CAPITAL COUNTS

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Our Investment Philosophy

OUR ADVICE. YOUR FUTURE.

Like all successful financial advice businesses, we have a core set of investment beliefs.

These beliefs shape the investment decisions we take on your behalf and give focus and discipline to the oversight of your investment goals.

Why do we invest the way we do?

Investors have behavioural biases

Diversification works

Forecasts are inherently unreliable

Financial markets deliver great long term returns

Costs matter

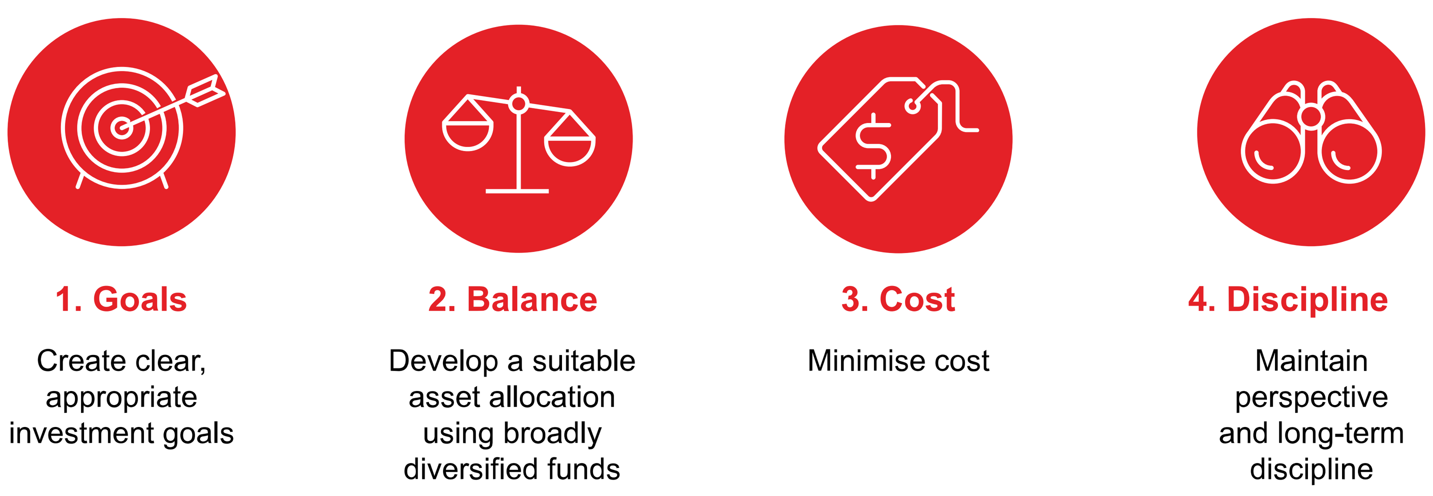
Adopt an evidence based approach to investing

We are guided in the decisions we make on your behalf by some fundamental investment principles that assist you to stay focused on your investment goals and build wealth over time.

We know that investors can't control short-term market movements. So instead we focus on factors in your control such as:

- Understanding your attitude towards risk and return to develop a detailed risk profile.
- Allocating your investments across a wide range of assets - shares, bonds, property and cash.
- Choosing the right mix of investments styles to achieve your goals.
- Reducing the cost of investing wherever possible by implementing tax-effective investment strategies.
- Rebalancing your investments back to your target asset allocation to keep you on track to achieve your goals.

Investment principles



We focus on the fundamental principles that we believe can give our clients the best chance of success.

- We will help you create specific and measurable investment goals.
- We will help you develop a suitable asset allocation using broadly diversified funds.
- We will help you minimise cost.
- We will help you maintain perspective and long-term discipline.

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Goals

We work with you to achieve financial success whether it is accumulating assets or, protecting your wealth or planning for your retirement, your financial goals are our focus.

We understand if you have any investment preferences and strong connections to sustainable investing.

We work with you to understand your values, needs and wants. If you have specific investment requirements we can take these into consideration when selecting your investments.

Whilst we take a long-term approach to your financial roadmap, we can pivot and take action to navigate regulatory and market changes.

We work closely with you to ascertain what is most important to you. We understand your current financial and personal situation to help identify your specific objectives so we can compliment your goals with the most appropriate structuring of your assets.

We believe that investment goals and plans need to take into account important considerations such as time horizon, cash requirements and tax implications.

We help clients to set measurable and attainable investment goals and believe that our clients return objective should be consistent with their risk objective.

Helping you to achieve your goals

Keeping you on track to achieving your goals

We believe that clear and realistic goals can help protect clients from common mistakes (eg. performance chasing) that can deprive them of achieving investment success.

We help you understand market conditions and the impact over time. We discuss the various asset class options to ensure you are optimising the appropriate levels of investment returns for the level of risk you are willing to take.

We believe a sound financial plan helps our clients to stay focused on the factors they can control rather that reacting to newspaper headlines and media speculation.

"People with goals succeed because they know where they're going."

Earl Nightingale

Balance and Asset Allocation

We offer a range of investment options depending on your goals and requirements.

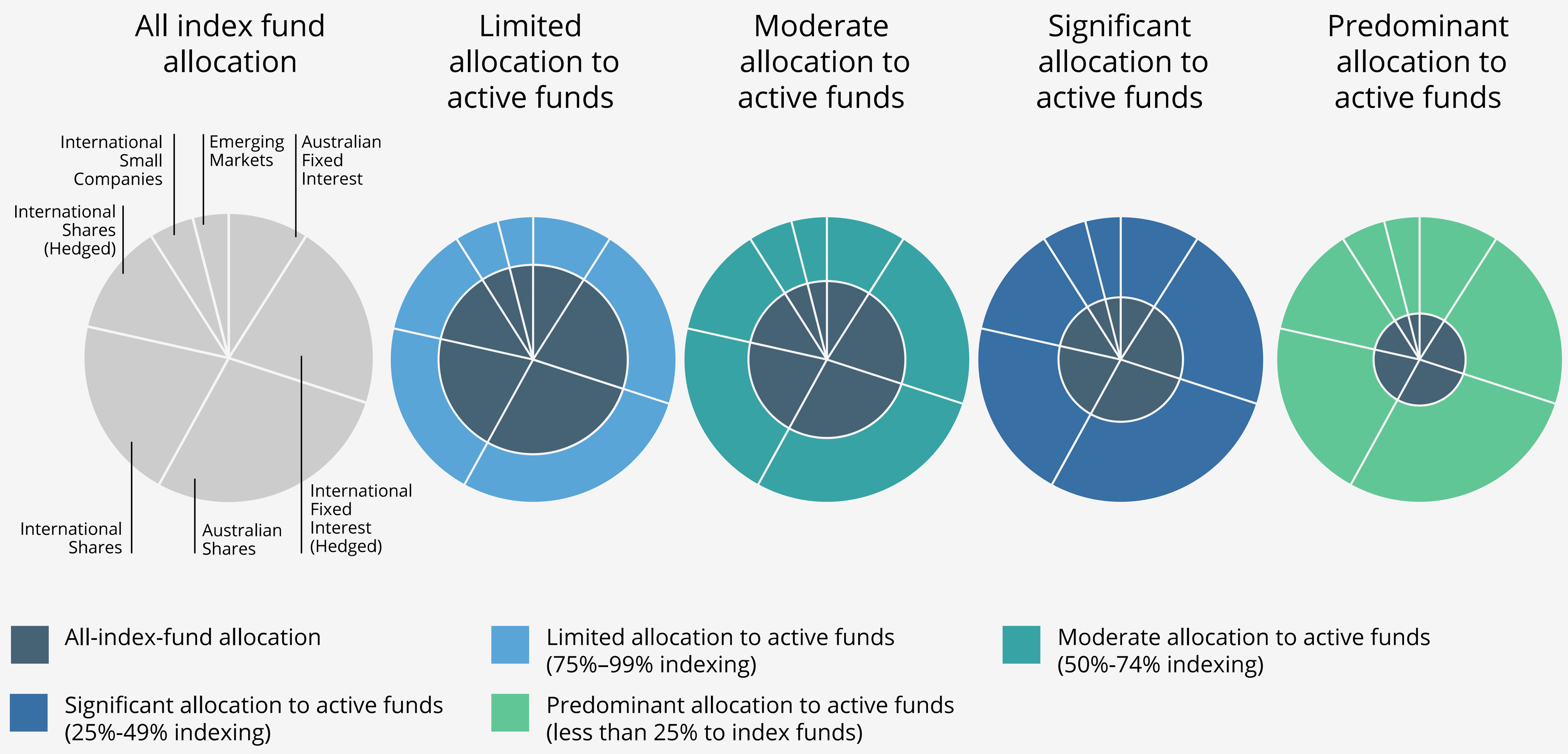
We believe both active and passive investments have potential benefits in a portfolio.

