Horizon Wealth
ADVISORY

Our Investment Approach

GOALS

We believe that investors goals and timeframes should be central to the makeup of their portfolio. Without understanding the end goal, investors can often run the risk of chasing short-term returns and taking unnecessary risks, or alternatively sitting on the sidelines for too long and not achieving reasonable returns on their capital.

Our approach is to start with the client's goals in mind and work backwards to construct a portfolio tailored to achieving these in a way that effectively manages risk and volatility. This approach provides the greatest opportunity for clients to achieve their financial and lifestyle goals over the long-term.

INVESTMENT OBJECTIVES

What are you trying to accomplish?

RISK TOLERANCE

How much risk are you comfortable with?

TIME HORIZON

What are your investment timeframes?

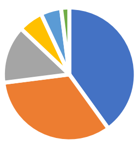
BALANCE

Finding the right asset allocation is a crucial for the construction of portfolios. We believe the asset allocation needs to be suited to the investment objectives and timeframes of the investor.

High growth asset classes (including shares, property and infrastructure) carry volatility risk though usually achieve higher long-term returns. Defensive assets (including fixed interest and cash) can help reduce volatility in a portfolio, though can carry inflation risk and shortfall risk.

We believe diversification is an effective way to manage risk. Diversification across asset classes is an effective way to reduce cyclical risk of any particular asset class. Diversifying within an asset class reduces exposure to risks associated with a particular company or sector.

Our belief is that passive and active management both have their place and can provide benefits to a portfolio. Passive management provides low-cost exposure to markets and track benchmarks, while active management can provide opportunities for alpha performance and greater downside protection in volatile markets.

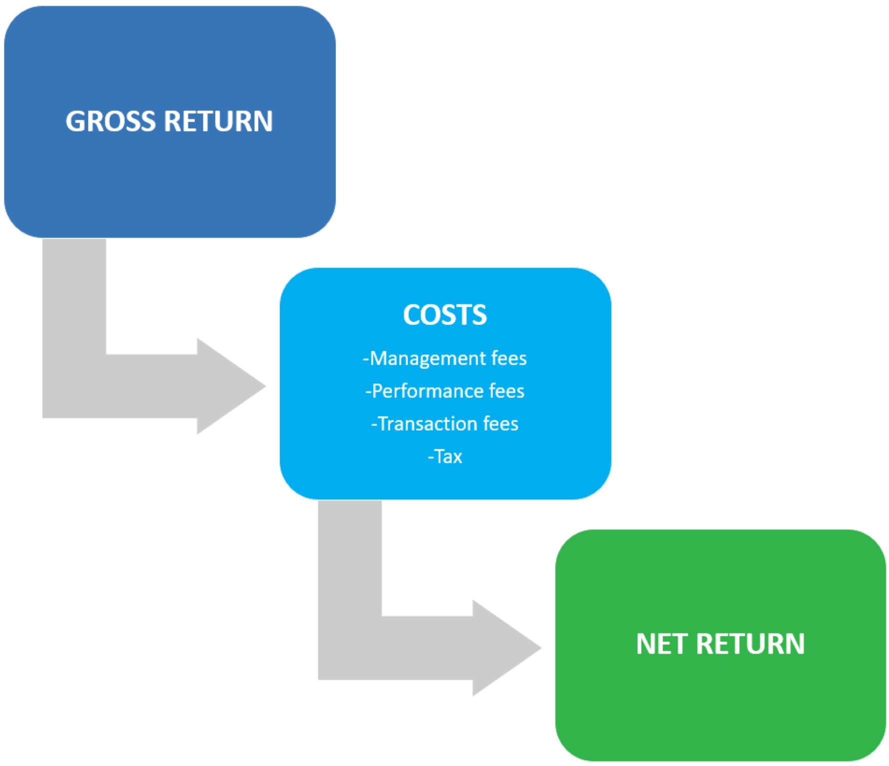
Risk Profile	Asset Allocation		Characteristics
High Growth 90% growth assets 10% defensive assets		▪ International shares	High exposure to growth assets means that the portfolio will have greater fluctuations in value than more defensive portfolios. This strategy suits investors aiming to achieve capital growth over a long- term timeframe and are comfortable with a portfolio dominated by shares and property.
Growth 70% growth assets 30% defensive assets		▪ Australian shares ▪ Property & infrastracuture	The allocation to growth assets means that the portfolio may have relatively high short-term fluctuations. This strategy suits investors aiming to achieve capital growth over a medium to long term timeframe and who want lower volatility than that provided by a high growth portfolio.
Balanced 50% growth assets 50% defensive assets		▪ Alternatives ▪ Fixed Interest	A balanced split between growth and defensive assets means that the portfolio is expected to deliver relatively consistent returns over time. This strategy suits investors aiming to achieve capital growth over a medium-term timeframe but aren’t comfortable with high levels of volatility.
Conservative 30% growth assets 70% defensive assets		▪ Cash	The bias towards defensive assets means that the portfolio is expected to deliver relatively stable returns over time. This strategy suits investors seeking regular income with an opportunity for some growth over a medium-term timeframe, while volatility should remain low.

