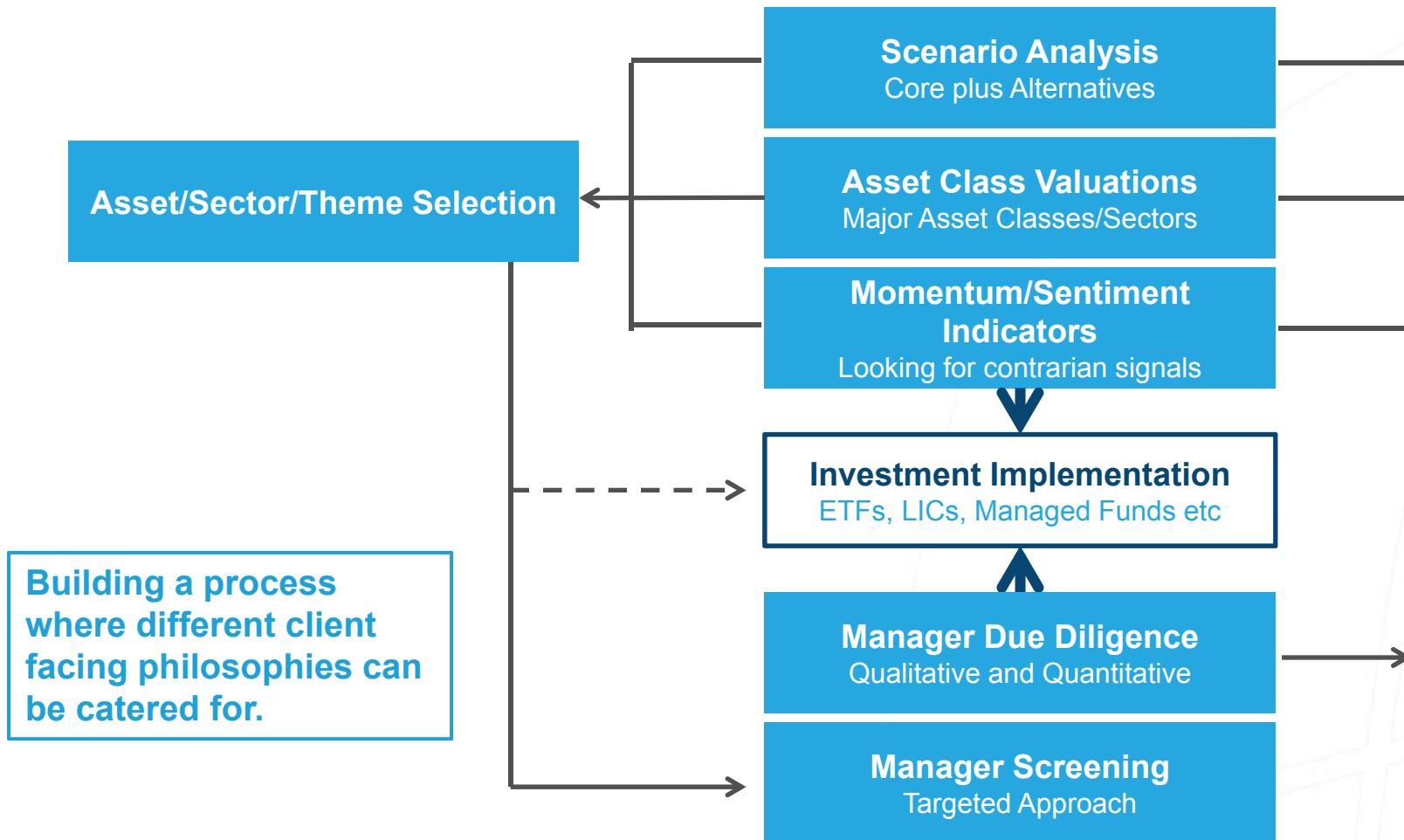
**Bespoke = meeting
your client's needs**