Passive funds offer low-cost efforts to track benchmarks, leading to a tight range of relative returns.

Active funds offer the potential for outperformance, although with greater uncertainty and typically higher costs.

We provide a range of core-satellite solutions that we can work with you on understanding the right one for you.

Range of core-satellite solutions



For illustration purposes only.

We believe that every successful investment strategy begins with an asset allocation suitable for its objective.

Asset allocation determines the most of the returns and the variability of the returns of a diversified portfolio.

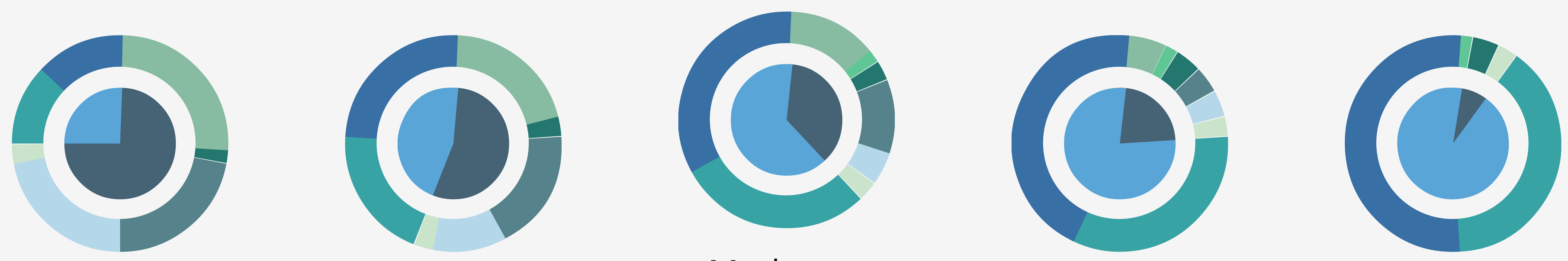
We conduct financial modelling to ensure our advice and recommendations help you meet your client' objectives.

We spend time helping you understand the appropriate asset allocation for you.

It is important to manage market risk, inflation risk and shortfall risk among other risks to help clients in achieving their financial goals.

We regularly assess market conditions and asset classes to calibrate our expectations for both returns and volatility of returns.

We conduct financial modelling to ensure our advice and recommendations help you meet your client' objectives.



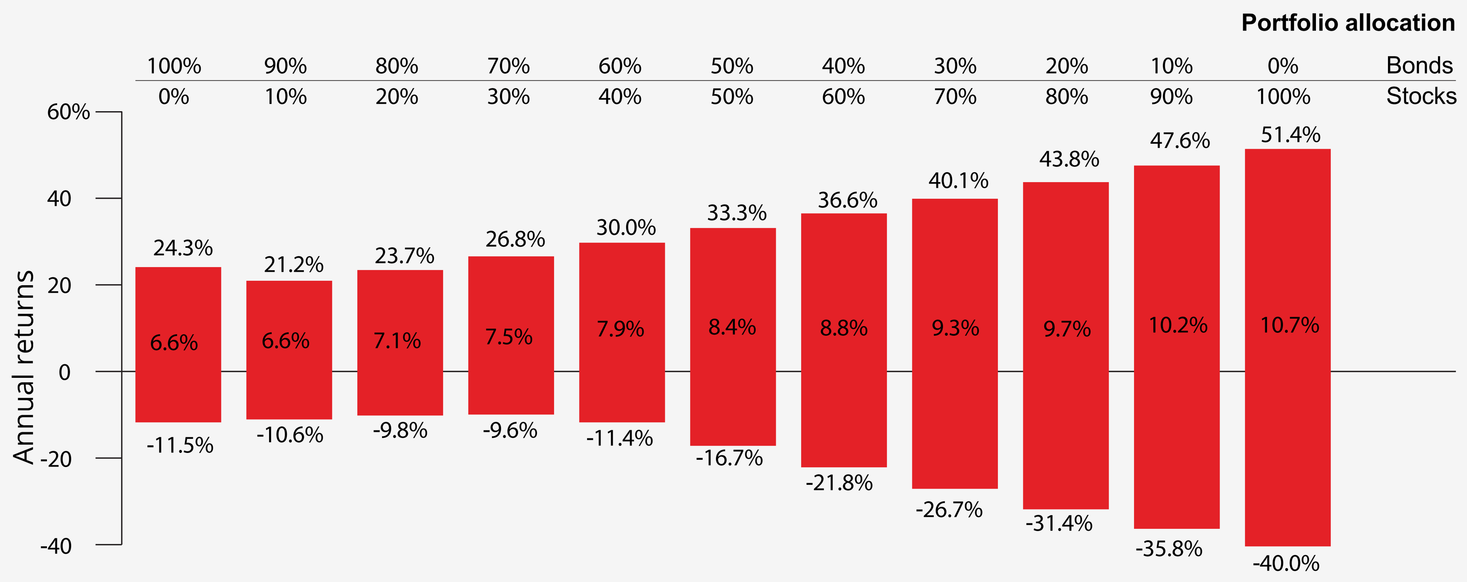
Defensive (%) Growth (%)

	Conservative	Balanced	Moderate Growth	Growth	High Growth
Target asset allocation (%)	30% Growth	50% Growth	70% Growth	85% Growth	100% Growth
Australian Equities	12.0	20.0	29.0	33.0	39.0
International Equities	13.0	24.0	33.0	43.0	51.0
Australian Property	0.0	0.0	2.0	2.0	3.0
International Property	2.0	3.0	3.0	4.0	4.0
Australian Fixed Interest	26.0	21.0	14.0	7.0	0.0
International Fixed Interest	22.0	18.0	11.0	4.0	0.0
Alternatives	3.0	3.0	3.0	3.0	3.0
Australian Cash	22.0	11.0	5.0	4.0	0.0
International Cash	0.0	0.0	0.0	0.0	0.0