COST

Keeping costs at a competitive level is an important component to achieving strong long-term returns.

Our approach is to blend passive and active management with a core/satellite approach. In certain areas where we believe there is greater opportunity for outperformance (such as small to mid-cap equities) we will lean towards active management, while in other sectors we will have a greater weighting towards low-cost index funds. While cost is important, we still judge funds on their risk adjusted returns net of fees rather than purely on cost.

Further to percentage fees, we look to reduce hidden costs such as capital gains tax and transaction fees when a portfolio has high turnover. We favour a low-turnover approach which aligns with our long-term investment outlook.



DISCIPLINE

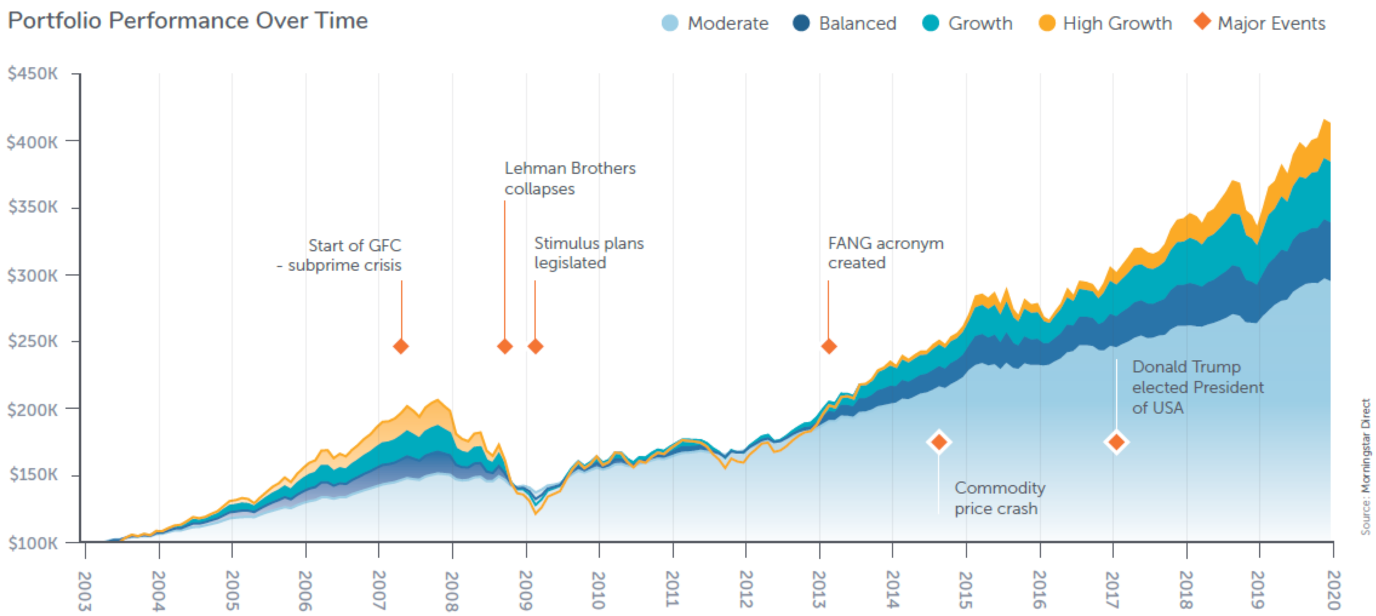
Our approach is centred on long-term objectives and we look to block out short-term noise. We are of the view that keeping a long-term outlook leads to better investment decisions and avoids the pitfalls of reacting to short-term sentiment.

The headlines of the day can at times distort the value of an asset, but in the long-term we believe the price of an investment will normalise to its intrinsic value.

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

We also believe in the importance of rebalancing portfolios annually to keep in line with target asset allocation. This discipline keeps portfolios aligned with their investment objectives.

Another important strategy is to consistently invest throughout market cycles, focusing on time in the market rather than timing the market. We believe dollar cost averaging, the process of investing consistent amounts at regular intervals, is an effective strategy to smooth out returns and also reduce market timing risk.



MANAGER SELECTION

When constructing our portfolios, within each asset class we nominate fund managers which align with our approach and can deliver investment outcomes for our clients. We have a set of criteria which any manager must meet before we will consider them in our portfolios.

It is important for us to understand a managers approach to investment decisions. We want to have confidence that they have a robust procudure for investment selection and a focus on long-term quality over potential short-term gains.

We utilise independent rating agencies Morningstar and Lonsec to assist with research for any funds we are considering.

We want to see a track record of performance for fund managers in our portfolios. This is important as while different funds may have a good performance in some years, we want to see that funds are able to perform in different market conditions and have confidence that they can deliver long-term results to our clients.

We undertake regular reviews across our portfolios. While we have a preference to limit turnover, we still need to maintain confidence the funds in our portfolio have the personnel, resources and culture to continue delivering client outcomes, and will make alterations if necessary.