And the MGD LDI Portfolios do just that - Objective target, Flexible AA

	LDI Connect 3	LDI Connect 7	LDI Connect 20
Objectives	<ul style="list-style-type: none"> Cash Rate plus 2% p.a. over rolling 3 year periods, and 4% target volatility as measured by standard deviation of returns. 	<ul style="list-style-type: none"> Cash Rate plus 5% p.a. over rolling 7 year periods, and 8% target volatility as measured by standard deviation of returns. 	<ul style="list-style-type: none"> Cash Rate plus 7% p.a. over rolling 7 year periods, and 12% target volatility as measured by standard deviation of returns.
Dynamic Asset Allocation Approach Required – Forward Looking			
Cash & Fixed Interest	25 to 75%	5 to 50%	0 to 100%
Property	5 to 25%	5 to 25%	0 to 50%
Equities	10 to 50%	40 to 80%	0 to 100
Alternatives	10 to 35%	10 to 35%	0 to 50%

**Starting Point:
managing expectations**

To manage an objective based portfolio, a more dynamic and multi faceted approach is required – the process is not linear



The inputs to decision making increase markedly (small snapshot)...

connect the dots APRIL EDITION OF THE mgd! NEWSLETTER

MGD May 2013 Monthly Update

AGENDA

- **Performance Update**

The following table outlines the performance of the LD Portfolios as at May 2013. Also included is a range of market indices and the Best Defensive and Growth Portfolios for a longer-term comparison:

Portfolio	LD1	LD2	LD3	LD4	LD5	LD6	LD7	LD8	LD9	LD10	LD11	LD12	LD13	LD14	LD15	LD16	LD17	LD18	LD19	LD20	LD21	LD22	LD23	LD24	LD25	LD26	LD27	LD28	LD29	LD30	LD31	LD32	LD33	LD34	LD35	LD36	LD37	LD38	LD39	LD40	LD41	LD42	LD43	LD44	LD45	LD46	LD47	LD48	LD49	LD50	LD51	LD52	LD53	LD54	LD55	LD56	LD57	LD58	LD59	LD60	LD61	LD62	LD63	LD64	LD65	LD66	LD67	LD68	LD69	LD70	LD71	LD72	LD73	LD74	LD75	LD76	LD77	LD78	LD79	LD80	LD81	LD82	LD83	LD84	LD85	LD86	LD87	LD88	LD89	LD90	LD91	LD92	LD93	LD94	LD95	LD96	LD97	LD98	LD99	LD100	LD101	LD102	LD103	LD104	LD105	LD106	LD107	LD108	LD109	LD110	LD111	LD112	LD113	LD114	LD115	LD116	LD117	LD118	LD119	LD120	LD121	LD122	LD123	LD124	LD125	LD126	LD127	LD128	LD129	LD130	LD131	LD132	LD133	LD134	LD135	LD136	LD137	LD138	LD139	LD140	LD141	LD142	LD143	LD144	LD145	LD146	LD147	LD148	LD149	LD150	LD151	LD152	LD153	LD154	LD155	LD156	LD157	LD158	LD159	LD160	LD161	LD162	LD163	LD164	LD165	LD166	LD167	LD168	LD169	LD170	LD171	LD172	LD173	LD174	LD175	LD176	LD177	LD178	LD179	LD180	LD181	LD182	LD183	LD184	LD185	LD186	LD187	LD188	LD189	LD190	LD191	LD192	LD193	LD194	LD195	LD196	LD197	LD198	LD199	LD200	LD201	LD202	LD203	LD204	LD205	LD206	LD207	LD208	LD209	LD210	LD211	LD212	LD213	LD214	LD215	LD216	LD217	LD218	LD219	LD220	LD221	LD222	LD223	LD224	LD225	LD226	LD227	LD228	LD229	LD230	LD231	LD232	LD233	LD234	LD235	LD236	LD237	LD238	LD239	LD240	LD241	LD242	LD243	LD244	LD245	LD246	LD247	LD248	LD249	LD250	LD251	LD252	LD253	LD254	LD255	LD256	LD257	LD258	LD259	LD260	LD261	LD262	LD263	LD264	LD265	LD266	LD267	LD268	LD269	LD270	LD271	LD272	LD273	LD274	LD275	LD276	LD277	LD278	LD279	LD280	LD281	LD282	LD283	LD284	LD285	LD286	LD287	LD288	LD289	LD290	LD291	LD292	LD293	LD294	LD295	LD296	LD297	LD298	LD299	LD300	LD301	LD302	LD303	LD304	LD305	LD306	LD307	LD308	LD309	LD310	LD311	LD312	LD313	LD314	LD315	LD316	LD317	LD318	LD319	LD320	LD321	LD322	LD323	LD324	LD325	LD326	LD327	LD328	LD329	LD330	LD331	LD332	LD333	LD334	LD335	LD336	LD337	LD338	LD339	LD340	LD341	LD342	LD343	LD344	LD345	LD346	LD347	LD348	LD349	LD350	LD351	LD352	LD353	LD354	LD355	LD356	LD357	LD358	LD359	LD360	LD361	LD362	LD363	LD364	LD365	LD366	LD367	LD368	LD369	LD370	LD371	LD372	LD373	LD374	LD375	LD376	LD377	LD378	LD379	LD380	LD381	LD382	LD383	LD384	LD385	LD386	LD387	LD388	LD389	LD390	LD391	LD392	LD393	LD394	LD395	LD396	LD397	LD398	LD399	LD400	LD401	LD402	LD403	LD404	LD405	LD406	LD407	LD408	LD409	LD410	LD411	LD412	LD413	LD414	LD415	LD416	LD417	LD418	LD419	LD420	LD421	LD422	LD423	LD424	LD425	LD426	LD427	LD428	LD429	LD430	LD431	LD432	LD433	LD434	LD435	LD436	LD437	LD438	LD439	LD440	LD441	LD442	LD443	LD444	LD445	LD446	LD447	LD448	LD449	LD450	LD451	LD452	LD453	LD454	LD455	LD456	LD457	LD458	LD459	LD460	LD461	LD462	LD463	LD464	LD465	LD466	LD467	LD468	LD469	LD470	LD471	LD472	LD473	LD474	LD475	LD476	LD477	LD478	LD479	LD480	LD481	LD482	LD483	LD484	LD485	LD486	LD487	LD488	LD489	LD490	LD491	LD492	LD493	LD494	LD495	LD496	LD497	LD498	LD499	LD500	LD501	LD502	LD503	LD504	LD505	LD506	LD507	LD508	LD509	LD510	LD511	LD512	LD513	LD514	LD515	LD516	LD517	LD518	LD519	LD520	LD521	LD522	LD523	LD524	LD525	LD526	LD527	LD528	LD529	LD530	LD531	LD532	LD533	LD534	LD535	LD536	LD537	LD538	LD539	LD540	LD541	LD542	LD543	LD544	LD545	LD546	LD547	LD548	LD549	LD550	LD551	LD552	LD553	LD554	LD555	LD556	LD557	LD558	LD559	LD560	LD561	LD562	LD563	LD564	LD565	LD566	LD567	LD568	LD569	LD570	LD571	LD572	LD573	LD574	LD575	LD576	LD577	LD578	LD579	LD580	LD581	LD582	LD583	LD584	LD585	LD586	LD587	LD588	LD589	LD590	LD591	LD592	LD593	LD594	LD595	LD596	LD597	LD598	LD599	LD600	LD601	LD602	LD603	LD604	LD605	LD606	LD607	LD608	LD609	LD610	LD611	LD612	LD613	LD614	LD615	LD616	LD617	LD618	LD619	LD620	LD621	LD622	LD623	LD624	LD625	LD626	LD627	LD628	LD629	LD630	LD631	LD632	LD633	LD634	LD635	LD636	LD637	LD638	LD639	LD640	LD641	LD642	LD643	LD644	LD645	LD646	LD647	LD648	LD649	LD650	LD651	LD652	LD653	LD654	LD655	LD656	LD657	LD658	LD659	LD660	LD661	LD662	LD663	LD664	LD665	LD666	LD667	LD668	LD669	LD670	LD671	LD672	LD673	LD674	LD675	LD676	LD677	LD678	LD679	LD680	LD681	LD682	LD683	LD684	LD685	LD686	LD687	LD688	LD689	LD690	LD691	LD692	LD693	LD694	LD695	LD696	LD697	LD698	LD699	LD700	LD701	LD702	LD703	LD704	LD705	LD706	LD707	LD708	LD709	LD710	LD711	LD712	LD713	LD714	LD715	LD716	LD717	LD718	LD719	LD720	LD721	LD722	LD723	LD724	LD725	LD726	LD727	LD728	LD729	LD730	LD731	LD732	LD733	LD734	LD735	LD736	LD737	LD738	LD739	LD740	LD741	LD742	LD743	LD744	LD745	LD746	LD747	LD748	LD749	LD750	LD751	LD752	LD753	LD754	LD755	LD756	LD757	LD758	LD759	LD760	LD761	LD762	LD763	LD764	LD765	LD766	LD767	LD768	LD769	LD770	LD771	LD772	LD773	LD774	LD775	LD776	LD777	LD778	LD779	LD780	LD781	LD782	LD783	LD784	LD785	LD786	LD787	LD788	LD789	LD790	LD791	LD792	LD793	LD794	LD795	LD796	LD797	LD798	LD799	LD800	LD801	LD802	LD803	LD804	LD805	LD806	LD807	LD808	LD809	LD810	LD811	LD812	LD813	LD814	LD815	LD816	LD817	LD818	LD819	LD820	LD821	LD822	LD823	LD824	LD825	LD826	LD827	LD828	LD829	LD830	LD831	LD832	LD833	LD834	LD835	LD836	LD837	LD838	LD839	LD840	LD841	LD842	LD843	LD844	LD845	LD846	LD847	LD848	LD849	LD85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THE WORLD ON A PAGE (or TWO) (B) GLOBAL MACRO OVERVIEW SELECT Investment Committee Meeting 17 June 2013	