Balance and Asset Allocation

Asset allocation defines return and risk

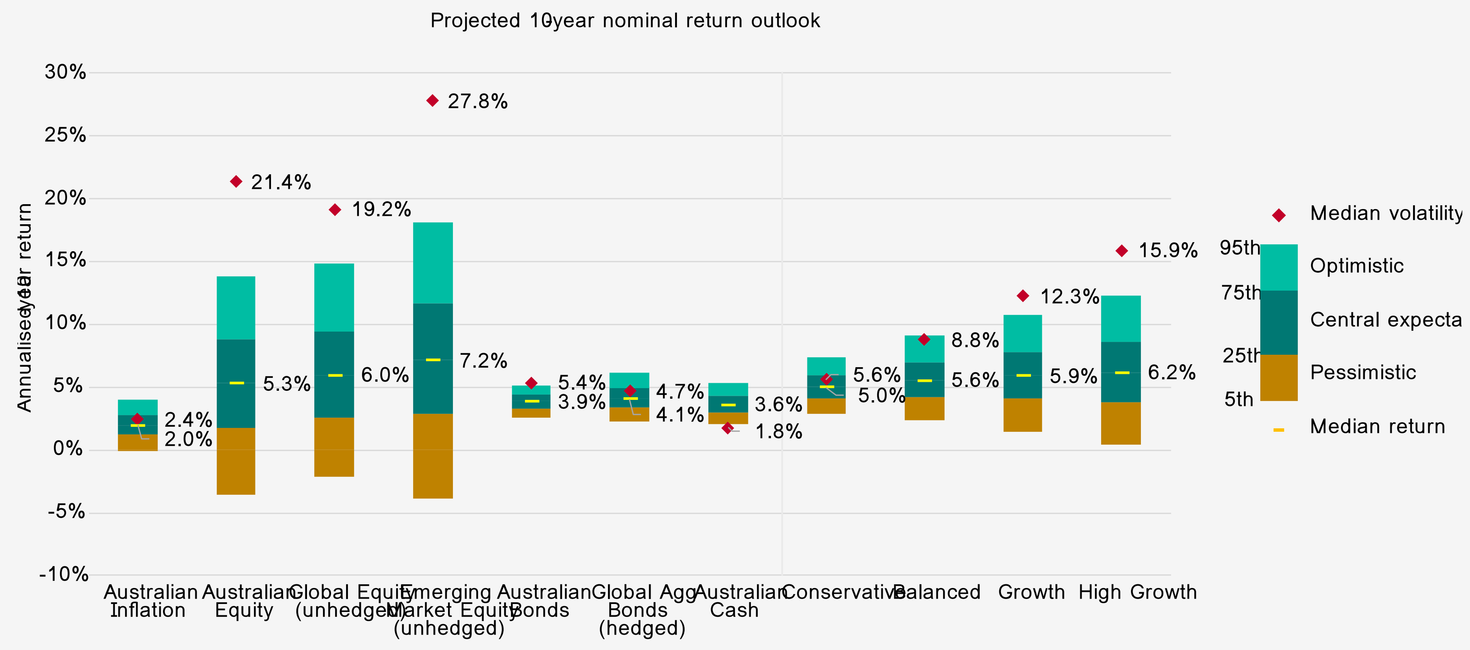
"Research shows that about 90% of return variation is explained by asset allocation. It varies slightly from country to country. For example, 91.1% in the US, 89.3% in Australia"



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

Asset classes and portfolios - 10 year forecast

Projected 10-year nominal return outlook



Note: The projections or other information generated by the VCMM regarding the likelihood of various investment outcomes are hyphypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for each modeled asset class in AUD. Results fs from the model may vary with each use and over time. Source: Vanguard, as of 31 May 2023 VCMM Simulation.

Asset allocation considerations

Strategic Asset Allocation (SAA)

Constructed based on long-term asset class forecasts with targets to maintain a set combination of asset classes.

Dynamic Asset Allocation (DAA) and Tactical Asset Allocation (TAA)

Active portfolio management strategies that shift the percentage of assets held in various categories to take advantage of short to medium term market pricing anomalies or strong market sectors.

For any tactical move to be successful, managers need to be right not just once but at least five times.

1. Identify a reliable indicator of short-term future market returns
2. Time the exit from an asset class or market, down to the precise day
3. Time re-entry to an asset class or the market, down to the precise day
4. Decide on the size of the allocation and how to fund the trade
5. Execute the trade at a cost less than the expected benefit

Source: Vanguard.

Our approach when it comes to your asset allocation is strategic with a long term focus.

However at times during market shifts or legislative changes, we can pivot and tactically change asset allocations.

We will also make sure the advice and strategy aligns to your investment goals.

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

We provide varying investment structures to suit your particular circumstances and we help you understand the most appropriate vehicles for investing.

These may include:

- Managed Funds
- Exchange Traded Funds
- Separately Managed Accounts
- Direct Shares
- Private Equity
- Private Debt
- Term Deposits
- Cash

Depending on the structure of your investments, we will consider price and purchasing costs as well as the overall structuring of your investments.

Diversification and long-term investing

Consistently picking winners is difficult

Annual asset class returns (%) for the year ended December 2022

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
32.8	32.3	26.8	14.4	13.2	27.5	4.5	26.8	10.6	30.2	1.3
32.0	19.7	23.1	4.6	12.1	20.0	3.3	23.8	8.1	27.0	-1.8
19.7	13.4	12.6	3.8	11.8	11.9	1.9	22.4	5.1	23.9	-9.7
18.7	10.1	10.4	3.3	10.3	6.4	1.6	19.6	4.5	17.5	-12.3
17.1	7.3	9.8	2.8	6.5	9.5	-3.1	19.1	1.7	3.8	-13.9
9.7	2.9	7.3	2.6	5.2	3.7	-3.5	7.3	0.4	0.0	-18.1
7.7	2.3	5.3	2.3	2.9	3.7	-4.7	7.2	-4.0	-1.5	-20.1
4.0	2.0	2.7	-3.9	2.1	1.7	-7.6	1.5	-12.8	-2.9	-23.9

Asset Class: Cash; Aus Fixed Interest; Intl Equities: EM; Aus Property; Aus Equities; Global Agg H; Intl Equities: DM H; Intl Property H

Vanguard Investment Strategy Group analysis using index data from Bloomberg, FTSE, MSCI, S&P & UBS. Notes: Australian equities is the S&P/ASX 300 Index; Australian Property is the S&P/ASX 300 A-REIT Index; International Property Hedged = FTSE EPRA/NAREIT Dev x Au Hedged into $A from 2013 and UBS Global Investors ex Australia AUD hedged Index prior to this; International Shares Hedged is the MSCI World ex-Australia Index Hedged into $A; Emerging Markets Shares is the MSCI Emerging Markets Index; Australian Bonds is the Bloomberg Ausbond Composite Bond Index; Global Aggregate Bonds = Bloomberg Global Aggregate Index Hedged into $A; Cash = Bloomberg AusBond Bank Bill Index.

