LAWRANCE PRIVATE WEALTH

Investment Philosophy

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lawrancepw.com.au

Our commitment

A tailored approach

Our adviser team has over 50 years of collective experience and we confidently say no two clients are the same. Your objectives, risk tolerance and expectations are unique. That's why we don't offer out-of-the-box solutions. We deduce what's important to you and construct a personalised investment strategy that positions you for sustainable and enduring wealth creation. We then communicate clearly the returns and risks to ensure you feel empowered and informed.

Fiercely independent

No hidden fees. No benefit from commissions. We are product agnostic and not aligned with any advice network, platform or fund manager. Our fee is communicated at the beginning. Your portfolio is built from the ground up based on first principles. We question every cost you pay and ensure that the value you receive far outweighs the monetary outlay. We are transparent and will always act in your best interest.

In your corner

Investing is an emotional endeavour. Research has shown the feeling of losing is psychologically twice as powerful as an equivalent gain. Markets inevitably hit speed bumps, which can cultivate fear and anxiety. In times of volatility, we lean into emotions rather than view the position with practicality. Conversely, when there is euphoria, we are inherently sceptical. Our job as your adviser is to not only assist with your financial future but to be there when you need a sounding board and steadying hand.


Lawrance Private Wealth

Investment philosophy

Our investment philosophy is the overriding principle that helps us effectively protect and grow the wealth you have toiled so hard to secure.

Preservation of capital

Central to our investment philosophy is the preservation of your capital. We build diversified portfolios invested in assets, geographies, and currencies with low correlations to one another, preserving wealth and mitigating drawdowns. Research has shown that asset allocation, rather than individual security selection, drive most risk-adjusted returns. When one asset hits a wave, the remainder of the portfolio ensures smooth sailing.

Measure in decades

Our investing time-horizon is measured in decades rather than days, months or years. We want to be accumulators of assets, and therefore encourage clients to add regularly to their portfolios to benefit from the power of compounding.

We know markets fluctuate, but time in the market is your friend. After every rolling ten-year period, the ASX has posted an annual gain 100 per cent of the time.

Quality focus

We are dedicated to discovering the highest quality assets for our investors. After sourcing themes and sectors with the strongest future, we chase down investments that provide the best risk-adjusted returns. We are geographically agnostic, and where appropriate invest in international markets. For emerging thematics, we deploy a basket approach rather than trying to pick the ultimate winner. It's better to be approximately right than precisely wrong.

Minimise fees and tax

Trading costs, portfolio turnover, management fees and taxes all erode returns. We will advise changes, but they will be kept to a minimum and not used to justify our existence. Where we do suggest products, we use our scale to negotiate better pricing which is passed on to you. We minimise the impact of tax through capitalising on efficient structures and concessions.

“Compounding doesn't rely on earning big returns. Merely good returns sustained uninterrupted for the longest period of time - especially in times of chaos and havoc - will always win.”

- Morgan Housel

Investment committee

Unlike many of our peers, we take a collaborative approach to investing.