June Thematics: <i>The global economy seems to be digging deeper into a Northern Hemisphere summer malaise.</i>	
Country by Country Assessment:	
US – Overall, data still pretty much on the right side. • US Manufacturing PMI – 53.7% – stronger than expected; • US Services PMI – 53.8% – stronger than expected; – apparent deceleration between year-to-date 1Q13 export market performance and the performance of the underlying 1Q13 exports. Right now the chickens are coming home to roost in the sense that the US is still the world's largest economy and it is the one that has been most affected on the basis of the manufacturing being strong in this juncture. It's hard to see the stimulus to take away the monetary policy that is currently in place.	
<ul style="list-style-type: none"> ▪ May DMI Manufacturing 50.0 (previous: 53.7) – weaker than expected; ▪ May DMI Services 53.8 (previous: 53.9) – stronger than expected; ▪ April Existing Home Sales +0.9% m/m – stronger than expected; ▪ May Non-Farm Payrolls +117K (Consensus: +114k) – stronger than expected; ▪ May Personal Income +0.3% m/m – stronger than expected; ▪ April Personal Exports +1.0% m/m – weaker than expected; ▪ April Personal Imports +0.9% m/m – stronger than expected; ▪ April Housing Starts +45K (annualized) – weaker than expected. 	
Abstracts – Further perspective from the RBA:	
<p>“The first quarter of 2013 was a period of relative calm in the economy on the back of solid household demand. This, together with a reasonably healthy non-residential service sector, helped build higher volatility that else one can expect in the economy. The second quarter of 2013 is likely to be a period of more modest growth. This reflects the fact that the labour force apparently grew in a fairly linear fashion over the past few years. The labour market is likely to remain relatively tight, as there is little evidence that there is a need for further job gains across a range of different industries. It's hard to see the RBA's baseline budget thus far.</p> <ul style="list-style-type: none"> ▪ April Building Approvals +1.3% m/m (+27.7% yoy) – much stronger than expected; ▪ May Labour Force +1.1% (Consensus: +0.4% to +0.5%) – stronger than expected; ▪ May Retail Trade +0.2% m/m – much stronger than expected; ▪ April Retail Trade +0.2% m/m – weaker than expected. 	
Executive – Observing a closer view:	
<ul style="list-style-type: none"> ▪ The Eurozone is in a very bad state of affairs. Even the good parts, it is just the rest of Northern Hemisphere spring comes a very weak winter is a bit of a recovery friendly idea. Unfortunately the rest of the Eurozone is in a very bad state of affairs. There is no sign of a recovery in sight. The most recent and extremely dire forecast has only added to this already dire situation. Even if this is the rest of the story, this is a very bad state of affairs. It's hard to see the ECB's baseline budget thus far. <p>May Service PMI 51.0 (previous: 51.0) – much lower than expected;</p> <ul style="list-style-type: none"> ▪ May Manufacturing PMI 51.0 (previous: 51.5) – much lower than expected; ▪ May Manufacturing PMI 51.0 (previous: 51.5) – much lower than expected; ▪ April CPI +1.2% yoy – much lower than expected. 	
Japan – More positive than anyone:	
<ul style="list-style-type: none"> ▪ The Japanese economy is in a very bad state of affairs. The most recent “surprise” was a massive quantitative easing that has yet to show up in the economic statistics. Perhaps it will. Some new figures are available that suggest that the Japanese economy is in a very bad state of affairs. The latest Japanese CPI figure looks like it had a very bad day in 2012 – but then again, things might have happened between May 2012 and June 2013 that have not been accounted for. It's hard to see the Bank of Japan's baseline budget thus far. In the back of our mind as a long holding guy have many questions. If it were true, it's one way out of one. <p>April Retail Trade +0.7% m/m (+0.1% yoy) – stronger than expected;</p> <ul style="list-style-type: none"> ▪ April Manufacturing PMI 51.0 (previous: 51.5) – much lower than expected; ▪ April Unemployment rate at 4.1% – as expected; ▪ April CPI -0.1% yoy – much lower than expected; ▪ April CPI -0.1% yoy – much lower than expected. 	