Diversification works

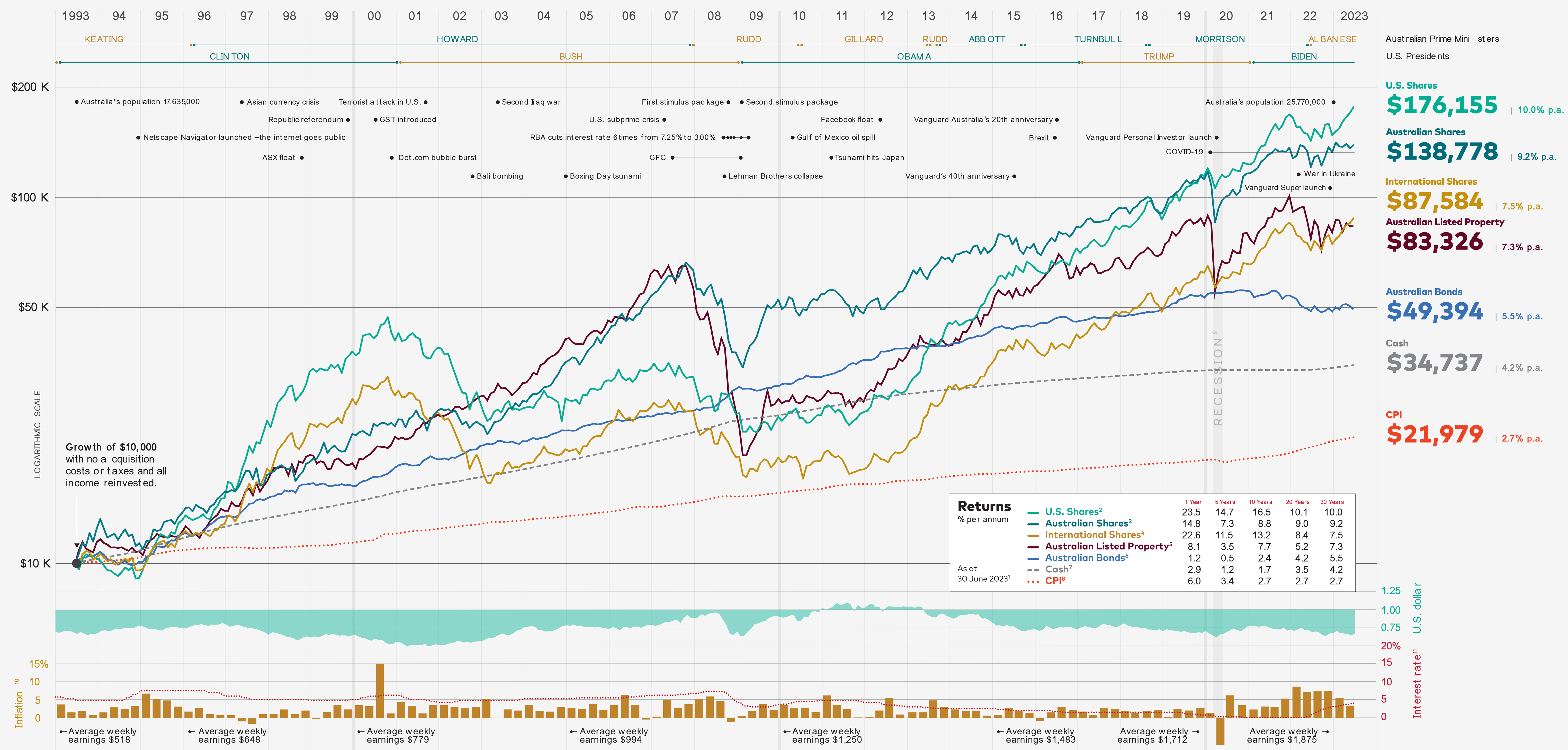
Diversification is a powerful strategy for managing traditional risks.

Diversifying across asset classes reduces a portfolio's exposure to the risks common to an entire class.

Diversifying within an asset class reduces exposure to risks associated with a particular company, sector, or segment.

2023 Vanguard Index Chart

Market returns – 1 July 1993 to 30 June 2023



Sources: Australian Bureau of Statistics, Bloomberg Finance L.P., Melbourne Institute of Applied Economic & Social Research, MSCI Inc., Standard & Poor's, WM Reuters. Notes: 1. Per annum total returns to 30 June 2023. 2. S&P 500 Total Return Index (in AUD). 3. S&P/ASX All Ordinaries Total Return Index. 4. MSCI World ex-Australia Net Total Return Index AUD Index. 5. S&P/ASX 200 A-REIT Total Return Index. 6. Bloomberg AusBond Composite 0+ Yr Index. 7. Bloomberg AusBond Bank Bill Index. 8. ABS Consumer Price Index. 9. Recessions as defined by the Melbourne Institute of Applied Economic and Social Research. 10. Annualised Rate of Inflation. 11. Interest Rate is the Reserve Bank of Australia's O cial Cash Rate. All figures are in Australian dollars. All marks are the exclusive property of their respective owners. Disclaimer: This publication contains factual information only that is of a general nature. It does not contain financial product advice. We have not taken your objectives, financial situation or needs into account when preparing the information so it may not be applicable to your circumstances. Vanguard Investments Australia Ltd (ABN 72 072 881 086 AFSL 227263) recommends that, before you make any financial decision about whether to invest in any financial product, you seek professional advice from a suitably qualified adviser. Past performance information is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance. This publication was prepared in good faith and we accept no liability for any errors or omissions.

Discipline

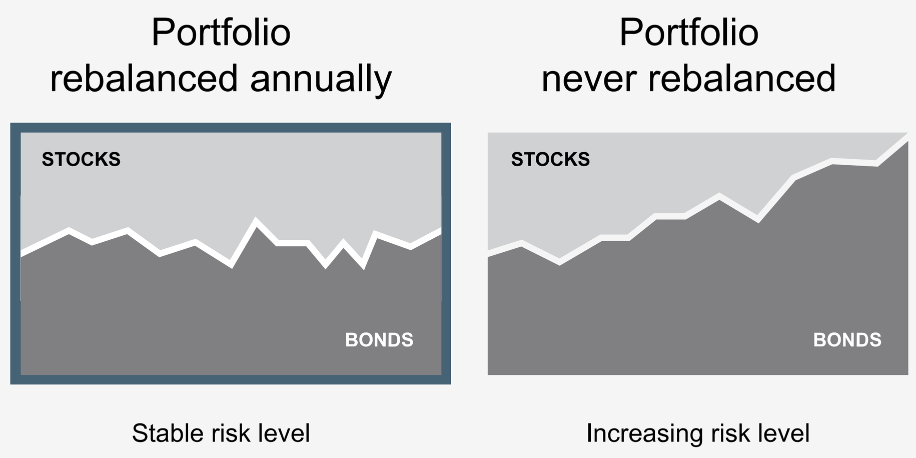
Periodic rebalancing is necessary to keep portfolio in line with the asset allocation designed for the objective.

Rebalancing helps to control portfolio risks; lack of rebalancing allows the high-return (and usually high-risk) assets to grow and results in higher portfolio risk.

We use cash inflows and outflows to make portfolio rebalancing more cost efficient and will rebalance your investment portfolio annually or when and if needed.

We help you understand why rebalancing is necessary to keep portfolio in line with their risk appetite throughout the cycle.