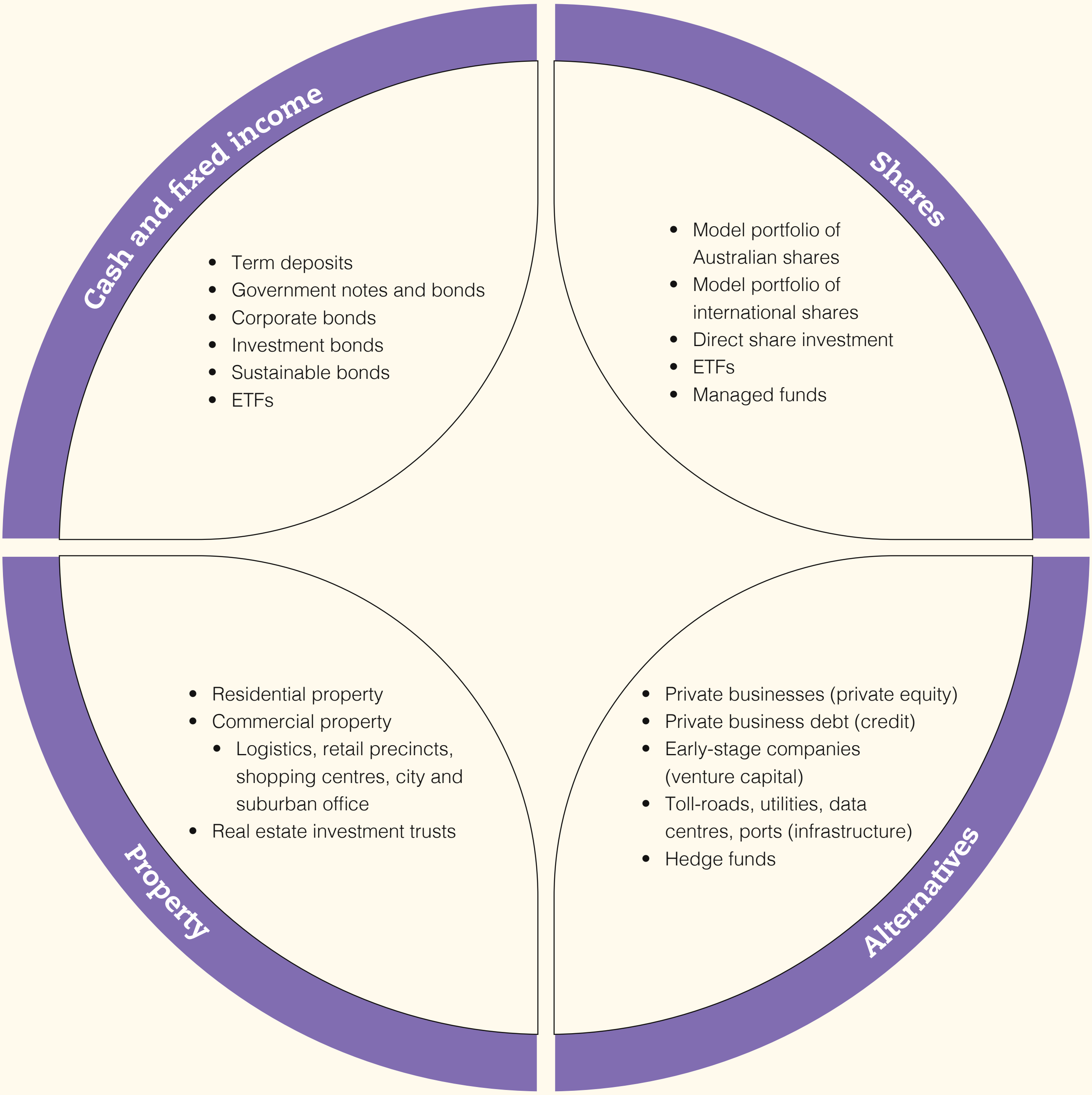
Your adviser is the principal point of contact regarding your investing strategy. Behind them is the investment committee reviewing the latest investment updates, publications and research.