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ASX Investments
For original thinking, be select.
June 2011

Portfolio Thematic Review Research Paper

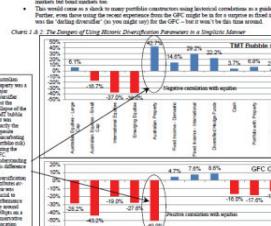
Theme: When Diversification Fails

Author: Dr Bertholdus Drosting

Main Points:

- The most common cause for a deterioration of diversification risk is **Bias** with **dangerous** consequences for the mean-variance framework.
- The more often that **common knowledge** is used in bonds, the more the diversification factor would increase over time. This is due to the fact that the diversification factor is **inversely proportional** to the number of assets.
- Because of the **negative correlation** between equities and bonds, the diversification effect is **maximized** when bonds have a **high beta** (e.g. bank bonds).
- That would result in a **shift** to many portfolio constructions using historical correlations in a **static** way. The reason for this is that the **beta** of the bond portfolio was **the largest driver** of the **beta** of the portfolio. In other words, the **beta** of the portfolio was the **beta** of the bond portfolio.

Chart 1.2: The Change of Using Diversify Diversifying Parameters in a Strategic Manner



The figure consists of two side-by-side bar charts. Both charts have 'Year' on the x-axis (1970, 1975, 1980, 1985, 1990, 1995, 2000, 2005, 2010) and '% Change' on the y-axis (-20%, -10%, 0%, +10%, +20%).

Chart 1: TMT Bubble Crash

Year	% Change
1970	-10.0%
1975	-10.0%
1980	-10.0%
1985	-10.0%
1990	-10.0%
1995	-10.0%
2000	+10.0%
2005	+10.0%
2010	+10.0%

Chart 2: GFC Crash

Year	% Change
1970	-10.0%
1975	-10.0%
1980	-10.0%
1985	-10.0%
1990	-10.0%
1995	-10.0%
2000	-10.0%
2005	-10.0%
2010	-10.0%

Both charts include a legend at the bottom:

- Red bars: **Positive correlation with equities**
- Blue bars: **Negative correlation with equities**

Select Asset Management | Level 10, 200 George Street, Sydney NSW 2000

Level 10, 200 George Street, Sydney NSW 2000

P: +61 2 8202 2200 | F: +61 2 8202 2201 | E: info@selectinvestments.com.au

Keeping people informed is important – doing so promotes ‘buy in’.

Attribution report - by sectors			
Portfolio Solutions	Date: 31/05/13	Since: 30/04/13	Ranking: 0.37% (Sector Abs.)
Asset classes / sectors			
	LD13		
	Class %Attrib. (abs)	Sector %Attrib. (abs)	Comments
Aus Fixed Interest	0.00%		
FI-10years >5yrs mat	-0.04%		
FI-5yrs mat	-0.01%		
Mortgage	0.01%		
Diversified	0.02%		
Aus Fixed Interest	-0.02%		
FI-10years >5yrs mat	-0.01%		
Diversified	-0.01%		
Aus Property	-0.07%		
Property Trusts/Companies	-0.03%		
Infrastructure	0.02%		
Aus Property	0.02%		
Property Trusts/Companies	0.00%		
Infrastructure	0.00%		
Aus Equities	-0.33%		
Large Cap	0.02%		
Mid Cap	-0.04%		
Small Cap	-0.35%		
Private Equity	-0.02%		
	0.04%		