Rebalancing your portfolio



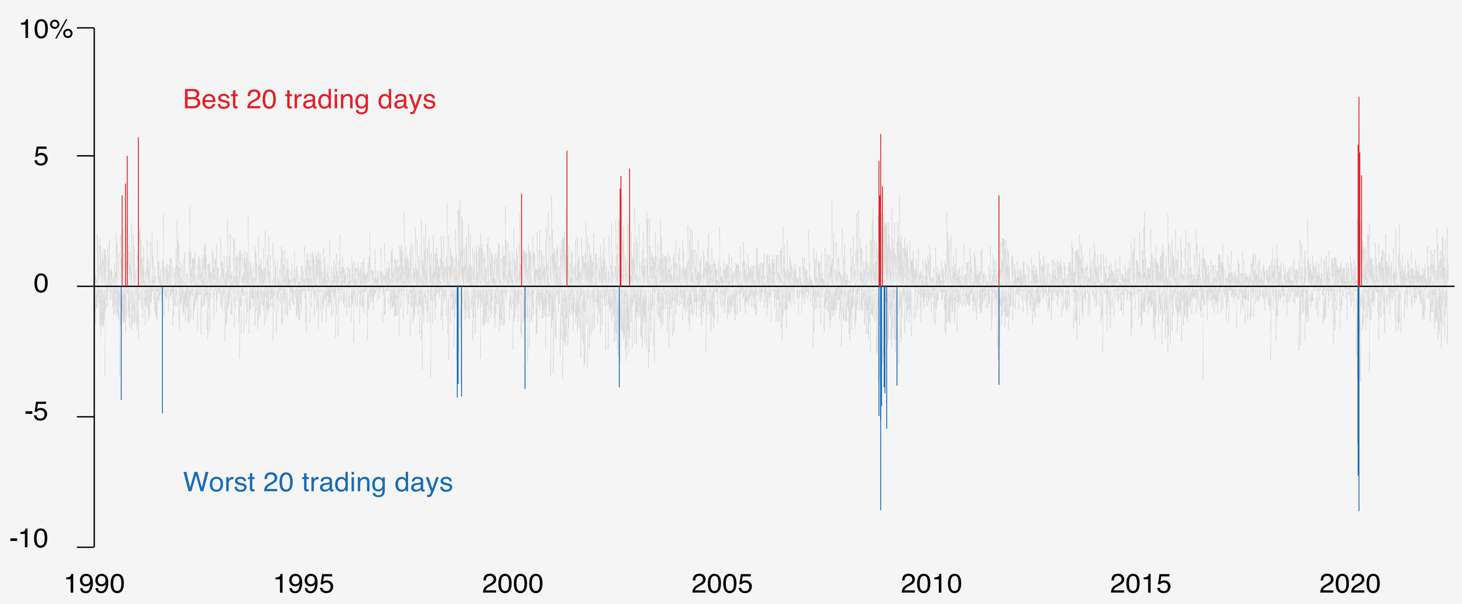
Market Cycles

We educate our clients on the dangers of reacting to market downturns and making poor investment decisions when emotional. We help you to focus on your long-term goals and how staying the course will help you to achieve them.

We believe in taking a long term strategic approach and create investment portfolios designed to withstand all market conditions.

Best and worst trading days

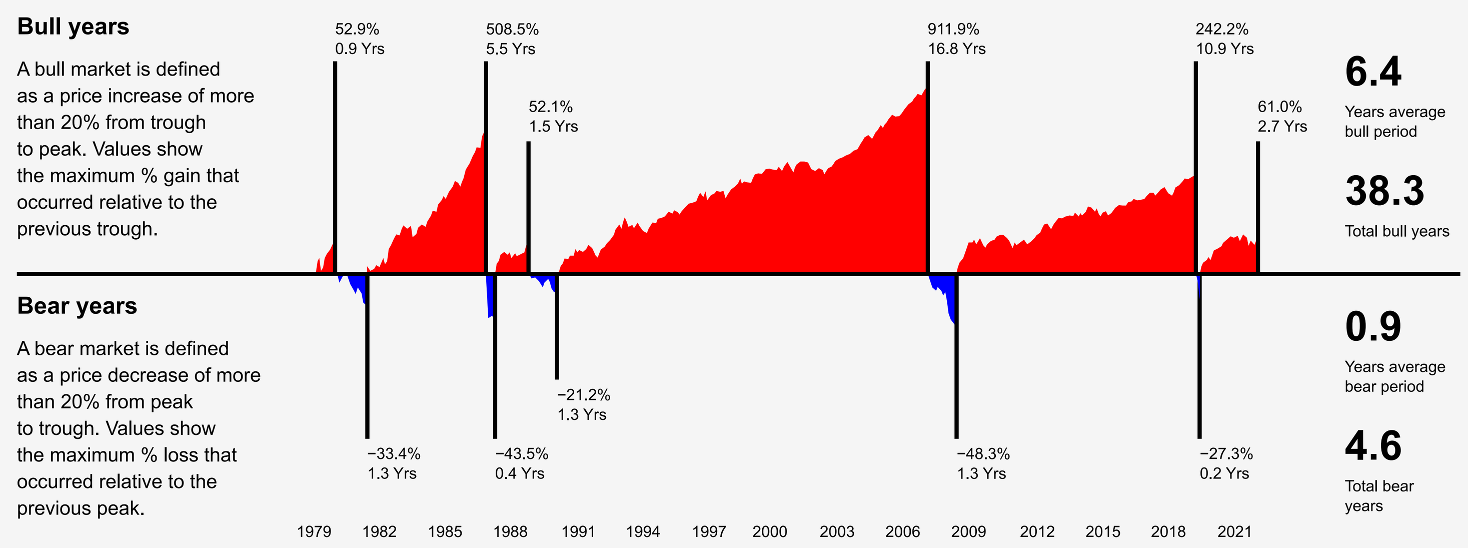
The best trading days often occur close to the worst days, so staying invested is important



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.

Importance of staying invested

How bull and bear markets have impacted returns over the past 40+ years: long term perspective



Notes: 1. The latest bull run is still ongoing. The calculations represent the price increase and period up to 30 November 2022. Calculations are based on the S&P All Ordinaries Index for the period 1/1/1980 to 30/11/2022. The plotted areas depict the losses/gains ranging from the minimum following a 20% loss to the respective maximum following a 20% appreciation in the underlying index. Calculations based on monthly data. Logarithmic scales are used for this illustration. All distributions are reinvested. Values in the figures reflect rounding. Sources: Morningstar data and Vanguard.

Where possible we encourage you to invest more.

Savings are among the few factors that clients can control.

You can substantially improve your long-term outcomes by saving more, spending less and letting compound growth improve your investment outcomes.