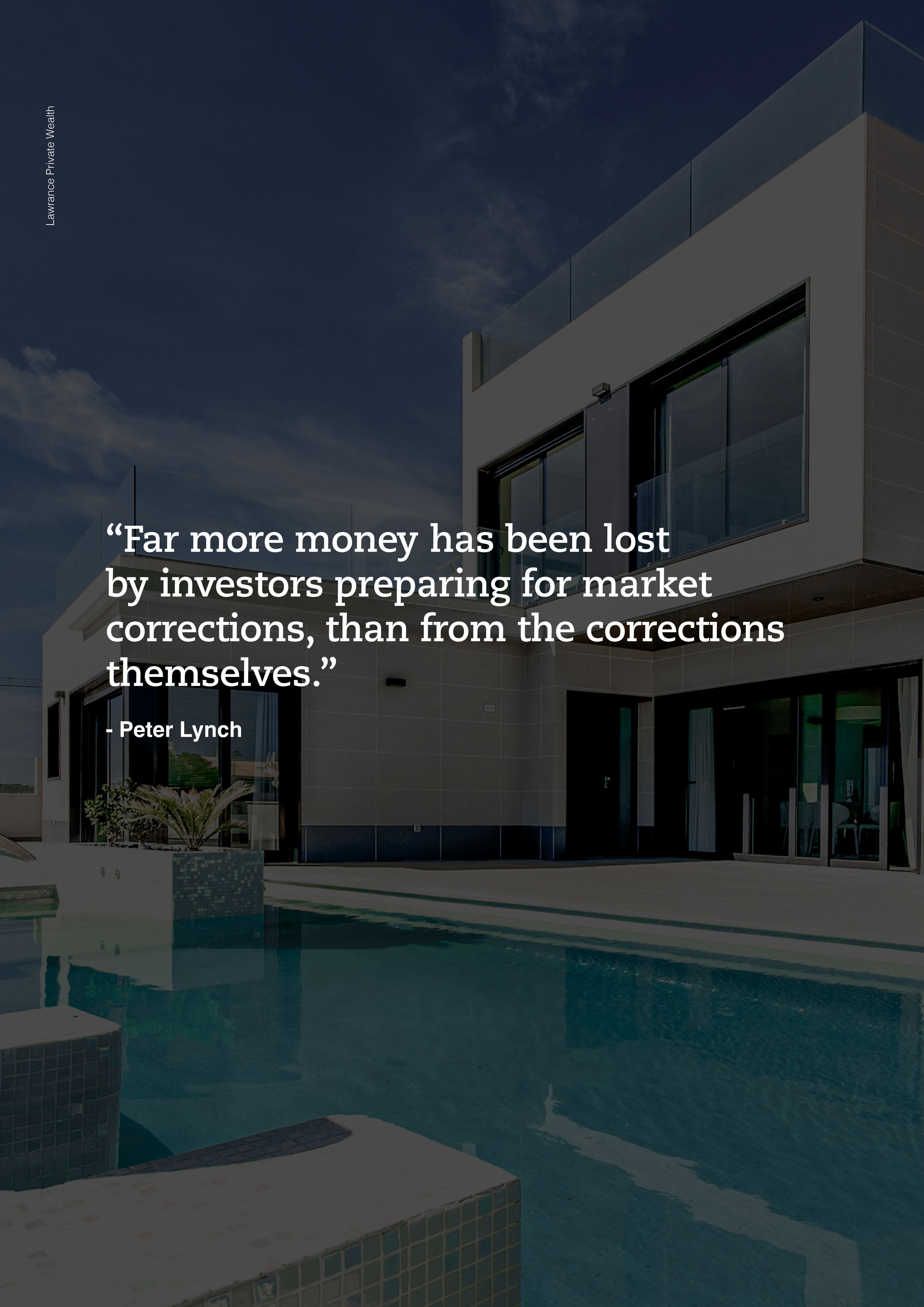
Discussion points at our monthly investment committee meeting include:

- Portfolio asset allocation and optimising risk-adjusted returns
- Advise rebalancing or reallocations where appropriate
- Latest changes to fund manager and exchange traded funds (ETFs) ratings
- Additions and subtractions to equity and fixed-income model portfolios
- New investment opportunities and product offerings
- Tactical investing, for example, the addition of currency hedging, when required

Investment choices

Approved by our investment committee, we provide clients access to a range of investment options and strategies for all stages of life.





"Far more money has been lost by investors preparing for market corrections, than from the corrections themselves."

- Peter Lynch

Your investment journey

The way you invest will change over time in accordance with your income, lifestyle choices and priorities. This means the investments you own also need to evolve.

First job

First investment vehicle is typically superannuation. Inherited gifts or bestowments from family are also a common introduction. Beginning to discover the various types of investments and asset classes, and building knowledge about different asset classes.

Young professional

Begin full-time work with a regular income. Money is spent on experiences, such as travel or a wedding. Excess savings are deployed into growth assets like ETFs and shares as well as high interest saving for a house deposit.

Wealth building

Purchase first home and the focus turns to long-term wealth. A second property or greater shares investment, potentially via superannuation, are the priorities. Planning for children's education and ensuring their needs are also considered.

Pre-retirement

Peak income. Children begin to leave the nest and attention focuses on planning for retirement. Additional superannuation contributions, alternatives, and rebalancing your portfolio towards income are all considerations.

Retirement and legacy

Wealth is largely established. Preservation and income are priorities. Bonds and term deposits support cash flow needs. Shares and property support growth. Consideration is also given to what investments you want to bestow future generations.

Your investment strategy

We develop investment strategies catered to your unique circumstances, objectives and risk tolerance.

Your adviser will touch base throughout this process and then clearly communicate what we have recommended. Once implemented, we monitor and advise on any changes as you progress through your investment journey.