Compliance report - Summary					
Portfolio Solutions		Date:	31/05/13	(% of Max range)	
User entry fields in blue, ok in green, warnings in yellow, alarms in red.		Monitoring level:	100%	<Max, >Max>	
Summary	LD13	Min	<- Net Exp <- Max	Comments	
Cash (Net)		-2.341%		Limited covenant limits managed at underlying Select Portfolio level	
Net positions*		+5.191%			
Gross positions*		100.193%			
Long positions*		37.239%			
Short positions*		-2.497%			
Leverage (Net)		0.000%			
Leverage (Gross)		0.193%			
Borrowing		0.000%			
NAT* (Net)		\$16		Info only	
Net of positions		15			
Excl. Cash & FX					

Investment Committee decision making process – e.g MGD Investment Committee

Investments and Managers	Voting Members Needed
• Adding an investment or manager to the approved list	Unanimous
• Removing an investment or manager from the approved list	Majority
Investment exposure targets	
• Setting the individual investment exposure targets	Unanimous
• Changing individual investment exposure targets	Majority
• Outside a meeting, greater than 1.0% changes in investment exposures relative to target provided that exposure remains consistent with the Investment Mandate	Unanimous
Asset class targets	
• Setting the asset class target initially	Unanimous
• Changing asset class target limits	Majority
• Outside a meeting, greater than 3.0% exposure to an asset class relative to target provided that exposure remains consistent with the Investment Mandate	Unanimous

There always need to be checks and balances.

Investment Committee decisions – Portfolio manager discretion

Certain day to day investment decisions may be made by the portfolio manager at Select, namely:

- Day to day timing of implementation of (client) Investment Committee decisions.
- Up to and including 1.0% change in investment exposures above or below target.
- Up to and including 3.0% change in asset allocation above or below target.
- The Portfolio Manager must ensure that the Responsible Entity is notified of changes that business day.

Remember, part of the deal is to make our client's lives easier.