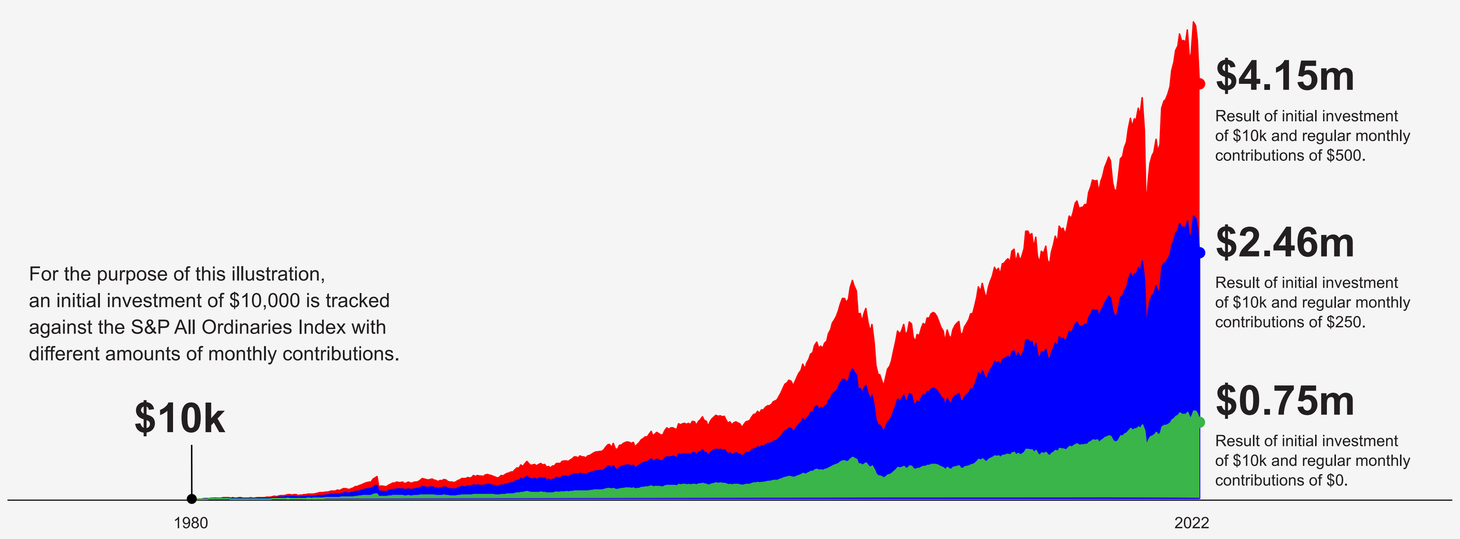
We can help you understand how and when to do this.

We will ensure that your assets are structured and invested in the most appropriate tax structures.

We can also speak with you about how you can maximise your superannuation contributions that strategically align to your long-term goals.

The power of regular contributions

Illustrating the growth of investments with regular contributions over the past 40+ years



Notes: Calculations are based on the S&P All Ordinaries Index for the period 1/1/1980 to 30/6/2022. Calculations based on monthly data. All distributions are reinvested. Sources: Morningstar data and Vanguard.

Investment Costs Matter

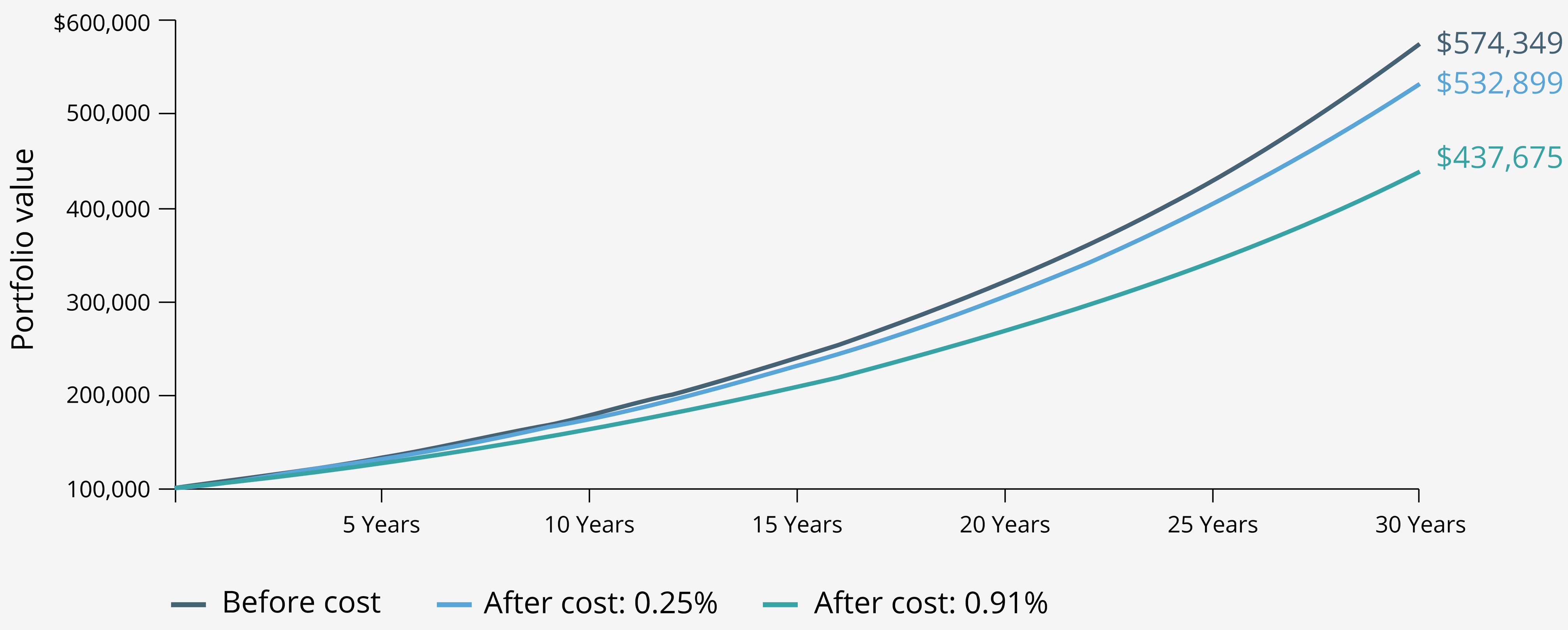
Clients cannot control the markets but they can control their overall costs.

We consider all costs that may impact your investments. These include platform fees, investment management fees, trading costs and any other costs.

The lower investment costs are, the more clients keep of their returns and the greater their chance of achieving investment success.