Scope

- Establish your goals and objectives
- Identify your cash flow and lifestyle needs
- Review existing investments

Fact finding

- Establish your risk profile
- Liaise with advisers to discern your risk appetite
- Consult with investing committee

Sense check

- Touch base and explain key pillars of the investment strategy
- Provide education to foster confidence
- Colloborate with you for amendments

Proposal

- Formulate tailored investment proposal
- Communicate clearly the returns and risk of strategy
- Statement of Advice

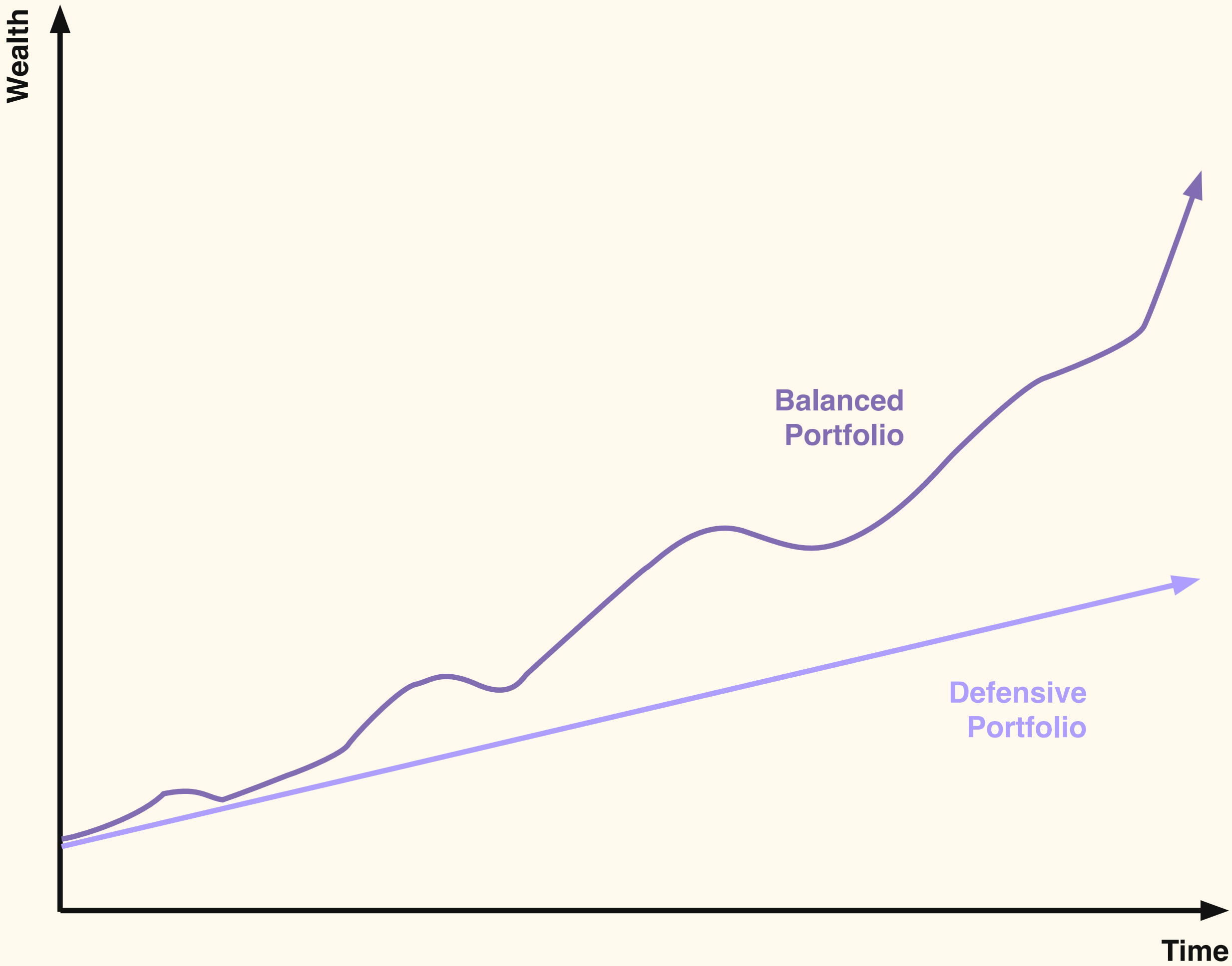
Ongoing review

- Review strategy aligns with desired goals and outcomes
- Where appropriate, conduct rebalancing
- Advise on new investment opportunities

Defensive investing

A defensive investment strategy involves owning assets which have historically produced stable returns with a low risk of capital impairment. The primary objective is to reduce the likelihood of losses. The strategy is attractive to investors who are highly risk-averse and more concerned with preserving capital rather than increasing wealth. Ultimately, defensive investing results in lower returns in the long run.