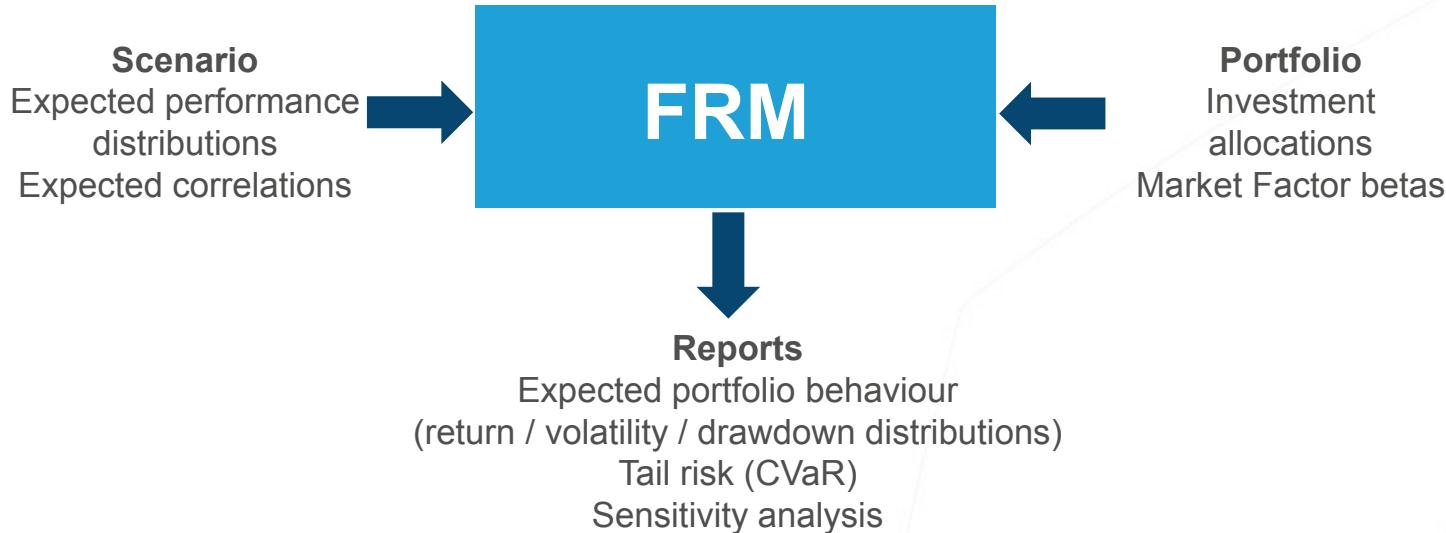
Risk Management: overview

Portfolio risk objectives	How managed
Maximise the possibility of meeting a Portfolio's 'cash + a margin' return objective over suggested time frame	<ol style="list-style-type: none"> 1. Disciplined process 2. Comprehensive reporting 3. Rigorous & ongoing due diligence 4. Identify key risks & expected behaviour 5. Monitor & act on exceptions 6. Maintain core & alternative scenarios 7. Forward-looking portfolio simulations (scenario analysis / stress testing) 8. Ensure portfolio is truly diversified 9. Focus on oper. as well as inv. risks 10. Don't ignore tail risk 11. Liquidity management
Minimise the likelihood that the path taken to meet the return objective is above a client's tolerance for volatility	
Minimise the possibility of a client suffering a large draw down of capital below a client's tolerance for losses	
Reporting	
Portfolio construction	
Investment due diligence	
Operational risk management	



...attractive compounding rates of return above cash philosophy

Risk Management: Forward Risk Model



Answers to key questions:

1. What are the probabilities of various returns over the holding period / what is the 'expected return'?
2. What are the probabilities of various volatilities and drawdowns over the holding period / what is the 'expected volatility' and 'expected drawdown' over this period?
3. What is the expected 'tail risk', e.g. the expected loss in the worst 1% of monthly returns.

Ongoing monitoring

Reports	Frequency	What do we review
Scenario analysis / stress testing	Monthly	<ul style="list-style-type: none"> • Expected performance in different market conditions • Investment themes (e.g. secular trends, macro events)
Asset class valuations	Monthly (more if short term volatility is high)	<ul style="list-style-type: none"> • Trailing PE's and estimated terminal PE across major markets and sectors • Estimated earnings growth over 3 years across major markets and sectors • Forecast dividend yields over 3 years across major markets and sectors • Forecast terminal bond yields and spreads • Forecast terminal cap rates
Sentiment/valuation	Monthly	Contrarian signals
Risk & attribution reporting	Weekly	Asset class and individual investment returns, correlations, Sortinos, CVar, Var, returns, standard deviations, investment flows
Mandate compliance	Weekly	Mandate breaches (soft and hard limits)
Manager meetings	Minimum 2 times per annum	Looking for changes to the identified Key Risks

Once we're set up it's a case of keeping the wheel turning with a minimum of fuss from a client's perspective.

Portfolio managed in real time...

Value Portfolio	
Return Objective : Cash + 3.5%	Cash Expected Return (3yrs) : 3.50%

Return
Objective :
Cash Expected
Return (3yrs) :
3.50%

Knowing who gets a jersey in the team and what position they're supposed to play is important (re FOFA).

