

# PPWI Investment Beliefs

## Background

We acknowledge the importance of investment beliefs. Documenting our beliefs provides us a clear philosophical framework for moving towards best-practice stewardship. Investment beliefs can act as a bridge between high-level goals and practical decision making. They provide a single set of truths that prevent individuals dominating the process. They are a guiding framework for taking actions during difficult periods.

We think that good investment beliefs should be:

- Clear,
- Actionable,
- Evidenced, and
- Documented.

Our view is that beliefs should go beyond a philosophical statement to practical principles and actions. Those principles and actions can help reduce the time spent in responding and reacting to uncertain environments.

Our beliefs cover

- 1) General market beliefs,
- 2) Investment selection beliefs, and
- 3) Execution beliefs.

A clear set of investment beliefs is a critical part of a strong investment governance framework.

Our core beliefs can be summarised by the following complementary statements:

- *We believe understanding individual client circumstances and attitudes are critical to managing risk.*
- *We focus on generating both income and growth; however, our first priority is to satisfy the income need.*
- *We aim to take only as much risk as is required to reach an investment objective.*
- *Active management is an important tool in managing exposure to risk and achieving income and growth objectives.*

Our beliefs are set out in the following tables:-

## General Beliefs

Belief	Principles	Actions
<b>Strong governance is critical to effective portfolio management</b>	<p>Effective governance can prevent or mitigate adverse effects on client portfolios.</p> <p>Strong governance is a return driver over the long-run.</p>	<p>The PPWI Investment Committee meets no less frequently than quarterly. PPWI adopts a clear governance framework for managing clients' wealth.</p>
<b>Clarity of mission and objectives is important for all clients.</b>	<p>Effective personal portfolio management begins with the discussion between adviser and client.</p> <p>It is important to reach an understanding of a client's:</p> <ul style="list-style-type: none"> <li>- Ability to withstand risk,</li> <li>- Desire to take risk, and</li> <li>- Need to take risk.</li> </ul>	<p>PPWI spend time with each client to understand their goals so they can be documented and formally agreed.</p> <p>PPWI considers each client's circumstance and attitude towards risk. This helps inform how much income is required with certainty, and how much risk will be required to achieve that.</p>
<b>Portfolio management should be scalable and affordable.</b>	<p>Each client's portfolio should reflect their income and growth needs.</p> <p>Investors should be treated equally in terms of access to investment opportunity.</p>	<p>PPWI recognises that its clients are at various stages of their career and investment life cycle and that some portfolio variation may be required to accommodate different client needs.</p>

## Investment Beliefs

Belief	Principles	Actions
<b>Markets are generally efficient but can be mispriced for significant periods.</b>	Markets can be driven by sentiment and momentum which can cause disruption in efficient pricing. Those inefficiencies provide more opportunity for active investors to add value, after fees.	PPWI use active management to exploit inefficiencies and disruption in market prices.
<b>The ability to dynamically allocate between markets, sectors and investments can be important as conditions change over time.</b>	Risk premia will vary with market conditions. Given these realities, actively managing the allocation between markets, sectors and investments can add value. Active portfolio allocations between markets and sectors should be backed by a rigorous risk and return framework, overlaid with qualitative judgement.	PPWI use a dynamic allocation process to allow active allocation between markets and sectors to manage exposure to risk and achieve income and growth objectives over time.
<b>Dividends are in the most cases stable and can be forecast within reasonable margins of error. They are a sensible way to think about fair values.</b>	Australian dividends have been a stable source of income and PPWI expect them to remain so. PPWI see equity prices as a reflection of future cash flows. Income flows are the cornerstone of PPWI portfolios, while capital growth is seen as a result of strong earnings.	PPWI portfolios focus on income generation while searching for growth opportunities.
<b>Investment and portfolio risks should be assessed and reviewed to improve portfolio outcomes</b>	PPWI focuses on managing exposures to risks that can be rewarded, and minimising exposure to risks that are less likely to be rewarded. PPWI aims to take only as much risk as is required to reach an investment objective.	PPWI uses a range of tools and lenses through which to measure and control risk.
<b>It is possible to build a resilient portfolio using actively managed investments to deliver excess returns after fees.</b>	Managers that exploit inefficient markets, can use more degrees of freedom (e.g., long-short) or focus on best ideas tend to be best exploited for excess returns (alpha).	Manager selection decisions are based on an assessment of skill rather than short-term performance to increase the probability of alpha.
<b>Complexity in investments is often poorly rewarded and should be avoided.</b>	Complex investments often coincide with a lack of transparency, difficulty in assessing risk/reward, opaque embedded fees and disappointing risk-adjusted returns.	PPWI may use alternatives but avoids unnecessarily complex or opaque structures when investing.
<b>Long-term sustainability issues can have an impact on risk and outcomes.</b>	Sustainable investing considers long-term opportunities and risks and could be a growing driver of returns. This includes but is not limited to Environmental, Social and Governance (ESG) factors.	PPWI considers ESG factors in the portfolio construction process.

## Execution Beliefs

Belief	Principles	Actions
<b>Effective Implementation</b>	Direct implementation of an investment portfolio can provide a range of benefits such as greater control to manage turnover, taxation and liquidity.	<p>PPWI recognises that in most asset classes there may be benefits in implementing directly via an exchange such as the Australian Stock Exchange (ASX).</p> <p>PPWI will consider a range of factors in managing the effective implementation of a client's portfolio.</p>
<b>Costs matter and should be factored into decision making.</b>	PPWI continually looks for cost effective and efficient implementation of their active management.	PPWI prefers direct investment implementation and actively seeks out ways to improve outcomes for clients.