Impact of investment costs

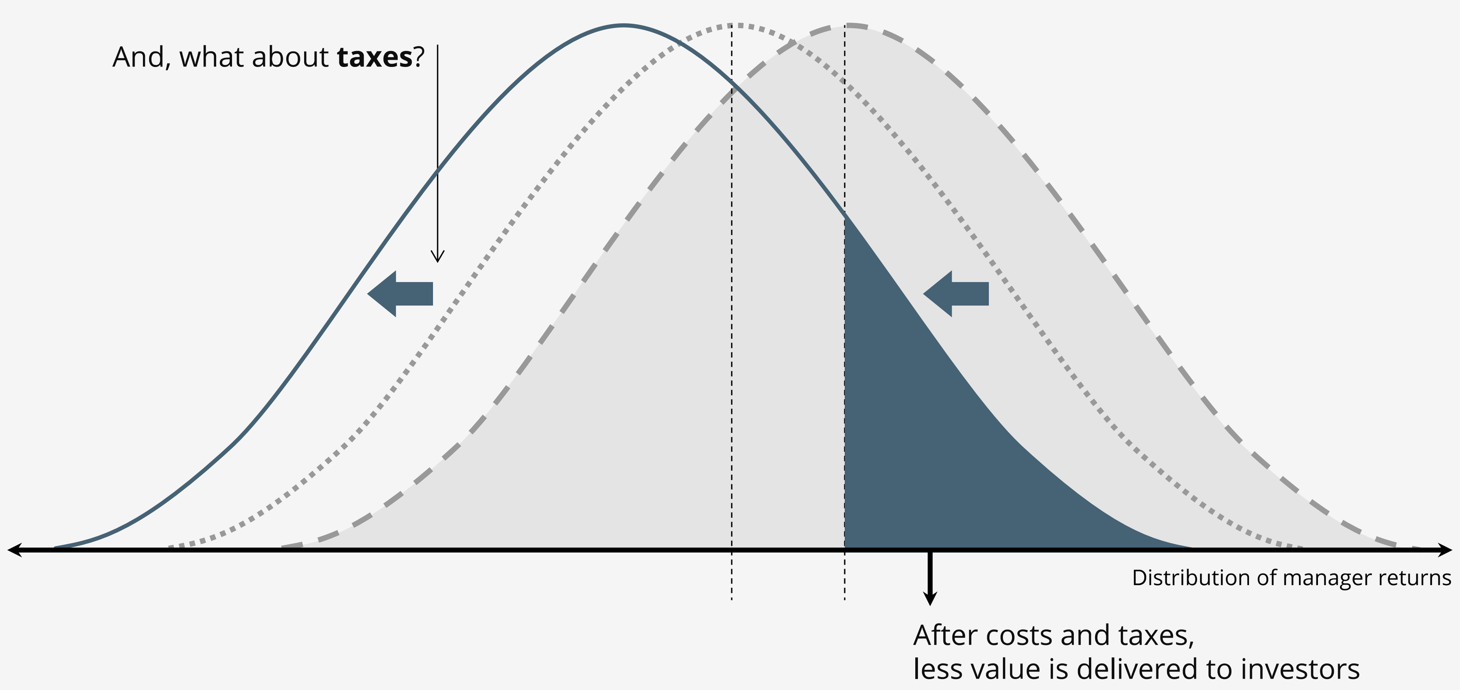
The long-term impact of investment costs on portfolio balances (assuming a starting balance of $100,000 with a yearly return of 6%, which is reinvested).



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.

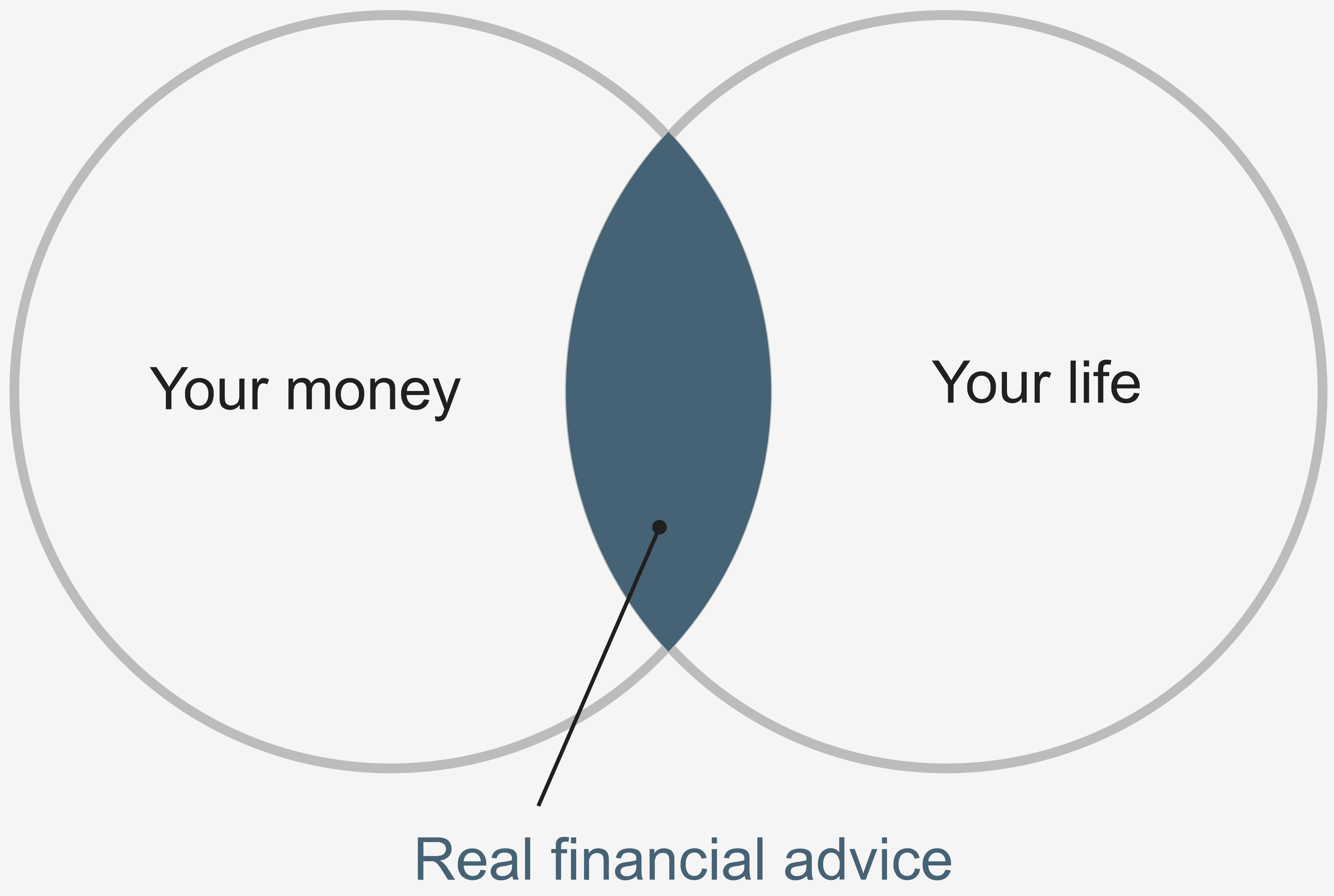
Impact of cost and taxes

Combined impact of costs and taxes leaves investors with lower net returns



Source: Vanguard Investment Strategy Group.

Value of advice



"Price is what you pay; value is what you get."

Warren Buffett (via Benjamin Graham)

Manager Selection & Governance

We believe it is important to understand manager's philosophy, culture, expertise and investment process.