Fund	Market Factor	Beta	Expected Allocation	Beta	Expected Return	Excess Return	Expected Total Return	Contribution to Expected Return	Net MER
Unl_CFS - Aspect Diversified	Managed Futures - Trend	2.00	2.5%	10.0%	0.0%	10.0%	10.0%	0.3%	1.64%
Unl_AQR - Delta Offshore	Fund of Hedge Funds	1.20	3.5%	11.4%	4.0%	15.4%	0.5%	1.24%	
Unl_36 South - Kohinoor Core_USD_0_AUD	Managed Futures - Disc	3.00	3.0%	15.0%	2.0%	17.0%	0.5%	1.14%	
LisETF Securities - Gold Bullion ETF	Precious Metals - Gold Bullion	1.00	3.0%	11.0%	-0.3%	10.7%	0.3%	0.40%	
Unl_Denning Pryce - Equity Income	Aus Equities	0.70	2.0%	4.9%	4.0%	8.9%	0.2%	0.99%	
Unl_Perpetual - Shares Plus	Aus Equities	0.90	2.0%	6.3%	2.0%	8.3%	0.2%	0.89%	
Unl_Allan Gray - Australian Equity	Aus Equities	1.10	2.0%	7.8%	4.0%	11.8%	0.2%	0.77%	
Unl_Bennelong - Long Short Equity	Aus Equities	0.30	2.0%	2.1%	10.0%	12.1%	0.2%	1.50%	
Unl_IML - Future Leaders	Aus Small Caps	0.60	3.0%	6.6%	3.0%	9.6%	0.3%	0.99%	
Lis_Vanguard - Aus High Yield ETF	Aus Equities	0.80	5.0%	5.6%	2.0%	7.6%	0.4%	0.25%	
Lis_Statestreet - S&PASX 200 Acc ETF	Aus Equities	1.00	5.0%	7.1%	-0.3%	6.8%	0.3%	0.28%	
Unl_Wingate - Global Equity Income	Global Quality	0.70	2.0%	9.4%	4.0%	13.4%	0.3%	0.70%	
Unl_Platinum - International	Global Equities	0.80	2.0%	6.1%	6.0%	12.1%	0.2%	1.54%	
Unl_Platinum - Japan	Japan	0.70	2.0%	14.0%	4.0%	18.0%	0.4%	1.54%	
Lis_Vanguard - FTSE Emerging Markets ETF_USD_0_USD	Emerging Markets	1.00	4.0%	22.2%	0.0%	22.2%	0.9%	0.18%	
Unl_J_O_Hambro - J O Hambro Asia ex Japan_USD_0_AUD	Asia ex Japan	0.90	2.0%	11.2%	4.0%	15.2%	0.3%	0.90%	
Unl_Epoch - Global Equity Yield	Global Quality	1.00	2.0%	13.4%	3.0%	16.4%	0.3%	0.95%	
Unl_Barwon - Global Private Equity	Listed Private Equity	1.00	2.0%	13.2%	2.0%	15.2%	0.3%	0.78%	
Unl_Phoenix - Property Securities	Aus Listed Property	1.25	3.0%	6.7%	5.0%	11.7%	0.3%	0.70%	
Unl_SG Hiscock - SGH Property Income	Aus Listed Property	1.00	3.0%	5.3%	5.0%	10.3%	0.3%	0.72%	
Unl_Lazard - Global Infrastructure	Global Infrastructure	0.70	3.5%	3.4%	3.0%	6.4%	0.2%	1.00%	
Unl_DFA - 5yr Div Fixed Interest	US Investment Grade	1.00	5.0%	-5.9%	2.0%	-3.9%	-0.2%	0.30%	
Unl_Ardea - Inflation Linked	Aus Infl Linked Bonds	1.00	5.0%	0.5%	0.5%	1.0%	0.0%	0.20%	
Unl_Kapstream - Absolute Return	Aus Cash	1.00	5.0%	3.5%	2.5%	6.0%	0.3%	0.40%	
Unl_Macquarie - Debt Opportunities 2	Aus Cash	1.00	5.0%	3.5%	1.5%	5.0%	0.3%	0.15%	
Unl_Payden and Rygel - Global Income Opportunities	Aus Cash	1.00	5.0%	3.5%	3.0%	6.5%	0.3%	0.40%	
Unl_YBR Smarter Money	Aus Cash	1.50	6.5%	5.3%	0.0%	5.3%	0.3%	0.50%	
Csh_Csh	Aus Cash	1.00	10.0%	3.5%	0.0%	3.5%	0.4%	0.00%	
Management Fees			100.0%		6.3%	2.1%	8.4%	8.4%	0.59%
Performance Fees			10.25%	3.50% Hurdle			-0.98%		
Net Performance							-0.41%		
							7.1%		

Group discussion 2

- What were the key take outs from Bart's session
- What might you do different in your own practice to improve the functioning of your IC?

Close

- Developing an institutional quality asset management capability is within your reach for low cost
- OBI/LDI and Lifecycle investing is the new ‘black’ in advice – it engages the clients, increases switching costs and gets advisers back to strategy and communication. Opt in - not an issue...
- Managing money in a post GF environment takes a dynamic approach to fit the lifecycle advice framework backed by sophisticated (and unconstrained) investment techniques
- A win for your business and a win for your clients

Lifecycle Investing

Accumulation
Decumulation