Defensive assets include fixed income, where interest is paid on money leant to reputable governments or businesses. It can also include cash assets such as term deposits and savings accounts. Investments are allocated to defensive assets and sectors that are less susceptible to economic shocks. These include utilities, healthcare, supermarkets and consumer goods where demand is more or less the same regardless of movements in inflation, unemployment or interest rates.



This graph is indicative only and should not be viewed as a representation of standard results.

Investing for women

Women face several unique challenges when it comes to investing.

The gender pay gap in addition to taking time away from work to care for children and family mean an average woman's portfolio is $413,000 compared to $667,000 for men. As a result, women are less diversified and are less likely to invest outside superannuation or the family home.

We also know that the way women interact and think about investing differs greatly from their male counterparts. Females are more risk-averse and therefore seek stable and reliable returns over more speculative investments. Women are also more likely to consider ethical investment choices and seek advice from family and friends.

As your adviser, our job is to help you navigate your investing journey. Examples of where can help include:

- Empowering you to make informed financial decisions that give you control over your future.
- Building an investing strategy that aligns with your objectives and personal values.
- Providing education and financial literacy around budgeting, investing and retirement.
- Navigating a divorce where assets need to be divided and then invested into passive income.
- Managing your finances after the passing of a loved one who typically took responsibility.

"That's really what wealth does for you. It gives you freedom to make choices."

- Oprah Winfrey

Retirement investing

For investors who are approaching or in retirement, we advocate a bucket approach to investing. The strategy insulates you from the ups and downs of the market by segregating wealth into three buckets, each with a unique set of objectives and investments. The result is ensuring you have sufficient income for your everyday expenses while also preserving and growing your nest egg.

Bucket 1: Cash flow needs

(short-term term, 0-2 years)

The first bucket is focused on your immediate cash flow needs to support everyday expenses and lifestyle. The priority is liquidity and ensuring you have sufficient income. When this bucket is low, it's replenished with returns from bucker number two.

Investments:
Pensions, bank accounts, cash reserves, term deposits, short-term bonds.

Bucket 2: Low-risk returns

(medium-term, 2-7 years)

This bucket is dedicated to providing reliable returns to support your income needs over the medium-term. Wealth is invested in a portfolio of assets with limited downside risk while maintaining strong investment returns.

Investments:
Fixed-income, government and corporate bonds with long maturities, credit and annuity-like assets.

Bucket 3: Long-term growth

(long-term, 7+ years)

The final bucket is allocated to growth assets that will shelter your portfolio against inflation, and grow wealth. Volatility among these investments is high, and therefore not relied upon to assist your cash flow needs in the short-term.

Investments:
Australian and international shares, ETFs, property and alternatives.

Ethical investing

Ethical investing, also referred to as environmental, social and governance investing, is an important consideration for many investors. Interest has proliferated in recent years as investors increasingly consider how their investments align with personal values.

Research has shown that ethical investing does not result in lower returns. In fact, ethical investing can produce better returns after accounting for risk. Intuitively this makes sense. Sustainable companies can access cheaper financing (via sustainability-linked loans) and typically operate business models less vulnerable to disruption.

Part of our onboarding process includes a discussion around what values, if any, you would like to incorporate into your investing strategy. We also incorporate software to rank investments based on sustainability criteria. Your adviser will suggest strategies, including positive and negative screening, based on your preferences, and explain in depth how each product addresses your values. Conscious of greenwashing, each product needs to be first approved by the investment committee.

Positive screening

Identifying an issue or cause that is important to you

Include organisations that are taking

tangible actions to address this cause

Negative screening

Identifying sectors or practices that do not align with your values

Organisations are subsequently removed from the investable universe

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