Manager selection considerations

Talent
Carefully select managers with a proven process and demonstrable ability

Cost
Don't let high fees destroy fund performance

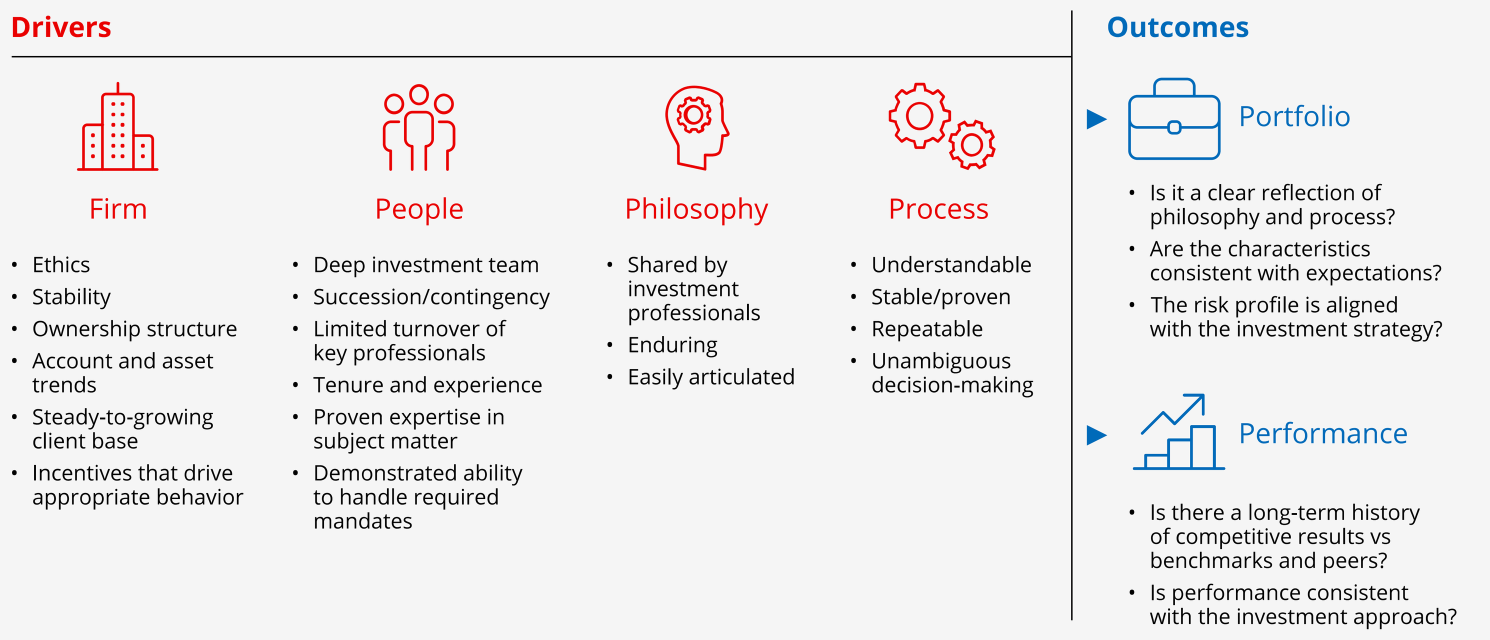
Patience
Accept that there will be periods of underperformance

We believe that an effective manager selection process is critical to attracting and retaining skilled managers to implement asset allocation and achieve investment objectives.

We consider key talent, investment costs, discipline and patience.

Framework for selecting investment managers

Emphasis on quality, not short-term performance



For every manager we establish measures of success and time period for which the manager will be evaluated.

We believe that relying on past returns is an easy way to make poor investment decisions.

Effective asset management requires focus on the long term.

Where an investment manager is removed from your portfolio, we will help you understand this and provide a suitable alternative.

We make a joint decision with professional research partners if investment managers are appointed or removed from portfolios.

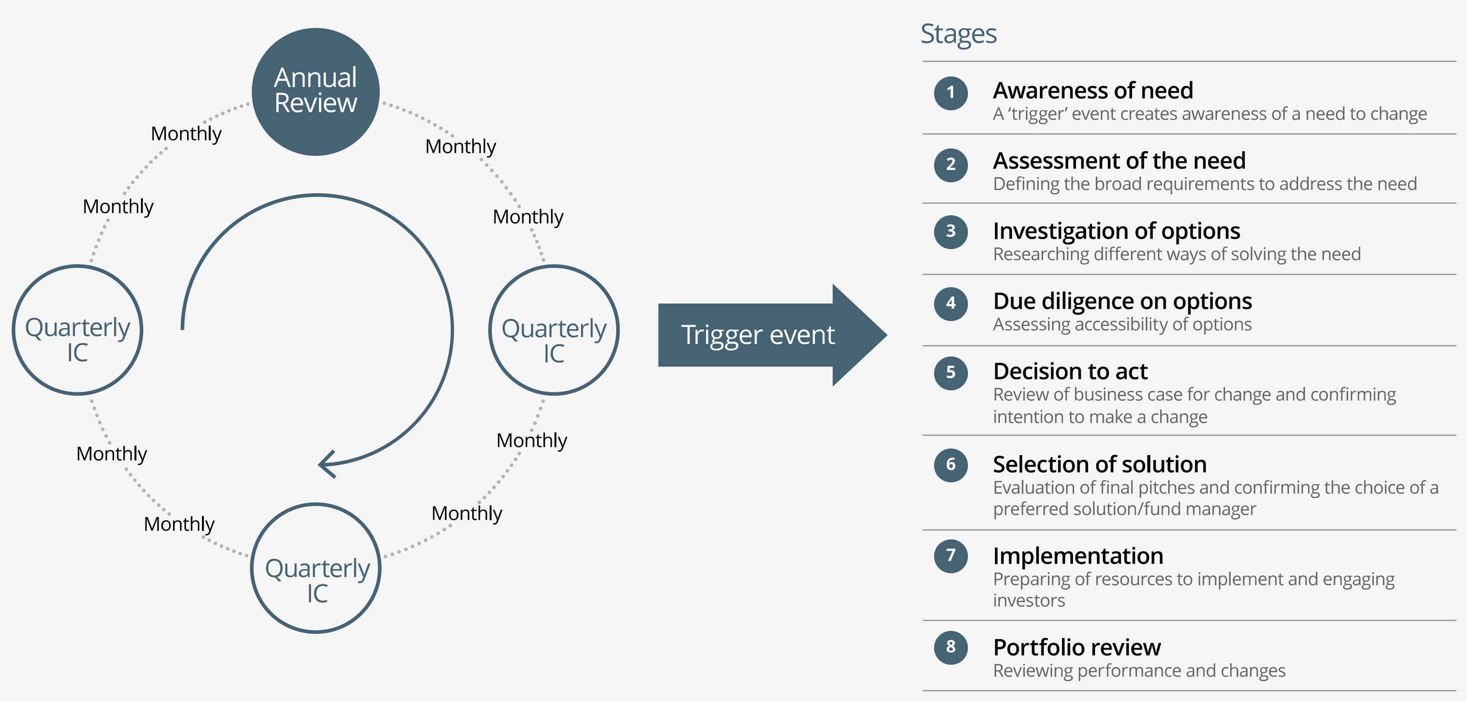
We believe that relying on past returns is an easy way to make poor investment decisions.

Effective asset management requires focus on the long term.

Manager oversight

- Regularly assess your agreed drivers
- Meet with a range of their team members
- Include meetings at their premises
- End the relationship when performance drivers no longer exist

Investment review process



We conduct quarterly investment committee meetings.

We undertake regular reviews to stay informed about investment portfolios and managers' capabilities. We pay attention to changes in manager ownership, personnel, resources and culture.

We maintain regular communications and contact with fund managers and product providers to ensure your portfolio is being managed in accordance with established guidelines, performing as mandated and achieving your investment objectives.

Having read through our Investment Philosophy, you'll now be aware of the framework we will be using to make recommendations and investment decisions on your behalf. We focus on fundamental principles that we believe will give our clients the best chance of success.

Are you heading in the right financial direction?

Check out our educational **E-books**

- Everything you wanted to know about super
- A guide to planning for aged care
- 5 steps to financial independence

We can help you plan for your financial future.

Our office

9/230 Clovelly Rd,
Clovelly West NSW 2031


Chris Saunders


Andrew Hewitt

Our team

With over decades of experience in the financial services industry, our team of advisers, paraplanning and marketing & administration support can ensure your financial future is well looked after.

Important information

1. Capital Counts Pty Ltd ABN 11 620 885 092, trading as Capital Counts, is an authorised representative and credit representative of AMP Financial Planning Pty Limited (Australian Financial Services Licence No. 232706).

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